Minutes

of

The Meeting of the FDIC Advisory Committee on Economic Inclusion

of the

Federal Deposit Insurance Corporation

Held in the Board Room

Federal Deposit Insurance Corporation Building

Washington, D.C.

Open to Public Observation

October 30, 2015 – 9:00 A.M.

The meeting of the FDIC Advisory Committee on Economic Inclusion ("ComE-IN" or "Committee") was called to order by Martin J. Gruenberg, Chairman of the Board of Directors of the Federal Deposit Insurance Corporation ("Corporation" or "FDIC").

The members of ComE-IN present at the meeting were Robert A. Annibale, Global Director, Citi Microfinance and Community Development; Michael S. Barr, Professor of Law, University of Michigan Law School; Ted Beck, President and Chief Executive Officer ("CEO"), National Endowment for Financial Education; Kelvin Boston, Executive Producer and Host of PBS' *Moneywise with Kelvin Boston;* José Cisneros, Treasurer, City and County of San Francisco, California; Martin Eakes, CEO, Self-Help/Center for Responsible Lending; Rev. Dr. Floyd H. Flake, Senior Pastor, Greater Allen A.M.E. Cathedral of New York; Andrea Levere, President, Corporation for Enterprise Development; Patricia A. McCoy, Liberty Mutual Professor of Law, Boston College Law School; Mark W. Olson, Chairman, Treliant Risk Advisors; John W. Ryan, Executive Vice President, Conference of State Bank Supervisors; J. Michael Shepherd, Chairman and CEO, Bank of the West and BancWest Corporation; Phillip L. Swagel, Professor in International Economic Policy, University of Maryland; and John C. Weicher, Director, Center for Housing and Financial Markets, Hudson Institute.

Janie Barrera, Founding President and CEO of LiftFund, Inc.; Ester R. Fuchs, Professor, School of International and Public Affairs, Columbia University; Wade Henderson, President and CEO, Leadership Conference on Civil Rights, and Counselor to the Leadership Conference on Civil Rights Education Fund; Alden J. McDonald, Jr., President and CEO, Liberty Bank and

Trust Company; Bruce D. Murphy, Executive Vice President and President, Community Development Banking, KeyBank National Association; and Manuel Orozco, Senior Associate at the Inter-American Dialogue and Senior Researcher, Institute for the Study of International Migration, Georgetown University, were absent from the meeting.

Members of the Corporation's Board of Directors present at the meeting were Martin J. Gruenberg, Chairman, and Thomas M. Hoenig, Vice Chairman. Roberta K. McInerney, Designated Federal Officer for the Committee and Deputy General Counsel, Consumer, Enforcement/Employment, Insurance and Legislation Branch, FDIC Legal Division, also was present at the meeting.

Corporation staff who attended the meeting included Willa M. Allen, James A. Anderson, Steven O. App, Daniel J. Beaman, Lariece M. Brown, Luke H. Brown, Richard A. Brown, Susan Burhouse, Alexander S. Cheng, Karyen Chu, Kymberly K. Copa, Carolyn D. Curran, Christine M. Davis, Nancy DelCastillo, Paola L. Diaz, Dianne E. Dixon, Kareem T. Dorsey, Keith S. Ernst, Pamela J. Farwig, Richard Foley, Ralph E. Frable, David J. Friedman, Janet R. Gordon, Maisha Goss-Johns, Bobbie Gray, Simin Ho, Shamara L. Humbles, Monika S. Jansen, Alan W. Levy, Jonathan N. Miller, Benjamin L. Navarro, Jessica Nye, Elizabeth Ortiz, Richard Osterman, Mark E. Pearce, Sylvia H. Plunkett, Luke W. Reynolds, Barbara Ryan, Richard M. Schwartz, Patience R. Singleton, Kimberly Stock, Lori Thompson, Arleas Upton Key, Rachel A. Ursery, Jeffrey Weinstein, Angela A. Wu, Charles Yi, and Andrew Yu.

William A. Rowe, III, Deputy to the Chief of Staff and Liaison to the FDIC, Office of the Comptroller of the Currency, also was present at the meeting.

Chairman Gruenberg opened and presided at the meeting. He began by introducing two new members of the Advisory Committee, Mark Olson and Janie Barrera. Chairman Gruenberg then provided a brief overview of the meeting agenda, advising that the first panel of the morning session would provide an update on the new Bank On 2.0 initiative and its national account standards; that the next panel would provide an update on the FDIC's research on community banking; and that the third panel would present the FDIC's research on mobile technology as a vehicle to expanding access to the banking system. He then advised that the afternoon session would consist of a panel with representatives from the National Disability Institute ("NDI"), the Pennsylvania Assistive Technology Foundation ("PATF"), and the Capital Area Asset Builders ("CAAB") discussing some of the challenges individuals with disabilities face in accessing the banking system; and that the last panel would consist of staff from the FDIC and the U.S. Small Business Administration ("SBA") discussing the Money Smart for Small Business program. Chairman Gruenberg then introduced Jonathan Miller, Deputy Director for Policy and Research, Division of Depositor and Consumer Protection ("DCP"), who would be the moderator for the panel discussion on "Bank On 2.0 Update."

Before introducing José Cisneros, Treasurer, City and County of San Francisco, and Jonathan Mintz, President and CEO, Cities for Financial Empowerment, Mr. Miller advised that the first panel would update the Committee on the progress of the Bank On program since the October 2014 meeting of the Committee, where Mr. Cisneros and Mr. Mintz provided their plan to strengthen the Bank On program by having more institutions offer low cost, safe transaction accounts, particularly to low and moderate income families.

Mr. Mintz began by stating that the Bank On movement—which consists of a series of local and municipal coalitions—has focused on ways to partner with financial institutions and community organizations to address the issue of reaching and providing individuals outside of the mainstream banking system with access to non-overdraft accounts by creating the "Bank On National Account Standards;" that these standards would protect individuals and provide accessible and functional accounts; that three of the four national banks, JPMorgan Chase, Citibank, and Bank of America, offer products that meet these standards; and that Wells Fargo has committed to accounts that meet these standards by June 2016. He advised that the Bank On movement was working with the local partners and coalitions to have them use these standards as a tool in discussions with their banking partners; that a capacity grant fund was opened to help local coalitions and encourage their use of these standards; and that there is a strong prospect of these standards being used across the country through these local coalitions.

Mr. Cisneros continued, noting that San Francisco launched its Bank On program in 2006 in partnership with a coalition of the majority of local banks and credit unions to reach out to the unbanked population to help them avoid predatory check cashers by encouraging healthy relationships with mainstream financial institutions; that even individuals with mainstream accounts could get into financial trouble because of overdrafts; and that the Bank On National Account Standards provide an opportunity to help vulnerable individuals in their communities by offering safe accounts. He emphasized that many of the cities that launched programs similar to San Francisco's program have faced the difficulties of setting up the program and defining account standards; and that, rather than reinventing pieces of the program, cities can adopt and implement the Bank On National Account Standards to bring the safest opportunities to unbanked individuals. He briefly discussed two strongly recommended features of the Bank On National Account Standards that were essential to connecting safe accounts with unbanked individuals: (1) the accounts should be available to all individuals, regardless of history, including individuals on ChexSystems and unbanked individuals who have had problems in the past with overdrafts or insufficient funds, because these accounts are safe for both the account holders and the financial institutions; and (2) any form of identification allowed under Federal law should be applicable for opening such accounts.

