FEDERAL DEPOSIT INSURANCE CORPORATION

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ADVISORY COMMITTEE ON ECONOMIC INCLUSION

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MEETING

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WEDNESDAY,
MAY 24, 2023

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The Advisory Committee convened at 9:00 a.m. EDT in the Federal Deposit Insurance Corporation Board Room at 550 17th Street N.W., Washington, D.C., Martin J. Gruenberg, Chairman, presiding.

PRESENT:

STEVEN ANTONAKES, Executive Vice President for Enterprise Risk Management, Eastern Bank
MARLA BILONICK, President and CEO, National Association for Latino Community Asset Builders
MICHAEL CALHOUN, President, Center for Responsible Lending
NAOMI CAMPER, Chief Policy Officer, American Bankers Association
THOMAS FOLEY, Executive Director, National Disability Institute
KENNETH KELLY, Chairman and CEO, First Independence Corporation and First Independence Bank
MARGARET LIBBY, CEO and Founder, MyPath
BRANDEE McHALE, Head of Community Investing and Development, Citi
JONATHAN MINTZ, President and CEO, Cities for

Financial Empowerment Fund
JENNIFER TESCHER, President and CEO, Financial Health Network
SUSAN WEINSTOCK, President and CEO, Consumer Federation of America

ALSO PRESENT:

MARTIN J. GRUENBERG, Director, Federal Deposit Insurance Corporation, Chairman
TRAVIS HILL, Director, Federal Deposit Insurance Corporation, Vice Chairman
JONATHAN McKERNAN, Director, Federal Deposit Insurance Corporation
ROHIT CHOPRA, Director, Consumer Financial Protection Bureau
JAYME BROWN, Director of Community and Supportive Services Division, U.S. Department of Housing and Urban Development (HUD)
LINDA CHERO, Chief Disbursing Officer and Assistant Commissioner, Bureau of the Fiscal Service, U.S. Department of the Treasury
GARY CLAYTON, Senior Examination Specialist, Division of Depositor and Consumer Protection, FDIC
GABE DEL RIO, President & CEO, Homeownership Council of America
PAOLA DIAZ, Senior Community Affairs Specialist, Division of Depositor and Consumer Protection, FDIC
DONALD DILL, Senior Tax Analyst, National Partnerships, Stakeholder Partnerships, Education and Communication (SPEC), Internal Revenue Service, U.S. Department of the Treasury
ANDIA DINESEN, EVP of Communications and Operations, Association of Military Banks of America
CHAD GOURLEY, Manager, Retail Lending Products, Zions Bank
MICHELLE HAMMONDS, Director, Office of Financial Empowerment and Education (OFFE), D.C. Department of Insurance, Securities and Banking

LISA HINTON, Assistant Vice President, Industrial Bank
BILJANA JESIC, Director of Community Services, Home Forward B Housing Authority of Portland, OR
SUE ROGAN, Director of Strategic Partnerships, CASH Campaign of Maryland
MIA SOWELL, Senior Community Affairs Specialist, Division of Depositor and Consumer Protection, FDIC
KENNETH WORTHEY, Senior Community Affairs Specialist, Division of Depositor and Consumer Protection, FDIC

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P-R-O-C-E-E-D-I-N-G-S

(9:05 a.m.)

CHAIRMAN GRUENBERG: Good morning, everybody, and welcome to this meeting of the FDIC's Committee on Economic Inclusion. There is no more -- there is no group I enjoy more meeting with, if I may say so. Thank you all for being here, and we really value your willingness to serve on this Committee.

Liz, since we have three of our Board members currently participating, I think you need to read the Sunshine Act notice?

MS. ORTIZ: Yes, I do, Mr. Chairman.

So today we expect to be joined by at least three members of the FDIC Board of Directors. The government and the Sunshine Act imposes notice and access requirements whenever a quorum of the FDIC's Board of Directors meets to conduct or determine agency business. This meeting is not held for such purposes and does not constitute a meeting under the Act.

The Board members present will only

engage in general or preliminary discussions that do not relate to specific proposals for action pending before the FDIC. Any specific issues for official Board resolution will remain open for full consideration by the Board following the conclusion of this meeting.

If you have any questions, the general counsel or I will be glad to answer them. Thank you.

CHAIRMAN GRUENBERG: Thank you, Liz.

And I would note that Vice Chairman Hill and Director McKernan are also participating in the meeting this morning. And at the end of my brief opening remarks, I will offer them the opportunity to say a few words as well.

So let me begin again by thanking you all for being here. As you may know, the FDIC established this Committee back in November of 2006 to provide us with advice and recommendations in expanding access to the banking system in the United States.

I would note that it's timely that

this meeting is occurring the day after the BankOn Movement held its national conference here in Washington, hosted by the Cities for Financial Empowerment, and of course they are represented on this Committee by their CEO, Jonathan Mintz.

I would note that much has been accomplished since 2015 when the initial BankOn national account standards were released. Those standards were based upon the FDIC's own safe account template developed in collaboration with this Committee.

And that template provided a framework for an accessible, transparent, and low-cost bank account designed to meet the needs of low and moderate income households in the subsequent work of the BankOn coalitions to increase availability and utilization of those accounts.

I think it's fair to say it has been impressive. That launch event back in 2015 featured four banks with accounts certified as meeting the standards. As of this month, about 300 banks in the United -- 400 banks in the

United States offer a certified account. Or maybe these estimates I am about to read are woes. Let me --

(Laughter.)

CHAIRMAN GRUENBERG: FDIC analysts estimate those banks hold more than 61 percent of all domestic deposits. And according to the Federal Reserve Bank of St. Louis, just looking at 28 reporting financial institutions, 14 million BankOn certified accounts have been opened since the end of 2021. By any estimate, that's a pretty impressive number.

So nice to see you all today. I think we have a lot to talk about. Let me note that we are live streaming this meeting, so that interested members of the public can listen in on the discussion, benefit from the information that's shared, and hear the comments from our Committee members.

And let me also take the opportunity, looking around the table here, to welcome our newest member of the Committee, Susan Weinstock, who's the President and CEO of the Consumer Federation of America. Susan brings over 20 years of experience in advocacy, communications research, grassroots and legislative work, to protect consumers.

Susan, we are privileged that you are willing to take part in this Committee.

We have a full day. Let me briefly outline the agenda for today's program. We will begin with a panel discussion on identifying bankable moments. That's a big thing for us now. The panel will continue the conversation begun at our last meeting when we discussed the results of the FDIC's most recent household survey.

You will remember that the survey results showed that a significant proportion of households that had already established a banking relationship reported that they were motivated to open an account in order to receive an economic impact payment during the pandemic or other public benefit such as expanded employment insurance.

We will hear from today's panel about successful federal and state programs that are implementing this approach and the potential for further collaborations.

Our second panel today will offer the Committee a chance to hear about two programs that leverage account access. One explores the benefits of providing transaction accounts for young people, and the other is an employment and savings program for families in federally subsidized housing.

Our members' roundtable will take place after lunch, and we'll ask each member briefly to share their perspectives on current circumstances and opportunities that they are seeing in regard to economic inclusion.

And the final panel for the day will offer us a chance to hear more about establishing special purpose credit programs made possible under the Equal Credit Opportunity Act.

So I think we'll have a pretty full day of discussion. Again, thank you all for being here. And before I turn the program over to Liz Ortiz, who will serve as a moderator, let me turn to Vice Chairman Hill and to Director McKernan, if they might have any further comments to make.

Travis, was there anything you wanted to add?

VICE CHAIRMAN HILL: Yeah. I just quickly want to welcome all of the Committee members today. Apologize for not being present in person.

I have had the opportunity to observe this Committee on several occasions over the years and have found it to be a productive venue for discussion of some important issues around economic and financial inclusion.

So I appreciate everyone's engagement, appreciate people taking the time to participate and provide input, and look forward to hearing from everyone today.

CHAIRMAN GRUENBERG: Great. Thank you, Travis.

Jonathan?

DIRECTOR McKERNAN: Yes. Thank you, Mr. Chairman. Just a few words from me also expressing my appreciation for today's event, for everyone's work on this.

Thank you all for being part of the Committee and attending today's meeting. Very much look forward to engaging with you all on this very important topic.

Banks are of course a vital component of our economy and have a critical role to play in expanding banking services to the unbanked and the underbanked. You know, while much progress has been made in incorporating our unbanked households into the banking system, as the Chairman noted, obviously, much work remains to be done.

In addition to hearing about the lessons learned from your all's efforts that we will be discussing today, I look forward to also hearing your perspectives on how the recent bank failures and changes in economic conditions since

March might have impacted our most vulnerable communities, their perceptions of the banking system, and their access to banking services.

So thank you again for all of your work, and I look forward to today's conversation.

CHAIRMAN GRUENBERG: Great. Thank you.

And I will mention we have been joined by a third member of our Board, Director Chopra of the Consumer Financial Protection Bureau.

So, Rohit, if you have a comment?

DIRECTOR CHOPRA: Great. Well, thanks. It's good to see everybody here in person.

Let me just mention a couple of things about the reflections that many of us had had about the FDIC's recent survey on underbanked. I think you see a number of drivers of why people are not necessarily in an insured bank or credit union.

One of them that was I think of great discussion to many in the community was citations around fees or minimum balances or related issues or others that they were formally in the banking system but are no longer. One of the things we've done is a series of reports about people's experiences, and today we're actually releasing another analysis of bank call report data to show differences in the usage of overdraft/non-sufficient fund fees.

And what we find is that there has been significant changes in the banking industry. Many have made major policy shifts. The regulators have also been much more clear about the type of practices that are unlawful.

So what we find is that on an annualized basis there is roughly $5.5 billion less of those fees being assessed on deposit accounts compared to prior to the pandemic. That's based on the latest quarterly estimates. We have -- we continue to see institutions really gut check how they are assessing fees, when they are doing it.

The other thing we really are

releasing is a little bit more information about specific populations, how they are experiencing it. We have done some research with consumers that suggests that many times when they are charged some of these fees they think they don't have overdraft service or protection. So there is clearly some misunderstandings in the process.

We have also done some work -- and we presented this at the Treasury Financial Literacy and Education Commission -- about the unique issues facing justice-involved individuals, those returning, and what are some of the issues they face. It has involved a look at, what are all of the issues that they are facing, and what are the barriers? And we are seeing movement of more people thinking about those individual communities and how they enter the mainstream.

So I think there is a lot going on in terms of research, both at the FDIC, the CFPB, and others, and I think one of the things we want to continually push this group is let's not think of consumers a monoliths. Let's actually look at some of their individual experiences, so that we can have the right set of interventions.

So, really, thank you again for convening this, Mr. Chairman.

CHAIRMAN GRUENBERG: Thank you, Rohit.

And let me now turn the program over to Liz Ortiz, who is the Deputy Director of the FDIC's Division of Depositor and Consumer Protection. I think Liz is going to serve as our moderator this morning.

MS. ORTIZ: Thank you very much, Mr. Chairman.

My pleasure to turn the program over to our first panel and Jackie Steller, who is our panel's moderator.

Jackie?

MS. STELLER: Thank you, Liz.

Good morning, Mr. Chairman, members of the Board, and members of the Committee. I am delighted to join you today.

At the last ComE-In meeting, we discussed the results of the 2021 National Survey

Unbanked and Underbanked Households. We learned that over one-third of newly banked households that received a government payment said that these payments contributed to their decision to open an insured bank or a credit union account.

And we all agreed that collaborative efforts amongst the private and public sectors helped drive this position outcome, which we call a bankable moment.

So today's panel, we will pick up where we left off. There will be two parts to the discussion. First, we will hear from our federal government partners on their roles in facilitating account access during the COVID-19 pandemic.

We are joined by Mia Sowell from the FDIC, Donald Dill from the IRS, Linda Chero from Treasury's Bureau of Fiscal Service. And at this point, we will then pivot to the second part of the discussion, where we will be focused now on how trusted intermediaries facilitate account access at the local level and how the U.S.

Department of Veterans Affairs, working with the non-profit organization, has been successful in getting veterans banked.

You will hear presentations by Sue Rogan from CASH Campaign of Maryland and from Andia Dinesen from the Association of Military Banks of America, or AMBA.

We will share lessons learned and discuss next steps, and I encourage you for your thoughts on where do we go from here, but also for your questions during the discussion portion of the panel.

So let’s get started. To my federal colleagues, looking back to April 2020 when the first round of economic impact payments were sent out, what role did your agency play, and why was ensuring account access important to your agency?

Mia, let’s start with you.

MS. SOWELL: Thank you, Jackie.

So when we think about the timing of the pandemic of March 2020, it was really at the onset of the entire country processing the news about a national health pandemic and sheltering in place, which for many households meant there was no opportunity to earn income.

And shortly after that, the CARES Act was signed, meaning that millions of households were eligible to receive their economic impact payments, or EIPs, so they needed a way to access those EIPs quickly in order to pay their bills and pay for essentials like food and toiletries.

So the FDIC wanted to make sure that U.S. households, particularly those in low and moderate income communities, who were hardest hit, could access their government resources to help sustain their households during the pandemic. So we at the FDIC informed them about how to open a bank account online in order to facilitate the safe and timely distribution of those payments through direct deposit. And we did that by launching an EIP web page in April of 2020.

And with this web page we had a few goals, which were to increase consumer awareness of secure and affordable bank accounts by providing consumers with the resources to learn more about the benefits of having a bank account and why they should have one.

We also wanted to help consumers navigate to resources where they can safely open a bank account that was the right fit for their needs. In particular, we wanted to highlight accounts that may offer an affordable account option, including those that may be open online, since people were encouraged to stay home and stay safe during the pandemic, and also many banks were not offering in-person services for those same health and safety reasons.

And, lastly, we wanted to maximize our engagement with local community partners who work directly with L&MI communities and populations, so that they know about these resources and could refer their stakeholders to them.

And we know from our years of experience in community affairs that relationships with our collaborative partners are really key in helping us reach that broader audience. So the FDIC collaborated with a variety of partners, including government agencies, bank trade associations like the American Bankers Association, and also the Independent Community Bankers of America, and intermediaries such as the Cities for Financial Empowerment Fund's BankOn team.

The government agency that we reached out to first was the Department of Treasury, specifically the IRS at that time, to message the importance of having a bank account by including links on their web page that would direct consumers to FDIC's resources about how to open a bank account remotely online, and why that is important.

Now, once the IRS added a link to the FDIC's EIP web page, the impact was felt almost immediately on our end. Our page went live around April 19, 2020, and IRS included our link on their page about three days later. And with this cross-promotion, the FDIC's EIP page saw nearly 8,000 views on the day the IRS added the link. And of those views, 7,000 came from the IRS, and 70 percent of the week's total views came from the IRS on the first day they included our link.

So that impact there really shows the opportunities that we have to reach people and serve them when we join forces with our peers in federal government and beyond. And we continued to collaborate with IRS shortly after that by co-hosting a national webinar that encouraged intermediary organizations to assist individuals who hadn't yet received their EIPs in order to do that before the initial filing deadline, and we highlighted opportunities for them to receive their EIP via direct deposit.

So collaborative efforts such as these also allowed us to learn more about Treasury's Bureau of Fiscal Services role in actually disbursing those payments, both via direct deposit and through paper mailed checks. And we knew that we wanted to identify ways we could collaborate with them in the future to reach even more households about the importance of having a bank account.

So I think now this is a good time for me to pass it over to Don Dill at the IRS to discuss their role in this effort. Don?

MR. DILL: Very good. Thank you, Mia.

First, thank you for the opportunity to join you. It's a privilege to speak with all of you. I wanted to offer my special thanks to our partners here at the FDIC, and we appreciate their collaboration. It has been very successful, and we look forward to more.

As I was thinking of this time, bankable moments, although the IRS is not in the business of getting people bank accounts, it is critically important to us and our ability to operate more efficiently and get people their tax refunds in the most efficient and effective manner.

And tax time is critically important not only to our taxpayers but to our external stakeholders who we partner with as quite simply the -- tax time is the -- will be the single most largest payment that low to moderate income taxpayers will receive in any given year. So it’s critically important for us to work hard to get people banked and have the ability to get their money fast and safe and without fees.

When the COVID pandemic disrupted the whole world, and, unfortunately, in the midst of our 2020 tax filing season, we were in a panic, and then we were charged with implementing the economic impact payments fast. And of course direct deposit then became a critical need in order to distribute these EIPs in an effective and safe manner.

We realized, as all of you around the table, if we didn’t distribute these EIPs through direct deposit and did it by checks, it would cost us not only significant amounts of money, but more importantly it would put our taxpayers in the position of having a long delay in receiving their money, losing their money, or never receiving it.

And so as we had the ability at that time, obviously, to access bank information for those who filed, and we were able to partner with our colleagues at the VA and the SSA to get information from them, we were still left with a significant gap of individuals who didn't use direct deposit initially on their bank transaction -- or their tax transactions, excuse me -- and more importantly, a gap with those who have no legal filing requirement who fall into that low and moderate income target audience.

So we realized that we were going to have to act differently than we had before, and so one of our first steps was to create a portal, which we are starting to use in other formats, like Get Your Refund, and they were very successful. So we realized that was going to be one of our effective ways to get people into the system more effectively.

But more than that, we realized that getting people to use any of those formats was not going to be easily done if the message came from us.

I have to say, working for the IRS for 35-plus years, we all realize that we're not the most trusted organization when we talk about low to moderate income taxpayers. There is a tremendous fear, and of course they have inexperience of working with us.

So we needed to pivot quickly to work with external stakeholders to get the message out. And so as Mia mentioned in her conversation, we quickly realized there were much better resources to access banking information than we had. And so that was how we pivoted to using -- a leveraged model is what we like to call it, that we use trusted organizations to get the information out.

And we were lucky to not only partner with the FDIC but other partners here today, the National Credit Union Association and the Veterans Benefits Banking Project. And there all of the information we suggested about bank information was to go to their sites.

So using trusted organizations to leverage their ability to reach audiences in a trusted and effective manner was one of our key takeaways. And then, to be honest with you, as we continue into 2023, we continue to use that model in everything we try to do to get trusted organizations between us and the taxpayers we are trying to serve.

So with that, Linda, I will turn it over to you.

MS. CHERO: Okay. All right. Thank you. And thank you for an opportunity today to share our experiences, our challenges, and our successes during the pandemic.

Again, my name is Linda Chero. I work for the Bureau of the Fiscal Service. We are one of nine organizations that falls under Department of Treasury. Everyone knows IRS. Not everyone is familiar with Fiscal Service. So if I may just share briefly what it is that we do at Fiscal Service.

We do promote the financial integrity and operational efficiency of the federal government, and we do that as we are responsible for the financial infrastructure of the federal government. We finance government operations by offering Treasury securities. We operate the federal government's collections and deposit systems.

We provide payment services to the American public. I am the chief disbursing officer of the federal government. And we also offer shared services in the areas of financial management, human resources, information technology, travel, and procurement. But today I am really here to talk about my role as, again, the chief disbursing officer of the federal government and the experiences that I endured throughout the pandemic.

So Fiscal Services does disburse nearly 90 percent of all federal payments, and with this responsibility comes a deep commitment -- a commitment to those that are receiving payments, whether a Social Security recipient, a veteran, or even a small business.

We take a lot of pride in our work, and we see it as it's our responsibility to set a good example that fosters trust in the government. And we saw that especially during the pandemic. Our role was to show others that, yes, you have faith in the government, and we will explain why.

Our response to the pandemic was important because we knew we had 120 million families and individuals relying on us to get their economic impact payment quickly, accurately, and securely. And we weren't called upon to do this once but three times over, and then of course to issue the advanced child tax credit.

So challenges. What challenges were we enduring during this time? Number 1, everybody else was required to work from home. We were not.

(Laughter.)

MS. CHERO: So we -- unfortunately, there were a lot of things we could enable from home, but there were some things we could not.

A, printing U.S. Treasury checks. Our employees do not have the equipment to print U.S. Treasury checks in their homes or in their--

(Laughter.)

MS. CHERO: So, unfortunately, we had to ask them to come to work.

We also have--

CHAIRMAN GRUENBERG: Good to know. Good to know.

(Laughter.)

MS. CHERO: That is good to know.

We also have a mailroom that takes in returned U.S. Treasury checks. This is very important. So as we mail millions and millions of checks every year, they come back. So pre-pandemic, we would see about less than a million U.S. Treasury checks returned to our mailroom in Philadelphia.

So it was very important for us that

we enhance our safety protocols, so not only the 150 employees that were required to come into the office felt comfortable coming into the office, but also the service technicians that had to come in to make sure our machines were running smoothly. And they were coming from out of state, and there was all of these rules about, if you're coming from out of state, and A, B, C.

In any regard, we had set all types of procedures and policies in place, so everybody felt comfortable coming in to do what we needed to do to continue to get the checks printed, enclosed, and mailed.

We also had capacity constraints. So we knew -- we know we can print about four million checks in a given week. With the pandemic, there was going to be an influx where we were expecting at a minimum double, if not triple, that volume. And of course that caused a concern.

So what we did was we offered to our employees - "offered" is, you know, being kind.

"Mandated" may be the correct word.

(Laughter.)

MS. CHERO: Employees to work six -- seven days a week during this time and to work 10 hours -- of course they were compensated -- in order for us to keep up with the capacity.

We also had age check equipment, age production equipment, and we were already on schedule to have that equipment replaced. We had to expedite that, because we knew with this additional volume of checks to be printed we were going to max out these machines.

Bottom line, through extraordinary efforts, I consider what we did was we didn't lose any faith. I think folks, at the end of the day, were thrilled. For those that did receive their payments electronically, received it in days.

I think two weeks after the CARES Act was enacted the first payments went out, and we actually had historic moments where folks -- where we processed over 82 million tax refund and economic impact payments, nearly $150 billion in a single day. So it was a moment in history there.

But let me talk about our role to promote bank account access, because we did a little bit more than everything I shared right now.

Number 1, we couldn't have done it without the IRS. So IRS's role was basically to determine who was to receive an economic impact payment and how much. And then they were also going to, obviously, in a payment file tell us, should we pay them electronically or by check? So of course I call IRS, and I say, "How many checks are you sending our way?"

"What's the request?"

And the number was a number that we knew there was no way we could keep up and continue with our commitment that the President had asked, which was to get these payments out as quickly as possible.

So we worked with the IRS to

determine, is there a way that we can minimize the volume of checks? And what we came up with -- and we had to work with lawmakers -- is to include in the CARES Act for Treasury to have the ability to use the bank accounts that we had on file, that we could share with the IRS, that they could include on their payment file, certify it back to us.

At the end of the day, we were able to convert over 70 million payments. So that means instead of printing 70 million -- and, remember, I can only print four million a week, so the math alone can tell you just what a great success this was.

So we prevented 70 million from going -- instead of check, it went electronically, and we saved the federal government $33 million. And that is just including the cost of printing the check. That's not the cost of the labor. So we were very, very excited about that.

The second thing we did is we worked with the IRS again. Don mentioned the IRS portal. Well, as you can imagine, when we asked the American public "Come in and share your account numbers," well, we are going to have some bad actors that are going to say, "I've got a great idea. Send it to my bank account instead."

So we knew that we had to really be diligent about the information that was coming into the IRS portal. So, again, they partnered with us. We have an account verification service. We just literally initiated a pilot, so we had to expedite the pilot and make it more of a formal program where everything that came in through that portal was run through the account verification service, so, again, we could prevent millions and millions of improper payments.

And, finally, I'll end it with the returned mail. As I mentioned, we were receiving about less than a million returned checks pre-pandemic. During the pandemic, we went up to eight million returned checks. And this was a time where folks were not coming into the building. We had 150 employees, so I had to ask for volunteers. And believe it or not, we opened up eight million envelopes, processed the return back to the IRS, so IRS could determine next steps of how to make the individuals whole.

So, all in all, I think we were successful, again, stayed very committed to the American public, and of course ensuring that we fostered goodwill and just basic -- that folks can trust -- they can trust the federal government.

Thank you.

MS. STELLER: Great. Well, first of all, thank you so much to our federal colleagues for setting the stage.

We are now going to transition to part 2 of our discussion. So during the pandemic states also faced quick decision-making, especially given the high levels of unemployment and households requiring assistance to meet basic needs.

Sue, can you please tell us about your organization and how you collaborated with the state government agency to assist Maryland residents during the pandemic?

MS. ROGAN: Absolutely. Thank you for that introduction.

Good morning, everyone. I am Sue Rogan. I’m the Director of Strategic Partnerships with the CASH Campaign of Maryland. I am real excited to be here today with you to talk about our partnership with Maryland’s Department of Labor, the Division of Unemployment Insurance.

In case you don’t know us, CASH stands for Creating Assets, Savings, and Hope. We are a statewide non-profit that works to promote the economic advancement of low to moderate income individuals in Baltimore and across Maryland. We do that by providing different programs and services, such as our free tax preparation service, in partnership with the IRS, the VIDA Program. We provide financial education, financial coaching, benefits screening, and of course the BankOn Maryland Program, which we are really grateful to have the leadership and support of the Cities for Financial Empowerment to bring this program to Maryland.

So our partnership with the Division of Unemployment Insurance began in February of 2021 in the midst of the pandemic when the Department of Labor announced it was going to change the options that individuals would have for payment for their unemployment benefits.

They previously used a prepaid card or a paper check. They were switching to direct deposit or a paper check. Naturally, that raised some concerns for us because we knew how many people did not have access to a financial institution. Therefore, direct deposit would not be an option. And we knew the challenges involved in trying to get benefits from a paper check.

As everybody at this table knows, it's expensive to not have a relationship with a financial institution. The CFE has found that over a person's lifetime to pay their bills, or to manage their goods and buy things, they can spend upwards of $40,000. We also knew that in Maryland 21 percent of them are unbanked or underbanked.

So we had concerns. Now what do we do? Well, the first thing was to call CFE. Shout out to David. Thank you very much for working with us from beginning to end of this partnership. We met and asked for Department of Labor leadership, their Director of Communications and senior leadership, to meet with us.

