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

May 16, 2013 - 9:08 A.M.

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

The members of ComE-IN present at the meeting were Robert A. Annibale, Global Director, Citi Microfinance and Community Development; Michael Barr, Professor of Law, University of Michigan Law School; Ted Beck, President and Chief Executive Officer (CEO), National Endowment for Financial Education; Kelvin Boston, Executive Producer and Host of PBS' *Moneywise with Kelvin Boston;* Jose Cisneros, Treasurer, City and County of San Francisco, California; Martin Eakes, CEO, Self-Help/Center for Responsible Lending, Durham, North Carolina; Wade Henderson, President and CEO, Leadership Conference on Civil Rights, and Counselor to the Leadership Conference on Civil Rights Education Fund; Andrea Levere, President, Corporation for Enterprise Development, Washington, D.C.; 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; Peter Tufano, Peter Moores Dean and Professor of Finance, Said

Business School, Oxford University and Founder and CEO of D2D Fund; and John C. Weicher, Director, Hudson Institute's Center for Housing and Financial Markets.

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; and Robert K. Steel, Deputy Mayor for Economic Development, The City of New York were absent from the meeting.

Members of the Corporation's Board of Directors present at the meeting were Martin J. Gruenberg, 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 A. Allen, Steven O. App, Michael W. Briggs, Luke H. Brown, Susan Burhouse, Alexander S. Cheng, Kymberly K. Copa, Carolyn D. Curran, Christine M. Davis, Patricia B. Devoti, Dianne E. Dixon, Doreen R. Eberley, Keith S. Ernst, Janet R. Gordon, Shannon N. Greco, Leneta G. Gregorie, Marianne Hatheway, Matthew Homer, Alan W. Levy, Christopher Lucas, Jonathan N. Miller, Arthur J. Murton, Janet V. Norcom, Yazmin E. Osaki, Richard Osterman, Sylvia H. Plunkett, Barbara A. Ryan, Luke W. Reynolds, Sherrie Rhine, Richard M. Schwartz, Dominick P. Sciame, Jr., Kimberly Stock, Mindy West, and James Yagley.

Chairman Gruenberg opened and presided at the meeting. He began by expressing his interest in the scheduled presentations, noting that some would build on work already underway, while others would, he hoped, provide the basis for future work. He then offered an overview of the meeting agenda, advising that the first panel would discuss three innovative initiatives designed to help individuals accumulate savings; that savings is an issue of critical importance given the findings of recent studies showing that only 52 percent of people in the U.S. were able to save the previous year, that there has been a steady decline over the past three years in key savings indicators, and, as indicated in the FDIC's *2011 National Survey of Unbanked and Underbanked Households* ("Household Survey"), that nearly 30 percent of American households do not have a savings account; and that one of the desired outcomes of the panel presentations was the identification of concrete work projects to promote savings. Noting that the Household Survey also found that 10 percent of U.S. households do not have a checking account, he then advised that the second panel would provide an update on model safe accounts offered by Citibank and KeyBank and discuss prepaid

cards offered by PNC Bank ("PNC") and JP Morgan Chase ("Chase") that largely comply with the FDIC's Model Safe Accounts Template; concluding his agenda overview, Chairman Gruenberg advised that the luncheon speaker, Sarah Rosen Wartell, President, Urban Institute, would address the current state of mortgage lending in the United States and projections for the future; and that the final panel would provide an update on staff's work on mobile financial services ("MFS"), with an emphasis on the research projects currently under consideration and identification of possible additional projects in that area. He then turned the meeting over to Keith Ernst, Associate Director, Consumer Research and Examination Analytics, FDIC Division of Depositor and Consumer Protection ("DCP"), moderator of the first panel.

Mr. Ernst began by reiterating a finding of the Household Survey that 3 of every 10 U.S. households lack a savings account at an insured institution, a finding that he suggested only adds to the long string of evidence that U.S. households are saving less than they would like and less than what is commonly understood as necessary for a secure retirement, taking advantage of opportunities for economic mobility, and even handling emergency expenses. He then introduced the members of the "Savings Initiatives" panel, noting that Michal Grinstein-Weiss, Associate Professor, Center for Social Development, Washington University in St. Louis ("Washington University"), would discuss an innovative project, of considerable scale, designed to get Americans to save more of their tax refund; that Thomas Ng, Senior Vice President and Chief Risk Officer, Wilshire State Bank ("Wilshire"), would discuss a contractual savings product that had been found by Wilshire to work across a range of targeted savings amounts, delivering value to customers and the institution; and that Daniel Lau, Programs Manager, Mission Asset Fund ("MAF"), would discuss MAF's work with a variety of stakeholders to meet a particular consumer need, coming up with the funds to place a security deposit on a rental unit, while also helping consumers establish mainstream banking relationships, build credit, and develop an asset. Encouraging Committee members to think about the value of the savings initiatives to consumers and institutions as they listened to the presentations, Mr. Ernst advised that, after the presentations and Committee discussion, he would ask Committee members to share their thoughts about research and other activities the FDIC might pursue to support savings more generally.

Dr. Grinstein-Weiss began by advising that the Refund to Savings Initiative ("R2S"), the largest savings experiment ever conducted in the United States, is a joint collaboration between Washington University, Duke University, Dr. Dan Ariely, a

behavioral economist, and Intuit, maker of TurboTax, Quicken, and other software. She advised that the goal of R2S is to develop and test a low-cost, low-touch universal and scalable savings policy designed to promote savings at tax time and assist low- and moderate-income ("LMI") households build financial security. Asking and answering the question, "Why tax time," she pointed out that tax time is universal, permanent and recurring; that it is a major financial event for households, including LMI households, with the median refund for a median household of about $2900; that, from a behavioral economics perspective, it presents a golden opportunity for intervention; and that there exists ample evidence from the assets building field that LMI households anticipate using their tax refunds for savings or to repay debt. Also asking and answering the question, "Why Intuit as a partner," she advised that Intuit has existing infrastructure, with 22 million of the approximately 45 million returns filed online each year filed by TurboTax customers; and that Intuit is a socially conscious organization that really cares about such issues. She further explained that R2S includes three primary components: an Intention Survey, conducted for two years, in an effort to determine what plans taxpayers have for their refunds and what kind of behavioral economics prompts might work to get more people to save; a 2012 Intervention in Intuit Tax Freedom Project ("Intervention") to test the effect of anchors and prompts to promote splitting of tax refunds and generating savings; and a Household Financial Survey, conducted at the conclusion of tax season, with a follow-up scheduled in six months, to determine if savings generated by the in-product intervention persist and affect households' balance sheets.