Mr. Mintz concluded the presentation by advising that, with respect to future plans for the introduction of these national standards, San Francisco was the first city to formally embrace these standards; that Louisville was the next city planning to formally adopt these standards; and that meetings were being scheduled with many other cities interested in embracing these national standards and becoming partners in the program.

In the discussion that followed, Committee members offered a number of comments and suggestions. Mr. Annibale began by sharing some data gathered over the past 14 months with respect to approximately 70,000 Citi Access Accounts, noting that 45 percent were in low and moderate income ("LMI") areas and 55 percent in broader areas; that 55 percent of people opening accounts were new to banking, 46 percent were existing clients using these new products, and 44 percent were in LMI branch areas; that Citi Access Account users had a higher usage of electronic banking than Citi's other clients, with 52 percent banking online and 48 percent using mobile banking; that nine percent were opening online accounts compared to 11 percent of other checking products; and that 37 percent of those opening accounts had income levels of $30,000 or less, and 33 percent had income levels of $30,000 to $75,000. He also noted that a high percentage of these account users used bill pay, direct deposit, and ATM debit cards; that these products appealed to a wide range of individuals including unbanked and youth; that it was in line with online and mobile banking across all income brackets of Access Account users, with the average balances similar between LMI originated accounts and other areas; and that these accounts were in line with mainstream accounts and could be a successful and sustainable product for financial institutions. Mr. Beck suggested that the panelists work with the financial education community to share the Bank On National Account Standards with individuals through adult workshops or schools.

Mr. Barr asked about steps that banks could take to address the challenges within the account structure, such as funds availability and issues with ChexSystems. Mr. Cisneros responded by stating that, as cities launch their programs—or, in the case of San Francisco, relaunches its program—using these national standards, they would convene with local financial institutions and open a dialogue within their communities to analyze how they could go further to help individuals who need funds availability or were in ChexSystems. Mr. Mintz added that these national standards would expire at the end of 2016 in order to observe the evolution of the market and learn how the standards have helped regional and local product development; that regional banks had started changing product terms in accordance with these national standards; that the recommended features of these national standards have provided a roadmap for future steps; and that issues related to consumer reporting agencies, such as ChexSystems, would be one of the next areas of focus. Noting that immediate funds availability was an important feature, Mr. Swagel asked whether the three national banks plan to adopt the recommended account features. Mr. Mintz responded by stating that three of the national banks had products which meet the core feature terms, and vary on some of the recommended features; and that they were making progress on adopting the recommended features.

Ms. McCoy asked whether any banks were taking a leadership role in addressing the funds availability and ChexSystems issues. In response, Mr. Miller indicated that some banks have stated that, other than a fraud alert, they open safe accounts regardless of what was reported in ChexSystems; and that there was ambiguity regarding the interpretation of the term "fraud" that needed to be addressed. Mr. Mintz also responded, noting that the national account standards recommendation included actual fraud, which would not include victims of identity theft. In response to Mr. Boston's asking about the level of involvement of banks working with municipalities and credit unions, Mr. Mintz stated that credit unions are strong partners with local coalitions; that community organizations and banks not only have had strong relationships, but that city programs and funds could be used to connect to the unbanked; and that some cities were changing the payment mechanism for their summer youth employment programs by offering direct deposit rather than a paper check. Mr. Cisneros also responded, noting that San Francisco had launched a program that connects financial coaches to clients through work force training job develop efforts; that the financial coaches have helped these clients open accounts, prepare budgets, repair credit problems, and gain access to affordable or subsidized housing; and that San Francisco expected the program to have 20 sites by end of 2015.

Mr. Eakes commented that funds availability was an issue when structuring accounts that cannot be overdrawn or have negative balances because banks or credit unions may not have received credit for those funds; that the availability of immediate credit or real time funds transfer was an issue throughout the banking system; and that, if the banking system continued to make more innovations toward real time transfers over the next several years, there would be no need for ChexSystems. Mr. Flake asked how small credit unions could become involved and participate in a manner similar to other types of financial institutions. Mr. Cisneros responded by suggesting that any city, institution, or community group could seek out other local partners, including local city government leaders, and educate them about this work. Agreeing that education was a key element, Mr. Flake asked how to disseminate this information to as many people or institutions as possible. In response, Mr. Cisneros stated that a lot of work was being done to address this issue; and that San Francisco started its program by working with associations of cities, including the National League of Cities and the U.S. Conference of Mayors, to nationally share this information among mayors and city leaders. Mr. Shepherd stated that the consistency and broad applicability of these national account standards were very useful guidelines that have helped in the creation of products and engagements with the community.

Chairman Gruenberg noted that some thought should be given to the important concern that Mr. Flake raised regarding how smaller banks and credit unions interested in these types of accounts could learn more about what was involved in offering such accounts. He also noted that a substantial amount of time had been spent on establishing the infrastructure for these accounts; that developing these national account standards had helped in these accounts becoming widely available through major national institutions; and that the real focus now needed to be on expanding utilization of these accounts to reduce the number of unbanked and underbanked individuals on the local, regional, and national levels. After thanking Mr. Annibale for sharing data from Citi’s account experience, Chairman Gruenberg emphasized the importance of working with institutions to share their data and experiences in order to monitor and evaluate utilization of these accounts. He concluded by thanking Mr. Cisneros and Mr. Mintz for their leadership in providing the mechanism for moving the process forward and expanding access to the mainstream financial system.

Mr. Miller then introduced the next discussion panel with Richard A. Brown, Associate Director and Chief Economist, Division of Insurance and Research, to provide an overview of research on community banking in response to questions regarding the health and viability of community banks.

