**Panel 2: Safe Banking Products**

MR. MILLER:  All right, I think we're going to try to get started if people could take their seats.

So our next panel is called Safe Banking Products: Designing and Delivering Products that Work for Customers, Communities and Institutions.

And I think you heard a little bit in our previous panel how important the design of products actually can be to maintain economic inclusion.

Our moderator for this panel is Denise Belser, program manager for economic opportunity and financial empowerment at the National League of Cities.

Denise has spent her career focused on expanding economic opportunity and access to capital as her full bio lays out, again in your package.

The FDIC views local governments as I think the chairman made clear earlier such as those in the National League of Cities as important partners in the effort to expand access to mainstream banking.

So Denise, thank you for being here and I'll hand it over to you, again reminding everybody that the full panel's bios are in your package.  Thank you, Denise.

MS. BELSER:  Great.  Thank you, Jonathan.  Can everybody hear me okay?  Good, good.

Hi, good morning.  It's great to be here.  I think this is such a great panel.  I'm excited to moderate this second panel.  It's a great topic.

And I think the fact that it's following the first panel makes a lot of sense.  I could sense that there was some energy and interest in getting into talking about the products because at the end of the day the products are the solutions to some of the challenges that we're seeing.  So I'm really excited about this.

So, I'm part of a small but spirited group at the National League of Cities focusing on financial empowerment and economic opportunity.

One of the things I wanted to mention is that what we're seeing at NLC is that the topic of financial inclusion and economic mobility is definitely an increasing priority for city leaders across the country.

I'm talking mayors, councilmen and women, city managers, et cetera.

And this is based on a scan that we conducted a couple of years ago.  And this scan really just kind of lays it out for us to see how much financial inclusion is growing in cities at all different levels.

We also saw that 65 percent of the cities that were surveyed in the scan have financial inclusion programs in place.

These are various programs starting with what we call pillar programs such as EITC, VITA, housing counseling, et cetera.

But also going into more complex and advanced programming such as children's savings accounts, small dollar loan programs, et cetera.

So this is really exciting to see. And the fact of the matter is we know that when families are financially stable cities thrive. So that's what energizes us at the NLC to work with cities to provide them with the capacity.

So, it's great to have this opportunity to moderate today's panel on safe banking products.

One of the things that I know is that too many Americans are still going to alternative financial services for support. This includes payday lending. This includes pawn shops, and even some prepaid cards.

And moreover, people who are employed still don't have bank accounts, and they also lack the knowhow in terms of managing their money. And at the end of the day these families are even more vulnerable.

So we don't expect predatory services to disappear tomorrow, but we do think that there's an opportunity for banks and other financial service providers to be innovative and to think about more sophisticated products, products that have transparency, products that are affordable, and also products that offer additional modes of accessibility which was talked about earlier in the first panel.

And so with this I'm excited to hear from our panel this morning. They're going to talk about a few initiatives that are innovating the field and also addressing important gaps in the market.

So with that I'm going to introduce the panel. I'm going to start with David at the end there.

And so David is a senior vice president and director of community development for Bank Plus covering the State of Mississippi.

So I'm not going to go into his bio, but if you look at his bio you'll see that he is well accomplished. He's done a lot of work in the banking sector working at a number of different banks over the years.

He has piled up a number of awards and recognitions for his contributions to the community development field.

And you can see that Bank Plus -- you can see why they recruited him to come to the bank in 2005 to lead their Community Reinvestment Act and their community divestment program.

And so David also finds time to do a lot of other things. He's very active in his community. And interestingly he's also a pastor at his church in Bolton, Mississippi.

So I believe David is going to speak to us today about the small dollar loan program which has been in existence for some time now. So I'm interested to hear what's going on there. That's particularly an area of interest for me. So please welcome David.

So next is my friend Margaret Libby who is the founding executive director of MyPath. This is a national non-profit based in San Francisco.

And I mentioned to Margaret that I love her passion. Margaret is very enthused about making life better for young people in this country, and travels the country tirelessly. So I commend her for this.

So she's truly a pioneer in the youth financial capabilities space having steered MyPath into the national spotlight by demonstrating that low-income working youth are able to meet their savings goals and build financial confidence with the right tools and training.

I believe MyPath reaches over 4,500 but that number might be outdated now.

And so her work has been published by several organizations including the CFPB and the Journal of Consumer Affairs.

And today I think Margaret is going to be sharing more information about MyPath savings model which touches on bank accounts, credit-building, et cetera, et cetera. So please welcome Margaret.

And last but not least is my friend here next to me Rani Boukerrou. I'm trying to pronounce it correctly. I think there's a French way of saying it so forgive me if I said it wrong.

And so Rani is the senior vice president and deposit group manager for KeyBank based in Cleveland, Ohio. And I believe Rani's been there for about two years now. Again, you can see all of this in his bio.