Elaborating on the 2012 Intervention, Dr. Grinstein-Weiss indicated that it was a randomized control trial of nearly 149,000 LMI households designed to test three different behavioral economics techniques: introduction of motivational prompts to save for emergencies or for a specific goal, such as a home purchase, education, a child, a vacation, or retirement; use of choice architecture to present options in a manner that would most successfully influence a savings outcome; and use of anchoring to suggest different amounts to save, in an effort to determine whether motivating prompts increase savings, whether default presentation affects savings performance, and which combination of prompts and presentations of choice has the largest impact on savings behavior. She further indicated that, of the 149,000 households in the sample, slightly more than 30 percent elected to receive their refunds in the form of a check, leaving approximately 107,000 households that went through the actual intervention. With respect to data characteristics, she underscored its reliability, noting that it was administrative

data being collected by Intuit; explained that additional non-identifiable information about filers was available from their tax returns; and indicated that there were nine groups, one control group and eight treatment groups receiving different combinations of prompts and anchors. With respect to sample characteristics, she advised that the mean adjusted gross income ("AGI") of the sample was $13,000 and the median AGI was approximately $11,000; that the mean refund amount was about $1,000 and the median refund amount was about $590; that an estimated 10 percent have children; and, because the Intervention was conducted between March 15 and April 17, the members of the sample were late season filers.

Next addressing preliminary Intervention results, Dr. Grinstein-Weiss reported that there was a one percent increase in the rate of split refunds, with a doubling of the number of people who split, although the research began with a very small number of people who split; that there was a significant increase in those electing to save any amount, with 9.8 percent of treatment group members saving as compared to 7.7 percent of the control group, although the results do not take into account those who placed their full refund in a checking account and may have later transferred funds to savings; that, compared to the control group, those subject to 75 percent anchoring combined with various prompts or no prompt saved statistically significant higher amounts, as was the case for those subject to 25 percent anchoring combined with various prompts or no prompt, with the amount saved by those subject to 25 percent anchoring slightly lower than the amount saved by those subject to 75 percent anchoring; and that, compared to the control group, those subject to 75 percent anchoring combined with various prompts or no prompt saved significantly higher proportions of their refunds, as was the case for those subject to 25 percent anchoring combined with various prompts or no prompt, with the proportion of refund saved by those subject to 25 percent anchoring slightly lower than the proportion saved by those subject to 75 percent anchoring. She noted that, while statistically significant, the impact of the Intervention might not seem huge but that, because it is delivered on a large scale and is very low-cost, it is nevertheless meaningful. However, she advised that interesting results emerge when comparing the amount and proportion of refunds saved by the control group to that saved by self-selected splitters, with the Intervention increasing the amount of savings by self-selected splitters by almost $800 over the control group and the proportion of refund saved, with the control group saving 10 percent of their refund as compared to self-selected splitters subject to 75 percent anchoring saving over 60 percent of their refund.

After noting that the big take-away from the Intervention is that behavioral economics techniques do impact savings behavior, anchoring definitely works, and that it is possible to have an effect of a large magnitude on a small percentage of people, Dr. Grinstein-Weiss shared next steps for the R2S initiative. She indicated that the initiative was being tested over the full 2013 tax season, with more automatic splitting; that the 2013 Intervention would yield a sample size of 1.2 million households; and that the 2013 Household Financial Survey, which involved in-depth interviews with some households, yielded a sample size of 20,000 households, and was being considered for expansion to examine new and innovative products.

Next, Mr. Ng introduced Committee members to the Rainbow Savings Account offered by Wilshire, which he indicated encourages individuals to set aside a fixed amount each month and to accumulate a meaningful sum that can be used for a particular purpose, such as college tuition, a vacation, a wedding, or a down payment on a house. He noted that the Rainbow account is similar to many club accounts offered by credit unions and banks, but that it differs from typical club accounts in that it earns a higher interest rate; encourages consumers to think ahead of time to determine the amount they need for their particular purpose and when they will need it, which factors determine how much must be saved each month to meet the goal; and, to ensure that customers are meeting their commitment to monthly payments, encourages them to make the payments automatically from a Wilshire checking account to earn extra interest.

Mr. Ng then provided an overview of Rainbow account characteristics, advising that contract amounts range from $1,000 to $100,000, with contracts between $1,000 and $10,000 accounting for 40 percent of the 3900 accounts; that the maximum term ranges from three years for a $1,000 contract to five years for a $100,000 contract, with an average maturity term ranging from 22 to 33 months; that the minimum amount required to open an account and obtain the annual percentage yield for each term of maturity is the initial monthly installment payment; and that the bank has been fairly successful in establishing automatic transfers to savings from Wilshire demand deposit accounts, noting, as an example, that approximately two-thirds of their $10,000 contracts have automatic transfers from such accounts. He observed that, because the accounts offer a higher interest rate than the bank's regular savings accounts, there is a need, as would be the case for any institution, to balance the cost with non-interest bearing deposit accounts, with the hope of establishing long-term relationships with customers. Noting that certain mechanisms are

built into the account to ensure that customers develop a savings habit, he pointed out that any delays in monthly deposits would reduce the amount available for withdrawal at maturity, that failure to make three consecutive monthly payments in a quarter results in closure of the account or transfer to a regular savings account with lower interest, and that a $10 fee is applied to every deposit in excess of three payments in a quarterly cycle.

Next, addressing the effects of account closings, Mr. Ng advised that accrued interest is not paid if the account is closed before interest is credited at the end of the quarterly cycle and that there is no early withdrawal penalty for accounts closed before the maturity date. He indicated that the bank has noticed a couple of patterns with regard to account closings, one of which being that, due to the higher interest rate tier for longer maturity, many accounts closed before maturity had the longest term at account opening; and another that accounts with smaller contract amounts and shorter terms exhibit higher rates of early withdrawal. As for the frequency of early withdrawals, he reported that there was a very high level of early withdrawal at 12 months for $1,000 contract amounts, and at 12 and 36 months for $5,000 contract amounts, with the withdrawals for the remainder of contract amounts spiking at 36 months.

In conclusion, Mr. Ng summarized the benefits of the Rainbow account, stating that installment savings was viable for short- or medium-term goals and for all depositors, including LMI depositors; that the low initial and monthly payments encourage first-time savers to open a bank account; that the required monthly payments help to form a savings habit and, hopefully, over time result in the opening of more savings accounts for other individuals in the household and more long-term relationships; and that the money is available for emergency purposes with no early withdrawal penalty. He expressed his opinion that the account was a good model for adoption by other banks interested in promoting products for LMI individuals.

