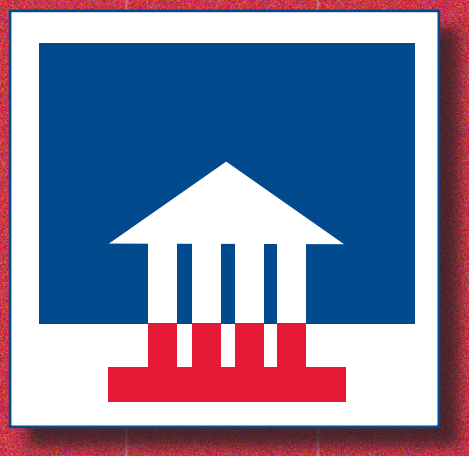
Economic Inclusion Summit

Strategies to Bring Consumers Into the Financial Mainstream 2017



FDIC

Federal Deposit Insurance Corporation
April 26, 2017
Sheila C. Bair Auditorium
Arlington, VA

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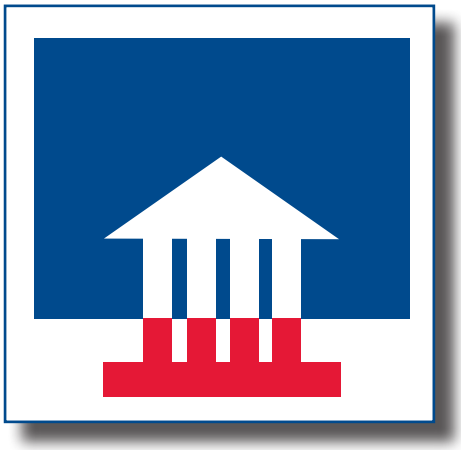

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Executive Summary

Bringing consumers into the banking mainstream is a key priority for the FDIC. As Chairman Martin J. Gruenberg explained in the *2016 FDIC Annual Report*, "Expanding access to mainstream banking services helps strengthen confidence in the nation's financial system, a fundamental component of the FDIC's mission." He further noted at the FDIC 16th Annual Bank Research Conference that "When households find that the banking system treats them fairly and helps meet their needs, public confidence in the banking system grows stronger."

In 2006, the Advisory Committee on Economic Inclusion (ComE-IN) was established by Chairman Sheila C. Bair and the FDIC Board of Directors pursuant to the Federal Advisory Committee Act. The ComE-IN, which has continued under Chairman Gruenberg, provides the FDIC with advice and recommendations on important initiatives focused on expanding access to banking services to underserved populations.

In conjunction with the ComE-IN, the FDIC has undertaken a significant research program focused on consumer participation in the banking system. The resulting data and reports, which can be accessed through a dedicated website, provide a substantial basis for understanding the number and composition of unbanked and underbanked households in the nation, each of the 50 states and the District of Columbia, and in the largest metropolitan areas. In addition, the reports highlight opportunities for insured institutions to further address the needs of these households.

On April 26, 2017, the FDIC hosted an Economic Inclusion Summit that focused on strategies to bring underserved consumers into the financial mainstream and improve access to banking services. The participants represented three major areas: federal, state, and local government; financial institutions; and nonprofit organizations.

Summit participants had the opportunity to network with other members of the economic inclusion community. Together, they evaluated the progress made on establishing safe and sustainable banking relationships for underserved consumers, reviewed lessons learned, and discussed future opportunities to expand economic inclusion through six panel presentations and question-and-answer sessions.

The panelists comprised a diverse group of practitioners, financial service providers, and researchers, and their presentations underscored many different aspects of economic inclusion. Yet, consistent themes emerged. Among them were the following:

1. **Recognize income challenges.** Income volatility poses real challenges and may be a barrier to participation in the mainstream banking system. This is particularly true for low- and moderate-income (LMI) families. Addressing this challenge is an important goal of future economic inclusion efforts.
2. **Consider product design carefully.** Product design is essential for sustaining banking access. Financial service providers that develop products to serve multiple market segments, including LMI, are more likely to have sustainable products and internal support. For example, safe, affordable checkless transaction accounts, which do not charge overdraft fees, appeal to a broad consumer base, as a number of the bank panelists described.
3. **Engage consumers.** Programs that engage consumers are highly effective in bringing the underserved into the financial mainstream. In addition to promoting the opening of bank accounts, popular and successful bank programs often include community outreach and financial education.
4. **Nurture quality partnerships.** Two key elements of a successful partnership are understanding your partners and ensuring that both parties benefit from the relationship. Government has enormous leverage to bring potential partners to the table, especially state and local agencies. To nourish these partnerships, financial institutions need to be active in their communities and maintain strong connections to consumers and community organizations.

5. **Develop relationships built on trust.** Developing trust between members of underserved communities and financial institutions is crucial to bringing the underserved into the banking system and in sustaining relationships with those consumers.
6. **Use technology.** Consistent with the FDIC's research, technology tools may allow consumers to engage more effectively with the mainstream banking system. These tools are successful when they offer convenience, accessibility, control, and responsive performance to all consumers.
7. **Build on progress.** Many of the programs described at the Summit have achieved concrete results. Through these programs, significant progress has been made in bringing underserved consumers into the financial mainstream.

Opportunities for Continuing Innovation and Partnerships

Banking relationships are more likely to succeed when mainstream financial institutions engage with the communities they serve. To build a foundation for financial well-being, consumers must have access to the right tools, including tools that build financial knowledge and skills, as well as products that meet their needs. They also must be encouraged to set goals and create plans to achieve those goals.

Summit participants acknowledged the progress made in expanding economic inclusion, but they also recognized the many challenges. A great deal of information and ideas were shared, providing direction and future initiatives to continue this progress and ultimately reduce the number of underserved consumers in the financial mainstream.

Summary of Panels

Insights from Research

This panel, moderated by Michael Barr, Professor of Law at the University of Michigan Law School, shared results of recent research to better inform the public on economic inclusion efforts. Panelists were Keith Ernst, FDIC Associate Director, Consumer Research and Examination Analytics; Fiona Greig, Director, Consumer Research at JPMorgan Chase Institute; and Rachel Schneider, Senior Vice President for the Center for Financial Services Innovation.

Safe Banking Products

Establishing safe and sustainable banking relationships was the focus of the second panel. Panelists discussed how to design and deliver products that work for customers, communities, and institutions. The panel moderator was Denise Belser, Program Manager, Economic Opportunity and Financial Empowerment Institute for Youth, Education, and Families at the National League of Cities. The panelists were Rani Boukerrou, Senior Vice President, Deposits and Fee Income Group of KeyBank; Margaret Libby, Executive Director for MyPath; and David Johnson, Senior Vice President and Director of Community Development at BankPlus.

Economic Inclusion Partnerships

The moderator for the panel on Economic Inclusion Partnerships was Jonathan Mintz, President and Chief Executive Officer of the Cities for Financial Empowerment Fund. The purpose of this panel was to demonstrate how partnerships that connect financial knowledge and financial services with work, education, health, and economic mobility opportunities may be especially effective. The panelists were Mary DuPont, Director of Financial Empowerment for the Delaware Department of Health and Social Services; Greg Housel, Community Affairs Specialist at the FDIC; Tina Lentz, Executive Administrator, Advocacy and Empowerment Division at the Department of Community Services Louisville Metro Government; and Jackie Loya-Torres, Community Development Officer at Commerce Bancshares, Inc.

Luncheon Speaker

Maurice Jones of the Local Initiatives Support Corporation (LISC), delivered luncheon remarks. Mr. Jones shared some of the innovative interventions and programs LISC provides to underserved and underbanked communities.

Sustaining Customer Relationships
This panel focused on maintaining enduring relationships by supporting consumer control and success. The moderator was Daniel Dodd-Ramirez, Assistant Director, Office of Financial Empowerment, Consumer Financial Protection Bureau. Panelists were Katy Davis, Managing Director, ideas42; Janet Gordon, Associate Director of Community Affairs, FDIC; and Leigh Phillips, Chief Executive Officer, EARN.

Growing Customer Relationships
Growing customer relationships and developing market share by building long-term loyalty among diverse customers were the topics covered by this panel. Moderator Kelvin Boston, Host of Moneywise for the Public Broadcasting System, led the panelist team of Jamie Armistead, Executive Vice President and Head of Digital Channels, Bank of the West; Lindsay Daniels, Associate Director for the Economic Policy Project, National Council of La Raza; and Alden J. McDonald, Jr., President and Chief Executive Officer, Liberty Bank and Trust Company.

Where Do We Go From Here?
The final panel of the day focused on the future of economic inclusion. The moderator was Mark Pearce, Director, Division of Depositor and Consumer Protection, FDIC. The panelists were Robert Annibale, Global Director, Citi Community Development and Citi Inclusive Finance; Andrea Levere, President, Corporation for Enterprise Development; and Bruce Murphy, Executive Vice President and Head of Corporate Responsibility, KeyBank.

Jonathan Miller
Master of Ceremonies
Deputy Director,
Policy and Research Branch
Division of Depositor and
Consumer Protection
FDIC

This conference was webcast live, and the video and transcripts are available on fdic.gov.

April 26, 2017

Martin J. Gruenberg, Chairman
Federal Deposit Insurance Corporation

FDIC Economic Inclusion Summit:
Strategies to Bring Consumers Into the Financial Mainstream
Arlington, VA

Welcome and thank you for joining us at this Economic Inclusion Summit. As the title of today's event suggests, we will explore strategies for bringing consumers into the financial mainstream. As will become apparent, the panels have been structured to promote dialogue and to invite members of the audience to participate. This is an important agenda, and the experts on the panels bring a wealth of experience from which we can all learn.

Benefits of Economic Inclusion

In the United States, a relationship with a financial institution is fundamental to households' full participation in the economy. Just as graduating from school and getting a first job are milestones, a bank account is a key step on the road to financial well-being.

Something as basic as an insured deposit account affords households the ability to safely deposit and store income, make payments toward monthly obligations such as rent or a mortgage, and engage in convenient daily transactions—such as buying groceries or more durable household goods. Bank accounts also come with a host of protections, such as those concerning electronic funds transfers and other rules that limit consumer liability for unauthorized transfers.

In addition, while an account may provide the foundation for economic participation, the benefits from a banking relationship can help families to save, establish credit histories, and obtain credit on favorable terms. When delivered with attention to the needs of consumers, this bundle of products and services can help families realize their goals and, in so doing, strengthen their confidence in the banking system, which goes to the core mission of the FDIC.

So, for the remainder of my remarks this morning, I will focus on FDIC efforts to enhance economic inclusion and lessons we have learned along the way.

Measurements of Banking Engagement

Since 2009, the FDIC has monitored consumer engagement with the banking industry through the biennial National Survey of Unbanked and Underbanked Households. This survey, conducted in cooperation with the Census Bureau, provides reliable measurements on access to and use of mainstream and alternative financial services at the national and state level and for 68 large metropolitan areas.

In our most recent survey, published in October 2016, the FDIC reported that 7 percent of households were unbanked, lacking any account relationship at an insured institution. The survey also showed that an additional one in five (or 19.9 percent) households were underbanked, defined as households in which a member had a bank account but nevertheless turned to alternative financial services providers during the year to address one or more needs for transactional services such as check cashing or credit. Altogether, the survey reported that some 90 million Americans, or nearly 27 percent of households, are unbanked or underbanked.

October's report showed that the proportion of the population that is unbanked had fallen for two consecutive surveys and is down from 8.2 percent in 2011 to 7 percent in 2015. What's more, FDIC analysts report that the change was larger than what might have been expected based on improving economic conditions over this time period.

Still, the survey provides ample evidence that much work remains to expand economic inclusion. Large segments of the U.S. population remain much more likely to be unbanked or underbanked, including 42 percent of households with incomes below $30,000 per year, 49 percent of African American households, 46 percent of Hispanic households, and 46 percent of households headed by a working-age individual with a disability.

