Minutes

of

The Meeting of the FDIC Advisory Committee on Economic Inclusion

of the

Federal Deposit Insurance Corporation

Held in the Board Room

Federal Deposit Insurance Corporation Building

Washington, D.C.

Open to Public Observation

December 1, 2011 - 8:55 A.M.

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

The members of ComE-IN present at the meeting were Ted Beck, President and Chief Executive Officer (CEO), National Endowment for Financial Education; Martin Eakes, CEO, Self-Help/Center for Responsible Lending, Durham, North Carolina; Ester R. Fuchs, Professor, School of International and Public Affairs, Columbia University; Wade Henderson, President and CEO, Leadership Conference on Civil Rights, and Counselor to the Leadership Conference on Civil Rights Education Fund; Alden J. McDonald, Jr., President and CEO, Liberty Bank and Trust, New Orleans, Louisiana; Bruce D. Murphy, Executive Vice President and President, Community Development Banking, KeyBank National Association; Manuel Orozco, Senior Associate at the Inter-American Dialogue, and Senior Researcher, Institute for the Study of International Migration, Georgetown University; John W. Ryan, Executive Vice President, Conference of State Bank Supervisors; J. Michael Shepherd, President and CEO, Bank of the West and BancWest Corporation; Robert K. Steel, Deputy Mayor for Economic Development, The City of New York; and Deborah C. Wright, Chairman and CEO, Carver Bancorp Inc., New York, New York. Rev. Dr. Floyd H. Flake, Senior Pastor, Greater Allen AME Cathedral of New York, participated in the meeting by phone. Kelvin Boston, Executive Producer and Host of PBS' Moneywise with Kelvin Boston;
and Lawrence K. Fish, Former Chairman and CEO, Citizens Financial Group, Inc., were absent from the meeting.


Acting Chairman Gruenberg opened and presided at the meeting. He began by thanking Committee members for agreeing to continue their memberships on the Committee after expiration of their initial two-year terms, noting that it was a very generous gesture on the part of Committee members as well as an indication of the value the Corporation places on their contributions. He also acknowledged former Chairman Bair's role in establishing the Committee, indicating that it was one of her many legacies. Next, Acting Chairman Gruenberg provided an overview of the meeting agenda, identifying as the two major topics mobile financial services as a potential vehicle for expanding access to mainstream banking and the challenges presented by the increasing use of prepaid cards. Regarding mobile financial services, he advised that, although low-income and minority households are disproportionately represented among the unbanked and underbanked, mobile phone penetration in those communities is actually higher than in the general population, offering intriguing possibilities for economic inclusion. He then reminded Committee members that the Corporation had, within the past year, established a new Division of Depositor and Consumer Protection ("DCP") to consolidate all of the FDIC's responsibilities relating to compliance examination and enforcement, policy and research, and consumer outreach, and that the Director of DCP, Mark Pearce, was the former Senior Deputy Commissioner of Banks in North Carolina. He advised that DCP, which would be working directly with the Committee, had significant input into the development of the meeting agenda.

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Acting Chairman Gruenberg then turned the discussion over to Ms. Lazar, moderator of the first panel, "Updates on ComE-In Initiatives."

Ms. Lazar advised that staff would begin by providing updates on several Corporation initiatives implemented on the basis of Committee recommendations. She then introduced Sherrie L. W. Rhine, who she advised would provide an update on the Model Safe Accounts Pilot, and Luke W. Reynolds, who she advised would provide updates on the FDIC Adopt-A-School Pilot Program and the CDFI Small Business Lending Symposium.

Ms. Rhine began by noting that the purpose of the one-year Model Safe Accounts Pilot, which began in January 2011 and was scheduled to conclude at the end of the year, was to determine the feasibility of insured depository institutions offering safe, low-cost transaction and savings accounts to help meet the needs of U.S. households that are unbanked or underbanked, and that nine financial institutions were participating in the pilot, offering low-cost transaction and savings accounts that are FDIC-insured, covered under consumer protection laws and regulations, and have product features identified in the FDIC's Model Safe Accounts template. She then recalled that interest in conducting the pilot had its genesis in a finding from the 2009 FDIC National Survey of Unbanked and Underbanked Households that nearly 26 percent of U.S. households were unbanked or underbanked; that the survey finding raised the question of what combination of features and fees would comprise safe transaction and savings accounts to bring lower-income households into the financial mainstream; that, to answer the question, the financial services landscape was surveyed and several geographically-based programs aimed at bringing financial products to unbanked consumers were identified; that the features and fees offered in those programs were the starting point for the initial draft of the Model Safe Accounts template; that the initial draft was presented to the Committee at its April 1, 2010, meeting; and that the Committee's suggestions were incorporated into the final template.

Next, Ms. Rhine briefly addressed the characteristics of the pilot institutions, the characteristics of the transaction and savings account products, and data gathering techniques for the pilot. With respect to the pilot institutions, she indicated that they were geographically represented across the country as well as by urban, suburban, and rural areas. With respect to the characteristics of the transaction and savings account products, she advised that they were card-based, electronic accounts and did not allow for overdraft or non-sufficient funds fees. Regarding data gathering techniques, she advised that Corporation
staff set up conference calls with each institution around the end of each quarter to discuss some of the challenges and lessons learned; that 45 days after the end of each quarter, the FDIC received basic information from pilot institutions such as the number of accounts opened, the average opening balance, and the average monthly balance; and that data for the fourth quarter would be received in mid-February 2012, with development of the final report to begin shortly thereafter.

Turning to some of the observations to date, Ms. Rhine reported that the majority of pilot institutions participated in marketing and advertising in the first quarter, with a slow-down in such activity during the second quarter and an uptick in such activity in the third quarter, and that several potential business models had begun to emerge from the preliminary data. She identified the business models as the partnership model, in which a financial institution partners with non-profit organizations, community groups, and local and state government agencies to help bring the unbanked into the financial mainstream; the new entrant model, in which a financial institution markets their products to the young adult consumer segment; the re-entrant model, in which a financial institution markets to previously banked consumers; and the cross-selling model, in which a financial institution offers one product as an entry point to selling other financial products and services, with some blending of the models by some institutions. Ms. Rhine further reported that the take-up rate for the accounts was significant, with 453 of 529 transaction accounts and 2,036 of 2,133 savings accounts remaining open, which translates into retention rates of 86 percent and 95 percent, respectively; and that, as expected, there was significant variability in opening minimum balances for the accounts, especially savings accounts, with average opening balances and monthly balances at one institution ranging from $20 to $30 and $30 to $40, respectively, and average opening balances and monthly balances at another institution of $200 to $300 and $200 to $500, respectively.