Mr. Lau began his presentation by sharing background information on MAF, advising Committee members that it is a nonprofit organization based in San Francisco's Mission District, that it was founded in 2007 through a seed grant from the Levi Strauss Foundation, and that its mission is to support asset building and wealth creation opportunities in low-income and recent-immigrant communities and to empower participants to become active consumers when accessing the financial marketplace. After characterizing the work of MAF as transforming barriers to opportunities and explaining that its philosophy is that

financial product plus financial education equals financial capabilities, he briefly described two of its programs, Lending Circles for Citizenship and Lending Circles for Dreamers, indicating that they specifically assist legal permanent residents or Dreamers apply for citizenship or for deferred action, in each instance allowing for increased benefits and access to services. Referring to the results of a two-year evaluation study of the Lending Circles program, which involves a group of people lending and borrowing to and from one another in a rotational format, he reported that the Lending Circles had made over $1.8 million in loans, that participants had seen a 35-point net increase in credit scores and a nearly $4,000 net decrease in debt, and had resulted in a savings of over $1.8 million in fees and interest that would have been paid for loans in the traditional lending marketplace. He stated that the success of the Lending Circles had motivated MAF to continue accessing new populations that were not necessarily being served by the Lending Circles and had led to development of the Security Deposit Loan Program.

Mr. Lau advised that the Security Deposit Loan Program is targeted to foster youth, about 65 percent of which are at risk of homelessness after emancipation from the foster care system and who have a larger prevalence of being victims of identity theft and fraud, and that it is designed to help foster youth overcome the significant financial barrier of obtaining the funds required to make a security deposit on their first apartment. Explaining the mechanics of the program, he indicated that it involves three parties - the renter, MAF, which plays the role of loan servicer, and the landlord, which is a partner nonprofit organization in Oakland; that the renter applies and, once approved, signs loan documents; that the renter then receives a loan voucher, which the landlord accepts as completed payment of the security deposit, and makes monthly repayments on the loan; that MAF collects the monthly payments, which are essentially savings, and reports them to the credit bureaus to help the renter build credit; and that at the end of the lease, all of the accumulated savings are paid to the landlord and, in the absence of property damages or other items needing settlement, ultimately returned to the renter. He then addressed the financial education aspects of the high-touch, high-tech program, noting that MAF provides a Web-based curriculum with progressive online content including activities and quizzes to keep the youth engaged; that it includes a variety of topics, including budgets and investments; that it is linked to social media, allowing participants to, among other things, share their goals and progress and build a support network; and that it includes a certificate of program completion.

Regarding the Security Deposit Loan Program timeline, Mr. Lau advised that MAF has partnered with First Place For Youth, New Economics for Women, Rubicon Programs, and Larkin Street Youth Services to launch the program, that training had been completed the previous month, that implementation and expansion would occur over the next year, and that an evaluation report was scheduled for April 2014. He then identified as the key take-aways from his presentation MAF's creation of programs and services that meet people where they are, not where MAF wants them to be, nor where MAF thinks they ought to be, and that build on what they have, no matter what shape, form, or size that may be; its focus on transforming barriers into opportunities; its philosophy of embedding financial products into program services; and its use of technology to lower the cost of services. In closing, he stated that the work of MAF is facilitated by its partnership model, which seeks to build capacity and enhance current program services and leverage technology to keep in touch with partners. He specifically thanked Mr. Annibale and Citi Community Development for their generous support of MAF's work, particularly the Security Deposit Loan Program.

Mr. Ernst observed that a few common themes had emerged during the presentations, including finding ways to interact with existing systems that already touch the targeted populations, the value of automation and technology, and the value of helping customers identify a goal and a strategy to meet that goal that can be immediately available to them. He then opened the floor to Committee member questions and comments.

During the discussion that followed, Committee members asked and staff answered a number of questions, and Committee members offered suggestions to panel members on possible ways to enhance their respective programs and shared their thoughts on research and other activities the FDIC might employ to complement its existing economic inclusion efforts. Ms. Levere and Mr. Annibale both emphasized the need for pre-tax time intervention to enhance the success of the R2S initiative and Ms. Levere asked whether any thought had been given to interventions prior to the tax filing season, in response to which Dr. Grinstein-Weiss acknowledged that their point was valid and indicated that Intuit is giving thought to year-round interventions, perhaps through mobile technology, in an effort to get consumers to pre-commit to saving a portion of their tax return, and possibly offering incentives for saving at tax time, introducing infrastructure to extract a commitment from those who elect not to save at tax time that they will begin a small direct deposit on a monthly basis following tax season, and obtaining savings and checking

information at the beginning of the tax return process so that split refund screens can be pre-populated at the end of the process. Regarding incentives for saving a portion of tax refunds, Mr. Eakes asked whether any thought had been given to sweepstakes or rewards for those who elect to save 75 percent of their refund or offering some sort of match, perhaps two or three percent, for the amount saved, in answer to which Dr. Grinstein-Weiss advised that thought had been given to use of sweepstakes and matching as savings incentives, but that sweepstakes posed legal issues in some states and matching, if done on a nationwide scale, posed funding problems. Mr. Eakes also asked whether the R2S initiative was building a database of Intuit customers to allow it to measure whether the in-product intervention makes a difference over time. Dr. Grinstein-Weiss answered in the affirmative, noting that the Household Financial Survey can be connected to in-product responses to behavioral prompts and anchors. Professor Barr, noting the significant impact of anchoring, asked whether any thought had been given to development of smart defaults where the most effective anchor is presented to the appropriate subgroup, to which Dr. Grinstein-Weiss responded that, although thought had been given to personalizing prompts, Professor Barr's question raised an interesting point that should be given some consideration.

Mr. Ernst next asked, given the Committee's familiarity with the FDIC's economic inclusion research and initiatives, how those resources could complement efforts to help build household savings. The suggestions offered by Committee members addressed several areas, including incentives, easing regulatory restrictions, and information sharing. With respect to incentives, Mr. Beck, noting that institutions can be incented in many ways, suggested that the FDIC explore the possibilities for public recognition and/or examination rewards for successful savings initiatives; Ms. Levere suggested exploring which incentives have the most impact and leveraging policy in a way that aligns with and supports those incentives; and Mr. McDonald, noting the incredible amount of work done by the Committee and the FDIC to identify efforts that promote community savings and underbanked initiatives, suggested that the FDIC take a leadership role among regulators to identify and offer incentives. With respect to easing regulatory burden, Professor Barr suggested that the FDIC has the regulatory authority to make a difference by reducing burdens associated with account acquisition and monthly costs; Mr. McDonald suggested that the financial regulatory agencies look into ways of easing existing regulations that impact savings products and loan programs and not be too aggressive with regulations in progress, paying particular attention to the impact of regulations on community

banks; Mr. Murphy suggested that, to the extent that agencies can make regulations less burdensome and challenging, the more willingness there will be for institutions to invest more time in innovative programs to meet the needs of LMI consumers; and Ms. Levere suggested the creation of some sort of regulatory safe harbor to spur innovation. On the issue of information sharing, Mr. Beck suggested distribution of best practices to the entire banking community and Mr. McDonald suggested that with development of appropriate mechanisms for sharing information on how institutions can reach out to the unbanked and underbanked, the efforts of successful programs could be multiplied many times over.