Opportunities to Enhance Economic Inclusion

Building on the insights gained from the survey, the FDIC has undertaken a number of initiatives to expand economic inclusion. A key area of focus has been creating access to low-cost, safe transaction accounts.

We began by initiating the FDIC Safe Account project in January 2011. Banks that participated in the Safe Account Pilot project enrolled consumers in electronic transaction accounts that relied on debit cards, without a check-writing feature, to provide access to funds. The accounts were structured without overdraft or nonsufficient funds (NSF) fees, with low or no minimum balance requirements, and with low, transparent monthly fees.[1] Participating institutions reported positive results. Specifically, bankers reported that costs could be contained and that consumers maintained their accounts on par with the banks' experiences with other accounts.

In response to these positive results, the FDIC has continued to focus on making these accounts more widely available. Since the pilot, a number of large institutions have introduced accounts consistent with the features of the FDIC Safe Account. FDIC analysts estimate that more than 87 percent of Americans now live in a county with a full-service branch of an institution that offers a Safe Account.

In our view, making the accounts available is an important first step. We now want to make sure that consumers who would benefit from Safe Accounts are aware of their availability and are able to access them. To that end, we have been working in partnership with Cities for Financial Empowerment, the Bank-On movement, and FDIC-sponsored Alliances for Economic Inclusion (AEIs) around the country to connect the underserved with the institutions that offer these accounts. These partnerships, which include banks, community groups, state and local officials, philanthropic organizations, and others, share the common goal of bringing unbanked and underbanked households more fully into the mainstream banking system through these accounts.

As an aside, in talking to some of the institutions that offer Safe Accounts, we have learned that accounts with these features have been quite popular and turn out to have broad appeal to their customer base, and particularly to millennial customers.

Other Research

The FDIC has sought to inform its economic inclusion efforts through a number of other research projects based on the unbanked and underbanked survey. I would like to share briefly some takeaways from the past several years of work that suggest further opportunities to advance economic inclusion.

- We have analyzed household survey data to better understand the factors influencing Americans' use of financial services. For example, in 2014, the FDIC reported that exits from banking relationships were frequently associated with a job loss or significant drop in income, and entrances were often motivated by the desire to take advantage of direct deposit often in conjunction with a new job.[2] This finding suggests that banks may be able to retain more household customers if they allow monthly fees to be waived for reasons unrelated to direct deposit, such as monthly bill payment activity. On a related note, the most recent unbanked and underbanked report[3] revealed that households experiencing significant variability in their income from month to month were more likely to be unbanked at every income level. This finding suggests that efforts to help families prepare for and manage disparate pay cycles could better sustain banking relationships.
- We also have studied the economic inclusion potential of mobile financial services.[4] This research has indicated that underserved consumers believe mobile technology has the potential to enhance the level of control, convenience, and affordability that they associate with banking relationships. For example, the ability to monitor account balances in real time in order to avoid insufficient funds fees can be a powerful tool.

These findings help explain FDIC survey results showing a continued increase in the use of mobile financial services—including among underserved groups. Across multiple survey iterations, underbanked households remain more likely both to use mobile financial services and to rely on them as their primary means of accessing their account than the general population. But, while the growth in the use of mobile technology to access bank accounts has been impressive, jumping from 23 percent in 2013 to 32 percent in 2015, it still trails online and in-person methods. This suggests that sensitivity to consumer preferences, as well as explicit strategies to support those who would enroll in mobile financial services, could be beneficial.

- Finally, we conducted in-depth research with banks that have a reputation for operating in an inclusive manner to better understand how they develop trust and relevance among members of underserved communities.[5] While the approaches taken by study participants to accomplish this objective varied, they were consistent in the importance they attached to establishing and maintaining trust with underserved consumers. The theme came through not just in banker interviews, but also in interviews and focus groups with the leaders of partner nonprofit agencies, their line staff, as well as among underserved consumers themselves.

FDIC Activities

The FDIC has also sought to help build connections to the mainstream financial system by equipping consumers and entrepreneurs with critical information and a strong network. We have learned that banking relationships are more likely to succeed when the foundation is strong and when individuals are encouraged to develop goals – and plans to achieve them – at every stage of life.

One way we have worked to promote financial education is through *Money Smart*, our comprehensive and free financial curriculum. Over the past 15 years, *Money Smart* has grown from a simple paper-based curriculum for adults to include lessons targeted to school-aged children, entrepreneurs, and older adults offered in nine languages and Braille, and available through a wide range of downloadable and online resources. In fact, we have had almost 70,000 downloads of our curriculum for young people since introducing it in April 2015.

Though the FDIC offers introductory *Money Smart* webinars and workshops, we rely primarily on collaborations with banks and community organizations at the national, regional, state, local, and neighborhood level to deliver *Money Smart* material to consumers.

We also offer special guides in conjunction with the Consumer Financial Protection Bureau for parents and teachers and collaborate with the Small Business Administration to offer resources for emerging entrepreneurs. We urge banks, schools, and nonprofits to use these materials, tailor them to the needs in the community, and increase their impact.

The FDIC also recently completed a Youth Savings Pilot, in which we worked with 21 financial institutions, more than 100 schools, and many nonprofit organizations to link classroom-based financial education with the opportunity to open youth savings accounts. During the 2015–16 school year, participating banks opened more than 4,500 savings accounts for students.

Participants joined us in the fall at a symposium to discuss the pilot program. Several participating banks explained that they trained student tellers at school-based bank branches in basic financial concepts as well as soft skills required for customer service. Teachers reported that children gained confidence and made more effective decisions thanks to their roles as bankers or tellers in the in-school training programs. One banker noticed that some struggling students thrived at the in-school bank, with noticeable changes to their concentration, self-esteem, and even academic performance. Most also developed a more positive outlook on their ability to use banking services.

This spring we released a report and road map that provides opportunities for others to learn from the pilot. We also launched the Youth Banking Network in which banks can share information on providing youth banking and financial education in schools and communicate with other engaged institutions.

Martin J. Gruenberg
Chairman
FDIC

During 2017, we will be revamping our adult curriculum to provide more current information on accessing credit and managing debt, and to strengthen its design and relevance for people with disabilities.

As we offer these resources, we simultaneously help build the networks needed to strengthen access to mainstream financial services.

Across the country, we meet with Bank On organizations, asset-building groups, and FDIC-sponsored Alliances for Economic Inclusion to exchange ideas and expand connections between community organizations, local employers, government agencies, and banks in an effort to serve consumers better.

For example, the FDIC sponsors the Los Angeles Alliance for Economic Inclusion, whose members include bankers and community leaders. Since 2014, the alliance has collaborated with the America Saves campaign to promote safe and low-cost savings opportunities with a focus on unbanked households. In 2015, with the launch of the LA Saves campaign, the alliance led outreach efforts across the city that resulted in a total of 1,015 pledged savers. In 2016, LA Saves reached a year-end total of 1,367 pledged savers, saving nearly $150,000 monthly, to achieve goals like building an emergency fund, reducing debt, and purchasing a home.

Conclusion

I encourage each of you to work in your local communities to bridge the gaps between your organizations and consumers and communities that are wary of banks or concerned about bank access, and to contact the FDIC with suggestions for how we can provide support.

In conclusion, let me thank all of you for participating in this conference. It is encouraging to me to see the number of people engaged and committed to addressing this issue.

I would especially like to recognize the members of the FDIC's Advisory Committee on Economic Inclusion joining us today. Many of you have advised the FDIC for the full ten years over which the Committee has been active. We have benefited from your insights over the years and know that we will do so again today.

The issue of economic inclusion goes to the heart of the FDIC's mission of maintaining the public's confidence in the banking system and providing a safe and secure place for people to access financial services. The progress we have made from initiating the Unbanked and Underbanked Survey, developing the model safe transaction account and seeing it offered by financial institutions around the country, and exploring the potential of mobile financial services to expand access, among other initiatives, has been remarkable.

Today's conference is a great opportunity to review the lessons learned and to point the way to future initiatives.

Thank you again for being here today. I am looking forward to the program.

[1] See https://www.fdic.gov/consumers/template/.

[2] The 2013 National Survey of Unbanked and Underbanked Households found that 34.1 percent of exits from the banking system in the prior 12 months were reported to be associated with job loss or a significant drop in income. The survey also found that, among households entering the banking system in the prior 12 months, 34.2 percent cited taking advantage of direct deposit and 19.4 percent cited a new job.

[3] See the 2015 National Survey of Unbanked and Underbanked Households.

[4] See https://www.fdic.gov/consumers/community/mobile/.

[5] See https://www.fdic.gov/consumers/community/research/index.html.

Panel 1: Insights from Research

Overview

This panel shed light on the role of research in designing new ways to understand the extent of the financial vulnerability of American families as a result of income and expense volatilities.

Michael Barr
Professor
University of Michigan Law School

Keith Ernst
Associate Director
Consumer Research and Examination Analytics
Division of Depositor and Consumer Protection
FDIC

Moderator	**Michael Barr** Professor, University of Michigan Law School Ann Arbor, MI
Panelists	**Keith Ernst** Associate Director, Consumer Research and Examination Analytics Division of Depositor and Consumer Protection, FDIC Washington, DC **Fiona Greig** Director of Consumer Research, JPMorgan Chase Institute Washington, DC **Rachel Schneider** Senior Vice President, Center for Financial Services Innovation (CFSI) New York, NY

Summary

In opening remarks, Mr. Barr said that the goal of the panel is to shed light on the extent of the financial vulnerability of American families. The structure of work and employment in the United States is changing, and families, small business owners, and entrepreneurs are becoming more vulnerable to huge swings in their income and expenses. Mr. Barr identified the following four areas of focus based on existing financial vulnerability research:

- **Products**
  The economic inclusion community should continue to strive for innovation in products that focus on financial stability. The community also should develop safe and affordable products that provide a cushion against financial hardships.
- **Partnership**
  Our understanding of financial vulnerability reinforces the importance of partnerships among researchers, regulators, financial institutions, and local organizations.
- **Protection**
  Consumer protection is essential and should be designed to cover both banks and nonbanks. The economic inclusion community needs to support efforts of the Consumer Financial Protection Bureau to protect and defend families from unfair, deceptive, or abusive practices.
- **Policy**
  The economic inclusion community should focus on ways to empower consumers by, for example, reforming payment systems to help consumers get their money faster. Banks can also empower consumers by enabling them to more easily switch bank accounts and banks, which would encourage banks to focus more on providing quality services and less on generating contingent fees, such as overdraft charges.

Mr. Barr then invited each panelist to discuss their organization's research into financial vulnerability.

Mr. Ernst first described two primary goals of the FDIC's economic inclusion research. The first is to invest in high quality surveys that provide a frame of reference for informing the conversation on economic inclusion. The second is to analyze the data and conduct research to identify insights that can inform the work of economic inclusion efforts across the nation.

Mr. Ernst then summarized the following FDIC tools and research:

- **FDIC National Survey of Unbanked and Underbanked Households**
  This biennial survey, which is conducted with the Census Bureau pursuant to a statutory mandate, identifies the portion of households in the population that is unbanked or underbanked. The survey also provides estimates on the use of various financial products and services, household perceptions of financial institutions, as well as household use of bank branches, the Internet, mobile phones, and other means of accessing bank accounts. Users can create custom tables, maps, and charts based on year, geography, topic, and other variables (see EconomicInclusion.gov). The survey shows that banking status varies widely based on geography, education, race, disability status, and income, among other factors. This wide variation suggests that a variety of strategies may be appropriate to address the needs of different population segments. The FDIC also conducted complementary research into steps that certain financial institutions had taken to improve their ability to address the needs of unbanked and underbanked households. Building trust and familiarity emerged as particularly important factors in this research.

- **Mobile Financial Services Research**
  The FDIC conducted research with consumers across the country to better understand the economic inclusion potential of mobile financial services. Researchers identified that consumers frequently cited control, convenience, and affordability as common areas that banks could improve upon (see chart). Interestingly, consumers overall thought that mobile financial services can be a tool for forging improvements in these key areas.

