FEDERAL DEPOSIT INSURANCE CORPORATION

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ADVISORY COMMITTEE ON ECONOMIC INCLUSION

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MEETING

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THURSDAY,
OCTOBER 27, 2022

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The Advisory Committee convened, at 9:08 a.m. EDT, in the Federal Deposit Insurance Corporation Board Room, at 550 17th Street, NW, Washington, DC, Martin J. Gruenberg, Acting Chairman, presiding.

PRESENT:

MARLA BILONICK, President and CEO, National Association for Latino Community Asset Builders
MICHAEL CALHOUN, President, Center for Responsible Lending
NAOMI CAMPER, Chief Policy Officer, American Bankers Association
THOMAS FOLEY, Executive Director, National Disability Institute
KENNETH KELLY, Chairman and CEO, First Independence Corp and First Independence Bank
MARGARET LIBBY, CEO and Founder, MyPath
BRANDEE MCHALE, Head of Community Investing and Development, Citi, and President, Citi Foundation
JONATHAN MINTZ, President and CEO, Cities for Financial Empowerment Fund
JENNIFER TESCHER, President and CEO, Financial Health Network

ALSO PRESENT:

MARTIN J. GRUENBERG, Director, Federal Deposit Insurance Corporation, Acting Chairman
ROHIT CHOPRA, Director, Consumer Financial Protection Bureau
MICHAEL J. HSU, Acting Comptroller of the Currency
LUKE BROWN, Associate Director, Division of Depositor and Consumer Protection, FDIC
SUSAN BURHOUSE, Senior Consumer Researcher, Division of Depositor and Consumer Protection, FDIC
KARYEN CHU, Chief, Division of Insurance and Research, FDIC
KEITH ERNST, Associate Director, Division of Depositor and Consumer Protection, FDIC
MICHAEL FARRELL, Counsel, Legal Division, FDIC
EDWARD HOF, Senior Policy Analyst, Division of Depositor and Consumer Protection, FDIC
MARK KUTZBACH, Senior Financial Economist, Division of Insurance and Research, FDIC
JOYCE NORTHWOOD, Senior Financial Economist, Division of Insurance and Research, FDIC
ELIZABETH ORTIZ, Deputy Director, Division of Depositor and Consumer Protection, FDIC
YAZMIN OSAKI, Senior Consumer Research Associate, Division of Depositor and Consumer Protection
JEFFREY WEINSTEIN, Senior Financial Economist, Division of Insurance and Research, FDIC
MERON WONDWOSEN, Acting Chief, Division of Depositor and Consumer Protection, FDIC

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P-R-O-C-E-E-D-I-N-G-S

9:08 a.m.

MS. ORTIZ: Good morning.

I'm going to open the meeting by making a very brief statement.

There are two members of the FDIC Board of Directors in attendance at the meeting --

ACTING CHAIRMAN GRUENBERG: Actually, we have three.

(Laughter.)

MS. ORTIZ: Oh, I beg your pardon.

ACTING CHAIRMAN GRUENBERG: Just for the record. Just for the record.

MS. ORTIZ: All right. If we could quickly rewind, I'll try that again.

Good morning, everyone.

We have the entire Board of the FDIC here today, and because of that, I would like to make a brief statement.

The Government in the Sunshine Act

imposes notice and access requirements whenever a quorum of the FDIC Board of Directors meets to conduct or determine agency business. This meeting is not held for such purposes and does not constitute a meeting under the Act.

The Board members present will only engage in general or preliminary discussions that do not relate to specific proposals for action pending before the FDIC. Any specific issues for official Board resolution will remain open for full consideration by the Board following the conclusion of this meeting.

If you have any questions, I or the general counsel will be glad to answer them.

Thank you.

ACTING CHAIRMAN GRUENBERG: Thank you, Liz.

And good morning, everybody, and welcome to this meeting of our Advisory Committee on Economic Inclusion.

I have to say it is hard to believe

this is the first in-person meeting of this Committee since 2019. So, it's nice to see you all, I've got to say, and it makes a big difference; it really does.

I should note that this Committee was established by the FDIC in November of 2006 to provide us with advice and recommendations on important initiatives focused on expanding access to the banking system.

Let me note that we are streaming this event live for FDIC stakeholders that want to benefit from the valuable information that will be shared today and the insights from our Committee members.

And whether you are here in person or joining us virtually, we welcome you.

I'm going to have a brief statement, and then, recognize my fellow Board members for statements as well.

Let me begin by welcoming the newest member of our Committee, Marla Bilonick, who is

the President and CEO of the National Association of Latino Asset Builders, or NALCAB, I think is the acronym.

MEMBER BILONICK: Yes.

ACTING CHAIRMAN GRUENBERG: Marla brings over 20 years of experience in small business development, community-based financial services, and international aid with an emphasis on Latin America.

We have a full day's agenda ahead of us, beginning with a presentation of the 2021 FDIC National Survey of Unbanked and Underbanked Individuals. As we've done previously, we will both present the results of the survey, as well as discuss the implications of the survey's findings.

And the headline of the survey results, as we'll hear shortly, is the continued decline in the overall rate of unbanked and underbanked households in the United States, and the progress has been really steady since the

inception of the survey in 2009.

It's important to point out, though, that, even as we've continued to make progress, the significant demographic disparities in terms of who is unbanked and underbanked in the United States continued, particularly for African American and Hispanic households, for lower-income households, and for households with people with disabilities. And that's going to be an ongoing focus of attention for our work.

And I think the other highlight -- and then, I'll let our staff go through it all -- but the other interesting finding of this survey is the unexpected bankable moments that the pandemic actually presented to expand access to the banking system.

As it turned out, the distribution of public benefits, the turnover in the job market with people leaving jobs and starting new positions, both really increased the value of having a bank account in order to expedite access

to funds by allowing for direct deposit through a bank account. Whether it's for a government benefit or for compensation for a new position, it really appeared to have created incentives, which I think contributed to the improved numbers that we've seen during the pandemic. And our staff will discuss that at greater length.

This afternoon, we're going to give an opportunity to the members of our Committee to have a roundtable and give us their thoughts on what they're seeing in the marketplace today and issues relating to access to the banking system.

And then, we're also going to have a panel of FDIC staff talking about what's become an increasingly challenging issue for us, which is the misrepresentation of deposit insurance that we're seeing with increasing frequency. It really goes to the core of the FDIC's mission of maintaining public confidence in the banking system. When misrepresentations occur as to whether deposit insurance is provided or not, it

really undermines the credibility of the FDIC and our deposit insurance system. It's something we take very seriously and have acted forcefully on, and we're going to have a discussion of that issue and the actions we've taken this afternoon.

So, I think we have an interesting program planned for today. Wonderful to see you all.

If I may, let me recognize Acting Comptroller Hsu, and then, Director Chopra for their comments.

DIRECTOR HSU: Thanks, Marty.

It's really exciting to be here in person. I remember the first meeting I attended to this was virtual, which was fascinating, and this is just way better. So, just I'm just excited to be here.

Maybe to echo something that Marty said, there's some really interesting insights in this report on this underbanked/unbanked. So, I'm really looking forward to that presentation.

