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

April 26, 2012 - 8:48 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 Robert A. Annibale, Global Director, Citi Microfinance and Community Development; Ted Beck, President and Chief Executive Officer ("CEO"), National Endowment for Financial Education; Kelvin Boston, Executive Producer and Host of PBS's *Moneywise with Kelvin Boston;* José Cisneros, Treasurer, City and County of San Francisco, California; Martin Eakes, CEO, Self-Help/Center for Responsible Lending, Durham, North Carolina; Rev. Dr. Floyd H. Flake, Senior Pastor, Greater Allen AME Cathedral of New York; Ester R. Fuchs, Professor, School of International and Public Affairs, Columbia University; Andrea Levere, President, Corporation for Enterprise Development; 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; John C. Weicher, Director, Hudson Institute's Center for Housing and Financial Markets; and Deborah C. Wright, Chairman and CEO, Carver Bancorp Inc., New York, New York.

Michael S. Barr, Professor of Law, University of Michigan Law School; Lawrence K. Fish, Former Chairman and CEO, Citizens Financial Group, Inc.; Wade Henderson, President and CEO, Leadership Conference on Civil Rights, and Counselor to the

Leadership Conference on Civil Rights Education Fund; 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 Peter Tufano, Peter Moores Dean and Professor of Finance, Said Business School, Oxford University and Founder and CEO of D2D Fund, were absent from the meeting.

Members of the Corporation's Board of Directors present at the meeting were Martin J. Gruenberg, Acting Chairman, and Jeremiah O. Norton, Director (Appointive). Roberta K. McInerney, Designated Federal Officer for the Committee and Deputy General Counsel, Corporate, Consumer, Insurance, and Legislation Branch, FDIC Legal Division, also was present at the meeting. Corporation staff who attended the meeting included Willa Allen, Dawn Adams, James L. Anderson, Lisa D. Arquette, Valerie J. Best, Michael W. Briggs, Luke H. Brown, Susan Burhouse, Alexander S. Cheng, Kimberly K. Copa, Carolyn D. Curran, Christine M. Davis, Patricia B. Devoti, Keith S. Ernst, Oscar A. Escamilla, Robert E. Feldman, Carl J. Gold, Alice C. Goodman, Heather Gratton, Leneta G. Gregorie, Cheh Kim, Kathleen Keest, Elizabeth A. Khalil, Ellen W. Lazar, Christopher Lucas, Jonathan N. Miller, Robert W. Mooney, Paul M. Nash, Christopher J. Newbury, Janet V. Norcom, Victoria Pawelski, Mark E. Pearce, Luke W. Reynolds, Sherrie L. W. Rhine, Barbara A. Ryan, Richard M. Schwartz, Kimberly Stock, and John D. Weier.

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

Acting Chairman Gruenberg opened and presided at the meeting. He began by introducing and welcoming the FDIC's newest Board member, Jeremiah Norton, underscoring his extraordinary background; and explaining that, although new Board member, Thomas Hoenig, was unable to attend the Committee meeting because of a prior commitment, he expected to take an active interest in the Committee's work. He next welcomed four new Committee members, Mr. Annibale, Mr. Cisneros, Ms. Levere, and Mr. Weicher, noting that each had already made outstanding contributions to underserved communities, and expressed his gratitude for their willingness to serve on the Committee. Acting Chairman Gruenberg then provided an overview of the meeting agenda, advising that there would be presentations on the FDIC's community banking initiative, the different consumer protections applicable to

debit and credit cards versus prepaid cards, and the final report for the Model Safe Accounts pilot program; a continuation of the Committee's discussion on mobile financial services; and a lunch presentation by the new Director of the Consumer Financial Protection Bureau ("CFPB"), Richard Cordray. He then turned the discussion over to Mr. Pearce.

Recalling the Future of Community Banking Conference hosted by the FDIC in February 2012, Mr. Pearce advised that he had moderated a panel comprised of community bank customers, including the CEO of Neighborworks America, the president of North Dakota Farmers Group, a representative from the Consumer Federation of America, and a small local business entrepreneur, on why community banks matter. Noting that among the themes emerging from the panel were flexibility, nimbleness, understanding one's local market, and doing things a little outside of the box, he stated that the Committee struggles with similar issues as it ponders what can be done differently to promote economic inclusion to bring more people into mainstream banking. He suggested that the challenge in figuring out how the community banking and economic inclusion initiatives best fit together is to determine how to leverage the information on industry trends generated by the community bank initiatives to increase and enhance economic inclusion. He pointed out that emerging technology has great potential in promoting economic inclusion; that a number of community bankers had spoken passionately at the conference about how they were investing in new technology and viewed it as essential to their ability to succeed in their marketplace; and that, to demonstrate some of the ways in which institutions are reaching out to their customers in this regard, Carolyn "Betsy" Flynn would later talk to the Committee about what her bank is doing in the area of mobile financial services. After noting that Committee members had raised a number of questions at the December 1, 2011, Committee meeting, Mr. Pearce turned the meeting over to Elizabeth Khalil, Senior Policy Analyst, FDIC Division of Depositor and Consumer Protection, Michael Briggs, Acting Senior Counsel, Consumer/Compliance Unit, Consumer Section, Corporate, Consumer, Insurance, and Legislation Branch, FDIC Legal Division, and Lisa Arquette, Associate Director, AML and Risk Analysis Branch, FDIC Division of Risk Management Supervision, to discuss "Consumer Protections Provided to Debit and Credit Cards Compared to Prepaid Cards."

Ms. Khalil, after noting that Committee members' questions had focused on the differences between consumer protections applicable to bank-offered and non-bank-offered prepaid products, advised that applicability of federal law is more dependent upon product type than the type of entity offering the product. She

explained that there are three types of prepaid products: general-purpose reloadable ("GPR") cards that carry a network brand and are "open-loop," i.e., can be used as all other cards on that network can be used; payroll cards, for which the source of funds is employment-related compensation and, like GPR cards, are typically open-loop; and gift cards that may or not be reloadable, may be open-loop or "closed-loop," i.e., usable at only one retailer or a closed universe of retailers, and are normally marketed as a gift card to be used once or a finite number of times. She pointed to GPR cards as the type most often used by unbanked and underbanked consumers as a replacement for a bank deposit account.