Mobile Financial Services Research

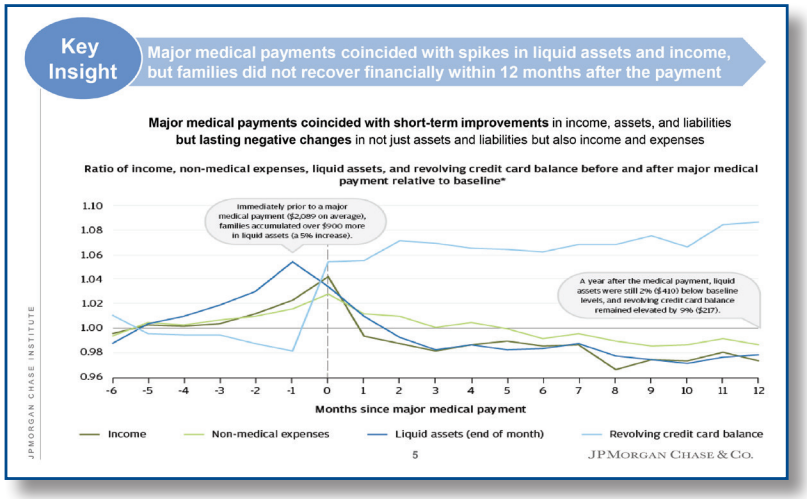
Consumer Need	Consumer Perception: Banking Services	Consumer Perception: MFS relative to other channels
Long-Term Financial Management	Very Strong	Superior
Control	Weak	Superior
Convenience	Weak	Superior
Affordability	Weak	Superior
Security	Strong	Inferior
Customer Service	Strong	Inferior
Access to Money	Very Weak	Similar

- Increase control through greater access to account information (record keeping, balance alerts, etc.)
- MFS gives consumers anytime, anyplace access physical branches currently lack
- Greater and more timely access to account information can help consumers avoid fees that lead to the perception of banks being expensive

Ms. Greig introduced research by the JPMorgan Chase Institute on the income and spending habits of 35 million checking account customers who were primarily middle income and banked. While the unbanked were excluded from the research by definition, many of the same issues confronting these households have also been shown to be relevant to and influential on the financial services choices of unbanked households.

Following are key findings, which are pervasive across the income spectrum:

- **Income volatility** peaks between ages 35 and 44 and then drops with age. Even when volatility is low at the older age group, considerable variation exists among older families, thus making them less likely to be represented by the mean. This finding suggests that a more tailored solution for older families is needed.
- **Expense volatility** is consistent across the economic and age spectrums. JPMorgan's research identified three key categories of extraordinary expenses that are at least $400, or more than 1 percent of a family's annual income: medical expenses, auto repair, and tax payments, or all of the above at the same time. Roughly four in ten families have made an extraordinary payment in any given year across these three categories. A case study noted that a family may delay seeing a doctor or making a payment until they have the money to do so. The family's financial situation had not yet recovered a year after incurring a large medical expense (for example, their credit debt was 9 percent higher, and their liquid assets were below baseline levels). The research revealed that expense volatility is very hard on families.



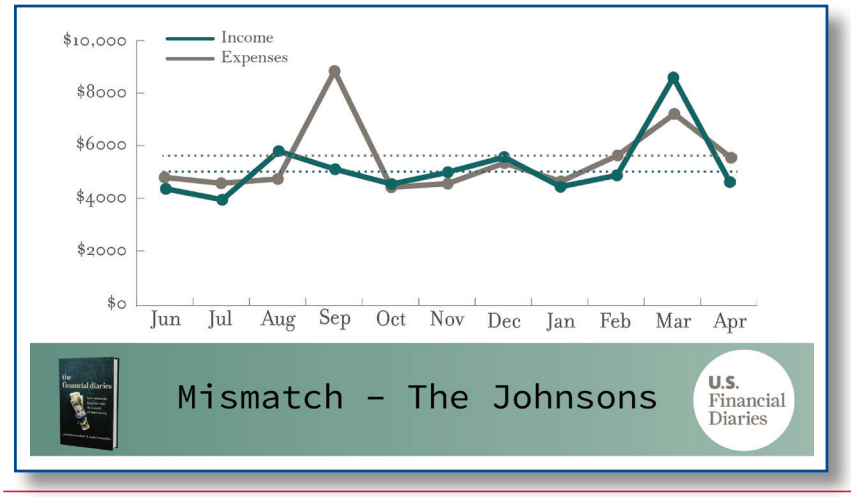
Ms. Schneider introduced a project called "financial diaries" that the CFSI conducted in partnership with New York University. Researchers studied the financial diaries of 235 families in Mississippi, California, New York, and on the Ohio-Kentucky border to understand how they were managing their finances. Through in-person interviews, researchers gathered detailed information about the financial lives of these families over the course of a year, including every dollar they borrowed, spent, saved, and gave away, and the events that led some of the families into serious financial predicaments.

Researchers found that many middle- and low-income families live uncertain financial lives. Ms. Schneider summarized the following case study that provided detailed insights on why families may fall into such situations:

... there really is a role for financial services to be a trusted part of somebody's life in a real way.

–Rachel Schneider

Sam and Sarah Johnson (not their real names) work full time and have steady income. However, their jobs do not support a middle-class life. On average, they spend more than they earn. Their problem is not overspending on discretionary items. Rather, a large share of their expenses is devoted to housing, transportation, and costs related to raising their children. Sam and Sarah experienced a significant increase in spending when they had house repairs and medical bills at the same time. Sarah used her student loan to pay these bills, which jeopardized her chances for finishing college. In addition, the family was not able to negotiate a payment plan with the hospital, and the hospital advised them to declare bankruptcy. Over the course of the year, Sam and Sarah have not made any headway in paying down their debt, which added a huge amount of economic and emotional stress in their lives. This is in spite of the fact that Sam and Sarah have health insurance, steady jobs, bank accounts, and retirement accounts.



Questions and Answers

Mr. Barr summarized research that has enabled the economic inclusion community to examine income volatility from various angles, including national surveys, bank account data analysis, and a sociological approach with in-depth household conversations. He then asked panelists the following questions:

- **What is the next thing you want to know that you don't know now?**
  Mr. Ernst noted that one theme that emerged from the FDIC's research is the importance of helping households build a buffer to address financial adversity. He noted that financial services can play a role in smoothing out the bumps along the road. Ms. Greig wanted to understand how households use their balance sheet. Ms. Schneider wanted to understand the specific solutions that are supported by data. For example, one hypothesis is that if a financial institution provides services that benefit customers, then the institution improves its bottom line (customer loyalty, profitability). The CFSI has not yet done the research to verify this hypothesis, however.
- **How do people view financial services?**
  Ms. Schneider commented that the view varies across the population. She cited an example from her study of a woman who felt excluded by banks in her town. The woman felt that the banks did not take her seriously, and she did not trust them. The woman then went to another financial institution at which she felt a sense of trust and belonging. Ms. Schneider also said that various immigrant groups have different views about financial services.

Questions from the audience concerned how to address regulatory barriers when promoting economic inclusion. For example, a banker asked how lenders can offer innovative products quickly without being penalized for failing to meet fair lending and CRA obligations. Mr. Ernst suggested that these considerations may not always be in tension, while acknowledging that it is important to remain mindful of these standards. By way of example, he noted that it is encouraging to see a high rate of mobile banking usage among low-income and minority consumers since the mobile channel opens up considerable opportunities.

Another audience member asked how banks can accept municipal identification cards for undocumented immigrants to help them gain access to financial services, if these cards are not fully endorsed by financial regulators.[2] Mr. Barr said that the Bank Secrecy Act and Anti-Money Laundering Act are overly complicated and not permissive enough, and that banks are wary about accepting these identifications.

Key Takeaways

- **Research and data can be helpful resources** for banks and other stakeholders seeking to evaluate the opportunity to address the needs of unbanked and underbanked households.
- **The structure of work and employment in the United States is changing**, and families, small business owners, and entrepreneurs are becoming more vulnerable to significant swings in their income and expenses.
- **The research revealed that expense volatility is very hard on families**. The main drivers of such volatility include medical expenses, auto repair, and tax payments.
- **Families may find themselves in precarious financial situations**, even if they have health insurance, steady jobs, bank accounts, and retirement accounts, because they lack a cushion for unforeseen expenses.
- **Bank and nonbank leaders continue to strive for innovation in products that help families manage income volatility and focus on financial stability**. The economic inclusion community should also work to develop safe and affordable products that provide a cushion against financial hardships resulting from this volatility. Financial services can play a role in smoothing out the bumps along the road, but we need data to fully understand how financial services can play this role effectively.
- **Regulators have an ongoing role in considering how regulatory actions affect economic inclusion**. The regulatory agencies should also assess the role of consumer protection in the design of safe and affordable products.

[2] The FDIC has indicated that a bank may accept a municipal ID card as a means of documentary verification as provided in the bank's CIP procedures. Because the rule is risk-based, the bank must assess the risk presented by the customer.

Panel 2: Safe Banking Products

Overview

Panel 2 focused on best practices for the design and delivery of banking products that benefit customers, communities, and institutions. Panelists discussed innovative solutions to address problems facing the underserved and highlighted solutions involving financial literacy, creative partnerships, and technology.

Denise Belser
Program Manager
Economic Opportunity and Financial Empowerment
National League of Cities (NLC)

Margaret Libby
Executive Director
MyPath

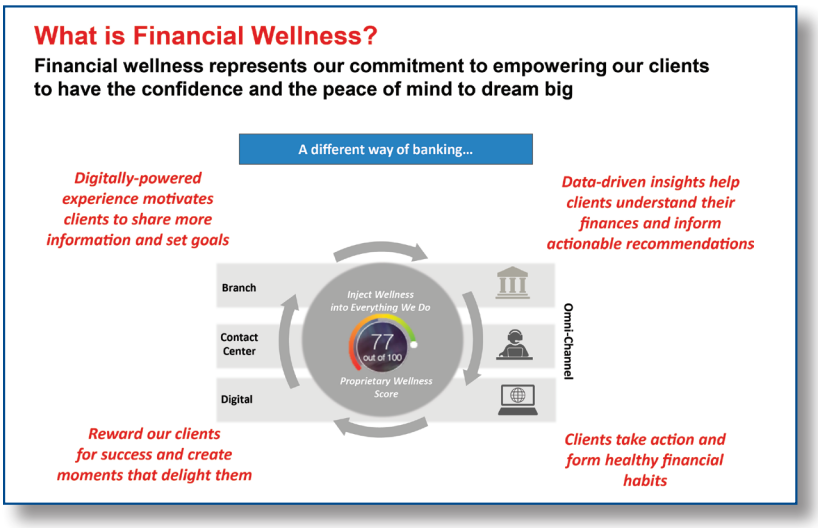
David Johnson
Senior Vice President and Director of Community Development
BankPlus

Moderator	**Denise Belser** Program Manager, Economic Opportunity and Financial Empowerment National League of Cities (NLC) Washington, DC
Panelists	**Rani Boukerrou** Senior Vice President, Payments and Rewards, KeyBank Cleveland, OH **Margaret Libby** Executive Director, MyPath San Francisco, CA **David Johnson** Senior Vice President and Director of Community Development, BankPlus Jackson, MS

Summary

In opening remarks, Ms. Belser noted that financial inclusion and economic mobility are becoming higher priorities for city leaders across the nation given the growing understanding that when families are financially stable, cities thrive. Sixty-five percent of cities surveyed by the NLC have financial inclusion programs, including children's savings accounts and small-dollar loan programs. Ms. Belser stressed that the level of energy and interest in affordable and accessible banking products is appropriate, because they are the solutions to the challenges facing the economic inclusion community. Too many Americans lack bank accounts, still patronize alternative financial services for support, and are vulnerable to predatory services because they do not have the "know how" to manage their money. Ms. Belser acknowledged that predatory lending practices will not disappear overnight but noted that opportunities exist to combat these practices. She challenged banks and other financial service providers to be innovative and to think about developing products that are more sophisticated, transparent, affordable, and accessible.

