

April 18, 2011

Leneta G. Gregorie  
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Federal Deposit Insurance Corporation  
550 17<sup>th</sup> Street, NW, Room F-1064  
Washington, DC 20429

Re: FDIC Request for Public Comment on Revisions to the National Survey of Banks'  
Efforts to Serve the Unbanked and Underbanked (OMB Control Number: 3064-0158).

Dear Ms. Gregorie:

This letter is submitted on behalf of the Center for Financial Services Innovation (CFSI) in response to the FDIC's request for comment on revisions to the National Survey of Banks' Efforts to Serve the Unbanked and Underbanked, released on March 17, 2011. In mid-2011, the FDIC will be conducting its second biannual bank survey, which this time proposes to survey FDIC-insured depository institutions at the headquarters and branch office level. The survey is mandated by Congress under section 7 of the Federal Deposit Insurance Reform Conforming Amendments Act of 2005.

### **Center for Financial Services Innovation (CFSI) Background**

CFSI is a nonprofit organization in our seventh year of providing national leadership, research, and insights on the financial services needs of underserved consumers. We conduct consumer and industry research to develop a broad understanding of consumers in this segment and the products offered to them. Most recently, in 2010, we conducted an extensive survey of financial institutions that serve unbanked and underbanked consumers.

We make investments in nonprofits and for profits serving the underbanked consumer with sustainable, innovative financial products and services. And we develop and advance federal financial services policy to spur product innovation and market competition and address impediments to high-quality financial services access.

We work with banks, credit unions, technology vendors, nonbank financial service providers, consumer advocates, and policymakers to forge relationships, products, strategies, and public policy to transform industry practice and the lives of underbanked consumers across the economic, geographic, and cultural spectrum. Our vision is to see a strong, robust, and competitive financial services marketplace, where the diversity of consumer transaction, savings, and credit needs are met with a range of providers offering clear and transparent products and services at reasonable prices.

Our 2010 industry study, CFSI's Underbanked Industry Scan, surveyed the entire spectrum of suppliers to the underbanked market – banks, credit unions, prepaid providers, nonprofit providers, retail financial services outlets, check cashers, payday lenders, and other direct suppliers of products and services. The Scan yielded new details about specific product offerings, provider results and customer usage of products. We intend to field the survey on a recurring basis, and we will use it as an ongoing tool to measure, benchmark, and track changes in the supply of high quality financial products and services for the underbanked. Our comments in this letter are informed by our recent experience with the Industry Scan.

### **FDIC Comment Questions**

In this comment request the FDIC has asked for feedback in four areas: (a) Whether these collections of information are necessary for the proper performance of the FDIC's functions, including whether the information has practical utility; (b) the accuracy of the estimate of the burden of the information collection; (c) ways to enhance the quality, utility, and clarity of the information to be collected; and (d) ways to minimize the burden of information collections on respondents, including through the use of automated collection techniques or other forms of information technology. CFSI comments address the first three of these topics below.

#### **(a) Whether these collections of information are necessary for the proper performance of the FDIC's functions, including whether the information has practical utility.**

The collection of this information will have great practical utility in raising awareness about the unbanked and underbanked populations in the U.S., and about the types of products that are relevant to these consumers.

The knowledge that the FDIC – and countless others – will gain from this survey will shed light on the ways in which banks view and serve the underbanked population. Armed with this knowledge, the FDIC will be better equipped to design policy that promotes better financial products and services for these consumers, aiding in its mandate to bring more Americans into the financial mainstream. More specifically, the findings from these survey instruments will contribute to CRA rule writing efforts, supervision and examination functions, and safety and soundness measures around credit risk.

Overall, we think the two survey instruments are well-structured, and will be effective in gathering important details about how banks serve the underbanked. Many of the questions are very insightful. Knowing how many banks accept Matrícula Consular identification cards instead of a driver's license will be extremely valuable. Understanding the reasons why requests to open accounts are declined, and what action is taken if a screening process for a new account reveals adverse or insufficient information, will also represent a great advancement in knowledge. Finally, the inquiries about non-traditional retail and distribution strategies will generate important new information about banks' strategies for serving these consumers.

Adjustments to the survey instrument, as proposed below under point (c), will further refine the information collected and enhance its utility for policymakers, regulators, and industry stakeholders alike. Supplemented by other similar studies, such as CFSI's Underbanked Industry Scan, the FDIC's ongoing bank study will contribute to improving the supply of financial products and services for the underbanked.

**(b) The accuracy of the estimate of the burden of the information collection.**

Based on CFSI's experience with industry survey efforts, we believe the estimate of the burden of information collection is accurate.