Next addressing the two key laws that apply to different payment methods, Ms. Khalil first advised that the Electronic Fund Transfer Act ("EFTA") and its implementing regulation, Regulation E of the Board of Governors of the Federal Reserve System ("FRB"), provide consumer protections for covered "accounts," including certain account opening and fee disclosure requirements, requirements for periodic statements, rights to error resolution procedures, and limitations on liability for unauthorized transactions; but cautioned that, although payroll cards are generally covered, gift cards are covered only by very specific provisions, such as those related to dormancy fees and expiration dates, and GPR cards are not covered at all. She noted, though, that exclusive rulemaking authority for the EFTA now resides with the CFPB, which could elect to extend Regulation E coverage to other prepaid products, including GPR cards. She then advised that the Truth in Lending Act ("TILA"), as implemented by FRB Regulation Z, provides numerous consumer protections to credit cards and other types of consumer credit, similar to Regulation E protections, including certain account disclosure requirements, requirements for periodic statements, rights to error resolution procedures, and limitations on consumer liability. Again, however, she noted that TILA and Regulation Z apply only to credit and not to prepaid products.

Ms. Arquette, indicating that she hoped to clarify the requirements for banks versus requirements for some of the other parties associated with prepaid programs, began by noting that the Bank Secrecy Act ("BSA") which, among other things, requires collection of information related to card purchasers, is administered by the Financial Crimes Enforcement Network ("FinCEN"), a bureau within the Treasury Department; and that FinCEN's rulemaking focus has been to exclude coverage of products that present less risk of criminal activity or money laundering. Based on that premise, she stated that closed-loop cards with a value equal to or less than $2,000, government funded cards, and flexible spending and dependent care funded

cards are among the prepaid products not covered under BSA; and that products covered under BSA include closed-loop cards with a value greater than $2,000, open-loop cards with a value greater than $1,000, open-loop cards with international capabilities regardless of value, open-loop cards with person to person capabilities regardless of value, and open-loop cards that allow non-depository loads regardless of value. Turning to regulatory requirements for banks versus providers and sellers of covered prepaid cards, Ms. Arquette advised that both banks and providers and sellers have similar requirements to develop and implement BSA and anti-money laundering ("AML") compliance programs, report suspicious activity, collect and verify customer information, and maintain transactional records, with providers having the additional requirement of registering as a money services business and, as a result, subject to regulation by the Internal Revenue Service; and that the regulatory definition of "seller" excludes those with established procedures to prevent the sale to a single purchaser of cards with a value greater than $10,000, thereby excluding such entities from BSA requirements. In conclusion, she noted that transactional records are associated with the card, not the person, although at some point, if and when a suspicious activity report is filed, the report would be tied to the name of the card purchaser; that the value of prepaid cards is typically fairly low, with consumers purchasing numerous cards at different locations and with different parties collecting purchaser information, making it difficult to tie suspicious activity to one individual; and that the number of parties involved in prepaid card programs with different responsibilities and layers of regulatory requirements, also make it difficult to track suspicious activity.

In response to the presentations, Mr. Murphy suggested that prepaid programs are an example of innovation far exceeding the ability to understand what is happening, presenting significant opportunities for abuse, which gives more pause than excitement about the potential of such programs to meet the needs of underserved clients. During the discussion that followed, Committee members expressed ambivalence, confusion and concern about prepaid programs, with Professor Fuchs indicating that her initial thought upon hearing the presentations was that payroll cards would be a useful product for the underserved communities that are the focus of the Committee's work but that, upon further reflection, it seemed that the cards would preclude saving by users. She asked whether there existed any empirical information about whether users of payroll cards also have bank accounts or are connected to the banking community in some way, in response to which Mr. Pearce advised that, although he had not seen any specific research on payroll cards and savings, he would review

recent studies to determine if anything of the nature has been done.

Mr. Eakes questioned whether prepaid cards are subject to too much regulation or too little, with one possible response being to subject GPR cards to the same requirements as debit cards and another possible response, to the extent there is no significant risk of abuse, being to subject bank products to less restrictive regulation; and Mr. Cisneros questioned whether, given the confusing landscape for prepaid products with respect to BSA requirements and consumer protections, payroll cards would be a safe alternative to direct deposit accounts for San Francisco s financial empowerment initiative. Mr. McDonald expressed concern that the growing prevalence of prepaid programs is directing underserved consumers away from the banking industry for transaction products, subjecting them to unreasonable fee structures with fewer consumer protections than bank accounts; and that the costs to banks to implement prepaid programs are greater than what can be earned to offset those costs, suggesting that Community Reinvestment Act ("CRA") credits may be one way to encourage banks to enter the prepaid card business. Mr. Eakes expressed concerns about the lack of arbitration clauses in prepaid card agreements to protect consumers from systemic abuse, the possibility of overdraft fees, and the possibility that regulatory arbitrage, particularly with respect to the Durbin Amendment to the Dodd-Frank Wall Street Reform and Consumer Protection Act, is driving the proliferation of prepaid programs. In response to Mr. Eakes's concerns, Mr. Pearce advised that there are no clear prohibitions on arbitration clauses in prepaid card agreements; that the inability to overdraw a prepaid card is one of its major selling points; and that the Durbin Amendment limits on interchange fees and the fact that some prepaid cards are covered by the amendment, while others are not, does create challenges, but that feedback from banks that do offer prepaid cards suggests that cost issues are more of a factor than regulatory arbitrage. Also in response, Mr. Briggs indicated that there are some protections for prepaid programs under the unfair and deceptive practices provisions of the Federal Trade Commission Act; that, unless the prepaid card is somehow linked to a transaction account, which is not frequently the case, there may be some limits on overdrafts; and that the CFPB is looking at prepaid cards, not only from a supervisory perspective, but also from a consumer protection perspective, in an effort to level the playing field.

Mr. McDonald suggested that perhaps someone from the CFPB might be a welcome addition to the Committee, in response to which Acting Chairman Gruenberg reminded Committee members that the CFPB Director is a member of the FDIC Board, creating a

direct institutional relationship; suggested that CFPB Director Cordray's luncheon presentation to the Committee would provide an opportunity for Committee members to raise any questions they have directly with him; and agreed that having a CFPB representative participate as a member of the Committee was certainly a reasonable idea to consider. Acting Chairman Gruenberg also noted that prepaid cards are a mere payment device, while account-based debit cards are payment devices that offer the full set of services associated with a bank account, with the latter determined by the Committee to represent a promising vehicle for expanding access to the banking system, as indicated by the Model Safe Accounts pilot.