I do think we're at an interesting juncture right now, where, on the one hand, there are a lot of tailwinds to financial inclusion in the sense of commitments, real commitments, by a whole range of stakeholders that this is an important issue; that we're going to put some muscle into it that's more than just dollars in real, kind of longer-term projects. So, I think that's really good. That's exciting. We should do more with that.

At the same time, where we are in the cycle, I'm worried. I'm worried that kind of what's ahead of us, these issues are really going to, as always, disproportionately impact those who are kind of the most vulnerable. So, having special attention on how we're looking at this information and what we're measuring I think is especially important.

And I would just close with, you know, the headline of how the unbanked number is now ticking down is an interesting headline number.

I'll just give a shout-out to Jen, who kind of highlighted, well, that unbanked number is going to continue to march down, hopefully, knock on wood. And yet, there are still some underlying things that we want to make sure in terms of outcomes are more than just that headline number.

And so, I think we are going to have to explore a bit more what are we measuring in terms of what outcomes we want. And I think there's some very interesting ideas. I think financial health is one of them. There are others. And I think that I can see the direction of just getting folks' ideas on that as really important.

I want to apologize in advance. I have to run. I really want to stay for the whole day, but I have to run a little bit early.

But just thank you very much. I'm looking forward to today.

DIRECTOR CHOPRA: Good morning, everyone, and it's great to see everybody in

person.

I really also want to congratulate the whole team working on the survey in order to discuss the results. I think the survey highlights a number of issues, including the roles of unexpected high fees, of privacy, and other impediments for those entering the system with an insured bank or credit union.

And I want to actually throw in another dimension to this, and it really relates to technology. In addition, today the CFPB is launching the first step of its rulemaking process on personal financial data rights under Section 1033 of the Dodd-Frank Act. So, we're developing proposals to require financial institutions to set up data-sharing in a secure fashion, like an API, on deposit accounts, credit cards, digital wallets, prepaid cards, and other transaction accounts.

So, by allowing individuals to share their personal financial data in a secure way, I

think we can facilitate more switching, lower fees, higher levels of customer care, and more. And in many respects, this is going to move us more toward traditional banking and underwriting, where we look at cash flow and ability to pay, as opposed to black box algorithms that have these counterintuitive causations that people think -- or correlations that people treat as a causation. It invites bias; it invites supervisory challenges, and it impedes trust in the system, I think.

We also think that greater use of data in a responsible way can reduce reliance on credit scores, which I think is already a trend in financial services that we need to understand better.

So, as you discuss the survey's results today, I wanted to put two issues on the table to add about how we should think about technology, where the regulators will welcome your input.

First, as financial service providers rely more on personal financial data at more granular levels, how might this actually lead to greater exclusion of underbanked and unbanked households? If it becomes table stakes to hand over a lot of data for those who can't, will they be pushed farther out of the system? We know that transaction data can fill in a lot of gaps for those with thin credit files, but what happens to those who are not able to provide it and their financial future?

The second -- and the survey highlights this -- privacy is a concern for some of the unbanked and underbanked as an impediment for them to have an account. And what can we do to give individuals the peace of mind in a world where abuse and misuse of personal data has become the norm? It was not just the Equifax data breach. Over and over and over again, we are seeing how data is misused.

So, as part of our rulemaking process

at the CFPB, we're exploring safeguards to make sure that there are limitations on how personal financial data can be used and shared. And I think, as you think about this population, what are the types of safeguards, and what might give more comfort to those who are wary of financial companies and how they treat their data?

So, I really look forward to hearing all of what you discuss today, but I hope we are thinking -- as both the Acting Chairman and the Acting Comptroller mentioned, it's going in the right direction. I think technology is a piece of that, but how do we then make sure that those who are still not in the system are not made worse off?

So, thank you.

ACTING CHAIRMAN GRUENBERG: Well, thank you, Rohit.

And let me turn the program over to Liz Ortiz, who is the Deputy Director in our Division of Depositor and Consumer Protection,

who's going to sort of be our MC for the program today.

Liz?

MS. ORTIZ: Thank you. Thank you, Mr. Acting Chairman.

So, without any further delay, since everybody has previewed it quite excellently, I'm going to turn the mic and turn all of you over to my colleague, Karyen Chu.

MS. CHU: Thank you, Liz.

Good morning.

Chairman Gruenberg, Director Hsu, Director Chopra, Members of the Committee, it's our pleasure to be here this morning to present to you the results of the 2021 FDIC National Survey of Unbanked and Underbanked Households.

So, with that, I'm just going to jump right into it.

Many of you know that the FDIC National Survey of Unbanked and Underbanked Households has been conducted every two years

since 2009, in partnership with the Census Bureau, as a supplement to the current Population Survey.

The current Population Survey is the survey that the Bureau of Labor Statistics uses to generate unemployment rates at the state level every month.

The most recent survey, the results of which we're talking about today, was conducted in June of 2021 and collected responses from over 30,000 households. Because we are a supplement to the CPS, the survey draws representative samples from all 50 states and the District of Columbia. So, between the sample size and the representativeness, that allows us to make estimates available at national and state levels and, also, for larger MSAs.

The survey actually has broad coverage of many different topics, as you can see from the agenda. We will give topline, key results from each of these areas today. Given the time, we,

obviously, can't go too much into great detail, but I encourage you to read the report, where we have additional analysis.

So, without further ado, my colleague, Jeffrey Weinstein.

MR. WEINSTEIN: Okay. Great. Thank you very much, Karyen.

So, in 2021, 4.5 percent of U.S. households, approximately 5.9 million, were unbanked, meaning that no one in the household had a bank or credit union account. These estimates represent the lowest number and percentage of unbanked households since the survey was first conducted in 2009.

As shown in the figure, the unbanked rate fell from 5.4 percent in 2019 to 4.5 percent in 2021. This decrease corresponds to an increase of approximately 1.2 million banked households between 2019 and 2021. And about one-third of the decline in the unbanked rate between 2019 and 2021 was associated with changes in the

socioeconomic circumstances of U.S. households, particularly, increases in income and educational attainment.

Unbanked rates continue to vary considerably across the U.S. population. Unbanked rates were higher among lower-income households, less educated households, Black and Hispanic households, working age households with a disability, and single mother households. For example, among working age households with a disability, the unbanked rate was 14.8 percent in 2021, and among single mother households it was 15.9 percent in 2021.

Recent declines in unbanked rates have been particularly sharp for Black and Hispanic households. Despite these declines, unbanked rates for Black and Hispanic households in 2021 remain substantially above the unbanked rate for White households.

So, as shown in this figure, specifically, in the topmost set of bars, 11.3

percent of Black households, the dark blue bar, and 9.3 percent of Hispanic households, the lighter blue bar, were unbanked in 2021 compared with 2.1 percent of White households, the tan bar.

The rest of the figure shows that these differences were present at every income level. For example, among households with income between $30,000 and $50,000, 8.0 percent of Black households and 8.4 percent of Hispanic households were unbanked in 2021 compared with 1.7 percent of White households.

