

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 24, 2018 – 9:10 A.M.

The meeting of the FDIC Advisory Committee on Economic Inclusion (“ComE-IN” or “Committee”) was called to order by Jelena McWilliams, 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; Janie Barrera, Founding President and CEO of LiftFund, Inc.; Ted Beck, retired 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; Wade Henderson, retired President and CEO, Leadership Conference on Civil Rights, and Counselor to the Leadership Conference on Civil Rights Education Fund; Andrea Levere, President, Corporation for Enterprise Development; Patricia A. McCoy, Liberty Mutual Professor of Law, Boston College Law School; Alden J. McDonald, Jr., President and CEO, Liberty Bank and Trust Company; John W. Ryan, President and Chief Executive Officer, Conference of State Bank Supervisors; Phillip L. Swagel, Professor in International Economic Policy, University of Maryland; and John C. Weicher, Director, Center for Housing and Financial Markets, Hudson Institute.

Committee members absent from the meeting were: Nandita Bakhshi, President and CEO, Bank of the West; Martin Eakes, CEO, Self-Help/Center for Responsible Lending; Ester R. Fuchs, Professor, School of International and Public Affairs, Columbia University; 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.

Members of the Corporation's Board of Directors present at the meeting were Jelena McWilliams, Chairman, and Martin J. Gruenberg, Director. Jonathan N. Miller, Designated Federal Officer for the Committee and Deputy Director, Division of Depositor and Consumer Protection, also was present at the meeting.

Corporation staff who attended the meeting included: James L. Anderson, Steven O. App, Michelle B. Baker-Dubbs, David Barr, Michael W. Briggs, Susan Burhouse, Karyen Chu, Timothy J. Davin, Chad R. Davis, Christine M. Davis, Angela Dean, Stephanie M. Downing, Keith S. Ernst, Irene Fang, Nicholas P. Frazier, Kathryn Fritzdixon, Peggi J. Gill, Maisha Goss-Johns, Bobbie Gray, Shannon N. Greco, Patricia S. Gurneau, Emerson B. Hall, Todd L. Hendrickson, Shamara L. Humbles, Ike Jones, Nicholas S. Kazmerski, Arleas Upton Kea, Rose Kushmeider, Alicia Lloro, Joan M. Lok, M. Anthony Lowe, Christopher Lucas, Jeffrey S. Manning, Brandon Milhorn, Tracie Greenway Morris, Nicola R. Myers, Elizabeth Ortiz, Yazmin E. Osaki, Mark E. Pearce, Teresa Perez, Sylvia H. Plunkett, David E. Ramos, Kristopher Rengert, Luke W. Reynolds, Betty J. Rudolph, Marguerite Sagatelian, Richard Schwartz, David L. Sharp, Philip A. Shively, Thomas E. Stokes, Lori Thompson, Clinton Vaughn, Eloy A. Villafranca, and Jeffrey Weinstein.

William A. Rowe III, Deputy to the Director (Comptroller of the Currency) also attended the meeting.

Chairman McWilliams opened and presided at the meeting. She began by noting that there was a lot of work to be done in the areas on which the Committee has focused, including some topics in which she has a personal interest. Drawing on her own experience, Chairman McWilliams briefly recounted arriving in the United States with \$500 in her pocket and finding that she could not get a credit card or a loan; that, by opening a checking account, she leveraged her \$500 to subsequently secure a credit card; and that obtaining a credit card gave her a sense of belonging and becoming a part of the financial system. She thanked the FDIC staff for all the work that has been done in this area, emphasizing that additional work needed to be done to bring more people into the financial system and ensure that they have access to safe consumer products and services. Chairman McWilliams then turned the discussion over to Jonathan Miller, Deputy Director, Division of Depositor and Consumer Protection ("DCP"), moderator for the meeting.

Before his introduction of Karyen Chu, Chief, Consumer Research and Examination Analytics Section, Policy and Research Branch, DCP, to moderate the first panel, "Presentation of the 2017 FDIC Household Survey Data," Mr. Miller acknowledged the hard work and dedication that the FDIC staff has contributed to produce this truly monumental study and survey report.