Professor Barr, noting the significant sample size for and uniqueness of R2S, also suggested that staff stay engaged to see how the initiative unfolds and explore opportunities for FDIC involvement. Mr. McDonald, noting the importance of having an education component to economic inclusion efforts, also suggested that the FDIC find a way to partner with the educational system at all levels and develop a partnership with the Department of Education to begin systematizing financial education. Finally, Mr. Cisneros emphasized the importance of research and suggested putting a focus on the broader impact of adequate savings on family stability.

Chairman Gruenberg observed that the presentations and Committee member comments and suggestions had been very helpful. He suggested that, in preparation for the Committee's next meeting, staff identify the regulatory barriers to innovative savings initiatives, with specificity and use of examples, particularly those targeting the unbanked; identify the regulatory incentives realistically available to the FDIC, including those that address regulatory barriers, those that provide clarification of existing guidance, and those that identify how particular activities or programs would be treated under existing rules; and determine what research has been done on the value to families and households of accumulating savings. He then announced that the meeting would briefly recess. Accordingly, at 10:54 a.m., the meeting stood in recess.

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The meeting reconvened at 11:13 a.m. that same day, at which time Chairman Gruenberg introduced Jonathan N. Miller, Deputy Director for Policy and Research, DCP, moderator for the "Safe Accounts and Bank Prepaid Cards" panel.

Mr. Miller began by recalling that, at the Committee's September 12, 2012, meeting, members had heard presentations on the efforts of Citigroup and Key Bank to offer accounts consistent with the FDIC's Model Safe Accounts Template, and advising that Mr. Annibale and David Bowen, Director, Key Community Bank Product Management and Specialty Programs, KeyBank, would be providing updates on the efforts of their respective institutions. Mr. Miller also noted that subsequent to FDIC's launch of the Model Safe Accounts Pilot in January 2011, a number of institutions came forward with information on prepaid cards they were offering or developing. He observed that FDIC staff and some Committee members have expressed concerns about general purpose reloadable prepaid card products and noted that a number of consumer watchdog groups have found that, although they appear low-cost at first blush, prepaid cards can turn out to be quite costly; that insured institutions have traditionally performed back office functions for prepaid cards, sometimes holding the funds in insured accounts, sometimes not; that the consumer really has no relationship with the insured institution and, more likely than not, does not even know at which bank the funds are held; and that, in staff's view, such cards keep consumers at arms-length rather than bring them into the mainstream banking system. He stated, however, that as the prepaid market has evolved, the FDIC is now hearing from institutions that are taking an approach to the products that seems to offer more opportunity for economic inclusion. With that in mind, Mr. Miller advised that the last two speakers on the panel, Jonathan Wilk, Head of Product and Marketing - Consumer Bank, Chase, and Cecilia Frew, Senior Vice President, Debit and Prepaid Products, PNC, would describe their institution's respective prepaid card offerings, which have features sufficiently similar to the safe transaction accounts to make them functionally equivalent. He indicated that included among those features were deposit insurance coverage, consumer protections, an inability to overdraft, and an inability to generate nonsufficient funds fees ("NSF"). He also indicated that, unlike traditional prepaid cards, they are designed to bring consumers into bank branches and into the mainstream financial system. He then turned the floor over to Mr. Annibale.

Mr. Annibale reminded Committee members that the new safe transaction account to be offered by Citibank is a checkless, card-based account that includes such features as free ATM withdrawals at over 30,000 locations, bill pay, direct deposit, in-branch and online access, transfers and remittances, client-set email or text alerts, and, perhaps most importantly, no overdraft capability. He advised that the next step was to determine how to roll out the product in a way that is

commercially sustainable and scalable; that based on Citibank's experience with other products targeting LMI consumers, the key factors, once the accounts are structured in a way to address the needs of the targeted community, are working with strategic partners, which helps to provide scale at a very low cost, and marketing the product in a way that makes it interesting, particularly in an industry where other institutions may offer products with many of the same features. With respect to partnerships, he indicated that Citibank was planning to pilot the transaction account in New York City, a city in which 13 percent of all households do not have a bank account and 50 percent of Mexican-American households do not have a bank account, and was likely to partner with the city's Financial Empowerment Centers. With respect to marketing the account, he suggested that the transaction account is not really any different than a prepaid card, it really has the features of a full bank account and, therefore, describing the account as a prepaid card with a banking feature might sound fairly compelling.

Mr. Annibale next addressed the issue of profitability, citing the importance of using Citibank's existing platforms that already have scale, are secured, networked, and national in scope. He advised that, within that context, Citibank has reviewed its systems and the systems features that were intended for the majority of clients to determine whether enhancements that meet the special needs of LMI consumers would also benefit most of the bank's clients. He cited as an example enhancements that would minimize the possibility of overdrafts, which would not only be beneficial to LMI customers, but to all customers. Moving on to the issue of obtaining the desired levels of originations, he suggested that the bank would have to be ambitious in its outreach efforts, identifying which community groups would be most helpful, and make certain that the right incentives are in place internally to properly motivate account officers to open the accounts. In closing, Mr. Miller advised that, although Citibank is initiating the transaction account in New York, it is also planning on implementing the pilot in Los Angeles and Chicago.

Mr. Bowen began his presentation by informing the Committee that he had three messages he wanted to deliver: explaining KeyBank's philosophical approach to addressing all of its clients, including the underserved; explaining how the bank operationalizes its approach to address the needs specifically of the underserved and underbanked; and briefly touching on results experienced with the KeyBank Access Account since his last appearance before the Committee. Regarding KeyBank's approach to

the market, he expressed a belief that it is unique in how the bank thinks of underserved and unbanked consumers along the entire client continuum which, he suggested, creates more sustainable and consistent results than a program approach. Elaborating, he stated that the bank's approach is guided by a "Fairness Pyramid" which requires full compliance with legal requirements; clear, fully disclosed products that are understandable to the end consumer; a formulaic, "blind" standard for assessing or refunding fees; competitiveness in the marketplace, with fees that fall within the mid-range of market prices and no high-side outliers; and client choice and control. Regarding KeyBank's operationalization of its approach as it relates to the underserved/underbanked consumers, Mr. Bowen advised that the bank looks at essentially all of its products and services and applies an underserved "lens" to it, rather than creating a special program that treats clients differently; that the bank reviews policies and procedures that serve the broader 90 percent of the market but end up being a barrier to an underserved segment of the market; and that the bank understands where its clients are in their financial life stage and meets them where they are, not where the bank wants them to be. As an example, he indicated that the KeyBank Access Account was conceived in recognition of the fact there was a missing step between the bank's check cashing and account services and was designed to meet underserved customers where they are.