Next, Keith S. Ernst, Associate Director, Consumer Research and Examination Analytics, Policy and Research Branch, FDIC Division of Depositor and Consumer Protection, moderator of the second panel on the "Model Safe Accounts Pilot Results," after noting that the Committee had been instrumental in helping to design the safe transactional and savings account templates, thanked pilot institutions for volunteering their time, talent, and energy to help advance the cause of economic inclusion. He then advised that the pilot sought to answer a series of questions-whether safe accounts meeting the template criteria were sustainable, whether consumers would maintain access over time, whether the accounts were operationally and economically feasible, and which strategies were successfully used to engage consumers; and that the answers to the questions would be presented in two parts - an overview of the final pilot report presented by FDIC economists, Sherrie L. W. Rhine, Senior Economist, FDIC Division of Depositor and Consumer Protection, and Susan Burhouse, Senior Financial Economist, FDIC Depositor and Consumer Protection, followed by presentations by representatives of three of the pilot institutions on their experiences.

Ms. Rhine began by discussing the purpose of the pilot, the pilot participants, and the template features that formed the basis for the transaction and savings accounts offered. She reported that the pilot had a duration of one year; that its purpose was to determine the feasibility of insured depository institutions offering safe, low-cost transaction and savings accounts to help meet the needs of unbanked and underbanked households, which comprise almost 26 percent of all U.S. households; and that the nine participating institutions varied in size and assets and were located in different geographic areas. She identified the nine pilot participants as Bath Savings Institution, Bath, Maine; Citibank, New York, New York; Cross County Savings Bank, Middle Village, New York; First State Bank, Union City, Tennessee; ING DIRECT ("ING"), Wilmington,

Delaware; Liberty Bank and Trust Co., New Orleans, Louisiana; Pinnacle Bank ("Pinnacle"), Lincoln, Nebraska; South Central Bank, Glasgow, Kentucky; and Webster Five Cents Savings Bank ("Webster Five"), Webster, Massachusetts.

Moving to the safe accounts template, Ms. Rhine stated that the guiding principles were that the charges be transparent, that the fees be reasonable and proportional to costs, and that there be access to banking services that feature FDIC insurance and other consumer protections. Explaining the core features of the model transaction account, she advised that it was critical that the product be an electronic, card-based account, with no overdraft or non-sufficient funds fees, and that it have free direct deposit, automatic saving, and online access; an opening balance between $10 and $25; a monthly minimum balance of $1; monthly maintenance fees of up to $3; and two free money orders or electronic checks per month, with any additional money orders subject only to a fee that was reasonable and proportional to cost. With respect to the core features of the model savings account, she indicated that the accounts had to be interest-bearing; have free direct deposit, automatic saving, and online access; have an opening and monthly minimum balance of $5; and have a free monthly maintenance fee if the minimum balance was, in fact, met. Concluding her discussion of the template, she noted that it listed auxiliary services and features for participants to consider as possible add-ons to the safe transaction and savings accounts, including financial education, linked transaction and savings accounts to cover potential overages, lines of credit, small-dollar loans, kiosk bill payment, and domestic and international wire transfers.

Before providing a summary of the pilot results, Ms. Burhouse observed that the data was largely based on quarterly reports submitted by each bank on basic metrics, including the number of accounts opened and closed, balances on the accounts, and use of some of the specific account features, supplemented by quarterly one-on-one conversations to get behind the numbers and understand the circumstances and challenges unique to each institution; and cautioned that the pilot results are not based on a statistical sample and cannot be interpreted as representative of the overall banking industry or consumers nationwide. First focusing on the transaction accounts, she reported that such accounts were the primary focus for seven of the nine pilot banks; that a total of 662 accounts were opened, with the total number opened each quarter varying from 130 and 190 and the number per institution varying from 10 to 25; that average opening and monthly balances across institutions were $244 and $243, respectively, with a range of $200 to $400 for average opening balance and $200 to $300 for average monthly

balance; and that 81 percent of the accounts remained open at the end of the pilot, as compared to an industry-wide retention rate for all accounts during the first year of about 70 percent. Turning to the savings accounts, she reported that seven of nine pilot banks offered such accounts; that a total of 2,883 accounts were opened, with the total number opened each quarter varying from approximately 600 to 800 and the number per institution varying from 20 to more than 1,000; that average opening and monthly balances varied widely, with some account holders having average opening and monthly balances of $20 or below and other account holders having average monthly balances of $3,000 or more; and that, with only 141 accounts closed during the pilot, the retention rate was 95 percent. She explained that the wide variations in the number of savings accounts per institution each quarter and in average opening and monthly balances were primarily the result of the different business models used by pilot participants, with some institutions having very narrowly focused and targeted programs and others having much broader programs targeting a wider range of consumers.

Regarding feasibility of the safe transaction and savings accounts and their associated costs and revenues, Ms. Burhouse cautioned that calculation of costs and profitability were not straightforward because of technological challenges and because the different ways banks have of defining their fixed and variable costs made it difficult to allocate costs to a specific product line over a one-year time period. Nevertheless, she stated that many of the banks thought the marginal costs of offering the safe accounts were negligible or close to zero and that the costs of offering the safe accounts were in line with, if not lower than, the costs of other deposit accounts; that the low cost was due largely to the electronic, card-based nature of the accounts; and that, as a result, staff believes that revenues generated from interchange fees and appropriate monthly maintenance fees make the safe accounts a viable product in the marketplace.

Ms. Burhouse then discussed lessons learned, focusing on emerging business models, relationship building, and potential risks, noting with respect to business models that, although some banks used elements of two or more models, the distinct models that emerged included the partnership model, where banks partnered with third parties to advance their outreach and marketing efforts and identify potential account applicants; the re-entrant model, where the safe accounts functioned as second chance accounts for consumers with problematic banking histories who would not otherwise qualify for accounts; the new entrant model, where banks targeted consumers, oftentimes young adults, who had never before had a bank account; the cross-selling model,

where banks that focused more on transaction or savings accounts took advantage of the opportunity to cross-sell the other type of account or to bundle the accounts; and the internet model, where the internet platform was used to market and open accounts. Regarding relationship building, she reported that pilot banks found that it was of critical importance to engage tellers and customer service representatives in building relationships with safe account customers; that tellers and representatives who were trained to offer the safe accounts were instrumental in getting the accounts to the right customers and providing information to customers about how to use and manage the accounts; and that having customers who received one-on-one financial education from frontline staff and understood account basics were key factors driving account success. Finally, with respect to potential risks, she advised that, although pilot participants had initial concerns about fraud and potential overdrafts, the concerns did not materialize, with only a very few instances of fraud or intentional mismanagement and with instances of account overages no higher than those on other deposit accounts at the institutions.