**(c) Ways to enhance the quality, utility, and clarity of the information to be collected.**

1. **Add metrics for understanding usage of financial products and services.** The survey is quite effective in inquiring about banks efforts' to serve the unbanked and underbanked populations. However, a gap exists in the area of product usage. Without gathering information about actual customer usage of products, it remains difficult to assess the real impact of these offerings on the underbanked population. This information can be gathered, to some extent, through consumer research. But, banks are in a unique position to inform the FDIC about the take-up of products by the underbanked population. Adding these types of questions would increase the burden of participation somewhat, but we believe the addition of these topics would greatly strengthen the findings. It is also a critical moment to understand consumer usage of these products, when banks are going through product and pricing changes with significant consequences for usage by underbanked and low- and moderate-income consumers. Access to well-structured financial products and services is a crucial first step toward financial inclusion, but without evidence that these products are being used, the FDIC will be hard-pressed to determine banks' impact on the unbanked and underbanked populations.

**Guidance on usage questions:** In order to assess underbanked consumers' actual use of bank products, we recommend asking banks to report the percent of their checking, savings, and small-dollar loan consumers, according to census tracts or zip codes. The geographic data, which illustrates income levels in those areas, may be the best proxy for high concentrations of underbanked consumers.

Banks already undertake this type of analysis for mortgages under the Community Reinvestment Act. With some guidance by the FDIC, banks could perform a similar analysis of their checking, savings, and small dollar loan customers. The FDIC will then have a better sense of the use of banking products among unbanked and underbanked consumers. The FDIC could also overlay this information on the geographic data they have generated through their underbanked consumer survey. Taken together, the picture would provide critical information on the extent to which banks are meeting underbanked consumers' financial services needs.

We also recommend the following additions to the survey.

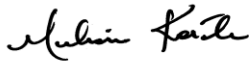
- a. In the Checking Account section:
    - i. What percentage of the customer base is enrolled in direct deposit?
    - ii. What is the average account balance for those customers enrolled in direct deposit? For those not enrolled in direct deposit?
    - iii. What percentage of the customer base is enrolled in overdraft coverage?
    - iv. What is the average account balance for those customers enrolled in overdraft coverage?
  - b. In the Savings Account section:
    - i. What percentage of the customer base uses the automatic savings option?
    - ii. What is the average savings account balance for those customers who use auto-savings? For those who don't?
  - c. In the Small Dollar Loan section:
    - i. What is the average and median amount borrowed? What is the average and median term of the loan? And what is the average income and credit score for those customers who apply for and then receive a small dollar loan?
2. **Add ranges in answer choices.** In several instances throughout the survey, answer choices could be expanded to include ranges of possible responses, rather than a choice of one response or another. For example, in Q29a, rather than asking “Is the repayment period at least 90 days?” we suggest rephrasing the question to be open-ended, such as: “What is the repayment period for this loan (0-30 days, 31-60 days, 61-90 days, 91+ days)?” Restructuring the question in this way would deepen the resulting data, while still enabling the FDIC to break the data up into the percentage of banks offering a repayment period of more and less than 90 days. Similarly, in Q29b, rather than asking, “Is the APR 36 percent or less, including upfront fees plus interest?” we recommend shifting this question to say, “What is the APR, including upfront fees plus interest (0-36%, 37-70%, 71-100%, 101-130%, 131+%)?”
3. **Expand on priorities and obstacles in offering products and services to the underbanked.** Asking banks to rank whether serving the underbanked is an organizational priority relative to other populations will yield valuable insights on the *extent* to which banks are aiming to serve the underbanked. In order to get deeper on the specific *ways* in which banks aim to serve this population, we recommend adding an additional question about strategic priorities for serving the underbanked, with answer choices including, for example: develop new savings/credit/transaction products, expand geographic footprint, scale within existing footprint, increase market share, increase profits, introduce/enhance customer education efforts, increase share of wallet with current customers, positive public relations, satisfying regulatory requirements. Additionally, in the question about obstacles faced in serving the underbanked, we recommend adding an answer choice of “marketing products effectively,” in order to gain insight into banks’ perceptions about how difficult it is to offer products to these consumers.

4. **Add questions about mobile banking and mobile payments.** Banks continue to grow their offerings of mobile financial services, and yet most banks have not prioritized mobile features and functionality for serving the underbanked. Having the ability to use a mobile phone to track account balances and transaction history offers particular value for consumers who closely manage their cash flow day to day. The FDIC will be better positioned to advocate for greater financial inclusion by learning more about whether and if banks plan to gear mobile financial services offerings toward the underbanked. We suggest adding questions such as “What type of mobile banking services do you offer (balance inquiry, account alerts, ATM location, remote deposit capture, budgeting services)?” and “Do you offer any type of mobile payments in conjunction with your transaction account (If no, are you considering offering mobile payments? If yes, what type of mobile payments?)?”

## Conclusion

We want to thank the FDIC for its leadership in this endeavor. The timing of this survey could not be better given the vast product and pricing changes occurring in the market. The information gained from the bank survey will be invaluable to better understanding how banks are serving unbanked and underbanked households. We value the opportunity to provide our insights and perspective, and we would be pleased to provide additional information if needed.

Sincerely,



Melissa Koide  
Vice President of Policy



Rachel Schneider  
Vice President, Innovation & Research