Providing background information on the KeyBank Access Account, Mr. Bowen reported that it was implemented in 2011 and built on existing infrastructure; that as a simple solution to a fairly difficult problem, the bank took its basic checking account, engineered out the ability to overdraft it, attached a debit card, and allowed online banking and ATM and bill pay access; and that, rather than thinking of it as a debit card or a checking account, the bank thinks of it as an access account, a means of getting to the money the client has in the institution. He further reported that the account has been fairly successful, representing almost 10 percent of the bank's accounts as compared to five to six percent a year ago, with the addition of approximately 11,000 accounts per year; that the account can be bought in a branch, online, and through the bank's Key@Work channels; and that it is the third most popular product sold in the bank's branch network.

Addressing account performance, Mr. Bowen reported that KeyBank Access Account customers look very much like the bank's overall customer base, with the exception of not using credit products with the same propensity; that Access Account deposits, which average $1600, are slightly lower than deposits overall,

which average $2500; that the deposit growth for Access Account customers is fairly good, with average initial deposits of $500 increasing to average deposits of $1600, as compared to mass market accounts which start with a higher average balance, but grow at the same rate; that Access Account customers tend to have about one quarter of the revolving balances that the mass market has; and, not surprisingly, Access Account customers tend to consume about 15 percent more service products, such as money orders. Continuing, he noted that first year attrition was higher, by about 40 percent, than for the overall mass market, but that some of the higher attrition rate was likely the result of the timeframe that was being examined. He theorized that some of the accounts may have been opened for the sole purpose of depositing and cashing tax refunds, and that for the remaining nine months of the year, attrition rates would be closer to those for the mass market.

In closing, Mr. Bowen advised that KeyBank's Key Basic Line of Credit, a small-dollar loan product, is a complement to the Access Account; that the bank was working on the PEW-recommended client disclosure, with the aim of making it more clear, concise, and transparent; and that the bank was looking for opportunities to engineer float, which he characterized as an the enemy of the underserved and mass markets, out of the network.

Next, Mr. Wilk, providing context for his discussion of the Chase Liquid product, advised that, historically, Chase was product focused and only recently, within the past few years, had shifted to a consumer segment focus. He also advised that as Chase has tried to delve into the LMI consumer segment, it has done a great deal of research, talking directly to consumers and reviewing secondary research reports, understanding very early in the process that the need for a core transactional account is key to asset building and access to credit. Noting that the research conducted by Chase showed that many LMI consumers were using alternative financial services ("AFS") providers, he reported that their stated reasons for using AFS included to control spending, avoid overdrafts, provide a vehicle for direct deposit of funds, avoid carrying cash, and avoid hidden fees, issues that Chase tried to address with its Chase Liquid account. Describing the product features, he indicated that it is a general purpose reloadable prepaid card with a flat monthly fee of $4.95, with no additional fees to load funds or for direct deposit, customer service, electronic or paper statements, or card replacement; that funds loaded are FDIC-insured; and that it provides access to online banking, mobile banking, alerts, text banking, and the ability to deposit a check via smartphone. He noted, moreover, that the product has no overdraft features and no fees in the few

instances a customer has a negative balance; that the bank offers broad support in Spanish and English; and that the product is available to customers with blemished banking histories.

Mr. Wilk next compared the Chase Liquid customer experience with that of customers of Chase Total Checking, the bank's mass market checking offering, noting that both products feature standard account opening procedures with full "Know Your Customer" screening at Chase branches; both offer instant embossed, personalized cards at a number of bank branches; both are subject to risk-based algorithms, similar but not identical, for funds availability; both offer use of Chase branches, ATMs, and other Chase service channels; and both offer fraud protection, with the same procedures in the event of a lost or stolen card. He then pointed out the differences between the two products, advising that Chase Liquid customers do not have access to online bill pay, checks, outbound automatic clearinghouse transactions, or wire transfers. He noted that nearly 70 percent of the Chase Liquid portfolio is comprised of new to Chase customers, with the other 30 percent having added the product as an ancillary feature to their existing Chase relationship; that of the new to Chase customers, 45 percent have good banking histories and were eligible to open any deposit account with the bank, suggesting that Chase Liquid is not just a second chance product; and that Chase Liquid nevertheless provides the other 55 percent of customers with blemished banking histories with a great second chance alternative to reenter the mainstream banking system. He noted further that nearly 50 percent of Chase Liquid customers who were new to Chase were never banked, unbanked, or underbanked, with 32 percent falling into the unbanked or never banked categories, suggesting that the product is bringing a significant number of new customers into the banking system.

In conclusion, Mr. Wilk observed that, contrary to its traditional approach to product development, Chase spent a great deal of time up front meeting with various advocacy groups and constituencies to get feedback on product design and insight into the needs of LMI consumers, which also influenced Chase's marketing efforts. He explained that the bank employed a multi-layered marketing campaign that began at the grassroots level and included having a presence at festivals and events across the country to raise awareness about Chase Liquid; out-of-home marketing in places such as convenience, laundromats, and malls the bank thought would reach the target segment; and radio and television advertisements in English and Spanish, which resulted in terrific feedback, not only on the product, but on the bank's marketing and outreach activities as well. In closing, Mr. Wilk stated that, with less than a year of implementation, Chase was

still growing and developing the product, but that there is an excitement about the momentum and a belief that Chase Liquid reflects a changing market dynamic.

Ms. Frew began by noting that PNC's SmartAccess card is very similar to the Chase Liquid product just described by Mr. Wilk, with a low and simple fee structure, availability at branch offices, "Know Your Customer" screening, compliance with Regulation E, and good functionality for customers. She stated that, rather than simply repeating much of Mr. Wilk's presentation, she would talk a bit about unbanked and underbanked consumers, who provided the impetus for PNC's development of its SmartAccess card. She explained that 15 to 20 percent of consumers who walk into one of their bank branches seeking to open a checking account have been turned down and that SmartAccess now provides an opportunity for PNC to turn more of those prospects into customers. Ms. Frew indicated that she thinks of unbanked consumers as "money management just in time," whose typical financial situation may include getting paid by check on a Friday, cashing that check at a check casher, buying a money order to pay the rent, putting some of the money on a prepaid card to pay other bills, perhaps sending money using a wire transfer service, and in some cases even standing in line to pay a bill in cash, all the while incurring one fee after another. She pointed out how stressful and time-consuming it can be for such consumers, running from one place to another, as well as how expensive it can be. She advised that PNC is really thinking about such consumers as a new customer group with which it would like to develop long-term relationships; that to engage such consumers, the bank offers online bank, mobile apps, ATM transactions; and that the bank is now thinking about what other products they can offer LMI consumers, including a very low-cost savings account, a secured credit card to help build credit. Concluding her presentation, she expressed her belief that, by introducing the SmartAccess card and any other follow-on products, PNC is helping customers while also driving returns for the bank's shareholders.