Now let me just level set this scene for the Department. Similar to the Bureau of Fiscal Services, this Department had a lot going on. In 2019, they processed a little over 214,000 claims for unemployment benefits. During the pandemic and during this time, they would have weeks where they would be getting 100,000 claims for benefits, and they were understaffed. So they were completely overwhelmed, and we weren't quite sure when we asked to meet with them how this would be received.

Fortunately, it was received very well. They met with us. We talked about our concerns about the paper checks and how the struggles of the Postal Service at the time and getting mail to people effectively was a big challenge. We also talked to them about the situation that people were facing with the economic hardship of the pandemic, and they were having to move around frequently. So whenever it is that they would get their check, they would also have to pay fees to cash it even from the financial institution that was issuing the checks.

We talked about BankOn Program. We really convinced them that they would not be promoting or recommending a particular bank or credit union; that consumers had choice. We had at least 12 different institutions in Maryland at the time that were offering these accounts.

So, fortunately, after many conversations, they agreed to do an outreach campaign with us to make sure we could promote these accounts, so people could get enrolled in them and get their benefits by direct deposit.

We create staff training materials because we knew that we were the subject matter expert on BankOn accounts, that they were not, and they would be facing questions from people who were claiming unemployment benefits. So we created staff training materials, including talking points, we created messaging that all of the claimants would be receiving about their options for the paper check or direct deposit and BankOn accounts, and then we developed marketing materials for the Department of Labor to use and to market.

So the outreach campaign involved emailing everyone who was receiving unemployment benefits with a notice that changing payment terms were happening and recommending or talking about the BankOn Program. They updated the frequently asked questions to include BankOn, did social media posts, added content to their unemployment guide, did a press release, and changed their website to include our non-profit in the program.

So this is an example of the frequently asked questions where they updated everything and put the information in. Social media posts went out. The guide changed, to include links to the CASH campaign and to the BankOn Maryland Program. They issued a press release that resulted in earned media, both on TV here with WMAR, as well as print.

And then after they launched -- and I want to note that this all happened in two months. And I am a previous government employee, so I feel like I can comfortably say that is pretty fast.

(Laughter.)

MS. ROGAN: For an agency to do this, to make the decision, do the outreach campaign, and after -- this was a press release that was announced -- there's two weeks left before the deadline that people had to make their choice on how to receive their payments. And you can see that 147,000 people had enrolled and selected direct deposit.

It's not enrolled necessarily all in BankOn accounts, but they had selected bank -- different products that they could do direct deposit with.

So with that, I just wanted to make sure I explained that. I am open for questions at some point.

MS. STELLER: Sue, thank you for providing that local perspective.

Now I would like to share another fruitful collaboration, one that began prior to the pandemic, which focuses on assisting the U.S. Department of Veterans Affairs meet the needs of unbanked veterans.

Andia, can you tell us about your organization and your ongoing partnership with the VA to help veterans get banked and manage their money?

MS. DINESEN: Yes. I'd be happy to.

(Laughter.)

MS. DINESEN: Thank you. I'm Andia with the VA, and good morning, everybody. Good morning. Thank you for having me here. To members of the Committee, I appreciate you listening to my story and the information this morning about the Veterans Benefits Banking Program, or as I affectionately call the VBBP.

And I just want you all to know that I have had a three-and-a-half-year head start. I can say VBBP very easily. No one else can. It's totally fine.

So just quickly, I want to share -- I'm going to share a little bit about who AMBA is. So we are a really small organization, so not a lot of people know who we are, and then a little bit about the VBBP itself.

So AMBA has been around since 1959, so before I was in existence, and I have been with the organization for 10 years. And we are a banking trade organization that represents banks that serve military and veteran communities. So this can range all the way from a family-owned bank with one branch on one installation all the way up to the biggest multi-national banks like Bank of America, Wells Fargo, et cetera.

So we kind of -- we represent banks that are located on military installations as well as those that are off the installation that are serving these communities. And we spun off of the American Bankers Association actually in the 1950s, and we have a very close working relationship with them and ICBA as well.

And when I say we're a small organization, we have three employees. So that just lets you know how much we do on the collaboration and partnership side of the house. So I'm the Executive Vice President, and I do a lot with communications and operations, which basically means like I do a multitude of things all the time.

But, in 2019, the VA actually came to us and they said, "We have a problem. We have a large cohort of veterans that we are considering under or unbanked that are receiving their monthly monetary benefits on either a paper check or a prepaid card, and we would like to get them banked. We want to get them enrolled in direct deposit."

And after cold calling some of the largest banks in the world, they said, "We can't seem to do this by ourselves." So they came to us and we partnered together with them. Again, in about two months we launched this program, which was amazing, if you've ever worked with the federal government, to have somebody that is able to make those decisions that quickly.

And we launched with four banks, and at that time that was in December of 2019. So this was all pre-pandemic. This was all information we had before the pandemic. And those banks and now -- and in January of that year, so just right after we launched, we actually brought credit unions into it, and they -- the financial institutions have two commitments that they need to make to be a part of the VBBP.

The first one is is they will -- they will offer an account to a veteran bringing their direct deposit, their monthly monetary deposit, and they will have no minimum balance and no fees. So free checking.

The second one is that if the veteran or beneficiary comes in and says -- and the bank says, you know, you're not maybe able to open an account today because you have some legal issues, or whatever those might be, from charge-offs from another bank, et cetera, that they will work with that veteran, that they will not just say, "I'm so sorry. We can't help you." But they will work with them.

And we leave that up to the institution, whether that's a second chance program they have inside their institution or whether that is a community-based program or partnership that they have.

So why do the VA want veterans banked? Well, we already talked a little bit about this, but this was -- some of the big things that they talk about.

So, you know, 22 -- checks are 22 times more likely to arrive late or not at all. And when we speak about specific groups of veterans, too, we have a lot of veterans that live overseas, and this is a huge problem, especially in the Philippines, which is actually something we are still trying to figure out a way to take care of those specific veterans, right? So you're looking at very specific populations.

And then I think the biggest one for me is the 11 million payments that are not disbursed or cashed at all, which I am sure, Linda, you are very familiar with.

MS. CHERO: Yes, I am.

MS. DINESEN: And then --

MS. CHERO: We cancel them after a year.

MS. DINESEN: -- which Sue already brought up, which is $40 million or, I'm sorry, $40,000 in check cashing fees over a lifetime.

So this is just the cost of being under and unbanked.

And so then, of course, there is a legal requirement for EFT as well, which is another great reason we want them on direct deposit.

So this is just some of the current status. So we've -- there are still about 154,000 veterans that are still under or unbanked, and this was just in April. You can see the states that this is -- this should be no surprise to anyone. These are not only large states but large states with military and veteran populations, so California, Texas, Florida, Georgia, and Ohio.

And then one of the things that I -- I did want to briefly talk about is eligibility. And for those of you that maybe don't know, the VA just updated their mission statement to include caregivers. And this was a really big step for the VA, and so we also wanted to make sure that we were including them as part of our program to getting those caregivers banked as well.

So now we are calling them VA beneficiaries on a very holistic sense, so these are veterans, VA beneficiaries, which usually includes survivors, and then veteran caregivers as well. And they are actually a specific population that is being paid by the VA, so not a benefit per se, but they are actually getting a stipend from the military -- or from the federal government.

So all of the VBBP participants are FDIC insured banks or NCUA insured credit unions. And as I said before, these are low to no-cost accounts. The reason I say "low to no cost" is that credit unions, for those of you that I'm sure are very familiar, they either -- most of them have either a small membership fee or a share amount that you have to put into an account. And so that's why we say the low to no fee, but there is no minimum balance.

And this is the -- this is tied to

that idea of bringing the direct deposit. So as we talk about the differences between VBBP and BankOn, those are probably the biggest differences. We also do not require the bank or credit union to say they cannot have overdraft, because that is up to the customer, as it is opt-in.

So you can find out more about all of our institutions on our website. So it's veteransbenefitsbanking.org, and each one has a description and -- because some of them do have a little bit different requirements, but we ask them to disclose that.

And so, briefly, I want to talk about the VBBP 2.0, which was launched about a year ago. And this was started because we were hearing from veterans that it was great that we were getting them banked, but they needed a little more help, especially those that were sort of on this fiscal edge of life, their benefit being the only thing that was maybe coming in or that and a mix of Social Security, and they needed help with credit. That was one of the big things that bubbled up to the top was they needed credit and debt help.

And so we ended up partnering with two organizations -- the Association for Financial Counseling and Planning Education, or AFCPE, and the National Foundation of Credit Counseling, or NFCC. And through those agencies we are now offering one free session of either financial or credit counseling to any veteran -- any -- not just unbanked and underbanked, any veteran that would like this service.

The VA has so far sent out over one million letters to veterans letting them know that this exists. And we have had a huge overlay you can see on the data of when they send out those letters. And because they send them by age group, so we can see who is accessing then that financial and credit counseling. And we are working toward partnering with other large, you know, organizations like Wounded Warrior Project to really get this out and in front of the veterans.

And then we also have some financial education stuff, like Veteran Saves, which is run by the Consumer Federation of America, under the America Saves umbrella, which just launched. And AMBA is really excited to be a part of that. I have a special relationship with Military Saves because I used to run the program at CFA years ago.

And then also Vet Cents, which is a financial education platform, which is going to see a facelift. So get ready for that in November of this year.

And then this is sort of where the program is at, so we're really, really excited to say that since December of 2019 we have successfully banked 245,000 veterans and counting. Yeah. It's very exciting. They have changed to direct deposit.

This slide also says that there are 66 veteran-friendly financial institutions. There are actually 70. So since I made this and sent it to Jackie, which was I think two weeks ago, we have actually on-boarded four new credit unions -- three credit unions and one bank.

And these are pictures here from the VSO conventions that we attended last summer. You can see me in blue on the right on the bottom picture, if you wanted to know where I was, and that was actually at the American Legion -- or, I'm sorry, the VFW convention. And then the one up on the -- in the -- on the right top corner was at the American Legion.

And we do plan to visit those again this year, along with the VA, and their fraud department is going to be there as well, so we can help with outreach about fraud, because as you can imagine, fraud and financial education and banking is all tied together.

And I already mentioned a lot of other things on this page, like the letters that went out. And then the check inserts and also the transition assistance program guide, which for those of you that don't know, the military is required to go through TAP when they are transitioning out of the military. And it was really exciting because my husband is actually going to leave active duty this year, so he just went through TAP. And we are both really excited to see that the VBBP was part of the TAP presentation that he was given.

So this is my information on the bottom, and then Patrick Phillips, who runs the program at the VA.

And I will stop there, and I know that I have -- I will definitely take questions later.

Thank you so much.

MS. STELLER: Thank you. Andia, thank you for walking us through the Veterans Benefits Banking Program and how it came to exist.

So we have heard at this point from two trusted intermediaries on how their partnership helped maximize the impact of government efforts, whether it took two months to do something or a small staff, and how agile this experience has been.

I now want to move us into our lessons learned portion, and I'm going to invite our IRS and CASH colleagues to please share, you know, one to two takeaways -- you each have about two or three minutes -- that you would like to share with the group.

MR. DILL: I'll go first. Thank you.

I have three, so I hope that's okay. But one -- as I mentioned in my earlier discussion, one is we have realized and we are going to double down on using leveraged communications through trusted organizations.

As Sue said, we have worked with the CASH Campaign as an example for years within our volunteer Income Tax Assistance Program. And getting a trusted organization in the community to get a message out, whether it's about getting banked or using direct deposit, is just so much more successful than putting it in an IRS news release, which not many low to moderate income taxpayers subscribe to. So we will continue to do that.

We have also realized that working with our wonderful federal partners is also a wonderful way to increase our productivity. So we'll continue to work with FDIC and all of our other federal partners.

Second, we have used -- we realize that using customer-friendly access points, such as our portal, for the banking information that Linda talked about, and also if you recall, we created one for the advanced child tax credit, are going to be wildly successful.

But what we have to find a way is to make them more accessible, particularly to low to moderate income taxpayers. Quite frankly, it's hard to verify their ID. It's hard for them, it's hard for us, and so we have to find a middle ground, a place where we're comfortable their ID is correct and they can access it. So we'll continue to use those in the future.

And then, last but not least, we have realized throughout this whole process that we have to double down our efforts on folks using direct deposit. Our numbers have, quite frankly, not inched up much over the years.

One of the numbers -- I was talking with our partners yesterday, the ARP Foundation Tax Aide, who served primarily low to moderate income taxpayers over 50 years old, and last year during the filing season only 66 percent of their taxpayers used direct deposit when they got a refund.

Now, the reality is almost all of them were either on Social Security or getting some type of federal benefits that they are required to use a bank account. So it's not that they don't have a bank account; they are just refusing for that fear I mentioned earlier. So we are going to continue to work on trying to increase the access to using direct deposit and continuing to communicate.

And of course that leads us to particularly in our low to moderate income under 50, we need to continue to work with partners to get them access to mainstream financial institutions.

So a lot of work to do, but a lot of success so far, and we'll continue to work on that.

Sue?

MS. ROGAN: Thank you. Yes. And several things came up for us. One thing I really want to publicly do is to thank the government agencies that are here, and the materials that you make. The materials of the CFPB, the IRS, the FDIC, the Federal Trade Commission are a lifeline to our non-profit partners. We can't create these materials ourselves. So being able to point to unbiased materials, which is really what we based all of our programming on, is really very helpful. So that partnership is incredibly important.

But in terms of the Unemployment Insurance Division, it was really helpful for the collaboration to happen, that we were willing to put in the work to write the materials, to -- and have them approved obviously, you know, by the government officials and everything, because we knew the material to write. They didn't know, and it would have taken a lot longer for them to create it.

We also really recognize that government has to be neutral. Again, they cannot be promoting a particular bank or credit union, so having consumer choice is really key for them.

And one thing that we are going to do I think going forward in changing some of our marketing is to really point out or to highlight one of the aspects of the BankOn Program that is one of my favorites, is that if someone is listed in ChexSystems negatively, they can still open a BankOn account unless it is outright fraud.

And we see an awful lot of people who are listed in ChexSystems. And when they see the BankOn account, if they don't really see that highlighted, they may not think to move forward with it. So it's one thing that we're going to work on in the future.

Thank you.

MS. STELLER: Thank you.

So now we are going to move into replicating success. Where do we go from here? I want to invite our FDIC, BFS, and AMBA colleagues to please share next steps that your office is looking to do that can help advance account access and establishing a banking relationship. You each have three minutes.

MS. SOWELL: If someone could go to the next slide, I'll touch on a couple of things. So since the pandemic, the FDIC transitioned our EIP web page to what is now our fdic.gov/getbanked web page, which offers additional resources such as digital and printable flyers and checklists for community organizations to share with consumers that they are working with.

And so with that website, we definitely invite government agencies, community organizations, and financial institutions to join our #getbanked movement. We ask that organizations consider providing a link to our

GetBanked web page on their website. The web page is available in English and Spanish.

And also, they can create -- the web page visitors can create their own social media posts, which use some of the digital assets that you see on this slide that come from our GetBanked social media toolkit. And those are also images that were used during our public awareness advertising campaign, which we had two pilots throughout 2021 and 2022 in metropolitan areas that were really successful in driving people to our web page.

Second, we really encourage -- continue to hear the theme today -- encouraging community organizations and government agencies to form partnerships and to also expand those partnerships with banks who offer affordable bank accounts.

And, third, we really still want to encourage more banks to explore offering affordable and sustainable bank accounts. And when considering this, banks can visit the FDIC’s affordable accounts page on our banker resource center to get more information about how to offer an affordable account and how establishing those accounts can cultivate and grow successful customer relationships with unbanked households.

Also, as we talk about what's next, we are excited to mention that FDIC inserts will be included with some of those mailed Treasury checks that Linda was discussing earlier. We anticipate that these inserts will be included likely during the month -- during the month of June, and many individuals who receive their government payments via paper check will also receive an insert that looks like this.

It indicates the importance of opening a bank account and notes that direct deposit into an account is the fastest and safest way to receive payments from the government. And it encourages them to visit our GetBanked web page to find an account and learn more.

So it's double-sided, and on that second side you will see the QR code. So if they scan it with their mobile device, they will be directed to our GetBanked web page. There is one for English and Spanish. So it's just another way that we continue to reach more unbanked households with our federal partners.

MS. STELLER: Thank you.

MS. CHERO: Our next steps include looking at two opportunities that we have, an opportunity where we address payees who do not have a bank account and also payees who have a bank account but opt to receive a check. And Don mentioned that earlier.

So what are we doing about it? Well, the first thing we are doing is we have an agency priority goal to disburse 99 percent electrically by year 2030. So at the height of pandemic, we were printing about 128 million U.S. Treasury checks. Getting to 99 percent means I have to get that down to about 12 million, which I'm still figuring that out.

(Laughter.)

MS. CHERO: But I will tell you what

that is going to take is partnerships, and today is a good example. We have to work together, come together, to really understand, how do we get that volume so that 99 percent of payees are receiving their funds electronically.

I know we heard this stat earlier today. I am also responsible for payment integrity, constantly looking at, is a payment going to the right person, at the right place, at the right time. Checks do -- unfortunately, 60 times more likely to create a payment exception where it doesn't make it to the right person at the right time for the right reasons.

So we are constantly looking at how it is that we can minimize the volume. There are two proposed legislations that we actually successfully have included in the FY24 President's budget. We are thrilled because I think we have tried for four years in a row, so finally success.

So the two proposed legislations that have made it into the budget include offering account verification. And, again, this goes back to developing that trust, fostering trust within the government, right?

So if we know if we are going to get a payment electronically and it actually lands in the correct account with the correct owner, it builds trust. If it doesn’t, because we have many bad actors out there, it goes in the opposite direction. So we think account verification is key, again, to foster that trust.

The second piece of legislation that made it into the budget is conducting bank matching. So this goes to the point of those that have a bank account but opt for U.S. Treasury check.

And I hate to say this, Don, but IRS is really where we have our challenges. Taxpayers, for whatever reason, are opting for that check versus into their bank account when I know that I am sitting on a bank account for that individual because we pay their Social Security benefits.

We pay their veterans benefits, we pay their railroad retirement, and so forth. So the proposed legislation is to allow Treasury to use this information and to convert what would be a check into an electronic payment.

We also promote on the Hill, which is how I think we are gaining traction with the proposed legislation. It is how we were able to do this via the CARES Act, by developing relationships and explaining to them the power of doing bank matching, and of course account verification.

And then, finally, our partnerships. I know we already talked about it, but adding the GetBanked website on our Go Direct website, including the inserts in the month of June and maybe in July to get the word out there. The more we can get the word out there, get the folks educated, and then gaining that trust. I can't express enough just really what that is about.

The input that we get is, "Well, we don't trust the government. How do I know it's going to land in my account?”

So, again, hoping between the account verification and the bank account matching that we can do our part to ensure that folks are banked and having a successful relationship with their banks.

MS. STELLER: Thank you.

Andia?

MS. DINESEN: Great. Thank you.

So I just want to point out a couple of things. First of all, I did mention, you know, that we are small, and that we do work with the unbanked team at VBA, so through the Veterans Benefits Administration. But I think one of the things that made us so successful is, obviously, the public-private partnership that exists through -- with the VA and our organization.

And because of where AMBA sort of sits in this community as well, we are really able to touch a lot of folks that are on the ground working with military and veterans. And I think that that is super important because that helps with the messaging.

But having VA as our partner in this, because they are a trusted source of carrying these messages, was so very important.

Also, one of the things obviously, because they are the VA, they have very rich data about their veterans and who they are paying. And like I had suggested before about the veterans that are specifically in the Philippines, they are also able to drill down, and they are working on programs for the homeless veteran population as well.

And one of the things that we were successful in was getting memos from the FDIC and from the OCC both that enabled a homeless veteran to use a caregiver or a VA -- their VA case manager or their VA office, the regional office, to utilize those addresses to open an account. And that has been very successful, kind of in one-off situations where you actually have a veteran that is homeless that wants to open an account, because that's not necessarily always the case, but they have been successful.

We have a few stories out of Oklahoma and also Hawaii, and the one in Hawaii was actually very interesting because that -- the homeless man had actually been pulling out all of his cash from his direct express card and then was subsequently being robbed every single month.

And so instead he now has a safe account working with -- and they actually -- the Bank of Hawaii was the bank that did that, and they actually worked along with the Armed Services YMCA on the ground there.

So, really, again, how important all of these relationships are, all of these public-private partnerships, as we can work together.

And then the last thing I'll say is that, you know, because we brought on the financial and credit counseling -- that has been so important -- we have really worked with those counselors and those two agencies to communicate how important it is that these folks that they are working with have a banking relationship, whether with their bank or with their credit union, and really deepening that relationship. So it’s not just on the surface, great, they have direct deposit, but how they can other -- utilize other products and services at that institution that would be right for them.

So I will leave it at that for now.

MS. STELLER: Great, thank you to our panelists for sharing how their agencies, and organizations continue to advance economic inclusion in the banking system by promoting account access, and collaborating across sectors. I will now open the floor to questions. We will start with our members of the board, and then members of the committee. Thank you.

CHAIRMAN GRUENBERG: Well, let me thank the panel, I think you've done terrific, and I've learned a lot just from the discussion, and your commitment here is self-evident, and the opportunity for using government checks as a vehicle for opening accounts is clear. Because the benefit is so tangible, and direct, and explicit for the individual.

I wasn't trading -- really want to open it up to our committee members, because we get a chance to do this all the time quite frankly, but the notion that we have a substantial number of tax payers that have accounts that still prefer to receive their tax refunds by check probably drives you a little bit crazy.

And how do you deal with that? Because clearly in their interest to consider receiving it through direct deposit.

MR. DILL: Yes, that's a great position, and Sue used a great phrase, that the IRS is in a neutral position, right? We're happy to recommend, but we can't require. And so, I'm not going to comment on Linda's things, but they sound good to me on working with the government. Because we don't legislate, we just enact, but it is one that's a challenge to us.

As I said, we work very hard with

these trusted partners, I've talked to a meeting with our friends from the AARP Foundation Tax Aid, and then partners like the Cash Campaign. They are in their communities working with fellow citizens, trusted organizations, we have to rely on them. But it goes to show you how ingrained this fear of the IRS is.

How ingrained that -- I've had people tell me well, If I give them my direct deposit information, then they could some time take money out. And again, particularly with low to moderate income tax payers who don't have much experience with the financial institutions, don't have a lot of background in financial wellbeing, that's a hard myth to overcome.

But again, as I've mentioned several times, the only way we can do it is working with leveraging these trusted partners, but legislation would probably be good. Because as you said, the fear of loss, and all of the inabilities to get that money, and the check cashing fees is just a real hit to those that use this -- or I should say fail to use the opportunity of direct deposit.

CHAIRMAN GRUENBERG:: Members of the committee?

MEMBER MINTZ: You don't have to ask me twice. This is a word I don't use often, the work inspired, and discussed on this panel is genuinely inspiring, and I want to include Liz Ortiz, and not just for the reading of the Sunshine Act in her role on this board, and I learned a ton about BFS. I had no idea that you all were sleeping late, and drinking coffee all day, and just eating bonbons.

No, the work is really incredible. And the work that you all did in the CASH campaign in Maryland is the cutting edge of the future with 49 other states, as far as I'm concerned on unemployment, it's unbelievably exciting. And the lessons that you learned in making that happen, we want to soak out of you, and replicate across the country.

And so, actually my questions are for

the two of you, and maybe Don, you might as well, which is you talked about trust, and you were talking about trust of consumers, and American citizens, and people receiving payments. But the work that you all did, the partnerships that created this incredible success involved lateral trust, right?

Trusting other government partners, getting a nonprofit organization to get a state agency to take this leap. And I wonder if you could just tell us a little bit more about the magic of the equation of how you go from well, we've got this problem, we have this potential partner that's offering a solution to this problem, but how do you make the leap into that level of kind of bilateral organizational trust?

I wonder f you could both sort of talk about what that tipping point was, so that as we try to create more of that, we learn from -- Linda, could we start with you?

MS. CHERO: Yeah, I'll start.

MEMBER MINTZ: Thank you.

MS. CHERO: So, for me it was a matter of creating a common objective. If you can get to a common objective, the solution is that much easier. It's when your objective doesn't align that it's harder to get everybody on the same page. So, for this scenario, where I knew IRS was going to request that I print 70 million checks, and I know I didn't have the capacity to do so.

And as Don had articulated, he didn't want me to print 70 million checks as much as I did not want to, and could not do. So, we had the same objective, and then we realized empowering our team to really think outside the box, as many of us have mentioned, we don't tend to do things very quickly in the federal government. But we knew we had weeks, we didn't have years to figure this out.

So, we came together collectively, several agencies in this scenario, Social Security, IRS, and Fiscal Service, and said let's start every sentence with what If, what If we did it this way, or how about this? And not entertain any conversations that sounded like this, but our system can't, but policy states. My requirement was start every sentence with how about.

So, when somebody at the table said well, how about all that data we have in our 20 billion records of payments, and then it just followed from there. Social Security joined in, IRS joined in, of course Fiscal Service. Then it was ruled we'll never be able to do it, how are we going to pass it into law? We have weeks, we don't have years. I'm like no, no, how about. I'll figure out the how, you just keep bringing the ideas.

And believe it, or not, within weeks, we were able to again, socialize it on the hill, get it included in the CARES Act, get everybody on board, and create a process. We had to create a process, we had to create business rules, so we weren't just saying okay, any account we have in the 20 billion records, it was a matter of no, it had to be a certain age, it had to have more than one payment to an individual, and so forth.

So, I will say common ground, common objective really empowered the team to think outside the box, really think about how about, or how can, as opposed to no, we can't. And we do tend to do that in the government once in a while. But I will tell you it was a pivotal point, because from here on out, now we know we can make a difference in weeks, and not years.

And we can create pilots, not take years, but get it done in months. So, we're seeing the success replicate. So, certainly appreciate your support, and your wonderful comments to us.

MS. ROGAN: Thank you. I would say that I probably drew upon my experience as a consumer protection investigator with Montgomery County government. And so, I recognize that government again, has to be neutral, and needs some help because they're overwhelmed. And so, coming to common ground, and being able to say what we really both want out of this is for people to get their insurance benefits via direct deposit, not a paper check.