It looks like Ran is the go-to person for ways to increase deposits at banks. He's done a number of projects in this area.

He also seems to be a really good person to talk to about project innovation. And I believe he's going to be talking about the bank's hassle-free checking accounts and their desire to improve product opportunity for low-income moderate families.

Like David, Rani has worked in the banking field for many, many years and he's been recognized and has received awards, et cetera, for his great work. So welcome, Rani.

So what we'll do for the next hour or so is hear from our panelists, and then I'll ask a couple of questions, and then we'll spend hopefully about 15-20 minutes opening it up to you all to ask your questions.

So I believe we're going to start with Rani. I think we're going to start with you. Trying to figure out how the slides are queued up. All right? Good, thanks.

MR. BOUKERROU: Thank you so much. Can you guys hear me okay? I apologize about my voice. I'm battling a little cold. Or if you prefer I can switch the presentation to French today.

(Laughter.)

MR. BOUKERROU:  Any takers?  Thank you so much for the kind introduction, Denise, I'm very happy to be here.

I'm especially grateful for this opportunity to share some of the really great work that KeyBank has been taking on for a number of years here to help customers gain access to the banking system, and how that experience has not shaped only our product and service, but it's also transforming our culture of how we operate as a bank.

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.

But before I talk and I walk you through my presentation here today I'd like to really show appreciation and take a moment to thank the FDIC for the extraordinary work over the years around the topic of access and ensuring that banks are serving all customers.

Key's evolution really got its start in 2004 with the understanding that to provide access well we needed to be comprehensive in our approach.

We recognize that the four C's -- there are the four P's this morning, I have my four C's where we call cash, convenience, credit and coaching are very important factors in ensuring a client not just get access to a financial product, but a solution that covers all their primary needs as they evolve and change.

KeyBank never really saw working with the LMI, or the underbanked, or the unbanked as a question of providing products with limited ROI, return on investment.

KeyBank's perspective was to use the product the segment needed, and most importantly to use that opportunity to provide the financial education and establish long-term mutually beneficial relationships with the customers that we have in front of us or in front of the bankers.

The product that was really the genesis of this strategy was KeyBank Plus which is a check cashing service with a financial education component.

KeyBank Plus attracted the segment because it was very easy to access, and it cost customers a lot less versus going to alternative financial services for the same product.

KeyBank Plus was first offered in 5 branches and now we offer it in 300 branches throughout our footprint.  And we do have plans to expand it even more in the near future.

No account is needed for check cashing.  And with every fifth check that's cashed it's cashed free.

Participants are eligible to receive five free money orders when they cash their checks.  We think it's check cashing made easy and also fair.

The product suite grew based on clients' needs, and that evolution went from bill-paying capabilities to money orders, and then the introduction of Key Basic which is a small dollar loan product.

Later on came Loan Assist, the second chance mortgage product as well.

Ten years in we realized that the approach that supported the underserved which is identifying their needs, creating products to meet those needs, using the products to engage with clients resonated way beyond the LMI, underserved, and underbanked population.

Our perspective is there's no difference between a mass affluent, a mass market and an LMI. All clients have similar goals and aspirations like buying a home, paying for college, growing a nest egg for retirement. All these are universal needs.

We researched what people said they needed from a bank and what prompts them to choose a bank.

What they want is to feel more confident in their financial decisions, but they choose banks based on fees which is the reality and the practical aspect of maintaining that relationship.

So KeyBank created Hassle-Free Account which takes fees totally off the table. It simplifies the banking process and enables clients and bankers to focus on financial goals and ways to attain those goals.

Hassle-Free resonated across multiple segments for one simple reason which is simplicity. Either you're getting started living paycheck to paycheck, or with the significant wealth, Hassle-Free served the need of the customer base that gets exactly what they expect when they open the account which is no OD/NSF fees, no balance requirements, and no monthly service charges.

To ensure clients have access to liquidity when they needed it KeyBank created and launched KeyBasic credit line, a responsible solution to small dollar line.

It's an unsecured loan between $500 and $2,000 with payments based on 1/60 of the total outstanding loan.

The trade lines are reported to the bureaus. So, responsible users can rebuild credit and establish long-term needs at a better cost of borrowing.

KeyBank access and product strategy has evolved in providing assistance and support for all our customers to achieve a goal which is financial wellness.

So that's why you can see the evolution here in front of us that has transformed over so many years is that we at KeyBank consider that access is table stakes. And when people engage with you what is the end goal which is to attain financial wellness. So we're kind of shifting the strategy and the product design and the way we operate as a bank to really deliver the financial wellness that the customers are seeking.

So we believe access by itself no longer ensures our clients will get to their desired goals. It's our mission to empower the financial wellness of our clients one decision at a time.

The top worries among U.S. consumers who are in their thirties, forties, and fifties is financial security.

Please keep in mind that these are the peak years for earning and accumulating wealth.