As in previous years, the 2021 survey asked unbanked households about their reasons for not having a bank account. As we see in this figure, 40.1 percent of unbanked households in 2021 cited, "Don't have enough money to meet minimum balance requirements" as a reason for not having a bank account, the blue bar. This was the most cited reason. And this reason was also the most cited main reason for not having an

account in 2021, 21.7 percent, which is the tan bar.

And so, we can see from this figure that the survey included several other reasons for not having an account, such as avoiding a bank gives more privacy; don't trust banks; banking account fees are too high, and banking account fees are too unpredictable.

We see from the figure, focusing on the tan bars, "Don't trust banks" was the second most cited main reason for not having an account in 2021, 13.2 percent, and "Avoiding a bank gives more privacy" was the third most cited main reason, 8.4 percent.

This figure shows the primary method that banked households used to access their bank accounts in the past 12 months, such as mobile banking; that is, use of an app, text messaging, or internet browser on a mobile phone; online banking, use of a computer, and visiting a bank teller.

Between 2017 and 2021, use of mobile banking, if we look at the last set of bars, increased sharply to 43.5 percent in 2021 and remained the most prevalent primary method of account access.

Use of online banking, the second-to-last set of bars, was similar in 2019 and 2021, after having decreased substantially from 2017, and continued to be the second most prevalent primary method of account access.

Use of a bank teller declined considerably to 14.9 percent in 2021, if we look at the first set of bars. While the 2021 survey did not include questions on the impact of the COVID-19 pandemic, on the methods that banked household used to access their accounts, the decline in the use of a bank teller and the increase in the use of mobile banking between 2019 and 2021 are consistent with difficulties that households may have experienced in visiting a bank branch since the onset of the COVID-19

pandemic.

For example, the social distancing guidelines instituted in response to the pandemic may have made bank branch visits more challenging.

DIRECTOR CHOPRA: Jeffrey, can I just ask, are we defining "mobile banking" as the use of some sort of mobile device and online banking in a way that people are using a fixed or desktop computer to access?

MR. WEINSTEIN: That's correct, yes.

DIRECTOR CHOPRA: Okay.

MR. WEINSTEIN: Yes. So, we're making this distinction between, right, use of a computer for online, and then, use of a mobile phone, whether it be an app, text messaging, or the browser on a mobile phone, as mobile banking, that's correct.

All right. So, focusing a little bit on use of bank tellers, while use of bank tellers as the primary method of account access declined

across the board, as we show, as we found with the survey results, this method remained prevalent among certain segments of the population, including lower-income households, less educated households, older households, and households that do not live in a metropolitan area. And these population segments also had higher rates of use of bank tellers as the only method that they used to access their accounts.

And I'm now going to turn the presentation over to Joyce.

MS. NORTHWOOD: Thank you.

So, the first thing I'm going to talk about is transitions in bank account ownership and the role of the pandemic.

The survey took place in June of 2021, as has already been said, which was 15 months into the COVID-19 pandemic. We asked households if they experienced economic changes since the start of the pandemic and whether those changes contributed to opening or closing a bank account.

But, first, we classified households into one of four categories, based on whether they experienced a recent change in bank account ownership:

Longer-term unbanked households did not have a bank account at the time of the survey or at any point in the 12 months before, and that's 4 percent of all households.

Recently unbanked households didn't have a bank account at the time of the survey, but they did at some point in the prior year. That's a half percent of all households.

Recently banked had a bank account at the time of the survey, but did not at some point in the prior 15 months. And that's 4.2 percent of all households.

And longer-termed banked had a bank account during the entire period, and that's 91.4 percent of households.

So, one of the questions we asked was whether anyone in the household received a

government benefit payment, such as unemployment benefits or a pandemic stimulus payment. And for recently banked households, we asked them if that event contributed to the opening of their account.

About one in three reported that receiving a government benefit payment contributed to opening a bank account. So, to put this another way, among recently banked households, 77.9 percent received a government benefit payment, and among those that did, almost half said that the payment contributed to opening an account. And this represents approximately 1.9 million households.

We also asked about negative events, such as losing or quitting a job, being furloughed, having reduced hours, or having a significant loss of income.

For recently unbanked households, we asked them if those contributed to the closing of their accounts. About one in five recently

unbanked households reported that at least one of these negative economic events contributed to closing an account.

Now, I'm going to talk about prepaid cards and nonbank online payment services. 6.9 percent of all households used prepaid cards at the time of the survey. As shown in the figure, prepaid card use is more common among unbanked households. About a third use them, as you can see in the blue bar in the middle, compared with far fewer banked households, the blue bar on the right.

And as in past surveys, we found that prepaid card use was higher among lower-income households, households with no high school diploma, Black households, and working age households with a disability.

For online payment services, examples are PayPal, Venmo, and CashApp. And households were asked not to consider Zelle. And almost half of all households were using them at the

time of the survey, and that's the tan bar on the left.

A higher share of banked households used online payment services, the tan bar on the right, compared with unbanked households, in the middle. And online payment service use was more common among higher-income households, more educated households, and younger households.

We also asked households that use prepaid cards about the types of transactions they conducted over the past year, and these differed between banked and unbanked users. For unbanked households, many used them for core financial transactions that most households conduct regularly. More than three in four used them to pay bills, and almost two in three used them to receive their income.

In addition, unbanked households were more likely to use prepaid cards to conduct multiple types of transactions. Almost half of unbanked prepaid card users use them to conduct

four or more types of transactions.

Banked households with prepaid cards use them differently. The most common transaction was making purchases in person, followed by making purchases online. And about one in four use them to conduct four or more types of transactions.

We also asked households that use nonbank online payment services the types of transactions they conducted using these accounts. And again, these are services like PayPal, Venmo, and CashApp. These uses also differed between banked and unbanked households.

For unbanked households, the most common transactions were making purchases online, and the second most common was paying bills. And almost half of unbanked users used them to conduct four or more types of transactions.

For banked households, similar to the unbanked, the most common transaction was making purchases online, but the second most common use

was sending money to, or receiving money from, family and friends. And for these banked households, a smaller amount, only one in five, conducted four or more types of transactions.

Households can link their nonbank online payment service account to one or more bank accounts, credit cards, prepaid cards, or other services, but these accounts can also be used without linking them to anything. For example, they can be used to send money between family and friends or businesses. Some offer direct deposit, remote deposit, or both, and some also offer check cashing using remote deposit.

The way households link these accounts differs between banked and unbanked households. For banked households, almost three-quarters link them to their bank accounts, and another 10 percent didn't link their online payment services to any account.

For unbanked households with online payment services, more than half didn't link any

other types of accounts to their account.

And so now, I'll turn it over to Mark.

MR. KUTZBACH: Thank you, Joyce.

So, this figure shows household use of nonbank money orders and nonbank check cashing in 2017, 2019, and 2021. The dark blue bars for 2021 show that 97 percent of households used nonbank money orders in 2021, and 3.2 percent of households used nonbank check cashing.

From 2017 to 2021, the use of nonbank money orders fell by one-third and the use of check cashing fell by half.

From 2019 to 2021, use of money orders and check cashing fell for almost every population segment, as well as for both banked and unbanked households.

Use of money orders and check cashing remained higher for unbanked households.

For households that used money orders in 2021, nearly three in four used them to pay bills. And for households that used check

cashing in 2021, more than two-thirds cashed a check to receive income.