Next addressing challenges, lessons learned, and potential positive implications, Ms. Rhine advised that, among the challenges, a few pilot institutions indicated that potential accountholders did not have the appropriate identification to open an account; some institutions cited the difficulty of effectively marketing, advertising, and reaching the targeted consumer segments within a fairly short timeframe; and several institutions pointed to current economic conditions as having resulted in added pressure on business budgets and staffing. Among the lessons learned, she advised that efforts to reach new entrant and re-entrant consumer segments were meeting with some success; that partnerships with third parties advanced some of

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the outreach and marketing activities; that teller training is an important tool in reaching consumer segments, particularly consumers who have never had a transaction or savings accounts, consumers with lower incomes or lower-balance accounts, and consumers listed in ChexSystems for reasons other than fraud; that calculating cost recovery or profitability of the pilot program is proving to be difficult, with possible reasons being a mismatch between the business model used for the pilot and the model used for other deposit accounts at the institution, the accounting problem of allocating fixed costs for short-term projects such as the pilot, or IT or other infrastructure limitations; and that financial education has a positive impact on account performance for the new entrant consumer group. Regarding potential positive implications, she stated that relatively few of the accounts had closed, speaking to the potential longevity of the accounts; that relatively few accounts had gone into a negative balance; that a large proportion of the accounts had sustained or growing balances; and that cross-selling opportunities seemed to be in place and productive.

Concluding her presentation, Ms. Rhine identified as next steps analysis of fourth quarter data in mid-February 2012, followed by development of the final report, and presentation of findings to the Committee, as the Committee’s schedule permits, sometime in 2012.

Mr. Reynolds then briefed the Committee on the status of the FDIC’s Adopt-A-School Pilot Program and the CDFI Small Business Lending Symposium, recalling with respect to the Adopt-A-School Pilot Program that the Committee had recommended, at its meeting on June 24, 2010, that the Corporation consider implementing a program that would facilitate staff volunteering on official time to teach financial education at underserved schools. He then advised that staff had developed guidelines for the program; presented those guidelines to the Committee’s Financial Education Working Group; made adjustments to the guidelines on the basis of the group’s feedback, including the addition of an evaluative component to help assess the readiness of employees to teach financial education; and launched an 18-month pilot program on June 13, 2011, to allow up to 100 FDIC employees to teach financial education at underserved schools. He further advised that employees may use up to 12 hours of official time per quarter to participate in qualifying financial education activities, with qualifying activities including anything from teaching student workshops to providing technical assistance to teachers on personal finance and personal financial education to help improve their capability to deliver financial education.
Elaborating on progress since the program's launch, Mr. Reynolds explained that it was marketed to employees in July and August 2011; that 228 applications were received by the September 6 deadline; that applications were considered on the basis of criteria outlined in the program directive, including the employee's previous experience teaching financial education and their proximity to an interested school; that selected employees completed training and an assessment, with 100 employees ultimately accepted into the program; and that during the month of November, pairing of participating employees with underserved schools began, with 75 pairings to date and 25 employees currently in discussions with schools. Looking forward to next steps, he advised that employees are required to submit after-action reports on a regular basis to help assess the effectiveness of the program, and that staff would analyze the program on the basis of the reports, taking into consideration the number of hours devoted to the program. He then thanked those involved in the program's design and implementation.

Mr. Reynolds next discussed the CDFI symposium held in San Francisco on November 2, 2011, to help senior management of California banks and small business-focused CDFIs learn successful strategies to promote small business lending in California through bank-CDFI partnerships. He reported that the event was co-sponsored in collaboration with the Federal Reserve Bank of San Francisco and the Office of the Comptroller of the Currency ("OCC"). He stated that the event showcased successful models, with presenters addressing the mechanics and end path of their bank's CDFI partnership and innovative approaches that increase access to capital for small businesses; that the approaches identified by panelists ranged from more structured, formal approaches to less formal approaches built over time through strong working relationships, including those using new market tax credits and programs launched through the Small Business Jobs Act; that a document showcasing key partnerships was distributed to participants; and that Marie Johns, Deputy Administrator, Small Business Administration, addressed the symposium, emphasizing the importance of CDFIs in small business lending. Mr. Reynolds ended his briefing by noting that participants of the symposium numbered about 130; that evaluations of the symposium were overwhelmingly positive, with participants finding the information provided to be relevant and valuable and 100 percent of participants indicating an intent to implement some of the ideas shared at the symposium. He suggested that the symposium provided a strong model for similar events in the near future, with some of the questions and lessons learned being compiled in a resource document for use by banks and CDFIs.

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In response to a question from Mr. Henderson regarding future symposiums, Mr. Reynolds confirmed that similar events were planned for 2012 and Ms. Lazar advised that the Appalachian Regional Commission in Kentucky was currently planning an interagency event very similar in scope to the symposium in San Francisco. Mr. Steel asked whether staff could identify two or three of the more important opportunities for successful business lending arising from the symposium, in response to which Mr. Reynolds advised that, included among the lessons learned, was the lesson that partnerships need not just involve a bank making an investment in a CDFI, but also may involve less formal arrangements such as providing referrals to a CDFI to provide technical assistance and training to help a business qualify for a loan; the lesson that opportunities exist for community banks as well as large banks; and the lesson that, to overcome the community bank challenge of locating CDFIs, more effort should be placed on facilitating connections between banks and CDFIs and assisting banks in understanding what Community Reinvestment Act ("CRA") considerations are currently available for such activities.