Millennials and Gen X as you can see on the left-hand side of that chart, when you look at two -- I apologize, on the right-hand side of the chart.

When you look at the quality of life and the financial stability indicators they are the lowest of any generation.

Obviously the recipe for achieving the two most important things most need and want as they get older is not running out of money and not breaking ahead.

In this world of social media when you're talking about sharing, likes, dislikes, it seems that everything we do is public.

Your world and the world of those around you is constantly morphing.

Still, a few bastions of isolations remain. What's discussed at the doctor's office, your financial statements, and your private life.

Now, you can certainly make the case that close groups of families and friends may share secrets about private lives.

And we are all certainly seeing more and more people publicly announcing health issues like victories over cancer.

Often people are afraid to involve others in issues dealing with finances. People think that mountains they need to climb when it comes to debt or trying to break an addiction are mountains that they have to climb by themselves with no support, no assistance, and no advice.

Why? Because people are simply embarrassed. Embarrassed that someone will judge them and think less of them.

And that's tough. We know because we're all proud social creatures. So financial wellness is a great frame in the conversation that we have with our clients regarding their financing, spending habits, and savings.

So you may be asking yourself how does KeyBank deliver financial wellness which is a great question.

So, understanding how our customers behave financially and help guide them through meaningful insights is what's really behind our financial wellness tool.

It's powered by HelloWallet which is a web and a mobile software application that makes it easier for our users to realize their full financial opportunity.

The application leverages powerful new technology, insights from customer behavior, and a network of partnerships from industry experts to offer high-quality individualized financial guidance to all clients.

We see HelloWallet as a safe and a secure way to put everything in one place, and the customer is actually at the control of the information that they put in as well as defining their goals, their priorities, and monitoring their progress.

And it lets you add your financial information, connects your bank and create budgets and analyze trends.

We think that HelloWallet will help all customers across the financial spectrum make smart, more confident choices by getting recommendations on how to make the most of their financial opportunity by providing and prioritizing financial decisions based on personal situations and goals that we know are constantly changing, and by identifying opportunities that stretches their paycheck even further.

With this technology we intend to redefine retail banking by helping every customer attain financial wellness.

And now, let me play a short video to demonstrate how it works.

(Video played.)

MR. BOUKERROU: So, summing it all up we believe that banks have a great opportunity ahead and evolve from giving access to truly serve as a guide to help clients thrive and reach financial wellness.

This shift will drive positive change in our economy and country, and by delivering a simple and pleasant customer experience which in turn the customer would appreciate and engage more as their needs change.

And as I close I'd like to thank the FDIC for letting me tell KeyBank's story as part of this year's economic inclusion summit.

We're very proud to be part of the event and look forward to continuing our collaboration together. Enjoy the rest of the summit.

MS. BELSER: Thank you so much, Rani. That was great. I really appreciated seeing the video.

So I'm going to move onto Margaret. So take it away.

MS. LIBBY: Okay. Thank you, Denise, and good morning, everybody. I'm Margaret Libby, the founding executive director of MyPath.

We're a non-profit organization that is based in San Francisco. So I will note that it is about 7:20 for me. Just putting that out there.

But it's really wonderful to be here and I'm thankful that the FDIC invited us to be here to share the work that we're doing that started in San Francisco but that is now taking root in a number of communities around the country.

And it really is, as Denise mentioned in her very kind introduction, about focusing on youth and young adults, and really building around their first paycheck as a teachable and a reachable moment to integrate banking, saving and credit-building into that employment experience so that they can get on a path to financial security and even economic mobility.

So, as I just mentioned our vision is really that every young person in this country has this opportunity to transform their first income streams into economic mobility pathways.

And I think we've really focused in on this for a few reasons.  I'll say we started, or I founded the organization 10 years ago and we were founded as the non-profit affiliate of a community development credit union.

And so building financial products that address the needs of low-income consumers, and then building the coaching and the education around those products to ensure engagement is really part of our DNA.

But for the first five years of our existence we were working with the entire age range, from children to youth to adults.

And one of the things as we were about to spin off to become an independent non-profit about five years ago, one of the things that we asked ourselves was where were we seeing the most impact, what are the kinds of things we're hearing from our clients.

Over and over we heard adult coaching clients say I see what you guys are doing with young adults.  And if somebody had just given me a couple of tips and pushed me in the right direction as a teen as I was making that transition into adulthood I wouldn't be in this debt situation or in this credit situation that I'm in, and experiencing all the other spillover effects that that has on somebody's life.

And so we were having some success with our youth efforts.  We had published the results of our first pilot in San Francisco in partnership with the Federal Reserve Bank of San Francisco.

And so we realized that we wanted as an organization to really focus in on youth and young adults.

And part of that decision was also around knowing that there was this really powerful channel to reach that population, particularly those who were earning paychecks in financial deserts, or communities without ready access to quality financial products, knowing that there were millions of young people around the country between ages 16 to 24 earning those paychecks and living in communities without great access to ways to really learn how to manage those income streams.

