Panel 5: Growing Customer Relationships

MR. MILLER: As the panel comes up let me take a moment to introduce our moderator.

So, first of all the name of the panel is Growing Customer Relationships. I think you're starting to see a pattern here. Sustaining customer relations, growing customer relations. I think you'll see the point.

Our moderator for this panel is Kelvin Boston. Some of you may know him as the host of Moneywise which is a television program on PBS.

Moneywise is a series that seeks to empower viewers with financial, entrepreneurial, and other useful information.

Kelvin is also the best-selling author of Smart Money Moves for African-Americans, and a contributor to the report published by the National Disability Institute called Below the Bottom Rung of the Economic Ladder: Race and Disability in America.

I'll note that Kelvin is a member of the FDIC's Advisory Committee on Economic Inclusion as is Alden McDonald who's another one of our panelists. And again, we thank them for their service on that committee.

Kelvin, the panel is yours.

MR. BOSTON: Thank you. How's everyone doing? You want to give yourselves a round of applause for hanging in there?

(Applause.)

MR. BOSTON: At our events around the country we find that the people who stay in the afternoon are those who are most serious about the topic. So we're glad that you stayed with us.

The Moneywise TV program seeks to connect everyone with financial information that they can use to enhance their financial well-being.

We started this program in 1997. It was at the time the only personal finance program for people of color, and it's the only personal finance program for low-income, and working class Americans.

And if you look at the other television programs dealing with personal finance, money, you find for the most part they're geared towards high net worth individuals, investors, and savvy business owners.

So we find ourselves today still one of the only personal finance programs on national television that's trying to provide empowering information to everyone.

And since I have that position I want to let you know how happy I am to be here today and to be a part of this very, very important discussion on economic inclusion.

And I would be remiss even though I serve on the Economic Advisory Board if I didn't say that I think we should all take a moment and just thank the FDIC for bringing us all together today.

(Applause.)

MR. BOSTON: So, we're talking about growing customer relationships and how we can build long-term loyalty among diverse consumers and customers.

We have an outstanding panel. Our format is each of our panelists will speak for a few moments. Then we're going to do some questions.

And then we'd like to get some of your thoughts on how -- some of the audience's thoughts on ways that we can increase, and enhance, and improve, and build long-term loyalty among diverse customers.

So I hope you will start taking some notes, writing some ideas down that you would like to share with us. And we'd like to make you all a part of our discussion this afternoon.

So first, I'll introduce all the panelists and then we'll give each five minutes to share their thoughts.

We have Lindsay Daniels. She's the associate director of economic policy project at the National Council of La Raza. Let's give her a round of applause.

(Applause.)

MR. BOSTON: Alden McDonald. It's hard just to say president and CEO of Liberty Bank & Trust if you really know Mr. McDonald. He's a -- is a living legend okay? Can I say?

I mean really, people may not know that he's also I think right now, I think you're the largest -- the longest tenured and top three, top three is still good, African-American owned banking company in the United States of America. Please give it up for Mr. Alden McDonald.

(Applause.)

MR. BOSTON: Jamie Armistead is the executive vice president and head of digital channels at Bank of the West. He flew in all the way from San Francisco to be here with us today. Please give him a round of applause.

(Applause.)

MR. BOSTON: And Lindsay, I think we'll start with you.

MS. DANIELS: Perfect. Thank you so much. It's good to be here at the event and obviously joining Jamie and Alden and Kelvin on this panel.

As mentioned my name is Lindsay Daniels. I run economic policy at the National Council of La Raza.

For those of you that don't know NCLR we're the largest Latino civil rights and advocacy organization in the U.S. We have been around almost 50 years.

And we combine, I think sort of our unique position is combining both policy and program work that's informed by our work with our affiliate network.

So we have a few core issues that we focus on, housing and community development, workforce development, education, health, civil rights, immigration, the economy.

So I want to give you just a sense of where we're located. Our affiliate network -- obviously our headquarters is in D.C., but our affiliate network, these are community-based organizations that are their own individual 501(c)(3) non-profits, but they are located across the country. We have a little over 260 affiliates.

And they provide a range of services in Latino communities across the country.

They're concentrated as you'll see in the map in sort of what you would consider to be the traditional immigrant gateway states - California, Texas, New York.

But we have a lot of affiliates that are also in new and emerging although not necessarily new anymore so to speak, but in the southeast and the Midwest.

Before I talk a little bit about some of the research on what do low-income families and communities value in their relationships with financial institutions I just wanted to give you a quick story of one of our clients that came through an affiliate in Maryland recently, just to give you a sense of some of the different barriers and opportunities that there are for a low-income individual that's trying to build a relationship with a financial institution.