The 2021 survey included a new question on household use of nonbank money transfer services. Households were asked if, in the past 12 months, they used nonbank money transfer services from companies like Western Union, MoneyGram, Walmart Money Center, or Ria Money Transfer. These companies allowed customers to pay with cash at physical locations, either stores or kiosks, or by using a company website.

In 2021, 7 percent of all households used a money transfer service. Unbanked households were more than twice as likely to use money transfer services as banked households. Among households that used money transfer services, 4 in 10 used them to send or receive international remittances; a little over a third used them to send or receive money in the United States, and about a quarter used them to pay

bills.

I'm now going to discuss how banked and unbanked households paid bills and received income.

In this slide, the first row of this table reports the share of banked households who used each of the methods listed in the column labeled "To Pay Bills or Receive Income in 2021." So, the methods listed here are bank account, bank account only, nonbank online payment service, prepaid card, nonbank money order, nonbank check cashing, and nonbank money transfer service. Among banked households, 97.1 percent used their bank account to pay bills or receive income.

The next column, highlighted in yellow, gives the share of households that used only their bank account to pay bills or receive income. 75.2 percent of banked households exclusively used their bank accounts to pay bills or receive income.

In the next column, 14.7 percent of banked households used an online payment service, either alone or in combination with other methods, to pay bills or receive income.

The next three rows below give results for younger, middle-aged, and older banked households. Compared with older banked households, younger banked households were less likely to exclusively use their bank account to pay bills or receive income and more likely to use a nonbank online payment system for those transactions.

64.6 percent of younger households exclusively use their bank accounts compared to 82.4 percent of older households. The older households here are those 55 years or more, and the younger households are those age 15 to 34.

Well, 22.9 percent of younger households used a nonbank online payment service compared to 8.8 percent of older households.

Turning to unbanked households, about

half of unbanked households -- yes?

DIRECTOR HSU: I have a quick question.

MR. KUTZBACH: Yes. Yes?

DIRECTOR HSU: Do you have trend data on this? Or is this the first year that you collected this particular cut?

MR. KUTZBACH: So, this is based on follow-up questions that we included in the 2021 survey --

DIRECTOR HSU: Okay.

MR. KUTZBACH: -- that asked about the purpose of using these different methods.

DIRECTOR HSU: To pay bills?

MR. KUTZBACH: And so, this exactly configuration is not available --

DIRECTOR HSU: Okay.

MR. KUTZBACH: -- in the earlier years.

MS. CHU: However, in the 2015 and the 2017 surveys, we did have a slightly different

series of questions. Where in this survey we asked about many different methods, and then, we asked what you did with them, in the 2015 and 2017 surveys, we asked specifically about paying bills and receiving income. Obviously, at that point, we didn't have a question about nonbank online payment services, but we did ask about all these other methods, and we also asked about cash.

DIRECTOR HSU: It would be interesting -- I don't know how to do this -- to cross this with information on overdraft usage relative to the different options and demographically with the different cuts. Obviously, the big focus is trying to understand kind of this intersection between paying bills, and then, kind of that usage, where that usage is helpful, where it's hurtful, and how it stacks up relative to other options.

I think this is something where there's lots of different -- there's conflicting

information about that. And just to the extent that that could get tied together, that would be -- I am sure we can get views from others on that over the course of the day.

Thank you.

MS. CHU: Thank you.

MR. KUTZBACH: Okay. Yes, thank you.

So, yes, these were questions about, do you use this method to pay bills or to receive income? And now, I'm going to discuss some of those same results for unbanked households. So, let's see, yes, for unbanked households.

So, about half of unbanked households used at least one of the methods included in the survey to pay bills or receive income. So, among underbanked households, 3 in 10 used prepaid cards to pay bills or receive income. A similar share used money orders, and smaller percentages used check cashing, online payment services, or money transfer services. So, the smaller percentages, the check cashing was 17.5 percent;

the online payment services was 12.5 percent, and the money transfer services was 7.4 percent.

Other methods the unbanked households could have used to pay bills or receive income that were not included in the survey are cash and credit cards. So, turning to that above value of 56.4 percent used at least one of the methods listed to pay bills or receive income, there are some methods not covered in the survey that they may have used to pay bills or receive income.

Thank you.

I'm going to turn it over to Jeffrey now, yes.

MR. WEINSTEIN: Okay. Great. Thank you, Mark.

So, the next three slides discuss use of bank and nonbank credit, focusing on products that households may use to address cash flow imbalances, unexpected expenses, or temporary income shortfalls.

In 2021, 71.5 percent of all

households had a Visa, Mastercard, American Express, or Discover credit card. We're going to call that just "credit card" from now on as a shorthand. 8.0 percent had a personal loan or line of credit from a bank. We'll call that a "bank personal loan" for shorthand. And 2.8 percent had a personal loan or line of credit from a company other than a bank. And we'll call that a "nonbank personal loan."

4.4 percent of all households used a rent-to-own service or a payday, pawn shop, tax refund anticipation, or auto title loan, with about 1 percent of households using each of these five nonbank products or services.

MEMBER TESCHER: Can you tell whether those 1 percent are the same households?

MR. WEINSTEIN: Right. So, for each household, we do know which of those products are being used. It seems like there may not be -- let's go back to that -- so much overlap because we have the five products and 4.4 percent

used at least one of them. And then, 1 percent used each product or service. So, it doesn't seem like -- I haven't looked particularly at overlap in terms of, say, number of products they used, but it doesn't look like there would be too much overlap, given the 4.4 percent for five products and 1 percent for each of the products, specific ones.

MS. CHU: But the data is available, and it is available, so if you're interested in looking further, it's available for use.

MR. WEINSTEIN: All right. So, differences in the use of a credit card or bank personal loan between Black and White households and between Hispanic and White households were especially pronounced. So, this figure is generally organized the same as an earlier figure I presented with unbanked rates by income and race and ethnicity.

So, as shown in the topmost set of bars in the figure, 49.9 percent of Black

households, the dark blue bar, and 60.0 percent of Hispanic households, the lighter blue bar, had a credit card or bank personal loan in 2021 compared with 78.8 percent of White households, which is the tan bar.

The rest of the figure shows that these differences were present at every income level. For example, even among households with income between $50,000 and $75,000, 64.8 of Black households and 71.2 percent of Hispanic households had a credit card or bank personal loan; whereas, 81.3 percent of White households did so.

As shown in this figure, the proportion of households that used a rent-to-own service or a payday, pawn shop, tax refund anticipation, or auto title loan declined sharply between 2017 and 2021 overall and among unbanked and banked households.

For example, 9.5 percent of unbanked households, if you look at the middle set of bars,

used at least one of these five products or services in 2021, down from 13.4 percent in 2019 and 14.2 percent in 2017.

And in addition, as we can see from the figure, use of these products or services in 2021 continued to be more prevalent among unbanked households than among banked households. And again, we see that 9.5 percent of unbanked households used at least one of the products in 2021, and that's more than twice the percentage among banked households, 4.2 percent.

And so now, I'm going to turn the presentation bank over to Mark.