Mr. Miller then noted that there were a couple of common themes running through the four presentations, the creation of products to sell to new customers that are attractive not only to the unbanked and underbanked, but to the general market; and the use of these products as a bridge to other products and long-term relationships with financial institutions. He then opened the floor to questions.

During the ensuing discussion, Committee members sought and received clarification on some of the features of the products

discussed by panelists during their presentations. In addition, Committee members asked and received answers to a variety of questions, including questions related to features that make the products so attractive, profitability of the products, effective marketing strategies, and legislative and regulatory issues impacting the products.

With respect to the prepaid card offerings, Mr. Cisneros sought to clarify whether customers with blemished banking histories were always eligible for the products for anything short of a fraud indicator, in response to which Ms. Frew and Mr. Wilk answered in the affirmative. Mr. Orozco, noting that the cards have many of the typical features of any bank product, asked panelists what, in their opinion made the cards so attractive to consumers, in response to which Mr. Wilk stated that many customers had previously used a combination of general purpose reloadable cards and check cashers and that Chase Liquid offers better features and benefits, with greater transparency regarding the cost of the product; and Ms. Frew stated that availability of direct deposit, issuance of an actual card, and the ability to control timing of payments were the features that consumers find most attractive. Professor Tufano, referring to Chase's multi-layered marketing efforts, asked specifically which marketing messages worked best, in answer to which Mr. Wilk advised that it was the bank's focus on the challenges of prepaid cards, such as loading funds and hidden fees, that had been identified in their research as consumer pain points.

Raising the issue of profitability, Professor Tufano suggested that panelists give some thought to how they would communicate the economics of the products on a large scale, and Director Norton asked in follow-up whether panelists thought the banking industry would be incented to attract people into the banking system using innovative products if the government were to eliminate or severely reduce the potential for interchange fees. Mr. Wilk responded that, in his opinion, it would certainly impact the economic picture for banks and for consumers in terms of their ability to have access to core transactional products like Chase Liquid; Mr. Bowen responded that, from a KeyBank perspective, it wouldn't have an impact because its transaction account was built on the bank's existing infrastructure and, thus, already "paid for," and that the true marginal cost of the product was the cost of processing debit card transactions and the occasional bill pay; and Mr. Annibale responded that the biggest cost for Citibank is the cost associated with the account opening process and that, while no one in the banking industry would like to see further caps to

interchange fees, such fees were not a factor in the account's profitability.

Mr. McDonald, after expressing excitement at hearing about the different approaches to meeting the challenge of serving underserved consumers, asked whether panelists would comment on any potential legislative or regulatory challenges that might prevent not just the sustainability of such efforts, but also their growth. In response Ms. Frew advised that, in the prepaid card area, institutions are constantly on guard to ensure that the product is not structured in such a way as to result in loss of an exemption from the interchange provisions of the Durbin Amendment to the Dodd-Frank Wall Street Reform and Consumer Protection Act; that the exemption is incredibly important to the profitability of PNC's card, with profitability being necessary for the bank to continue investing in technology, marketing, and the outreach to new customers; and that, there are other features and products the bank would like to link to the card, but does not because of lack of certainty regarding the rules. Mr. Bowen, in response, acknowledged the necessity for regulatory oversight because of the nature of the industry, but asked that the regulatory guardrails be set wide enough for banks to innovate because innovation is the solution of the problem of meeting the financial services needs of underserved communities. He noted that some of the best solutions come from outside of the banking industry, which may or may not be because they are subject to less regulatory burden, but that there is certainly a correlation. Mr. Wilk responded that institutions would welcome regulatory clarification on permissible product features under the Durbin amendment. Mr. Orozco suggested that the Durbin Amendment is not bad in and of itself, but that the restriction on bill pay needed to be changed, either legislatively or by regulation. In the alternative, he suggested that perhaps bank regulators could issue a Q&A, providing examples of when bill pay might be permissible.

Chairman Gruenberg thanked panelists for their presentations and the terrific discussion that followed. He indicated that there does seem to be progress in the areas of safe accounts and prepaid cards, which he found encouraging. After advising Committee members that staff would follow-up on questions that were raised, he announced that the meeting would recess for lunch. Accordingly, at 12:37 p.m., the meeting stood in recess.

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The meeting reconvened at 2:01 p.m. that same day, whereupon Chairman Gruenberg advised that the final panel of the day would

be an "Update on Mobile Financial Services and Economic Inclusion." He then turned the meeting over to Luke Brown, Associate Director, Supervisory Policy, DCP, moderator of the panel. Mr. Brown first introduced the panel members, whom he identified as Matt Homer, Policy Analyst, DCP; Susan Burhouse, Senior Consumer Researcher, DCP; and Yazmin Osaki, Senior Consumer Research Associate, DCP. He then recalled that the previous year, the Committee had a work plan outlining a general framework of ideas to guide the efforts of the Mobile Financial Services Subcommittee, which has as its goal the use of mobile technology to facilitate economic inclusion. Noting that the marketplace is a rapidly evolving and dynamic environment, with the development of new products and the increasing prevalence of MFS, he stated that these trends are underscored by a March 2012 Federal Reserve Board report on *Consumers and Mobile Financial Services*, with some of the report highlights indicating that 48 percent of smartphone owners have used mobile banking in the past 12 months, up from 42 percent in December 2011; 15 percent of all mobile phone owners have made a mobile payment in the past 12 months, up from 12 percent in December 2011; and 59 percent of unbanked consumers have access to mobile phones, half of which are smartphones.

After expressing staff's continued belief that mobile banking and payments offer opportunities to bring unbanked and underbanked consumers into the mainstream financial system, Mr. Brown suggested that the challenge is to figure out how that might happen going forward, what some of the obstacles might be, and what role regulators, including the FDIC, can play in facilitating the desired outcome. He advised that, currently, with the benefit of input from members of the subcommittee and Ms. Fuchs, Chairperson of the subcommittee, work was progressing along two tracks: development of a paper on remote deposit capture ("RDC") technology and qualitative research to better understand the preferences of unbanked and underbanked consumers. He then ceded the floor to Mr. Homer.