And I remember when I started this work at the Cash Campaign, I would go to different government agencies, and say let's partner, let's do this financial education together, or let me do coaching for the people that you're seeing in social services, and there was a lot of resistance from government agencies.

And my first thought was I'm not selling used cars. Not against those who do, but as a consumer protection investigator, there was some concerns there. This is a viable nonprofit program that you want to work with, and so trying to convince them as to why this was important to partner with us, because we had this program that would allow people access to these accounts, it really came together in a nice partnership.

MEMBER MINTZ: I would just add super, super quickly what you did was amazing, the way you did it was fascinating. And now everyone gets to use what you folks have done as proof points next time. It doesn't have to be an emergency, it doesn't have to be a panicky pandemic, it's proof of concept, thanks to you all. Thank you.

MS. CHERO: What I failed to mention is our success rate. So, when we used 70 million records, our success rate was 99.6 percent, we got it right.

MEMBER MINTZ: That's amazing.

MS. CHERO: Yeah, so again, to your point, we have proven that it's effective, and it works.

MS. STELLER: Brandee?

MEMBER MCHALE: So, I want to build off of this a little bit, and say first of all, I think what is so inspiring is that we've figured out a recipe for scale, and that pilots are important to test, and learn. But if they don't evolve, and translate into scale, then they're nice to do. So, I appreciate, and really am also excited about the potential for scale.

I have a concern though, that I want to put on the table for all of us, that we need to think about in this process. I've heard incredible game changer is a mindset shift, having the trusted community intermediary is also a game changer. However, I don't know that we've built out a sustainable, and scalable financial model for this work.

And I'm concerned that we worked during extraordinary times, and we had some amazing community change agents, and organizations. I was blown away when you said three people, the organization. And so, what is it that you need in order to financially sustain this work? Because it's not being fully funded by the public sector.

It's not being fully funded by the private philanthropic sector, and as someone who sits at the intersection of both I'm in a bank foundation, maybe there's a way for us to think about bringing an additional innovation, and thinking about how the role of banks, not just as account providers, but also in investing, and supporting this work. So, how did you fund this work?

MS. ROGAN: Well, I guess that comes to the nonprofit.

MS. DINESEN: So, that is a really great question, and when we started out, AMBA really soaked up all of the cost of launching, and operating the VBBP website. So, like when I said we just on boarded four new credit unions, and banks, that was all me. It's one of my many, many hats that I wear during the day, which is website developer.

So, we were able to sort of do that in our everyday work. Again, when we originally setup the relationships with AFCPE, and NFCC, we bore the brunt of setting those programs up, and then on the back side, they worked with their funders that they had gone to before previously. Now, with all that being said, as we move now to VBBP 2.5, is what I'm calling it, we decided to work alongside.

Because the same funders that we're working with, NFCC, and AFCPE, was the Wells Fargo Foundation. And so in our conversations with them, we started to realize as we wanted to move into this next .5 phase, that maybe it would be better to bring all of that under one umbrella. So, now we're actually working with the Wells Fargo Foundation alongside the ABA, who is actually going to be the fiscal agent for that funding.

And so, we're working closely with them. This is a brand new relationship, it's just getting off the ground, but that is what we had to do. Now, our plans in the future are that this is so successful, the financial, and credit counseling pieces of this, the financial education is so successful that at some point Congress says hey, VA, here's the funding to sustain financial, and credit counseling for these veterans.

And much like the way that the DOD does it now, and instead of getting one free session, you have access to financial, and credit counseling. And so, that is our pie in the sky, maybe a couple of years from now, but that is our plan. But for now it is being privately, philanthroply -- I like to make up words, but yeah, Wells Fargo Foundation is behind most of this, yes.

MS. SOWELL: And I would just add from a community affairs perspective, I'd be remiss if I didn't say that especially over these last two years our team both nationally, and particularly in the regions, they work at the local level with financial institutions, community organizations, government agencies. And so in many of those events, over the last two years there's been over 85 specifically related to account access.

Where, they'll bring them together. So, whether it is something at a smaller scale, or one of our alliances for economic inclusion, there are needs that are identified for specific communities, and in many of those cases there are opportunities to identify partnerships that happen.

And then, they may expand, whether it's launching a new BankOn coalition, then there'll be opportunities for financial institutions to contribute to that funding. Whether it's directly to the coalition, or potentially sponsoring certain fellowships. So, that's another area where we are encouraging at the community affairs level, and facilitating those relationships to be built.

So, that the needs that are happening at that local level gets the attention with the local players in the area.

MS. ROGAN: And that cued me up perfectly, because I was going to also represent, and talk about your -- Cynthia Doran's representative in our area that attends a lot of different events, and really promotes the banking options, and the reasons for it. As all nonprofits, we are funded through many different grants, and streams.

We certainly received funding through

CFE to launch the BankOn Maryland program, we had a program manager who managed this, but as typical with our work, whether it's a guaranteed income project we launch, or a partner network that we're launching, all of our staff just jump in. When something is happening this fast, and this quickly, all of us jumped in.

CFE, you did the videos for us, so it's like leveraging different partnerships as well. We've created coalitions across Maryland that are addressing needs in their specific community, so we can leverage them at any particular time. So, it's a lot of putting things together, puzzle pieces.

MEMBER MCHALE: I raise it, because I just want us to be clear that the entrepreneurial mindset that you bring to this still has a real financial cost, and we want to continue to sustain this when we move out of a crisis situation where it is an all in type thing, and say how do we do this in a way that is economically viable, and financially viable on a long term basis.

I think that there's an opportunity for us to convene on the funding side, and say how do we make this actually easier for you.

MEMBER CAMPER: Hi, thank you all. I echo the being inspired piece, and I just, Sue, I wanted to thank you for one point that you made, and just lift it up, which is, and again in the spirit of how we're going to replicate this with other government payments, potentially to scale it. One of the hurdles that we had heard originally, of sort of pointing to here's a set of account standards that a government agency can point to.

There had always been a concern about steering towards a particular financial institution, and now that we're closing in on 400 certified accounts offered by banks, and credit unions, I would hope that that puts to rest any concern that If you say here's a link to the BankOn certified accounts that are available to consumers, that that crosses the threshold of endorsing any particular bank, or credit union.

And obviously the account standards, which are based on the FDIC's template hopefully puts to rest any concern about fees, and it's appropriate for all consumers. So, thank you for that, Sue.

DIRECTOR CHOPRA: Let me just say a few things. So, I also want to echo something Sue mentioned, and make sure we all kind of really think about it, is the role of check systems. Which is used by nearly every financial institution to check, it's a kind of credit bureau. And many people who did have an account, don't have an account, and can't get an account because they're blacklisted.

And so, I think you're right, there's things that we have to think about very surgically about them about reentry, and who is going to offer them, and what are the expectations we have of banks, and credit unions on that front? The other thing that I wanted to share is there is a lot of thinking going on about the future of the payment system, and new rails being created both government side, and bank side.

I would encourage all of us to think about the design of that, and how that will aid in some of those efforts. The one product that I did not hear us mention, but was hugely important, and was a big footprint in the state UI system, was pre-paid cards. And then obviously Direct Express has a huge footprint as well.

So, I guess I was wondering if there's anything unique that we felt we learn from those pre-paid card recipients, do we know anything about where they’re reloading it, where they’re transferring it? Because there was really millions, and millions of pre-paid cards that were issued by states across the country.

So, I don't know if you had a view from Maryland on that, or from -- I think you run Direct Express too, right?

MS. CHERO: I do run Direct Express in

my free time. So, I failed to mention we did issue about 15 million debit cards, in a way to keep up with the capacity for the economic impact payments, a total of 15 million. I wouldn't say it was as well received as our bank account matching was. So, folks were somewhat confused, even though literature went out about what do I do with this card?

Some of them threw it away. So, that may have been an example of we had some lessons learned. But at the end of the day, our Direct Express program, we just got our satisfaction survey, we did get a 91 percent score, but they're not reloadable cards. So, it really is a mechanism for that are -- those that are not familiar with Direct Express.

So, for those that are unbanked, that don't have a bank account, but don't want to receive a check, they can opt to have their monthly benefit automatically loaded to their Direct Express card. And again, it's a very valuable, important step that we think before they get banked. So, we see it as a stepping stone to get them acclimated to something besides just holding cash in their pockets.

Although, as we mentioned, sometimes they pull all the money out, walk around in the pockets, and then folks unfortunately have their funds stolen. But we are looking at things of the future, peer to peer payments. Young folks today, they prefer Venmo, they prefer Cash App, and PayPal. I know IRS did a study on the demographics of those that are getting a check from IRS as opposed to an electronic account.

And believe it, or not, a large portion of them were young. I was surprised, because I was thinking there was going to be a certain demographic, but there was a large portion that were from the younger generation that frankly, they don't know what a check is. My son does not know what a check is. They prefer peer to peer, Cash App, everything via their phone.

So, we are constantly looking at what

are the payment rails of tomorrow to make sure that we work with the agencies, and to provide that choice to Americans. How would you like to receive your federal payment? Is it a check, is it a Direct Express card, is it a peer to peer type of scenario? But very good points, and very timely, because it's part of our conversations today.

MEMBER MINTZ: I'm so sorry, please, yeah, please.

MS. ROGAN: Just in terms of the pre-paid card for Maryland, we asked for data from the Department of Labor to be able to ask those kind of questions, or data on how many people get these kinds of accounts, that's where the line in the sand got drawn, and it was like we're not giving you that. So, they were unable to give us data on where people were using the cards.

Again, my understanding the reason that they changed though, is because of the fraud that they were experiencing with the pre-paid cards. That was really the impetus to going to direct deposit versus the pre-paid card because of the fraud.

MEMBER MINTZ: Rohit, I just want to say I'm really glad that you brought this topic up. I think back to an early program, we were trying to get provisional summer workers in the Parks Department in New York City government banked, and we had this whole huge program, and we got everybody excited, and they went to open the accounts, and 80 percent of them were turned down.

So, that was my lesson learned through flames around the blacklist that you talk about. And I think that there has been some interesting movement in regard to reducing some of those barriers that we're certainly paying a lot of attention to. For example yesterday, acting controller Sue talked a little bit about, and these are my words, not exactly his.

Sort of right sizing know your customer requirements for accounts like BankOn certified accounts where the risk factor is so much lower than other types of accounts. I think that could go a long way toward reducing some of those barriers If we could move in that direction. And then in addition, we've actually been working directly with FIS' check system.

That has created for us what they call a BankOn bundle, where they're about to start pushing to their customers an expanded entryway into BankOn certified accounts with the exception of, as Sue mentioned, fraud. So, I think we've got some movement there, and I think it's worth a lot of partnering to get that done.

MS. STELLER: Thank you very much. If there is no more questions, I will pass it on to Liz.

MS. ORTIZ: Thanks, Jackie, thank you everyone. In addition to my role in reading the Sunshine Act Notice, I get to do things like say take a break. All right, so please come on back at 10:45, and we'll have the next panel, thanks everybody.

(Whereupon, the above-entitled matter

went off the record at 10:35 a.m. and resumed at 10:50 a.m.)

MS. ORTIZ: All right. Well, welcome back everybody, I appreciate everybody returning from the break for our second panel, which is setting the stage for financial success. I'm going to hand the microphone over to the moderator, my colleague Ken Worthey.

MR. WORTHEY: Thank you Liz, good morning, Mr. Chairman, board members, members of the committee. This panel will build on the themes presented in the prior panel by highlighting some additional applications of the bankable moment. We will explore two opportunity areas that leverage account access, and financial education as key milestones on the path to financial wellbeing, ultimately setting the stage for financial success.

The panel will be in two parts. Part one will focus on the on ramp to the financial system for young people, and leveraging opportunities like a first job, or first paycheck. Part two of the panel will focus on self-sufficiency programs for those on housing assistance. Each panelist will start off with the presentation of their respective program, and then I'll ask a follow up question, or one, or two follow up questions.

And then at the conclusion of both parts, we will open it up for questions to the committee. I'd like to thank our wonderful experts who are joining us on the panel to participate in just a moment. Miss Michelle Hammonds, with the D.C. Department of Insurance Securities and Banking will kick us off to talk about the work of BankOn D.C., and supporting the youth.

Then Ms. Lisa Hinton with Industrial Bank will follow up to talk about the local work her bank is doing with BankOn D.C., and we will then -- we will also talk about -- Ms. Hinton, and Ms. Hammonds will also talk about non-custodial accounts, which was a topic of interest of this committee at the ComE-In meeting in

October.

After we wrap part one, part two will welcome Ms. Jayme Brown with the U.S. Department of Housing and Urban Development, HUD, who will focus on the selfsufficiency programs in affordable housing, and Ms. Biljana Jesic with the local Portland Housing Authority. So, before Ms. Hammonds starts, I'd like to very quickly highlight the FDIC's long standing commitment to financial education, and account access.

FDIC's MoneySmart financial education program has been around for over two decades serving consumers in communities across the country, helping them better understand the banking system, maintain a sustainable banking relationship, and understand basic personal finance. And a quick plug, we recently released MoneySmart for young adults, which is our curriculum targeted to ages 16 to 24.

MoneySmart information is available at FDIC.gov/moneysmart. And now we'll go to Ms. Hammonds, who will start off our presentation portion of the program. Thank you.

MS. HAMMONDS: Good morning everyone. Again, Michelle Hammonds, I'm the director of the Office of Financial Empowerment and Education at the Department of Insurance Securities and Banking. And the Department of Insurance Securities and Banking is the District's regulator for financial services. With that we look to cultivate a regulatory environment that protects consumers, and attracts, and retains financial services firms in the District of Columbia.

Additionally we empower, and educate residents on financial matters, as well as provide access to financing for District small businesses. The Office of Financial Empowerment and Education was created in 2020, and we partner with stakeholders to provide innovative initiatives to safeguard their financial futures for our Washingtonians.

Promote resiliency through financial education, and provide access to tools, skills, and resources. We find that it's very important to have the resources connected to the tools, that's when it can become very viable for somebody to make a decision in their financial life, and it be helpful for them. Our vision is truly to educate, and empower, and provide independence for individuals.

With our BankOn D.C. program, this has been a long standing program of the District of Columbia. It is a collaborative effort between district government, financial institutions, and community organizations to provide access to affordable financial products, and services, to unbanked, and under banked individuals in the district.

We look to improve financial literacy, help to build credit histories, and overall financial security, and wellbeing. The BankOn D.C. program involves providing access to affordable checking, and savings accounts that serves the needs of the unbanked. These accounts generally have no monthly fees, or low monthly fees.

No minimum balances, or very low minimum balances, as well as no transaction fees. We also make sure we work with financial institutions to provide second chance accounts to those that are accepted through our check system background checks. Additionally we work to have access to foreign IDs such as countries from Ecuador, Mexico, El Salvadorian IDs, because we have a large population of those residents in the district.

As well as we're working to make sure we have other identifications that will be accepted. And then we provide financial education classes. And so, why does banking access matter? Specifically for youth workers, the BankOn D.C. program has been a long standing partner of the Marion Barry Summer Youth Employment Program, as well as many other programs across the country.

We have worked together through our partnership through cities for financial empowerment summer jobs connect. We come together to think about those bankable moments. So, when we look at the data, having a bank account with an insured financial institution is one of the first steps in a successful financial journey.

Getting youth banked is an undertaking that we need. Everyone's helped in making sure that that can happen. We've gone through COVID, so we've gone through a very virtual environment, and now we're coming back to an in person environment, and we see that our young people are seeking guidance in how to manage their finances, especially at these important times in their lives.

According to an FDIC survey of the unbanked, and under banked, about 29 percent of D.C. households were unbanked. 29 percent are either unbanked, or under banked, of that, 8 percent are unbanked, and 21 are under banked. I think this group knows what those terms mean, but for those that may be watching, unbanked, they do not have a bank account.

Underbanked, they may be using costly second chance opportunities, or non-traditional financial products, and services. While this FDIC data represents a good number of what we see in the district, we have also found that even through our partners such as junior achievement, about 34 percent of teens don't have a bank account.

While this survey didn't specifically highlight D.C., it did show us that there is a need for teens to be banked. Based on the data we have, the greatest need for banking access in the district is in wards 8, 7, and 5. These are considered banking deserts. And since there isn't much access to traditional financial institutions, we try to make sure that we plug in the resources to our participants in our summer program.

We have found being unbanked, or under banked has a significant impact on individual's lives. What we have seen in the district, residents can spend up to 800 dollars a year just to access their own money by having to pay for check cashing fees, and money orders, and other things to be able to pay for the services that they're utilizing.

Being unbanked can also leave people out of other financial arenas, and we want to make sure that we can change that. As you can see here, why BankOn D.C., when we look at the district, we do have a significant number of unbanked individuals. And when we look at the areas where we are keenly over 50 percent, or above, is our ward 7, 8, 5, and then also some parts of ward 1.

So, this is an ecosystem within the District of Columbia where it's translating over race, but really when you're looking at the economic status of individuals, and how do we start to change that? When we pull this chart here, this is showing us where are there a concentration of financial institutions, versus non-traditional financial institutions.

And those non-traditionals include pay day lenders, pawn shops, check cashers, or what have you. And as you can see, if you know the district well, you can see that these areas are overlapping with where we have our banking deserts. And so, how do we start to change that dynamic? Why do people only see these non-traditional institutions in their neighborhood? And this is why we work so hard to try to make sure that we have access for individuals.

In the District of Columbia, this information is from the 2021 census. I know that we are at 700000, or so residents in the district, but that has been changing, especially because of COVID. But we do see that there are some key areas that people are impacted by. Liquid asset poverty, people don't have enough money saved to live above the poverty line for three months.

They may, or may not have a net worth above the poverty line for three months. They don't have a checking, or savings account, 12 percent, as I noted, and then having a bank account can still be using check cashing, and pay day loans. So, how do we start to change that? And how do we start to change the dynamic for our young people?

And so, first we know that it take a village to try to make this work happen. The District of Columbia has been partnering with cities for financial empowerment through their summer jobs connect program, and also BankOn to provide access, as well as integrating financial education at key points.

With the Summer Youth Employment Program, the BankOn D.C. program does act as the financial education, and liaison for all things finance for our young people. We found that this work has really evolved over the years, and we continuously have an opportunity to meet young people where they are at a critical time in their lives.

When individuals are getting their jobs, bringing access to bank accounts is a key place, and a bankable moment for them. I touched on that. And so, why banking assets matters to young people. So that we can have a positive impact on unbanked, and underbanked individuals, especially youth, and adults. Financial education is key to why having an account is important.

How to successfully manage your money, and how to manage your banking account, and steps to take to have a successful financial future. Account opening needs to be when, and where it makes sense for young people. The SYEP program has done a great job in trying to make sure account access is available even throughout COVID, even throughout our virtual versus in person time frame.

We have done many things to connect young people at the point where they are going through their certification process, as well as when they're going through orientation to make banking access available to them. We have also found that direct deposit is a great way to make sure accounts can stay open, and active.

After opening, we encourage each one of our young people to sign up for direct deposit, and get their pay from the Summer Youth Employment Program directly through their bank accounts. If you're not familiar with the Marion Barry Summer Youth Employment Program, it was established in 1979, it serves over 14000 youth workers in 2022, and we focus on ages of 14 to 24.

There are some key financial empowerment touch points that we think are very important throughout this program. We've looked at some key areas. During outreach, during that application process, when young people have an opportunity to enroll in the program. Orientation is when financial education can start with their payroll, encouraging direct deposit is our primary goal there.

And then providing ongoing financial training. And so, we've talked a lot about why banking access matters, but really what does this look like? And these are the primary touch points that we want to make sure that we engage with for our young people. All right, access to banking, and financial education. We have found that financial education is most impactful when it is started early in life.

It's provided when it's needed, and providing the multiple touch points for education prior to account opening is also helpful. And along with access to safe, and affordable banking accounts, we must education our youth on their finances as well. They need to have an understanding of how to manage their accounts, as well as their financial lives.

Understanding how to manage a bank account, your money, and your financial life is important for youth to become financially successful adults, and this is why we've incorporated financial education, and integrated so much into our summer program. During the summer, BankOn D.C. in partnership with MBSYEP, and assistance from community partners, much like

Industrial Bank.

We have delivered financial literacy to all of the Summer Youth Employment Program participants. And so, as I mentioned, this past summer we had 14,000 participants, and that has been the trend for these past years, though it may vary at some point. The way we provide financial education varies, and we also want to meet the young people where they are.

Because of COVID, we did have to create a virtual financial literacy hour for our participants. And so, the summer program lasts for 29 days typically, that's over 6 weeks, and we've created financial education for that hour every day of that program. We did this by incorporating a number of items. We created virtual presentations for them.

They were able to utilize EVERFI for online self-paced learning modules. We've done Webex, and brand live financial education systems so the young people can ask questions that were important to them from industry experts. We incorporated games that they were able to access through computers, tablets, as well as their phone.

And then even connected them through social media, through our summer jobs connect social media contest, as well as our MBSYEP social media contest. So, we make very much an effort to give young people access to this information, and the ways that they can receive it. Additionally, we partner with our MBSYEP host sites to provide financial education in person.

Either through our young money manager program, which is a peer to peer financial education program, where young people talk to their peers about how to manage their finances, as well as that online self-paced opportunity. So, a lot of work has gotten done this summer, and without our partners, we would not have been able to complete this work.

So, I just want to acknowledge some of our financial institution partners that have engaged with us. Of course we have Industrial there, but also Chase, D.C. Credit Union, M&T Bank, PNC Bank, TD Bank, Truist, and Wells Fargo. And we want to acknowledge, and thank them for their work. Everyone did a wonderful job in facilitating financial literacy information, as well as connecting with our young people in the District of Columbia.

With that, I've wrapped up this presentation. We do have some links to resources that are available for our information, and my contact information is there if there are any additional questions. Thank you.

MR. WORTHEY: Thank you, Michelle. Lisa?

MS. HINTON: Good morning everyone. First of all, let me say thank you so much for allowing me to be a part of this very important topic. This panel, it is certainly a topic that is very near, and dear to my own heart, and because it matches my own philosophy that you certainly must, are mandated even, to help those that are in need.

I'm Lisa Hinton, I know you saw my whole name, Arellia Lisa Hinton, haven't seen that in a while, but my name is Lisa Hinton, and I am one of the assistant vice presidents at Industrial Bank. I am here with my colleague LaKeisha Walker, and we are very proud actually to represent Industrial Bank. We are going into 89 years strong.

And our founder in fact, Jesse H. Mitchell was there at the inception in terms of providing those same types of services, and same types of outreach that Michelle mentioned. Michelle, and I work very closely together. I'm so glad that she mentioned all the statistics, so that way I can go right ahead, and talk about the rest of it.

And our Senior Vice President, Jacqueline Boles has been a leader in just going beyond the walls, doing outreach within the community, and seeing how we can do some non-traditional banking still staying within our compliance, we are federally regulated of course. But because of the era that we're in right now, we have to find some creative ways to reach everyone, and you certainly are a big part of that.

We are a CDFI institution, so we pour back a large number of our assets back into the community that we serve. And we see the result as not just a concept, but we actually see the results of being able to pour back into the community. I have met individuals that say to me I've been here for 50 years, I've been here for 40 years, I started my account when I was in school.

I wasn't there at the beginning, but I'm so glad that relationship, because banking is a relationship. Money is very personal, money is very emotional, and you have to, in a sense, meet everyone right at that venue. One of our focal points, and I'll use this to go onto the next slide here, one of our focal points of course is to help our young people understand the importance of finances.

And just to help them develop a healthy attitude about money, and how to be successfully financially responsible adults coming up. And youth that are approaching adulthood, they're in a critical time. They're in between, betwixt, and they don't know what to do with themselves often. They have responsibility, yet their minds are not exactly developed to manage what we might -- the monies that may come into their hands.

So, our responsibility is then to guide them across that threshold as easily as possible. We talk about the disciplines that they can grasp right now at this point, that can set them up for either success, or failure really. This is that critical period in their lives where if they make the wrong decision now, it could derail them for the next ten years.

I recall that moment in my life when I was coming up as a young adult, and suddenly as I was approaching my college years I started getting offers for financial doors, and took those offers unfortunately. It took me awhile to get out of that. So, our responsibility then is to make sure that we can guide them safely across those thresholds.

Industrial Bank offers a working solution that is successful. I'm very proud to say that, it is successful. Our intention is to help them understand, of course the importance of how to handle their money, how they can control their own future, and we talk about needs versus wants. That's a little fuzzy in the minds of a youth that's approaching adulthood.

It's very fuzzy what's needed, what's wanted, and those gray lines. So, we spend a lot of time just kind of unraveling that for them. A lot of customers that I serve at this time do not come from generational wealth, but if we can help them see how they can be a trailblazer for their family, or for the circle that they are a part of, how powerful that is.

And we take that very seriously. Our

next slide here talks about how we offer the solutions, and that we offer relationships. It's not just an account that we are after, it's a relationship. Banking is a relationship, and if we can gain the trust of that age group, then they will -- I think they'll take your advice, and they'll run with it, and they'll see themselves following along a path that hopefully is not paved with a lot of errors, trial, and error.

We can't really afford to do trial, and error because it's a lot to recover from trial, and error. So, our hope is to guide them along, share our mishaps that we've had, our indiscretions, and hopefully they can take that upon themselves. We talk about how to handle money, how to make wise choices, how to reach goals, how to set goals.

These concepts are part of an overall school curriculum, we understand that, but not in great detail. I've seen some of the school curriculums, and they touch on some subjects about money, and such, but when we do the financial literacy that we do with Michelle, and some of the others, it's almost foreign to them. What's a check?

What's cursive? I mean, those things that we grew up on, it's really very foreign to them. Those that are from my era, two generations back, we learned finances through that trial, and error. But trial, and error is not always the best teacher. So, we always want to make sure that we are pouring, and giving into this age group.

Because they are the generation that's going to come directly behind us, and sitting in the seats that we sit in, and what their foundation is, what their ground work is is going to make a difference on how we live going forward. So, it's so important. And we do have certainly multiple access points, let me go back to the other side there.

We talk about having non-custodial accounts for youth 16 years, and at least 6 months. Most of the time they're very anxious to drive, so they have acquired at least a driver's permit, or a learner's permit in a sense. And if not that, a state issued ID is what we can accept. It is 25 dollars to open an account, because we want them to see the value of this.