During the discussion of the Model Safe Accounts Pilot, Committee members made a number of recommendations for information to be included in the pilot report, how best to utilize the findings, and ways to encourage other institutions to offer similar products. Mr. Henderson suggested that staff explore combining the results of the Model Safe Accounts Pilot with the findings of the FDIC's other economic inclusion studies into a sophisticated presentation that can be used by the administration for larger public policy purposes. Ms. Wright and Mr. McDonald agreed, with Ms. Wright suggesting that the education system is an important stakeholder in economic inclusion efforts and Mr. McDonald suggesting that perhaps staff could explore with pilot institutions any recommendations they may have on including financial literacy as part of the school curriculum. Mr. Beck, after noting that he sits on the President's Advisory Council for Financial Capability and that the findings and data from the FDIC's various economic inclusion studies is very actively used by the U.S Treasury Department ("Treasury") and the U.S. Department of Education, suggested that the staff share with Committee members at a future meeting of the ComE-In any examples of pilot institutions that were effective in engaging young adults, especially through financial education. With regard to replicating the pilot, Mr. Orozco suggested that, if the findings provide enough evidence for expanding the safe accounts products to a wider audience, staff make an effort to identify the necessary ingredients to replicate the pilot on a larger scale; Professor Fuchs and Mr. Henderson suggested that providing CRA credit for products with Model Safe Accounts

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features would likely be the only way to spur widespread offering of such products; Mr. Murphy suggested that, in his opinion, any focus on CRA credit should not be limited to a single product, but should instead be part of an overall underbanked strategy that speaks to an integrated product set and an integrated approach; and Mr. Eakes suggested that, to the extent possible, staff should determine the marginal cost of providing the fully electronic transaction and savings accounts to aid in determining scalability. Mr. Ryan then noted that it makes sense to connect financial literacy efforts with products that would be appropriate starting points for entry into the mainstream financial system and asked whether the Corporation’s safe accounts template was being incorporated into BankOn or similar efforts promoting financial access for low- and moderate-income Americans. Mr. Reynolds, answering in the affirmative, indicated that there are approximately 16 or 17 banks in addition to the pilot institutions that are offering accounts consistent with the safe accounts template and that the template is being distributed through the FDIC’s Alliance for Economic Inclusion.

Next, Mr. Ernst, moderator of the panel discussion on “The Role of Mobile Financial Services Technology in Economic Inclusion,” provided background information on mobile financial services and the underserved, noting that the vast majority of adults in the U.S. own mobile phones, with more than one-third of adults owning smartphones; that racial and ethnic minorities, who are disproportionately represented among the unbanked and underbanked, are more likely to own a smartphone, with 44 percent of African-Americans and Hispanics reporting that they own a smartphone versus only 30 percent of white consumers; that, among mobile phone users, almost half of African-Americans have engaged in mobile banking, double the rate of their white counterparts; and that younger Americans, those with higher incomes, and those with more education are more likely to own smartphones. He suggested that the rate of mobile phone ownership and current technology present the significant potential to interact in different ways with financial services systems and indicated that panelists would provide even more information regarding the capacity of consumers to engage the financial services system through mobile devices. Mr. Ernst then introduced as his fellow panelists James Van Dyke, President, Javelin Strategy Research ("Javelin"); Jeff Easley, Executive Director, Deposits Product Management, USAA Federal Savings Bank; Allison Landers, Senior Vice President, Online and Mobile Banking, KeyBank; Suzanne Martindale, Staff Attorney, Consumers Union; and Jim Cunha, Senior Vice President, Treasury and Financial Services, Federal Reserve Bank of Boston.
Mr. Van Dyke provided a brief overview of services offered by Javelin, noting that it combines proprietary research data from approximately 300,000 individuals, financial institutions, merchants, processors, and others, with public data from federal agencies and others to identify trends in technology adoption, especially in the area of customer-provider relationships. He then advised that the context of his presentation to the Committee would be the value proposition that arises from the confluence of technology vendors working through providers, such as merchants and financial institutions, and customers, such as consumers and small businesses, which, in effect, determine whether innovations become mainstream. Pointing to the impact of innovation and deregulation in the financial industry, he indicated that there was a quick evolution from a simplified system in which banking was conducted at a bank’s main office, with transactions duly recorded in a check register, to a more complex system in which banking is conducted at branch offices, through card-based technology, online, through mobile devices, by touch-tone phone, through investment banks, at automatic teller machines, or via social media.

Moving to research findings on the use of mobile technology by the underbanked, lower-income population, Mr. Van Dyke reported that the underbanked are less likely than the general population to own a landline, yet more likely to own a mobile phone and, despite scarce economic resources, more likely to own a smartphone; and that the underbanked are less likely to use mobile devices for high value activities such as checking balances, viewing bank account statements, transferring funds between accounts, and monitoring recent transactions, more likely to use mobile devices to pay bills, and equally likely to use mobile devices to receive email alerts. He further reported that the underbanked are more likely to use prepaid cards or payroll cards through their mobile devices; that the underbanked use mobile banking more frequently than the general population; and that the underbanked are more likely to use their mobile devices to make purchases. Mr. Van Dyke then raised the issue of whether mobile technology can be used to empower the underbanked, and suggested that the potential adoption of new technologies is driven by their features and that financial institutions, by adopting a customer-driven architecture that provides information in real time with transparency, can both empower and protect underbanked consumers.

Next, Mr. Easley provided information on the history and mission of USAA Federal Savings Bank, noting, among other things, that it currently has nearly six million members from all branches of the military; that its culture mirrors the values of the military; and that it has only one teller-assisted branch in
the lobby of its headquarters in San Antonio, Texas, which underscores the reason for its reliance on technology to serve its members. Citing remote deposits as an example of USAA’s use of technology, he advised that the bank has a Deposit@Home program that allows qualifying members to scan in a deposit from home, a Deposit@Mobile program that allows qualifying members to make deposits via smartphones, and an Easy Deposit program in partnership with The UPS Stores that allows members to make deposits with the assistance of a store associate through a remote desktop connection. Elaborating, he stated that, given the lack of USAA branches, Deposit@Home was launched in 2006 to overcome access barriers and that, in order to qualify, members have to be insurance-eligible, be credit qualified, and have existing USAA product ownership in good standing; that, with the advent of improved mobile smartphone technology and USAA’s existing Deposit@Home infrastructure and processes, Deposit@Mobile, which was launched in 2009, was a logical evolution; that, in 2010, Easy Deposit, which makes use of a dedicated desktop scanner at The UPS Stores, was made available for members who prefer a face-to-face deposit experience or who do not yet qualify for Deposit@Home or Deposit@Mobile services; and that, in July 2011, remote deposit services were extended to tablet computing for qualifying members.