Mr. Brown began by stating that community banks filled a niche in the financial system in terms of how they do business with a local presence and relationship lending; and that the research conducted by the FDIC indicated that the decline of community banking has been greatly exaggerated. He briefly discussed charter consolidation and branch banking, noting that there has been a steady decline in the number of bank and thrift charters over the past 30 years—from slightly less than 20,000 in the early 1940s through the early 1980s, to 6,348 by June 2015. Breaking down this consolidation into its components, he explained that there were three types of voluntary attrition: (1) mergers between companies, with about 8,000 since 1985; (2) consolidation of charters within holding companies, with slightly more than 5,000 over the past 30 years; and (3) voluntary consolidation charters, for which there was a rapid period after the dismantling of state level restrictions on branching and restrictions on interstate banking, with attrition at a rate of more than 5 percent per year to almost 3 percent per year more recently, and a projected increase back to almost 5 percent by the end of this period; and that, with respect to involuntary attrition, there have been 2,725 bank failures over the past 30 years, with about 500 failures since the end of 2007 and eight failures this year. He emphasized that the total attrition of failures and mergers tended to be countercyclical, with voluntary consolidation increasing as failures decreased; and that the most rapid period of voluntary attrition was during a period of deregulation of geographic restrictions in the 1990s, which was followed by a slower period of consolidation that has been increasing over the last couple of years. He noted that, conversely, new charters were an important factor; that there has been an average of 157 new charters in the industry between 2000 and 2007; that there has been only four new charters in the past 5 years, which was attributable to the post-crisis environment that has not been ideal for the formation of new charters; and that research from the Board of Governors of the Federal Reserve System on the post-crisis decline of new charters in terms of economic factors indicated that 70 to 80 percent of the post-crisis decline in new charters was due solely to economic factors, primarily the zero percent interest rates, the effect on net interest margins, and the effect on return on assets and equity.

Next, Mr. Brown explained that, for the purposes of the FDIC's research, the term "community bank" was not defined strictly in terms of asset size, but in terms of the way they do business as relationship lenders relying on core deposits in a limited geographic area. Based on this definition, he noted that the total attrition for community banks over the past decade was half of that for noncommunity banks, the failure rate was higher for noncommunity banks, and the consolidation trend was proportionally more focused on noncommunity banks; that two-thirds of the community banks that failed or merged were bought by other community banks, especially if the closing community bank was very small (less than $100 million in assets) or midsize, but much less the case if the community bank was $1 to $10 billion; and that community banks have increased in size over time, from a median asset size of approximately $40 million in 1985 to approximately $170 million at present. With respect to branch banking as the other element of structural change, he stated that an analysis of the history of physical banking offices of federally insured banks and thrifts back to the early 1930s indicated that there have been a couple of waves of growth, with the number of physical banking offices expanding three to four times between the 1950s and the late 1980s before declining with the crisis in the late 1980s, and then increasing again in the 1990s to a peak of about 100,000 offices at the beginning of the recent crisis to a level of 95,000 offices in 2014. He continued, noting that the most of the growth of banking offices between 1970 and 2014 occurred in the Sunbelt states—primarily the metropolitan areas of the South and West, with the exception of California, which lost offices over time due to the savings and loans crisis of the 1980s and the loss of large institutions during the most recent crisis; and that, after the dismantling of restrictions on interstate banking with the Riegle-Neal Act of 1994, the average size of the bank branch office networks for banks over $10 billion more than doubled between 1987 and 2014. He stated that there was also growth in the average branch size of banks under $10 billion, mostly community banks, but that the average network size was much smaller for those institutions.

With respect to branch office density—defined by how prevalent offices are compared to population and economic activity—he noted that office density fell the most between 1987 and 2013 in states where statewide branching was already the law in 1979; that density had risen in the former unit banking states where unit banking laws were a restriction on branching; and that office density had increased from 2.2 offices per 10,000 persons in 1970 to 2.9 in 2014 where population grew 56 percent and the number of offices grew by 109 percent. He also noted that new technologies introduced since the early 1970s did not appear to have resulted in a decline in the density of offices; and that the number of offices was higher than at any time prior to 1977. He explained that markets appeared to have characteristics that remain static over time; that there were systematic and persistent differences in average density across the type of county, with the most dense banking markets appearing in rural counties due to greater distances and the need for more offices to serve customers in rural areas; that density on average was lower in the metropolitan counties; that there has been stability in the average density of those county types across time, with virtually no change in rural counties and micropolitan counties; and that, while there had been some decline in metropolitan counties, almost all of that decline occurred before 1995. In terms of geographic distribution, he reported that there were hundreds of counties around the country where the only banking offices were operated by community banks, with 646 counties where community banks had a 100 percent deposit share and another 598 counties where community banks had a 75 percent deposit share. Mr. Brown concluded by noting that the availability of more detailed data since 2008 has made it possible to analyze the changes in banking offices over time; that this data indicated that, since the 2008 post-crisis period, community banks have been more likely to open new offices and less likely to close existing offices than noncommunity banks; that noncommunity banks have been more proactive in closing offices as a cost cutting measure in the post-crisis environment; and that, overall, this data depicted the central importance of branch banking in the community banking model.

During the discussion that followed, Committee members offered a number of comments and suggestions. Mr. Boston began by asking whether minority owned community banks were taken into consideration, since there has been a significant decrease of minority owned community banks following the recession. In response, Mr. Brown noted that a separate report had been done on minority deposit institutions ("MDIs"), which indicated that they were hit hard by the recent crisis; that more work could be done in terms of how the branching structure has changed for MDIs; and that there was a concern with a lack of new charters because it could indicate the presence of underserved communities.

Mr. Eakes expressed concern that the decline in branch density appeared to coincide with the increased use of mobile technology, with a 25 percent decline in branch transactions over the last two years; that data have shown a decline in the number of credit unions, and credit unions with more than $500 million of assets increasing their total membership from 19 percent 20 years ago to 61 percent at present; and that this trend may be related to a number of factors, including potential information security risks of small community banks or credit unions and the limited amount of money they could spend to address information security compared to larger banks, the increased complexity of mortgage lending that was the primary source of business for most small community banks and credit unions, and the expectation of technology has made it more difficult for small institutions, particularly MDIs. Mr. Brown responded by stating that the post-crisis decline in charters was similar to the decline after the last crisis; that there was not much incentive for banks to open new branches; and that the FDIC surveys have indicated that, while there may be fewer transactions, doing business in person in a branch was the most common way for individuals to interact with their banks and face-to-face transactions were a complement to technological interactions.

Ms. Levere suggested that it would be important to have data specifically on minority banks exiting the industry; and that it would be useful to overlay this county level data on community banks with data on the unbanked and underbanked to develop future strategies for connecting financial education to bring unbanked and underbanked individuals into the banking system. Mr. Brown stated that it was possible to overlay the county level data with other data; that the FDIC would have to partner with others to obtain data on community bank activities in schools; and that sharing the FDIC's Money Smart curriculum with schools and community organizations was a long standing effort by the FDIC to get that information to people who need it. Mr. Miller added that the FDIC was working with the U.S. Census to use statistical methods to improve the data on the local level. Mr. Cisneros emphasized the importance of bank branches for providing families in low income communities access to banking, noting that San Francisco's "Kindergarten to College" program, in partnership with Citibank, has opened over 22,000 accounts for low income families of kindergarteners entering public schools, with two-thirds of the first deposits into those accounts having been made by individuals who walked into bank branches to make their deposits and more than half of all the deposits being made in person in bank branches over time.