We felt like it made a lot of sense for us as an organization to focus in on youth and young adults, and really build around this first paycheck moment.

And again, that idea of starting early and the power of positioning young people on that path with financial products at a young age.

And you can see as a way of making saving exciting we're encouraging them to set personal savings goals for things like the prom which is a savings -- it's actually in our budget documents.  That's an expense category.

I don't know how many of you have prom as a budget category in your budget templates, but it's all about making it relevant.

So, as an organization we approach this fairly bold vision that we have in three different ways.

And so the first is by engineering effective models.

And so we came to this really looking at what was available in traditionally two young people who were earning those first paychecks through workforce and employment programs in the financial deserts that I was describing earlier.

So really, with a retail check-cashing option coupled with a financial education workshop that just really wasn't getting them to where we felt like young people deserved to be set up in terms of being set up for success.

And so our approach is really a financial capability approach where we're embedding the quality financial products right into the model as well as financial education that combines technology as well as in-person peer-to-peer education to kind of use a blended model that we've seen through our research is most effective with this age group.

But then also embedding this goal-setting to make saving and banking so it will have immediate relevance for young people in their lives.

You saw the kinds of things that they were holding.  They're saving for a bike.  They're saving for prom. Or even I think in the last two cases a lot of them are saving for college as well.

But as long as it's something that is relevant and important to them it makes saving real and engaging to them.

And with this combination of elements we throw in incentives and embed all of this in a youth employment program so it's part of the employment experience and we have some data that shows it impacts their financial practices and adoption of financial practices, but also shifts their mindset, and changes their time horizon, and makes them feel more financially confident.  And so those are the kinds of things that we have demonstrated.

I put some resources on the table outside with some of the data that we've gathered about the models if folks want to take a look at that.

So the second thing that we do as an organization is then take those effective models and the best practices that we are developing and transform them into technical assistance and a train the trainer model that we use to support local youth employment programs and local financial institutions to use to build partnerships that will embed these kinds of economic mobility pathways into their local youth employment programs.

And then we also share what we're learning through -- like, this is an example of a quasi-experimental design study that we did in partnership with some outside researchers that the Fed published. A summary is back there.

So we're also doing what we can to share what we're learning with the field.

And we released last week a paper on our credit-building pilot study with 18- to 24-year-olds that's also in the back.

The third way that we approach our mission as an organization is to advance policy change.

There are a number of barriers in the way to achieving scale with these kinds of efforts.

And so one of the things, the real main way that we're doing this, we created what we call the MyPath national youth banking standards.

And so those really align with the FDIC safe account and the Bank On 2.0 features that I'm sure many of you are especially familiar with.

And then what they do is they take two additional steps to reduce some of the barriers that still exist for minors to access safe, quality financial products.

And so that is the identification requirement and then making the accounts non-custodial. So those are the two barriers, the custodial account barrier and the ID barrier is generally -- those are two that prevent many young people from accessing safe banking.

And so that is the two ways that our standards go a couple of steps further than the two that I mentioned earlier.

And one of the ways that we have raised awareness about these standards and also about the barriers, the banking barriers that low-income youth face is by having young people talk about them themselves.

So we have a team of youth advocates that actually I think some of you in the room met when they came to D.C. last November for meetings with Secretary Lew and CFPB Director Richard Cordray. There's a photo of one of those meetings there.

Because I think it's especially powerful to hear directly from young people what those barriers are, and then what the solutions are. So that's another way that we do this work organizationally.

I wanted to just show you, I mentioned technology as part of the way that we introduce financial practices and financial behaviors that we think will help young people achieve financial security and economic mobility.

This is a couple of screenshots of our MyPath money platform where they set their savings goal.  It gets connected to direct deposit.  It encourages them to track their expenses, establish a budget, do additional steps to save even more than what their savings goal is.

So it's really focused around the practices that we want them to adopt.

Because again, and I think others have said this.  I'm sort of echoing what we've heard.  But the financial access is important, but it's really also about building the kinds of design features around access to make sure that the people can really take action.

And so whether that's setting a goal, using direct deposit, thinking about how they're engaging with their money, we think it's really important for those kinds of features to be built around the product so that people are really having opportunities to engage and build financial capability.

And the final thing.  This is to give you a sense of where we are in the country.

We have seven credit union partners that have adopted our national youth banking standards that are surveying.  We are at 8,000 now young people around the country.

But with those numbers looking to grow.  We are excited about some of these new partnerships that we're building in the center and east of the country.

So that's to give you a sense of the growth that we've seen in the last five years in terms of our reach and the places where we have these technical assistance partnerships going.

So I think in closing I'll just say that I'm really happy to be here.  I thank the FDIC for the focus on young people, and even for all of the work around the youth savings pilot.

I feel like there's some really important lessons in there.