Reiterating the fact that USAA’s mission is to facilitate the financial security of its members, Mr. Easley advised that the bank has launched Money Manager, an online and mobile personal finance management suite of tools that allows members to get control of everyday finances with, among other things, automatic budget creation and spend tracking by category, the ability to add non-USAA accounts, 18 months of history, and the ability to keep track of items not yet reflected in their balances. In closing, he indicated that Money Manager has been well-received, with over one million members using the tool and over 8 million sessions a month attributable to just the mobile version of the tool, and that USAA’s technological innovations have contributed to the bank’s growth and helped it to access and engage its members.

Ms. Landers began her presentation by observing that consumer experiences with and expectations for their mobile phones have changed drastically since they were first introduced, with the phones now being used not only for calls, but also for text messaging, surfing the internet, as televisions, as cameras and as video cameras, and to keep in touch with their families, friends, finances, and health. She stated that the upshot of the ubiquitous nature of mobile phones is that consumers’ experiences with mobile banking are no longer being compared to their experiences with banks in general, but with the experiences they
have with any company or any industry because that is what consumers have come to expect. Ms. Landers advised that the most often cited reason for not using mobile phones for banking is that consumers prefer other channels and the second most cited reason is concerns about security. Regarding the former reason, she suggested that consumers who prefer other channels probably have yet to try mobile banking and regarding the latter reason, she suggested that security concerns likely tops the list of any reason for not adopting a certain technology. Concluding, she suggested that in order to remain relevant, financial institutions need to give thought to what consumers have come to expect, i.e., the ability to interact with anyone from anywhere at any time that’s convenient to them.

Next, Ms. Martindale, focusing on mobile payments, cautioned that the complexity inherent in mobile payments might present some obstacles to efforts to use mobile devices to bring more people into mainstream financial services. She reiterated comments from earlier presenters that mobile payments are rising, with projections that it will be a multi-billion dollar business in the United States by 2014, due largely to widespread adoption of cell phones. She observed that there are many ways to make mobile payments, including via text message, such as donations made to the Red Cross; through Near Field Communication ("NFC") chips, in the form of a sticker affixed to a mobile phone or a chip embedded in phone hardware; through a smartphone application, such as PayPal, downloaded to a mobile phone; or through a smartphone web browser. She also observed that there are different ways to fund mobile payments, noting that consumers can pay later, by linking to a credit card or phone bill; they can pay now, by linking to a debit card or bank account number; or they can pay in advance, by linking to a prepaid card, gift card, or a prepaid deposit held by a wireless carrier. She then suggested that perhaps one of the reasons that mobile banking is concentrated in select niche markets is because consumers have questions and concerns regarding the safety of mobile payments.

Ms. Martindale elaborated on consumer questions about the security of mobile payments, indicating that they have concerns about data privacy and where their financial information is stored; about consumer protection laws and whether they can recover lost or stolen funds; and about trust accounts for deposits given to wireless carriers, including concerns about whether prepaid deposits to wireless carriers are in insured accounts, whether pass-through requirements for FDIC insurance are met, and whether they are at risk of losing their funds if the company goes bankrupt. She noted that the method of a mobile payment determines its level of protection, with the best consumer protections associated with mobile payments linked to a
Ms. Martindale ended her presentation by indicating that technology is far outpacing consumer protection laws, which should be kept in mind in any discussions about reaching the underbanked through mobile banking. She expressed hope that the new Consumer Financial Protection Bureau ("CFPB"), which has jurisdiction over payment providers, would be instrumental in harmonizing consumer protections without regard to payment methods. She noted as well that there exists the potential for states to pass their own legislation to close some of the gaps in consumer protection, with California having paved the way with a 2010 rule that provides something akin to a chargeback right for any California consumer who makes a non-communications charge, including a mobile payment, on their phone. By way of policy recommendations to limit consumer liability and potential exposure to fraud and unauthorized transactions, she suggested that prepaid deposits be subject to consumer protections; that limits be placed on the size and complexity of wireless contracts to provide more transparency; that consumers be encouraged to place PIN protection on their smartphones; and that limits be placed on mobile phone payments, including customer-set limits on transaction size and daily limits.

Mr. Cunha then advised the Committee that he would also focus his presentation on mobile payments, specifically why mobile payments matter for purposes of economic inclusion, the state of mobile payments in the U.S., the work of the Mobile Payments Industry Workgroup ("MPIW"), benefits for the unbanked
arising from mobile payments, and the challenges presented by mobile payments, especially for the unbanked. As to why mobile payments matter with respect to economic inclusion, he stated that the processing of transactions such as check cashing, stored value, and payments is a fundamental need among the unbanked and that, once adopted, mobile transaction processing can lead to the next steps up the economic inclusion ladder to include credit and asset accumulation. Further, he noted, on the provider side, mobile products for the unbanked can be leveraged to create greater value by also offering the same products to those who are banked. Next moving to the state of mobile payments, Mr. Cunha observed that adoption of mobile payments is much stronger in foreign markets than it has been in the U.S., with financial institutions in the U.S. mainly focusing on extending their Web presence to the phone; that only within the past year has there been a growing emphasis on commercial partnerships for mobile payments in this country; and that, despite announcements of such partnerships, there is still no significant implementation of mobile payments on a national scale.

Then, turning his attention to the evolution of the MPIW, Mr. Cunha advised that it grew out of growing awareness and concern with fragmentation and lack of communication between key stakeholders regarding the direction of mobile payments in the U.S.; that the Boston and Atlanta Federal Reserve Banks, in January 2010, convened the group of stakeholders, including telephone companies, handset manufacturers, large and small banks, and credit card companies, to facilitate discussion on the evolution of mobile payments in the U.S., to establish relationships among stakeholders, and to determine whether there is a shared vision on the future of mobile payments and identify any barriers. After noting that the discussion did not explicitly focus on the unbanked, he further advised that the group reached a general consensus that mobile devices will be used to initiate and receive payments for purchases between consumers and businesses; that mobile payments would revolve around an open wallet concept for which anyone could create a product that could be used within the wallet; that NFC technology would be the standard for mobile payments at the point-of-sale; that payments would be cleared over existing channels such as ACH, debit, and credit, but that there also exists an opportunity for any accessible new channels; that mobile payments would involve dynamic data authorizations, with each transaction getting its own security signature which could not be replicated or reused; that standards developed for the U.S. would be based on global standards to allow for transportability; that there should be regulatory clarity for ongoing oversight of mobile payments; and that the secure elements of mobile phones should be well-structured, regulated and consistent across all phones.