Ms. Rhine then addressed some of the challenges faced by pilot institutions, noting that three areas of concern were identified by pilot banks: marketing and advertising, establishing a presence in new markets, and ensuring adequate staff training. Expanding on marketing and advertising concerns, she indicated that several institutions found it challenging because of difficulties reaching the intended customers without being overly broad in scope, while other institutions mentioned budgetary or resource constraints. Regarding the challenge of establishing a presence in new markets, she stated that several institutions discussed the difficulties of reaching potential customers in communities where there is strong competition from a significant number of non-bank financial service providers, and some institutions encountered difficulty in reaching customers who had little experience with mainstream banking or who, because of past experiences with banks, held a negative perception of banks. With respect to ensuring adequate staff training, Ms. Rhine advised that a few banks emphasized the importance of effective training in changing the mindset of tellers and customer service representatives to offer the safe accounts in circumstances where applicants were found to be ineligible for traditional deposit accounts, a challenge that once surmounted yielded great success. She indicated that, despite the challenges, pilot institutions identified remedies that enabled them to overcome the challenges, including partnering with community-based partners to gain the attention and trust of targeted consumers, using direct mail and email to attract and reach customers, and training branch staff to spread the word

about the value and benefits of safe, low-cost accounts. She indicated, moreover, that the majority of banks viewed their participation in the pilot as a valuable means of learning more about how to market and conduct outreach in their respective communities.

Summarizing the pilot results, Ms. Rhine stated that the experiences of pilot banks suggest that opportunities do exist for institutions to offer safe, low-cost transaction and savings accounts to underserved communities; that the high retention rates for account holders are indicative of the ability of consumers to maintain successful banking relationships using the safe accounts; and that, in combination with high retention rates, the relatively low overdraft risk indicates that there may be greater account longevity and lower costs associated with safe accounts. She further stated, in conclusion, that the pilot was important to informing economic inclusion efforts; that, overall, the experiences of pilot banks suggest potential improvements to the template, such as decreasing emphasis on auxiliary services in the early stages of a customer's banking relationship; and that the majority of institutions reported having learned from the pilot and were encouraged by their initial experiences with offering safe, low-cost accounts designed to meet the needs of underserved and low- to moderate-income ("LMI") consumers.

Ms. Levere commented that the pilot study results affirmed the idea that, if one finds the right facilitating structures, LMI individuals will behave exactly the same as other consumers. She then asked whether staff could identify any basic structural techniques or lessons learned about how to effectively encourage savings accounts, which will be increasingly important as the only safety net for LMI households; and whether, despite conclusion of the pilot, any efforts would be made to continue data collection in year two. In response to the first question, Mr. Ernst indicated that the extent to which institutions emphasized savings accounts in the pilot and the details of their marketing efforts might account for the varying outcomes along the savings dimension, but suggested that the question could be explored further with the next panelists. In response to the second question, Ms. Burhouse advised that there were no plans to continue data collection into a second year and Mr. Ernst advised that some of the pilot participants had developed next steps, which would be discussed within the context of their presentations. Mr. Cisneros remarked upon the similarities between the pilot findings and BankOn programs as well as the differences, identifying as some of the similarities the nearly identical retention rates for accounts and the low incidences of fraud and overdrafts, and the primary difference as the take-up

rate on savings versus transaction accounts, with the pilot banks opening more savings than transaction accounts and the overwhelming majority of accounts opened through BankOn programs being transaction accounts.

There then ensued a brief discussion of costs, with Mr. Eakes expressing his opinion that the next step would be to develop more standardized and tangible cost data, for instance, on the cost per year for a basic transaction account and the cost per transaction for a deposit, which would then allow a determination of whether the safe account products are a self-sustaining activity for financial institutions; are self-sustaining only at a certain point of account maturity and represent something of a cross-generational subsidy; or are more akin to a community service that is not expected to break even. Ms. Wright advised that, in her experience, it would take an infinite number of small-dollar accounts to cover costs and that only with a significant volume of accounts, generated perhaps from partnering with larger employers and institutions, can such programs be sustainable due, in no small part, to costs associated with the current regulatory environment. Mr. Ernst noted that within the scope of small pilots, there is a delicate balance between collecting information that is rigorous and getting organizations to participate, but agreed that understanding cost structure is central to making a powerful case for expanding safe, low-cost account offerings and that there is also a need to think more deeply about the value of the relationship beyond the account.

Acting Chairman Gruenberg then announced that the meeting would briefly recess. Accordingly, at 10:42 a.m., the meeting stood in recess.

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The meeting reconvened at 11:02 a.m. that same day, at which time Mr. Ernst introduced the next panelists: Dennis Thomas, Director of Regulatory Compliance, Pinnacle Bank; Joe Radovanic, Senior Vice President of Retail Administration, Webster Five Cent Savings Bank; and Todd Sandler, Head of Product Strategy/Deposit Business, ING DIRECT.

After expressing his appreciation for the opportunity to share with the Committee Pinnacle Bank's experience with the pilot, Mr. Thomas began his presentation by noting that, going into the pilot, his institution had concerns about risk and the possibility that the safe accounts would be used primarily as check-cashing accounts, but was pleased to report that their fears were unfounded - the accounts did not generate losses and,

for the most part, remained open. He explained that the bank's major emphasis in marketing the accounts was to target customers the bank would ordinarily reject on the basis of its own internal qualification system; that the bank developed a PowerPoint presentation explaining the safe accounts that was required viewing for all branch employees; that, although it offered both transaction and savings accounts, the bank's focus was primarily on transaction accounts; that, over the one-year pilot, the bank opened an average of one account per day; that profitability varied depending on how often customers used their card since the accounts had no monthly maintenance fee; and that the retention rate for the transaction account was fairly high, with the non-retention rate of 21 percent being somewhat misleading because it was only representative of customers leaving the pilot program and not necessarily the bank.