Ms. Chu advised that the panel would present an overview of the 2017 FDIC National Survey of Unbanked and Underbanked Households, noting that this was the fifth time the survey has been administered; that new questions have been added to the survey each time to broaden and deepen the information about unbanked and underbanked households' use of a wide range of financial services; and that the 2017 survey included new questions concerning credit, bank branch visits, and mobile financial activities. She then introduced the three other panelists from the survey report team: Jeffrey Weinstein, Senior Financial Economist, DCP; Alicia Lloro, Senior Financial Economist, DCP; and Kathryn Fritzdixon, Senior Financial Economist, Division of Insurance and Research.

Mr. Weinstein began with a brief background on the household survey, noting that the FDIC, in partnership with the U.S. Census Bureau, conducted the fifth biennial household survey in June 2017; that the goals of the survey were to provide reliable estimates of the unbanked and underbanked populations, as well as insights into how banks might better meet the needs of these consumers; and that the survey sample was nationally representative, with over 35,000 respondents and estimates available for both the national and state levels, as well as for larger metropolitan statistical areas. He advised that the panel would present an overview of the 2017 survey data that would begin with the banking status of U.S. households, followed by a discussion of methods to access accounts, bank branch visits, use of alternative financial services, households with no use of mainstream credit, mainstream small-dollar credit, and the *economicinclusion.gov* website. He reported that the survey results indicate that 6.5 percent of U.S. households in 2017 were unbanked—defined as situations where no individual in the household had a checking or savings account—which was the lowest level since the survey began in 2009; that the 0.5 percentage point decline in the unbanked rate from 2015 to 2017 was attributable almost entirely to improvements in the socioeconomic circumstances of U.S. households; that 18.7 percent of U.S. households in 2017 were underbanked—the household had a checking or savings account, but also used an alternative financial services (“AFS”) provider such as a check cashing or payday loan in the past 12 months; and that the 1.2 percentage point decline in the underbanked rate from 2015 to 2017 was attributable in part to improvements in the socioeconomic circumstances of U.S. households. He noted that in 2017 the unbanked and underbanked rates continued to vary considerably across the population, with higher unbanked and underbanked rates among lower-income households, less educated households, younger households, black and Hispanic households, households headed by a working-age individual with a disability, and households with volatile income; that the unbanked rates for younger households and black and Hispanic households sharply declined in recent years, but remained substantially higher than the overall unbanked rate; that the unbanked rates by state were highest in the South, where 7.7 percent of households were unbanked compared to 5.4 percent in the Midwest and 6.0 percent in the Northeast and West; and that the underbanked rates also varied widely across the states in a similar manner. He continued, noting that 52.7 percent of unbanked households cited not having enough money to keep in an account as a reason for not having an account, making this the most commonly cited reason; and that the second most commonly cited reason was not trusting banks, with approximately 30 percent of unbanked households citing this as a reason for not having an account.

Mr. Weinstein continued, noting that the number of unbanked households saying they are not likely to open a bank account in the next 12 months increased from 40 percent in 2013 to 58.7 percent in 2017; that this increase was fairly widespread across the unbanked segments; and that 36.2 percent of households that said that they were not at all likely to open an account in the next 12 months cited a mistrust of banks as a reason for being unbanked, compared with 21.0 percent of households that said they were very likely to open an account. He also noted that bank account ownership was not static; that, comparable to previous years, 47 percent of unbanked households in 2017 had an account at some point in the past; and that interest in opening an account in the next 12 months was higher among unbanked households that had an account at some point in the past.