We don't want it to be so easy that it's not considered to be valuable. So, yes, 25 dollars, we need that from your account, from your stash, and to get the account started. And then direct deposits, and ACH deposits is what we talk about. Electronic statements where there are no fees involved. What we're trying to do is set them up so that they aren't acquiring a lot of fees, and a lot of things that they didn't know about.

Things that they may not have understood as long people. So, if we can convince them -- they're not unhappy about that at all, because they're full of electronics, and they want to do everything by access, and by mobile, and by tapping a button, and by speaking into a device. So, it's not hard to get them into these devices.

There is no monthly maintenance fee for the accounts that we do offer them. Multiple access, they can visit any branch, there are no limits, there's online banking, 24-hour banking, certainly we have the debit cards, and such. But we tried to let them know that this is -- you're about to embark upon a huge responsibility.

And we don't want to see you -- I kind of take a mother role at that point, we don't want to see you standing at an ATM every other day. That is not the idea of this. And we remove -- the oversight for the success is that we have accounts that are -- these accounts are not eligible for overdraft privileges. So, they do not go into that dreaded dark hole that we're all very familiar with of overdrawing --

MR. WORTHEY: Ms. Hinton, we're at time for the first part of the panel. I'm just going to ask a quick follow up question --

MS. HINTON: That's fine.

MR. WORTHEY: And then we'll go to the second part. So, let's stick with the access point, and the account features. Can you both talk a little bit more about the importance of access points? We know there's a lot of options out there for young people, and the ease of access is important. Let's start with Ms. Hammonds.

Can you talk about the way your program looks at access points for young people? And then Ms. Hinton, if you can talk about how you use the non-custodial, how do you engage the household, and how maybe parents, and care givers are involved in that process?

MS. HAMMONDS: Certainly, thank you so much. And I would be remiss if I did not acknowledge Jasmine Hicks on my team is our BankOn program analyst. He's the one that's on the ground making this happen. And so, when we're thinking about access points, those access points are really meeting those young people where they are.

For the summer youth employment program, we make very intentional opportunities. They have a certification process where we will bring financial institutions to those events, so that young people can talk to those financial institutions directly, and be able to open accounts, many of them remotely. If not remotely, it may be in person, where they setup an appointment with the financial institution, or be able to open those up online.

And so, we want to make sure that we can access -- they have the opportunity to access those resources where they are. They also have an opportunity to either use something -- get an account with their parent, which is custodial, or these non-custodial accounts. We have found that there is a need for non-custodial accounts, especially in the D.C. area.

And for many areas, depending on what the situation is for the young person. And so, these are very intentional places. Again, we also, as we go through our summer program, and through many of our other programs, when young people are getting paid, their orientation process, that is also another access point for them to be able to hear this information, and to reiterate it multiple times.

So, these are some of the access points that we focus on in engaging young people.

MS. HINTON: We certainly follow, as Michelle said, along those same access points. We encourage that young person to involve their family. Sometimes it can be challenging based on the home background. Because we have parents who want to be involved, who should be involved, sometimes that's not always easy. But we offer the financial literacy to back that young person.

And speak with their parents as well, we offer the financial literacy to the parents, because often times we find that sometimes the situation is that the parents are in need of the financial literacy. So, we do that with grace, we do that with integrity, and we make it a family affair, a family event. We'll come out to your home, we'll meet you at one of the local centers, whatever it is that it takes to make sure that all of us come up together.

MR. WORTHEY: Thank you both very much. We'll now move onto part two of this panel. HUD's Family Self Sufficiency Grant Program promotes wealth building, economic inclusion, and financial education for residents of HUD housing by helping participants obtain employment that will enable them to achieve economic independence, and reduce dependency on welfare assistance, and rental subsidies.

FSS as it's called, requires participants to maintain an escrow account, and upon graduation from the program, the participant often uses their escrow savings for a down payment on a home, business startup costs, automobile purchase, or other expenses related to the person achieving self-sufficiency. So, now we'll start off with Ms. Brown.

MS. BROWN: Great, thank you, Ken, for that introduction. And thank you to the committee, and board members for allowing me to represent HUD today, and the Family Self Sufficiency Program. We are so proud of our Family Self Sufficiency Program, it has been growing over the past couple years, because I think the good news has been getting out.

It is the largest asset building program for low income Americans across the country. This began in 1992, and it was reauthorized in 2018. This is a voluntary program which really encourages families to increase their earnings, and set goals while offering them the opportunity to build assets, and work towards program completion.

So, here you'll see a resident actually receiving 29,000 dollars that they saved over the course of the program. So, next slide I just want to give you a sense of the scope of the program, because I always think that's important for context setting. So, here on the map you'll see, it's a map of the United States with all of the bullet points of where our family self-sufficiency programs exist.

In our program, we serve about over 800 sites, and I'll get a little bit more into detail about the number of coordinators that is. But just for scope, about 800 of that is in public, and voucher housing. Those sites, but for scope about 3800 housing authorities exist across the nation. So, we only serve a fraction of the population that could be served.

Additionally, in multi-family, we just expanded this program to multi-family owners which are private contract owners for low income assisted housing. There's about 17,000 multi-family owners across the country, and currently we're only funding about 38. So, again, just for the scope. We are appropriated 125 million dollars each year, and I'll talk a little bit about what that buys in a second.

So, Ken talked a little bit about FSS, and kind of overarching, but I wanted to go a little bit more into detail. So, the family self-sufficiency program helps assisted housing residents increase their earnings, and make progress towards economic self-sufficiency. And we do this via two key features.

The first is a financial incentive to help residents grow their escrow accounts, and this is really critical because in HUD assisted housing, we require residents to pay 30 percent of their earnings towards their rent. So, as you can imagine, this may be a disincentive for increasing your earnings, right? As your earnings go up, you have to pay more.

And so, this allows families to create this savings account, as they earn more, they're able to put that money into an escrow account that they will be able to get later based on some program conditions. So, the second feature of FSS, and I think one of the most key features, is the coaching, or case management. And this really is designed to help folks address barriers they may have as they are trying to enter the job market.

Or they're under employed, and trying

to get the education, or resources necessary to increase their earnings. Often times that exists in the form of barriers. And so, these case managers really work with our residents to ensure that they're getting the resources, and supports they need to ensure their progress.

They do this via something we call a contract of participation. So, this is a contractual program, not only for the residents, but also for the housing authority. They setup a contract, and via this contract they set goals. We are over the next five years, sometimes it exists a little bit longer than five years.

But over the next five years they'll create an individual services, and training plan in which they're supposed to be working toward the meeting of their goals. If they do meet those goals, they are able to graduate with any of the savings that they have accumulated in their escrow account. And one of the new key features of the programs, often times in HUD we engage with the head of household.

But this program now, the contract is able to be setup by any member of the household, not just the head of household. So, just really quickly, I wanted to go into program operations. So, I'll talk a little bit about national implementation, and then I'll talk about local implementation. So, the family self-sufficiency program is a one year grant program.

As I mentioned, we're appropriated about 125 million dollars each year, and which the program serves just under 60,000 participants via about 1,300 coordinators across the country. And the breakdown for that is about 20 percent is public housing, 80 percent is voucher housing, and then as you can see, less than one percent is multi-family housing.

I want to drill in a little bit on local implementation, but I won't go too far into that because we have our partner here, who is going to talk about the great work they're doing in Portland, Oregon. But the local implementation for this program really starts with the development of a program coordinating committee.

So, this committee is both public, and private local actors that come together, and work to steer the program. As I mentioned, the service coordinators come together, and they work with residents to establish contracts, and work through the individual training, and services plan. Also locally, they're required to report to us, surprise, surprise. As government, we want some metrics.

So, we ask that they track program requirements, and reporting requirements, but also just motivate residents. So, I wanted to drill down just a touch on the program coordinating committee, because I do think that that is a point of potential alignment. The program coordinating committee is a group of folks, service providers.

Key actors in the community that come together, periodically meet, and talk about how they can drive improved outcomes for the residents in the program. So, we have some required members, of course, so the representatives of the local housing, as well as a resident of the local housing.

But we also recommend to each one of our over 800 sites, that they also align themselves with local government agencies, employment organizations, and then of course financial empowerment organizations. So, just really quickly to give you some of our successes, and again, keep in mind, this is for just one year of reporting.

So, in 2021 we served nearly 60000 households. Annually we have about 12 percent of those folks graduate from the program. So, when they graduate, again, they get that savings account that they accumulated. So, at the time of graduation, 100 percent of our graduating families did not require temporary cash assistance. So, that is TANF, or welfare, anything like that.

Twenty-five percent of those graduates

had escrow at the time of graduation. 27 percent no longer needed rental assistance within one year of graduating the programs. So, these folks are moving up, and out. And those who did graduate with escrow savings averaged about 9,000 dollars in savings, and 11 percent of those graduates actually went on to purchase homes.

So, that is some of our metrics for 2021. I also just really want to highlight the fact that this is a program that's being evaluated. We had a recent report identify some of the top interim goals was credit repair, as well as debt reduction. But it also found that residents were really motivated by savings. Not just the amount of savings, but having a savings account.

That was a major motivator for them, and so, we know that based on some of our research. So, with that, I'll leave you with some resources that you can check out on your own. The first is a really good marketing video that talks about the FSS program, and other resources there. I have my contact information, but now I'll turn it over to Biljana, who serves at Home Forward, and she'll go into her presentation.

MS. JESIC: Good morning, thank you for having me here today, it's a real pleasure. I think it's still morning, right? I'm looking at my computer, and it says 8:30. So, bear with me please, it is 8:30 in my brain too. So, I am Biljana Jesic, I am the director of community services, and I work at Home Forward, which is a local housing authority in Portland, Oregon.

We are the largest housing authority in Oregon, although we serve one county in the city of Portland, Multnomah County. We have become a national leader in developing innovative ways to develop affordable housing, and social services to people in need. Of over 3000 housing authorities nationwide, Home Forward was one of the initial 39 housing authorities who received moving to work authority from HUD.

Which means we were essentially

granted this regulatory flexibility in order to improve processes to better meet community needs. Today we serve about 15,000 households, and more than 33,000 residents who receive a variety of services through our organization. Today I am going to talk about the local family self-sufficiency program.

Which, in our jurisdiction we call GOALS, and we have this interesting way of shifting, and changing the name, and essentially ask our residents what would you like to call this program? And then they said -- we have a little competition, and they came up with this name, Greater Opportunities to Advance Learn and Succeed.

And because we are in a government world, we have acronyms, so that relates to the GOALS program, which has been around since mid '90s. So, as Jayme mentioned, why is this program so successful? And I really want to highlight this, because I have heard a theme today about trust, and developing trust, and maybe addressing some of the barriers to access.

And understanding just different behaviors when it comes to banking industry, when it comes to asset development, coming some of the wealth gaps that specifically exist in BIPOC communities as well. So, one of the key components, maybe of this program as you already mentioned, it is voluntary. So, people actually want to be in this program.

And it is about goal setting. It's what I want for myself, and what I want for my kiddos, and what I want for my family, it's very important. We don't tell them what to do, they basically decide what is the best path for them. And for some folks it's very linear, for others it's a little bit all over the map until they find, just as all of us, until they find what is it that they actually want to do, and accomplish.

Another important piece is that this is a contract that we sign with participants for five years, so it's a long term partnership, and relationship. Again, we really get to know these families, we work on these goals, they trust us, they learn that we're there to be their coach, to be in their corner, and that makes a huge difference in how folks access services, and why they become successful.

We use different methods of engagement, it is resident centered, which means we always include voices of our residents in our decision making process. Jayme mentioned the PCC, the program coordinating committee, we always have residents who also serve on that committee, people with lived experience who can actually guide our decisions.

So, that we're not coming up with something that we think is the best for folks, but actually is based on direct feedback from the community. We're trying to really be mindful around paternalistic approaches, and really shift the focus to make sure that it is resident centered. We use different methods, as I've listed, they are coaching, trauma informed practices, motivational interviewing, behavioral science models.

I just want to highlight the behavioral science model, which is something that a lot of folks in financial wellness programs have utilized over the years, because we're learning about behaviors. Why do we make certain decisions the way we do. Why would we choose to pay this bill, and not this bill, and why do I not want a banking account when I know that it's really expensive for me not to have one?

What are the reasons behind that? And then how do we collaborate with folks to shift, and change behaviors, so that we all achieve those outcomes. The program is based on accessing services, and resources, partnerships are huge. We couldn't do this work without leveraging each other's expertise. So, essentially community based organizations are great partners.

Pretty much anyone in the umbrella around work force development, financial wellness, education, transportation, anything a person can think of as a holistic goal to supporting their family, we have partners in each of those sectors, and industries. And so just to give you a little sense, just in last year, folks who have graduated from our program have on average received about 13,000 dollars in their escrow account.

Averaged earned income for our graduates is a little bit over 50,000 dollars. Some of these households had zero earned income when they joined our program, the average earned income for most of our households is less than 12,000 dollars. So, they triple, sometimes we have a 100 percent increase of earned income in this program, so it's really amazing.

We had nine first time home owners last year. We had 36 people who successfully graduated, and then every single household who graduated actually received a managed savings account at graduation. These are just some of our beautiful buildings, I have to share the pictures. So, I want to talk a little bit about, as I mentioned earlier, we are one of the moving to work organizations.

So, we always think about innovative ways of creating efficiencies in our programs. So, we shifted actually how we look at a calculation of the escrow account. We also changed the name from escrow into managed savings account, because escrow account was a little activating, and triggering for some of our participants.

They were a little bit confused about what that actual means, so we changed the name to managed savings account, it's a little easier concept to manage. It's very simple, we basically decided after we did some analysis about what was that magic number, we decided that we would have a strike point of 350 dollars.

And essentially everything in excess of 350 dollars that a household pays for their rent is placed into their managed savings account. It's very easy for folks to understand. So, for example if a household's portion of the rent is 550 dollars, the strike point is 350, 200 dollars goes into their managed savings account.

And so, sometimes we have these complicated calculations behind the scenes, income qualifications, and this, and that. And so again, thinking about behavioral science, and how you will simplify this, and make it easier for folks to understand, we decided to shift, and change the model. And as mentioned, whatever households accumulate, they receive those balances at the time of the graduation.

Last month we just had someone who graduated with 50,000 dollars in their managed savings account. They're going to be purchasing a house, and so we see a lot of success in this model. We offer other asset building opportunities. We are probably one of the few last states that still offer individual development account, or IDA program for some of you who might be familiar with that.

So, for each dollar that a participant saves, there is five dollars in matched funds.

So, folks can then utilize those funds towards their asset purchase. Whether that's home ownership, education, or starting up a small business. So, now when we start layering all of these resources from the IDA accounts, to escrow accounts, we position someone really well to financially move forward with their future goals.

We also highly emphasize the financial wellness workshops. Since folks access this managed savings account, we make sure that every single person who is in our program has at least a checking account. We talk a lot about financial coaching, and counseling, we talk a lot about credit repair, and building. This is one of the major key components, because we know the higher the credit score, the more buying power folks will have.

Anything from their access to utilities, to potential loans, and things like that. We also rent reporting through our housing authority. So, essentially we use rent reports, or rent payments that we receive every month, and then essentially report to credit bureaus to help increase credit scores. And so, that is also packaged into these opportunities.

And of course home ownership is a really, really big piece of this program. Another pretty picture. So, in preparation for this meeting, I sent an email out to my FSS peers in the country, and asked can you please tell me a few things about what you are seeing as some current trends as you are serving households. Because I'm trying to be mindful.

I come from an urban development, and urban environment, we have a lot more resources, and access to different products. So, I wanted to be mindful around what does that look like for smaller housing authority, rural, and things like that, because of course it varies. What I will say is that what I've heard from my peers, and this is also true for Home Forward, is a large percentage of FSS participants have at least a checking account.

However, a very small percentage of

participants have a savings account. Which is interesting, because I think there's this managed savings account that they have through housing authorities, however at the time of graduation, we have conversations, have you opened a savings account? And a very small percentage of folks report that they do.

Very few FSS participants consider financial investment, or other banking products. Financial capabilities education is usually provided by local nonprofit HUD certified organizations. FSS programs will typically partner with local credit unions. So, as far as who are our partners in the community when it comes to financial wellness, and banking products, we're typically seeing connections with local credit unions.

And then typically what folks are investing their escrow funds are reducing that home ownership, and transportation. I want to talk a little bit about what I've heard, the issues of trust between financial institutions, and maybe banking products, and low income households. And we talk a lot about is it expensive, is it not expensive to have an account, or not?

I just want to share this concept that we have heard from our participants in the program, and that is sense of control. And so, even though -- as a person who maybe accesses different products, different systems, there's also a requirement for every single of these different service providers, you have to do this type of paperwork, you have to do this type of paperwork.

We're in the business of these low income households from so many different perspectives, whether they receive maybe SNAP benefits, or social security benefits, or participating in HUD housing. There's this scarcity of resources, and time capacity, and it becomes difficult to manage all of that. And folks often feel like they don't have a sense of control.

And so, this maybe -- financial access, or income, or whatever bill paying becomes one way to have that sense of control. And so, what I mean by that is when you think about it for example, if I write a check, and give it to my landlord, and my landlord takes time to deposit that check.

In the mean time I have made some purchases that maybe I didn't track, or forgot about, because now we all have apps, and it's easy to forget that. When you are on a limited income, you can easily have overdraft fees, because now that check is being deposited late. So, when I actually go into local grocery store, and I purchase a money order, at least I have control that I have this money in my hands.

And I can go, and hand that over to my landlord, and I have a sense of control what's left in my checking account. So, as we think about some of these concepts, and how much it costs for overdraft fees versus how much does it cost for me to just go, and purchase these money orders, I have a little more sense around what the end of the month is going to look like for me.

Those are these behavioral models that we have to be mindful of. Sort of what is the behavior that we want, and then how do we get there? That can also mean policy shifts, and changes, partnerships, and leveraging each other's expertise. We develop these trustee relationships with folks.

Let's leverage each other to basically be the voice of the products, and of the financial education that we want the folks to access. I have a success story that I'm just going to summarize, because there is a lot here. I also had a video. So, I think, if I'm not mistaken, that video will be embedded maybe in your packets that you might have received.

I would invite you, if you have -- it's three minutes, but super powerful, and essentially summarizes from the participant's perspective, everything that Jayme, and I have talked about today. There's a link somewhere there in your packets, I will invite you to take a look at it. But I've chosen this success story, because I think it's just so powerful.

And I personally met Dorothy, she is a 64 year old African American woman who was a renter for 44 years. I'm not going to read this whole story, it's in your packet as well. I'm just going to summarize that she was very skeptical when she first met us, and when we basically shared with her you could become a home owner.

And literally, like she said in her story, yeah right. Be a home owner at the age of 64, I don't think so. However, the value of the relationship, and the coach being there for her to moderate her, and work with her on this sort of path of goals, and opportunities out there, just sort of making smaller steps to achieve her greater goal.

Which essentially, Dorothy did become a home owner. Went through several workshops, learned about credits, learned about increasing credit score, how to work on that, took home ownership workshops, and classes. We connected her with local resources. Portland has experienced a lot of gentrification in our area.

So the local banks, the local government is quite interested in opening up rent opportunities in some of these high opportunity neighborhoods to bring back households into neighborhoods where they were displaced from. And so, Dorothy essentially took advantage of all of those resources, and opportunities, and ended up purchasing a house for her, and her granddaughter, she's the main caregiver for her granddaughter.

It was just -- we just had a graduation, and she was one of our speakers, and she would have said this in so much better way than I have, but I just can't say enough, how motivating it is to hear, and see these stories. And knowing that this is a possibility for folks as we think about different programs, different products, success stories like this are definitely a motivator for us.

And I hope will be motivators for you as you also think about ways, how can we partner, and share some resources together. There is a link, I believe -- or not. Anyway, thank you for your time, I appreciate it. And can I go?

MR. WORTHEY: Thank you, yes, thank you very much to the entire panel for all of the great presentations, and information. Now we'll open it up to the committee for questions.

MEMBER LIBBY: Okay, I will jump in. I thank you, Liz, for preparing these panels, they're just always incredible. This has just been so informative of the work that you all are doing. And I think earlier people were using the word inspiring for the kinds of things that are happening. And I think like the example that you just shared, it's amazing to hear.

And so helpful to hear some of the lessons that you're learning. Certainly for me, it will not be a surprise to anybody that I'm going to focus on the youth banking portion of the panel. And one of the things that I think somebody mentioned earlier was just even young people looking at a check to say, “What is this thing?”

And just to underscore the importance of what you all are doing, we did have in our program, a young man who took a check to Safeway, and went about trying to purchase a sandwich with it, and had this very embarrassing experience where the cashier was saying no, don't worry, don't worry, but just take that check across the street, and there's a check casher there, you can get the money out of it.

And then you can come back, and I'll save the sandwich for you, don't worry. So, it was like, for him, like a caring experience, because it was an adult that was sort of taking care of him in this situation. But it sort of, I think it underscores the financial desert kind of data that you were sharing, sort of where young people are growing up, and the kinds of access points that they have is part of that story.

But I think the other piece is around If his employment program had these kinds of supports where it's baked in, and I think that was one of the points that you made that I wanted to underscore, is the importance of having those multiple touch points, and having the account opening really built into the way the program works.

And making that paperwork process smooth, and easy for young people. I think the question that I -- or I have a couple of questions. One is as you -- you mentioned that you have a handful of financial institutions, and that you do offer this sort of standard custodial account, as well as a non-custodial account. And I'm curious if you have a sense of sort of what that pattern looks like.

Like how many young people are taking up the non-custodial versus the other account as a way of sort of understanding. Because I know we've seen a large need for the non-custodial accounts, so just curious if you have that. I think the other thing that I wanted to sort of underscore, and ask around is the peer component, or the peer education component.

I actually remember, I don't know if it was 10 years ago, talking with Sybongile Cook, back when you guys were building out that peer model, and sort of talking about structuring that, and how these approaches can be powerful, especially given the trust idea that so many folks have talked about. So, I'm wondering if you can talk just a little bit more about what that looks like.

And sort of how you've seen that in terms of its effectiveness. In terms of I think fostering the trust, but also getting young people a little bit more comfortable with the financial products, and even maybe with the idea of saving, and goal setting.

MS. HAMMONDS: Well, thank you for the question --

MEMBER LIBBY: I know, I know, I get

very excited about this stuff, it is true.

MS. HAMMONDS: Well, thank you for that topic -- that question. For the non-custodial accounts, I don't have the specific numbers, but I can tell you a general sense. We have a large number of our young people, especially the ones that are under 18 that are really, really looking for those non-custodial accounts. We did see a large percentage that did ask for those.

So, it was still going towards that way. So, I'm sorry I don't have that specific data point, but yes, we did see a significant amount that were going for the non-custodial accounts. What we found that was very interesting is parents are helping them with the non-custodial account, as opposed to getting them the custodial account.

The parent was still actively engaged, and we found when the parent was actively engaged, the young person still had an opportunity to learn more about how to use those accounts. So, non-custodial doesn't always mean lack of support. It just means an avenue for individuals to get accounts, and start their financial journey.

As it relates to the peer education process, which is our young money manager program, we have celebrated our tenth year. So, when you were talking to -- it was a decade ago, it was last summer, we had 10 summers worth of the young money manager program, and it did start with my predecessor, Sybongile Cook, and we were able to continue that program.

With that we create an opportunity for our young people to go through a three week financial boot camp where we teach them all about personal finances during that time. As well as providing professional development for them, and engaging, and helping them with presentation skills, and all the other soft skills that are important to build your personal finance, and creating your career path.

With that particular program, we did

find that the youth voice was very important. Young people talking to young people, but with the information that was important, because it was also vetted, if you will, by adults that were the professionals in this particular space. And so, we have found it to be very successful, and engaging.

Some anecdotal things that we have seen is, as I've talked to young people that have gone through the program, and they've been five years, six years removed, they still remember the information that they shared as a young money manager. Even in their work place, I was talking to a young lady not too long ago, and she said she moved to New York, which we know is a very high cost area.

She was able to first be renting a house, and living in a space where she had roommates, but because of all of her training for financial education, she was able to save up, and be able to get her own apartment. But during that conversation she actually also was talking to other interns, because we had this whole model of peer to peer financial education.

So, as she was talking to the other interns, and then full time employees, she helped them on their savings path, and created that information for them. And so, we do see that it's very powerful, even after they've left the program, that our young people are still sharing this information with their communities. So, the peer to peer model has worked.

And we've had a number of cities that have replicated the program in their own various ways. We started in D.C., but we have Chicago, L.A., Miami, a number of other ones, St. Louis, but there's a number of other partners that have also replicated that throughout the country as well.

MEMBER MINTZ: One of the most shocking things about our BankOn conference yesterday is -- yes, we're back to BankOn. That our board chair introduced me as somebody who is humble, and those of you who know me, it's not as often a -- it was shocking. That having been said, Michelle, I have a comment for you, and then, Jayme, I have that question for you.

Because I wanted to really thank you for -- and there are some heroes here in this 10 years of work around summer jobs connect that I just have to acknowledge, and thank for making this work. Including the very idea of integrating banking into the Summer Youth Employment Programs, which literally came in a phone call from Brandee when I was in an airport catching a connection.

Who then followed up this great idea with 10 years, and about 40 million dollars worth of support from the city foundation. And it has really, in combination with the expertise of MyPath, and so many other partners. And I really want to thank you for making D.C. such a signature program in the summer jobs connect constellation.

You mentioned we've got dozens of compatriots around the country that are doing that program as well, and you guys have just been, from the beginning, real stars, and very forthcoming in sharing your best practices with things like your peer mentoring program with others. And I just really want to thank that level of incredible support.

Jayme, my question for you, pivoting real quickly, is I'm wondering if you could -- I know this is a complex question, but If you could zero in on what you think the key factors of success are in the graduation rate. I think you said it was about 12 percent annually?

MS. BROWN: Yeah.