And I also just wanted to thank the funders of ours that have helped us get to this place.  And I know many of them are in the room.  So Chase, and Citi, and Schwab Bank have been really important partners to us in bringing this work beyond San Francisco.  So appreciate them and thank you.

MS. BELSER:  Margaret, thank you so much.  That's a great overview.

So we'll turn to David.

MR. JOHNSON:  Thank you, Denise.  It is a pleasure for me to be here on this distinguished panel with Margaret and Rani to talk about our small dollar loan program called Credit Plus.

I'll tell you a little bit about our company, Bank Plus.  We'll talk about its history.  We'll talk about our growth over the past decade.  And then I'll talk to you a little bit about our program.

I too would like to thank the FDIC for the invitation to be on this panel.  It is very important to talk about economic inclusion.  And Mississippi is one of the poorest states in the country so we see the problem probably more so than a lot of other states.

But we're trying to make a difference in Mississippi.  And I think as you hear about our program you'll see that we are truly making an impact in including the unbanked and underserved.

Bank Plus was founded in 1909 in Belzoni, Mississippi as Citizens Bank & Trust Company.

When the bank was formed it had branches primarily in small rural communities.

However, in the early two thousands we started expanding by acquiring other banks.

We also entered into the Jackson, Mississippi market which is the capital of Mississippi.  Our growth just took off from there and we have become a bank of choice for many people in Mississippi.

We currently have 55 offices located in 32 communities across Mississippi.  We're in north Mississippi, De Soto County all the way down to Pearl River County.

In the last decade we have grown from $156 million in assets to $2.7 billion in assets.

While we are a large bank we are not the largest bank in Mississippi.  There are several other larger banks in Mississippi.  But again, we are the bank of choice for many Mississippians because of our commitment to community, because of our flexible and innovative products, and our extensive outreach to make sure that we understand the needs of our community, and we respond accordingly.

What is Credit Plus?  I'm just going to show in the room with those of you who've heard about Credit Plus.  I know I talked to a lot of people last night, so you can just raise your hand if you've heard of Credit Plus.  Okay, pretty good.

We created this program back in 2008, and the purpose of the program was to help provide loan products to assist the unbanked and underserved.

We wanted to help them to establish credit.  But we also wanted to help to break the payday lending cycle.  There are so many people in Mississippi who are in the payday lending cycle.  They'll get a payday loan and unfortunately they can't pay it off, so they have to roll it.  So it's an evergreen.

And it is problematic because the payday lenders and check cashers charge exorbitant rates of interest.

Back when we created the program in 2008 the interest rate was over 700 percent.  Nowadays it's about 400 percent.

So, we felt that we could talk about the problem all day long, but unless we offered a viable alternative then we're part of the problem.

So we created this program and the interest rate is 5 percent.  Most people look at me like how could you charge 5 percent.

And there's nothing scientific to the 5 percent. Our CEO was in a meeting with us as we were creating the program and he said it's going to be 5 percent just off the top of his head.

I guarantee that's not the way we operate the bank otherwise. But nonetheless 5 percent is the interest rate that we charge.

And we have had phenomenal success with this program over the years.

Why Credit Plus? According to the 2015 FDIC survey of unbanked and underbanked households in Mississippi 12.6 percent of the households are unbanked which compares to 7 percent nationally. 25.5 percent of households are underbanked and that compares to 19.9 percent nationally.

So as you can see there's a high concentration of unbanked and underbanked individuals in Mississippi.

In Mississippi we are often last on every list there is. Unfortunately we're near the top here in a bad way. So we're not proud of this. So as a result we did offer Credit Plus as a way to combat that.

Let me just share a few more statistics with you. There are over 1,000 payday loan companies in Mississippi. That's more loan companies than there are McDonald's restaurants in Mississippi.

Also, there are more payday loan companies per capita in Mississippi than any other country in the United States. There are 3 payday loan stores per 10,000 persons.

So as you can tell there is just an amazing number of payday loan stores, check cashing stores throughout Mississippi. So we're trying to address that challenge.

Credit Plus is basically a two-step process for establishing or improving credit. Bottom line we do have a financial literacy component which is what my partner just talked about. And I think financial literacy is important.

As the old adage goes if you give a person a fish they eat for the day, but if you teach them to fish they eat for a lifetime.

So we're trying to change mindsets, change lives, teach people how to make wise decisions, how to manage their money and how to make wise choices.

We offer a three-hour financial literacy training seminar that was developed using the FDIC Money Smart curriculum.

Our employees actually teach the classes. We'll have three to four people at each seminar. They are typically offered from 6 p.m. until 9 p.m. in the evening, so there is a commitment on the part of the customers who want to be a part of this program.

But to get a loan at 5 percent I think it's worth the sacrifice of three hours.

Once they go through the class they'll get a certificate and they'll go to the bank, and depending on their credit score they'll open a checking and savings account with us. We do require a checking and savings.