Next, Ms. Fritzdixon briefly discussed the survey findings on methods used by banked households to access accounts during the past 12 months, noting that mobile banking use continued to increase sharply, with 40.4 percent of households using mobile banking to access their accounts in 2017 compared to 23.2 percent in 2013; that online banking to access accounts also increased; that the use of bank tellers to access accounts declined, but remained the most prevalent method used for accessing accounts; that access methods varied across household demographics; and that mobile banking as the primary method of accessing accounts was more prevalent among underbanked households than fully banked households. She also noted that the use of the mobile banking activities increased across a range of activities, with depositing a check electronically showing the largest increase from previous years; that the use of bank tellers to access an account was particularly prevalent among a few segments, particularly lower income households, less educated households, older households, and households located in rural areas; that these groups also were disproportionately more likely to only use tellers to access their accounts; and that 86 percent of banked households had visited a bank branch at least once in the last 12 months, with more than one-third having visited a bank branch ten or more times, particularly rural households. Turning to the use of AFS in the past 12 months, she advised that the survey has categorized these services into transaction AFS such as nonbank money orders, nonbank check cashing, and nonbank international remittances, and credit AFS such as payday loans, pawn shop loans, rent-to-own services, refund anticipation loans, and auto title loans. She reported that overall AFS use has continued to decline; that, for unbanked households, both transaction AFS and credit AFS use declined; and that transaction AFS use declined for banked households.

Ms. Lloro then discussed the 2017 survey findings on mainstream credit products, which included credit cards, auto loans, student loans, mortgages, home equity loans or lines of credit, personal loans or lines of credit from a bank, and personal loans or lines of credit from a company other than a bank. She reported that approximately 20 percent of households had no mainstream credit in the past 12 months; that these households likely did not have a credit score and faced substantially reduced access to mainstream credit; and that households that were more likely to not have mainstream credit included unbanked households, lower income households, less educated households, households headed by a working-age individual with a disability, black and Hispanic households, and foreign-born noncitizen households. She provided additional detail on the mainstream credit component of the survey, noting that the differences

by income were especially pronounced; that more than one-half of households with less than \$15,000 in income and more than one-third of households with \$15,000 to \$30,000 in income had no mainstream credit, compared to 4 percent of households with income of at least \$75,000; and that there also were large differences in the lack of mainstream credit when evaluated by disability status of households, race, or ethnicity. She also noted that households that had no mainstream credit by each state exhibited patterns similar to those for unbanked households, with the Southern states showing much higher rates of households with no mainstream credit. Finally, she reported on the survey data on unmet demand for mainstream small-dollar credit, noting that the survey classified unmet demand as situations where a household: (1) applied for, and was denied, a credit card or personal bank loan or line of credit, (2) felt discouraged about applying for a credit card or personal bank loan, or (3) used credit AFS products; that 12.9 percent of households had unmet demand in 2017; and that more than 50 percent of these households remained current on their bills in the past 21 months on a self-reported basis.

Following the panelists' presentation, Committee members offered a number of comments and suggestions. Member Annibale commented on the value of the data available from the survey, noting that it allows users to analyze the data on a market, statewide, or regional basis, as well as to disaggregate data for the unbanked sector, which could be helpful in evaluating strategies for different communities. In response, Ms. Chu advised that the survey report includes more than 80 appendix tables that provide a substantial amount of disaggregation by many different socioeconomic and demographic groups; and that the FDIC's *economicinclusion.gov* website has a custom tool that allows users to create their own tables that disaggregate to different communities and subgroups within those communities. Noting the overwhelming data showing the lack of access to mainstream credit in the rural South among African-Americans, Member Barr suggested that the Committee consider how to use that data to address this problem and others in a much more concentrated way. Ms. Chu responded by advising that one of the major goals of the survey and data tools was to allow communities, groups, and industry participants to dive deep into the data to answer specific questions and to help them consider how to address these issues in their communities.

Member Barrera suggested that it would be helpful to use the survey data to address how to build connections with the resources of community development financial institutions in communities. Member Beck asked whether it was possible to determine if the improved data trend lines were attributable to the economy or a change in the attitude of community banks' offerings of basic accounts, safe accounts, and marketing plans for inclusion. In response, Ms. Chu noted that approximately two thirds of the improvements in the unbanked rate from 2011 to 2017 can be attributed to the improving socioeconomic situation of households. Member Boston suggested that the FDIC consider reaching out to nonprofit organizations or others to capture additional households that may not be represented in the survey data and to avoid the misconception that access to banking and mainstream credit products were improving for all households. Member Cisneros commented on the importance of recognizing the value of bank branch access to low income and underserved households, noting that a significant portion of first time deposits and even subsequent deposits for these households are made by visiting bank branches. He suggested that it would be helpful to have additional survey data on two areas

relating to households using bank branches: (1) the effectiveness of the service and assistance these households received, particularly on options such as safe accounts, and (2) the experience households have had with overdrafts on their accounts.