MR. KUTZBACH: Thank you, Jeffrey.

So, in 2021, 14.1 percent of U.S. households were underbanked. That share amounts to 18.7 million underbanked households. Underbanked households are banked households who in the past 12 months used at least one of the following nonbank products or services: money orders, check cashing, or international

remittances; or rent-to-own services, or payday, pawn shop, tax refund anticipation, or auto title loans. The first set of these is referred to here as "nonbank transactions," and the second set is referred to her as "nonbank credit." These products and services are disproportionately used by unbanked households to meet their transaction and credit needs.

Because of changes in how the survey asks about international remittances, the underbanked rate in 2021 is not directly comparable with earlier years. However, we can compare banked household use of the remaining nonbank financial products and services that classify a household as underbanked.

Consistent with the declines in the use of nonbank transaction credit products described earlier, banked household use of the remaining products and services declined by about one-third from 2017 to 2021.

In 2021, 81.5 percent of U.S.

households were fully banked. Fully banked households are banked households who in the past 12 months did not use any of the above nonbank transactions and credit.

Underbanked rates continue to vary considerably across the U.S. population. Underbanked rates were higher among households with less than $15,000 in annual income, 19.2 percent for that group; households age 24 and younger was 21.9 percent for that group; Black households at 24.7 percent; Hispanic households at 24.1 percent, and working age households with a disability at 20.5 percent. So, that's all compared to the 14.1 percent underbanked rate for U.S. households.

Households classified as underbanked are a fairly diverse group with a variety of experiences and levels of engagement with the banking system. Underbanked households can be segmented into three groups based on their use of nonbank transactions and nonbank credit products

used in the classification of underbanked.

Among underbanked households in 2021, 71.6 percent used only nonbank transactions; 18 percent used only nonbank credit, and 10.3 percent used both nonbank transactions and nonbank credit.

So, we have a table here. For underbanked and fully banked households, this table reports the use of online banking and mobile banking as the primary method of bank account access. We're just highlighting those two methods in this slide.

Mobile banking was the primary method of access for 48.8 percent of underbanked households, in the first row, compared to 42.5 percent a fully banked households, in the last row. Among the underbanked, use of mobile banking as a primary method of access was higher for those using nonbank credit only and for those using nonbank transactions and credit. So, it was 51.7 percent and 53.1 percent for those

groups.

Use of online banking was the primary method of access for 11.6 percent of underbanked households. That's about half the rate of fully banked households, which was 23.8 percent.

Use of online banking was lower among households in all three underbanked segments than among fully banked households, and was lowest among underbanked households that used both nonbank transactions and credit. It was 4.2 percent for those households.

And here's another table. For underbanked and fully banked households, this next table reports the methods households used to pay bills or receive income. So, again, we have results here for underbanked and fully banked households as well as the underbanked segments. And the methods are using a bank account only to pay bills or receive income, nonbank online payment services, prepaid card, nonbank money order, nonbank check cashing, and nonbank money

transfer service.

The yellow highlighted column gives the share that used only their bank account to pay bills or receive income. 38.1 percent of underbanked households exclusively used their bank account to pay bills or receive income. That's compared to 81.6 percent of fully banked households.

Exclusive use of a household's bank account to pay bills or receive income was lowest compared to the other underbanked segments for underbanked households that used both nonbank transactions and nonbank credit.

Among underbanked households that used both nonbank transactions and nonbank credit, 14.7 percent exclusively used their bank account to pay bills or receive income.

Now, I'm going to pass it back to Joyce.

MS. NORTHWOOD: Okay. So, for further information, we would refer you to our

website at the address listed on this slide.

As Karyen mentioned before, this is just the top level of a lot more information, and we have a lot of detailed appendix tables that you can download. And we also have some data tools where you can create custom data tables and charts. For example, we have everything by state and metropolitan area, and you can use the data tool to look at anything you want by your state.

And if anybody is interested in doing further detailed analysis with the data, we also have all the raw data available for each year of the survey that you can download.

And with that, I'd turn it back over for questions.

MEMBER KELLY: Good morning, Karyen and Joyce and the team. Great job on this report.

I have a question for you. Is there anywhere in the report, or should you consider in future reports, looking at the cost associated

with the use of alternative financial services -- For instance, the cost to buy a money order -- and extrapolate that? As you look at the demographic data that you have, I think it's superb, but I believe the messaging associating the cost of not being banked and using these services I believe could be very compelling as we take our message to the market.

MS. CHU: Unfortunately, the survey does not have information by cost. We have not asked consumers that, but we certainly are taking note of the suggestion.

MEMBER KELLY: Thank you.

I have one other question. On the money order -- I believe it was on page 19 -- the question is, is that a supply-side-driven issue, meaning recipients who expect to get paid are requesting money orders, or are individuals deciding from the demand side I'm going to pay in money orders?

And the reason I ask that question,

when I looked at the data, I just found it odd that the 15-to-34-year-old had an 8.2 percent rate there on the nonbank money order, which would kind of be baffling to me for a group who would typically be more digital-savvy. So, is the market demanding and requiring them to use money orders or is that a demand side, is my question.

MS. CHU: That's a question we can't directly answer. We also don't ask why they're using a money order, just what they're doing with it. And certainly, to the extent that households are using -- if you look at households and they're just using money orders, I think that may show some difference from households that are using maybe their bank account and money orders. That may suggest, although we have no direct evidence, that there could be a payee request.

MEMBER KELLY: Exactly. That's my thought.

Thank you.

MS. CHU: Thank you.

Naomi?

MEMBER CAMPER: Hi. Thank you so much. This is an amazing survey, and we look forward to it every two years. And this one did not disappoint.

I wondered if I could get your insight into the difference and what you're trying to tease with online banking versus mobile banking, especially as we've seen sort of innovation and new products like Mr. Kelly's iPad. I don't know if that counts as mobile. It has apps and, you know, maybe it has cellular interface -- versus online.

And so, what is it and do you have meaning behind the shift from online to mobile? I know in the past there was a difference between cellular and internet and availability and last mile. But what do you see in those numbers?

MS. CHU: The question about online banking and mobile banking is a longstanding one

that we've been asking for a long time. And we've certainly seen, as you saw from the data -- I don't know if you can move to -- you know, even in 2017, just two surveys ago, the use of mobile as primary, right, as the primary method was only 15 percent, and certainly it has jumped tremendously.

MEMBER CAMPER: Right.

MS. CHU: Back then, there was reticence, right? We found that consumers, especially lower-income households, had some concerns, potentially, about using mobile. Clearly, we're seeing an upward trend.

And I think, as with new services in the marketplace, things are changing, and we'll continue to evaluate whether it makes sense for us in the future, right, to continue to break this out.

MEMBER CAMPER: Yes, I'm just wondering like, is there a significant difference between the online and mobile? I would say

myself I'm sort of agnostic. Sometimes I have my phone; sometimes I have my laptop.

I don't care because my app is now fully functional in a way that a couple of years ago I had to do certain things online, right? You could only add a new online bill pay recipient from a computer, and now you can in apps, at least in my case.

So, I'm just wondering about the distinction of that distinction going forward. That's all.