Mr. Thomas next discussed problems encountered and lessons learned, advising that the problems encountered included lack of access to computers for some customers; unavailability of check-writing capability for customers who wanted checks; the lack of paper statements for paper-oriented clients; still having to turn away some potential customers who had previously committed fraud against the bank; and the inability to identify marketing funds to use across the 55 branches included in the pilot, necessitating reliance on employees to market the program. As for lessons learned, he reiterated that they did not know what they thought they knew–the accounts were not any more risky than other accounts, and advised that the bank learned that there was a need for flexibility with respect to overdrafts because they discovered that closing accounts that remained overdrawn for three days was not a realistic timeline for safe account customers; and that employee investment and employee and customer input were key ingredients of a successful program.

In conclusion, after reporting that Pinnacle had decided to continue the program at the end of the pilot, Mr. Thomas discussed some of the changes to the program arising from lessons learned, noting that the bank has added a written monthly statement in response to customer requests, although there is a charge for providing the statements; it has eliminated free money orders because of lack of demand and complaints from employees about ability to track the number of money orders; and it has extended the time for program customers to correct overages from three days to seven days or the date of their next direct deposit, whichever is longer. He added that, going forward, the bank intends to extend the program throughout the entire holding company.

Next, Mr. Radovanic provided background information on Webster Five noting, among other things, that it is a mutual organization, the earnings of which go directly to build capital; that it has received three successive outstanding CRA ratings; that it has offered reasonably-priced products and services to the community for 145 years; and that its employees have long supported and provided financial literacy training in various venues throughout the community. He then advised that the First Step account was Webster Five's response to the need for a safe, free checking account, a need that surfaced at financial literacy training at a local community development corporation, and that pilot marketing was done primarily through outreach through various nonprofit agencies. After providing examples of some individuals who were helped by the account, including a homeless veteran and a single mother, Mr. Radovanic presented information on account costs.

Based on information from a 2009 study of banks of the same asset size using Harland Financial Solutions software, Mr. Radovanic revealed that the annual cost of a savings account rose from $125 in 2006 to $151 in 2009 and the annual cost of a checking account rose from $289 to $337 during the same period, with costs having only increased since then; that of the 97 safe transaction accounts and 599 passbook savings accounts opened by Webster Five during the pilot, only 6 percent of the transaction accounts and 13 percent of the savings accounts were profitable; but that, if only the incremental cost of an additional account is considered and all indirect costs are excluded, then the annual costs for transactions and savings accounts drop to $36 and $6, respectively, resulting in a higher profitability of 55 percent for pilot transaction accounts and 74 percent for pilot savings accounts. He stated that overall, only 25 percent of community bank customers are profitable and that it is the profit from that 25 percent that enables banks to carry the other 75 percent, to grow, and to provide their services; that the overall income from this profitable customer segment is shrinking, with the Federal Financial Institutions Examination Council "Uniform Bank Performance Report" showing a decline in bank profitability; and that the economy is driving the decline. Mr. Radovanic ended his presentation by advising that increasing costs and the overwhelming regulatory burden on community banks are threatening the ability of the institutions to do what they do best—partnering with community organizations, financial literacy training, and outreach to homeless veterans and single mothers.

Mr. Sandler began his presentation by pointing out the unique characteristics of ING, noting that it is a digitally-based bank, connecting with 93 percent of its customers online or through mobile technology and 7 percent through the bank's

dedicated call center. He advised that ING did not design a new product for the pilot, but instead used its existing Orange Savings Account, which was already based on a no fee, no minimum value proposition; that, because both new and existing customers must already have an existing checking account, the bank targeted underbanked, rather than unbanked, populations; and that, rather than designing an entirely new marketing campaign, the bank tweaked its core marketing package to indicate that customers could start an account with as little as one dollar. He then provided an account of ING's marketing efforts for the pilot, reporting that the bank selected four of its footprint markets - Atlanta, Baltimore, Philadelphia, and Seattle - for the pilot; that it used direct mail, email, and internet advertising to market; that the direct mail and email marketing efforts used a model based on data from the *FDIC Survey of Unbanked and Underbanked Households* ("Household Survey"), primarily trying to identify those with a household income of less than $50,000, those with D or E credit grades, those who rent instead of own, those younger than 30, and single person households; and that the internet marketing effort was two-pronged, targeting networks more likely to get traffic from those with household income of less than $50,000, renters, and those with low credit scores, and placing ads based on key search terms, such as payday lending, money orders, cash advances, bank fees, and rent-to-own.

Next addressing performance, Mr. Sandler reported that, although the direct mail and internet marketing campaigns were cost-prohibitive, 334 savings accounts were opened, with 25 percent also signing up for an automatic savings plan and 18 percent still saving through the automatic savings plan one year later; that average monthly savings grew from $42 to $57; that average account balances increases four-fold, from $250 at the beginning of the pilot to $1,000 a year later; and that some of the savings account customers have branched into other products, such as the Sharebuilder brokerage account and the Electric Orange checking account. He also reported that ING had conducted an email survey of customers at the conclusion of the pilot and, although the response rate was very low, with only 17 surveys completed, and the data collected was not statistically significant, he believed it was worth sharing some of the results. He advised that only four of 17 respondents self-identified as underbanked based on the FDIC's definition, suggesting that the direct mail, email, and online marketing efforts were not very successful at hitting the targeted audience; and that 47 percent of respondents indicated that the ING account was their first savings account in the past five years. In conclusion, he stated that, the bank had very good success using their core control package, with a few minor changes, to attract savers; that the attempt to segment the

underbanked population worked best in cities where the bank's standard marketing is the strongest; that, given the expense of direct mail and online marketing, it would be difficult to generate a positive return on investment or to scale those approaches beyond the pilot test; and that, given the difficulty of reaching the targeted population, digitally-based institutions will need to explore alternative targeting methods.

In response to a question from Mr. Ernst regarding the most important advice the panelists would give to another banker implementing a safe account-type program at their institution, Mr. Thomas said he would advise the banker to not allow preconceived notions of risk frighten them out of trying the program; Mr. Radovanic said that he would advise that the safe account template is a good one and is cost-effective when one looks at it from the perspective of marginal costs; and Mr. Sandler said he would advise that the program be placed within the institution's existing infrastructure so that, ultimately, it can be scaled to the entire customer base.