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Listing the benefits of mobile devices, Mr. Cunha cited accessibility, especially for the unbanked and underbanked; convenience; control; the opportunity to educate and change behavior at decision points; richer functionality such as the ability to budget, place funds in different envelopes for different purposes, or place a lock on funds; and the ability to leverage products across different types of customers, such as the banked and unbanked, thereby creating economy of scale for providers. Finally, Mr. Cunha addressed the challenges still ahead, noting that the industry path to the desired objective is complex; that there are regulatory uncertainties as previously discussed by Ms. Martindale; that, given the different demographics for the unbanked and underbanked, banks and others have to assess risk, other priorities, and the business case for mobile payment services and choose to participate on the basis of that assessment; that banks will have to contend with compliance requirements such as those under the Anti-Money Laundering Act and the Bank Secrecy Act; that the unbanked will have to be educated about the technology and overcome any trust issues and language barriers to decide the right solution for them; and that smartphone penetration among the unbanked is still relatively low. He stated that, despite the complexities, in his opinion, the computing capability of mobile devices can be a huge benefit for the unbanked, not just for payment purposes but also for bringing them into the mainstream financial system.

In the discussion that followed, Committee members and panelists addressed a number of issues related to mobile banking, including general regulatory challenges, security issues, the financial implications for banks and consumers, and the need for additional research. Both Mr. McDonald and Mr. Murphy commented on the complexities presented by mobile banking, especially the regulatory issues, with Mr. McDonald suggesting that any efforts to encourage banks to better serve the unbanked and underbanked through mobile technology could be frustrated if accompanied by too much additional regulation and Mr. Murphy suggesting that the prospect of using mobile technology to increase access to the banking system seems to be greater than the potential risks and that, in his opinion, any additional regulatory burden for banks could be mitigated by modifying and extending existing regulations rather than implementing a host of new regulations. Mr. Shepherd stated that, in his opinion, banks are willing and, in fact, eager to provide mobile banking services without the need for regulatory incentives because it offers convenience to customers and, for smaller and mid-sized institutions, provides an opportunity to compete with larger institutions that have a greater ATM and branch presence. Mr. Cunha advised that, based on his experience with MPIW, the industry is extremely eager to
have an open conversation with regulators to address the regulatory issues because an uncertain regulatory environment is viewed as even worse than more regulation. Mr. Beck asked about the implications of mobile banking on the “know your customer” requirements of the USA Patriot Act, in response to which Mr. Easley advised that, in order to use USAA mobile banking services, customers must have already established a relationship with the bank and be credit-qualified, with the result that the bank, in essence, knows even more about users of its mobile services; and Ms. Landers advised that KeyBank customers using the bank’s text messaging services are either authenticated through online banking or, if set up by phone, required to provide answers to the typical “know your customer” questions and that those engaging in mobile banking use the same user identification and password used for online banking. Offering a different perspective, Mr. Eakes, noting that “know your customer” rules are aimed at preventing terrorism and money laundering and perhaps it is time to reduce reliance on rules that no longer serve their intended purpose or modify them in a way that provides exemptions for smaller transactions. On the issue of security, Mr. Van Dyke advised that, within the security community, user authentication typically involves three factors—information on something the user has, something the user knows, and something the user is—but that, with mobile technology, a fourth authentication factor, the user’s physical location, is added; and Ms. Landers advised that banking capability through mobile devices is more limited than it is online and that information provided through text messages does not contain account numbers or other identifying information.

With respect to financial implications, Mr. McDonald questioned the cost to financial institutions to implement mobile banking technology, in response to which Ms. Landers acknowledged that Keybank’s investment in its mobile banking infrastructure was significant, but noted that there was a good business case for making the investment, with the bank already having recovered its investment because text messaging costs pennies to support as compared to costs of more than $1 to support an interactive voice response system and $6 to provide live telephone assistance; Professor Fuchs suggested that, as long as mobile banking services are less expensive than other banking services and banks are making a profit from it, it should benefit efforts to provide greater access to the unbanked and underbanked because it relieves banks of the need to address the unbanked and underbanked as separate consumers; Mr. Eakes, predicting an accelerating loss of smaller institutions because of the initial investment required to remain competitive by providing mobile banking services, suggested that perhaps some economy of scale could be derived from establishing cooperative structures that

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would spread the costs among a number of institutions; and Mr. Cunha suggested that, since most institutions no longer do their own core processing, the issue is not one of scale, but really whether there is a willingness to innovate and to push their service providers to develop solutions for a bank’s existing customers. In response to Mr. McDonald’s question as to whether, in efforts to promote mobile banking to increase access for unbanked and underbanked consumers, anyone had taken into consideration the costs to consumers for mobile devices, Ms. Landers advised that, while mobile devices may be somewhat expensive, many consumers use mobile phones in lieu of paying the costs for land lines, home computers, and internet connections and, with mobile devices, they can make calls to anywhere at any time and have unlimited data plans for a flat fee and that, with mobile banking, consumers gain the convenience of getting immediate access to their account information from wherever they are without having to wait in a queue of calls or until the call center reopens.

Regarding the need for additional research, Mr. Orozco indicated that there appears to be a need for additional information on the value to the unbanked and underbanked of applying mobile technology to banking, on distinguishing between needs and wants, and on how to mitigate some of the existing and future risks posed by mobile banking. Professor Fuchs suggested that perhaps the Corporation could help to identify what mobile banking services would be valuable to unbanked and underbanked consumers by conducting surveys or convening focus groups. Mr. Van Dyke advised that Javelin is the largest research company in the industry and, like many other research companies, publishes only about 20 percent of its data; that it has gathered huge amounts of data on underbanked consumers; but that, because no one is asking for the data, it’s just not being used.

Acting Chairman Gruenberg thanked panelists for their presentations. He stated that as a follow-up to the extraordinary discussion, perhaps staff could outline a set of options on the issue of mobile banking that might include potential research efforts and engagement with financial institutions and industry leaders, which would be presented to the Committee for consideration at the Committee’s next meeting. He emphasized the FDIC’s particular interest in the role of community banks in the financial industry and indicated that as part of the FDIC’s initiative on the future of community banks, staff would certainly be looking closely at the impact of technology, especially from the perspective of expanding access to the financial system. He then announced that the meeting would recess for lunch, during which Shaun Donovan, Secretary, U.S. Department of Housing and Urban Development, would speak on December 1, 2011
issues in the current mortgage market. Accordingly, at 11:53 a.m., the meeting stood in recess.