So, this woman Norma who had been a legal permanent resident in the U.S. for about 15 years which means she had been in the U.S. for nearly 20 years at a minimum, she had never opened a bank account when she first came to the U.S. because she didn't bank in her home country due to issues of corruption with the local bank.

But when she came to the U.S. she also just didn't understand the banking system well, and she also didn't know that she could open an account with her Matricula Consular ID, or her ID from Mexico.

So her employer paid her in cash so she had never had a need for direct deposit. But she used other financial services within the community, check cashing in her neighborhood, and also sent remittances through Western Union at the corner store.

She saved but it was done informally with friends of hers from church where she participated in a lending circle. So everyone pooled their money together every month, and each month a different individual was able to receive that pot of money.

So when she finally decided to become a citizen she needed about $900. So she needed money to cover the application for the citizenship application as well as she needed money to help with the legal fees.

Now, as we've heard from earlier panelists for a low-income individual working for an employer that's cash-based it was a difficult proposition to have a lump sum of $900 for that one opportunity, that one application and legal services fee.

But she heard about a local credit union that was offering small dollar loans, that she could take advantage of getting a $1,000 loan to help cover the costs of her application.

Now, she had obviously an extensive history of regular financial transactions through her remittance payments, her rental payments, and her participation in lending circles, but these were mostly all done informally outside of the formal banking system.

So she decided to open an account and was able to get a loan from a credit union that had more flexible underwriting and accepted some alternative forms of data to sort of understand whether or not she would be creditworthy under their terms.

So, she finally completed her citizenship process and became a citizen just earlier this year.

So I just tell you that story to give you a sense of some of the different ways that people are interacting through the system, many of whom I'm sure you've run into in your own communities.

I wanted to give you a sense of some of the research that we've done at NCLR to just put some more data points, some finer data points around stories like Norma's, and give you a sense of some of the elements of banking relationships that are valued by low and moderate income consumers.

So we did a research project a couple of years ago with the National Urban League and the National Coalition for Asian Pacific American Community Development where we looked at African-American, Latino and API communities, and how they're interacting with the financial system.

Sort of our own version of the FDIC's un and unbanked survey, but we worked with our affiliate organizations and so we were reaching an extremely vulnerable population many of whom were not citizens.

So I just wanted to highlight quickly, since you have the slides I'm not going to go into too much detail, but more just focus on some of the data that I think is helpful.

In particular the survey reached just over 5,400 individuals. And the bank account ownership is very similar to what you'll see in the most recent FDIC survey. So that part is not necessarily surprising.

But I did want to just draw attention to the fact that as is no surprise probably to many of you citizenship status is an additional barrier. So, for individuals who are not citizens the percentage of having an account is much lower.

And I mention it because I think that access is still critically important even though I know that it's not the full picture, and many people have accounts.

There are still specific communities and populations for whom access is a challenge. Immigrant communities, non-citizens, young people which was talked about earlier, limited English proficient.

I also wanted to mention another point that I think is helpful in thinking about where do people go for information, where do they feel comfortable.

And so I wanted to give you a sense of through our survey what we found and where people go for information. Looks like we're missing one part of the key which is the friend or family member, the blue line.

So for people who are low-income and are less educated they're more likely to go to friends and family. Banks do pretty well in terms of people going to banks for advice, but I think that it's important to understand that people are still going to friends and family for information whether or not friends and family actually have the right information about financial information that would be helpful to them.

They're still going elsewhere, to the people that are most comfortable to them for that information.

And finally I just wanted to highlight what we found were the top five priorities when selecting a financial institution.

This is across the board, not just a bank. It's any finding institution that they transact with.

So the top reasons are distance from home or work, number of branches or ATMs, and the account fees and requirements.

And I wanted to bring that up because in particular the previous panel talked a lot about technology which I think we'll get more into even in this panel as well.

But I wanted to bring it up because I think it's really important to remember that for low and moderate income place matters. And having access to branches is still extremely important to this population.

In particular, if you look for non-U.S. citizens Spanish-only, the ability to communicate in my native language was also incredibly important even though it didn't rank high for the overall survey respondents.

So I just wanted to again highlight from the work that we have done, the financial inclusion work at NCLR, 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.

And then also products which I think we'll get more into as the discussion progresses. But are products meeting the needs of these communities.

So if we see that there are high numbers of people who have bank accounts as we do in the FDIC data, as we do even in our own survey, having an account is just one step of the process.

How is it that people are interacting with that account and what other products are available and accessible to them. Why do people continue to go outside of mainstream institutions to use alternative financial service providers like check cashers, like remittance providers, like payday lenders.