Member Henderson asked if the FDIC had an overall assessment of the number of individuals in the various categories or just the percentages, and whether data was available to track bank branch closings by survey year. Ms. Chu responded by advising that the FDIC could provide a general estimate of the number of individuals in the categories, and that the FDIC provides an annual summary of deposit data that includes information on bank branches and bank branch locations that can be used to look at bank branch locations over time. Noting that 50 percent of unbanked households were using AFS providers, Member Levere asked if the remaining households represented a cash economy. Ms. Chu responded, indicating that they may be using cash, but that it was difficult to know for certain since the payments landscape was rapidly changing and they may be using payment mechanisms that the survey was not measuring. Member McCoy emphasized the importance of making the survey data publicly available and suggested that factors such as limited cell phone service in some geographic regions may be affecting data on usage of mobile financial transactions. Noting that the survey has provided a substantial amount of data on credit and other issues over the years, Member McDonald suggested that the data be applied to specific issues to pinpoint how to change the dynamics and improve areas of the unbanked or underbanked populations that are most affected.

Following additional comments by the Committee members on the 2017 survey data, Mr. Miller announced that the meeting would briefly recess. Accordingly, at 10:23 a.m., the meeting stood in recess.

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The meeting reconvened at 10:45 a.m. that same day, at which time Mr. Miller advised that the panel would discuss some of the implications of the FDIC 2017 household survey data.

Ms. Chu began by noting that the 2017 survey results suggest a number of opportunities for continuing to increase the use of mainstream banking services by unbanked and underbanked households, to sustain the improvements that have been made, and to further reduce the unbanked and underbanked rates. She reported that there were five implications from the survey data described in the report, noting that the first implication focused on expanding access to mainstream small-dollar credit for banked households; that the second was about helping households build credit histories; that the third focused on using mobile banking to deepen banking relationships with underbanked households; that the fourth was related to the continued importance of bank branches for banked households, and opportunities to reach unbanked customers through bank branches; and that the fifth involved differential trends and continued high unbanked rates for some population segments. She briefly discussed each of the implications, noting that new underwriting technologies could help expand access to mainstream small-dollar credit for banked customers, including customers with little or no credit history; that households with little or no credit history may not seek credit until a need arises, indicating that

helping these households build a credit history may particularly benefit black and Hispanic households, as well as households headed by a working-age individual with a disability; that mobile banking holds real promise for deepening the connection between underbanked households and their banks, while increasing the safety and convenience of bill payments; that physical access to branches remains important for banked households, with potential opportunities for branch staff to inform unbanked households about products and services that can help meet their financial needs; that unbanked rates have declined for some population segments as economic conditions improved, but remain high, while unbanked rates for other population segments stayed fairly constant through the economic expansion; and that adopting targeted strategies may help sustain those increases in bank account ownership in future economic downturns and increase access for more population segments.

In discussion that followed, Member Beck suggested that informing individuals of their credit scores, particularly individuals with unmet credit needs, presented a potential opportunity for banks to educate these individuals on how to improve their credit scores to become eligible for credit or better priced credit. Member Boston asked if there was a way for the payment history of unbanked individuals to be used to establish a credit score. In response, Mr. Miller noted that, through the use of technology, there was increasing interest and products that use cash flow underwriting to score customers' history regarding payments and direct deposits from their accounts. Member Henderson asked how the banking industry and policymakers could address the survey data to develop a narrative that provides an incentive for unbanked individuals to participate in the existing banking system. In response, Director Gruenberg commented that implicit in the FDIC's undertaking of the household survey was a belief that it was central to the FDIC's mission of promoting public confidence in the financial system and a sense of security for individuals that being part of the banking system and mainstream economy has a value that, in and of itself, was in the public interest. He noted that the survey has provided an information base that has helped to define a substantial issue with real consequences for the individuals who lack access to the financial system, as well as for the country; and that it has served to frame the scope of the issue in a credible way for public policy debate. Member McDonald commented on the value of the survey data as a tool for developing policy.