MS. CHU: Yes. No, and that is a very good point. You know, I think even in the last two years we're seeing more functionality in the apps and what you can actually do just with your mobile phone. So, point well taken.

MEMBER CAMPER: Thank you.

MS. CHU: Thank you.

Jennifer?

MEMBER TESCHER: Hi. Before I ask my question, I just wanted to say to Kenneth, in

response to your initial question about spend data, we actually publish a report every year that's called "Spend." And it does exactly that. It uses secondary market data to assess about two dozen different kinds of products and services, and what the costs of those products and services are, et cetera.

And then, we survey a representative sample of consumers to understand their usage. We also have demographic data for those consumers. So, as an example, we were able to show the difference by race in the amount of money folks were spending on overdraft.

So, I'm happy to make that available to you if it's useful.

My question is about prepaid cards. On slide 13, it shows that about a third of the unbanked, if I'm understanding this correctly, are using a prepaid card of some kind. I'm curious how you're defining prepaid card in the context of the survey.

Because let's pretend that all of those cards were general purpose, reloadable cards. Many, if not most, of those cards are issued by a regulated FDIC-insured bank, and thus, have access to pass-through FDIC insurance, if I understand that correctly. Marty is going to tell me if I'm wrong.

So, I'm curious to understand a little bit more about what additional data we would need to gather to determine whether that's true, and thus, whether the rate of unbanked is actually even lower than the 4-plus percent figure that the current definition relies on.

MS. NORTHWOOD: So, the question is prepaid cards allow others, like relatives, an employer, or government agency, to load or reload funds that can later be spent. Prepaid cards also allow you to withdraw cash from ATMs. And we are not asking about gift cards or debit cards linked to checking account.

MEMBER TESCHER: So, some of these

cards aren't reloadable? Because you're saying they could be single-use or reloadable?

MS. NORTHWOOD: Right, and they should answer "no" this question if it's one of those. So, we're asking them specifically only to consider those that are reloadable and excluding gift cards.

MEMBER TESCHER: Thank you.

MS. CHU: Brandee?

MEMBER MCHALE: I know we have a segment on the implications. So, it's kind of a two-part. I'll hold the other part for that next section.

But I'm really struck by the data around, still, trust and the trust gap. Although recognizing that trust -- I think that I want to clarify; I think I heard in one instance that trust actually was increasing, or is it fully staying the same? What's the trend? I have this page up, but is it a trend that trust in banks -- did you see any difference over the

years, that there's an increase in trust or a decrease, or is this constant?

And I'm asking because, in general, trust in all institutions we see across the board is decreasing significantly. And I think we have to dig in and understand the trust in banks to know if it's flat; actually, thinking an environment where distrust is growing so high that it's actually a win.

So, my specific question, then, is, in this column, "The Other Reason," there's a high percentage of other reasons. Can you just provide one or two examples of what another reason might be?

MS. CHU: So, on the trust question, I would say that, certainly, in the last three surveys -- so, '17, '19, and '21 -- trust, you know, don't trust banks has been one of the top three. And my memory is faulty now going back further than that. But I can't quite remember the exact sort of percentages that cited that.

The other reason, people don't necessarily have to say what another reason is.

MEMBER MCHALE: Okay.

MS. CHU: And then, the other thing that we often see, you know, because we do ask, or rather, the interviewers ask, and there are verbatim responses. And a lot of times, actually, the responses are ones that really should have been coded in one of those responses, but the respondent just didn't pick it. And then, when they tell the interviewer, it's something that really is one of the selected reasons.

MEMBER MCHALE: Thank you. Okay.

MEMBER MINTZ: If I could jump a little bit on the conversation Brandee started, when we've tried to dig further into some of these factors, not with 30,000 families, what we tended to find was that, when people talked more specifically about trust, they were often talking about their money and not necessarily an

individual institution or even an industry. It was about whether they trusted that they would be in control of their money.

And so, I know that you all struggle with this question, and we could all cherry-pick all sorts of, you know, conflicting options, but I do think that it might be worth trying to take research like ours, and a bunch of others around the table and around the country, to maybe ask more specific versions that get to trust, rather than just banks in general. I think it would be more helpful for all of us because we could jump, then, on those issues.

So, I think that this concept of control of money for us seemed to be what people actually meant in this case.

MS. CHU: So, in 2015, we actually conducted qualitative research in which we talked with unbanked, underbanked, and lower-income consumers, as well as financial counselors. And in that series of qualitative research, in fact,

trust in banks organically came up. We were asking about barriers to becoming banked.

And the reasons, you know, when we asked them to talk more about that, were really pretty varied, right?

MEMBER MINTZ: Uh-hum.

MS. CHU: There were certainly -- it ranged from, you know, there were consumers that had negative experiences with overdraft fees. There were consumers that had come from countries where the banking system, you know, there was no deposit insurance and they had lost money. There were consumers who had no experience, right? They had grown up using nonbank financial services and not banks.

So, it really was, you know, just very heterogeneous in terms of what saying you don't trust banks actually meant, when we dug a little deeper. And that report is actually available online as well.

MEMBER MINTZ: I would also just add,

similarly, that the concept of not having enough money to meet minimum balance requirements, from our experience, is very much a perception issue, not a reality issue. And that what it really went to was something a little bit more personal, which was like, "Am I the type of person who's ready for an account?," not "Do I literally have enough money?"

And so, again, as we try to think about like what level can you legitimately drill down in a survey of this size, I wonder, particularly as the market is changing around minimum balance requirements, how helpful that is.

MS. CHU: And actually, since you talked about minimum balance requirements and the market changing, I did want to point out that, you know, among all these reasons, we actually have three related to minimum balance or fees.

MEMBER MINTZ: Yes.

MS. CHU: And if we aggregate them

all, the proportion of unbanked households that cited one of the three reasons, fee or minimum balance, for not having an account fell tremendously from 38 percent in 2019 to 29 percent in 2021.

MEMBER MINTZ: Yes.

MEMBER CAMPER: And I would just say we'll get to this next segment, but I think the more that we get the message out about Bank On accounts and other similar type of accounts that really don't have an ongoing minimum balance requirement, and have very low monthly fees and no overdraft fees, and are now available in 60-some percent by deposit share of all banks in the country, that should further reduce, I would hope, the number of people who cite that as an obstacle, because it really is less and less a true obstacle, and maybe it's a perception gap or a knowledge gap. So, I think there's a lot that we can all do to bring that down further.

MEMBER LIBBY: Right, and one thing,

I think building on this conversation, I was definitely struck by these numbers. And I think I was interested in looking at this by some of those subgroups, like looking at age and income and race to sort of see, are there any differences? Is it sort of similar across groups?

But I think, as we think about the conversation around implications and how we message, how we target, what is perception, what is real, but how do we think about getting this sort of final 5 percent and seeing the discrepancies in unbanked/underbanked for particular populations? It would be really interesting just to see this cut in those ways.

MR. WEINSTEIN: Yes, I'll just say, we don't have particular breakdowns by race/ethnicity, although all that can be done with the data.

MEMBER LIBBY: Yes.

MR. WEINSTEIN: And for instance, it

could be done using the custom data tool that Joyce was talking about.