Mr. Weicher asked about the definition of "closely held" community banks and the correlation between the growth of community banks and counties that were decreasing in population. Mr. Brown responded that "closely held" was a custom definition with respect to the governance of the institution; that geographic immobility was a limitation on the growth opportunity for community banks as compared to noncommunity banks that could move to fast-growing metropolitan areas; and that community banks' ties to their local communities were a benefit, but the lack of growth in a community could limit their opportunities. Mr. Olson commented on the uniqueness of the U.S. banking system in terms of the number of banks—with over 6,000 banks—and growth compared to other countries; that a previous global study indicated a correlation between the close proximity of individuals' homes and banks; and that the future of community banks would most likely not be determined by the level of regulations or maturity of the ownership, but the access to capital needed for a new charter. In response, Mr. Brown stated that closely held banks seemed to have access to external capital, generally with a smaller group of shareholders; that historically there has not been a shortage of capital for banks; that the issue currently appears to be the potential return on equity, in part because net interest margins are low; and that, until a normalization of the interest rate environment exists, community banks may not be as attractive as some other opportunities.

Mr. Ryan suggested pursuing more research on new charter formation, noting that there was a concern of potentially losing the relationship lending model, particularly in minority and rural communities, with aging board members and leadership. He asked whether certain restrictions, such as antitrust restrictions based on the Herfindahl-Hirschman Index, would prevent local community banks from merging, potentially resulting in self-liquidation and a loss of service; and what size a community needed to be to support a bank that would serve it. In response, Mr. Brown stated that the FDIC has not studied how antitrust restrictions apply to bank mergers; that this would be an interesting area for further research, particularly since it was important to understand more about the new chartering cycle; and that, with respect to the size of a community needed to support a bank that would serve it, the FDIC has continued to do more work on economies of scale for community banking.

Chairman Gruenberg then noted that the FDIC's research has demonstrated that the community bank business model of careful relationship lending funded by stable core deposits focused on a local geographic community that the bank understands has held up well over the very challenging period of the last several years; that consolidations over the past 30 years have mostly been concentrated in institutions with assets below $100 million; that, 30 years ago, there were a total of 18,000 banks, of which 13,500 had assets under $100 million and 6,000 had assets under $25 million; that, today, there were less than 2,000 banks in the U.S. with assets under $100 million, which has accounted for the entire differential in the number of bank charters between 30 years ago and today; and that, for institutions with assets between $100 million and $1 billion, there were more banks today with a larger volume of aggregate assets than 30 years ago, and the same was true for banks with assets between $1 billion and $10 billion. Chairman Gruenberg also noted that the consolidation taking place among community banks was primarily within the community bank sector; that the mergers and acquisitions relating to those institutions were largely being done with other community banks with assets above $100 million, which was increasing the average size of community banks; and that the community bank sector was remaining quite strong and viable, with community banks today holding about 14 percent of all banking assets in the U.S. and accounting for 45 percent of all small loans to businesses and farms made in the U.S. He concluded by stating there were many forces impacting the community bank sector, which has remained one of the strengths in the U.S. banking system.

Mr. Miller then announced that the meeting would briefly recess. Accordingly, at 10:36 a.m., the meeting stood in recess.

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The meeting reconvened at 10:54 a.m. that same day, with Karyen Chu, Chief, Consumer Research and Examination Analytics, DCP, moderating a panel on the FDIC's mobile banking qualitative research. Ms Chu began by noting that, in April 2014, the FDIC presented a whitepaper that analyzed the opportunities and challenges of using mobile financial services ("MFS") to improve access to, sustain, and grow banking relationships; and that, in the spring of 2015, the FDIC launched a qualitative research project to gain insight into some of the findings and questions raised in the whitepaper. Ms. Chu explained that the FDIC's research project has completed two rounds of consumer focus groups, which will be followed by a structured dialogue with industry participants by the end of 2015. She advised that the panel would present findings from the two consumer focus groups; that the first round of these groups focused on understanding consumers' financial transaction needs and practices and assessing consumer interest in an array of different mobile financial services, such as alerts and remote deposit capture; and that the second round explored specific mobile financial services that emerged from the first round as those services with the greatest consumer interest and potential for expanding economic inclusion.

Benjamin L. Navarro, Policy Analyst, DCP, began with an overview of the focus group participants and research methodology. He noted that, between May and July 2015, the FDIC conducted 18 focus groups of 172 total participants in Memphis, Tennessee; Los Angeles, California; and Kansas City, Missouri; with four focus groups being conducted in Spanish and the rest in English; that the participants included unbanked and under banked individuals that were smartphone owners; and that there was a mixture of consumers currently using MFS and those not using MFS, with greater representation from low to moderate income and younger consumers. He also noted that the methodology followed standard industry practices for gathering qualitative feedback, but that there were limitations to these practices, including that: (1) samples sizes were small and based on convenient sources, which limited the degree to which results can be generalized across the underserved population; (2) specific underserved consumers who met a precise combination of criteria were sought out over other potential participants to ensure discussion on specific topics; and (3) qualitative data was subject to varying interpretations.

Mr. Navarro briefly discussed some of the findings on consumers' financial needs, noting that underserved consumers had deeply rooted financial needs, particularly: (1) control of their finances, including knowledge of when and how money was deposited and withdrawn from their accounts, confidence that transactions would be processed quickly, absence of unexpected fees, choice in payment methods, no limits on ATM withdrawals or in-person transactions, and ease of long term record keeping; (2) security, including protection against identity theft and data, safeguards against financial institution failure or mistakes, and privacy; and (3) long term financial management abilities, including advice on financial planning, access to long term credit products like mortgage and auto loans, and access to investment products. He also noted that underserved consumers have practical needs, particularly: (1) access to money, including access to funds as soon as they are received by financial providers, short hold times from financial providers or vendors, quick resolution of holds related to suspected fraud or disputes involving unauthorized transactions; (2) convenience, including financial services at locations close to work or home that are open past normal business hours, access to online and mobile financial management tools, and the ability to access to check account balances and review transactions online; (3) affordability, including the cost of account maintenance fees, individual transaction fees, check cashing fees, money order fees, and other fees associated with bill paying, deposits, cash withdrawals, and overdrafts; and (4) good customer service, including the availability of assistance through a preferred channel at a convenient time to the consumer, lack of excessive wait times to connect with representatives, and not having to speak with multiple people before resolving an issue or answering a question.

Mr. Navarro also discussed the benefits and drawbacks of financial products that were important to underserved consumers, noting that cash remained a key method of payment for many underserved consumers in day-to-day financial transactions; that a significant number of underserved consumers with bank and credit union accounts still used checks to pay bills and transfer money; that most underserved consumers used money orders even if they had bank accounts and access to personal checks, primarily because of the preference of the payee; that prepaid cards were used as a substitute for checking accounts for a large number of underserved consumers, with many underserved consumers using prepaid cards as their primary method of payment; and that online peer-to-peer payment tools offered by banks, wire services, and other companies were not commonly used among underserved consumers. He concluded by noting that underserved consumers used a variety of financial products which they acquired depending on how well a particular provider met their core financial needs; that banks and credit unions were considered to be the strongest providers of long term financial management services, robust security, and high quality customer service, but customers were disappointed with the level of control they had over their money, their sense of convenience, affordability of their accounts, and limited access to their money; that nonbank prepaid cards offered underserved consumers control, quick access to their money, convenience, and affordability, but prepaid cards were not considered as secure or valued for their customer service and long term financial management support.