So, I know we'll get a little bit more into this later, but I also just wanted to highlight trust as a really important factor.

We didn't specifically ask questions about trust in our survey, but I think in particular as this being the tenth year of this conference there have been clearly very significant strides in financial access and inclusion.

The data from the FDIC survey would reflect that, that we see -- this 2015 survey was the most banked households we saw, for example, in the Hispanic community over all of the years of the survey.

But we're also in a time right now where the environment is getting difficult for communities of color.

And I think it's important to recognize that for the customers that you do have making sure that you reinforce that trust, how important they are to you, to your financial institution, are critically important as people are not necessarily trusting institutions right now, government, or law enforcement, or other things.

So, I just wanted to -- I feel like I need to mention that as well because I think that's a really important piece of just the reality of where we are today.

MR. BOSTON: Thank you, Lindsay, for sharing your reports. You should know that Lindsay's report is on your tables separately. It's not inside your folder but there are copies on your tables.

And I think your report is going to help us in our discussion this afternoon.

MR. ARMISTEAD: Kelvin, if you don't mind me interrupting and going off script a little bit.

MR. BOSTON: Please.

MR. ARMISTEAD: Before we leave this slide I was just curious, in your research, Lindsay, did you ask about digital banking capabilities?

MS. DANIELS: Yes, and in fact I made a note about that.

So we did ask, and it did come up as a priority. It was literally the next one, it was number six. So 20 percent of overall individuals that was the number six choice.

It ranked higher with African-Americans, 24 percent. Spanish-only and Asian language only was only 8 percent. So not important for the LEP population.

MR. ARMISTEAD: Interesting. And the reason I ask is because I know there's some other sort of broader national research that had come out and it made a bit of a splash because it was the first time that digital banking capabilities surpassed branch location as the number one factor in selecting an institution.

But interesting to see the difference with this population. Thanks.

MR. BOSTON: Great, great. Off to a good start.

Next we're going to hear from Alden McDonald. Alden, share with us some of your thoughts on how we can engage and keep diversity clients.

MR. MCDONALD: Okay. I'm going to go off script. I thought Jamie was next and I would follow Jamie, but that's okay.

I would like to first of all see a show of hands of people in the audience with financial institutions. CDFIs. Community development. Thank you.

And the reason I ask that question is I always like to know who I'm speaking to to begin with. That's number one.

And number two, as you know the title of our panel is Growing Customer Relations. And Jonathan selected three distinct areas of growth, and customer awareness, and customer service for a reason.

The institution that I'm with is a minority-owned institution which then gives everything a different flavor for a number of different reasons.

But before I get there Lindsay mentioned that he organization was nearly 50 years old. I've been in the banking business for 50 years. So you're still a baby, Lindsay.

(Laughter.)

MR. MCDONALD: And so, I say that to share with you and put some things in perspective.

With our institution being who we are my dad was a waiter since he was 14 years old. And in my family I was the first one to own a home.

I remember as a kid that he had to hustle money to pay the finance company. And he had to live from paycheck to paycheck.

So when I got into the banking business a number of things happened to me.

One in particular is that a friend of mine's father was a real estate agent. And my friends used to call me Many Jobs because I've always had more than one job.

And that's the way most people in the communities that we're talking about live from day to day to make ends meet.

So my experience as a kid, my experience as a young adult brought me into the banking world really by mistake because just to let you know I was the first African-American to be hired in a position of a banking officer in the State of Louisiana in 1966.

So, for our community we didn't know people in the banking business. We didn't have relationships. But we had relationships with finance companies.

And this friend of mine's father was selling real estate on the side. He said come here, Moneybags, I've got a deal for you.

He said I have this great house for you to buy. He said three bedrooms, two and a half baths, living room, den, fireplace, the whole bit. Thirty-two thousand dollars.

I was too embarrassed to say to him that I didn't have any money. So I then went to my boss because I was in the banking business and told him I have a problem because I signed this contract. I offered him $18,000 and they accepted the contract for this $32,000 house.

He then proceeded to ask me, he said do you have any funds you'd like to consolidate? I said yes.

He said does the house need a little work? I said yes. And he said okay, when do you want to close?

So that was my first experience. And I'm giving you that story because from then on my mission was to help people in the community where I came from to do just that. So it was very natural for me in the bank to shake the institution to lend to people of color, to lend to people from low and moderate income, and we had a sprinkling of people that perhaps thought they were in the upper lower income, but we said they were in the upper middle income, and then the people who really thought they arrived who were really in the lower income. We call them lower income plus so they wouldn't have that title.