But in the report, we do discuss differences by households that had previously been banked, so had had an account in the past, and also, differences by whether households were interested in having a bank account -- whether they were very interested, somewhat interested, not very interested, or not at all interested.

So, we do find some interesting differences if we cross, you know, previous bank account ownership and interest in having an account with unbanked reasons. And that's all discussed in the report --

MEMBER LIBBY: Okay.

MR. WEINSTEIN: -- and then, in the appendix tables of the full version.

MEMBER MINTZ: Can I ask one more super-quick question? And maybe I didn't do enough homework. But the prevailing wisdom was that half of the unbanked used to be banked. Do

we know that number for 2021 data?

MS. CHU: Yes.

MEMBER MINTZ: Is it the same?

MS. CHU: Yes.

MEMBER MINTZ: Approximately the same? Uh-hum? Okay.

MS. CHU: 48.8 percent were previously banked.

MEMBER MINTZ: Thank you.

MR. WEINSTEIN: I think it was 50.4 percent in 2019. So, pretty much the same.

MEMBER MINTZ: Uh-hum.

MR. WEINSTEIN: It's pretty consistent.

ACTING CHAIRMAN GRUENBERG: Before we finish with this panel, I just want to say a word of thanks for the massive amount of work that this group did. I mean, they've worked really with tremendous dedication.

I mean, it's a vast resource in terms of the data collected through this national

survey by the Census, and sorting through all of that, and organizing it in a way that really lays out these issues in a clear and understandable way, and really frames the policy implications that the data present, is really an enormous public service.

So, I just want to say a word of thanks to both this panel and the one that's coming up next.

I do think, on these reasons for not having an account, that the numbers around privacy are interesting and worth understanding better, and may relate to the trust issue as well. There could be a linkage there. So, it would be worth digging in.

I mean, this survey is a little bit like lifting the hood on the car and getting to see what's going on underneath. And there may be even more that we'd like to understand.

And this may be a question for the next panel, but the numbers relating to the use

of nonbank financial products, both credit and non-credit, the declining numbers consistently over the last three surveys on both sides are meaningful, particularly among the unbanked/nonbanked.

And I'd be interested, unless this is a question for the next panel, what line of sight do we have into the reasons that may be underlying that?

MS. CHU: I think when we looked at -- and, Mark, correct me if I'm wrong -- when we looked at, when we tried to see if the declines were associated with changes in socioeconomic characteristics of households, like we do when we look at unbanked rate changes, we were not able to see much association with changes in socioeconomic characteristics.

MR. KUTZBACH: Yes, so when we looked at from 2017 to 2021, the changes, the socioeconomic demographic characteristics only explained about 10 percent of that change,

changes in the shares of different characteristics among the population.

So, it was very broad-based, the decline. There were not increases in usage for any groups for like money orders and check cashing. So, it was very broad-based.

MS. CHU: I mean, those are paper-based instruments, right? And I think, certainly, I mean, the pandemic has, I think, accelerated, potentially, a trend in a way.

ACTING CHAIRMAN GRUENBERG: That's interesting to think that may be a factor here. That's interesting.

MEMBER CALHOUN: I had a related question on that. It was striking to me that, when you look at those declines, for the banked groups, those declines occurred primarily between 2017 and 2019; whereas, for the unbanked, it's occurring during COVID relief, 2019 to 2021. Do you have any takeaways on that?

MR. KUTZBACH: Well, also, so the

transactions had actually some large drops from 2017 to 2019, and there was more drop in the credit products from 2019 to 2021. So, there were sort of some staggered drops across this period. Some of them were in 2019 and 2021, but some of them were ongoing before that.

MS. CHU: I mean, I think the next survey might help us be able to tell a little bit more cleanly how many of these changes, you know, sort of, right, with the pandemic, changes in the way businesses operated, whether they accepted cash, right, the use of paper instruments.

I think it's a little hard to just disaggregate with this data point from 2019 to 2021 because, obviously, a lot was happening in the economy. As we continue to look at this trend through 2023, I think that can be informative as well.

MEMBER CALHOUN: Well, now you've done it; we're hungry for your next report.

(Laughter.)

MEMBER TESCHER: Just to put a finer point on Mike's question, on the other slide you have on this, the one of use of rent-to-own service or a payday, pawn shop, tax, that slide, it defies expectation in the sense that you see the much bigger drop is between 2017 and 2019. Maybe that's due to strengthening labor market effects perhaps.

You would have expected, though, the bigger drop to be between 2019 and 2021, because, during the pandemic, consumers had significant influx of cash from the government, et cetera, lessening the need for some of these products. So, that's, to me, very interesting, and I'd love to find ways to try to better understand that.

MS. CHU: Well, I mean, the all drop for all households is, obviously, really dominated by the drop for banked households, which is really what's driving, right, the drop from 2017 to 2019 and kind of flat to 2021. But you see a slightly different picture, right, when

you look at the unbanked?

ACTING CHAIRMAN GRUENBERG: That's interesting.

MEMBER CALHOUN: And one more question, if I can, related to this, and it's always a challenge with longitudinal studies and the underlying market changing. There has been a decided shift in the market of payday lending going online and turning into online installment loans, often similar high cost, relatively short terms. And those don't really get picked up, it seems, in the questions about high-cost, non-storefront, payday lender with an actual physical check. So, I don't know how you address that going forward.

MS. CHU: Right. We aren't really picking up the online payday. However, the switch to installment types of payday loans, I do believe -- we think we are picking those up. We've done some cognitive testing around, you know, when people say "yes" or "no" to those

questions, to that question, in particular, what they're thinking of. And it appeared that we were picking up the sort of payday installment, but the in-person ones, not the online.

MEMBER CALHOUN: so, is there a definition for "payday" that you use? I mean, the FDIC definition in your 2005 guidance is a lump sum, usually payable in a lump sum in the short term.

MS. CHU: So, the question doesn't specifically say "lump sum" or "installment." It simply says, "payday loan," and it's up to the household to interpret. And people say "yes" based on what they think of as a payday loan.

All right. Well, it looks like we have no other questions.

So, thank you, everyone. Great discussion.

ACTING CHAIRMAN GRUENBERG: Thank you. Thank you all. It was terrific.

MS. ORTIZ: All right. So, we're

going to take a short break to set up for the next panel.

And I ask everybody to try to come back as close to 10:30 as possible. All right?

(Whereupon, the foregoing matter went off the record at 10:22 a.m. and went back on the record at 10:35 a.m.)

MS. ORTIZ: Welcome back, everyone.

All right. I'm going to turn the microphone over to Keith Ernst, who's going to be the moderator for the next panel.

Keith?

MR. ERNST: Great. Thank you, Liz.

Good morning, Mr. Chairman, Members of the Committee. It's a pleasure to be back in this room with you today.

The previous panel explored in some depth the findings from the report we released this week. In this session, we'll explore the implications. Now, the implications are intended to give us the opportunity to assess

what we learned from the last panel and think about how we can use that information to expand and support participation in the banking system.

I'd like to join the Chairman in thanking the authors, and all the authors who we now have at the table here, for their contributions to today's effort, but I'd especially like to recognize the contributions of Karyen Chu.