Part of the proceeds are put into the savings account, one-half, and the other half is put in the checking account.

When we first started the program that is the model.  Half was in checking, half in savings.

We did have to change that and I'll share that information with you in just a moment.

But the money that's put in the savings account is used to partially secure the loan, and that mitigates our risk.

The other money is put into the checking account and we encourage those individuals to pay off their high interest debt.

And for the most part most of them do that.  We don't require it, but we strongly encourage them to do so.

As I mentioned earlier we do have mandatory attendance for the seminars.  Once they complete it they get the certificate and they also are required to present six months' worth of verifiable income.

All of the documentation is required to be brought to the branch when they come for their loan.

When we started the program our loan officers were making these loans and we did have some pushback from them because they were making these really small dollar loans and they could be making big loans.

So what we did was allow some of the financial service representatives to start originating the loans.

Because basically we just pull a credit report and determine what the credit score is, and then the loan is made based on that credit score.

So those folks that objected on the front end now are believers and we are truly seeing results.

These are the options that we have for the program.  And as I mentioned earlier when we first started it we simply had a $500 loan, a $1,000 loan, and half the proceeds were put into a checking, half in a savings.

However, as we looked at the performance of the portfolio we saw some problems with some of our loans whereby people weren't even making the first payments.

And as we looked deeper we found that most of those folks had credit scores of less than 500.

So in response to that we created a credit builder product which basically says we'll make a $500 loan to those individuals with a score of 499 or less at 5 percent.

However, we'll take those loan proceeds and fully secure the loan with those proceeds.  So they don't walk out the door with any money.

I think the people who are getting the money and never making payments, they knew that they were going to come to the class and walk out with cash in hand, either $250 or $500.

So we tried to curtail that and we're seeing better performance of that loan portfolio because of the credit builder program.

The $500 loan is still available at 5 percent. Credit score has to be 500 to 599.

Again, the loan amount is split between the checking and the savings account. And we make that loan for 12 months.

Our $1,000 loan has the same interest rate. It requires a credit score of 600 or higher. And the loan term is 12 months or 24 months.

What we're most proud of is what you're looking at now. These are our accomplishments.

The program started in April of 2008 and as of March 2017 approximately 26,000 individuals have received financial literacy training through 786 seminars.

I think that shows you our commitment. Our people are out there in the trenches every week conducting classes.

And people are coming in making loans.

Once they get the certificate they can keep the certificate and come in within six months and get their loan.

As of March '17 we have roughly 27,000 loans originated for a total of $19.9 million. We also have currently outstanding roughly 3,000 active loans with balances totaling $1.2 million.

One of the facts that I'm most proud of is we have about 12,000 deposit accounts with balances totaling over $6 million.

Many of the people that enter our program didn't have checking accounts with traditional banks, but now they have checking and savings accounts with us.

But they've also learned to save. A lot of the accounts that we have have balances of ten, fifteen thousand dollars. People are regularly putting money into those accounts.

So, we're truly changing mindsets, changing lives, and making a difference.

We've seen credit scores improve by roughly 40 points or more over the life of the loan. So we're definitely seeing success with the program.

There are people who were renting prior to entering Credit Plus. Now they've bought their first home, or they've even bought or started their own small business.

So I think you can tell from those results that we're truly making a difference. We are teaching people to fish and we hope they'll live for a lifetime. Thank you.

(Applause.)

MS. BELSER: Thank you so much, David.

Okay, so I'm keeping an eye on the time. We've got about 15 minutes. So I'm going to ask a question. But while I'm doing this if any of you have any questions please start moving to the microphone.

So the first question is, so looking at the presentations, these were great overviews of the programs, and the products, and the work that the three of you are doing, so thank you so much.

A lot of numbers. We're talking about products so it's great to be able to understand what we're talking about.

One of the things that I'd like to do is to go back to focusing on who we're targeting, and trying to understand the people we're trying to help.

And so I also reflect on the slide that Fiona showed earlier where she talks about volatility across a life cycle all the way through retirement. And then also the financial diaries and the story that Rachel shared.

So I'd like to ask you if you could talk a little bit about the people you are looking to target. I'm curious about why you decided to target -- and just so that everybody understands, I just want to unpack a little bit more who we were targeting, and why this group was of importance to you.

And in talking about that if you could talk a little bit about the essential elements that you thought were really critical that needed to be part of the design of these products.

Were there any refinements that you felt needed to happen after you launched?

And in your opinion what you thought to be the most innovative features of these products. And then after this we'll open it up to the two of you.

So, I know some of you touched on this. Margaret, I know you talked about you focus on youth 16 to 24. So you might not need to repeat some of that, but if you can just kind of focus on some of the things that you were not able to share in your presentation regarding the target group and why they were important to you.

You can start, Rani.