MEMBER MINTZ: So, I'm just, I'm sure you've learned a lot, I know you're data rich, and experience rich from partners. But I'm wondering if you have a sense of what are the pieces that come together that besides the human part of the equation, the programmatic, infrastructural part of the equation. I wonder if you could talk about where you see the pieces that build success.

MS. BROWN: Yeah, no, thank you for that question. I think there are several things that kind of lead to the graduation. I think the key factor is the coaching, right? Both the coaching from the FSS coordinator, and the partners that they've accumulated on the ground to support the program.

But also we leverage local financial literacy education to help, and support folks, and push them towards graduation. As Biljana mentioned, this is a behavior change program, we're thinking about intervention. And so, really working with them to find out what the successes are, or what the motivation for even why they joined.

And that takes years, because people don't always open up. Money is such an uncomfortable conversation. So, it takes them years to kind of work with a coordinator, develop that relationship, and really push them towards that graduating --

MEMBER MINTZ: And I'm curious what

that ethic is, like when we talked about banking, and Biljana, you mentioned this as well, what's key to -- we know banking access, what's key is people's sense of control. What's key, you think for people willing to try this program, and then to stick with it? That's really what I'm curious about.

MS. BROWN: Yeah, I think the key is that they -- I mean it's a lot of self-motivation, right? Like they find out about the program, again, it's voluntary, they sign this contract, which creates a set of responsibilities not only for them, but the organization that is managing the program.

And I think that there's a sense of shared responsibility, and investment in success, right? It's not just I'm out here on my own, but I have this path forward, it's outlined for me, it's clear. Every year folks who have escrow accounts get statements, they know what is going in, they can see their money growing. So, I think that that is what's really key.

MEMBER TESCHER: Thank you for reminding me of the FSS program. It's been around forever, I've known about it forever, it's been awhile since I reconnected with it, and I'm just newly astounded at what it's doing. And I had just a couple of questions. So, you talked about an annual appropriation, 125 million.

Is it just the amount of dollars that dictates the reach of the program versus a public housing authority choosing to sign up to participate? In other words, why aren't we doing this everywhere? Is sort of the question I'm asking. And then for you Biljana, I think you mentioned on a slide, but you didn't talk about it, that there's an ability for emergency withdrawals.

I'd love to just hear a little more about that, because while people are getting a break -- they're not getting a break on their rent, but they're essentially getting a financial incentive, which I have to imagine is an important part of the motivation, it can be difficult when folks are living on the edge to know that there's this money, and not to be able to access in the case of an emergency.

So, I was glad to hear that. I wasn't sure if that was universal, or just something that you've done, but I was curious to hear more about that.

MS. BROWN: Yeah, just really quickly to respond, that is universal, Biljana will talk a little bit more about it. But it's universal for specific things that folks can access it for. So, things related to their contract, but I'm sure that Biljana can go into more detail on that.

MS. JESIC: So, that's a great question, and I'm glad you caught that on the slide. It's a really amazing component of this managed savings account. Because again, we know that living paycheck to paycheck, or social security benefits to social security benefits, it can sometimes become difficult to stay on track of those goals.

And so we typically have a philosophy to explore all possible resources in the community before we tap into these accounts. Because we want to really be kind of conservative, and save those funds when folks graduate, and invest in a bigger goal, again, whether that's -- whatever they choose that is. But sometimes things happen, like in order for me to continue going to a job, I may need new tires, or I may need to replace something in my car, or I may need to purchase boots, or a uniform for my job, or there are certain expenses that come up. And each housing authority aligns essentially a list of eligible withdrawals.

And so families have to work with us around identifying what those are, and then they can withdraw funds to help them mitigate some of these temporary obstacles that come up, so that they can continue on with their self-sufficiency path. Because some of those obstacles can be significant enough for someone to give up.

So, as you were maybe mentioning

something around what are some of the motivators? This is just another example of how do we structure the program to have these sort of solutions when barriers come up, so you keep going forward. Sometimes when you have so much going on, a very little obstacle could mean that I just want to give up, there's not enough for me to continue to be committed to this program.

And so, the support of the coach, and then some of these infrastructures setup in the program can go a long way for a lot of folks.

MS. BROWN: Just really quickly to answer your question about scale, like why haven't we scaled up.

MEMBER TESCHER: You have quite a bit of scale.

MS. BROWN: Yes, but it's not universal at this point, across all of our housing assistance portfolio. Our appropriations go to the salary, and fringe of our coordinators, and organizations, the HAs, or multi-family owners can voluntarily run an FSS program, they can do that. The challenge is the funds to pay for those coordinators, especially in high cost areas where they cost a little bit more.

So, it really has been the funding barrier, and there are so many things that a housing authority does that there isn't always a surplus of funds to do services, or a program like the FSS program.

MEMBER TESCHER: So, if the government tomorrow rained more money on you, do you have a waiting list of public housing authorities that would sign up, or would you have to go beat the bushes?

MS. BROWN: So, we for the first time in several years reopened the program last year, and we had -- we were only able to fund about a third of the demand that came in, and that wasn't even -- we didn't beat the bushes at that point, or we didn't widely publicize.

MEMBER TESCHER: Understood, thank you for helping, I wanted to know what the gap was, thanks.

MEMBER WEINSTOCK: Can I ask one question? To Lisa, and to Michelle, Do you see any intergenerational transfer of the -- so, you're teaching these young people, here's financial information, here's how you can manage your money, build savings, all those wonderful things. Is there an intergenerational transfer home?

Or do you also see they go home, and mom, or dad says I had all these problems with overdraft, please don't do that. Or something like that, so I'm just curious, what do you see in that area?

MS. HAMMONDS: We see it all. Quite honestly, we do see it all. We do see an opportunity for the family situation, or dynamic to change, where it can be a positive standpoint, where the child has now taught the parent some additional information. But we also see where sometimes the challenge is what those parents may have experienced in the household prior for their own financial situation.

That is not something that we have necessarily documented, but again, anecdotally through talking to individuals. But on a positive note, we do see that there's a transfer of that information to parents, but also to other siblings, and their peers. And so, that is where we do have the opportunity to still influx, and provide that information in a more targeted way.

MEMBER WEINSTOCK: Thank you.

MS. HINTON: And when as a young person I go home with information, that may not have been available before it does create, it can create a sense of challenge there in the home, you never want to put the young person in a position of disrespect in a sense. But we try through the financial literacy that we provide to empower them enough that they feel so strongly about what we've shared that they can't help but now go home, and say hey mom, did you know, hey dad, did you know, more on an engaging level.

More on a friendly level, and so the whole family, as Michelle says, the whole family comes up. And we've had young people open their account, and then maybe in a month, or so, they'll bring someone else along with them, an older sibling, sometimes even a parent. They'll come in, I told them about Industrial Bank, and you have to come in, and talk to Ms. Lisa.

And so we do, we've -- one family we reached three generations, so it was worth it all.

MEMBER WEINSTOCK: Congratulations, that's great.

MEMBER CALHOUN: Thank you for this wonderful panel, and it's great, because you're looking at family's whole lives. While we talk about financial services, those are a piece of people's whole lives. Could you speak to, all of you, but particular the family support services, what aspects of financial services tend to be the biggest obstacles, and the biggest places where there's potential for advancement?

Is it lack of access to credit, bad products out there, clearly bank accounts are a key part of it. But in your experiences, where -- financial services is part of helping these families advance, where does it play the biggest role?

MS. BROWN: Yeah, so I'll just say that I think one of the challenges our families have in general, and Biljana kind of hit on this, is not just financial literacy, but bank literacy, right? People don't know how to build relationships with their local banks. And as Ms. Lisa put, you need a relationship with your bank.

And often times they'll open an account, those who are motivated to do so, but then get frustrated that they can't get an auto loan, or something to that effect. They haven't built the bank literacy enough to really understand how to grow that relationship, right? And so, I think that that's one of the greatest challenges that folks -- there's a lot of literature out there.

But literature is not enough, folks need kind of that one on one, they need the coaching to help ask the right questions, to build the banking relationship.

MS. JESIC: If I could maybe just piggy back on that, and say that we work with a lot of folks from different cultures as well, so there is that piece around culturally appropriate services. There is some cultures that we work with who just simply don't believe in credit cards, don't believe in loans, and homeownership becomes very difficult for them.

Because they don't have enough cash to purchase a house, right? Not many of us have enough cash to purchase a house, right? And so it's against either their religion, or their cultural beliefs to essentially request a loan. So, how we work with someone who comes from that kind of background, of course it's different. And so, I think recognizing that different people have different needs.

And sort of how to meet someone where they're at, rather than sort of just promote standardized services, and packages. And so, I think with that said, we see a tendency that folks only access very basic services within financial opportunities, and when we start having conversations around investments, and savings, and how do you grow your wealth.

Because we know one path to really eliminate poverty is to grow wealth, liquid assets. We know that a lot of people living in poverty really struggle with liquid assets. And so, how do we get to that point where we are thinking mindfully around savings accounts, and how to make that as an affordable, accessible product.

And a lot of folks have a lot of fear, they have a lot of intimidation, I don't have enough income to be able to have a savings account. I worry I'm going to have some kind of fees, and penalties, I'm going to get myself even in bigger trouble. So, as Jayme said, it's sort of financial literacy, banking literacy.

And really, again, all of us coming together I think as a community to really partner, and bridge some of those gaps around maybe what's perception, what's stigma versus reality. And really meeting the households where they're at.

MR. WORTHEY: Any final questions from the committee? Yes.

MEMBER CALHOUN: So, thank you so much, and I know we're late, and it's lunch time, and all of that. So, I appreciate you indulging me on my question. I had two comments, and a question. So, one is just I think a current theme in both of the panels is the importance of community champions, and I just wanted to call out Michelle as someone who worked locally, and saw her in action.

Without the individuals on the panel, this work just doesn't hit, and have as much impact as it does with the commitment that they demonstrate every day. Second of all, I think something that would be really interesting, and I'm kind of throwing this out to any researchers in the room, I think between our generation, and saying that kind of loosely, and our adult children's generation.

I don't know that there's ever been such a different kind of way with money. When I was young, and I would take cash out of the ATM when I would go somewhere, and spend it all, there wasn't anywhere else to go. So, it kind of built that in that -- in a way it kind of was an insurance to not overspend, because you were just operating with cash all the time.

And I wonder if there would be the possibility to kind of study how doing everything where you're not physically touching money, how that's affecting, if it's actually -- there are obviously the ability to track in real time, and all that I think would be a positive, but I wonder if people, or young people just without that tangible concept of money actually passing hands.

So, that's just a curiosity that I -- maybe I'll, in my spare time look into. And then last I just had a question for Biljana around rent reporting, because it's a double edged sword. And I just wonder if you're only reporting positive rent behavior, or all?

MS. JESIC: We are committed to no harm done, so positive.

MEMBER BILONICK: Great, thank you, that was it. Thank you.

MR. WORTHEY: Any other questions? All righty, thank you panel. Liz, back over to you.

MS. ORTIZ: Thank you everybody. I really enjoyed the morning, and I'm really grateful to all the panelists for sharing their experiences with us today. We've talked certainly over the last several meetings, and it's not just an account, right? Having an account is important, having the right account is essential.

But it's how that account relationship sets you up for a positive financial future. I wish everybody was lucky enough to have Lisa Hinton as their branch manager, and know they're going to go in, and have a great experience. That's certainly one of my visions for the future.

But I do think that hearing just about the possibilities, and the champions that exist to set folks up for financial success, to use a word I've heard earlier today, inspiring. So, with that, let us go to lunch, and plan to return around 1:15. Thank you.

(Whereupon, the above-entitled matter went off the record at 12:13 p.m. and resumed at 1:29 p.m.)

MS. ORTIZ: Welcome back, everybody.

This is the members' roundtable portion of the meeting. When I sat down, I was like, oh, my goodness, where's the panel? Something has happened to the panel.

(Laughter.)

No, you are the panel.

So, it is my pleasure to ask our newest ComE-In member, Susan Weinstock, to kick off the members' roundtable today, as part of --

as Marla remembers, you know -- our new member ritual.

(Laughter.)

MEMBER BILONICK: Hazing.

MS. ORTIZ: A tradition. Can we call it a tradition?

(Laughter.)

CHAIRMAN GRUENBERG: Susan, this is the staff's idea, not mine, for what it's worth.

(Laughter.)

MS. ORTIZ: With that, Susan will start us off, and then, we'll work our way to her right. And let us begin.

MEMBER WEINSTOCK: Thank you.

Well, first of you, for those of you -- I thought I'd start off just to give a description of Consumer Federation of America, for those who may not know about us or our work.

So, we're an association of nonprofit organizations, consumer organizations, established in 1968 to advance the consumer interest through research, advocacy, and education. Today, we have more than 200 groups participating in our Federation. And I started here as President and CEO about a year ago. So, it has been not that long.

CFA is a research, advocacy, education, and service organization. As a research organization, we investigate consumer issues, behavior, and attitudes through surveys, focus groups, investigative reports, economic analysis, and policy analysis. And then, this research, obviously, is a very important basis for the policy positions that we take.

And then, we're an advocacy organization. We work to advance pro-consumer policies on a variety of issues before Congress, federal and state regulatory agencies, state legislatures, and the courts.

We're also an education organization. We disseminate information on issues to the public, to policymakers, and other public interest advocates, and, of course, our members.

And then, we're a service

organization. And our principal service to individuals is through the America Saves Campaign, which we started in 2000. And I'll talk a little bit about that in a minute.

The question was about challenges and opportunities, and it fits well with CFA's focus and our work. Our advocacy efforts these days, actually, often fall into the category of what I would call challenges.

We see the CFPB, first of all, as integral to financial inclusion, and we are very focused on protecting the CFPB, along with the others in this room. We want to ensure that the CFPB can continue to do its work and to fulfill its mission.

And then, there's a few specific products that we're concerned about that we think hinder inclusion.

First of all is the explosion of new credit products -- examples like buy now/pay later, training repayment agreements, earned wage access, and products that use a "tips" model.

Each of these products is credit. They provide funding today and are repaid later. Given that, we maintain that these products should be subject to state and federal consumer protection laws that regulate credit products.

We are in strong support of the CFPB's proposed safe harbor of $8 for credit card late fees. The CFPB provided ample evidence that this amount is fair, reasonable, and proportional to the costs incurred by issuers for late payments, and issuers can charge more If they can justify the amount under Regulation Z.

Overdraft is another issue we're concerned about, the practice of charging high-frequency, high-cost overdraft fees preys upon the financial vulnerability of lower-wealth households and hinders inclusion, as it drives many of them out of the banking system and towards other financial services with fewer protections. Reforming these practices is key.

And then, over the last two years, increased attention to dysfunction of the overdraft system has led to some changes by banks, and we are very supportive of that and we applaud those changes.

Overdraft fees are still penalty-level fees unrelated to a bank's actual costs, and the vast bulk of these fees are still paid by low-balance accounts.

In the opportunities space, I want to call out CFA's strong support of the Military Lending Act. And we see another opportunity in supporting the Community Reinvestment Act modernization.

Finally, there's a number of aspects of CFA's America Saves Program that is an opportunity. There are multiple parts to America Saves. A couple of them came up this morning. And we really focus on the low- to moderate-income population.

Military Saves. We just launched Veteran Saves earlier this year. America Saves at Work, which is where we work through employers, and America Saves for Young Workers, where we work through youth employment programs. And America Saves supports over 325,000 active savers, and we have over 11,000 engaged partners.

We recently, actually, updated our focus and our mission -- I'm sorry -- our mission and our values. And we're really focusing on what we're calling financial confidence. So, the mission of America Saves is to empower all, particularly those who are financially vulnerable, to build financial confidence through effective saving, debt reduction, and wealth-building strategies.

Some of the key values America Saves promotes are opportunities to expand inclusion, including when you focus on building financial confidence, there is space for everyone in the saving and personal finance conversation.

Saving for your past, reducing debt; present, emergency funds, and future, long-term savings, which is retirement or education or homeownership, is essential to overall financial wellness.

And saving is a habit, not a destination. Starting with small habits can make a big difference. And we celebrate both small wins at America Saves and big milestones.

We just had America Saves Week from February 27th to March 3rd this year. And the impact was that we had 3,952 organizations joined to encourage their communities, their employees, their customers, their members, their constituents, to pause and do a financial check-in -- reaching a collective nearly 9 million individuals.

Participating financial institutions report that, during the one-week time frame, over $788 million was deposited into new and existing savings and wealth-building accounts. Nearly 181,000 individuals reported making positive financial behavior shifts during the week, including opening savings accounts, choosing to automate their savings, or increasing the amount that they were saving automatically.

And then, for America Saves Week in

2024, we're actually going to have the campaign take place during National Financial Capability Month next year. So, April 8th to 12th will be America Saves Week in 2024, and then, we'll have Military Saves Week from April 15th to 19th. And the theme will be "Saving for What Matters Most."

And I will stop there.

MS. ORTIZ: Thank you, Susan.

Jennifer?

MEMBER TESCHER: Good afternoon, everybody.

Can you hear me okay?

Congratulations, Susan, both on joining, but on all those incredible accomplishments.

I think you'll see some themes, as I give a few remarks. I'm largely going to focus on the results of some forthcoming research. I'll give you all a sneak preview.

We all know that the financial landscape has changed substantially over the last 12 months with the supports the government was providing through the pandemic having come to an end; the student loan payment pause about to come to an end.

And when we conducted our Financial Health Pulse Survey last year, we found, for the first time in the five years we had measured it, a drop in the percentage of Americans that were considered financially healthy, and, in particular, a drop in the share of households whose income exceeding their expenses.

And we're now in the field for this year's survey, and we expect to see those same trends in play. So, at our next meeting, hopefully, I will have some results to share.

When you couple those challenges with the loss of confidence that consumers feel in banks in the wake of the recent closures, we worry that they're going to alter how Americans engage with financial institutions, and we're worrying about the progress -- we worry that it will threaten the progress that's been made on expanding financial inclusion, on bringing more people into the banking system strongly through Jonathan's and others' work.

I think bankable moments are going to be not just important, they're going to need to be more than a moment; that we're going to have to figure out how do we continue to engage people beyond the time that they've opened the account.

Last month, we published our first longitudinal survey, drawing on our five years of data from our Financial Health Pulse Survey. So, this is work the Citi Foundation has been supporting for a number of years. And we, generally, survey over 6,000 a year, and over the five years, about half of them were the same people.

So, we're really able to look at a trend over time, which is a really unique data set, and the data is really dispiriting. Almost half of Americans were not financially healthy for the whole five years.

Interestingly, just over a third were what we call chronically financially unhealthy.

So, they were unhealthy for anywhere between one and four years of the five years. They were not unhealthy the whole time. So, there is the possibility for movement and change. And the remaining 17 percent were financially health for all five years.

So, you know, even though last year about a third of Americans were considered financially healthy, fewer than 20 percent of them had been financially healthy for five years in a row -- just to kind of put that in context.

We found that having a savings account has a strong correlation with sort of longer-term financial health, but we also find that opening a bank account is associated with becoming financially healthy in the short term. And that holds true even when we take into account changes in income or employment, that the presence of a bank account really, in the short term at least, promotes some short-term stability.

We're currently fielding our -- I already said that -- that we're fielding our current 2023 Financial Health Pulse Survey. We're going to continue to mine this data set. Again, it's really rich, being able to look at people's financial lives over the course of five years.

Now, we had kind of a pandemic in there. So, it throws a lot of things off, but it also provides a really interesting picture into what change looks like over time; what drives change, both for good and for ill.

Next month, we're putting out our Annual Spend Report. This, essentially, calculates how much Americans are spending on interest and fees in a range of financial products, about two dozen different financial products.

We both do primary and secondary research to understand that, and then, we survey consumers to understand what their usage is like. So, we're able to kind of put the numbers together.

So, we estimate that spending on

financial services rose by 14 percent last year to $347 billion. The largest driver is the increase in credit card finance charges. A lot of that is driven, certainly, by inflation, but increasing customer spending also accounts for a very significant portion of having more finance charges.

We find that Black and Latinx households continue to pay a larger share of their income on financial services than White households. The financially vulnerable pay 14 percent of their income for financial services compared to just 1 percent for the financially healthy.

We also added a set of questions this year for the first time on overdraft that looked not just at usage, but on attitudes. And that's going to be forthcoming soon.

I want to just briefly mention a couple of products, in particular, that we saw dramatic increases in spending on.

Total interest and fees paid by

consumers from several alternative credit products and on unsecured installment loans increased last year. And the increases appear to be driven almost exclusively by households of color, particularly, Black households. This increase in the use of high-cost credit suggests that Black households, in particular, may be struggling to make ends meet and having fewer options for credit.

So, we see that there's loan stacking happening with buy now/pay later products. A third of users said that they used one of those products twice or more in the month prior to the survey.

And we also see that many student loan borrowers are anticipating struggling with payments, once the federal loan payment pause expires.

I think I'm going to stop there. I think the last thing I want to say is, I think we've got to continue to find not just additional moments, but additional partners to engage in more moments. And so, we have been spending a lot of time, not just thinking about the role the financial services companies play, of course, but also the role that employers play.

And we spend a lot of work on working with HR leaders to support workplace programs that advance financial health. We've created an employer toolkit that includes a Guide to Workplace Financial Health Solutions and case studies of employers who have made progress in this regard.

And, you know, our work, our findings are consistent with the FDIC's own findings, that starting a new job is associated with opening a bank account. And so, we spend a lot of time in that guide really giving recommendations for employers around how to make sure that they are helping their new employees to get banked; to put money into savings -- all the things that we want people to do when they are employed.

So, with that, thank you.

MS. ORTIZ: Jonathan?

MEMBER MINTZ: I'll pass. No, I'm just kidding.

(Laughter.)

All right. All right. But I will be brief.

There's been a lot of talk about the progress of the movement and how partnerships, particularly, as you heard expressed in the first panel -- and as the Chairman so wonderfully said yesterday at the start of our conference -- you know, how important those partners have been, and how much progress has made in the market with almost 400 accounts being opened across 85 percent of the ZIP codes, available in over 50 percent of every branch; of all the branches making up 60 percent of the U.S. deposit market share.

We have made a lot of progress, although I will note that one of your senior staff members said, "400 is great. Where are the other 4,000?" -- which I think he might have gotten from you.

(Laughter.)

But I am confident, because of our partnership with the American Bankers Association, that will be no problem.

(Laughter.)

But what I think is exciting is that, as we build this demonstrable set of choices, which we heard before are so key to the ability of partners, like the IRS and BFS, and the State Department of Labor in Maryland, and others, to accept this infrastructural opportunity to bank people because it's a set of standards that feels right.

It's a set of standards that are resonating in a sustainable market. We are hearing that banks are saying out loud now, not just privately to us, that this is their No. 1 seller for a certified account. I hope this was in public -- in case it wasn't. But, you know, one of the major national banks said yesterday that half of the accounts they open across the year is a BankOn certified account. So, these accounts are working for the banks and the credit unions, and that's thrilling.

And so, I think that we're at this wonderful moment when, even though the machinery of getting from 400 to 4,000, David, is continuing, and gaining momentum, it allows us to be setting our sights on the other part of the BankOn equation, which is not just supply, but how you connect people to these accounts; and to be able to leverage this incredible sort of pandemic-torn experience that we had, together with the IRS and BFS around the stimulus payments, and that proof of concept.

And our First State, thanks to the wonderful partnership with the folks at the CASH Campaign of Maryland, on unemployment insurance. There are 49 other states. We've already got one or two of them as well.

I think it allows us to aim really big on the largest articulation of the strategy of getting people into the banking system, which is an ethic that that's how government payments get made and facilitated. And, you know, it's so silly, but when the IRS says out loud, "We created a portal and we put in a link to get banked," it sounds like something you might kind of snooze through.

It was momentous and, really, it was hard to do. It was done. It was incredibly effective. We got the proof of that concept in the data from the FDIC Unbanked Survey in regard to how significant a factor it was for a third of the people that were newly banked to have become newly banked, primarily, because of getting government payments. So, it allows us to aim so big toward that larger idea that this is how government payments should be made and facilitated.

At the same time, I want to say that the BankOn team and our partners across the 100 coalitions across the country, also, now have a wonderful opportunity to push deeper into the harder-to-reach populations.

And so, working with returning citizen

programs and figuring out what's the magic there, and how do we figure out that magic and replicate that magic.

Foster care programs, the one that really tugs most at my heart, and starting to experiment with those kinds of banking integrations as well. It feels exciting to be able to take this engine that so many of us at the table have built together and start to really deploy it.

And so, that's kind of where we are and how we're thinking.

MEMBER MCHALE: It really is wonderful to be together in person. I'm just really deeply grateful for the chance to be together and to learn from each other.

And I want to thank the Chairman and, actually, the whole entire FDIC team, for this opportunity. I think that you should know that the combination of creating access to thought leaders in this space, as well as the chance for open dialog, really is invaluable and has a huge impact when we leave the room. So, it's not just an impact right now in the moment, but, definitely, sparks our thinking for the future.

Many of us have been doing this work for a long time. So, it's also we really appreciate the chance for some new inspiration and to see a spotlight being placed on both the financial inclusion challenges, but an equal spotlight being put on solutions.

Making a case for why and how financial inclusion matters, it isn't just good business sense or smart public policy. But I, actually, think we should always remember that, underneath it all, it really is, I think, an important tool for mending some of the divides that we have in this country. Fundamentally, when people are financially included, and they have a sense of economic well-being, they feel like they're able to participate fully in society.

But I should say, also, good intentions without solid execution can really undermine the potential and can, actually, in fact, compound the negative skepticism and further increase the divide.

So, I was actually going to come in today and talk about something totally different, but, as I was preparing earlier this week, a piece of research jumped out at me, brand-new. I think it might have only been released last week. A new version of the Edelman Trust Barometer just came out. And it was, specifically, focused on the issue of racial justice.

And the survey showed that concern about racial injustice across all populations is growing. And in some ways, for those of us that are focused on the racial wealth gap, this is positive data to have, because what it shows is that this is not an issue that is further dividing us; that maybe there is an opportunity for us to come together and find common ground.

So, I do think that, as we think about financial inclusion, and we talk, specifically, about the racial wealth gap, it's still top of mind and still seen as something that is critical.