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The meeting reconvened at 2:08 p.m. that same day, whereupon Acting Chairman Gruenberg introduced Mr. Miller as moderator of the afternoon panel on "The Consumer Protection Issues Posed by Prepaid Cards."

Mr. Miller began by laying out a few basic facts, noting that the world of general purpose prepaid cards is growing rapidly; that while the number of transactions on prepaid cards is still relatively small, with $87 billion in transactions as compared to $1.5 trillion in debit transactions, prepaid card transactions are increasing 50 percent faster than debit transactions; that the retail presence of large prepaid companies is growing rapidly, with one such company advertising that it has nearly as many retail outlets and ATM access points as several of the largest insured depository institutions combined; and that, as can be determined from their marketing materials, prepaid companies are targeting younger, lower income, immigrant and other households they identify as being disconnected from traditional financial institutions, the very same segments of the population that are the focus of the Committee's economic inclusion efforts. He then introduced as fellow panelists, Bob Hunt, Director, Payment Cards Center, Federal Reserve Bank of Philadelphia; Lauren Saunders, Managing Attorney, The National Consumer Law Center; Ardie Hollifield, Project Manager, Safe Checking in the Digital Age, The Pew Charitable Trusts; and Deyanira Del Rio, Associate Director, Neighborhood Economic Development Advocacy Project ("NEDAP").

Mr. Hunt, after indicating that the views presented were his own and not those of the Federal Reserve Bank of Philadelphia or the Federal Reserve System, stated that he would present some of the preliminary findings of research he conducted with two of his colleagues, Stephanie M. Wilshusen and James Van Opstal, on how consumers use prepaid cards. He reported that, on the basis of the data collected, he could begin to answer a few basic questions such as how long consumers use their network branded prepaid cards; how frequently they transact with their cards; how often they reload their prepaid cards; whether they schedule repeated reloads of their cards; how frequently they withdraw cash from their cards; where they use their cards; how much revenue is earned from consumer fees; the frequency and composition of consumer fees; and what share of card revenues comes from the interchange paid indirectly from merchants to card issuers. Before addressing the preliminary answers to some of
the questions, he first provided information on the source of the
data, indicating that it was furnished by Meta Payment Systems;
that the data set contains more than 300 million transactions on
more than 3 million prepaid cards in more than a dozen different
types of prepaid card programs; that the data span a five-year
time period, with most of the transactions occurring in the last
two years; that the data is weighted toward payroll programs and,
because it is data from only one company, is not necessarily
representative of the entire industry; and that the data include
transaction type, amount, and merchant category code, but do not
include any demographic or financial data for the cardholders.
With respect to the distribution of cards by program type and
enrollment method, he advised that, for the most part, consumers
are getting reloadable prepaid cards for most program types
through the mail, with the exception of financial institution
programs, in which case consumers obtain the card from a branch
office of the institution.

Mr. Hunt then presented some of the preliminary findings on
card activity, purchase activity, and load activity. Regarding
card activity, he reported that the median length of card
activity for prepaid cards, with length of activity determined by
the date of first load or transaction to the date of the last
load or transaction, varied from approximately two months for
retail cards to about nine months for financial institution
cards, with web and payroll cards each having a six-month median
length of activity. Regarding purchase activity, he reported
that the median dollar amount of transactions on prepaid cards
for the total time the consumer uses the card is $120 for retail
cards, $460 for web cards, and almost $500 for payroll cards; and
that the median number of purchases ranged from four for retail
cards to 14 for web cards to 19 for payroll cards, with more than
50 percent of retail cards showing five or fewer purchases as
compared to approximately one-third of web cards, and only 12
percent of retail cards showing more than 50 transactions as
compared to more than 25 percent of web cards, indicating that
while some cards are not used much and do not last very long,
others have frequent transactions and are used for a long time.
Finally, regarding load activity, he advised that the median
dollar amount of loads over the life span of the card is $200 for
retail cards, $700 for web cards, and $1200 for payroll cards,
although the data for most of the programs may be missing the
initial load, and that the median number of loads is one for
retail cards, with more than one-third having one load, but 30
percent having eight or more loads, as compared to 44 percent of
payroll cards with eight or more loads. He further advised that
whether or not the consumer has regularly scheduled loads on the
card can be inferred from the data and reported that preliminary
data shows that regularly scheduled loads could be detected on 45

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percent of payroll cards; that direct deposit transactions represent the vast majority of transactions on payroll cards; that the median length of activity on payroll cards is 10 months; that the median number of purchases for such cards is 63; that the median number of loads is 14; and that the median load and purchase volumes are approximately $4300 and $1700, respectively. Comparing the direct deposit data on payroll cards to that for web and retail cards, he stated that direct deposit activity was detected on 16 percent of web cards and 4 percent of retail cards, but noted that the median length of activity for web and retail cards was nearly one year, that the median number of purchases for web and retail cards was more than 100, and that the median dollar volume of purchases for web and retail cards was approximately $4500 and $3,000, respectively, with these cards beginning to look like basic transaction accounts.

Next, Mr. Hunt provided information on estimated revenues, cautioning that the estimates reflected only fees charged to consumers by prepaid card issuers and not interchange revenues or costs; may be missing the card origination fee and some fees for reloads; and may exclude some fees that occur after the last consumer-initiated transaction. He advised that when fees earned on cards by program type are divided into quintiles, from those with the lowest to the highest revenues, the data show that the median revenue per card is almost $90 for retail cards in the fifth quintile, over $185 for web cards in the fifth quintile, and $76 for payroll cards in the fifth quintile, with median monthly revenue ranging from $4 to $12, in contrast to a median revenue per card over the life of the card for those in the first quintile of $1 for retail cards, $10 for web cards, and zero for payroll cards in the first and second quintiles. Mr. Hunt then noted, regarding the composition of fees for payroll cards, that the two most frequent fees are for ATM withdrawals and PIN POS fees, with the two fees together accounting for two-thirds of the number of fees and about 63 percent of the value of all fees; that ATM balance inquiry fees account for about 12 percent of revenue; and that maintenance fees account for about 8 percent of revenue.