Mr. Boukerrou discussed the work that KeyBank has undertaken since 2004 to help customers gain access to the banking system and how that experience transformed and shaped the bank's culture. He explained how the bank initially developed initiatives to help the unbanked and underbanked segments of the market and identified the four Cs—cash, convenience, credit, and coaching—as the primary needs of those customers. In developing strategies built around these needs, KeyBank realized that its approach to supporting and creating products resonated beyond underserved populations and could be universally applied across its customer base.



Mr. Boukerrou also highlighted three KeyBank products: KeyBank Plus, a program that allows noncustomers to cash checks; KeyBank Hassle-Free Account, an account with no monthly transaction requirements, no minimum balance fees, and no overdraft fees; and KeyBasic Credit Line, an unsecured revolving credit line with a variable APR that provides instant access to funds up to $5,000. KeyBank reports consumer performance on the KeyBasic Credit Line to credit bureaus, to help customers establish or improve their credit scores.

Mr. Boukerrou stressed that access to bank products is a first step and not the final solution to financial well-being for Americans. Most of his discussion centered on KeyBank's Financial Wellness Program, which is intended to increase consumer confidence and peace of mind. He said that the top worry for consumers in their 30s, 40s, and 50s is financial security but that most consumers are too embarrassed to seek advice on managing finances. The Financial Wellness Program utilizes the HelloWallet platform, a no-cost application that provides personalized financial guidance using insights from customer behavior. Specifically, the app prompts customers to answer questions in eight categories, such as how much savings they have, how much they spend, their loan and credit card balances, and whether they have insurance coverage. Based on their responses, customers receive a final wellness score from 1 to 100. Using the score, the app provides recommendations, helpful reminders, and meaningful tips. Mr. Boukerrou said banks have a prime opportunity to redefine how they provide services. Shifting focus away from providing access to products and transactional accounts to embracing a financial wellness model is a win-win for institutions, the economy, and customers.

I will tell you that experience has reinforced our commitment to putting the customer at the center of what we do. It has influenced also our decision to become champions of financial confidence for our customers. And it's a driving force as we embark on what I see as a new stage in our journey to bring financial wellness to all of our customers.

–Rani Boukerrou

Ms. Libby discussed MyPath's initiatives to help place young people (ages 16–24) on the road to financial stability and mobility by using their first paycheck experiences to integrate them into banking, savings, and credit-building.

MyPath approaches its vision in three different ways. First, the organization engineers effective models. They use a financial capability approach to provide youth with quality financial products built around their needs, combined with MyPath financial education and personal goal setting. Goals, accountability, and incentives are embedded in the programs that feature products, direct deposit, and technology. Ms. Libby highlighted MyPath's use of technology/apps to help youth set goals and monitor spending through an expense tracker and youth savings contract.

Second, MyPath shares what works through partnerships. The MyPath model involves relationships among local youth employment programs, the MyPath program, and banks and credit unions. The organization shares best practices through training and technical assistance to support the adoption of its approaches in local communities. She referenced the successful results of an April 2017 pilot study on MyPath's new credit-building model designed specifically for low-income working young adults. She also mentioned an April 2016 study conducted in conjunction with the Federal Reserve Bank of San Francisco that highlighted positive results from the organization's programs and initiatives.

Third, MyPath advances policy change. The organization creates and promotes the MyPath national youth banking standards, which generally align with the FDIC Safe Account and Bank On features. In addition, MyPath advocates reducing some of the barriers young people encounter when trying to access safe, quality financial products, including custodial account barriers and identification requirements. She concluded by highlighting the successes of MyPath: more than 8,000 low-income working youth have obtained access to banking accounts, are saving, and are building credit.

Mr. Johnson recounted the history of BankPlus and highlighted the critical need for affordable banking services in Mississippi, where more than 12 percent of the households in the state are unbanked, another 25.5 percent are underbanked, and the poverty rate (22.6 percent) is the highest in the nation. He also noted that Mississippi is home to a large number of payday loan outlets (over 1,000, in his estimation).

Mr. Johnson described the BankPlus CreditPlus program, initially developed in 2008 to provide an alternative to payday loan products. CreditPlus is a small-dollar, short-term, partially secured loan program designed to help the unbanked and underbanked establish credit, start a saving plan, and break the cycle of payday loan dependency. Three types of secured loans are available under the program—a Credit Builder product, a $500 loan, and a $1,000 loan—all with a 5 percent interest rate and a one-to-two-year repayment period. Mr. Johnson acknowledged skepticism about the model but assured the audience that making loans at 5 percent has been profitable for BankPlus.

Mr. Johnson explained that the three CreditPlus loan products evolved in response to higher-than-anticipated defaults with its initial payday loan alternative program that provided unsecured loans of up to $1,000. Undeterred by the losses and committed to meeting the needs of underserved communities, BankPlus retooled the program into the three loan products described above. BankPlus continues to serve individuals with blemished credit scores through the CreditBuilder loan product, which is a fully secured BankPlus savings account for people with credit scores under 500 and loans limited to $500. Customers with higher credit scores can obtain CreditPlus loans for either $500 or $1,000 (minimum 600 credit score) depending on credit score. The loan is split between the BankPlus savings account and checking account, with half of the loan held in the savings account until the loan is repaid.

David Johnson
Senior Vice President and Director
of Community Development
BankPlus

The CreditPlus loan program has two components for helping consumers establish or improve their credit: (1) a three-hour financial literacy training seminar developed using the FDIC *Money Smart* curriculum and (2) a savings and/or checking account and loan to help pay off higher interest debt and start a savings program. The financial literacy course and six months verifiable income are required to qualify for a CreditPlus loan.

Mr. Johnson concluded by noting that the CreditPlus program has been successful. About 27,000 loans totaling $19.9 million have been originated under the program since its inception. Approximately 3,000 loans with balances totaling $1.2 million are outstanding. Moreover, the program has resulted in 12,000 deposit accounts with balances totaling over $6 million, and credit scores have improved an average of 40 points or more over the life of the loan.

Questions and Answers

Ms. Belser asked the panelists to talk about the target audience for their credit products and why they decided to target those audiences.

Mr. Boukerrou said that KeyBank did not intend to target or isolate one specific customer segment at the expense of another. He reiterated that KeyBank's approach has been to address the needs of the market, because the bank's experience and research have shown that financial security needs are universal.

Ms. Libby said that MyPath focuses on youth and young adults and cited positive outcomes that MyPath has achieved by partnering with other organizations to improve youth savings. Specifically, she said that the share of young people using check cashers dropped significantly after one year in a summer employment program sponsored by MyPath and numerous partner organizations. In another program, a majority of young people saved 30 percent of their income and improved credit scores, while 85 percent met their savings goals. "This is an illustration of what can happen when these kinds of partnerships are formed," Ms. Libby said.

Mr. Johnson said that BankPlus targeted their programs to the unbanked and underserved because of the proliferation of payday lenders and check cashers in Mississippi. In developing their payday loan alternative programs, BankPlus interviewed people who patronized payday lenders and was surprised to learn that teachers use payday loans because they typically are paid only once a month. Many other payday loan customers cited convenience, friendliness, and accessibility as reasons they used payday lenders. In response, the bank has moved some of its operations outside of its branch locations and encourages less formal interactions with potential loan customers. For example, the bank holds financial literacy classes at Jackson State and the Salvation Army, and bank personnel wear casual attire.

Ms. Belser followed up with a question about the performance of the BankPlus loan portfolio and whether it contained a financial coaching component in addition to a financial literacy class. Mr. Johnson said that the delinquency rate is roughly 7.5 percent, which he said is about average for this type of product, but cautioned that institutions must continuously review performance. In terms of financial coaching, he noted that customers visit branches and meet one-on-one with a loan officer to discuss their personal situation. Because the bank lacks capacity to provide formalized credit counseling, it partners with counseling agencies in the state to offer more comprehensive services.

Citing statistics on identity theft, an audience member asked the panel how identity theft affects children as they become adults. Ms. Libby of MyPath acknowledged that custodial accounts present challenges for young people, so MyPath requires noncustodial accounts for youth under 18. She also acknowledged the challenges that teens face from blemishes on their credit report, which often result when family members use the youth's social security number to obtain or maintain utility services or other household necessities.

Margaret Libby
Executive Director
MyPath

Mr. Johnson was asked how BankPlus generates and continues to grow its customer base. Mr. Johnson responded that early on, the bank did not advertise or market its CreditPlus program. Instead, they attracted customers by word-of-mouth, because it was relatively easy to obtain a CreditPlus loan. Since the program has been revised to require secured accounts as collateral, demand has slowed but nonetheless remains robust.

Key Takeaways

Economic inclusion programs are successful when they provide access to affordable and sustainable products.
Economic inclusion programs that provide access to affordable products and solutions foster long-term financial stability and well-being. Consumers need to be able to set goals, monitor finances, and build financial capabilities.

Consumers want control of their finances.
Financial security is a top concern of U.S. consumers. To achieve the goal of bringing people into the economic mainstream, the economic inclusion community must help consumers take control of their finances, which ultimately leads to financial stability, security, and mobility. Products and services that contain design features that help consumers make good decisions and take appropriate actions are critical.

Financial products must be built around needs.
The economic inclusion community should use research and gather input from the public regarding the needs of existing and potential customers to help shape products and services.

- KeyBank research showing that fees were the primary reason consumers select a particular bank account allowed the bank to offer deposit accounts with no or limited fees. Experience gained by designing programs for the unbanked revealed that certain needs are universal. The resulting account was very popular across a range of diverse customers.
- MyPath studies showed that helping low-income youth requires a more comprehensive approach than merely providing check-cashing services and financial literacy classes.
- BankPlus identified a concern—proliferation of payday lending firms in Mississippi—and worked to design a loan program that would provide an alternative to high-cost banking products and help consumers build savings.

Technology can be an important means of helping consumers set goals and control their finances, but it is not a silver bullet.
Although panelists discussed the important role that mobile phone applications play in helping consumers set goals and monitor spending in real time, they acknowledged that face-to-face interaction is often paramount for financial coaching and technical assistance initiatives. The approaches go hand in hand.

Partnerships are important.
Banks can leverage partnerships with government, nonprofits, educational institutions, and other entities to develop and deliver innovative products and services to targeted customer segments using technology, financial literacy/coaching, technical assistance, outreach, and research.

Financial institutions must be willing to refine programs or expand program focus.
Institutions that develop economic inclusion programs should be prepared to examine ongoing performance and identify and address obstacles that may hinder program effectiveness. The BankPlus example illustrates how an institution can adjust program parameters but continue to provide needed services to underserved communities.

Panel 3: Economic Inclusion Partnerships

Overview

Panel 3 focused on economic inclusion partnerships that connect the financial services and expertise of banks with workforce, education, health, and economic mobility opportunities. The panel focused on programs that aim to promote financial stability and bring people into the mainstream financial system. Panelists described the essential role that partnerships across sectors play in achieving programmatic economic inclusion goals.