Mr. Homer recalled the discussion on MFS at the Committee's December 13, 2012, meeting, which he indicated helped staff understand the types of mobile app products currently available to consumers; provided a foundation for their efforts going forward; and resulted in revisions to the *2013 National Survey of Unbanked and Underbanked Households* ("Household Survey") to include questions about household access to the internet and mobile technology, as well as their use of mobile technology for banking and prepaid card services. He advised that the projects related to RDC and qualitative consumer research, to be presented by Ms. Burhouse and Ms. Osaki, represent the next phase of the

subcommittee's work plan. As context for their presentations, he stated that the overarching goal for the work plan is to identify ways that MFS technology can facilitate unbanked and underbanked access to mainstream financial services, as previously stated by Mr. Brown, and to ensure that depository institutions do so in a way that encourages long-lasting relationships and safe, affordable products. He cautioned that, although some of the research to be discussed would extend into 2014, there were other initiatives that could be undertaken with findings that emerge, including, perhaps, development of a template that incorporates key MFS features of particular value to underserved markets, conduct of a pilot program to test the feasibility and effectiveness of certain technologies with respect to drawing underserved populations into the banking system, or development of best practices or case studies. He then introduced Ms. Burhouse.

Acknowledging that there are many ways in which MFS could be poised to help facilitate economic inclusion, Ms. Burhouse indicated that, for purposes of this particular project, staff decided to take a relatively narrow look at the promises and challenges of mobile RDC, with the research designed to answer the question of whether RDC can serve as a substitute for nonbank check cashing. She further indicated that staff is hopeful that the paper will document what is known about consumer preferences for MFS and RDC, and explore the supply side benefits and obstacles that might exist, including risk management considerations and regulatory issues; determine what can be learned from existing RDC offerings, from banks and nonbanks, and assess in particular the conditions under which mobile RDC is being offered in ways that are especially beneficial to underserved consumers; provide a balanced and thoughtful framework for thinking through the viability of bank-offered mobile check cashing; and determine how and whether mobile RDC can be accessible enough, fast enough, safe enough, and low-cost enough to effect demand for nonbank check cashing among unbanked and underbanked consumers.

Having set forth the objectives for the report on RDC, Ms. Burhouse next provided information on the background and the motivation for the report. She reminded Committee members that the Household Survey revealed quite a bit of information on the types of AFS households are using and their reasons for using such services, with the survey showing that about 8 percent of U.S. households overall having used nonbank check cashing services in the last year, but nearly 40 percent of unbanked households and about 25 percent of underbanked households having used a nonbank check casher; that use of nonbank check cashing

services is increasing, growing from 39 percent in 2009 to 47 percent in 2011; and that nearly half of all households that use nonbank check cashers indicated they did so for convenience, but that speed of funds availability was also a frequently cited reason, with about 10 percent of households using check cashers doing so to get money faster. She explained that as staff thought through the survey results, one of the implications they drew was that financial institutions really have an opportunity to more clearly demonstrate to AFS users, who perceive nonbank financial providers as offering services that are more convenient, faster and less expensive, the value of having a bank account. She noted, moreover, that staff specifically identified mobile banking technology as a product that could potentially be convenient in a way that appeals to underserved consumers, and RDC as a potential way to make funds available more quickly.

Ms. Burhouse pointed out that, while the Household Survey results and data from other research reports laid a foundation for the idea that mobile RDC can compete with check cashing for consumers' attention, there is less data and information available about the supply side and, therefore, staff hopes that its report can make a particularly valuable contribution in that regard. She advised that staff would conduct reviews of publicly available information and industry reports; have discussions and outreach with banks, credit unions, and other industry participants; and conduct a thorough review of the terms, conditions and features of nonbanks' current RDC offerings, primarily through analysis of provider Web sites, advertisements and other publicly available materials, with the goal of assessing the landscape of RDC offerings and document, to the extent possible, the full range of eligibility criteria, funds availability policies, limits on the numbers and amounts of allowable remote deposits, fees, and dispute resolution policies. Noting that the project timeline is somewhat ambitious, she informed the Committee that staff hopes to conduct its research through the summer and present findings and conclusions at the next Committee meeting, sometime in the fall. She ended her presentation by noting that she had laid out staff's current vision for the report, but that feedback from the Committee at the conclusion of the presentations would be welcome.

Next, Ms. Osaki presented staff plans for the qualitative research project, employing in-depth interviews or focus groups, to gather information about underserved consumers' attitudes, perceptions and decision making around the use of MFS, noting that unlike previous research seeking to quantify results, the qualitative research approach will help to gain insight into consumers' beliefs, thought processes, the intensity of their

feelings or concerns, and other dimensions that are difficult to capture through a quantitative survey. As background and the rationale for staff's focus on the project, she noted that the Household Survey results provide an indication of consumers' interest in mobile technology as a means for accessing financial services, and information about who is more likely to be financially underserved and why; while other studies, including those conducted by the Board of Governors of the Federal Reserve System ("Federal Reserve Board") have emphasized the prevalence of mobile phones and smartphones among underserved consumers, as well as their use of mobile banking and mobile payment. She also noted that, from the banking industry perspective, different sources suggest that mobile technology has the potential to reduce the cost of offering banking services; and that, together, these findings provide the basis for the FDIC's interest in exploring the possibility of MFS as a tool that could potentially add greater convenience and access to the banking experience. She explained, however, that what these surveys do not tell us, and what staff hope to gather through the qualitative research effort, is how the unbanked and underbanked make financial decisions and evaluate how to use MFS relative to other delivery channels, with the hope that the knowledge gained could help the FDIC better assess how MFS can be used as an economic inclusion tool.

Ms. Osaki then briefed the Committee on the overarching research questions that would be guiding the qualitative research effort, identifying them as: gaining a better understanding of why unbanked and underbanked consumers use or do not use MFS and, more specifically, insights into how they assess the value of using such services and how they feel about MFS compared to other ways they might access financial services; learning more about how MFS can be a tool to bring consumers into and keep them in the banking system; identifying which, and in what ways, specific features might be more promising in making banking services more available and beneficial to underserved consumers; and, having identified some of the most promising features, delving deeper into consumers' perceptions about and experiences with those services. With respect to the type of consumers staff is thinking of engaging for the project, she advised that the hope is to gather information from both unbanked and underbanked consumers with different levels of experience with MFS, those who use MFS regularly, those who have tried MFS but do not use it regularly, and those who have never used it. She further advised that, among MFS users, staff hopes to gain insights not only from consumers who use MFS provided by banks, but also from consumers who use such services from nonbank providers; and that some of the demographic characteristics that would be considered in

selecting research participants would be age, location, whether from urban or rural areas, and other demographic factors such as ethnicity. She stated that at the conclusion of the project, staff would develop a report that describes the needs and attitudes of unbanked and underbanked consumers as they relate to MFS and use that information to help the FDIC's economic inclusion efforts.