Next, Susan Burhouse, Senior Consumer Researcher, DCP, discussed consumer perceptions of MFS, which, for the purposes of the focus group discussions, encompassed a broad range of financial services accessible from a mobile phone, including the ability to conduct financial transactions and access account information. She noted that consumers had a high awareness of MFS, with many learning about MFS directly through their financial providers; that most consumers perceived setting up MFS to be straightforward and easy; that some consumers wanted to do all the setup on their mobile phones, but others preferred to set up on a computer for various reasons, including security; and that some consumers sought assistance from their bank representatives for MFS setup, especially for those not currently using MFS.

Ms. Burhouse briefly discussed how consumers used MFS to meet their needs, noting that the most common use of MFS was for checking balances and transaction history; that consumers found it helpful and convenient to be able to monitor their accounts at any time; and that many consumers were taking advantage of mobile alerts, such as alerts for daily or weekly account balances, low balance alerts to prevent overdraft fees, and fraud alerts. She also noted that the consumers receive alerts through both email or text; that a few consumers were concerned with the high number of alerts and the timing of alerts; that a small number of consumers felt that they spent more money after being reminded of their balances; and that consumers saw value in receiving emails and texts with information they requested, but did not want these channels used for other purposes such as marketing or unsolicited communications from their service providers, which could limit opportunities to inform consumers of new products. Ms. Burhouse continued, reporting that consumers also used MFS to pay bills on their phone; that those who used mobile bill payment enjoyed the convenience of automating and documenting their payments, while some consumers did not find value in mobile bill payment because they used online bill payment methods; and that some consumers expressed concerns that automated bill payment would not allow them to stop or prioritize payments if they did not have enough funds in their account or payments would not be processed to pay a bill that was due immediately. She also reported that a less commonly used MFS feature was peer-to-peer payments, typically to transfer money to family and friends; that consumers expected these types of transactions to occur faster and more easily than other methods, such as wire transfers or checks; that very few underserved consumers used mobile remote deposit capture that would allow them to deposit checks by taking and sending pictures of checks with their phones to their financial institution, with many expressing concerns regarding funds availability and security. Noting that the consumer focus groups also discussed mobile account opening, Ms. Burhouse reported that consumers did not express a strong demand for mobile account opening; that many consumers had concerns about security; and that underserved consumers expressed a strong desire to have personal interaction at account opening to ensure that their accounts were set up correctly.

Ms. Burhouse summarized some of the challenges and reasons why consumers might not be adopting certain features of MFS; that security and privacy were the main barriers to consumers adopting MFS, with consumers being concerned about identity theft, fraud, and loss of quick and easy access to their accounts; that some consumers were concerned that transactions would not go through properly or get interrupted because of poor signals; and that consumers did not want to open up unwanted channels of communication through MFS. She also noted that these barriers to MFS adoption were particularly strong among certain segments of consumers;

that Spanish-speaking groups conducted more cash transactions and less mobile transactions; and that many current MFS users stated that the benefits outweighed the risks and met consumers' needs for convenience, affordability, and control. She briefly outlined some improvements to MFS suggested by consumers, including the desire for more visuals and infographic tools, increased customization of new features and alerts, more integration with existing financial management tools, more consistency of information and features with online or in-person experiences, and greater integration of mobile-based customer service. Ms. Burhouse concluded with a brief discussion of opportunities for banks in MFS, noting that long term financial management was a strength that banks should work to maintain and could further strengthen through MFS tools; that control, convenience, and affordability were opportunities for banks to better meet consumer needs through MFS that could lead to sustainable banking relationships; that banks performed well on security and customer service and would need to protect this image from consumer concerns about MFS generally; and that MFS would not be able to improve perceptions of access to money through banks without other policy and product changes.

Mr. Navarro concluded the panel's presentation with a brief summary of the key findings of the consumer phase of the FDIC's qualitative research. He then advised that, for the next phase, the FDIC would conduct interviews with industry participants to discuss the consumer focus group findings and other topics to better understand their experiences and views on the use of MFS as an economic inclusion tool, with the release in the spring of 2016 of a full report on the findings from both the consumer and industry phases of the qualitative research.

Committee members offered a number of comments and suggestions during the discussion that followed, with Ms. McCoy commenting that it would be interesting to know if there was any financial literacy literature or other resources regarding what makes infographics easier to use and helps to build more confidence in consumers. Mr. Olson inquired whether there was any historical data on banking access for the underserved market that preceded the FDIC's work in order to track a broader period of time. In response, Ms. Chu stated that there was some information in the survey for consumer finances done before the FDIC study; and that the survey of consumer finances was at the individual level compared to the household level. Ms. Levere asked whether there was any age distinction that would indicate those who were fully mobile versus those that were not; she also asked how people were using mobile technology to save money rather than to pay bills or check account balances. In response, Mr. Navarro said that the benefit of MFS was the avoidance of fees through a deeper knowledge of their accounts and transactions, but that saving time was valuable to these consumers; and that saving funds was not a top concern for these consumers; and that, in terms of age, younger consumers appeared to be more engaged with MFS tools. Mr. Barr added that all of the students in one of his classes on payments used mobile applications and peer-to-peer transactions; and that only 3 out of 100 students had written a check within the last month.

Chairman Gruenberg noted that MFS appeared to offer the benefit of an effective tool for people to better manage their accounts to avoid overdrawing, save money, and avoid getting into financial difficulties that potentially could result in them losing their accounts, but that, since the people realizing these benefits already have an account, it would appear that the benefit from MFS was a derivative of having had the account and not necessarily the reason they opened the account. He observed that the availability of MFS may not be a driver to expand access, but that it may enhance the quality of the experience for those who do have access; and that, if there was a clear benefit to people that they can effectively utilize to manage their money, that may become a reason for people to open an account. Chairman Gruenberg emphasized that it was important for banks to communicate this benefit in their marketing because, for existing account holders, the threshold to use MFS was relatively low; that the threshold to use MFS for account activity, withdrawals, deposits, and payments was higher and raised more security issues for people; and that the relatively low and accessible threshold for effective management was a significant benefit for consumers and financial institutions.

Mr. Boston expressed concern that small community banks, especially minority-owned banks, would be unable to participate in mobile banking due to a lack of understanding and funds to invest in mobile technology. Chairman Gruenberg responded by noting that, in addition to this Committee, the FDIC has an advisory committee on community banking that was looking into this concern; that his perception was that most community banks understood that this was a critical issue for them going forward, with some embracing mobile technology more than others; that there was a significant diversity in community bank utilization of technology generally, and mobile technology specifically; that it was part of the technology challenge for community banks going forward; that the community bank business model was heavily reliant on relationship lending and community banks could build on this underlying strength of the relationship they have with their customers—and their ability to be more service-oriented for their customers—but the sophistication of community banks varies considerably; and that it may be a resource issue as well as a sophistication issue for some banks, but it was a key issue going forward. Mr. Boston suggested that the FDIC could help educate the leadership in community banks on ways to integrate technology overall and address the security issues in mobile banking.