But in lending to this community we had to build brand. And in building this brand of understanding the community because we knew how to talk the talk, we knew how to walk the walk. We knew the individuals in the community.

And all of these individuals had fairly low credit scores, where credit scores were not as big of a deal back then as it is today and yesterday.

But we learned how to lend on character. The really, the big three C's and character is the first one.

And the character in these communities that we always talk about, low and mod income, that's how we lend, that's how we built our brand.

And we have to continue growing these relationships. So it was a natural for us to grow the relationship because of our mission, because of our passion and what we wanted to do.

Today the change in technology, the change in banking has given us a little bit more of a challenge, but we continue to work with that challenge in growing that relationship.

We're not the largest minority bank in the country, but we're within the top three any day of the bank.

And the most important thing is that we have close to 50,000 customers and we're only $640 million in size. And we're in eight different states.

And we apply the same process in the same formula in all of these communities, and we find all of these communities the same.

So how do we grow these relationships? How do we continue these relationships?

And it's all fundamental. These individuals want to have a relationship with a banker and we've been providing that for the last 44 years that our bank has been in existence.

And the relationship carries on through community commitment as most of you know. But we do it from the whole bank side.

When I say the whole bank side it's basically our customer base. The low and moderate income folk represents our entire customer base for the most part. We have very little mixture on the other side.

And on top of that we have to compete with these regional banks, and these other big banks that's trying to check the box for Community Reinvestment Act credit.

Because they're in the community that we're servicing and picking off and giving very low interest rates that we can't compete with.

So growing that customer relationship has given us the edge. And even though they have these freebies, I call it sin tax money that comes in the community. Those are banks that's been charged with penalties for not doing what they were supposed to do.

They come into the community and give money away, low interest rates, et cetera.

So we continue to grow our business through relationships and we think we've been fairly successful with it.

Now, the last three years, three and a half years it's been a challenge because we have to market now through social media. That's the only channel that's affordable for our small bank to market and continue relationships.

We've done things throughout -- I won't bore you with a whole lot of the history, but the latest thing that we hooked onto is diabetes because in the minority community from a medical point of view diabetes represents 1 in every 4 individuals that you know. And it extends even beyond that.

It also has to do with hypertension and obesity. So we've latched onto diabetes as a theme branding it with our bank so we have relationships.

So as a result of that we do schools, we do the medical field, we do the hospitals. And so we brand and grow our institution through those mechanisms.

And by the way, we have online account opening, online lending, online credit card because those are the three major forces that we deal with. And plus we deal in mortgage lending.

And we have developed our brand, and we continue to grow our brand through those channels.

Today we are opening more accounts online than individuals coming into the branch opening it manually.

We have converted a number of our branches where we have reduced the tellers down to one and a half individuals.

And everyone who comes into the bank we have individuals in the bank with an iPad constantly showing our customer base how to bank online through technology.

The technology channel is what we're using to communicate to our customer base. And you will find that they will adapt, especially if you don't have it available. Because the relationship again is what will keep the customer with you.

So I just wanted to share what we do in order to grow our customer base in this low and moderate income community which is our major focus and has been our customer base for the last 45 years. Thank you.

MR. BOSTON: Great, great. A couple of things, Alden.

First, I see in your title now you have president and CEO. Should I just call you Many Jobs? Just thought I'd ask. Just thought I'd ask about that.

Really fascinating. And as you know right now I think this whole idea of connecting diabetes to the bank is really right on target.

In our work we find that it's hard to talk about economic empowerment without talking about health.

And I know it's in vogue to talk about financial wellness, but for us who deal with people of color it's not financial wellness. It actually is finance and health. It's an and, it's not a dash. And so I think that is incredible that you're taking that position on many levels.

And I also think that's a good way to bring in our last panelist, Jamie Armistead, who's going to talk about technology and what's going on at Bank of the West.

MR. ARMISTEAD: Thanks, Kelvin. So, as Kelvin mentioned in the intro I head up digital channels at Bank of the West.

So myself and my team have responsibility for our public website, bankofthewest.com, online account opening, online banking and mobile banking. So we really run four platforms.

And as a team we love to design and build things so that's what we spend our time focused on.

And as a byproduct of that we usurp a fair amount of the company's capital. So we basically go in every year asking for a pile of money so we can go build out new capabilities for our customers.

And so I figured well, at some point somebody is going to ask me what we're getting for all of that.

So we started doing some analytics and looking at what does digital mean for our customer base.

So when you look at that, and I think most financial institutions would arguably see similar results when they just look at the existing data and look at their customer base and you start to stratify it based on digitally engaged.