Mr. Ernst also advised Committee members on next steps, indicating that staff had discussed identifying networks appropriate for sharing the pilot study findings; targeting networks of providers, such as the BankOn network and the Alliances for Economic Inclusion, through very specific outreach methods as a means of expanding safe transaction and savings account offerings; and developing a tool kit of resources institutions can consult as a way to approach their internal operations staff about options for offering safe transaction and savings accounts. He then asked whether Committee members had any other suggestions for next steps, in response to which Mr. Beck suggested sharing the pilot data with other federal agencies that focus on economic inclusion; and Mr. Cisneros suggested that the FDIC partner with BankOn cities in a second phase of the study to see how the outreach capabilities of the BankOn programs might produce different results.

There was a brief discussion, during which Committee members asked and received clarification from Mr. Sandler about ING's marketing approach for the pilot. In addition, Mr. Annibale, in response to information presented on the costs associated with safe transaction and savings accounts, suggested that one way to reduce costs is to work through intermediary partners such as community organizations and that, for very small accounts, one way to encourage banks to offer the accounts is to make them eligible for CRA credit.

Acting Chairman Gruenberg, noting that the discussion had been helpful and acknowledging that the challenges are clearly

significant, stated that the safe account models for transaction and savings accounts were among the more promising approaches he had seen to providing low-cost accounts to those who lack access to the banking system. Regarding next steps, he indicated that the FDIC would follow-up on Mr. Cisneros's offer to work with the BankOn groups and others to encourage as many institutions as possible, particularly some of the largest institutions, to offer the accounts; that, in follow-up to Mr. Eakes's suggestion, the FDIC will develop to the extent possible a realistic cost analysis for the safe accounts; and that staff would keep the Committee apprised on its progress.

Acting Chairman Gruenberg next thanked the safe account pilot institutions for their participation and presented certificates of appreciation to a representative from each of the nine institutions. He then announced that the meeting would recess for lunch. Accordingly, at 12:15 p.m., the meeting stood in recess.

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The meeting reconvened at 2:06 p.m. that same day, at which time Jonathan N. Miller, Deputy Director, Policy and Research, FDIC Division of Depositor and Consumer Protection, moderator of the panel on "Mobile Financial Services Update," noting that the afternoon session was a continuation of a discussion begun at the Committee's December 1, 2011, meeting, advised that panelists had been asked to explore the potential of mobile technology as tools to reach the unbanked and underbanked to bring them into the financial mainstream. Providing a framework for the panel presentations, he reminded Committee members of several of the highlights from research shared at the December meeting, recalling that findings have shown that mobile phone adoption is higher among minorities, as is smartphone ownership; that among mobile phone owners, African Americans and Hispanics engage in mobile banking at higher rates; and that the underbanked are more likely to use mobile banking than the general population. He then introduced the panelists, identifying them as Jeanne Hogarth, Manager Consumer Research Section, Consumer and Community Affairs, Board of Governors of the Federal Reserve System; Mike Neale, Director of Business Operations-Internet Solutions, Jack Henry & Associates ("Jack Henry"); Carolyn "Betsy" Flynn, President and CEO, Community Financial Services Bank ("CFSB"); and Paul Galant, Chief Executive Officer, Citi Global Enterprise Payments.

Ms. Hogarth shared the results of an FRB survey conducted in December 2011 and January 2012 by Knowledge Networks, an internet panel provider with a random sample nationally representative,

probability-based data set. She stated that the report, which was released in March 2012, included a number of key findings on mobile banking and mobile payments by the unbanked and underbanked, with "mobile banking" defined as "using a mobile phone to access your bank account, or other financial account" and "mobile payments" defined as "purchases, bill payments, charitable donations, payments to another person, or any other payments made using a mobile phone." She advised that included among the key findings were that 21 percent of all mobile phone users used mobile banking within the past 12 months, with 12 percent having used mobile payments during the same period, and that 42 percent of smartphone users, comprising 44 percent of all mobile phone users, used mobile banking within the past 12 months, with 23 percent having used mobile payments during the same period. Explaining that the survey used a definition of "unbanked" that is similar to the FDIC's definition in its Household Survey and a definition of "underbanked" that differs from the definition used by the FDIC in that it does not include those who have used money orders, she further advised that the survey results showed that the underbanked are more likely to be between the ages of 30 and 44, be less educated, be minority, have a lower income, and be working or self-employed, whereas the unbanked are more likely to be between the ages of 18 and 29, be less educated, be minority, have a low income, and be laid-off or looking for work.

Regarding use of mobile technology, mobile banking, and mobile payments by the underbanked and unbanked, Ms. Hogarth advised that there were slightly different patterns between the two, with the survey indicating that, among the underbanked, 90 percent have mobile phones, with 57 percent having smartphones; nearly 28 percent use mobile banking and an additional 22 percent planned to use it within the next 12 months; and 17 percent use mobile payments, with three out of five using it to pay bills and one out of five using it to transfer money. She further advised that, among the unbanked, 63 percent have a mobile phone, with 26 percent having smartphones; 10 percent use mobile banking and 19 percent planned to use it within the next 12 months; and 12 percent use mobile payments, with two out of five using it to pay bills, one out of three using it to make purchases, and one out of four using it to transfer money. She noted, however, that when asked what types of mobile banking activities they engaged in, although the three most frequently cited activities for all groups were checking account balances, receiving text message alerts, and transferring money between accounts, there were both similarities, such as the substantially similar percentages of each group using mobile technology to check account balances, and differences, such as the significantly larger percentage of underbanked respondents using mobile technology to transfer money

between accounts than either banked or unbanked respondents. She also pointed out the different reasons for not using mobile banking, indicating that the unbanked, obviously, most frequently cited not having a bank account, whereas the banked and underbanked most frequently cited being able to meet their banking needs without using mobile technology and security concerns, with hackers cited as the number one security concern among all groups.

Turning to mobile payments, Ms. Hogarth reported that the primary means of making such payments was through their web browser for the underbanked and by using a downloadable application for the fully banked; that the most frequent source of funds for mobile payments for all groups was a credit, debit or prepaid card, with few respondents in any of the groups likely to charge funds to their phone bills; that the most frequently cited reason among all groups for not using mobile payments was concern about security, with significant proportions of each group also indicating that it is easier to make payments with other devices or not seeing any benefit to mobile payments; and that, as with mobile banking, the primary security concern identified by all groups was hackers. In conclusion, she suggested that use of smartphones is clearly linked to mobile banking and mobile payments; that there exists strong potential for smartphone use and, therefore, mobile banking and mobile payments to increase; that the less frequent use of mobile payments, versus mobile banking, seems to be related to infrastructure issues and a value proposition of convenience for other forms of payments; and that perceptions about usefulness and concerns about security represent educational opportunities that need to be addressed by the industry before mobile banking and mobile payments can take off in terms of adoption.