But what really grabbed my attention is that 57 percent of the respondents in this survey felt that progress is just being stalled or decreasing.

And trust in business as part of the solution has, actually, dropped down. However, business and NGOs, business and nonprofits, still have the most favorable ratings. They rate higher than media or government in being able to do something about this, but business saw the largest drop.

Why do I raise this in this particular forum? Because this survey wasn't just about the private sector, in general. The lowest favorability ratings were, actually, attributed to pharma and to banks, and to the financial services sector. So, you know, there is just a growing sense that businesses and the financial services sector, in general, are not following through on their public commitments.

And a piece of the survey -- I heard somebody talk from Edelman about this -- it isn't just a sense that banks don't care. It's, actually, that there's still a lot of learning to do, and that, in some instances, we just don't know how; that we don't really have the kind of deep knowledge that we need in order to really look at the steps we are taking.

I think we get caught in the momentum of doing, but it's really important for us to do, and then, to stop and ask the "So what?" What difference is this making?

So, this is why my institution, Citi and the Citi Foundation, we recently completed, undertook a third-party racial equity audit that looked at our efforts to help close the racial wealth gap that fuels inequality.

It took us a year to conduct this effort. This was not easy work to do. We launched our racial equity, our racial wealth-gap commitment in September 2020. We refer to it as "Action for Racial Equity."

Since that time, we've embarked on over a billion dollars, more than a billion dollars in strategic initiatives, a range of things -- eliminating overdraft fees, returned item fees, overdraft protection fees.

Scaling up the kind of product distribution partnerships that we've talked about today with national nonprofits, with municipal partners -- not just to increase access to products, but to really, also, help what I think is the theme for today, to address that underlying trust gap that exists between banks and under-served communities.

We've been bringing families into the financial mainstream by scaling up the children's savings accounts. So, it's so timely to hear about the youth efforts and our work to leverage summer youth employment programs. We've also been scaling up efforts like the groundbreaking San Francisco's Kindergarten to College, and bringing that effort to Los Angeles, Atlanta, San Jose, and other communities around the country.

And we're going all in to ensure that CDFIs and MDIs have the expanded capacity that they need to leverage the unprecedented level of public dollars that are available to them. We're doing this both through our Foundation philanthropic work -- we just invested $50 million in CDFI human capital and technology capacity-building efforts -- as well as working with on the bank side to create revenue-generation opportunities for MDIs.

I could go on. I'll just say I think what we all know: none of these initiatives on a standalone basis, in and of itself, are new ideas. But it's really been about trying to take a new approach by working comprehensively on these issues; by not saying, oh, we have this one thing here. We've got to have lots of things.

But it's not just about doing more, and doing things differently. For us, undertaking a racial equity audit was a chance to both, one, make sure that we are doing our part to bridge the trust gap by having verification that we're doing the things that we said that we would do; identify the barriers we're facing to doing more, and then, really using all of this -- we call it an audit. And, you know, in the banking industry, we tend to think of that as backwards-looking, but I see this, racial equity audits, as actually a roadmap for informing the future.

We used, in our audit, we did have an external law firm, Covington & Burling, along with they contracted to get subject matter expertise from Jennifer's organization, from the Financial Health Network.

There were lots of internal document reviews, lots of internal interviews, lots of extensive external interviews. You know, in the interest of time, I won't go through all of the "how and the what." It's all available publicly. We've posted this on our website. I invite you. It's a nice, light, 90-page read, if you're interested in taking a look at it.

(Laughter.)

But let me, actually, give you my -- I'm going to wrap up here. Let me just give you my editorial, the couple of things that really, as someone who's trying to work as an internal change agent and a community champion within a financial institution, say the few things that were big takeaways for me.

These efforts cannot be a one-and-done. And I think that that's the skepticism that the general public is feeling -- is that there was a crisis moment. There was a response. But we know from doing this work for decades that the impact doesn't happen immediately after the crisis. It happens because you're there for the long term.

We have, like many other financial institutions, set up dedicated units with specialized expertise to focus on these issues. I think what we need to start doing, and the audit showed us, is that we need to stop thinking of these as special initiatives, but really say, how do you bake this into your core business planning and how do you create KPIs that are owned by the company as a whole, outside of those specialized units?

Credit scores. Incredibly foundational to any racial wealth-gap effort. I think we get caught up in the outputs -- how many loans did we make? -- but, really, what we want to be thinking about is, how are both consumers' and businesses' financial lives better as a result of these efforts? And then, credit scores are an important way to measure this.

Having a verification system like this was helpful, again, not just to lend credibility, or to be able to say, "Yes, we did what we said we would do," but I was really surprised -- and really want to encourage other peers in the industry, if you're interested in doing this -- it, actually, was a tool for sparking additional innovation within our institution to think differently about our role in closing the racial wealth gap. And to see it, not just as an economic risk, but also as an economic opportunity, and to really reframe the conversation.

And then, finally, no one financial institution is going to move the needle on this issue. What was interesting, one of the questions that we've gotten quite frequently about our doing this was, "Okay. So, how have you closed the racial wealth gap?"

And we're like, well, it would, actually be very difficult over a 24-month period for us to identify any specific causal relationship between what we've done and changes in the observable dimensions of the racial wealth gap in the U.S.

But I will just say that there is real power and value, and what we can see is I think that there is an openness that hasn't been there before to collaborating across the industry, and, in particular, also, with our regulators in new ways to standardize approaches through things such as special-purpose credit programs, which we'll hear about in the next segment.

And so, I wanted to share today, when the assignment was, "What sort of top-of-mind challenges and opportunities?" I wanted to share that we've done this work. It's not done. We see this, again, not just as a look-back, but as a roadmap for the future.

Thank you.

MS. ORTIZ: Thanks, Brandee.

Margaret?

MEMBER LIBBY: Okay. Thank you, Liz.

Let's see, I think I'm going to flip the order of sort of how I was going to organize my comments, I think sort of drawing on some of what we've heard.

And I think this idea -- you know, of course, I'm focusing in on youth and young adults, and, in particular, BIPOC youth, and BIPOC youth from low-income communities. And I think this thing that you're hitting on, Brandee, around the sort of statements of support, you know, coming through the pandemic with George Floyd's murder, there were so many pronouncements of like what might happen.

And I think that young people were maybe some optimistic, maybe some a little skeptical. And I do think that, without the follow-through, I do think there is sort of an additional lawyer of sort of trust-building that needs to happen in order to really kind of bring young people into the economy and, really, again, through a lot of the kinds of trusted community institutions that we've been talking about.

Because I think the experience of the pandemic, and then, the racial movement, the racial justice movement that has come about, I think that there is this question of like, what is really going to happen now, as the urgency of the moment has sort of faded.

And I feel like that was one of the themes from this morning. In addition to, like, the breathtaking amount of work that happened and the collaboration, I feel like one of the themes was the sense of urgency. Like we have got to do something and quickly, and that really facilitated the kind of collaboration and just the volume of shift, and all of the account openings, you know, that we've been hearing about.

And so, I do think this idea of urgency is an important one. And so, I guess a couple of things that I wanted to sort of share on that front is that, for young people, there is this sort of maybe crisis of faith and trust, but I think there is also just very real economic and health and mental health impacts, right, that have happened in this COVID economy.

And for young people, this is the second major economic setback in their relatively short lives. And I think some of the data that I wanted to share is we know that, in this critical inflection point that they're in, as they're 16, 17, 18 transitioning into adulthood, they're wanting to go to school. They're wanting to get involved in the workforce.

And I think, during that inflection point where they're really building their financial and economic foothold to transition into adulthood, to live in a way that they can set goals and dream -- and I think some of these things were coming up earlier -- the pandemic has really compromised their ability to do that.

I think there is a lot of data that was coming out. I think it was two weeks ago Young Invincibles put out a survey just about how much struggle, especially Black and Latino young people are having. I think half are having trouble just meeting their basic monthly expenses. I think one in five young Black people, or young people that are Black, are disconnected from school and from employment. And I think, in general, there's 12 percent of young people between 18 and 24 who are disconnected.

And so, I think the opportunity to create an on-ramp for this generation who has experienced this setback, and is struggling in this way, I think is enormous with the foundation that has been laid in these last couple of years.

And so, I think one of the things that I wanted to talk about, in addition to just sharing, like, kind of doom-and-gloom statistics, that these are lives, right, of the young people that we work with and support,

And I think the opportunity to open a bank account, which we heard earlier is a real entree into learning these kinds of skills when it's done in a trusted community organization with a peer approach. And so, the opportunity to get in and learn those skills, turn 18, start to build credit, and really be on a pathway to financial inclusion, economic inclusion, is a powerful thing that I encourage.

I think we've been talking about how we can get this kind of a pathway constructed, but thinking about the GetBanked portal, I mean, imagine If that was to 14-, 15-, 16-, and 17-year-olds in some of these touch points, like youth employment. For foster young people, you know, they are often receiving payments from the state.

So, to the extent that we are creating the opening for them to easily open a bank account, and really get that early start, I think that's something that we are even seeing, with all the success. You know, you think of the Safe Accounts Pilot, right, that began in -- am I going to get my years right? -- 2015? Is that what I heard earlier? Yes. Okay. I was going to say it was a decade ago.

But, you know, time is different now that it's hard -- but the amount of success, right, with that pilot and the learnings, and that sort of transforming into BankOn, and all of the success that that has engendered, you know, we sort of see a phase two of the Safe Accounts Pilot that would be really for safe youth accounts. And the idea of, like, having support around a pilot like that, where banks and credit unions could sort of feel a safe harbor or a way to engage in something like that, to provide non-custodial accounts, and leverage some of the kinds of community partnerships that we've been talking about, I think could be a really powerful way to demonstrate that this idea of belonging that people, I think, have also touched on, and really, that first step in a powerful on-ramp for this generation.

And I think the other thing is I'm excited about the credit discussion this afternoon because I think that is absolutely a next step that's really important for young people, to have those opportunities, to build credit, you know, as soon as they turn 18.

And I think, in a lot of cases for the young people that we work with, they may be the first person in their family to be credit-visible and to have a credit score and a credit history that really enables them to do the kind of borrowing that they need to be doing in order, or that they want to be doing, to do the sorts of things that they want to be doing in their lives.

And I guess the final thing, If I have another 30 seconds, is I feel like there's a way that listening -- which I think to draw on your point, Brandee -- is a way to even reimagine the way that we're thinking about financial products. Because I think that we don't necessarily yet have, I think, the set of products that are really going to help close the racial wealth gap in the way that I think we envision and that our young people envision, as they built out this youth economic rights document.

And so, even thinking of something like the child savings accounts, you know, what if we were investing that money throughout the duration, like a retirement account, so that, at the end, you know, in addition to the aspiration that it roots in a young person to think of themselves as college material and college-bound, and the way that that changes conversations and changes behavior, if they also, when they turn 18, really have a chunk of money to direct at that kind of pursuit?

I think, ultimately, young people, they need capital and they need investments that can really transform their economic or their education trajectories, and their ability to get the kind of job and employment training that is going to change their lives, their families' lives, and I think build the kind of wealth that they're interested in building, and I think that we've been talking about.

So, I will close there and just look forward to this continued discussion around, you know, how do we think about an on-ramp that could include a safe youth account?

MS. ORTIZ: Thanks, Margaret.

MEMBER LIBBY: Yes, thank you.

MS. ORTIZ: Kenneth, you're up.

MEMBER KELLY: Thanks, Liz.

Good afternoon, everyone

I'm Kenneth Kelly. I serve as Chairman and CEO of First Independence Bank, based in Detroit, Michigan. I've actually gained a title as an Interim Board Member through the end of this year with the Federal Home Loan Bank of Indianapolis. So, I'll talk from both of those perspectives.

But, first, let me say thank you to our current Chairman. Chairman Gruenberg, I want to thank you and Director McKernan. What you did in March is the reason I think we can sit here today. And I just want to publicly acknowledge that, what you all did --involved in being sure that our system is safe and sound.

We know, statistically, that when there is instability, it negatively impacts people of color, specifically, African Americans. And it's one of the reasons I want to take the moment just to say thank you for your leadership and what you have done.

I have a firm belief that culture determines policy, and policy determines economics. And so, I want to speak from that perspective, as we talk about some of these topics around homeownership. We all know that things such redlining -- we've heard many of my peers address some of these disparities just a moment ago. So, I won't spend a lot of time on those. But I think we all understand them principally.

But the point I want to make is that, if we continue to do the same thing we've always done, we're going to continue to get the same outcomes. And so, to your point a moment ago, Margaret, about the topic of credit scores, those have produced outcomes. They are policies that produce outcomes that we have stated that we are not in agreement with. And so, we have to look at adjusting those.

What I will tell you is I firmly believe and have tried to operate out of a center of partnerships and policies through cooperation and collaboration. Our ability to expand into Minneapolis was because there were five banks who believed in what we represent in moving an African American institution into that market.

And so, again, I say this, not to brag, but just to give an example of the potential if we all believe in changing, that culture changes policies, that changes economics and outcomes. So, as I think about that, I want to say it was not just in us moving into Minneapolis, but it has been along the lines of what things can we do differently.

That includes looking at mortgage lenders. We know that there's a disparity there, and we are continuing to talk about those topics going forward.

It impacts the discussion around appraisers. Many of you have seen the news, and you've seen the topics, and even seen the legalities associated with that, where there has been litigation associated with disparities in appraisals.

So, my point, again, is just to give some examples of what cooperation and collaboration will mean. As we think about Minneapolis, I have to thank Operation HOPE. We've been a partner with them in Minneapolis and in Detroit.

And I know Gina is here with us today. Thank you, Gina, for being present.

But the point I want to make is that

they have been a great partner in the financial services space, and one that we have directly had partnerships with, that we're hopeful will continue to produce fruit going forward.

With our effort at the Federal Home Loan Bank, I had the opportunity to go to South Bend and to see collaboration around building, really, a neighborhood that would be focused on affordable housing. And I will tell you, without spending a lot of time here at this table, that the collaboration that we saw across public and private entities is one that I think should be considered, if not a model, certainly, one that can be replicated in other areas of the country.

On the BankOn, I know my colleague will talk about this in just a moment, but the American Bankers have firmly been about inclusion.

Jonathan, I think you mentioned it a moment ago, but we remember having these conversations with Secretary Mnuchin along the way of the PPP distributions was an opportunity for ensuring that people could move into the banking system. Because there was concern that it may take up to 10 to 18 weeks to get checks printed and out, based on the volume that was needed at that time. So, we are, certainly, still supportive of that.

To your point a moment ago, Brandee, I do want to acknowledge your CEO Jane Fraser. She, actually, recently, hosted the MDIs there in New York. I'm so sorry I could not make that, but we did have a representative there. And again, demonstrating possibilities around inclusion, we have to think differently about that.

I would probably say, 5-10 years ago, that was not on the radar -- that CEOs and other leaders inside of MDIs would be hosted by a G-SIB CEO there. And so, I just want to show that we are making some progress, not all that we need to, but there is, certainly, some that is being made.

And then, I want to thank and

recognize the Chicago Regional Office, Mr. Chairman. Your Regional Office, as recently as this Friday, hosted the MDIs in the Chicago region as a listening session -- hearing about the issues and the challenges that we face, as minority depository institutions. It means a lot when our regulators can take the time to listen to those and respond to those.

I will close by saying the "power of ‘and’." We think about sometimes and we behave sometimes, either/or, and in some cases, being close to the Hill, there is "nor" as a conjunction.

(Laughter.)

But I will tell you, I would ask you to think about the conjunction "and" and think about what can we do together.

I close by, one of my favorite movies is "Remember the Titans." All of you probably recognize Bertier and you recognize the name Julius, and unfortunately, there was always a character that has to play the other side of that, which was the gentleman named Ray.

Julius and Bertier, I would consider "and's." They found ways to work together across their challenges, demographically, racially, to product a championship team. Ray was a "nor," not even an "or." He was a "nor" and he ended up leaving the team.

And so, as I close, and thinking about financial inclusion, Mr. Chair, I would ask all of us, how can we be an "and" in this solution/opportunity that's in front of us when we think about credit scores; we think about economic wealth exclusion, and/or inclusion.

And I want to thank you for the opportunity, again, to continue to serve on this Committee. Thank you.

MS. ORTIZ: All right. Tom?

MEMBER FOLEY: Thank you.

Tom Foley, National Disability Institute. I appreciate the opportunity.

And I, too, want to thank the FDIC for all you do. You know, I was thinking, as we talk about statistics, that probably almost a decade ago, FDIC added the disability question to the Household Survey data collection. And that has been revolutionary for moving forth disability inclusion as part of financial inclusion.

When we were all together last time, we saw, happily, that the unbanked rate for folks with disabilities declined from 16.2 percent to 14.8 percent. And one of the things that we get to do is dig deeper into that data, and we'll be releasing some of that information in a week or two.

But what we find, when we dig into it -- and so many other people have touched on this -- is the interaction of disability and race. And so, in the White disabled community, we have an unbanked rate of around 10 percent; Latinos, about 16.1 percent, and Black, about 26 percent.

Now, I will say, all these numbers have been consistently getting better since we had the data, which is great. But this has really highlighted where NDI spends most of our time. For the last couple of years, we have been, specifically, looking at people with disabilities, living at that intersection of race, ethnicity, and disability.

And I'd be remiss without pointing out, we couldn't do this without funders like Citi and others who have allowed us to do this work.

And just sticking with the research, we've also had the opportunity to work with Financial Health Network on some really cutting-edge research that will be out in a little bit -- really looking at communities, not only within disability around race, but sometimes within disability that just doesn't get counted. So, we will be excited to be able to talk with you about that later.

But, you know, we've learned a lot focusing with our partners at this intersection of race, ethnicity, and disability. There have been a number of pilot programs happening in a couple of different states. And we've got three or four takeaways, and some of these won't surprise anybody.

You know, for people with disabilities who are Black or Latino, how many times have we heard the word "bank desert," right? They live in bank deserts. But they, also, sometimes live in service deserts, where, to get to the services that they need, it's not a bus. It's a bus to a transfer to another bus, to a walk. And, you know, for a lot of people with disabilities, that just isn't going to be very practical.

But, you know, we've managed to be able to work with grassroots disability organizations, grassroots civil rights organizations, and grassroots financial inclusion organizations. And we've also learned that a lot of them, mostly, haven't been talking to each other. They might be down the street. They, in some cases, are across the corridor and just had never had the conversations.

One of the other pieces that we've heard is that, you know, some organizations say, "We want to serve people with disabilities, but we don't have a great deal of confidence in how we can do that."

So, in Louisiana and California, we've stood up a couple of pilot efforts where we help -- and somebody else mentioned it -- we help community-serving organizations learn how to be more culturally-sensitive to specific disability issues and/or, you know, benefits issues that come up in the community. Because when we talk benefits and financial inclusion, those two things often interact in really interesting ways.

But I wanted to share one of the things that we heard out of Detroit. And just a little background. At NDI, we run the ABLE National Resource Center. And ABLE accounts are a special savings account for people with disabilities.

And for those of you that don't know, if you're on federal benefits, there's a $2,000 savings, asset limit, liquid savings asset limit, which, obviously, gets in the way of savings.

ABLE accounts, where you can save up to $17,000 a year, are a carve out from that. It's a way that people with disabilities can save money.

But one of the pieces we heard in Detroit from a young Black man with a disability, he said, "ABLE accounts are not for me. ABLE accounts aren't for my community." And he said, "That's for White people with a lot of money."

And, you know, because of the investments that many have made, our ABLE National Resource Center has 12 BIPOC disabled ambassadors who were able to meet with this individual; set up a series of information sessions, both in-person and online.

And again, it's hearing from people that look like you, that have the same experience as you, that you, too, can do this. You know, 10 years ago, before we had ABLE accounts, the narrative was that people with disabilities couldn't save. You know, they didn't work enough. They didn't earn enough. They couldn't save money.

As of today, there's over 110,000 ABLE accounts with over $1.2 billion in savings. So, clearly, people with disabilities want to be able to save and they can save.

On the policy side of the house, toward the end of last year, we had a win when it came to ABLE accounts. At present, to open an ENABLE account, you have to be a person with a disability where the disability occurred before your 26th birthday. This, obviously, left a number of people out of eligibility, including veterans, many veterans.

So, in December, a new piece of legislation passed that won't go into effect until January 2025, but it moves the age of eligibility up to 40 for folks with disabilities. We think this will reach somewhere between 6 and 8 million new people with disabilities, as many as a million veterans.

You know, one of the other areas that we've been working on a lot is small business development. And I think I've mentioned this before, but we did some research a couple of years ago in the middle of the pandemic looking at a small business foundation for people with disabilities. And we were even surprised.

We estimate the number at about 2 million small businesses for folks with disabilities, many of which are micro-enterprises, but as many as half of which are also people with disabilities who are, also, in BIPOC communities.

So, one of the things -- several of the things we've learned were, as you can expect, there are issues around access to capital, budgeting, business plans. Basically, the technical assistance that's available to many is often, certainly, not available to people with disabilities.

And so, we were able to stand up here in the DMV -- and we also have a national outreach -- a technical assistance for people with disabilities. And with support from SBA and many others, we have reached over 500 small businesses.

And one of our first small businesses, the woman just sold her company for $10 million. And, you know, that always underlines for me why we're all here today, right?

Jonathan and I were talking about this. Despite what we do, we are all in the opportunity business. And the thing about people with disabilities is they have far more capacity than they do opportunity. So, thanks to all of you for making sure, when we think about opportunity, we include people with disabilities.

Tomorrow, at 1:00 p.m., Asset Funders Network will be launching a new brief on funding within disability. We helped them write it. It's one o'clock Eastern. So, if you're not on a flight and interested, we would love to have you attend.

But I really appreciate the opportunity to be here today, and thanks to you for all you do.

MS. ORTIZ: Thank you, Tom.

Naomi?

MEMBER CAMPER: Well, how am I supposed to follow that?

(Laughter.)

So, thanking both of you and everyone from FDIC for your continued emphasis on inclusion.

And at ABA, one of the things we've been focused on over the last several months, since we spent more time with you all, is making sure that, despite some banner headlines of a very small number of institutions, that people maintain their trust in banks of all sizes.

And for us at ABA, the magic of the American financial system is the ecosystem. So, even around the table, several ABA members representing an important cross-section from community banks to mid-sized banks, to the very largest banks.

When we talk, there's been a theme today about trust. And consumers have their choice of who they want to bank with, and some trust the bank down the street and some trust the bank where they can to any city and see that name. And it's a very, very personal choice, and it's really important that the trust in the system as a whole be maintained. So, thanks to all of you for helping us get that message out.

I'm going to just tick through a number of things.

I think you all know from my non-stop talking about it, ABA's commitment to BankOn and encouraging banks of all sizes to offer certified BankOn accounts. And since we started this initiative, you know we've gone from about 40 to about 400. We need another -- I'm not a mathematician -- but I think if we did that same tenfold jump, we would get to 4,000 pretty quickly. So, that is a goal of ours, is that all banks would offer BankOn certified accounts. So, that is a goal that we continue to have.

But that's not where we stop. And so, our next step, for those who already offer accounts, we have a priority of helping them to include the BankOn seal in their marketing very prominently. So, we know we'll never be able to compete with the FDIC logo in terms of consumer awareness and confidence, but we hope we can come close, so that it becomes a household name and really visible marketing.

We are also hoping -- and begging and pleading -- that banks that do offer BankOn accounts report their data to the St. Louis BOND Hub. Because, in the way that we all -- who here uses Waze for their GPS? It's really nice that you get, like, real-time information about how it's working and how it can change your route. We hope that all banks report their data into the BankOn Hub, so that we can all learn from each other in a really dynamic way.

ABA has launched frontline training for all bank branch staff. So that the people in the front office and in the branches understand why the BankOn accounts might be appropriate for people who walk in the door. It's really important, especially with the turnover that banks often see with their frontline staff, that that training is available.

That is free. That is open to our members. That is open to non-members. We even offer it to credit unions. We are, like, really on the BankOn train. So, anybody who wants to access this training is welcome to do it.

And then, the final area of focus for us in the BankOn space is ABA has a really robust alliance with all of our state bankers' associations. And they play such a critical role in the state and local coalitions.

And we know that BankOn is more than just an account, and it's more than just an account standard. It's on-the-ground partnerships. And so, our state alliance has become very, very involved in helping to increase the robustness of those coalitions.

Secondly, I'd just like to update the Committee on our work with the CDFIs and MDIs. We have lots of banking ABA members who are falling into both categories. Together with the leadership of Kenneth Kelly, we had an incredibly robust MDI Summit. It's in collaboration with the National Bankers Association. In February, we had over 120 people, really great representation, also, from the regulatory community. So, thank you for your participation. And we have another one coming up in October in conjunction with the MBA Annual Conference.

And anyone who's on the live stream who's listening, we have, ABA has a Vice President job posting up for someone who is specializing in CDFIs and MDIs. If you don't have somebody whose job it is to focus on this area, we know it doesn't get done. We really want to hire somebody great into that position. So, look on our job board and please apply if you have an interest.

The third thing, just a precursor to the next panel that's coming up on the Special Purpose Credit Programs, we've also created a special web page that's available to anybody who goes to aba.com on Special Purpose Credit

Programs.

And a big shout out in advance to Zions Bank for helping us and U.S. Bank, too, for helping us develop this program page. It's to provide additional information on the small business programs that banks can do when they use the Special Purpose Credit Programs.

And while there's a lot more information on the mortgage use case, we saw that there might be a data gap on small business. We all know the importance of credit to small business programs.

And then, finally, as we all eagerly await what we expect will be sometime soon, the CRA rules coming out maybe in the next "whenever" time period, banks continue to take their CRA obligations very seriously. And ABA is launching an eight-part webinar series for banks that isn't focused on compliance. We're really trying to embrace the move away from CRA being a compliance-oriented activity and, instead, economic expansion and strategic business opportunities in communities.

So, this is also free and open to anybody, but we are starting with our first one on May 31st, which is "Forming Effective Partnerships." Just to give you a flavor of the kind of things that we're talking about, the second one will be "Partnering with MDIs and CDFIs for Greater Impact," "Developing a CRA Business Plan," "Making a Difference in Rural Communities and Overlooked Areas," and then, there will be four more.