And by digitally engaged we generally mean using online banking or mobile banking. And there's certainly degrees of digital engagement. Using BillPay in particular is a catalyst for a lot of really good things in terms of the results.

But when we looked at digitally engaged customers we would say okay, our digitally engaged customers are more profitable than their offline counterparts. And so we would say good, we're adding value.

But we've got a lot of smart finance people that said okay, well that's true, but you've got a chicken and egg question. So are your better customers just naturally more inclined to use your digital services, or did digital actually make them better customers.

So we embarked on a study to look at that and try to prove out the causality of digital engagement, and try to prove that digital engagement actually drives incremental customer value.

So, I am going to take you through that study and consolidated about 40 slides down into 1.

We'll call this the results slide. And so what we did is we took two years of data and we took matched customer sets.

So at the beginning everyone is offline. Nobody's using digital.

Population 1 six months into this study period, they became digitally active. Population 2, they stayed offline for the duration of the study.

And then we just compared. The idea being they're reasonably matched sets. It's not perfect, it's not perfectly matched, but we tried to make them as closely matched as possible where the only real difference that we saw was six months in population 1 became digitally active. And then we saw what happened over time.

And so you can see in front of you the results of that analysis.

And what you see is a lot of really good things happening with those customers and their engagement with the bank.

My hypothesis behind this is simply if you are digitally engaged the bank is top of mind. And we know the frequency of interaction. So you can kind of look back at frequency of interaction.

You can say okay, my offline customers, well okay, maybe they're writing checks for paying their bills. Is that a bank engagement? Do they really think about Bank of the West when they write checks? Maybe, maybe not.

Once in a while they come in if they need to do a deposit. But the bank is not necessarily top of mind.

But once you become digitally active you're checking your balance multiple times a week. Hopefully you've downloaded the mobile app. You can easily login, or we have a feature that we pioneered called Quick Balance which is the ability to get your balance before you even login, or without even logging in.

So, the bank becomes much more top of mind.

And I think I'll just start over on the right-hand side of this where you look at transaction volume.

So both on the debit and the credit side we saw an increase in the amount and frequency.

So on the credit side it was a 13 percent increase for both the dollar amount per transaction and the frequency of those transactions.

And then for debit it's 14.6 percent higher on the dollar amount, and 9.3 percent higher frequency.

So your card products are really becoming top of wallet. So as you're a digitally engaged customer Bank of the West is top of mind, what am I pulling out, what plastic am I pulling out if I'm paying using my debit card or my credit card. They're pulling out the Bank of the West card that much more frequently.

Lower customer attrition. I think everybody knows this tale of digital driving lower customer attrition.

BillPay in particular is a great catalyst for this. If you can get people to use your BillPay service. Obviously switching BillPay is a big pain.

I know there were comments earlier in the day about making it easier to switch banks. I'm not opposed to that.

Having done it and brought my entire banking life over to Bank of the West it is a pain. So it wasn't a whole lot of fun.

But that lower attrition number is a significant impact here.

And then moving to the increased product holdings. This one's really interesting because 1.1 incremental products per household.

And these are banking products. I know in kind of the banker score card we often get credit and count digital as a product, but here we're talking about actual banking product.

And the offline counterparts really had negligible, I think it was 0.3 percent incremental product adoption in that same time period.

So, this is a big factor in driving that incremental revenue that it results in.

What I told our branches and kind of the mantra that we go with is digital adoption drives branch sales. And that's because by and large the majority of these product sales are actually happening in the branch.

And so that top of mind advocacy that we see for Bank of the West out of this digitally engaged customer set is actually bringing them into the branch to open incremental products.

So there's no channel conflict being created here. I unfortunately don't have great online capabilities relative to my lending products for account opening. Those are projects in flight for a whole host of reasons. They're not there yet today, but -- so those are sort of painful experiences today so I'm not really seeing that.

We do quite well on the deposit origination side, but not on the credit and lending products.

So ultimately that results in 10.7 percent higher revenue.

I would argue that if you watched this for an additional year because of that 1.1 incremental products you would actually see the difference in the incremental revenue growing that much more.

Because for that population that incremental product is really coming after they became digitally engaged. So at most you have 18 months of that new product to burn in and generate additional revenue.

Some of the people would have adopted it just at the tail end of the study so virtually no incremental revenue from that incremental product.

So I would argue that you would see this play out where that revenue number would grow even higher.

So, for us at Bank of the West what this means is, one, I get to keep my job. That's good.

Two, I've been able to convince more and more people of the importance of talking about digital engagement.

And we've started to do a number of different things around that.