Following additional comments from Committee members on the challenges community banks face relating to technology and mobile services, Chairman Gruenberg announced that the meeting would recess for lunch. Accordingly, at 12:07 p.m., the meeting stood in recess.

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The meeting reconvened at 1:23 p.m. that same day, at which time Keith Ernst, Associate Director, Consumer Research, DCP, moderated the panel on “Expanding Economic Inclusion for Individuals with Disabilities.” He noted that the most recent household survey showed that 18.4 percent of households headed by an individual with a disability were unbanked; that these households accounted for one in five of all unbanked households in the U.S.; and that these statistics led the FDIC to explore whether there were tangible opportunities to expand economic inclusion and learn more about the resources available to help recognize those opportunities. He then introduced the panelists: Michael Morris, Executive Director, NDI; Susan Tachau, Executive Director, PATF; and Richard Petersen, Executive Director, CAAB.

Mr. Morris began the panel presentation by explaining that NDI has become a bridge between disability organizations, financial institutions, and community nonprofit organizations working to build financial capability, inclusion, and economic self-sufficiency; that people with disabilities were not a homogenous group, but a group of people with diverse types of disabilities that represent about 10 percent of working-age adults in the U.S.; that disabilities in the U.S. cut across the dividing lines of gender, race, ethnicity, and age; and that the most common characteristic across these dividing lines was that approximately 28 percent of people with disabilities of working age were living at or below the poverty level. He advised that two reports on financial capability and behaviors of adults with disabilities that NDI produced with various partners have indicated that 8.9 million households headed by a working-age adult with a disability were unbanked or underbanked; and that approximately one in two working-age adults with disabilities were unbanked or underbanked. Mr. Morris shared additional findings from the reports, noting that these individuals were less likely to have checking and savings accounts; that these individuals were more likely to use direct deposit and alternative financial services; that these individuals were more likely to lack access to the online or mobile banking; and that, overall, these individuals were more likely to be single, nonwhite, lacking a college degree, and earning less than $30,000 annually.

Mr. Morris emphasized the importance of partnerships, briefly discussing some examples of best practices, such as one in Louisville, Kentucky, where the mayor's office partnered with 17 disability community partners and major banks to build an inclusive and collaborative strategy to identify opportunities for universally-designed services that advance financial capability related to employment goals that help build financial capability and promote greater financial independence for individuals with disabilities. He noted that the Workforce Innovation and Opportunity Act signed into law last year has placed a new emphasis on financial literacy and created many opportunities for partnerships and collaborations to provide affordable and accessible financial products for people with disabilities and increase their use of mainstream financial products and services; that there was a greater effort needed on financial education, one-on-one financial coaching, and outreach activities to keep customers with disabilities in the banking system; that the passage of the Achieving a Better Life Experience ("ABLE") Act, which provides for tax-advantaged savings accounts that qualified individuals with disabilities will be able to open, has created a huge marketing opportunity for banks focused on the millions of individuals and their families eligible to establish ABLE savings accounts; and that financial institutions can be good partners with the disability community by serving as model employers. Mr. Morris concluded by highlighting that there was a connection between financial wellness and physical and mental wellness; and that because of the direct cause and effect there were opportunities to bring financial counseling and coaching into the healthcare system.

Next, Ms. Tachau shared background information on PATF, which was founded under the Assistive Technology Act as an alternative financing program in Pennsylvania to assist people of all ages, income levels and disabilities to purchase assistive technology devices used to increase, maintain, or improve the functional capabilities and quality of their lives. She briefly discussed PATF's programs, noting that it identifies funding resources available in Pennsylvania for the purchase of assistive technology devices; that there were 36 states and territories with an alternative funding program; that it was a consumer-controlled organization with more than 51 percent of its employees or family members having disabilities; and that, last year, PATF had 775 different people requesting information about the program. She outlined a pilot program involving 17 young adults with disabilities funded through a grant from PNC Bank, where PATF matched each participant's contributions resulting in each participant saving $600 for assistive technology and three people finding full-time jobs. She also discussed how PATF became a community development financial institution that provides two types of loan programs: (1) direct lending—in amounts of $100 to $1,500 at zero percent interest and a $20 a month minimum payment—where 90 percent of its borrowers have very low income; through which individuals can build credit; and (2) low interest loans—in amounts from $1,500 to $60,000—for which PATF has partnered with financial institutions. Ms. Tachau concluded by noting that PATF has helped individuals purchase important assistive technology such as tablet technology, portable ramps, adaptive vehicles, home modifications, hearing aids; that PATF's program has helped keep people in their own homes and allowed them to work; and that PATF's program has allowed people with disabilities to be full contributing members of society.

Mr. Petersen then provided an overview of CAAB's mission to empower low and moderate income residents of the Greater D.C. Area to take control of their finances, increase their savings, and build wealth for a better future. He noted that CAAB has provided financial education for about 2,000 people each year through seminars, workshops, financial coaching; that it has helped individuals save their money through federal match savings programs and nonfederal individual development accounts; that it has helped about 5,000 to 6,000 people each year with free tax education and preparation; and that it has helped low and moderate income individuals save for education, business, and home purchases. Mr. Petersen advised that less than 5 percent of individuals helped by CAAB had disclosed that they were disabled; that CAAB recognized the need for it to be more proactive to ensure that people with disabilities are included in their services; and that CAAB has partnered with Citi Community Development to launch two initiatives: (1) CAAB In The Community, which partners with community organizations to integrate financial education into their services, and (2) individual development accounts for foster youth and special education students. He clarified that even with income, people with disabilities could participate in individual development account programs; and that, although their household income could not be above $10,000 to participate in these programs, CAAB was working with the Assets for Independence Program to allow individuals with disabilities to be considered households by themselves. He explained that the "Reach Outcomes. Achieve Dreams. Succeed" ("ROADS") to Financial Independence collaboration between the CFPB, NDI and local partners has tested intervention strategies to advance financial capability and stability of individuals with disabilities; that unofficial preliminary findings showed that about 600 individuals received a ROADS Financial Well-being Assessment to establish goals with the assistance of a financial coach; that people who disclosed a hearing disability on average had a credit score of 782, compared to others in the group who had a credit score of 583;

and that each individual required a customized approach through financial coaching to set goals and budgets.

Before opening the floor for discussion, Mr. Ernst noted that each panelist provided a description of strategies and resources available to bring individuals with disabilities into the mainstream—whether through accessing credit, making connections to financial services, or managing their finances—and that those individuals with disabilities accounted for 20 percent of all unbanked households.