But the overall message is, I think banks, at least within the ABA remit, are really understanding -- and we're so proud of this -- that engagement with traditionally under served communities is not just a compliance exercise or an obligation to be undertaken in a check-the-box moment. It's a way of expanding the business footprint. It's a way to create sustainable societal systems where everybody is benefitting and the rising tide is lifting all boats. And we know that that takes sustained engagement and it's not a one-time thing.

So, that's where we're spending our time. We're so pleased to be part of this forum and really value the opportunity. So, thank you.

MS. ORTIZ: Thanks, Naomi.

Mike?

MEMBER CALHOUN: Given the time, I'm going to try and give you a condensed version here.

It's great to be on this group with so many smart people who are contributing in so many ways. So, let me tell you about Center for Responsible Lending and some of the topics that have come up today.

First of all, it really is inspiring to see the people delivering at the people level that we got from the panels today.

We are very encouraged by BankOn and congratulations to those who have birthed it and delivered it. The two things I would say about it are, first, it is at lots of banks a high percentage of new accounts. It's a much smaller percentage of overall accounts.

One barrier -- and some banks have addressed this -- is, at some places, to get a bank safe account, you have to open a new account -- close your old account; open a new account. There are transferability challenges and the technology issues there. And obviously, if you don't have a substantial float for lower-wealth households, it's very hard to close one account and open a new account. So, just to flag that.

And in general, the FDIC, I would encourage ways to facilitate technology in this field. Because one of the challenges is these accounts tend to be less profitable than other accounts. That's just the numbers. And in-person contacts, you want to make those available, but you have to use technology to drive the cost down on these accounts.

The other things, it's just a lot of our focus just of the historic things going on right now, one of them is we've had 30 years of declining interest rates, and now, we've had one of the fastest increases. And the ramifications of that are just utterly profound.

Two places that that is hitting -- in the mortgage market and hitting lower-wealth households harder and households of color. It has undermined our core model of how to do loan modifications, particularly for agency loans, not GSE loans. It works still there.

But the problem -- and it relates to the bank challenges we've seen about unrecognized losses, If you will -- for an FHA or a VA loan, If you want to modify the loan, the servicer has to take the loan out of the NBS, then modify it, get it reperforming, and put it back in the NBS.

And we had a discussion at lunch about this. The challenge is that you're taking out a loan that's generally at 3.5 percent. When you sell it back, it's going to sell at about a 20 percent discount. And so, that is just a non-starter for FHA and VA loans, and that is where, even though this is an historically low default time, that is where defaults are concentrated.

We've worked closely with the group Housing Policy Center, agreed on method that works, without going into the details of it, for FHA. And they are headed towards implementing that.

VA has budget and fiscal challenges that don't make that work. And they, as of yet, do not have a solution for the delinquent borrowers there. But that's a place where there are these surprising consequences of this.

The other big one I've alluded to before. We published a paper on this in March with our usual partner, AEI. Ed Pinto and I were the co-lead authors. And it is on cash-out refinances, because the same thing has happened there. It has turned the world upside-down with the flip in interest rates.

So, for the last 25 years, if you needed to tap home equity, you would get a full cash-out refinance. You would get your equity out and, usually, get the benefit of a lower interest rate If they combined-rate refinanced.

But now today, if you do a cash-out refinance, you're, on average, increasing the interest rate on your whole existing mortgage by about 300 basis points. Now, you would say, why would anybody do that? And this is for us two lessons from this.

So, this is where it's an example of a particular problem and a place where the financial services market has not been aware of the impact of the changes in its practices on lower-wealth households.

So, over the last 15 years, there used to be a robust market in second mortgage loans, freestanding second mortgage loans, second lien mortgages. They were a big part, unfortunately, in part of the financial crisis. There were piggyback seconds which were used to evade down payment and mortgage insurance requirements. They didn't perform very well.

But what you've seen since then has been a boom in HELOCs. And so, banks have, largely, phased out their second mortgage programs, and non-banks have difficulty offering them because they don't have a place to portfolio them. And the GSE has phased out their purchase program for that.

So now, if you want to get a second mortgage, it needs to be a HELOC. Enter in the question you raised: credit scores. Most banks have a cutoff of 680, some 660, most 680 or above, to get a HELOC. So, if you have a credit score below that and need to tap home equity, the only way to do it is to take one of these horrifically-expensive cash-out refinances, which about 15,000 households are doing with FHA and VA loans every month this year.

And we have a calculator, and over a seven-year period, the average loan period, that costs those households over $35,000 in extra interest. And we compare that to taking out a 13.5 percent second mortgage, you know, full market rate second mortgage and continuing your existing loan, and they will have $40,000 less in home equity if they had done this.

But, you know, this just happened, and nobody has paid attention to it. And it's just hammering -- you know, this is billions of dollars of lost home equity, and the loans are -- the average credit scores on these loans are under 630. They're concentrated in minority communities. We should at least not be making the racial homeownership and wealth gap worse.

The other last thing I just want to comment is on overdraft. I want to praise the reforms that have been made, but, again, I think look at these through the equity lens and it's not quite as rosy.

So, we have had some significant reforms. The biggest one with a positive equity, in fact, has been NSF fees, which were among the least justified. They had a cost of about less than 50 cents and they were charging $35, and they were charging them for repeat representments of them. So, huge gratitude, and those were big. Those were north of 15 percent of the total take there.

The other reforms, though, we are worried about them in two respects. One, that they have benefitted primarily the better-off households. And those reforms would be the ones you see advertised on TV. Those would be the $50 cushion that helps some, and then, the one-day cure period.

But what we have seen, the studies, data on this have shown they reduce the percentage of households who incur any overdraft fees in the course of a year. You're seeing that down by almost, like, a third. But they do not really address where the bulk of the fees come from, and those are from high-frequency over drafters who are paying 35 bucks a fee, often three times per day, for over 100 bucks a day.

And so, ironically, we're concentrating the remaining overdraft, which is still $10 billion a year, and we have, largely, seen progress stall in the last six months. Hopefully, CFPB is going to proceed with the rule. FDIC and OCC came out with some additional guidance and highlighted some practices there. But this is still a place where lower-wealth households are being left behind, even in this reform effort, and still need to be addressed there.

And then, last, just on time, just as a teaser for another time, is student loan cancellation. Most people handicapped odds of that getting past the Supreme Court at under 50/50. There is good news, though, still there. It is the Department of Ed has got major reforms to income-based repayment programs. The impact of that would be almost as great, and perhaps even more concentrated in benefit for households of color than the cancellation programs.

So, people should not miss the huge impact of that program and the need to support and implement that program. And that had always been planned, regardless of the outcome of the cancellation program. There are also other authorities that the Administration may choose to try and repropose the cancellation.

But the student loan program is one of the classic examples of a loan program that works for households with family and intergenerational wealth. It does not work for those without, and particularly, for households of color.

I'll stop there.

MS. ORTIZ: Thanks, Mike.

Marla?

MEMBER BILONICK: All right. In the home stretch, and I know we're tight on time. So, I'll try to keep it as fast as possible.

Again, I'm Marla Bilonick. I'm the President and CEO of NALCAB, which is the National Association for Latino Community Asset Builders. We are a network of over 200 nonprofits and CDFIs that are working to advance economic mobility for Latinos and other under served populations across the U.S.

I'm going to go through a laundry list of challenges that we're seeing in our work, and I'll just ask for your grace as I toggle between our two constituents. One is the members that we serve, which are the nonprofit organizations, and the other set of constituents are their clients, customers, community members, residents, small business owners.

So, in terms of what we're seeing in the community, of course, just to reiterate what others have said, the rising interest rates and the impact on the cost of capital is limiting those seeking debt. And for those that are taking it on, they're, obviously, paying a higher price. This is shutting people out of homeownership.

Us, as a CDFI intermediary that has CDFI clients ourselves, we're seeing that the cost of capital for CDFIs is driving more CDFIs to us for capital. We're very concerned about what that means in terms of how they're passing that down to their end borrowers, and also, the limit to their spread and how that impacts their cost of operation, or the lack of the ability to cover those operational costs.

Another thing to note is just that I

think, obviously, an unintended consequence of the pandemic on small businesses is that, in order to kind of cover and make it through, a lot of small businesses really damaged their own credit in the process. And so, we've seen a surge in our small business loan guaranteed program in the sense that a lot of our lenders cannot make loans that they are wanting to make without that added enhancement.

Another thing that has been very, very impactful is the recent bank failures. We had an incredible conversation over lunch with the Chairman about this, which was just a "pinch me" moment, but very, very fascinating.

But I was sharing how, for the Latino community, there is deep cultural relevance to this in the sense that many people's country of origin experiences have led them to have, you know, real-life experiences where the failure of banks meant the loss of funds.

And I think, to Naomi's point, this is really an opportunity for public awareness around how the government protected people's assets. And just to kind of reinforce that messaging, I mentioned that, on the day after First Republic was absorbed by JPMorgan Chase, that I was interviewed by Telemundo, which is a Spanish language news outlet. And one of the questions that the interviewer asked me was, "Should everyone pull out their deposits from their bank account?" And I vehemently said no. But that's, you know, kind of a real concern and question on people's mind.

Another thing that's top of mind is the end of Title 42, which took place a couple of weeks ago, and the perceived surge that that wasn't. But I think what was interesting for me is listening to media, watching television. I think that moment, for whatever reason, really across the board I saw a very strong anti-immigrant sentiment coming through, whether that was from liberal or conservative media. And there are real financial implications to that.

When there's inflation, or the fear of

recession, there's perceived scarcity of resources, which contributes to anti-immigrant sentiments. This is important because it kind of emboldens people, not only residents, but also people who are working in financial institutions. I think folks know that it's a practice, although not a rule, that ITIN holders are denied bank accounts. And I think this kind of environment probably emboldens folks to pursue with that practice.

Let me see what my thought was here. Oh, and then, also, in turn, when our community members are not banked, it creates an environment where predatory players can take further advantage of our community.

And other thing, going up to our constituents that are the organizations that we support and serve, I would like for folks to think about inclusion in kind of a different way, in the sense that, in the same way that we encourage small businesses to -- or sorry -- large corporations and government to engage in supplier diversity, I don't know that we necessarily think of the contracting process for nonprofits in that same view.

And what we see as an organization that serves Latino-led and Latino-serving organizations, many of the federal opportunities that fund the important work that needs to be done are out of reach for our members. And so, we're doing a lot of work.

And it's unfortunate that Brandee left, but I'll still give her the shout out here, that Citi has funded one of our programs that is in this vein around helping our members become certified as CDFIs and approach CDFI Fund funding.

But that's just one example of traditional funding that's out there that is critical to the work that our members do that feels out of reach for our members, and we're trying to bridge that gap.

Lastly, I'll just say kind of on a positive, we've been watching IRS modernization very closely. The IRS-led e-filing pilot that's coming out is very exciting to us, also, because language access was taken into account, and the very first pilot includes a Spanish language parallel track.

And as was evidenced from today's panels, partnering with community organizations for that will be critical, particularly in the Latino community, where there is already a distrust or fear of sharing personal information with the government.

And also, lastly, not to end on a kind of downer, but tax filing is one of the areas where there's the greatest abuse of Latino community members, individuals purporting to file taxes for people that take exorbitant amounts of money, in most cases to not even file their taxes. So, to remove that middle player will be really, really impactful in the long run, once it's integrated into the community. So, that's something that we are behind and partnering with the IRS and Treasury on. So, that's an opportunity -- to end on an opportunity.

MS. ORTIZ: Thanks.

MEMBER BILONICK: Thank you.

MS. ORTIZ: Thanks, Marla.

All right. Steve, saving the best for last.

(Laughter.)

MEMBER ANTONAKES: Okay. Well, hardly.

But good afternoon, everyone.

I'd like to, again, also thank Chairman Gruenberg, Director McKernan, the professional staff of the FDIC, for hosting this meeting.

I am cognizant of the fact that I am all that is holding you between the break. So, I will try to be brief and not repeat the salient points already made by several of the Committee members.

So, just to speak to the obvious for a moment, the last several years have been nothing short of extraordinary -- with the global pandemics; the significant stimulus; the migration to remote work; a robust, albeit uneven, labor market, and now, significant inflation, rising interest rates, and the growing likelihood of a recession -- the latter of which, you know, has and will most profoundly impact low-wage earners.

I'm the Chief Risk Officer at Eastern Bank in Boston. Our footprint primarily encompasses eastern Massachusetts and southern New Hampshire, with $22 billion in assets, and we are a 205-year-old small regional or large community bank, depending upon your definition. I prefer large community bank these days.

(Laughter.)

And certainly, the last 10 weeks have been challenging for everyone. Having started my career as a CRA Bank Examiner during the S&L crisis, then having served as the Massachusetts Commissioner of Banks during the financial crisis, I was really hoping to make it through my career without a third potential crisis. There are times in which I really miss working as a bank regulator. Then, there are other times in which I don't miss it quite as much.

(Laughter.)

And in all seriousness, I just want to repeat the comments that Kenneth made. Greatly appreciate the extraordinary efforts of the FDIC over the last several weeks.

In our market, specifically, in Boston, the challenges of economic inclusion and the wealth gap were most acutely demonstrated through the Color of Wealth Study that was published by the Federal Reserve Bank of Boston in 2015.

And just to remind those that may not have those findings top of mind, that report demonstrated that White households in Boston have an average net worth of nearly $250,000, while the average Black household has an average net worth of $8. That's a staggering statistic and undermines the significance of the challenges we have before us.

The study also discussed startling disparities in homeownership, mortgage debt, the ownership of retirement accounts, student loans, and medical debt. Unfortunately, these findings have probably only grown more pronounced since the pandemic.

Shifting gears slightly, while homeownership is considered and believed to be integral to the accumulation of wealth, the median sale price for a home in eastern Massachusetts in April was $820,000.

The Massachusetts apartment vacancy rate is the lowest in the country at 2.8 percent, and Boston has the second-highest median asking rents other than New York City.

Accordingly, affordable housing options are exceptionally limited in our market.

Resolving the wealth gap and improving economic inclusion is both challenging and complex. Banks have an important role to play and, arguably, can and should do more, but meaningful progress will require far broader coordinated efforts and the commitment and cooperation of the public, private, and nonprofit sectors.

Key areas to drive economic inclusion that we have identified include advancing equity in the small business ecosystem, enriching early childhood development, securing safe and affordable housing, and promoting workforce development.

Through our foundation, we extend about $16 million in grants annually to organizations focused, specifically, on these goals. And I'll just speak briefly to our efforts to address advancing equity in the small business ecosystem.

As I previously described -- and this will set up well for our final panel -- we have been working to develop a Special Purpose Credit Program. Earlier this year, we launched what we call our Equity Alliance for Business. The program has a dedicated team of bankers comprised entirely of women and people of color embedded in our communities with the goal of increasing opportunities for women- and minority-owned small businesses through the use of Our Special Purpose Credit Program, partnership with nonprofit organizations, and access to other financial services and products.

The Special Purpose Credit Program offers small business loans to women- and minority-owned businesses from $10,000 to $250,000. Loans have reduced minimum credit scores and relaxed debt service requirements. The minimum credit score is 640. However, for applicants with a credit score below 640, they have the option of working with one of our nonprofit partners, and upon completion of a technical assistance program, we'll approve loans between $100,000 and $150,000 with scores as low as 580. We'll also approve loans of $100,000 and less with no minimum credit score, if they have completed that technical assistance program.

Loans are made for a five-year term at a rate of prime plus two. Application and processing fees are capped at $250.

At this time, we're excited that we have approved our first loan, and we have several additional applications in the pipeline and some that are also being referred to those nonprofit partners.

We will continue to monitor the success and the learnings from this program, and our goal will be to create a parallel mortgage product thereafter.

That concludes my remarks. Thank you for your time.

MS. ORTIZ: Thank you so much, Steve.

Okay. I'm going to embrace the "and." Okay?

(Laughter.)

So, we are going to take a break "and" set up the next panel at the same time.

(Laughter.)

And be back in five minutes.

(Laughter.)

Okay. Say it with me: "Yes, we can."

(Whereupon, the above-entitled matter went off the record at 2:57 p.m. and resumed at 3:07 p.m.)

MS. ORTIZ: All right. Welcome back everybody. Thank you so much for your cooperation. I'm really pleased to hand the microphone over to Paola Diaz who's going to moderate our final plan for the day on establishing Special Purpose Credit Programs. Paola?

MS. DIAZ: Thank you very, Liz, and to everyone for coming back to the last session of the day. The name of this session is Establishing Special Purpose Credit Programs. And this panel will highlight Special Purpose Credit Programs and resources. We will be using the acronym SPCP during this segment.

In February 2022, eight federal agencies issued an interagency statement highlighting creditors ability and The Equal Credit Opportunity Act or ECOA and Regulation B to establish SPCPs to meet their credit needs of specified classes of persons. Financial institutions play a key role in expanding access to credit among disadvantaged groups and communities. We believe SPCPs can be helpful tools in fostering economic inclusion.

I will be your moderator today. I'm a Senior Community Affairs Specialist in the strategic partnerships and program development section within the consumer and community affairs branching the division of the depositor and consumer protection at the FDIC. And I've been in this role for nine years.

And I'm not sure if I see the world too much with the lenses of my responsibility areas. But in my outreach lately, I have heard the SPCP keyword very frequently in many banker events. And we hope the information you will hear today inspires you to consider SPCPs as a tool to better serve and understand specific populations in your institutions.

Today's panelists are our own Gary Clayton, Senior Examination Specialist at the

Division of Depositor and Consumer Protection at the FDIC, Chad Gourley, Manager of Retail Lending Products at Zions Bank. Thanks, Chad, for driving from Utah. Gabe Del Rio, President and CEO of Homeownership Council of America, which you will hear us refer to as HCA for short. And he's locally based but a serial traveler, and we thank him for making it all the way today.

Gary would be so kind to provide a conception framework and explaining to us what are SPCPs and ECOA at a very high level. And his presentation will be followed by Chad's presentation about Zions Bank's SPCP focused on small business and Gabe's presentation about his 501(c)(3) nonprofit SPCP focused on affordable mortgage access services to community development financial institutions or CDFIs and all the types of lenders including banks. I will ask a few follow-up questions.

And after our discussions, my panelists will answer questions from the members of the committee. So we will get it started with

Gary Clayton, our expert on fair lending. Gary, please provide an overview of the interagency SPCP statement, give us a time line on how it came about, and please describe the FDIC's review procedures for SPCPs.

MR. CLAYTON: Well, great afternoon to everyone. Just a few basic things regarding Regulation B, ECOA, and Special Purpose Credit Programs. As you know, under federal law, lenders are permitted to design and implement Special Purpose Credit Programs to extend credit to a class of individuals who otherwise be denied credit or would receive it on less favorable terms under certain conditions.

Regulation B specifies that a program qualifies as a Special Purpose Credit Program only if it was established and it is administered as not to discriminate against any applicant on a prohibited basis. However, all program participants may be required to share one or more common characteristics, some commonality such as their race, their national origin or sex so as long as the program was not established and is not administered for the purpose of evading the requirements of ECOA. Finally, a refusal to grant credit to an applicant is not a violation of ECOA or Regulation B if the applicant does not meet the eligibility requirements under the SPCP.

With regard to the special credits purpose program, on December 21st, 2020, the CFPB issued an advisory opinion to clarity the content that a for-profit institution must include a written plan to qualify as a Special Purpose Credit Program. In addition, that advisory opinion clarified the type of research and data that may be appropriate to inform a for-profit institution determination to establish a Special Purpose Credit Program to benefit a specific class of individuals. Following in December of 2021, HUD released guidance concluding the SPCPs developed in compliance with ECOA and Regulation B generally would not violate the Fair Housing Act.

Quarterly creditors may consider the

use of Special Purpose Credit Programs across all types of credit covered by ECOA and Regulation B including residential real estate. Afterwards as mentioned earlier today, the interagency statement from the FDIC, the Board of Governors, thank you so much, NCUA, the OCC, the CFPB, HUD and DOJ, and the FHFA was issued on February 22nd, 2022 to remind creditors of the ability under the Equal Credit Opportunity Act and Regulation B to establish Special Purpose Credit Programs to meet the crediting of specified classes of individuals. So to develop the SPCP, the bank must develop a written plan that supports the need for the program.

This determination can be based on a broad analysis using the organizations' own research or data from outside resources, including governmental reports and studies. All plans must be in writing as to meet these four requirements listed on the slide. Without having this required information in writing, the plan would not meet the regulatory requirements and the banks' risk extending credit in violation of ECOA.

The written plan must include, first, it must identify the class of individuals or people that the program is designed to benefit. For example, minority residents of low and moderate income census tracts, residents of the majority-minority census tracts, operators of small farms and rural communities, or minority and women owned small business owners. Secondly, the plan must set fort procedures and standards for extending credit pursuant to the program, for example, no down payment, no PMI portfolio home purchase program.

Third, it must establish with research and data support that the class of individuals under the institution's customary standards of creditworthiness are people who probably would not receive such credit or would receive it on less favorable terms that are ordinarily available to other applicants applying for a similar type and amount of credit. It could be based on research or data that is already available in the public domain. For example, HMDA data or in the case of small business lending the Small Business Administration is a public source of information.

The bank can also use its own data and research that may be helpful from their perspective. As a reminder, the advisory opinion issued by the CFPB provided additional guidance regarding research and data support for establishing the Special Purpose Credit Program. And finally, the program the written plan must state a specified period of time for which the program will last or contain a statement regarding when the program will be reevaluated to determine if there is a continuing need for the program.

The FDIC encourages all state nonmember banks and affiliated institutions to consider offering the SPCP to meet unmet credit needs of the community in which they operate. Regulatory agencies, including the FDIC, do not approve SPCPs. I'm going to say that again. Regulatory agencies, including the FDIC, do not approve SPCPs.

However, state nonmember banks can submit their draft SPCPs to FDIC staff to obtain feedback. State nonmember banks can request to meet with the FDIC staff to discuss the consideration of implementing an SPCP. If a state nonmember bank has already enacted an SPCP plan, it will be reviewed by the FDIC staff as a part of the normal compliance examination process for compliance with Section 1028 of Regulation B as well as being considered during the fair lending process scoping of that examination. And with that being said, I'll pass.

MS. DIAZ: Thank you very much. That was a very clear explanation. And now we'll hear from one bank that implemented an SPCP. Chad Gourley, please begin by providing a profile of your institution and then share with us an overview of your SPCP, especially your target market.

MR. GOURLEY: Sounds great. Well, thanks everyone. Appreciate the opportunity to share about our Special Purpose Credit Program at Zions Bancorp.

So just a quick word about our institution. At Zions Bancorp, we are committed to a distinctively local approach to banking and a relationship driven approach to banking. Headquartered in Salt Lake City with just over 93 billion in assets, we operate in each of our markets under our distinct affiliate bank names and have some local decision making and really try to drive that community banking approach within each of our markets.

We view ourselves as a large community bank that has the scale and efficiency of a larger bank with that kind of local touch in each of our markets. So you may recognize us from our different affiliate names in those markets for Utah, Idaho, and Wyoming. We are Zions Bank. We're National Bank of Arizona, Amegy Bank of Texas, California Bank in Trust, Nevada State

Bank, Vectra Bank of Colorado, and the Commerce Banks of Washington and Oregon.

And in 2021 -- May of 2021, we just celebrated a two-year anniversary for our Special Purpose Credit Program. We launched we call it the small business diversity banking program. And our program -- actually move to that next slide -- our program was designed to improve access to capital for small businesses owned by women, racial and ethnic minorities, and veterans.

The program -- one of the key features of that program is it's not a set aside program where you have to specifically apply for loans under this program. But rather it's an overlay of our existing small business lending products and framework. So what we've done is at the time of application, any small business applicant using our regular application process can self certify as to whether or not they are eligible for the program.

And there's an eligibility form and

outlines ownership percentage requirements and things. And they sell certified, yes, I'm eligible for this program. And from there, once the application is self certified, it really goes through our same process with a couple of caveats.

So any product through our small business centralized processing center which generally does loans up to one million can self certify. And in cases where we would've likely rendered a decline, these clients that have self certified, instead of issuing that decline notice on that loan, we can then pivot that application to underwrite to our Special Purpose Credit Program where we have created expanded credit box to find more ways to come to an approval through that process. So we take that kind of waterfall approach.

One of the things we really love about that is the customer doesn't have to experience a decline and then a counteroffer. There's no kind of pivot. There's no change in pricing or product or terms or conditions.

As far as the customer is concerned, they've received an approval. And it doesn't really matter at the end of the day to them what credit policy we use to approve their loan. So we take that waterfall approach.

From there, we also integrate our SBA counteroffer from there because even in some cases, we still can't come to an approval even using that expanded credit box in which case we use an SBA counteroffer as a third path for us to find an opportunity to make that credit to a customer. And then the fourth which I'll probably spend a little bit more time talking about is one that we're in development with which is an off-ramp to CDFIs to ideally help fund that request even If we're not the ones who can make that request. So I think I've covered what you need there. In the interest of time, I think I'll turn it over to Gabe for now.

MS. DIAZ: Thank you very much. And talking about ecosystem, I really appreciate the way you explain how everything is integrated. So Gabe, you play multiple leadership roles in the homeownership space. But first tell us about Homeownership Council of America. And then in the interest of time, I'm going to ask you to also talk about your mortgages SPCP and the toolkit you contributed to with the Mortgage Bankers Association and the community lending initiatives mortgage banking client program.

MR. DEL RIO: Thanks for having me. So Gabe Del Rio, HCA as we call ourselves often to shorten it. Our mission is really building more equitable access to credit for America's under-served communities.

We obviously focus on mortgage credit, on ownership credit, though our services and team have been pulled into consumer and small business as well especially in SPCP. We generally work with a lot of CDFIs and nonprofits around the country but also in the past year plus a year and a half or so since the toolkit. We've been helping a lot of for-profit entities to build their SPCP written plan and to design and deploy their SPCP.

So we're a national nonprofit organization. We're made really of a small group of subject matter experts who have been doing this work for a very long time. And we came together to really share that knowledge and help expand the mission by helping all the partners that we work with out there to be more successful, to grow their programs.