Committee members offered a number of other comments and observations on the survey data, including the impact of mobile banking on bank branches, the use of alternative payments outside of traditional banks, and the value of competition in financial services involving payment services. Chairman McWilliams then concluded the discussion by noting that it was important for individuals to trust banks and understand the value of banking; and that it would be helpful to focus on ways to better articulate the value of banks to unbanked individuals, particularly immigrant communities where individuals may have only had experience with cash economies. She suggested that more granular data in this area could help in understanding whether individuals' mistrust in banks was driven by the proximity of their cultural understanding about banks and the benefits they offer. She also suggested that it may be useful to collect additional data focused on how ATMs are used by consumers, and the proximity of ATMs, particularly in rural communities where branches are spaced far apart from each other.

Mr. Miller then announced that the meeting would recess for lunch. Accordingly, at 11:46 a.m., the meeting stood in recess.

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The meeting reconvened at 1:12 p.m. that same day, at which time Keith Ernst, Associate Director for Consumer Research and Examination Analytics, DCP, and moderator for the panel on “Review of U.K.-Financial Conduct Authority (“FCA”) Mobile Study,” noted that previous Committee meetings have included discussions of the economic potential of mobile financial services based on the FDIC’s survey research, as well as qualitative research in which the FDIC has engaged consumers in a series of in-depth conversations. He advised that the FDIC’s research identified three dimensions along which consumers have indicated that mobile banking offered benefits that enhanced their banking experiences relative to traditional banking channels: control, convenience, and affordability. He noted that the FDIC has been exploring potential ways to research how mobile technology might be best applied to promote economic inclusion; that the FCA in the U.K. has conducted substantial research on mobile technologies which may offer some guidance in this area; and that the staff thought it would be useful to have a presentation in which representatives from the FCA could share their findings and expertise on mobile technologies with the Committee. Mr. Ernst then introduced Paul Adams, Head of Behavioral Economics and Data Sciences Unit, FCA, and Jeroen Nieboer, Technical Specialist, to discuss some of the findings from the FCA’s research on mobile technologies.

Mr. Adams opened the presentation by noting that the FCA’s research was conducted to inform rulemaking and policymaking for the checking accounts market in the U.K. He provided a brief overview of the U.K. checking account markets and the FCA’s role as conduct regulator and prudential regulator for financial services firms in the U.K., noting that the FCA’s objectives are established by the U.K. parliament and include consumer protection, competition, and market integrity; that the U.K. overdrafts market has two types of credit: an “arranged overdraft” that is of a line of credit and an “unarranged overdraft” that is overdraft protection up to a limit set by the bank; and that, alternatively, payment of an item may be declined by the bank, resulting in unpaid item fees or insufficient fund fees. He also noted that academic research into overdraft usage in both the U.K. and the U.S. indicates that only seven percent of overdraft users made an active choice to use unarranged overdrafts and knew it would happen but wanted to make a payment; and that half of overdraft users were unaware that they had used their overdraft facility. He advised that, in 2013, banks in the U.K. started to offer text alerts and notifications on customers’ balance levels and potential overdrafts on an opt-in basis; that, in 2018, the Competition in Markets Authority ordered that banks must automatically enroll their customers into text message alerts for unarranged overdrafts and unpaid items; and that the FCA, as a financial regulator, has conducted a very large scale field experiment with two banks to further investigate different types of alerts and the effectiveness of those alerts.