Committee members then offered a number of comments and suggestions. Noting that approximately 25 percent of disabled individuals are people of color, Mr. Boston began by asking whether there were more findings regarding this group. In response, Mr. Morris noted that a male person of color with a disability was 2.5 times more likely than a white person to be living in poverty and 1.5 times more likely to be unbanked or underbanked; and that the combination of poverty, disability, and color was a challenging issue that required a new set of relationships of which financial institutions as well as a diverse array of community partners could play a significant role. Mr. Cisneros commented on the Bank On Louisville program, noting that it demonstrated the capacity of the Bank On programs to be tailored and targeted in their communities. Mr. Barr asked what efforts might be needed to mediate or reduce the stress that results from the interactions between financial stress and the stress of disabilities. In response, Mr. Morris discussed the potential for building a person's financial capability to make better and informed financial decisions as part of the public and private healthcare system, which could have a significant effect on individual and family economic status, as well as the economy as a whole. Mr. Annibale stated that the payback on the investment that Ms. Tachau discussed was significant; and that credit building, even in modest amounts, and micro financing were critical. Ms. Tachau responded by emphasizing the importance of helping individuals build credit and taking advantage of opportunities to use smartphones and technology to reach individuals with disabilities, especially the youth.

Ms. McCoy stated that the ABLE accounts were a great market opportunity and suggested building more relationships with depository institutions and investment companies; that a challenge with similar types of accounts and retirement accounts are take-up rates; and that she was surprised by the high number of unbanked and underbanked individuals among the disabled population given direct deposit of benefit checks and electronic benefit transfers. Mr. Morris stated that this was an area that needed more research. Ms. Levere emphasized the importance of understanding and building financial capability by partnering with various government agencies; that healthcare was a significant opportunity; and that Ms. Tachau was innovating around concepts that could benefit all people by focusing on unique challenges of disabled people and providing a model of best practices to follow. Mr. Boston stated that banks, such as JPMC and Bank of America, were hiring people with disabilities as part of their diversity strategy; and that having these banks share their best practices may help get these practices into corporate America. Mr. Eakes asked about how financial institutions should think about working with the disabled community: Is it best to serve the community as a whole or should financial institutions define a narrower market within the disabled community? Noting that this was a challenging problem, Mr. Morris emphasized that technology was important because it leveled the playing field for people regardless of the type or severity of disability; that it was important to realize that financial capability and changing financial behavior affect the economy as a whole; and that ABLE accounts offered an opportunity to creatively solve the problem of moving from poverty to financial freedom. Ms. Tachau added that since 2002, PATF helped 2,600 Pennsylvanians obtain consumer loans, extended more than $33 million in small loans with a default rate of less than one percent; and that technology was an important element.

Before a brief recess, Chairman Gruenberg noted that adding a few questions about disability to the household survey could be a starting point for this effort and that FDIC staff will consult and develop some suggestions for consideration at the Committee's next meeting. Accordingly, at 12:07 p.m., the meeting stood in recess.

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The meeting reconvened at 2:38 p.m. that same day, at which time Janet R. Gordon, Associate Director, Community Affairs, DCP, moderated the panel discussion on "Economic Inclusion and Money Smart for Small Business." She provided an overview of the FDIC's Community Affairs program, explaining that it developed the Money Smart tools and pursued collaborations and opportunities to improve financial education and capabilities; and that it included a network of regional staff that promotes economic inclusion and community development in the field with banks, government organizations, and community based groups. She briefly discussed the FDIC's small business and economic inclusion strategies to encourage banks and their partners to prudently serve emerging entrepreneurs and small businesses, noting that it has provided practical information to community banks, offered financial capability tools, and improved collaboration between community technical assistance resources and banks. After noting that the FDIC has had a strategic alliance with the SBA for several years focused on building financial capability for very small businesses, Ms. Gordon introduced the panelists: Tameka Montgomery, Associate Administrator, Office of Entrepreneurial Development, SBA; Luke W. Reynolds, Chief, Outreach and Program Development, DCP; Esther Wee, Senior Vice President, Director of Marketing and CRA Officer, Cathay Bank; and Kerry Situ, Program Manager, Chinatown Service Center.

Ms. Montgomery briefly described the SBA's focus, the structure of the Office of Entrepreneurial Development, and its programs, which include: 1,000 Small Business Development Centers; 106 Women's Business Centers; 11,000 mentors for small businesses through SCORE; the Emerging Leaders program; regional innovation clusters that support organizations in industry sectors; the ScaleUp America initiative that provides diverse, growth-oriented firms with intensive support to scale up their operations; and 15 Veterans' Business Outreach Centers across the nation. She explained that the SBA partnered with the FDIC on the Money Smart for Small Business initiative and engaged local communities to use this program in 68 district offices; that these alliances helped reach out to more people about their services; and that banking partners were key partners to increase access to capital for diverse and underserved entrepreneurs. She noted that the SBA was working to reduce barriers for women and people of color to access capital by encouraging more banks to offer loans of $150,000 or less and microloans of $50,000 or less; that, in July, the SBA issued a rule that allowed individuals on probation or parole to be able to secure a microloan; and that the SBA was intent on increasing access to its educational and entrepreneurial development resources, as well as its access to capital.

Mr. Reynolds continued the discussion, noting that Money Smart for Small Business was developed jointly by the FDIC and the SBA and launched in April 2012; that it was a free, instructor-led curriculum intended to help individuals without formal business training learn the basic elements important to the development of a successful small business, including recordkeeping, credit reporting, banking, and taxes; and that the course was viewed as a gateway for participants to take more advanced training and connect to supportive networks for coaching or counseling. He then briefly discussed three recent enhancements to Money Smart for Small Business, which included: (1) the addition of three new modules: the first provided an introduction to business ownership, the second provided a realistic perspective of cost and time of starting a new small business, and the third helps participants understand the purpose of cash flow and financial management; (2) revisions to the Financial Management module that provided more information on a balance sheet, software tools to help with bookkeeping, and the importance of keeping personal and business records separate, and to the Banking Services for Small Businesses module that included more information and guidance on establishing and maintaining a relationship with a bank, as well as the relationship between personal credit and business credit; and (3) full translation of the curriculum into Spanish. He explained that each copy of Money Smart for Small Business included a guide to presenting the curriculum, as well as a section on accommodating students with disabilities and encouraging accessibility of training; that the FDIC was developing a trainer course aimed at organizations with the capacity to conduct Money Smart for Small Business training that needed guidance on implementing the program; and that the FDIC was developing a set of online videos of trainer information.

Mr. Reynolds briefly described the components of the Money Smart for Small Business curriculum, noting that it had 13 modules—each about one hour long; that the modules could be taught alone or in combination; that instructors and participants could pick the most relevant sections; and that the Money Smart for Small Business curriculum was available for immediate download online and also would be available on CD. He also noted that other Money Smart products were available in nine languages for all ages; and that the FDIC provided a supplemental resource, “Consumer News,” which would provide ongoing information, including on small business issues. He concluded with a brief discussion of how these resources could be implemented through the Money Smart Alliance Program, where the FDIC facilitates how Money Smart Alliance members share information and ideas.