And so we're proud to look back behind us and see a lot of transformation and impact and growth among our partners. We skip over this. One of the big contributions that we made is our partners of MBA and NAFA came to us as the technical assistance providers for building the SPCP toolkit.

So we facilitated the entire project. We put together the majority of the content on there and performed all the focus groups so that we could build this toolkit. We now know that this has been used to build at least 20 mortgage products.

So the SPCPtoolkit.com has been very useful to a lot of institutions who have the capacity to deploy that knowledge and build their own SPCP. When you don't, of course, HCA is around to help or just to create adjunct capacity to get through that process quickly. And I'll speak to a little bit through your questions about that. This is already done through our CLIMB program.

To really know HCA as our core, as our social enterprise, and that is community lending initiatives and mortgage banking. That's what fuels our mission. That's the CLIMB program where we're a consultant and partner to many groups.

Giving you some engagement overviews there. We work with all kinds of different partners in the industry. And we really do focus in on lending, loan deployment, growth of that lending to under-served communities.

And a lot of the work, I would say

two-thirds of our work now is on racial equity. And that's really -- we've got some comments later. But we look back as many of you do and we're not happy with what we see.

And we're embarrassed as to where we are. So it needs that focus. But we've worked on all kinds of great projects with groups.

The other core program that's really developing at HCA and this has been around for the past couple years is our equity programs. And we're going to talk to you a little bit more about the Equity DPA. We actually set about solving for how to create a national or multi-state down payment assistance community product or affordable second that would be supported by a nonprofit.

And that's because we didn't see it in the market. We've worked with CDFIs and organizations all around the country. And we can see that no one was really doing multi-state or national programming.

And it needs to be solved for. Just

give you an example of large employers which we're now taking on DPA for who have multiple states of operation. They need a nonprofit who can handle that.

And we need it to solve for how we would do so. And so that's what was the genesis of Equity DPA was solving for how to deliver DPA in all 50 states. And then we thought when we were talking to our board getting authorization, we thought, well, let's make this an SPCP.

Let's been an example in this space and in racial equity where we want to be and how we help others. And so we ended up making the national DPA solution also an SPCP or Special Purpose Credit Program. So it helps -- it's funded by both LMI and BIPOC funds, and it helps in both of those cases depending on the donors desire.

And we will tell you a little bit about that pilot. If you want to see a video, there's actually two really great videos. Realtor.com was one of our first donors, and they're a board member. They're doing lots of work with us.

They helped to create these videos. Go to realtor.com/fairhousing. And then you'll see right at the beginning Jose and Deandre's video.

Jose was an LMI BIPOC buying in L.A. Deandre is actually somewhat of a more interesting story in that he's not low income. But he is a first generation Black home buyer, and I think he represents a message that's really important, that these programs must go beyond LMI and that LMI as a proxy has not actually moved the needle in racial equity.

So we must move beyond the income proxy and speak specifically to race and ethnicity. We did a pilot for Equity DPA to demonstrate and understand, learn from how we would deploy this through our partners. So we did that piloting in three states, about six lenders that we just wrapped up.

And we're expanding that program this

year because of donor dollars in Louisville, Columbus, and Las Vegas. We've got groups like Fifth Third Bank, New American Funding, Veterans United, Pulte Mortgage involved in that expansion. And essentially, we've now proven that the vehicle can be driven.

We've proven that it works. We've proven we can onboard it with different institution types. And so we're just beginning the fund-raising for it to put gas in the car as I like to say because this program is really designed to facilitate funds going directly into consumers' hands for down payment assistance.

MS. DIAZ: Thank you very much, Gabe. So this hopefully has been a primer in SPCP. And we have a lot of good resources. And we also had a bonus SPCP program by Member Antonakes earlier. But assuming that institutions want to take action in exploring SPCPs as a result of what you're hearing today, Gary, can you please describe the process for an FDIC regulated bank to initiate a consultation on SPCP?

MR. CLAYTON: I would be glad to do that. If you're a state nonmember bank and you have questions regarding SPCPs and would like to talk to the FDIC staff about starting an SPCP, you can contact the assistant regional director or the field supervisor for which -- in the region for which your bank is located to set up a meeting, to set up a conference call to talk about implementing an SPCP. If you've already done so and would like to submit your draft SPCP to us, you can do so the same way to us.

But I do want you to understand we will review it. We will make comments. We will give you a critique on it. But understand, it is not an endorsement of your SPCP.

As I said earlier, the federal regulators do not approve an SPCP. You can implement it without our approval from that prospective. So we are really encouraging state nonmember banks to look down that path for SPCPs to meet that unmet need for special individuals or classes of individuals.

And we are making ourselves available to you to set up a meeting with us to come in and talk about it if you're considering it, if you already have a program in place, if you want us to look at it before you've implemented it, please let us know and we will gladly set up a meeting. We will set up a conference call because we are encouraging you all to look at this avenue for making sure that we include everyone in the communities for any unmet credit needs. So give us a call or send us a text or send us an email.

(Laughter.)

MS. DIAZ: Thank you so much for that encouragement. Back to Chad. Can you please tell us what motivated you to start an SPCP program?

MR. GOURLEY: Yeah, absolutely. So for us, fortunately, it was a top down initiative. At Zions Bank, we had broad support from our CEO and really directive to establish a program to improve access to capital for women, minorities, and veteran -- and veteran-owned businesses. Excuse me.

And so having that initial support from our CEO made things move pretty quickly. But we then set about looking at what the requirements were under the Special Purpose Credit Program guidelines. Unfortunately, right around the time, I think it was November of 2020 that this directive came down.

And a month later, the CFPB published their advisory opinion which gave us really the building blocks of the steps we should take. And so we set about looking for data that we could use and reports and research that we could rely on to establish what would this credit box look like. What different businesses should be eligible for this program.

And so we relied on -- I mean, to date, we can't collect this kind of information on business applications. That won't always be the case as we're all very familiar. But leading up to that point, we had no idea what the approval rates would look like for women, minority, veteran-owed businesses versus none.

We had no idea at least within our own population. So we relied on reports and data from the Federal Reserve, from the SBA, from think tanks, universities. Really anything we could get our hands on that was credible to establish this expanded credit box and determine who would be eligible for it and really understand that demonstrated need that Gary mentioned.

MS. DIAZ: Thank you so much. And Gabe, can you tell us what are you observing is motivating the institutions that are coming to you for assistance?

MR. DEL RIO: Sure. There's really three buckets here. So for nonprofits that are not regulated in the same way, it's much easier. It's on mission.

So that's sort of a mission motivation. In the for-profit FIs that we've worked with which is almost a quarter of the

SPCPs on the market now, you see two buckets there. And that is, one, because they got a community benefits agreement or maybe they're under a directive because they've had some regulatory findings.

And this is part of the remedy to that directive. Or it is because the other bucket would be because they're being really proactive in reaching new markets and expanding new markets. When you look at the demographics of growth markets in this country, they are mostly diverse.

And so we'd like to remind people that if you're not good at lending to BIPOC today or in 10 years from now, maybe 20 years from now, then you may not be relevant. And so this is a requisite skill. This is what all successful institutions will have as a skill set in the future.

MS. DIAZ: And Gary and Chad mentioned a few data sources for small business programs. Do you have some --

MR. DEL RIO: Absolutely. So in --

MS. DIAZ: -- for mortgage?

MR. DEL RIO: -- the mortgage space, we primarily use HMDA data. And that is publicly available. It's also important to remind FIs that you do not need to utilize your own data or to provide extra data that is not provided in the public sources.

So you can just use publicly available data. It is important to do some comparison there. But there's no need to release additional data than you've already released.

We also use American Community Survey and census data regularly. We use a lot of studies, Federal Reserve studies, Urban Institute, et cetera. But the data sets, HMDA is terribly useful for this, very, very useful and so is census.

MS. DIAZ: So this is looking pretty good for those that want to do something because there's very clear regulation expectations. There's also a toolkit. There's data that's readily available and free. And Gary just opened the lines for anyone who has questions.

MEMBER KELLY: I have one, Ms. Diaz. I have one if you happen to have a moment.

MS. DIAZ: Absolutely.

MEMBER KELLY: So help me understand the market size of others that are doing this. If you don't mind, I'd love to hear from both of you. Are they the banks or what's the competition like for these SP -- SPCP -- SPC?

(No audible response.)

MEMBER KELLY: I want to go SPV, special purpose vehicle, from my MNA day. So pardon me. Okay, got it. But just help me with that. What's the size of the market in terms of other institutions, et cetera, that are doing this? And then the follow-up is, is there the potential for partnering with other banks to do it using your program as opposed to having a stand one up completely?

MR. GOURLEY: Gabe, you probably have better insight into what competitors are doing than I do.

MR. DEL RIO: So in the mortgage space, it's about 50 companies so far that we can count that we've got a lot of friends trying to make that count. And so we think about 50 institutions out there. You can see on the toolkit the ones that are public.

So there's actually a minority of institutions that are public about their program. Both GSEs have pilots out now affecting 15 different MSAs around the country. And we expect that number of providers of SPCPs will double annually for years to come.

MEMBER KELLY: Thank you. That's good.

MR. GOURLEY: The only other institutions that we were aware of when we established the program -- actually, it's just one. We were aware Union Bank had a very similar program and they were gracious enough to meet with us and kind of give us a little bit of insight. They've had their program for over a decade, I believe.

And when we learned of that, we learned some things from them. And fortunately, they were, like I said, gracious enough to share. So some of what we will built was modeled after what they had already established.

MEMBER KELLY: Thanks, Chad. Tell Scott I'm not surprised you all are doing this, and we appreciate his leadership, Scott Anderson.

MR. GOURLEY: Yeah, I will.

MEMBER KELLY: Thank you.

MEMBER TESCHER: Thanks for your presentations. Really interesting and promising information. I want to talk a little bit more. This is just for my own understanding of in the waterfall. They don't qualify for the standard.

So then the next step is wider credit box. I wonder if you could describe in just a little bit more detail what does that look like. And also if I heard you correctly, you said no price difference.

MR. GOURLEY: Correct.

MEMBER TESCHER: So what is that -- I don't know how long you've been at this now. But what is the implications for the institution as it relates to the business case? How do you then make that justification? And to the degree that you have delinquencies or defaults that are higher than in other parts of your portfolio, how do you and your regulators view that? How does the FDIC, for instance, as a supervisor view that?

MR. GOURLEY: So your first question, the credit box, like I said, we looked at all this third party data to establish what that would be. Primarily, one of the primary drivers we see in decline rate differences is on credit score. So of course, we made some credit score allowances.

We don't use FICA. We use an SPSS score in our model. So there's lower SPSS score requirements, higher BK allowances, BK scores.

And some of our products depending on kind of how deep we dive in our analysis, we allow for different leverage ratios, liquidity ratios. One of the things that's a little bit creative is some particular industry types, we would consider cautionary or restricted. But we also had data that showed that those industry types were more likely to be owned by our target audience.

And so we made adjustments to those policies as well. Other things, we've talked a lot this morning about unbanked or underbanked. We also found that some of our policies would benefit a customer if they had an existing relationship with you.

There's lower credit criteria. And there's certainly a lot of data that support from a risk perspective that an existing relationship is less likely to default. But we also recognize that our target audience in this case is less likely to have a relationship. So we looked at that as well. So it's kind of a holistic view. It's not just --

(Simultaneous speaking.)

MEMBER TESCHER: That's very helpful. And do you have enough seasoning to see the portfolio level differences?

MR. GOURLEY: Not really. I mean, we only launched it two years ago. There's just -- and everybody knows credit quality has been fantastic for the last two years. So there's not really much we -- any conclusions I think we can draw at this point. We were really cognizant to not make a price difference.

There was a thought, maybe you need to price for this additional -- this perceived additional risk. And the reason we didn't do that is one of the stated requirements of the program is that applicants would've received credit -- either wouldn't have been approved for credit or would've been approved under less favorable terms. And in our thought process, well, if you establish the program and then everyone who gets approved under the program has a higher interest rate, you haven't really met the objective of a Special Purpose Credit Program because they just received it under less favorable terms.

MEMBER TESCHER: So now here's the dumb question. If time goes by and this portfolio performs well -- these portfolios perform well, does it make you think differently about what your standard credit box is in the first place?

MR. GOURLEY: Well, yeah, I think that's the argument, right? I mean, I think the basis under which you establish a Special Purpose Credit Program means that you subscribe to the belief that there is something inherently wrong with the way we measure risk and credit, right? And maybe an individual institution can't solve the way a credit score is established.

But we can build things at our own institution that help to drive that. When we talk about program metrics, I'll share some of what we're seeing. And really the things that we do to measure the success of the program -- and I don't want to jump the gun. So I'll leave that.

MR. DEL RIO: I do want to speak to mortgage because I'm very small business focused is we are often not changing the credit box in mortgage. We're often providing incentives. So it's a discount on fees. It's a credit towards your closing. It's a discount on the rate.

But it doesn't actually change the credit box. So I don't anticipate that performance would be any different. And I think it's biased to think that it would. So I wouldn't back that at all.

But there are -- and I guess we're going to see over time now that we have a lot more proactive programming, there are some portfolio products that are pushing the boundaries of what we would consider the credit box or what is standard through saleable through GSEs, right? So we will soon have a compare and contrast of those that are more aggressive on the credit box. But the GSE pilots are absolutely saleable, ability to repay, strong credit, yeah.

MEMBER TESCHER: Thank you.

MR. CLAYTON: And Ms. Jennifer, let me just real quickly.

MS. DIAZ: Thank you. I think Member Antonakes had a question and then Marla Bilonick.

MR. CLAYTON: Okay. Let me just speak to something she asked, though. While we are encouraging for profit institutions to consider Special Purpose Credit Programs, at no time are we encouraging them to make unsafe and unsound loans. We do understand that the business of banking is banking.

And so while we do want them to meet unmet credit needs in the community, things of that nature, what we don't want them to do is go so far beyond they're making loans that are unsafe and unsound and at the end of the day, nobody benefits from these loans at all, the bank nor the community that's in need. So we encourage you to do it. Please always consider safety and soundness in the back of your head when you're making these programs and you're discounting or you're developing criteria to meet those who may not have qualified or those who may have received the credit at a less advantageous rate or things of that nature.

MEMBER TESCHER: Totally fair. And listen, it may be that there will be absolutely no difference in performance and that would be fantastic.

MR. CLAYTON: Wouldn't that be awesome.

MEMBER TESCHER: But to the degree that there might be, maybe it's very small. But it could be different. And so that difference doesn't necessarily mean it's not safe and sound. It's just a touch more risky.

MR. CLAYTON: And the other thing is that's why I think they put the caveat as one of the parts of the plan that you have to put a date in there when you're going to reevaluate so you can go back and look at the mechanics of the program to see how it's working, what's not working, and make any adjustments that you may need to make to solidify the program. Or you decide we met it enough and we no longer need to offer it.

MEMBER TESCHER: Got it. Thank you.

MS. DIAZ: Valuable addition.

MEMBER ANTONAKES: So great, thank you very much. Got some good learnings here that I'll take back. So I appreciate it very much. So one observation, I guess, and this isn't meant to be flippant and then one question.

And I guess -- and I know we're stuck with the language of the regulation. But we really have to demonstrate the research and data for what we should know that's self-evident already in terms of protected classes being disadvantaged and the availability and pricing of credit. It seems like a very bureaucratic step that I think some banks don't want to take and why the uptake hasn't been great.

And the clarification was really helpful in terms of broader industry data. I think some banks have interpreted this as they almost have to do a self-evaluation that their product suite is not sufficient serving protected classes. And I think they don't want to put that in writing.

So the clarification was helpful. The second point -- and again, Chad, you are helpful here in terms of SBA -- we would love to extend our Special Credit Product to members of the LGBTQ+ community and to individuals with disabilities. We have struggled to find the data that would be supportive of that approach. So if you could point us in that direction, we would love to have it.

MR. GOURLEY: LGBTQ+ Alliance has some good data on that particular set, yeah.

MEMBER ANTONAKES: Okay. Thank you.

MS. DIAZ: Marla?

MEMBER BILONICK: Thank you. Well, one just soapbox comment is just that I think to your point it is probably more challenging to establish SPCPs for small business lending given the lack of 1071 being fully enacted. So that's just one thing. But the other thing I was going to say is I really -- I think it's really great, Gabe, that you've done sort of a creative kind of consulting I guess is the best way I could put it.

You've got the toolkit. You've got technical assistance. And I was wondering if something similar existed in the small business lending space. And if not or even If it were, whether folks who are doing small business lending, SPCPs had considered approaching CDFIs as area experts in how to lend to lesser served populations.

MR. DEL RIO: Right. We've actually been pulled into consumer lending and small business lending just because of the -- and I find it much easier than mortgage lending which is way more regulated. And so, yeah, we maybe should be putting out an ABA, add to that toolkit or what more can we do.

(Simultaneous speaking.)

MR. DEL RIO: I was just going to say to Steven's comment too. Demonstrating need is incredibly easy. So don't think of that as a challenge. You don't have to air your dirty laundry, A. And B, demonstrating need is very, very easy.

MS. DIAZ: Great. And Gary, if financial institution goes in to the FDIC, what type of support is available to them?

MR. CLAYTON: Your know, from a consultative perspective, we're here to walk you down the path of the program, make you understand what the components of the written plan have to be, how you can achieve it. We got a community affairs staff that can guide you to some resources so you can find the research and the data to help build your program. Like I said earlier, you can set up a meeting to talk to us about those who are considering implementing the plan.

If you've already got the plan, you can submit that to us. We will review it. We'll highlight it. We'll write notes on the side of it.

But what we won't do, once again, we won't endorse it because that's not what we do. I just want to make sure that is very clear. But our goal here is to support you in any way we can so that these unmet credit needs in the community can be met by some perspective. One of the things that we want to -- and I'll just go ahead and add this also.

There have been times where there has been a hindrance because they were afraid of fair lending. And as long as you can provide the data to show that this program is set up to meet the unmet crediting of a special group, fair lending typically is okay with you all from that perspective. So we'll talk to you about fair lending as well.

When we see something that may cause a fair lending concern, we'll highlight. This may be a concern. You may want to go back and reevaluate this perspective. So our goal here is to establish that partnership with you all to keep communities alive so they can keep building, can keep growing, and they can all have a piece of that American dream. So we're here.

MS. DIAZ: Thank you. Jonathan?

MEMBER MINTZ: Gary, does the FDIC approve -- no, kidding.

(Laughter.)

MEMBER MINTZ: My mind was where Jen's was. I felt like I was missing part of the equation. And I think you just filled it in.

I was trying to figure out what the incentive was for the financial institution to do this beyond their better angels. And I think you just said it which is the ability to specialize the standard without getting in trouble for discriminating. That's the gift, right, here? Is that accurate?

MR. CLAYTON: And that is accurate.

MEMBER MINTZ: You answered my question for me.

MR. CLAYTON: And that is true. But we do have a caveat. Let's say, for example, you set the program up to serve the needs of individuals who live in majority-minority census tracts. Well, under that caveat, you can't discriminate against women, who live in majority-minority census tracts.

Or you can't discriminate against men. So within the confounds, you can't have discrimination. But the program itself can be there to meet the needs of those individuals who have struggled or whatever to get along or the interest rates and things of that nature. So you can still do that perspective of it.

MR. DEL RIO: Yeah, SPCPs are based on eligibility. And eligibility is set through either geography or a people-based approach.

MEMBER MINTZ: But the point is you're given permission to --

(Simultaneous speaking.)

MEMBER MINTZ: Thank you. That's exactly what I was searching for. Yes, exactly.

MR. DEL RIO: Yeah, and hopefully the good business that that brings you is what keeps you there.

MEMBER MINTZ: And then maybe can lead you to where Jen was saying which is, like, well, If it works for this population --

MR. DEL RIO: Possibly.

MEMBER MINTZ: -- maybe it can work for everybody. Okay, great.

MR. CLAYTON: And we won't say positively discriminate.

(Simultaneous speaking.)

MS. DIAZ: While this engagement is really wonderful, I would ask for all of you to think about any last questions. But while you do that, I'm going to ask Chad to share a little bit of the metrics which is also the reason why we do all this. So do you mind to share some impact stories?

MR. GOURLEY: Yeah, so the two major ways that we measure the success of the program is through the percentage of our applicants that are applying for our small business loans. How well does that percentage of those who self certified match up to the demographics of the market that they serve? And I'm happy to report that in that space, clearly, we didn't have any data that showed us what that looked like before 2021.

But we had kind of a six- to nine-month run rate that we believe is likely what the makeup of our applications were before we launched. And since launching, we've seen a growth of about -- well, I should say since that nine-month period, we've seen a growth of about 10 percent really driven through grassroots efforts in each of our markets. Because we operate on that affiliate bank model, each market has their own kind of marketing budgets and contacts within their communities and things.

And so in some markets, we've had kind of mass market marketing efforts. In other markets, it's really just driven through grassroots efforts with Black-owned business chambers or Latinx associations, women-owned business associations. And through those efforts, we've seen that 10 percent growth in our application pool.

The other way we measure success of the program is through what we call closing the approval gap. So I mentioned before that we didn't have any internal data when we launched the program. We expected that what we saw broadly through the studies and reports that were out there, it's likely what we would experience as well.

Two years into the program, we can confirm that same approval gap exists even within our organization. Happy to report that we can see the difference of what the approval gap is and what it would have been. Essentially, the deals we were able to approve using our expanded credit policy help to close that gap.

Happy to remove that we are seeing a real improvement. I mean, it’s not just this marginal difference. So it's working essentially.

Now have we done everything we needed to do? Is it working perfectly? No, not yet.

We reevaluate the program on an ongoing basis, understand where we're still seeing common decline ratios, where we can potentially make additional tweaks and things that are still taking into account safety and soundness but also give us an opportunity to further close that approval gap.

And I think that's the important thing to consider. I think this goes back to your question, Jen, that we're not trying to approve every loan, right? We're not trying to create a 100 percent approval rate for our SPCP eligible clients and everyone else is at their current rate.

But rather we're just trying to create some parity there and get that approval rate up so there's some equality there. And so that's, like I said, one of the objectives. And we continue to see improvement there. But there's still work to be done and we continue to make those fine tuning tweaks and things.

MR. CLAYTON: Could I just piggy back

on one thing he said and I think is wonderful. You said how you market the program because it doesn't make sense to develop a SPCP and no one knows about it. He said you market it through the Black business through the various mechanisms.

So look at the marketing strategies for making sure people are aware that you offer this specialized program to increase the parity in these communities and things of that nature. Marketing plays such a vital role. So how you choose to market that program would determine the success of that program as well. So while you're developing the program, also develop a marketing strategy to make the people aware that you're offering this program.

MEMBER CAMPER: Can I just ask a quick question about that? So If I understand how you do it, it may not even be visible to the customer that they got approved under the program.

MR. GOURLEY: That's correct.

MEMBER CAMPER: But is it because some

customers would presume that they wouldn't -- don't even bother to apply because I have a name your impairment? So how does the marketing fit with your approach that a customer may not even know that they're getting credit that way?

MR. GOURLEY: So the customer knows that they self certified under the program. So when they apply, they say, yes, I'm eligible for this program. When they're granted their approval, we don't distinguish between how they got -- were granted that approval.

MEMBER CAMPER: But do you think that some customers came into the bank because they knew you had a special program?

MR. GOURLEY: Uh-huh.

MEMBER CAMPER: I see, okay.

MEMBER LIBBY: I was going to ask a similar question about outreach because I love that you've designed so that it is this funnel and it's not a specifically targeted program. But then it does seem like that almost potentially impacts your ability to get the word out. And then word of mouth seems like it could be especially powerful in addition to the kinds of partnerships that you were talking about. So I'm still maybe unclear. So somebody would know that they were qualified this way once they receive the loan?

MR. GOURLEY: They would know they were eligible --

MEMBER LIBBY: Okay. So they --

MR. GOURLEY: -- when they applied.

MEMBER LIBBY: Yeah.

MR. GOURLEY: And our position is once you get the approval.

MEMBER LIBBY: Okay.

MR. GOURLEY: I mean, so from our position, it's irrelevant, right?

MEMBER TESCHER: But you could still market it and say, like, are you a farmer who blah, blah, blah, blah. We want to --

MEMBER LIBBY: Right. We want to partner --

MEMBER TESCHER: -- talk to you. We

want to talk to you.

MEMBER LIBBY: -- with you and bring you in, yes. Okay, got it.

MR. DEL RIO: This is a challenge that lenders are having. So there's a big gap in how you communicate, that you have a racial equity program. How do you do that and not offend your non-Hispanic White borrowers, right? And so there are some solutions that's coming forward. We actually have an announcement next month that I won't mention but that's coming out to facilitate just this.

MEMBER TESCHER: Right. But the way they've set it up, I think the experience from the potential borrowers is seamless. I think it's preferable to do the overlay as opposed to in the waterfall and how you do the application. I think that's great.

MEMBER LIBBY: Agreed. I love that piece of it. But I think I was thinking of small business owners that in my former life we used to engage with. And I think once you get denied, it's often hard to go back to apply for a loan. So I was just sort of thinking about that barrier.

And then I guess it is just the importance of those partnerships to bring people -- to bring folks in.

MEMBER TESCHER: You could go back to your clients in the last X years, right?

MS. DIAZ: Well, thank you, everyone, for your engagement. It does seem like we made an old tool exciting again. And we do look forward to your questions. Thank you.

MS. ORTIZ: Thank you. All right. Mr. Chairman, that concludes us, I think, our panels.

CHAIRMAN GRUENBERG: Listen, thank you all. It's been a terrific day. Let me thank all the panelists who participated. Let me thank our committee members for their very thoughtful comments, really helpful.

And I'd like to particularly thank the FDIC staff who organized really a terrific program today. So thank you all. This committee is the gift that keeps on giving.

So thank you for that. We'll try to put together an interesting program for the next time we meet. In particular, I think we have a lot of work in progress to build on.

We can also give some thought about things we want to do going forward. I think maybe timely to give that some consideration as well. So it's been a pleasure. Thank you all. See you next time.

(Whereupon, the above-entitled matter went off the record at 3:56 p.m.)