In conclusion, Ms. Osaki provided information on staff's progress, noting that the project is currently in the planning stages, that staff is making headway in its search for an experienced contractor to design and implement the research effort; that initial market research had been conducted to learn about the best methods for gathering the desired information; that staff is in the process of drafting a statement of objectives; and that initial steps in the process to obtain approval from the Office of Management and Budget to collect the information were underway, but that staff hoped to be in the field later in the year or early 2014 and have initial results by the second quarter of 2014. After advising that staff would continue conversations with industry players in the mobile space, including financial institutions and technology providers, to broaden insights into the opportunities and challenges of MFS from an industry perspective, she stated that she looked forward to feedback from the Committee.

Mr. Brown then asked whether Committee members had any information on the MFS space to share that would help to inform the FDIC's broader work plan and projects.

In the discussion that followed, Committee members offered a number of suggestions to enhance the work of the Mobile Financial Services Subcommittee as well as general suggestions for addressing MFS. Mr. McDonald suggested that the FDIC should give some thought to developing a mobile banking education program, similar to its Money Smart program, to ensure that consumers are fully informed, and that regulators refrain from over-policing financial institutions in the area of MFS so as to avoid a situation where non-regulated vendors end up capturing the very consumers the economic inclusion efforts are intended to help. Pointing out that Liberty Bank and Trust has a full-fledged mobile banking program, he also volunteered to share the institution's successes and failures. Mr. Beck, noting that the research questions were very good, expressed an interest in the identification of some key metric or measurement, particularly with respect whether the combined efforts of banks trying to enter the MFS space actually captures market share away from AFS. Professor Barr observed that none of us actually knows what the

future will bring in either the short term or the long term, due to the fast evolving nature of technology, and suggested that, to the extent possible, a useful guiding principle would be to pursue solutions that will be viable, whatever unfolds. Mr. Murphy noted that there had been very strong community opposition to the closing of a KeyBank facility, though no one at the meeting where it was being discussed had visited the facility within the past year, suggested that it would be nice to get consumer views on physical branch locations.

Both Ms. Levere and Mr. Annibale, noting that it can have a profound impact on how consumers relate to technology, suggested that the qualitative research effort should be segmented by age groups; and Mr. Annibale also suggested segmentation by income and, because type of phone has been shown to impact usage in other countries, perhaps by the types of phones consumers use. Both Messrs. McDonald and Annibale emphasized the importance of transparency of costs and looking at the layering of fees by mobile services providers and financial institutions with respect to MFS. Mr. Ryan, explaining that states that regulate money transmission entities have joined forces through the Conference of State Bank Supervisors ("CSBS") to conduct coordinated multi-state examinations of many of those entities, suggested that CSBS would likely provide some helpful perspective to the FDIC and assist with identifying industry contacts as well. Mr. Boston opined that the United States is currently in a "four-screen society," and suggested that the FDIC's research efforts look at television, computers, tablets, and phones and how they interact. He also suggested asking questions on how consumers prefer to get their information, rather than assuming it is by text; and why some consumers are not using technology, particularly to the extent they have concerns about security or identity theft.

Mr. Eakes, confessing confusion as to the audience for the qualitative research, suggested that if the audience is financial institutions, areas that should be explored are how to make RDC competitive with a check casher as it relates to availability of funds and the issue of fraud as it relates to remotely deposited checks. Mr. Brown and Ms. Osaki responded that there is a dual audience, both institutions and consumers, and the intent is to encourage institutions to start thinking about using MFS technology not just for the benefit of their existing customers, but also to bring the underserved and unbanked into the financial mainstream; and to incorporate what is learned about specific consumer needs and challenges into the FDIC's financial education programs for consumers.

Professor Tufano expressed enthusiasm for the FDIC's RDC project and anything else that turns paper money, checks, and cards into a digital format and that staying focused on that would enhance progress toward economic inclusion. Noting that there are other uses of mobile technology that are relevant to financial institutions, such as all-around risk management, he also suggested that awareness of the other ways in which mobile technology is transforming traditional financial services might be a helpful backdrop for the research efforts. Mr. Cisneros pointed out that mobile technology and mobile banking have a momentum of their own and that they are among the key mechanisms for finding new and creative ways to introduce safer products and services to underserved communities and that, therefore, the research the FDIC is conducting is critical. He asked that regulators, including the FDIC, continue to stay engaged in economic inclusion programs and that they recognize, support, and reward banks that participate in the programs.

Chairman Gruenberg suggested that, perhaps, staff should focus more on the Committee's and the FDIC's strategic objectives in the area of MFS and that, while the work outlined is useful, he wasn't entirely clear on where it was headed. Noting that the FDIC could conceivably have a role on both ends, he suggested that, for the next meeting, staff come back, having framed some issues and direction, to provide a better focus, both from the standpoint of what kinds of services banks could offer through mobile technology that would advance consumer access to the banking system, as well as to what can be done to inform consumers on how to utilize MFS.

With respect to progress on safe transaction accounts, Chairman Gruenberg suggested that there appears to be development of a critical mass, with major institutions and regional and money center banks offering products very much in line with what the FDIC considers appropriate for consumers, providing an opportunity to develop participation and interest more broadly within the industry. He asked staff to give some thought about how the FDIC might pursue that. He also asked staff to address at the next meeting, questions raised by Committee members and panelists on the savings issue, including those related to regulatory oversight and regulatory incentives.

Recalling the FDIC's work on small dollar loans, Chairman Gruenberg observed that demand for the product is so significant and, yet, the response on the part of the banking industry has been, from his perspective, unsatisfactory. He suggested that the current focus and attention on transaction accounts may present an opportunity for a teachable moment on the small dollar

loan side. He, therefore, requested further thoughts on how the FDIC might bring more constructive attention to small dollar loans as a complement to the rest of the work being done.

By way of additional thoughts on possible future agenda items, Mr. Boston, referencing the luncheon speech given by Ms. Wartell, suggested that the Committee at some point have some follow-up discussion on housing and relevant regulations. Mr. Murphy suggested a discussion on branch optimization and how banks could provide access to LMI communities using different methods.

Mr. Eakes, noting that he did not want the FDIC's leadership to go unremarked, thanked the FDIC and the Office of the Comptroller of the Currency for recently issued "Guidelines for Payday Lending."

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

May 16, 2013 - 9:08 A.M.

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

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