Next, Mr. Neale explained that Jack Henry currently offers Short Message Service ("SMS") banking, Wireless Application Protocol ("WAP") based mobile banking that is essentially supported on any basic browser phone, and downloadable applications for iPhones, iPads, and Android phones, which products he characterized as "white-label products" that appear to the end-user as the client's application; that it has as the client base for its public facing products community banks, ranging from *de novo* banks to those with assets up to $18 billion; that it services the online banking applications of about 80 percent of its core clients and the mobile applications of about 40 percent of its core clients; and that from a user standpoint, the company is seeking a doubling of growth year over year, with no indication of any slowing of growth. With respect to the company's retail application functionality, he advised that Jack Henry's offerings are fairly standard, providing users

with the ability to make balance inquiries, transfer funds, pay bills, make person to person payments, receive actionable text alerts, lookup ATM and branch locations, and perform remote deposit capture. He also advised that, with respect to the current day potential value of mobile technology for unbanked and underbanked individuals, mobile offerings are generally not focused on the unbanked; that, for the underbanked, mobile technology provides immediacy of actionable financial information; and that mobile technology improves the availability of financial services from the perspectives of time and location.

Mr. Neale then addressed future opportunities to use mobile technology to meet the needs of the unbanked and underbanked, suggesting that the expansion of Near Field Communication payments would be a way to reduce the risk of carrying cash; that the industry could focus on expansion of mobile technology to facilitate services that currently still branch interactions, including establishing a first-time relationship with a financial institution, opening an account, and purchasing and sending monetary instruments such as cashier's checks and money orders; and that well-placed technology could also allow community banks to return to their role as educator of fiscal responsibility via online programs and in-flight advice on the prudence of a transaction. Having discussed what could be done from the standpoint of technology, he closed his presentation by offering suggestions on what can be done from the standpoint of policy to afford such innovations, noting that CRA-type credits, if they offered the ability to offset any potential operating losses and allowed latitude with respect to the elevated risk exposure of economic inclusion programs, would provide incentives for community banks to engage in outreach to the unbanked and underbanked; and that it was important to ensure that existing regulations keep track with technology and the ability of institutions to fulfill the essence of their original charters in a digital form and not bind institutions to older techniques.

Then, Ms. Flynn, in response to Mr. Neale's recommendations, observed that CFSB offers financial education and counseling to its customers and would appreciate being able to receive CRA credit for those services. She also advised that CFSB has safe account-like products, such as a free, no minimum balance checking account and savings account with ATM card access, that are targeted at the unbanked and underbanked, but observed that existing regulations, which allow only three withdrawals per month from savings accounts, need to brought up-to-date to reflect the current financial environment.

As a preface to her presentation, Ms. Flynn shared statistics on unbanked and underbanked households in the State of Kentucky and in Marshall County, advising that 11.9 percent of households in Kentucky are unbanked and 23.7 percent of households are unbanked, and that 8.7 percent of households in Marshall County are unbanked and 18.8 percent are underbanked. She then provided some of the findings of the "2010 Community Bank Technology Survey" and "2011 Payments Survey" conducted by the Independent Community Bankers of America, reporting that 893 responses were received from more than 7,200 banks surveyed; that when asked whether they currently offer mobile banking, 15 percent of respondents answered in the affirmative, 47 percent answered that they plan to offer it within the next 24 months, and 30 percent answered that they do not plan to offer it within the next 24 months, with 66 percent of banks with assets under $100 million indicating no plans to offer mobile banking within the next 24 months; and that, with respect to emerging payment products, there was a significant decrease in the percentage of banks that indicated they had no plans to offer products as mobile payments, consumer remote deposit capture, and electronic person-to-person payments within the next 24 months.

Ms. Flynn next focused specifically on what CFSB is doing to reach the unbanked and underbanked explaining, among other things, that it currently offers online banking and bill pay, with the bank's assets having increased 14 percent since 2009, despite a decrease of 15 percent in its in-person transactions; that the bank's entry into mobile banking went live on November 1, 2011, primarily because it waited until there was some level of comfort with security; that the bank had, just the previous day, launched a website that incorporated a number of features that would, hopefully, benefit the unbanked, including online financial counseling; and that it offers translations for non-English speaking customers through an iPad application. Regarding future plans to reach the unbanked and underbanked, the bank has plans for launching a mobile website, remote deposit capability, implementation of a mobile application for merchants to process credit card payments, introduction of mobile online financial management alerts, international communication capabilities, and video conferencing.

Mr. Galant began by advising that Citi has a presence in 106 countries and consumer banking operations in 52 countries; that although approximately 81 percent of adults are banked in developed countries, only 28 percent are banked in developing countries; that Citi shares the Committee's passion and sense of urgency around empowering consumers through financial inclusion; and that, in his opinion, mobile devices and the digital economy provide the means to commercially scale sustainable business

models to reach out to the unbanked and underbanked in the United States and the rest of the world. He then advised that his presentation would center around three messages: that, although mobile payments can facilitate the mission of economic inclusion, economic inclusion is not an automatic result of such payments; that technology is important to the goal of economic inclusion, but it is not the complete answer; and that regulators need to do a lot more to prevent development of the shadow payments system.

With respect to his first message, that enabling mobile is not the same thing as enabling financial inclusion, Mr. Galant pointed out that of the approximately seven billion people in the world, approximately five billion have a connected device; but that, despite the narrowing gap between the population and cell phone users, the gap between the banked and the unbanked is widening. He explained that while the ubiquity of mobile devices has led to a proliferation of technology companies that enable the mobile transfer of money, virtually all of the movement is within the same network because most of the networks do not allow movement of funds from one mobile carrier to another; and that, of the 70 million currently active mobile payment accounts, only about one percent can be appropriately characterized as bank accounts offering a full range of financial services. He suggested that if one onboards an unbanked consumer to a mobile financial money account with limited functionality and limited adherence to the Know Your Customer ("KYC") requirements of the USA Patriot Act, there is little opportunity to graduate the consumer to other products and services; but that, if one onboards an unbanked customer to a more bank-like financial money account with the same level of compliance with KYC requirements as one would for a typical bank account, there is an ability to introduce more transparency and to graduate the individual to more comprehensive financial services, including savings, and to include a financial education component.