Jonathan Mintz
President and Chief Executive Officer
Cities for Financial Empowerment (CFE) Fund

Mary DuPont
Director of Financial Empowerment and $tand By Me
State of Delaware

Tina Lentz
Executive Administrator, Advocacy and Empowerment Division
Department of Community Services, Louisville Metro Government

Moderator	**Jonathan Mintz** President and Chief Executive Officer, Cities for Financial Empowerment (CFE) Fund New York, NY
Panelists	**Mary DuPont** Director of Financial Empowerment and $tand By Me, State of Delaware New Castle, DE **Tina Lentz,** Executive Administrator, Advocacy and Empowerment Division Department of Community Services, Louisville Metro Government Louisville, KY **Jackie Loya-Torres** Community Development Officer, Commerce Bank Kansas City, MO **Greg Housel** Community Affairs Specialist, Division of Depositor and Consumer Protection, FDIC Kansas City, MO

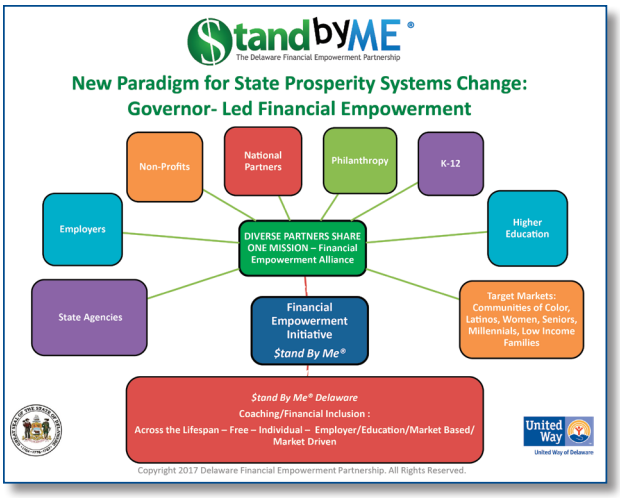
Summary

The success of economic inclusion often depends upon the effectiveness and vibrancy of partnerships. Panelists spoke to the importance of partnerships in economic inclusion efforts and shared lessons learned about effective partnerships, including best practices and strategies for developing and implementing partnerships across sectors. Financial institutions can help ensure that these partnerships are sustainable by providing the needed services.

Panelists noted that the nonprofit sector's partnership with philanthropic organizations can only go so far in improving personal financial well-being. They maintained that government plays a unique role in reaching communities to expand personal financial well-being.

Ms. DuPont discussed Delaware's multi-sector, public-private systems-change approach to address economic inclusion. She described Delaware's $tand by Me statewide financial empowerment program, which focuses on financial coaching and access to financial products and services. The program is a public-private partnership between the state of Delaware and the United Way of Delaware that leverages partnerships with employers, state agencies, the K-12 community, national partners, nonprofits, higher education institutions, philanthropic organizations, and financial institutions. Ms. DuPont underscored the importance of having government at the table, citing the work of Jonathan Mintz as Commissioner of Consumer Affairs in New York City.[3] She pointed out that government can provide the leverage to create change.

A core principal guiding Delaware's development of effective economic inclusion partnerships is finding organizations with common missions so that the work of partnering organizations is mutually reinforcing. For example, one goal of Delaware's Department of Housing is to increase affordable housing and homeownership. However, many Delaware residents who want to become homeowners do not qualify for homeownership programs because their credit scores are too low, they have too much debt, or they lack savings. Creating an economic inclusion partnership with $tand by Me helped address these barriers by building a pipeline to housing counseling that helps clients take steps to improve their financial health.



In another example, the $tand by Me coalition partnered with Head Start to serve low-income families. To be effective in reaching these families, it was essential for $tand by Me to first understand why a Head Start organization would want to work with a financial empowerment organization. In Delaware, improving the quality of early childhood education could increase reimbursements for Head Start organizations and make them eligible for additional grants. Delaware's Head Start childcare centers can improve their quality ratings by incorporating financial empowerment into their work.

…the whole goal of our program is to find the win-win. How do we support other organizations and partners so that they can be more successful in their goals, and ultimately how do we increase economic security for the many people that we're touching through this effort?

–Mary Dupont

The goal of $tand by Me is to provide a win-win to help partner organizations be more successful in meeting their goals while improving the economic security of those who participate in financial inclusion programs.

Ms. Lentz shared how the city of Louisville launched the Bank On program in 2010 as a joint effort between the city's Community Services and Economic Development departments. The decision to launch the program as a joint effort was based on the premise that raising the bankability of low-income residents could directly affect the economic stability of the community where these residents live and the metro area as a whole. City leaders posited that moving people to mainstream banking and away from the cash economy could help the city demonstrate to investors the benefits of greater investments in business enterprises in those communities.

Bank On Louisville has subsequently evolved to include a range of programs and interventions related to banking access, financial education and empowerment, and capacity building. Louisville has partnerships across sectors and on local, state, regional, and national levels. Partnerships leverage time, talent, resources, and expertise to advance common goals. For example, through its capacity-building efforts, Louisville has recruited 430 frontline staff and case managers to participate in training programs that focus on financial empowerment, behaviors that influence financial decision making, and financial tools and techniques. This type of training helps to improve the referral system for financial empowerment programs and helps those clients that frontline staff and case managers serve.

[3] Mintz launched the NYC Office of Financial Empowerment, which incorporates financial empowerment programming into municipal service delivery, including, for example, creating financial counseling partnerships with city agencies involved in housing and workforce development. (NYC Department of Consumer Affairs Office of Financial Empowerment: Progress Report, 2010-2013,http://www1.nyc.gov/assets/dca/downloads/pdf/partners/Research-OFEProgressReport20102013.pdf)

Mr. Housel spoke about the FDIC's efforts to build economic inclusion partnerships in Kansas City that address family stabilization, financial education, and economic mobility, and address the goal of banking the unbanked. He discussed the Alliance for Economic Inclusion and *Money Smart* KC, two coalitions that work with partners across sectors, including financial institutions, government, nonprofits, churches, school districts, human resource directors, and re-entry professionals. *Money Smart* KC created a resource website—www.moneysmartkc.org—through collaborative efforts involving 131 partners. The website brings together more than 5,000 family stabilization resources and financial education resources for adults, teens, youth, and service providers. It also features a financial education calendar, with links to upcoming events and programs, and includes a dedicated *Money Smart* Month page. Over 27,300 individuals participated in the more than 500 financial education classes and programs during this year's *Money Smart* Month (April 2017).

Ms. Loya-Torres described Commerce Bank's work as a partner in *Money Smart* KC's education initiatives. This partnership has offered Commerce Bank a way to be effectively involved in the community and to support financial education. More than 50 bank, corporate, community-based, and government agency partners work on the Commerce Bank/*Money Smart* KC Steering Committee. The end goal of *Money Smart* KC is to stabilize the LMI family, financially educate the family, bank the family, and promote economic mobility within the family through increased education.

Almost all the *Money Smart* KC Steering Committee members, together with organizations hosting classes and the 131 authors of the *Money Smart* KC website, are Alliance for Economic Inclusion Kansas City (AEI) members. Being a part of these multifaceted partnership organizations offers the bank a way to reach the community that would otherwise not be possible.

Questions and Answers

Citing a study by the Federal Reserve Bank of Boston which found that 70 percent of low- and moderate-income households pay rent with cash or money orders, an audience member asked about ways to engage with landlords to bring people into the banking system by increasing acceptance of electronic payment mechanisms for rent payments. Mr. Mintz noted that the CFE Fund is working with housing authorities to experiment with electronic payments. The CFE Fund is trying to make the case that facilitating electronic payments would lead to more on-time payments, help residents cure rental arrears more quickly, and ultimately demonstrate the value proposition of electronic payments to large landlords.

Another audience member asked about challenges and examples of failed partnerships. Ms. DuPont described an effort to work with a supermarket chain to provide financial counseling to supermarket employees. Despite strong interest from the supermarket's owners, after more than a year, they were unable to make the partnership work. $tand by Me encountered challenges in providing services in a retail setting, where private space for financial counseling

was hard to find and where staff found it difficult to step away from their work responsibilities to meet with a financial coach, especially when customers were waiting for service. Ms. Lentz discussed the ongoing challenge of turnover of staff at financial institution branches. In the past, Louisville tried to facilitate relationships between nonprofit organizations and branch staff, so that nonprofits could send their clients to individual employees rather than branch locations. However, employee turnover made this approach untenable. Ms. Lentz noted that some financial institutions actually advised against developing these relationships at the branch level because of staff turnover.

Panelists also responded to a question about expanding partnerships to include new groups, such as organizations that serve people with disabilities. Ms. DuPont described partnerships with nonprofit organizations in Delaware that serve people with disabilities. Mr. Housel discussed incorporating disability resources on the *Money Smart* KC website. Ms. Lentz described a partnership with the National Disability Institute (NDI) to integrate financial empowerment to Louisville's service delivery. She also noted that Louisville's partnership with the CFE Fund includes working to improve accessibility for people with disabilities.

Key Takeaways

Expanding awareness and participation often requires growing partnerships with trusted organizations.
Partnerships are an ideal channel to reach new populations for the purpose of expanding economic inclusion and providing banking services. Finding trusted organizations that are already working with a population is a best practice.

Recognizing the common mission is a key to success.
For partnerships to succeed, each stakeholder's strategic goals should be advanced, creating a win-win for all organizations involved.

Effective partnerships start with understanding each partner organization's process and measures of success.

Open communication is a critical component of successful partnerships.
This is especially important when confronting inevitable problems.

Creating effective partnerships, built on trust, takes time and commitment.
Maintaining continuity over time in personnel, and a sustaining commitment to the partnership over time, is an important component in building and nurturing trust.

Ensure frontline bank staff are familiar with the bank's products that meet the needs of the underserved, as well as financial empowerment programs in the community.
For a bank to be successful, management and staff need to be aware of the community's goals and to understand the importance of the bank's commitment to those goals.

Partnerships are not one size fits all.
Different sectors (for example, government, the private sector, community-based organizations, and banks) have unique attributes and requirements that must be understood for the partnership to be successful. Not all partnerships will go as planned, and it is important to know when to adapt if a partnership is not working.

… by raising the bankability of low-income residents, we would not only help to improve their household stability, but we could directly impact the economic stability of our community in the areas where they live, and the metro area as a whole.

–Tina Lentz

Luncheon Speaker

Innovation

Maurice Jones
President and Chief Executive Officer
The Local Initiatives Support Corporation (LISC)
New York, NY

Maurice Jones
President and Chief Executive Officer
The Local Initiatives Support Corporation (LISC)

Mr. Jones shared some of the innovative interventions and programs LISC provides to underserved and underbanked communities.

He highlighted the accomplishments of LISC's Financial Opportunity Centers (FOCs)—career and personal finance service centers that help low- and moderate-income people build smart money habits. LISC has a network of nearly 80 FOCs across the country.

The FOCs use a multidisciplinary approach to deliver three core services to consumers: employment counseling, financial counseling, and income support counseling.

Many FOC participants come from the same groups of consumers profiled in the FDIC National Survey of Unbanked and Underbanked Households. Among those the FOCs have helped, 60 percent had never had a savings or checking account at any point in time. Most were African American or Latino, 23 percent did not have a high school diploma, half had not worked in the past year, and nearly 80 percent had no credit or thin credit.

As a result of LISC's work, by 2016, more than 5,000 FOC participants had found employment, 5,500 had improved net income, 4,200 had improved net worth, and nearly 5,000 had improved their credit score or obtained a credit score for the first time. LISC's most recent report shows that 63 percent of FOC participants had accessed more than one of the three core services, and 33 percent had accessed all three. Results for employment, net worth, and credit score improved more among those who accessed more than one core service.

Panel 4: Sustaining Customer Relationships

Overview

This panel focused on ways financial institutions can maintain enduring relationships with their customers by supporting consumer control and success. The panel explored concrete steps that banks and their partners could take to achieve this goal.