MR. BOUKERROU: I can jump in. So from KeyBank's perspective we really did not -- since 2004 when this strategy came to fruition and went to market there was really no intent to isolate one specific segment at the expense of another one, or to say let's solve this segment today, let's think about the next segment tomorrow, and on, and on. That was not really our approach.

Our approach was really to address the needs in the market.  So when we looked at it that way it was apparent from our research like I indicated before that the needs are universal.

So when designed Hassle Free it was really with the intent of solving for complex, taking something that's complex and making it simple through simple disclosures, simple fee structures, a simple proposition.

And we supported it with a full blown marketing campaign that we're still pushing till today for three consecutive years.

So our approach again is needs-focused, not necessarily trying to zoom in on one particular segment.

MS. LIBBY:  Okay, so given that I did touch on some of our thinking in terms of really honing in on youth and young adults I'll focus a little on the outcomes that we've achieved.

I think one of the things where we started in San Francisco -- as Jonathan exits I'm just going to say Jonathan's organization was very instrumental in helping along with Citi Foundation in helping us to transition the city and using the My Path savings model there were 50 percent of young people in the summer youth employment program who were using check cashers before we got this partnership to the point where we could really scale My Path savings.

And the following year it was 1 or 2 percent that were using check cashers.  And so that's an illustration of what can happen when these kinds of partnerships are formed between a city, two credit unions including Martin's credit union, Self Help, and another credit union in San Francisco that were able to offer accounts to about 2,000 young people in that program.

And on average, not just in San Francisco but across the board with the sites that we're supporting young people are saving 30 percent of their income, and 85 percent of them are meeting their savings goals.

And so we're excited to see those kinds of results.

And the one thing I'll add is that based on some coaching we were doing at a site with 18- to 24-year-olds we noticed the real need for credit.

And that was presenting a barrier for them in accessing not just jobs, but also internships.

And so we piloted this credit building model in partnership with Self Help over the last two years and have seen some really powerful results in terms of young people starting with no scores who are landing in the 680 to 700 FICO score range, having a $500 emergency fund saved at the end of that program as well as statistically significant improvements in their confidence.

And so I think those are just a couple of examples of the impact that we're seeing when we can bring together the powerful combination of employment and financial capability through partnerships with cities, and employment organizations, and financial institutions.

MR. JOHNSON:  Because of the proliferation of payday lenders and check cashers in Mississippi we targeted the unbanked and underserved.

And also one of the things we discovered is teachers were the primary users of payday loans.

In Mississippi teachers are paid once a month, so if they don't manage their money well they're going to need a short-term loan to tide them over until the next paycheck comes.

As a matter of fact, our first pilot program was at one of the local high schools.  And we offered the program to those teachers.

As we talked to some of the people who went to payday lenders we found out that they went to them because they were convenient, they're friendly, they were easy access, they were usually located in strip shopping centers.

So, we recognized we couldn't sit in our branches and offer this product.  So, we actually take the product on the road if you will.

We go to Jackson State University, offer classes there.  And even use the Salvation Army as a site for our financial literacy classes.

In some of our smaller communities we might have them in the branch lobby, but a lot of people are intimidated by the banks and the bankers.

We don't allow our employees to wear suits or ties when they teach classes.  They've got to dress down.  We require that they not use bank lingo or acronyms.  They have to talk so that our individual customers understand what we're talking about.

And we try to build a relationship.  I mentioned earlier that we ask our loan officers and branch managers to teach the classes.  It's important that we develop relationships.

If you know your banker then you can be more successful in getting products and services from them versus not knowing them at all.

MS. BELSER:  All right.  So, I don't know who was first.

PARTICIPANT:  I work with Native American communities, many of whom have similar credit builder programs as you have, David, and that was -- it's amazing products so thank you for sharing that.

I did have a couple of clarifying questions.  You referenced the performance of the portfolio in the long term.  And so I was just curious if you would talk a little bit more about that.

And I was also curious if you had any financial coaching that was associated with that service in addition to the financial literacy, and if there were any formal resources that you were using to do that, or if it was more of an unofficial capacity.

MR. JOHNSON:  Sure, sure.  As we looked at the performance of the portfolio our delinquency rate is about 7.5 percent.  For this type of loan product I think that's about average if you will.

But again, I think the important thing is to make sure that you continue to look at that performance over time, not just take one look and just make a change based on that one look.  So it's an ongoing effort to review that portfolio.

In terms of financial coaching we do offer those individuals to come into the branch and meet with a loan officer and talk about their personal situation.

Now, we don't have the capacity ourselves to provide formalized credit counseling so we have partnered with some of the counseling agencies in the state to offer that service.

So for people who are having extensive credit issues we do refer them, the customers to those organizations for additional training and counseling.

MR. BRETT:  Hi, I'm Jason Brett with the Chamber of Digital Commerce.

And my question for the whole panel, and commending on the work you're doing with the youth.