We've put marketing resources in place. We've got digital engagement resources in place within the branch network. And so now we're actually building out programs and making this a real focus.

I came from Bank of America. I spent 11 years at Bank of America on the management team in the digital channel space in various roles.

And so arguably I took for granted that every bank did the things that Bank of America did, that we all sold this way, that we all promoted digital this way.

And it really just wasn't the case. So we had to learn some of the same lessons, some of the lessons that maybe a Bank of America had learned in the mid two thousands and gotten switched onto the value of digital, and really making that top of mind and driving it out.

So as an industry we're seeing stagnation in BillPay. A lot of the Millennials are using what we call biller direct where they're going from website to website to website to pay their bills.

Now they're doing it digitally, but from a bank perspective we're losing that level of customer engagement.

And I sat in a focus group where there was a Millennial woman who they were talking about -- this was kind of in the warmup phase of the focus group. So if you've ever watched a good moderator they're sort of talking with the panel and getting them to talk about their financial lives and so forth.

And switched to asking how do you pay your bills, and chatting about that. This woman said it would be so great if I could just go to one website and pay all of my bills there. I don't know why anybody hasn't done that.

And we're sitting in the back and we're just laughing to ourselves and thinking.

And the reality is we sort of assume that everybody knows these things, and they really don't. And it's a basic education.

So when Alden's talking about having the tablets in the branches that's spot on. And actually taking the time to show people how to use your digital banking services.

There were comments earlier about reaching the rural community. We have -- we're in 19 states. So people say wow, you're in 19 states. Yes, with 550 branches. Heavily concentrated in California.

We are a very, very thin footprint bank, and we serve some communities where it's very, very rural. A lot of rural farming communities.

And we're seeing -- the good news is as we've gotten focused on this digital we started to really hone in and look at our metrics at a branch level.

And we're seeing great mobile adoption in those communities. And we're seeing great use of remote deposit in those communities.

So it's really going to -- I think our data supports everything that's been said earlier today about mobile reaching those customers and being able to allow them to be part of the mainstream financial services.

MR. BOSTON: Jamie, I think you also had some research about communities of color, right?

MR. ARMISTEAD: Yes, we didn't explicitly -- this whole body of research was not stratified along an LMI spectrum.

But as we've been able to look at -- kind of the two things marrying up are all of our focus on driving digital engagement. We now have -- within our branch reporting we now have a whole dashboard around digital engagement.

And so we've been able to tease out and see where, for example, our Compton branch in California is really low on online banking, and conversely really high on mobile banking.

So, you're just seeing that. And I remember, I've been in the industry long enough -- not as long as Alden, but a long time -- I remember when one of our gating, sort of our sales questions back in the B of A days was asking the customer if they had a home computer and if they had broadband access.

You had these sort of gating questions if you will. That's way pre-mobile days and pre-iPhone days.

And so you wouldn't even -- if they said no you wouldn't even bother talking about online banking because it wasn't realistic that people were going to go to the library and do their banking.

So it's interesting. We really no longer have those questions because if you have a smart phone you have the full range of capabilities. Not everything is available on the phone, but the majority of the core financial needs are already available on the phone.

MR. BOSTON: So Jamie, I think that what you're trying to say is that in your African-American communities and I think Hispanic or New Mexico they have a high use of the mobile phone.

MR. ARMISTEAD: Exactly, exactly.

MR. BOSTON: Thank you.

MR. MCDONALD: May I just jump in for a minute?

Kelvin mentioned earlier about the FDIC and the studies, et cetera. And Jonathan would know this quite well because he and his group when the task force of economic inclusion came about there was very little talk about the whole digital world and the digital banking. So this phenomenon is fairly new in the community.

And when our task force was discussing whether or not the low and moderate income population would even use it, could use it, and whether or not they had the technology available a lot of research has been done by the FDIC.

And I would like to congratulate the FDIC on what they've done with not only the research, but the awareness factor.

In this session today we heard a lot about partnerships. And we have a lot of different entities in this room, whether you're working on the non-profit side, whether you're working on the for-profit, or whatever the organization is the most important message I want to get across is that I can tell you that the low and moderate income community is adapting very well to the whole digital piece.

So when you're thinking about partnerships with financial institutions I'd like to encourage you to really put in place the whole digital aspect for a delivery channel for both your services as well as the banking services because I think that partnership is going to be a win-win.

And 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.

So, I'd like to take that opportunity to thank them publicly for that work, and to express to you to include the whole digital aspect for the low and moderate income community.

I think we're past the stage of wondering whether or not they will use the services.

MR. BOSTON: Go ahead, Lindsay.

MS. DANIELS: One thing I just wanted to mention was there's an example here locally.