Daniel Dodd-Ramirez
Assistant Director, Office of Financial Empowerment
Consumer Financial Protection Bureau

Katy Davis
Managing Director, ideas42

Leigh Phillips
Chief Executive Officer, EARN

Janet Gordon
Associate Director, Community Affairs
Division of Depositor and Consumer Protection
FDIC

Moderator	**Daniel Dodd-Ramirez** Assistant Director, Office of Financial Empowerment, Consumer Financial Protection Bureau Washington, DC
Panelists	**Katy Davis** Managing Director, ideas42 New York, NY **Leigh Phillips** Chief Executive Officer, EARN San Francisco, CA **Janet Gordon** Associate Director, Community Affairs, Division of Depositor and Consumer Protection, FDIC Washington, DC

Summary

Mr. Dodd-Ramirez challenged the panel to think about what customers want from a bank and suggested three such wants: expedited access to their funds, mobile services, and access to real-time account balance information. He also touched on FDIC research which shows that people cite many reasons for exiting the banking system, including that they do not think they have enough money for a bank account and they do not trust banks. Despite the known risks, some consumers, especially those with low to moderate income, still use alternative financial service (AFS) providers, because those providers are often more convenient than traditional financial institutions and are established in the community, which engenders trust.

Mr. Dodd-Ramirez concluded his remarks by recounting a personal experience from his childhood that illustrated how setting aside even small amounts of money for unexpected expenses is critical for low-income families to build resilience. He then invited each panelist to briefly introduce their company or agency and discuss lessons they have learned working with customers.

… the programs we design, the products and services we design, and the way we design them can actually have quite a bit of impact on what people end up doing.

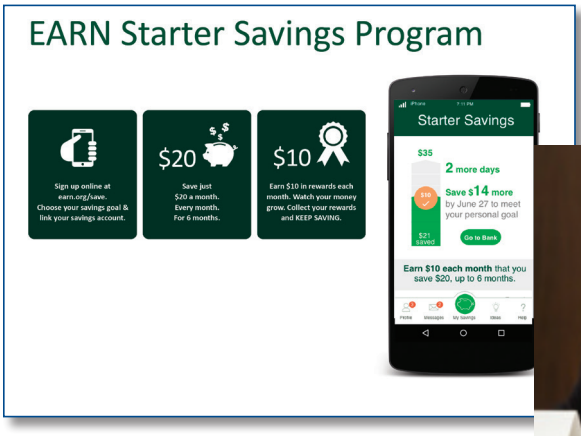
–Katy Davis

Ms. Davis introduced ideas42, a nonprofit behavioral design firm that takes the insights from the behavioral sciences world and applies those insights to design solutions for real world problems. Consumer finance has been at the core of ideas42 from the beginning and remains one of the firm's primary focus areas.

Ms. Davis said that it is important to recognize that contextual features play an important role in how consumers react to various financial products and services. Ms. Davis emphasized that, as organizations design economic inclusion programs and the products and services to further inclusion, it is important to realize that the way they are designed significantly affects how consumers engage and whether they succeed in achieving their goals.

Ms. Phillips introduced EARN, an organization that helps create prosperity for low-income families by helping them build savings using individual development accounts, matched savings accounts, and children's savings accounts.

She noted that because half of the people in the United States lack even small amounts of savings for unexpected expenses, they cannot cope with unanticipated financial setbacks, such as a car repair, without going into debt. To help address this issue, EARN used a technology-based solution to develop its Starter Savings Program, a mobile app that helps individuals and families save money.



Leigh Phillips
Chief Executive Officer, EARN

Janet Gordon
Associate Director, Community Affairs
Division of Depositor and Consumer Protection
FDIC

Under the program, if users save at least $20 per month, EARN rewards them with $10 per month. EARN's target audience is people living in the United States who earn 80 percent of the area median income or less and have an email address. About 70 nonprofits advertise EARN's program on their websites, and EARN has partnerships with other online programs that promote the Starter Savings Program, including FreshEBT which helps low-income families track their usage of SNAP (food stamps) benefits. Ms. Phillips explained that EARN's software communicates with customer databases at banks and credit unions using data aggregation, so that people can save money in an existing account. This eliminates the need to open an additional or special account just to use the EARN program, adding another level of convenience.

Ms. Phillips stressed that low- and moderate-income people can and will save money; they just need tools to help them save. She reiterated a common theme from the panel: saving money is transformative and provides lasting resilience for families. It provides families confidence not only in their financial knowledge, but also in their lives in general. Saving money, even small amounts, has significant impact on family well-being.

Ms. Gordon explained that the FDIC's Community Affairs team promotes economic inclusion in two important ways. First, Community Affairs provides and supports *Money Smart*, the FDIC's free financial education program with curricula for all ages, from pre-K to older adults. Second, Community Affairs promotes economic inclusion partnerships through its regional staff, who provide technical assistance, for example to Bank On coalitions and through Alliance for Economic Inclusion (AEI) initiatives. Ms. Gordon emphasized that *Money Smart* could not be effective without the FDIC's valued partners in the community.

She concluded her remarks by noting that the FDIC focuses on five opportunities that can represent a household's progression toward economic inclusion. The first opportunity is financial education, which serves as the foundation for the others. The second is establishing bank accounts. The third opportunity is increasing access to credit and savings. The fourth is helping people own their own home, and the fifth, providing the opportunity for people to become entrepreneurs or own a business.

Questions and Answers

Customer Insights

Mr. Dodd-Ramirez asked the panel to discuss insights gained by listening to customers.

The panelists provided numerous examples of how customer feedback has helped them fine-tune their products and services. Ms. Davis, for example, said that customer insights play an important role in informing the design of their products. She discussed an ideas42 client who introduced a new mobile check deposit app they thought would be popular with customers, yet very few were using it. ideas42 looked at the data, interviewed the client's customers, and held customer focus groups. Results from that customer research informed the design of a new welcome kit that ideas42 tested through a randomized controlled trial (RCT). The kit included a $5 incentive, used social norms language (such as, "Many other people are using this app!"), and provided specific instructions for how to properly deposit a check using the app. Because of this customer-focused approach to product design, the RCT showed a 40 percent increase in mobile usage and an increase in total checks deposited.

Ms. Phillips recounted how customer insights compelled EARN to implement two key changes to its Starter Savings Program. Initially under the program, users lost all of their rewards when they withdrew money from savings. Although the program had encouraged saving, it made customers feel unsuccessful when they had to withdraw money. EARN redesigned the program to address this concern. Now, if users take money out of savings, they lose only the $10 reward for that month rather than losing all of their rewards. EARN also changed the savings program to no longer require customers to link a bank account before reviewing the program's features and deciding whether to participate.

Ms. Gordon said that the FDIC's Community Affairs team has diverse partners in communities across the nation and relies on a train-the-trainer approach. She reiterated that the FDIC's *Money Smart* financial education program works because of the access points those partners provide, and the FDIC uses their continuous feedback to improve and supplement those tools. This "users group" is called the *Money Smart* Alliance and also provides a focal point for peer-to-peer learning.

Volatility, Convenience, Control, and Affordability

Mr. Dodd-Ramirez next invited the panelists to discuss how they address income and expense volatility among underserved consumers and consumers' need for convenience, control, and affordability. Ms. Gordon said that the FDIC gleaned information on the impact of income and expense volatility and consumer control by attending a recent meeting convened by one of its community partners, the National Disability Institute (NDI). NDI drilled down into the FDIC's 2015 banked and unbanked data, specifically focusing on households headed by an adult with a disability. The members of the "reactor panel" at the NDI meeting, composed of people with disabilities, were unanimous in their belief that what is important for people with disabilities is generally what is important for everyone. People with disabilities need information that they can act on, transparent products that meet their needs, technology that works, and most of all, experiences that reinforce trust. Banks need to remember to show all customers that they are valued.

Ms. Phillips reminded the audience that technology allows customers to take action right away; they just need to "push the button." While that instantaneous action is powerful, she noted the need to meet customers where they are. Financial institutions should provide real-time account activity to better serve customers and take advantage of customer intentions when they access their accounts. Ms. Davis reflected on a similar theme and stated that while technology introduces new ways of operating with less hassle, it can also introduce new hassles, which in turn can cause huge drop-offs in usage. She acknowledged the inherent tension between two extremes: totally automated financial transactions and processes that give customers greater control of the process. She argued for a happy medium between the two. Financial institutions should use automation to get the attention of their customers but require customers to "click to confirm" what they want to do. User control is key to sustaining customer relationships. Customers need to be in control of decisions about their finances, yet they should be provided choices and be informed about the consequences of those choices. Technology should not take control and choice away from customers.

Audience engagement was high and the panelists fielded several questions.

Connections with Financial Institutions

One audience member asked panelists how they are connecting with financial institutions to help them realize that helping customers save should be core to their mission, noting that not all financial institutions are excited about small-dollar savers. Ms. Gordon mentioned the success of the FDIC's Youth Savings Pilot, along with its clear roadmap for banks to get involved. She also mentioned the FDIC's work with the Conference of State Bank Supervisors to provide links to state rules on custodial accounts to help reduce barriers to opening youth bank accounts. Ms. Phillips added that EARN's Starter Savings Program connects to financial institutions through a third-party service, rather than directly, and said that that passive relationship has been successful. She said that EARN is trying to find a role for nonprofit institutions in the fintech world and challenged the audience to think about how they can support each other. She voiced support for customer inclusion by noting that individuals with low- and moderate-income need to have input in designing new financial technology, because it has to meet their needs.

Teachable Moments

In response to an audience member's question about how the panelists and other financial providers can benefit from teachable moments, Ms. Phillips said that we all need to find ways to communicate with customers. She noted that EARN is learning a lot from its connection with FreshEBT, pointing out that often the only reason people receive SNAP benefits (food stamps) is because they recently lost a job. Ms. Davis commented that ideas42 interviews customers and collects administrative data to better understand customer needs. She noted the importance of asking the right questions. Asking someone why they behave in a certain way is too intrusive and usually will not yield accurate and actionable information. Instead, Ms. Davis recommended asking "what and how questions" to elicit better insights.

Diverse Customers

One member of the audience asked the panelists about their strategies to reach people with limited English proficiency. Ms. Davis responded that in its international work, ideas42 has used imagery and other nonwritten methods to convey information. Ms. Gordon said that the FDIC has conducted focus groups in Spanish and pilots its financial education materials in diverse communities. Ms. Phillips said that EARN uses videos and provides information in other languages.

Limits of Technology

The discussion concluded with a brief reflection on the limits of technology. Ms. Davis noted that there is something about human relationships that transcends technology, but that does not mean the two are mutually exclusive. As an example, she mentioned ideas42 research that shows how simply including the names of customer loan officers in automated emails results in more repayments. She emphasized the importance of reaching people before they experience distress, not after.

Ms. Phillips agreed that technology is merely a tool and not a silver bullet. EARN discovered that people who use its app after being referred by partners save more money than those who come to the EARN app directly. Ms. Gordon noted similar findings with the FDIC's computer-based instruction (CBI) product. While the CBI is available for direct use by consumers, individuals often connect with the CBI through community partners. She said it is not an either/or choice: technology or humans. The path to sustaining customer relationships is to use technology mediated by humans.

Key Takeaways

Inclusion initiatives require putting the needs of customers at the center of the work.
Active listening, developing trust, and providing well-designed choices that reflect the customers' needs, goals, aspirations, and challenges will always be paramount.

Technology can be useful for sustaining customer relationships and enabling user control.
Technology may lower costs for financial institutions, making it more cost-effective to offer inclusive products and services; technology may also provide the means to consumers to increase their knowledge and control of their financial lives.

Financial technology needs to be designed thoughtfully.
A smartphone application that is difficult to use will harm, rather than sustain, customer relationships.

Saving money is transformative beyond finance.
Low- and moderate-income households will save when given the right incentives and tools to do so. Building savings, even in small amounts, helps contribute to household stability and resilience.

Panel 5: Growing Customer Relationships

Overview

This panel focused on growing customer relationships and developing market share by building long-term loyalty among diverse consumers. It highlighted and featured the experience of two regional banks that serve urban and rural communities and their approaches for growing customer relationships.