Mr. Nieboer then provided an overview of the FCA’s field survey and the types of alerts tested, which included: arranged overdraft just-in-time alerts sent in real time when the account balance drops below zero; unarranged overdraft just-in-time alerts with a “grace period” sent at

the start of the day; insufficient funds just-in-time alerts sent at the start of the day when there are insufficient funds for a scheduled transaction; and early warning alerts sent in real time as the account balance drops below a warning level. Summarizing the results of the survey, he reported that, when offered on an opt-out basis, more consumers got the alerts; that the just-in-time alerts were consistently effective, with unarranged overdraft and unpaid item alerts reducing total charges by 4 to 5 percent for consumers with a line of credit and overdraft protection, as well as reducing charges for those with just overdraft protection; that early warning alerts are less effective; and that the most common actions with alerts were transferring funds from savings, cutting back on spending, or borrowing from friends, family, or an employer. He also reported that it appears consumers do not resort to payday loans to pay off overdrafts; and that consumers were overwhelmingly in favor of being automatically enrolled, with little evidence of alert fatigue from receiving frequent alerts.

Following the presentation, Committee members made a number of comments regarding the FCA's research findings. Member Annibale commented that requiring customers to opt-out of automatic alerts may be the best option since they may not always know their account balances due to the slowness of the payment clearing system in the U.S. Member Barr asked if the FCA considered employing real-time alerts before the payment was made and what the distribution of overdraft costs across the population was in the U.K., compared to the U.S. where 80 percent of the cost was incurred by 20 percent of the customers. Mr. Adams responded to the first question, noting that a direct debit coming due the next day or towards the end of the day would trigger a notification, but that point-of-sale notification was not considered feasible because it added an extra layer of technology change that was not considered to be cost-effective. With regard to distribution of the overdraft costs in the U.K., Mr. Nieboer responded, noting that the cost distribution in the U.K. system was very similar to that of the U.S. system. Member Boston asked if the FCA has examined the costs related to sending extra texts and whether a preferred mobile partner was identified that might help in minimizing the costs. In response, Mr. Adams noted that FCA does a cost-benefit analysis to determine whether there would be a net benefit to the automatic alerts; and that most of the costs to implement the alerts would be in system changes for the banks themselves, which can use existing systems or work with third parties or mobile phone providers. Mr. Nieboer added that the cost of an alert was likely to decrease quickly with push notifications through mobile applications beginning to replace text messages for alerts; and that the cost should effectively be reduced to zero as all banks build those platforms. Noting that the FDIC has established a good relationship with the U.K. to share relevant experiences, Director Gruenberg commended the work of the FCA in finding a way to assist consumers in managing their accounts to reduce overdraft and other fees, resulting in real cost savings and value to the customer without undue burden to the banks.

Mr. Miller then announced that the meeting would briefly recess. Accordingly, at 2:05 p.m., the meeting stood in recess.

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The meeting reconvened at 2:22 p.m. that same day, at which time Luke Reynolds, Chief, Outreach and Development, DCP, and moderator of the final panel on “Youth Employment Programs and Deposit Accounts,” introduced the panelists: Jeffrey Manning, Community Affairs Specialist, DCP; Heather Donovan, Young Adult Department Supervisor, Career Center of Lowell, Massachusetts; Thomas Daugherty, Vice President, Eastern Bank, Lowell, Massachusetts; and Desmond Brown, Deputy Assistant Director, Community Affairs, Consumer Financial Protection Bureau (“CFPB”).

Mr. Reynolds noted that over four million young people currently are out of school and not working; that these young people generally come from low income families; and that a number of youth employment programs have been established in response, including: employment programs through the Workforce Innovation Opportunity Act, which provides federal funds to programs that offer a financial literacy element; state and local governments programs that combine federal funds with state and local funds; and public and private partnerships where government funds are leveraged with private sector funds for programs. He described improvements the FDIC has made to its financial education resources toolbox, including its Money Smart program, noting that a conversation starter tool was created to help youth employment program leaders know how to effectively engage banks. In addition to improving the toolbox, he described how the FDIC has made youth employment a priority for its outreach activities to advance economic inclusion and promote community development, including through speaking engagements at conferences and the FDIC’s field staff working with banks, nonprofits, and state and local government leaders to identify opportunities to bring together youth employment programs with financial institutions.