In summary, Mr. Hunt reiterated that the typical prepaid card exhibits just a few months of activity, although there is variation across cards within the same program type; that average behavior is informative, but does not reveal the entire story; that direct deposit is a very important attribute for cards that are going to be active for longer periods and have more transactions and loads; and that prepaid cards are used primarily for making purchases of non-durable goods and services.
After briefly discussing a blurring of the line between prepaid cards and bank accounts on a number of fronts and the federal laws that govern various aspects of some prepaid cards, Ms. Saunders identified what she considers the seven essential features for safe prepaid cards, listing them as choice, conspicuous disclosures, security, protection from errors and unauthorized transfers, ample access to account information, no unfair or unreasonable fees, and no embedded credit features. On the feature of choice, she stated that, while choice is not an issue for prepaid cards purchased by consumers, it can be a concern in the areas of wage and public benefits payments where consumers should be allowed a choice of whether to receive funds by prepaid card or, if they have a bank account, direct deposit; that, despite the EFTA requirement for such a choice, there is not always compliance in disbursement of public benefits, with some states only issuing benefits payments on prepaid cards; and that, as more companies move into the mobile payments arena, there exists the possibility that consumers will be steered to certain products, which also raises implications for consumer choice. With respect to disclosures, she stressed the importance of clear and conspicuous information about fees and key terms; advised that, with the exception of the basic rule that fees should be disclosed, there is little existing law on the issue; and suggested there exists a need for much more transparency, not with just a list of fees, but with information disclosed in a way that makes it easy to see and that utilizes a single number, similar to an annual percentage rate, that makes it easier to make product comparisons.

Next addressing the issue of security, Ms. Saunders emphasized the importance of FDIC or NCUA pass-through insurance, noting, among other things, that although it is the industry standard, not every card is in compliance; that a new regulation issued by the U.S. Treasury Department provides that any prepaid card accepting direct deposit of federal payments must meet the requirements for pass-through insurance; and that compliance also makes the funds custodial, which can provide consumer protection in the event a nonbank program manager becomes insolvent. Turning to the issue of protection from errors and unauthorized charges, she advised that, currently, the EFTA covers only payroll cards and non-needs tested government benefits cards, and suggested that the EFTA should be amended to include chargeback rights and that Regulation E should be extended to all prepaid cards. Regarding ample free access to account information, Ms. Saunders indicated that it is one of the biggest differences between prepaid cards and bank accounts, with no automatic paper statements for prepaid cards and often no option for such statements, and the possibility, especially when a consumer has no internet access to monitor transactions, that the time allowed

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to dispute a transaction will run before the consumer becomes aware of it. She also indicated that there can be fees for contacting customer service, even when using the automated menu; fees for ATM balance inquiries; and fees for using a teller. She expressed fear that bank accounts are moving in the same direction and suggested a need to have incentives in the regulatory structure to encourage card issuers to offer information that consumers can easily access and will actually use.

Regarding the need for prepaid cards with no unfair or unreasonable fees, Ms. Saunders suggested that fees that impede access to information needed to manage the account should be forbidden or strictly limited as to costs; that penalty fees and fees that impede the exercise of legal rights should likewise be forbidden or strictly limited; that there should be as few other fees as possible, with the adoption of incentives to minimize such fees; that there should be an option for a single monthly fee or a pay-as-you-go model; and that there should be no tricks or traps so that the consumer’s expectations are met with respect to how the card works and how much it costs. She then explained that the interchange rules in the Durbin Amendment to the Dodd-Frank Wall Street Reform and Consumer Protection Act have an impact on fees in that they exempt prepaid and government benefit cards from the cap on interchange fees, if the bank issuing the card has assets of under $10 billion or, if the bank issuing the card is a larger bank and it allows one free ATM withdrawal per month, has no overdraft or shortage fees, and the card has no bill payment, ACH, or check features, with the exemption making prepaid cards less useful or serving to drive prepaid cards to small bank issuers that will likely not offer the same protections against fees. Finally, addressing the importance of prepaid cards that do not have embedded fees, she noted that overdraft fees and problems with credit are among the reasons many consumers do not have bank accounts and that prepaid cards should not follow that model, that certainly there should be no overdraft fees, and that there should be no credit features tied to mandatory automatic repayment which, she suggested, leads to sloppy underwriting and the ability of creditors to take a cut of cardholders’ incomes before they can pay rent or purchase food or medicine.

After briefly summarizing legal limits on overdraft fees and credit features, including the Durbin Amendment, the EFTA, Regulation E and the Treasury rule on direct deposit of federal payments, Ms. Saunders ended her presentation by advising that there have been instances of payday loans on prepaid cards, with the Office of Thrift Supervision having shut down one model, the iAdvance line of credit on MetaBank’s NetSpend cards; that for a

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while, there was an absence of such programs, but that they are starting to reappear; that the OCC, in July 2011, proposed guidance on “account advance” products, which could legitimize bank payday loans and lead to a return to prepaid cards; and that payday loans can be sold by payday lenders to avoid state laws.

Ms. Hollifield, after providing background information on The Pew Charitable Trusts, advised that the focus of her presentation would be on two reports issued by Pew earlier in the year and on focus groups with prepaid borrowers during the week of November 14. She stated that the first of the two reports was titled “Hidden Risks: The Case for Safe and Transparent Checking Accounts,” noting that it had analyzed the checking accounts offered by the 10 largest banks in the U.S.; that, surprisingly, these 10 banks offered 265 distinct online accounts; and that the review found disclosure of terms and conditions for checking accounts to be a major concern, with the median length of disclosures at 111 pages. To counter the problem of poor disclosures, she advised that Pew had developed a model disclosure box for checking accounts that would allow customers to really be able to see and understand the basic account terms and conditions and enable them to comparison shop for accounts; that Pew had been discussing with the CFPB options for requiring such a disclosure; and that a couple of credit unions had already voluntarily adopted Pew’s model, with interest from smaller community banks across the country. She then presented Pew’s findings on checking account overdraft fees, reporting that the median overdraft penalty was $35 which, if treated like a short-term loan on the median transaction amount of $36, with a repayment period of seven days, would represent an interest rate of over 5,000 percent. She provided an example, using the California case of Guiterrez vs. Wells Fargo, to show the difference in fees when banks reorder transactions from high to low to maximize overdraft fees rather than ordering them chronologically, showing that the fees for reordered transactions were $88 instead of the single $22 fee that would have been imposed if the transactions had been posted chronologically, and suggested that the obvious solution to the reordering of transactions is to prohibit the practice.