Ms. Wee then briefly discussed the history of Cathay Bank, noting that it was founded in 1962 with one branch in Los Angeles, California; and that Cathay Bank has since grown to $12 billion in assets, with 57 branches in nine states. Ms. Situ then explained that the Chinatown Service Center, established in 1971, was the largest community-based Chinese American health and human services organization in Southern California that offered a variety of services in the areas of healthcare, housing, education, welfare, and other areas of self-sufficiency to help immigrants adjust to American life. She stated that the Small Business Program was established in 1999 as part of the Asian Pacific Islander Small Business Program—which was part of the Women's Business Center of the SBA—to introduce entrepreneurship as an alternative way of making a living, and to strengthen and help grow existing businesses. Ms. Wee noted that the FDIC's Community Affairs office in Los Angeles and the SBA's offices brought together banks and community-based organizations in 2012 to introduce and launch Money Smart for Small Business; and that the Chinatown Service Center and Cathay Bank collaborated to translate and teach Money Smart for Small Business in Chinese annually for the past three years, with about 60 participants in 2015. Discussing the demographics of the attendees and the economic impact, Ms. Situ advised that approximately 80 percent of the attendees were from low to moderate income levels, 91 percent were first generation immigrants, 39 percent were new business owners, and 61 percent of the individuals wanted to explore entrepreneurship; that after the class, 86 percent of the participants reported an increase in knowledge of all the topics, 12 percent reported a sales increase, 13 businesses were created over the past two and a half years, 36 business plans were developed, 48 new jobs were created, and a loan for approximately $1 million was approved. Ms. Wee stated that, subsequently, many individuals signed up for one-on-one coaching through the Chinatown Service Center for assistance on managing their small business; that, over the past three years, Cathay Bank has co-hosted and taught Money Smart for Small Business in English with the Asian Pacific Islander Small Business Program, provided annual grants to the Los Angeles Latino Chamber of Commerce for the teaching of Money Smart for Small Business, and collaborated with the San Francisco SBA and Small Business Development Center to teach Money Smart for Small Business in Chinese in San Francisco in 2013.

In the discussion that followed, Committee members offered a number of comments and suggestions. Noting that Money Smart for Small Business was important for small businesses, especially for minority-owned and women-owned businesses, Mr. Barr expressed concern regarding an increased trend of abuses in the small business lending market, which made it important to integrate consumer protection for small businesses into this education. In response, Ms. Gordon advised that work was being done on identifying the abuses and the standards to address the abuses; and that the FDIC was training its staff to tell people about Money Smart for Small Business. Mr. Reynolds added that the curriculum encouraged small businesses to seek out programs from the SBA and its resource partners; and that the FDIC's consumer education resources, including Consumer News and Money Smart, have provided some general advice on shopping for loans.

Ms. Levere asked about the next steps after dealing with startups that have launched and would be experiencing financial capability challenges as they grow; she also asked how many of these businesses would be formalized, noting that partnering with community tax preparation sites could assist small business by helping them capitalize and get Schedule C tax benefits. In response, Ms. Montgomery emphasized the importance of Federal agencies partnering with and educating small businesses on available resources to help ensure that small businesses are not taken advantage of; that SBA programs and partners were important because they provided free, one-on-one long term assistance that could help small businesses identify the right lenders in their communities, as well as ongoing training, guidance, and technical assistance to assist them in understanding and managing their financials; and that the partnership between the FDIC and the SBA was important in delivering the Money Smart for Small Business resource as part of the SBA's business training and technical assistance programs. Ms. Wee added that Cathay Bank and the SBA conducted a capital access workshop in Los Angeles in Spanish; that Cathay Bank provided lines of credit or grants to Valley Economic Development Center and the Opportunity Fund so they could provide financing to micro enterprises; that Cathay Bank and Operation Hope helped people in the community; and that Cathay Bank's special program, called Smart Capital Line, has provided financing to businesses with a three-year financial track record. Ms. Gordon also noted that, through initiatives like the Alliance for Economic Inclusion, the FDIC collaborates with the community, including banks, to bring groups together to talk about solutions.

Noting the importance for small businesses to identify, understand, and manage risks, Mr. Olson asked how small businesses were learning risk management skills. Mr. Reynolds responded by stating that there was a module on risk management that provides users with basic information on risk management. Ms. Gordon also explained that risk management was an integral part of several of the modules, including the insurance module; that the program encouraged a structured plan and approach; and that the cash flow module also asked people to practically think through logistics with salary, operations, and suppliers. Ms. Wee noted that more needed to be done in this area; that Cathay Bank addressed this issue by sharing their experiences with participants; and that partners such as the Chinatown Service Center also shared information and alerted small businesses of concerns through hands-on help understanding the different ramifications of their own business. Responding to Mr. Boston's question about the number of users of Money Smart for Small Business, Mr. Reynolds advised that the curriculum was free, with no copyright restrictions, based on a model to encourage wide dissemination; and that there had been an average of about 500 to 600 copies disseminated per month since its release.

Chairman Gruenberg thanked the panelists for their presentation, noting that the Committee has made meaningful contributions to these fascinating issues; and that the agenda for the next Committee meeting would include a follow up on how to continue to engage with, and be supportive of, the Bank On efforts to expand the utilization of low cost transaction accounts. He stated that the panel on MFS emphasized the important connection between low cost transaction accounts and the utilization of mobile technology to empower a consumer to have low cost and safe access and the capacity through mobile technology to monitor and manage the account effectively; and that low cost transaction accounts and mobile technology were significant means of empowering people who lacked both access to the system and were integral part of several of the modules, including the insurance module; that the program encouraged a structured plan and approach; and that the cash flow module also asked people to practically think through logistics with salary, operations, and suppliers. Ms. Wee noted that more needed to be done in this area; that Cathay Bank addressed this issue by sharing their experiences with participants; and that partners such as the Chinatown Service Center also shared information and alerted small businesses of concerns through hands-on help understanding the different ramifications of their own business. Responding to Mr. Boston's question about the number of users of Money Smart for Small Business, Mr. Reynolds advised that the curriculum was free, with no copyright restrictions, based on a model to encourage wide dissemination; and that there had been an average of about 500 to 600 copies disseminated per month since its release.

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There being no further business, the meeting was adjourned at 3:26 p.m.

Robert E. Feldman
Executive Secretary
Federal Deposit Insurance Corporation
And Committee Management Officer
FDIC Advisory Committee on Economic Inclusion

October 30, 2015

Minutes

of

The Meeting of the FDIC Advisory Committee on Economic Inclusion

of the

Federal Deposit Insurance Corporation

Held in the Board Room

Federal Deposit Insurance Corporation Building

Washington, D.C.

Open to Public Observation

October 30, 2015 - 9:00 A.M.

I hereby certify that, to the best of my knowledge, the attached minutes are accurate and complete.

Martin J. Gruenberg
Chairman
Board of Directors
Federal Deposit Insurance Corporation