Mr. Manning then discussed how a collaboration to connect financial capabilities services to youth employment programs can come together. He provided an overview of the collaboration involving the City of Lowell, Massachusetts, for its summer jobs program for low income individuals, noting that the FDIC organized participating financial institutions to establish account parameters, provided Money Smart training to trainers from the City of Lowell staff, and assisted in organizing financial products fairs. Ms. Donovan then described the MassHire Lowell Career Center and the MassHire Greater Lowell Workforce Board job programs, noting that, over the past two summers, the summer job program has served over five hundred young low income residents between the ages of 15 and 21; that each of the programs have a paid work experience; and that the summer program included intensive financial literacy workshops in which the participants have the opportunity to learn the basics of banking and to attend financial products fairs where they can open accounts. She reported that, as a result of the program, young people who enrolled in direct deposit felt like they were more successful in saving money for larger term goals; that choosing a bank opened up communications at home about financial responsibilities; that young people felt more comfortable in the setting of a financial products fair than walking into a bank; and that young people felt that their business was valued.

Next, Mr. Daugherty briefly discussed Eastern Bank’s efforts, as the oldest and largest mutual bank in the U.S., to promote financial literacy throughout the Merrimack Valley in

southern New Hampshire and the City of Lowell, Massachusetts. He highlighted the type of accounts offered to young people by Eastern Bank that have attributes similar to Safe Accounts, noting that the accounts have no account fees or inactivity fees for individuals who are 18 years old or younger, or 65 or older; and that all of these accounts had direct deposit. He noted that over 50 percent of the accounts opened by young people were still open and being actively used; that, during account opening, young people asked questions that indicated they understood checking accounts and basic financial skills; and that proper safeguards are important for youth accounts, with direct deposit and financial literacy being key factors.

Mr. Brown then provided an overview of the CFPB's initiatives focused on low income and underserved consumers, primarily consumers who have limited access to affordable financial products and services to meet their needs. He discussed how the CFPB collaborates across the country with organizations—both inside of the federal, state, and local governments, as well as nonprofit organizations outside of government—to build capacity by integrating financial capability services into their programs, to advance research to understand how financial capability works, and to expand financial inclusion by identifying barriers to accessing financial services. Noting that young adults in the range of 16 to 24 years old have a unique set of challenges, he reported that the workforce programs provide a unique opportunity to engage with these young adults to build financial capability. He described some of the challenges and findings from the CFPB's initiatives to empower the workforce programs to provide financial capability services to these young people, noting that these initiatives included: collaborating with the Department of Labor; working with several organizations outside of government to launch an initiative called the Youth Employment Success Initiative; and working with 24 communities to integrate financial capability services into their youth employment programs. He concluded by noting that, going forward in this area, the CFPB would be focusing on transportation issues related to job retention, access to transaction accounts, linkages and partnerships with youth work programs, and credit issues for young adults.

In the discussion following the panel's presentation, Committee members made a number of comments and observations. Member Annibale commented on the challenges presented by the requirement for documentation and a parent's signature for individuals under the age of 18 to open an account. Member Barrera asked if financial education in workforce programs included training on taxes. In response, Ms. Donovan noted that, in addition to financial education training, extensive soft skills work readiness training was included in all of the programs, including a curriculum on taxes.

Following additional comment by the Committee members, Chairman McWilliams thanked the panelists and the Committee members for an engaging and educational discussion during today's meeting. She commended the FDIC staff for their work, emphasizing that these are important issues.

Director Gruenberg also thanked the panelists for their presentations and discussions, noting that the Committee has been a significant asset for the FDIC and has had an impact on it. He observed that a number of the Committee's contributions, such as the promotion of Safe

Accounts, have become part of the discussion around economic inclusion. Director Gruenberg concluded his remarks by noting that the Committee was started by his predecessor as Chairman, Sheila Bair; that he had the privilege of continuing the Committee while he was Chairman; and that Chairman McWilliams has continued the important work of the Committee, which has become an important part of the FDIC's mission.

There being no further business, the meeting was adjourned at 3:35 p.m.

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

October 24, 2018

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

Jelena McWilliams
Chairman
Board of Directors
Federal Deposit Insurance Corporation

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