One of our affiliates, the Latino Economic Development Center in D.C. that one of the challenges I think that they've seen in terms of the digital adoption is for people who aren't necessarily comfortable with digital or familiar with it, or have security concerns, that they -- and they're in banking deserts. So they don't have branches.

I love the idea of having a tablet in the branch to help people understand how to use it, but if you don't have branches in your community then maybe you don't have someone to walk you through it.

So they actually as a non-profit have partnered with several banks, and they have kind of a mobile setup where they go into some of the banking deserts that you wouldn't think of.

You know, a lot of people have said rural, but there are plenty of banking -- areas in the city that also don't have branches.

And so they take their little RV and they're going and teaching people in neighborhoods that don't have branches how to use mobile technology.

So that's another way I think in terms of partnering with local organizations that are really embedded in these communities. If you don't have branches there that can be really effective.

One of the things I would warn though is that we also see a lot of drop-off with banks when there's turnover at the branches. Sometimes people have very close relationships with community organizations in that branch.

And then when that branch manager leaves then all those relationships end up back at square one.

And so I know many banks have technology that you use to manage your relationships with high net worth individuals.

The systems are there. The question is how do you use those same systems to also track your relationships with the community organization so you don't have to start back from square one, where you can actually -- if there's turnover at the branch that it's not solely relying just on the branch manager, or an individual at that branch to manage all those community relationships.

MR. BOSTON: Great. We'd like to get some of your questions from the audience, and also if you have any suggestions you'd like to share.

We're running out of time so if you would begin to come to the podium now that would be great.

And also while they are coming we'd like to remind you that one of the best ways that many branches and banks and financial institutions use to engage our communities is through financial education.

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

I know a lot of banks used to think that they could afford to have a financial literacy program, a financial education program I should say.

Then they got into the business of writing curriculum and found out that they have to change it every three months and realizes maybe this is not a good thing to do.

Thank God for the FDIC and Money Smart program. Give them a round of applause.

(Applause.)

MR. BOSTON: One of the amazing things about the FDIC's program, and it has so many things that it does, but one of the things that amazes me is it's in nine languages.

Imagine updating everything once a year that's in nine languages. Now we'll see a short video about the FDIC Money Smart program.

(Video played.)

MR. BOSTON: Okay. Yes, ma'am.

MS. THOMPSON: Good afternoon. My name is Michelle Thompson. I'm with Fairfax County Consumer Affairs.

And in our organization we do education and outreach on different consumer topics. And we've extended it to financial literacy and financial capability.

And I wanted to add to the conversation. When working with new clients who are just stepping into trusting this banking relationship and taking on new products is there a conversation about sensitivity when offering potential new products to an individual who's just fostering trust along the way, and a space for them to consider how it will impact what they're currently doing.

Sometimes I've experienced on my own different opportunities to take on a different product and may have said no once, but then I've been offered a product another second and third time and I've already made a decision.

And then sometimes they'll say oh, you've been offered this opportunity to apply for this credit card.

And someone who's brand new, who's just stepping out and applying their learning with different products may feel pressured to respond to that, or go ahead and apply when in actuality they may not really be in a position to apply.

So that might have a negative impact on their credit report, or they get it and they're not really ready to sustain the additional payment.

I'm offering the suggestion to speak with staff about the opportunity if it's available to offer it if someone is asking to have some additional time.

Because maybe they are working with a financial coach, or they are working with a counselor and they can have someone to bounce that back off of them without this time pressure to say yes or no.

Are your organizations incorporating a sensitivity to new products for this new population that's taking advantage of your services?

MR. BOSTON: Alden?

MR. MCDONALD: Yes. Whenever we're designing a new product we're designing the product for low and moderate income community. So our sensitivity not only for pricing, but how it works and the policies that go along with it, that sensitivity is at the top of our list.

Because what we're attempting to do, we're attempting to become more efficient by having our customers to use technology. And if they don't use technology we don't have the cost savings that we need in order to service the community.

MR. BOSTON: Yes, sir.

MR. MINTZ: Hi, Jonathan Mintz with the CFE Fund.

My question is mostly for Lindsay. In the last several years there's been a lot of effort and progress around facilitating and welcoming non-citizens into the banking system.

My question is almost the inverse and I wonder about you and your organization's feelings these days about whether or not in the new enforcement climate, whether that is -- how one answers that question. Are you potentially putting yourself in harm's way?

MS. DANIELS: I think it's a great question and one that we're definitely struggling with.

I think in terms of how should we message to our community organizations and them to their clients.

I think that there's sort of multiple layers to what I would say.