Moderator

Kelvin Boston
Host of Moneywise, Public Broadcasting System
Baltimore, MD

Panelists

Lindsay Daniels
Associate Director of Economic Policy, Unidos US (formerly National Council of La Raza [NCLR])
Washington, DC

Alden J. McDonald, Jr.
President and Chief Executive Officer, Liberty Bank and Trust Company
New Orleans, LA

Jamie Armistead
Executive Vice President of Multichannel Banking, Bank of the West
San Francisco, CA

Summary

Ms. Daniels presented the study *Banking in Color,* a joint research study of 5,400 individuals in 2014 by NCLR (now Unidos US), the National Urban League, and the National Coalition for Asian Pacific American Community Development. The study found that U.S. citizenship status, customer service, and location all play a role in how low- and moderate-income households across various communities meet their financial needs, and the degree to which they are financially engaged with the mainstream banking system. Access to safe and affordable bank accounts and banking services is important, particularly for immigrants, noncitizens, people with limited English proficiency, and young people. The ability to communicate in the customer's native language is fundamental. Even with technology, having access to bank branches is still important to low- and moderate-income individuals.

…this idea of access that is still lacking in particularly vulnerable communities, this idea of feeling welcome and feeling like customer service and communicating in my native language are things that the bank is able to do.

– Lindsay Daniels

Ms. Daniels indicated that account ownership is just one step in the process of building a banking relationship. How customers interact with the account and other products available are also important. Despite significant strides in financial inclusion in recent years, Ms. Daniels emphasized that reinforcing customer trust remains critically important for banks.

Mr. McDonald talked about how Liberty Bank learned to lend based on the character of its customers. "So, for our community, we didn't know people in the banking business. We didn't have relationships with them. But we had relationships with finance companies." Liberty Bank has since differentiated itself from other banks and gained a competitive edge by building and maintaining customer relationships. Liberty Bank and Trust Company, one of the largest African American-owned financial institutions in the United States, built a brand by understanding the community it serves.

Mr. McDonald focused on the past few years at Liberty Bank when the bank began to engage with customers through social media, the only affordable channel for the small bank to market its products and continue building customer relationships. The bank also engages with customers by linking its financial services with health issues relevant to the communities it serves. For example, the bank conducts outreach in schools and hospitals to build customer relationships while raising awareness of diseases, such as diabetes, hypertension, and obesity, that affect many members of the community Liberty Bank serves.

Mr. McDonald also shared the challenges and benefits of using technology to help the bank grow its brand. Liberty Bank encourages its customers to use online banking, which has helped increase the bank's operational efficiency. Today, the bank is opening more accounts online than in person. In addition to helping keep costs down, the bank can use technology to serve customers who live in banking deserts.

Mr. Armistead presented the Bank of the West study, which found that digital customers are more engaged and active than their offline counterparts. The study followed the digital banking behavior of Bank of the West customers and measured the impact of that behavior with respect to revenue, product adoption, level of activity, and loyalty for digital versus nondigital customers. In August 2015, the bank released a white paper, "Quantifying the Value of Digital Engagement," which measured the impact of digital banking usage over a two-year period.

…today we see more and more financial institutions offering financial products to the low and moderate income community, and all of it came about because of the work that the FDIC has done, the awareness factor, and bringing it all to light.

–Alden J. McDonald, Jr.

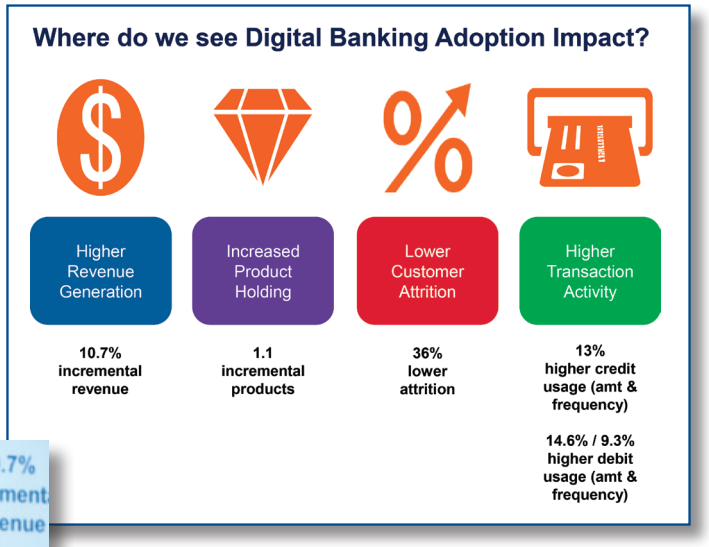
The study ranked customers on their level of engagement based on average number of transactions, average transaction amount, and time elapsed since the most recent transaction. The study results showed that higher levels of customer engagement are directly correlated with larger and more frequent credit and debit transactions. The study also found that attrition is lower for digitally engaged customers and that their use of bill pay makes it less likely that they will switch banks. Also, digital engagement drives incremental revenues and branch sales, driving customers to the branch to obtain other products. In addition, the study found that digitally engaged customers are more valuable to the bank because they generate more revenue than their offline counterparts. Given these findings, the bank is devoting more resources to promoting its digital channel.

Mr. Armistead noted that the study did not focus on communities of color or low- and moderate-income communities specifically; however, data collected on branch performance across mobile, online, and in-person banking platforms showed that mobile banking usage is high at branches located in African-American and Hispanic communities.

Mr. Boston closed the panel by discussing some of his experience in reaching communities of color. He emphasized the connections between financial wellness and health, commenting that this relationship offers a particular opportunity to communicate about financial empowerment with consumers. He also highlighted that building financial knowledge is an essential element of promoting financial well-being over the entire span of a banking relationship for all customers. He mentioned the resources of the FDIC, including its *Money Smart* curricula, as valuable tools for serving and engaging customers.

…the FDIC has one of the best, I want to say this again, one of the best financial education programs in the United States.

–Kelvin Boston



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Liberty Bank and Trust Company

Jamie Armistead
Executive Vice President of Multichannel Banking
Bank of the West

Questions and Answers

Mr. Boston opened the floor to questions. The audience had comments and questions focused on opportunities to offer low- and moderate-income and minority communities products that meet individual needs and developing trust over time and digital engagement.

Product Offerings That Meet Low- and Moderate-Income Community Needs
A member of the audience from the Fairfax County Office of Consumer Affairs underscored that it was important to continue to work with the unbanked to try to get them into the banking system as a way, for example, for immigrants to establish themselves in this country. She also emphasized that it is important for banks to keep going back to these communities to try to get them into the system. The panel thanked her for her comments.

Digital Engagement for Underbanked Communities
Another participant stated that low- and moderate-income (LMI) consumers are often considered less profitable for banks and was interested in what research results found with digital channels and online services, as well as adding mobile services.

Mr. Armistead stated that mobile is included in digital engagement. In terms of the LMI community, development of a fully Bank On-compliant deposit product is underway, and products are available to everyone. The digital piece and the technology piece help drive costs down to balance the necessary expenses, such as maintaining security. Every customer who uses digital banking benefits the bank because digital banking spreads the cost of security across a broader population.

Mr. Boston concluded that the panel shared some ideas about building trust, digital relationships, building long-term relationships, and reducing barriers so that people of diverse backgrounds join the banking system.

Key Takeaways

Maintaining trust is critical to growing relationships.
Access is important, but account ownership is just one step in the process of building a banking relationship. How customers experience the account and the other products available are also important.

Increasing digital engagement strengthens the connection between the institutions offering products and services to those in need of them.
Research suggests that attrition is lower for digitally engaged customers and that digital engagement can help drive incremental revenues and branch sales.

Creative approaches to digital account opening, mobile banking, and social media outreach can extend the scale and scope of banking relationships in low- and moderate-income communities.
The thoughtful use of technology and social media can provide financial institutions an edge by reducing cost and increasing operational efficiency.

Financial wellness and health are often linked in underserved communities.
Recognizing how the health profile of a community affects its ability to achieve financial stability and how financial stability affects health provides an opportunity for collaboration and engagement with a wide range of partners.

Providing financial education and information that is timely and helps develop consumer financial well-being is another opportunity to build relationships.
Whether using technology or in-person banker outreach, customers can feel more confident in their banking relationship with more knowledge and skills. Branches also offer a focal point for engaging consumers in learning, including teaching technology skills that help them sustain and expand their banking relationship.

Panel 6: Where Do We Go From Here?

Overview

Following several panels that examined recent developments in the economic inclusion community, the final panel of the day asked the question, "Where do we go from here?" The panel discussed principles to which banks, community groups, and other stakeholders may adhere in order to advance economic inclusion efforts in the years ahead. The panel also discussed challenges facing economic inclusion efforts, such as demographic shifts, geographic shifts, market changes, political changes, and regulatory changes, among others. The panelists expressed hope that the banking industry would continue to make progress in providing access, sustainability, and growth opportunities for underserved consumers.

Mark Pearce
Director, Division of Depositor and Consumer Protection
FDIC

Moderator	**Mark Pearce** Director, Division of Depositor and Consumer Protection, FDIC Washington, DC
Panelists	**Robert Annibale** Global Director, Citi Community Development and Citi Inclusive Finance London, England **Andrea Levere** President, Prosperity Now (Formerly Corporation for Enterprise Development [CFED]) Washington, DC **Bruce Murphy** Executive Vice President and Head of Corporate Responsibility, KeyBank Cleveland, OH

Summary

The panelists discussed important lessons learned from years of experience with economic inclusion initiatives that will be helpful in driving continued progress in this area. These lessons may apply across diverse types of organizations, such as financial institutions, nonprofit consumer organizations, and local partners. Salient themes included earning and sustaining trust, establishing effective partnerships, adopting appropriate technology, analyzing data, designing products with relevant market segments in mind, and developing thoughtful regulatory policy.

Mr. Murphy commented that for a bank to succeed in appealing to and serving unbanked and underbanked consumers, it must remain committed to that cause in the face of challenges and inevitable changes in the business environment. He noted that KeyBank is committed to serving low- and moderate-income (LMI) communities because it seeks to balance mission as well as margin. Ultimately, KeyBank may change its exact tactics, but Mr. Murphy said that the bank remains committed to the underlying strategy of being responsive to the needs of the entire community. Other banks that are solely focused on margin may miss opportunities to serve LMI consumers and communities.

Mr. Annibale reinforced some of Mr. Murphy's comments about the importance of being steadfast amid change and uncertainty. He also noted that Citi relies on insights gathered from its international operations when it reaches out to underserved consumers. Based on those experiences, Citi learned that cost savings are essential for creating sustainable programs that appeal to LMI consumers. One way to save costs while expanding access is by offering Citi ATM access at unaffiliated community banks, credit unions, and merchants.

Ms. Levere shared three lessons learned during her 14 years as president of the Corporation for Enterprise Development. First, she echoed earlier comments about the need for organizations to combine the business case with the mission case. "When thinking about meaningful and scaled inclusion, it has to be a strategy that helps financial institutions make a business case while achieving mission goals. This takes a lot of experimentation," she said. Second, Ms. Levere said that "trust" was the single most repeated word during the summit and noted the importance of gaining the trust of underserved consumers. She said that trusted partners can forge relationships that institutions would otherwise fail to develop, because trusted partners can act as emissaries with the underserved. Third, she said that clearly defined regulatory policy is essential for innovation that promotes economic inclusion.

Following these introductory comments, Moderator Pearce asked Mr. Annibale and Mr. Murphy to discuss the importance of building trust from a banker's perspective. According to Mr. Annibale, trust is something that a bank must earn over time, because a single bad experience can change the way a consumer views the entire banking sector. He described two Citi programs that were successful because of the involvement of trusted partners who brought credibility to Citi's banking outreach initiatives. Mr. Murphy agreed that "partnerships are indispensable for building a brand." To illustrate, he described a time when KeyBank was unable to meet commitments to customers but quickly identified, acknowledged, and resolved the problem. This situation allowed the bank to build a relationship by demonstrating its accountability and trustworthiness. Both Mr. Murphy and Mr. Annibale noted that the checking accounts their banks offer, which are modeled after the FDIC's Safe Account template, are fast-growing products with high customer engagement across a wide swath of consumers, including the underserved.