Ms. Hollifield then discussed the second report, “Slipping Behind: Low-Income Los Angeles Households Drift Further from the Financial Mainstream,” explaining that it was a longitudinal (2009 and 2010) household survey of 1,000 unbanked and 1,000 banked, low-income Los Angeles households and advising that, among its findings was that 67 percent of the banked actively save at least some of the time, as compared to only nine percent of the unbanked; and that 32 percent of households cited hidden or unexpected fees as the reason they had left the banking system.
as opposed to 27 percent, who cited lack of funds or unemployment. She suggested that the takeaway from the two reports is that although checking accounts pose problems and present a number of issues that need addressing, ultimately a relationship with a bank is beneficial to consumers.

Turning to the focus groups, Ms. Hollifield advised that Pew held four focus groups in two cities, Chicago and Houston, to look at prepaid cards as a substitute for checking accounts or why consumers use them as a substitute for or in addition to checking accounts; that most of the individuals in the focus groups had incomes between $25,000 and $75,000; and that the research was qualitative and, while the findings were not statistically significant, they were nonetheless interesting. She explained that, on the basis of participant word associations for "credit card," "checking account," "check casher," and "prepaid card," it was evident that consumers are not fans of credit cards and check cashers, are not yet completely turned off by checking accounts, with many still aspiring to have such accounts, and generally have positive associations with prepaid cards; and that, among all focus groups, overdraft fees were found to be driving prepaid card use, although seven of 40 participants indicated they would like to be able to overdraft and 15 of 40 participants indicated that they would like to be able to access a line of credit. Delving further into specifics on prepaid cards, she advised that some of the benefits cited for the cards were spending control, budgeting, anonymity, and security of funds; that some of the negatives cited included volume of fees such as reloading, monthly, and ATM fees, and holds on funds; that the average fee paid to purchase the cards was $3.38, the average reloading fee was almost $4.00, and the average ATM fee was almost $3, with most incurring ATM fees for debit-like transactions rather than to withdraw cash from an ATM; and that the average load at purchase was $255, with average reloads of $272 and the frequency of reloads occurring about every three weeks.

In closing, Ms. Hollifield recommended that banks be prevented from reordering transactions to increase overdrafts; that a one-page disclosure box be adopted for checking accounts; that overdraft fees be limited to a reasonable size; that an effort be made to speed up funds availability; and that banks provide a comprehensive suite of products such as money orders, bill pay services, and personal loans to bring the unbanked into the mainstream banking system.

Next, Ms. Del Rio noted that NEDAP is a resource advocacy center based in New York City and works with neighborhood-based groups, legal services offices, community development financial...
institutions, and others working in low-income neighborhoods and communities of color to promote community economic justice and eliminate discriminatory economic practices. As a backdrop for her discussion on prepaid cards, she provided demographic and other information on the communities served by NEDAP noting, among other things, that there are relatively few bank branches in the neighborhoods; that they instead contain a proliferation of money transfer companies, pawn shops, check cashers, and other alternative financial services providers; that, although they have high rates of home ownership, low credit scores, sub-prime mortgages, and high foreclosure rates are prevalent; and that debt buyer lawsuits have been a growing trend in recent years. With respect to prepaid cards, she advised that NEDAP first began working on the issue with the advent of electronic benefits transfer cards and that the organization’s work in that area has given rise to a number of concerns with prepaid debit cards, many of which had already been addressed by the other presenters. She identified several concerns, however, that she felt had not been adequately addressed, including whether prepaid cards actually provide an equitable substitute for a bank or credit union account; whether prepaid cards are bringing people into the mainstream, regulated system or instead reflecting and reinforcing existing inequities; whether the starting point to addressing the issues posed by prepaid cards should be reforming the already existing product or taking a step back and asking how best to meet people’s needs; whether an outcome that supports the steering of low-income consumers to prepaid cards, while offering traditional accounts to other others, should be considered an adequate resolution of the issues; whether those who argue in favor of prepaid cards would be willing to close their accounts to switch to prepaid cards; and whether there is an abandonment of the idea of holding banks accountable to low-income individuals and their communities. She concluded by stating that she hoped that the answer to the last concern is a resounding, "No."

A brief discussion followed, during which Mr. McDonald recommended that staff prepare a matrix comparing the regulatory burden for prepaid cards issued by financial institutions and those issued by non-financial companies to determine whether there is a real or perceived burden for bank-issued cards, in response to which Acting Chairman Gruenberg indicated that he would have staff prepare a matrix. Ms. Wright, after thanking panelists for what she considered a legitimate debate, suggested that the cost burdens for bank operations are fundamentally different than for non-regulated entities and that the disparity has gotten considerably worse in the past year or two, in response to which Ms. Saunders stated that gaps in regulatory coverage were the primary reason for the creation of the CFPB.
with the projected outcome being that financial products would be regulated on the basis of the product itself and not who issues it. Mr. Beck suggested that there should be some disclosure consistency across all products involving a financial contract, including those for credit cards, student loans, checking accounts, and prepaid cards, which also would facilitate consumer financial education efforts, in response to which Ms. Hollifield agreed that a standard disclosure box is critical, but pointed out that it also is important to have a safe product and to ensure that regulators develop the appropriate incentives. Committee members and panelists also touched on the reasons underlying consumer use of prepaid cards, prepaid card revenues, the lack of any current vehicle for savings with prepaid cards, and the challenge going forward of how to serve segments of the population who do not generate a lot of revenue, yet still provides them with products that offer full functionality and entry into the mainstream.

Bringing the meeting to a close, Acting Chairman Gruenberg reiterated that the presentations and discussion had been very helpful, especially in terms of developing an agenda for the next Committee meeting. He reminded Committee members that the FDIC’s National Survey of Unbanked and Underbanked Households is conducted on a biennial basis, announced that the second administration of the survey had recently been completed, and indicated that staff will be prepared to share the results of that survey later in 2012.

There being no further business, the meeting was adjourned.

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

December 1, 2011
Minutes

of

The Meeting of the FDIC Advisory Committee on Economic Inclusion

of the

Federal Deposit Insurance Corporation

Held in the Board Room

Federal Deposit Insurance Corporation Building

Washington, D.C.

Open to Public Observation

December 1, 2011 - 8:55 A.M.

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

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

Dated: February 28, 2012