One is that we know that people when they're concerned about their personal safety that they're thinking about their finances is just not top of mind.

And I say that because I think it's important for us to recognize that not just for the immigrant community, but for the African-American community or others if you're facing incarceration, whatever it might be, that's not -- thinking about your finances is not necessarily your first top priority.

And so really figuring out where does banking fit into the conversation, and trying to meet people where they are I think is really important for financial institutions to consider.

And to think about how to put some basic things in place for current customers to help them understand, help people understand how they might be able to secure their money.

So things like do you have another account holder, are you signed up for online banking, do you have a debit card. Do you know how you would access your money remotely if needed.

I think in terms of opening new accounts and trying to encourage people to get into the banking system, our position is that you do need to continue to try and operate and establish yourself in this country.

And I think that it's very difficult in this climate where there's a lot of fear. We've been encouraging people to file their taxes even though that puts them into the IRS system.

I think that it really is though about understanding whether or not that person is comfortable with it.

So we also are looking at other products like prepaid cards that might be a better option for people so that there's still some sort of formal product connection. It might not be with a mainstream bank.

MR. BOSTON: Great. Yes, ma'am.

MS. GORHAM: Lucy Gorham with the UNC Center for Community Capital.

One of the things we read a lot is that LMI consumers are often considered less profitable for banks.

And I was really interested, Jamie, in your results that you found with digital channels and wondered how much you think that can be a game-changer for a bank's interest in going farther down the income ladder and reaching out to customers.

And Alden, I was wondering for you, you mentioned your online services, but whether you also are or planning to add mobile to what you're doing.

MR. ARMISTEAD: So mobile is included. So when I talked about digital engagement it's online or mobile.

But in terms of kind of addressing the LMI community we're in the process of developing sort of a fully Bank On compliant deposit product.

So within my group everything we build is available for everyone. So there's not really a stratification, and kind of the cost in digital is generally in building the technology, not in running it. The running, sort of the nominal incremental cost of running these applications is pretty small.

And so we do see it as a game-changer because now if you take a Bank On product and you also look at account origination you get adverse selection through digital.

And what I mean by that is if you have -- you're in a questionable credit position such that you're not even -- you're not necessarily a viable candidate for a deposit account, for a checking account.

Do you really want to get in your car and drive around bank to bank to bank to get turned down, to try to find that one bank who will bank you? Nobody wants to do that.

So we actually get a disproportionate share of those people coming through online and mobile to originate the accounts.

And we actually -- we have a product we call Fresh Start. And it's not advertised. It's a counteroffer product for a decile that's not qualified for our standard checking account. So it really addresses that community.

We built out the counteroffer capability through digital and now 25 percent of my originations through digital are the Fresh Start product. So it's been a phenomenal tool for us to address that population.

MR. MCDONALD: I'm going to give you a short answer. I know we're out of time, but I think it's a very important question that you mentioned.

First of all, we don't charge for most of our services to begin with.

Secondly, we pay the highest rate on a savings passbook in the nation, 0.65 percent.

Our service charges are among the lowest in the country on all of our services.

So we have gone with the digital piece and the technology piece to help drive our costs down to balance off the necessary expenses.

MR. BOSTON: Denise?

MS. MURRAY: Just really quickly. Denise Murray, OCC.

And Jamie, and maybe for Alden. Does your study take into consideration the cost of security? So, the FDIC mentioned that banking, the security of the mobile platform, of the digital platforms. They feel that it's inferior to the banking services.

So does your study take into consideration the cost to secure your digital platforms at all different levels?

MR. ARMISTEAD: Not really. I mean, we were really just looking at what happens with customer behavior post adoption of digital technology.

We're certainly aware of security as a barrier to adoption. And much like most of the financial institutions, I mean security is always kind of top of mind, especially in the digital space.

MS. MURRAY: I mean the cost of maintaining your security to the profitability of the account.

MR. ARMISTEAD: Oh, sure. Yes, I mean it goes into the run rate. And that's kind of my point about, again, it goes to building these technologies and running these technologies gets -- you're kind of spreading it across all of your account holders. It's not accruing to an LMI community or otherwise. It's your total population.

So every incremental customer I can get to use digital is better for the bank because you're spreading that cost of security across a broader population.

MR. BOSTON: Yes, our goal today was just to leave you with a few ideas that you can use when you go back to your financial institutions.

I think we've done that. We've shared some ideas about building trust, of digital relationships, building long-term relationships and making sure that you reduce barriers to have people of diverse backgrounds bank with you.

I want to thank you so much. Bye-bye.

(Applause.)

MR. MILLER: Thanks to the panel. A really interesting panel.