…if you provide low- and moderate-income people with the same kind of platforms and incentives that middle and upper class people have, they will perform just as well.

–Andrea Levere

Next, the three panelists discussed opportunities and challenges for economic inclusion over the next five years. Ms. Levere noted that "low-income people have more capacity than opportunity" and that it is the responsibility of the economic inclusion community to build upon this insight and begin to offer real solutions, rather than more research. Mr. Murphy reiterated that success will continue to be defined by serving the communities that rely on the services that KeyBank provides. Mr. Annibale added that innovative banking practices, such as the interoperability of ATMs and ATM-sharing arrangements, can "drive the industry to serve more populations, be more inclusive, and provide more choice to consumers."

Mark Pearce
Director, Division of Depositor and Consumer Protection
FDIC

Robert Annibale
Global Director, Citi Community Development and Citi Inclusive Finance

Andrea Levere
President, Prosperity Now (Formerly Corporation for Enterprise Development [CFED])

Bruce Murphy
Executive Vice President and Head of Corporate Responsibility, KeyBank

Key Takeaways

Earning and Sustaining Trust

- Trust must be earned, cultivated, and reinforced for banks to become part of underserved consumers' lives. Trust does not require perfection. Institutions that resolve problems or mistakes in an honest and complete way can still earn customers' trust.
- Business case and mission case must be addressed for economic inclusion efforts to earn the trust of consumers and for these efforts to be sustainable at scale; it takes a great deal of experimentation to find that balance. Banks differ considerably in their commitment to finding this balance.
- The bank's commitment must be supported from top management.

Partnerships

- Local organizations can act as trusted partners on the ground for financial institutions to meet consumers they otherwise would not have met and can act as emissaries with underserved communities.
- Part of creating a strategy that relies on trusted partners may include identifying partnerships that are ultimately not pursued. It is not efficient to seek every opportunity; only partners who meet their commitments are worth pursuing.

Technology and Data

- Banks already use technology to advance economic inclusion; examples include mobile and ATM technology. Faster payments are another opportunity for banks to better serve underserved consumers.
- Some nonbank fintech companies have met consumer needs that were not met by the traditional banking sector. Banks should monitor innovation by nonbank firms to identify potential strategies and opportunities to further meet the needs of the underserved.
- A considerable amount of data has been collected and analyzed in recent years; insights drawn from quantitative research can inform solutions moving forward.

Product Design

- The bankers on the panel noted that safe account products have driven a large amount of new customer activity; products designed for the underserved may have a broader appeal than anticipated.
- Banks need to look for additional solutions that serve more people in ways that are commercially viable.

Regulatory Policy

- Policy can act as a barrier or as a facilitator for economic inclusion efforts. Regulators can play an important role in communicating positive opportunities to serve underserved markets, as banks may not pursue new approaches if they are unsure of regulatory expectations.
- Regulators should also look for opportunities to tailor and clarify regulatory requirements to reduce potential impediments to economic inclusion.

In conclusion, the panelists noted that underserved consumers face many challenges in the current environment, but the panelists were optimistic in the ability of the economic inclusion community to expand access to the banking system.

Appendix – Organization Profiles

Bank of the West
Bank of the West enhances services and communications to consumers and commercial and wealth clients through mobile and online applications. Bank of the West has $83 billion in assets and operates in 20 states.

BankPlus
Founded in 1909 as Citizen's Bank and Trust Company in Mississippi, BankPlus is currently headquartered in Belzoni, Mississippi. The bank currently has 55 offices and serves 32 Mississippi communities. In the past decade, BankPlus has grown from $156 million to $2.7 billion in total assets. The Bank's core purpose and mission is to enrich lives and build stronger communities.

Center for Financial Services Innovation
The Center for Financial Services Innovation (CFSI) is a nonprofit financial services consultancy that specializes in serving unbanked and underbanked consumers. CFSI's mission is to improve the financial health of Americans, especially the underserved, by shaping a robust and innovative financial services marketplace with increased access to higher quality products and practices.

Citi
Citi partners with global, national, and local organizations to support inclusive finance and community development through economic empowerment. Citi has commercial relationships with microfinance financial institutions, corporations, investors, and municipalities, and works across businesses and geographies to expand access to financial services in underserved communities.

Cities for Financial Empowerment Fund
The Cities for Financial Empowerment (CFE) Fund is a national nonprofit organization that supports municipal efforts to help low-income families and individuals achieve long-term financial stability. The CFE Fund's mission is to leverage municipal engagement to improve the financial stability of low- and moderate-income households by embedding financial strategies into local government infrastructure. The CFE Fund works with mayoral administrations and those interested in supporting them to implement innovative programs and policies. Launched at the New York Stock Exchange in April 2012, the CFE Fund provides funding and technical assistance to mayors and their teams to develop, launch, replicate, and test financial empowerment strategies.

Commerce Bank
Commerce Bank is a subsidiary of Commerce Bancshares, Inc., a $25.6 billion regional bank holding company as of December 31, 2016. Commerce Bank provides a full range of financial products to consumer and commercial customers, including personal banking, lending, mortgage banking, wealth management, brokerage, and capital markets services. Commerce Bank operates in more than 340 locations in the central United States and has a nationwide presence in the commercial payments industry.

Consumer Financial Protection Bureau
The Consumer Financial Protection Bureau (CFPB) was created by the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (Dodd-Frank Act) to make markets for consumer financial products and services work for Americans. The CFPB works to fulfill this mission by making rules more effective, by consistently and fairly enforcing those rules, and by empowering consumers to take more control over their economic lives.

Department of Community Services, Louisville, Kentucky, Metro Government
The mission of the Department of Community Services is to improve the quality of life for all residents and reduce poverty. The Department's activities include creating and leading financial empowerment initiatives and networks in Louisville in an effort to transform the social service delivery system to increase opportunities for financial advancement for families and individuals at risk. These initiatives include Bank On Louisville; the Community Financial Empowerment Certification and Training Program; the Family Economic Success Network; the Louisville Alliance for Development through Diversity, Empowerment, and Resources (LADDER); and the Utility Empowerment Program. New initiatives underway include the Louisville Children's Savings Program and the integration of the volunteer income tax assistance (VITA) program into municipal services.

EARN
EARN is a provider located in San Francisco, California, that gives families the tools to achieve life-changing goals by helping them establish a habit of savings and empowering them to save for their dreams. Since 2002, EARN has helped more than 6,000 people save $6.8 million of their own money.

Federal Deposit Insurance Corporation
The Federal Deposit Insurance Corporation (FDIC) is an independent agency created by Congress to maintain stability and public confidence in the nation's financial system. Located within the FDIC's Division of Depositor and Consumer Protection (DCP), the Consumer Research and Examination Analytics Branch provides analytic expertise to the Examinations Branch and conducts original consumer research, with a focus on projects that inform efforts to expand access to mainstream financial services offered by insured depository institutions. The Consumer Research and Examination Analytics Branch also conducts market analyses and evaluates potential effects of policy proposals on the availability and terms of credit and other banking services for consumers as well as small business loans that address targeted needs within communities. DCP's Consumer and Community Affairs Branch promotes confidence in the banking system by providing educational information on consumer protection and deposit insurance coverage issues, assisting the public with complaints and inquiries, and promoting equal access to effective and responsible banking services and products.

ideas42
ideas42 is a nonprofit organization headquartered in Washington, DC, that uses insights from the behavioral sciences to design solutions to some of the world's most persistent social problems. ideas42 combines leading academics from universities across the nation with experienced practitioners and a wide range of partners.

JPMorgan Chase Institute
The JPMorgan Chase Institute is a global think tank dedicated to delivering data-rich analyses and expert insights for the public good. Its mission is to help decision-makers—policymakers, businesses, and nonprofit leaders—use better facts, timely data, and thoughtful analysis to make smarter decisions to advance global prosperity. Drawing on JPMorgan Chase's unique proprietary data, expertise, and market access, the Institute develops analyses and insights on the inner workings of the global economy.

KeyBank
KeyBank is headquartered in Cleveland, Ohio, and traces its origins back to 1825. It is one of the nation's largest banks with assets totaling more than $134 billion and locations in 15 states. KeyBank strives to reach underserved communities and to be a leading voice in the industry on economic inclusion matters.

Liberty Bank and Trust Company
Liberty Bank and Trust Company is a minority-owned institution headquartered in New Orleans, Louisiana. The bank focuses on the African-American community and serves a primarily low- and moderate-income customer base. Liberty Bank and Trust Company has $637 million in assets and operates in eight states.

Local Initiatives Support Corporation
Local Initiatives Support Corporation (LISC) is a nonprofit organization that supports projects to revitalize communities and bring greater economic opportunity to residents. LISC bridges the gap between government, foundations, and for-profit companies that have necessary capital and the residents and local institutions which understand the community's needs. LISC has helped nonprofit developers, small business, and others access $17.3 billion in capital to provide more affordable housing, better schools, safer streets, and programs to improve financial stability.

MyPath
MyPath is a national nonprofit based in San Francisco, CA focused on paving economic pathways for low-income youth. The organization mainly serves individuals who are 16 to 24 years old and live in "financial deserts," areas where few opportunities exist for consumers to learn to manage finances. MyPath helps cities and nonprofits "embed" banking, saving, and credit-building tools and information directly into their existing youth employment programs to help set the foundation for upward economic mobility.

National League of Cities
The National League of Cities (NLC) was founded in December 1924 by ten state municipal leagues that saw the need for a national organization to strengthen local government. Today, more than 1,600 cities, towns, and villages of all sizes are NLC members and another 18,000 communities participate through their state municipal leagues. NLC's initiatives on Economic Mobility and Opportunity seek to raise the visibility of local efforts that have the potential to increase economic mobility, expand economic opportunity, and reduce income inequality in cities across the nation.

Prosperity Now
Prosperity Now [formerly Corporation for Enterprise Development (CFED)] is a private non-profit organization with the mission of building assets and expanding economic opportunity for low-income people and disadvantaged communities through financial inclusion and capability, matched savings, entrepreneurship, and affordable housing. Prosperity Now designs and operates major national initiatives that aim to expand matched savings for children and youth, integrate financial capability services into systems serving low-income people, bring self-employed entrepreneurs into the financial mainstream, and increase access to affordable housing. Prosperity Now operates a comprehensive public policy program to build and protect assets at the local, state, and federal levels, and produces the nationally recognized Assets and Opportunity Scorecard. Prosperity Now operates the Assets and Opportunity Network, made up of nearly 2,000 General Members and 90 Network Leaders who advocate for asset-development and asset-protection policies at the municipal and state levels. Prosperity Now also operates the Taxpayer Opportunity Network, which represents more than 1,000 providers of community tax preparation services.

$tand By Me, State of Delaware
$tand By Me is a coalition of community partners led by the State of Delaware and the United Way of Delaware. $tand By Me engages key stakeholders from all sectors including business, education, nonprofit, and government. $tand by Me manages a number of initiatives focused on increasing economic security for all Delawareans. Since it started in 2011, $tand By Me has served more than 75,000 Delaware residents through personal financial coaching, financial planning for post-secondary education, free web-based tax preparation, interactive financial workshops, and access to financial services.

The University of Michigan Law School
The University of Michigan Law School in Ann Arbor, MI is one of the nation's top institutions of legal education. The school has a sizable and diverse faculty and is one of the oldest law schools in the United States.

Unidos US
Unidos US [formerly National Council of La Raza (NCLR)] is headquartered in Washington, DC, and has worked with more than 260 community-based affiliates to provide housing and community development, workforce development, education, health, civil rights, and immigration services in Latino communities across the country. The Unidos US policy agenda advances the economic mobility of Hispanics in the areas of employment, housing, banking, retirement security, and consumer protection issues.

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