The biggest concern I have, I work with a lot is identity theft.  And it's the fastest growing crime in America.  About 1.5 million Americans are under the age of 18 who have identity theft, and 50 percent of that are under the age of 6 because Social Security Numbers, it's a tabula rasa and they're taking advantage of it.

So, I guess I was wondering that has to be very difficult for just getting a start for a family, particularly for impoverished families, for the underserved, for the unbanked.

And I was sort of just thinking as you were speaking, I didn't hear you speak to the very young part of the population, something we might not even think of which is why they're able to use their credit for such a long period of time without it being noticed is maybe a program that the banks might have for adults being able to help.  Because I think every parent thinks the worst possible thing would be to start by trying to fix a person's credit before they've even used it for the first time.  So I was wondering if you had any thoughts on that.

MS. BELSER:  And just very quickly, I think just in terms of the timing we can keep our remarks short.  We have two more questions and then I think after that we'll probably cut off the questions.

MS. LIBBY:  So, I will approach this in two ways.

One is for the 15-, 16- and 17-year-olds having custodial accounts is a challenge, or can present challenges to what the speaker was mentioning.  And so that's one of the reasons that we require non-custodial accounts for those young people as part of our standards, and that helps to protect the income that those young people are earning, and the savings that they're generating through My Path savings.

For the older young people we definitely see the 18- to 24-year-old age range a lot of times there are credit issues in their reports that are from family members. And in some cases it's to keep the electricity on. There's a variety of reasons.

But it is a big challenge because in most cases, traditional identity theft cases they would press charges. There would be a whole process that would be moved through in order to remedy the situation.

But in those cases they don't want to go through those channels and so they're in a case where they have to just go through rebuilding their credit.

And there are some things that they can do for issues that happened prior to 18, but it's definitely a challenge.

MR. MAZYCK: Bernie Mazyck from the South Carolina Association for Community Economic Development. David, I again applaud what your bank is doing, the products.

Curious about your pipeline and how that pipeline is generated and continues to grow.

And you mentioned one of your partnerships. I was just wondering whether there are other partnerships that you have.

MR. JOHNSON: Okay. When we created the program we actually did no advertising or marketing. It was simply word of mouth.

The carrot was you're going to walk out of that bank with a loan, and with cash in hand, at least $250 or $500.

So we could not keep up with the demand. I mean honestly we did no advertising.

Probably within the past two years as we looked at the performance of the portfolio and we made those adjustments, we tightened the screws where we have the credit builder loan where you have to put all the money into the savings account. The demand is not as great now as it was originally.

Our classes don't fill up as quickly. As a matter of fact we had online registration before. The first Monday of each month you would register and within 30 minutes the classes would fill up.

Now, we have probably half that volume. So I think it's incumbent upon you to look at the portfolio, look at the performance and make adjustments as you go.

So, we still have a good pipeline of loans coming in, but the volume or the origination rate is slowing down simply because we've tightened the screws a little bit.

And I think the other part related to partnerships. We do partner with Jackson State University. They do offer some of the credit counseling for us.

They help us develop some of the materials that we use for the program. The Salvation Army, they also assist us as well. So those are two of the key partnerships that we have for that program.

MR. BOHMFALK:  Hi, Christian Bohmfalk from Bank of America.

Margaret, you mentioned custodial account ownership as a barrier for youth getting into the financial mainstream.

Specifically around checking accounts, most large institutions require a co-owner if the other owner is under 18.  In some cases it can be 17.

What's your thoughts or perspective on allowing 16- or 17-year-olds to solely own a checking account or savings account?  Would that be beneficial?  Do you see that as a barrier that they don't want or can't have an adult on the account?  And is there additional risk to the FIs to allow 16- or 17-year-olds to solely own an account?

MS. LIBBY:  Thank you for that question.  We definitely feel that 16- and 17-year-olds should own their own accounts, partly because the custodial account barrier means -- is a barrier for many young people.  If they're foster youth.  If their parents are undocumented.  If they're parents are on check systems.  Or if they don't want their parent on the account with them for other reasons.

Having that custodial requirement means that many working young people can't access an account.

So in our standards the standard is to make it non-custodial.

We've seen from the data-sharing agreements that we have with our largest credit union partner we see that the performance of these 16- and 17-year-old checking accounts that are coupled with savings accounts perform as well if not better than their standard accounts.

And I think that part of that is they're connected to direct deposit and they're getting a fair amount of education around the product.

But yes, I guess the short answer is yes, we do feel that they can and ought to have the non-custodial accounts, 16- and 17-year-olds.

MS. BELSER:  All right.  So, thank you so much.  I'd like to thank the panel.  David, Margaret, and Rani, thank you so much.

And I'd like to thank all of you for your questions and your interest in this important topic.

I think the conversation continues today.  We're moving onto a second panel.  So thank you so much.

(Applause.)

MR. MILLER:  Thank you, Denise, for your great job moderating that panel.