Remarks by

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Good morning and welcome to the Seventh Annual FDIC Consumer Research Symposium. We look forward to the opportunity this event affords us to engage with the independent research community. Your participation today will help inform our understanding of consumers' capabilities, knowledge, and preferences for financial services, as well as their experiences in the financial services market.

The papers you will hear about today were selected from over 100 total submissions. They are of a very high quality, and I believe will prompt robust discussion.

I would like to ask you to join me in recognizing and thanking all the members of the team that have made this event possible, especially Mark Pearce, Jonathan Miller, Keith Ernst, Ryan Goodstein, Jeffrey Weinstein, Alicia Lloro, and Shannon Greco. I would also like to express my appreciation for the presenters, discussants, and moderators who have come prepared for what I am sure will be an engaging set of panels.

The FDIC places a high priority on learning from the leading research on consumers and consumer financial services. I would like to take just a few minutes this morning to describe the role of research and analysis in our consumer protection supervision and economic inclusion activities.

Research and Analysis in Consumer Protection Supervision

Under our current supervisory approach, the FDIC seeks to identify, address, and mitigate the risk of consumer harm at each of the 3,711 financial institutions it supervises.[1] This approach is now reflected in recently updated interagency standards for assigning ratings to financial institutions' compliance efforts—the first such revision to those standards since 1980.

Where the previous standards reflected a focus on transaction testing for compliance with regulatory standards, the current standards focus on a risk-based examination process. This process evaluates whether an institution has put in place appropriate policies and procedures and taken other measures to ensure that it can offer its products and services in compliance with applicable law, minimizing the risk of consumer harm.

This emphasis on consumer harm helps ensure that the federal banking agencies are well-positioned to implement the consumer protections embedded in federal law. In practice, this means that examiners are focusing less of their attention on technical concerns and more on issues which may actually impact consumers.

This approach to supervising compliance with consumer protection standards has been favorably received by financial institutions, which report that compliance examinations add more value when they bring a focus on potential substantive concerns.

[1] Source: FDIC Statistics at a Glance (as of June 30, 2017) https://www.fdic.gov/bank/statistical/stats/2017jun/industry.pdf.

As you might imagine, this emphasis on consumer harm requires us to have a deeper understanding of consumers and their interactions with financial institutions. For example, while a checklist of the sort used in transaction testing might tell an examiner whether associated disclosures have conformed to specific requirements, identifying which disclosures to prioritize in a risk-based exam requires an understanding of how consumers use the information in the context of a given product.

Within our compliance program, we regularly conduct analyses of data collected through Call Reports, the Home Mortgage Disclosure Act, and the Community Reinvestment Act to gain insight into the operations of supervised institutions. From these analyses we learn more about the products and services being offered by institutions and the markets in which they operate. This information can help examiners identify potential areas of risk for closer inspection. Follow-up analysis of data obtained during examinations provides a further basis for informing examiner judgments.

These observations bring me to today's program and the larger focus on consumer research at the FDIC. The kinds of insight we need to do our job are only available when we do our best to understand the marketplace—both the operations of supervised lenders and their interactions with consumers.

While we have our own consumer research program at the FDIC, we recognize that there are many independent researchers with a diversity of perspectives from which we can learn.

Research and Analysis in Economic Inclusion

In addition to using research to help identify where we might expect to find issues of consumer harm, the FDIC also utilizes research to identify opportunities to expand consumers' access to and use of mainstream financial services.

A great deal of work in this area has been done by researchers here at the FDIC. The FDIC economic inclusion research agenda has grown into a substantial effort—producing high-quality data on consumer use of bank and non-bank financial services and reports that shed light on opportunities to expand economic inclusion.

We have learned from the most recently available FDIC data that 7 percent of households are unbanked, lacking any account at an insured institution, and an additional 19.9 percent are underbanked, meaning they have an account but nonetheless report using non-bank consumer credit or transaction services during the prior year. Altogether, we know that 90 million Americans, or about 27 percent of households, are unbanked or underbanked.

We have also learned from these results that unbanked and underbanked rates are much higher among particular demographic groups. For example, combined unbanked and underbanked rates stand at 42 percent for households earning less than $30,000 per year, 46 percent for Hispanic households, 49 percent for African American households, and 46 percent for households headed by a working-age individual with a disability.

These figures come from the FDIC's National Survey of Unbanked and Underbanked Households, conducted every two years in partnership with the Census Bureau.

This data—and related research from the FDIC—is regularly cited by financial institutions, non-profit organizations, and public officials as providing a basis for understanding the scope of economic inclusion challenges in their communities and as a starting point for considering approaches that can enhance economic inclusion. In addition, we have been gratified to see the research community downloading our respondent-level data and conducting independent work to increase understanding in this area.

Having compiled the data and published related research, the FDIC dedicates resources through our nationwide community affairs program to ensure that the information is brought to local communities across the nation. In 2017 alone, Community Affairs staff members have delivered presentations in 29 local forums focused on economic inclusion challenges. These events are valuable opportunities for the FDIC to ensure that individuals in a position to develop responses to economic inclusion issues understand and benefit from what we are learning from research.

As I hope these comments illustrate, research is an integral part of doing our jobs at the FDIC. It enhances our ability to address the risk of consumer harm at supervised institutions and helps us advance economic inclusion. It's key to everything we do. So, if I may, I would like to thank you again for your contributions to the field and for being part of today's program.