With respect to his second message that although technology is important to the goal of economic inclusion, it is not the complete solution, Mr. Galant noted that decreasing cost and increasing power is driving the growth in digital commerce, with the cost of internet access, dropping from $6,000 to $25 in 2011; the cost of a gigabyte of RAM, dropping from $3 billion in 1970 to a projected cost of three cents in 2020; and projections for unlimited bandwidth, memory, and computing power within the next five years. He further noted that with compound annual growth rates for eCommerce and mobile payments of 15 percent and 123, respectively, mobile payments will be the fastest growing component of eCommerce flows, the reasons being that there are many more mobile devices and cell phones than there are personal computers and that mobile devices are much more powerful than

personal computers in that they are always on and it knows who one is and where one is. He suggested, however, that despite the technological advances, banks need to demonstrate a great deal more leadership by partnering with nonbanks, such as members of the telecommunications industry that have the distribution capacity and expertise in connecting with customers, to develop sustainable business models to meet the goal of economic inclusion.

Finally, with respect to his third message that regulators need to keep pace with technological advancements in the delivery of financial services, Mr. Galant advised that the explosive growth in digital payments has led to the evolution of what he termed a "shadow payments system," with various payments facilitators subject to inconsistent regulations and coverage. He stated that rather than giving attention to safety and soundness and compliance issues, payments facilitators focus on user interface and making the experience fun and easy for consumers, with the result being a graphical user interface and not a legally binding transaction. He, therefore, urged that regulators examine the rules for provisioning, storing, and accessing funds.

A discussion followed, during which Committee members asked and panelists responded to a number of questions. Ms. Levere asked panelists what they envisioned a new pathway to financial empowerment might entail, in response to which Ms. Flynn noted that many customers, particularly young adults, no longer want to visit a branch to transact business and, therefore, she believed the pathway is electronic banking, which is also a very effective means of providing financial education; Mr. Galant reiterated that partnerships between financial institutions and members of the telecommunications industry, such as mobile carriers, cable companies, and satellite companies, would be critical to economic inclusion because financial institutions simply do not have the necessary distribution capacity; and Ms. Hogarth suggested the need to investigate strategies for using mobile devices to move beyond payments and transactions to facilitate saving and wealth building. Mr. Eakes asked for additional information on the mechanics of person to person types of transfers, in response to which Mr. Neale advised that there are different models, but one model involves the transferee providing the transferor with information such as an email address, the sharing of a secret that is meaningful to both parties, transmission of an email from the transferor to transferee containing a link to a website, where the transferee will enter his or her personal bank account information and the shared secret information, and ultimate settlement of the funds via traditional Automatic Clearing House procedures. Mr. Weicher observed that, according to the FRB's

Survey of Consumer Finances, the estimates of households without checking accounts has hovered around 12 percent since the early 1980s, and asked why economic inclusion efforts appear to not have made much of a difference in the number of unbanked. Ms. Hogarth responded that there was a slight dip in unbanked households in the late 1990s to about 9 percent and that, in her opinion, the unbanked population tends to parallel the country's economic activity. Mr. Eakes also asked panelists whether the explosion of mobile technology has any implications for the scale of banks that will survive, in answer to which Mr. Galant, using Citi as an example, acknowledged that the bank spent nine months and millions of dollars in its partnership with Google to develop the Google Wallet mobile payments system, and that such costs are prohibitive for all but the largest banks; and Mr. Neale, agreeing that the costs can be prohibitive, advised that he was doubtful that mobile technology, in and of itself, would have a huge impact on consolidation within the banking industry because, he hoped, vendors like Jack Henry will be able to effectively manage those large investments and leverage them out across multiple clients.

The discussion also briefly touched on the issue of the shadow payments system and whether the funds circulating through the system are insured or uninsured. Mr. Galant advised that, in addition to concerns about the security of funds circulating within the system, there should be concerns about the vast amounts of personal data sitting in data centers where regulators have no ability to audit safeguards once the information is distributed outside of financial institutions. He stated that, in his opinion, the misuse of the data is potentially much more destructive than the loss of funds. With respect to the insurance issue, Mr. Miller pointed out that, if accounts are structured properly, funds underlying prepaid cards can be insured; Mr. Galant suggested that consumers likely are not knowledgeable about whether their funds are insured; and Mr. Miller advised that, if there is reason to believe that the funds underlying prepaid cards or mobile payments systems are not covered by deposit insurance, the FDIC will pursue vendors for false advertisement.

Next, Acting Chairman Gruenberg, after thanking panelists for an excellent discussion, observed that mobile financial services raise a profound set of questions for financial regulation generally and the future of the payments system in the United States, as well as the particular issue of how best to use the potential of mobile technology to expand access to the banking system. He stated that, with the concurrence of the Committee, he would like to make that issue an ongoing priority of the Committee and advised that Professor Fuchs had volunteered

to chair a subcommittee to focus on the issue; to develop a work plan to present at the Committee's September 2012 meeting; to identify a set of research questions and, perhaps, a pilot demonstration; and to give thought to other ways the Committee could engage on the issue. Acknowledging the need for bank regulators to focus on the future of mobile banking and its implications for the payments system, he further advised that, in addition to the FDIC, the topic was of interest to the FRB, the Office of the Comptroller of the Currency, and the CFPB; that focusing on the regulatory issues associated with mobile payments from the perspective of expanding access to the banking system would be a very constructive contribution for the Committee to make; that Mr. Miller had agreed to staff the subcommittee; and that those wishing to volunteer to participate on the subcommittee should contact Mr. Miller.

Acting Chairman Gruenberg then stated that, in addition to a report on progress related to the new subcommittee, he anticipated that the September 2012 meeting agenda would include follow-up on the Model Safe Account pilot, particularly with respect to what avenues are available to expand the number of institutions, both large and small, in the United States willing to offer accounts meeting those standards; a report on the results of the 2011 Household Survey which, by virtue of the FDIC's partnering with the U.S. Census Bureau, would be conducted every two years; and a report on the results of the second FDIC Survey of Banks' Efforts to Serve the Unbanked and Underbanked.

Returning to the Model Safe Account pilot discussion, Mr. Murphy suggested reaching out to see how many financial institutions offer accounts with features similar to the model safe accounts that might also be worthy of interest to the discussion on economic inclusion. Acting Chairman Gruenberg stated he agreed with Mr. Murphy's suggestion and that the FDIC would do so.

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

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

April 26, 2012 - 8:48 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