Karyen has been the Managing Director directly responsible for the survey for over a decade. Following this edition, she'll be refocusing her efforts on other topics.

And so, it's fitting to take this opportunity to recognize that her dedication to high standards and to ensuring the survey stayed relevant has been critical to its success. Her service is nothing short of exemplary. So, thank you, Karyen.

(Applause.)

Now, in a minute, I'm going to invite

Yazmin Osaki and Susan Burhouse to walk us through the implications. As they do, I want to encourage you to consider how these implications resonate with your experiences, the work of your organizations, and the communities you serve.

We're going to have ample time for discussion in this panel, and I know you will have questions. I have questions, too, but we're eager to get your observations, your thoughts, your comments.

And with that, I'll ask Yazmin to start off.

MS. OSAKI: Thank you, Keith.

Good morning, Acting Chairman and Members of the Committee.

I'm Yazmin Osaki. I am a Senior Consumer Research Associate in the Division of Deposit and Consumer Protection, and it is my pleasure to be here today in person with my colleague, Susan Burhouse, to highlight some takeaways from our 2021 household survey.

And I want to also acknowledge and thank our colleagues who you heard from before the break -- and, of course, they're sitting here with us -- who really were the ones who analyzed all our vast survey data and produced this report with very interesting findings.

And Susan and I had the fun role of reading the results and thinking about what ideas and takeaways can we elevate to inform the work that the FDIC and other stakeholders do to advance economic inclusion opportunities.

And it was very interesting to think through these takeaways, or survey implications, as we call them, because the survey was collected still during the pandemic times. And it became apparent that the pandemic created some unique economic inclusion opportunities and, also, accelerated trends that have been changing the ways consumers interact with financial services.

And let me talk a little bit about this context before we delve into the

implications per se.

So, one thing to consider is that the need to receive stimulus payments and other pandemic relief funds created what we call a "bankable moment," to bring in bank consumers to the banking system. And we'll get into that in a minute, in the first implication.

But the pandemic also helped accelerate consumers' use of digital finance. And we know from our own FDIC data on mobile banking -- and that's just a section of digital finance -- that this trend has been going on for some time. But, with the in-person restrictions during the pandemic, more consumers shifted from conducting financial transactions in person to doing them online or via mobile.

Another trend that we observe happening more and more is the disaggregation of consumer financial services. There are more players in the marketplace. There are more nonbank players that are different from our check

cashers or the traditional payday lenders, and more consumers appear to use a mix of both banks and nonbanks, and for very specific purposes.

And the line between banks and nonbanks can be blurry for many consumers, and we need to understand better this phenomenon. And these are some observations that provide some context. And the implications that we present today build on these observations using our household survey data.

So, our first implication is about finding bankable moments to connect consumers to safe and affordable bank accounts and learning more about strategies to keep the consumers banked.

So, despite the financial challenges that many consumers experienced through the pandemic, more consumers became banked. And the 2021 survey data provides strong evidence that receiving income such as stimulus payments, unemployment benefits, and also employment income

was an important motivator for account opening.

Almost half of the households that became banked and had received a government benefit payment said that the payment contributed to opening an account. And among recently banked households that started a new job, one in three said that the new job contributed to them opening an account.

Now, these results are consistent with survey results that we had back in 2013, where we found that the No. 1 reason recently banked households opened an account was to receive direct deposits.

So, together, these findings highlight how effective it is to bring people into the financial mainstream when they are receiving funds, which is what we're calling the "bankable moments."

And we acknowledge that these efforts have been going on for some time. But it is important to point out that today there are

opportunities to connect consumers to safe and affordable bank accounts. The Bank On movement has been growing and there are over 250 financial institutions offering certified accounts, banking accounts.

And also, there are more robust options for account opening. With the pandemic, many banks had to roll out and enhance their mobile banking applications, their online account opening applications. And as I mentioned earlier, also, more consumers are more comfortable with using technology for financial purposes.

So, the call for action here is to continue economic inclusion efforts focused on bankable moments in which bank consumers receive income from a new job, government benefits, tax refunds, and continue to increase public awareness of safe accounts and opening options that are now more robust than they were pre-pandemic.

And a great example of this, if I may, is FDIC's Get Banked Campaign, which is a consumer education campaign that encourages the unbanked population to consider opening bank accounts, or checking accounts, specifically.

And also, when the stimulus payments were being rolled out, the FDIC partnered with Treasury to help consumers connect to banks that offered online opening of safe accounts, so that they could receive their stimulus payments more quickly and securely.

But the other important point here to make is that the 2021 survey showed that not only did more household become banked, many were able to maintain their banking accounts, their bank accounts, despite the income disruptions.

Unfortunately, that was not the case for some consumers. We found that one in five households that became unbanked recently reported that losing or quitting a job, being furloughed, having reduced hours, or having a significant

loss of income contributed to closing of bank accounts since March 2020. So, that was one in five, and 20 percent is sizable.

But, back in 2013, our survey found that over a third of households that recently became unbanked had experienced a significant income or job loss that they said contributed to the household becoming unbanked. It's not exactly the same wording. So, there are differences in the estimate.

But if we were to use 2013 as a rough reference of what to expect when income disruptions come, then perhaps we can start thinking about the factors that happened during the most recent crisis that helped consumers maintain their bank accounts. The obvious ones were the government aid and financial system flexibilities that very likely played a role in helping the consumers maintain their banking relationships.

But we don't want to lose sight of the

fact that banks also had to adapt to be able to deal with larger-than-usual volumes of consumers experiencing financial distress. So, are there lessons learned regarding bank communications or outreach strategies, or staff training, or changes in bank policies that were particularly effective in helping consumers and financial institutions navigate this financial disruption? And more importantly, what strategies can be carried forward and amplified to help consumers, and particularly LMI, cope with short-term financial shocks without them becoming unbanked?

These are some questions that we think are worth exploring and posing. And hopefully, they invite conversation today and going forward.

I'm sure we're all very, very pleased that the unbanked rate continues to go down and it is as low as it has ever been, but one thing to keep in mind, and also I think that was mentioned earlier today, that, similar to 2009 -- and it continues to be so in 2021 -- about

half of the unbanked households had an account at some point in the past. So, being banked is not necessarily a permanent state. So, it is very important to find strategies that help consumers access bank accounts, but also create banking relationships that are sustainable for both the consumer and the financial institutions.

And with that, I'll turn it over to Susan, who will walk us through the two other implications.

MS. BURHOUSE: Thank you, Yazmin.

As we turn to the second implication, this one is really centered around the fact that we've seen such a pronounced decline in the use of nonbank financial products and services that we've tracked over the years during this survey. And this picks up from the conversation that we started in the earlier panel. We want to really take some time to highlight this trend and think about the implications for economic inclusion, and maybe ways to evolve those efforts in

response to the changes.

So, as we've heard, the decrease in nonbank financial services use has been a really notable and long-term trend, looking back over the history of the survey. You've heard the 2021 data show that the share of households that use nonbank money orders and nonbank check cashing has fallen to half of what it had been 10 years back in 2011. These declines have been broad-based. They're happening among unbanked households as well as banked households, and they're happening across demographic groups.

We're also seeing declines in nonbank credit use. The share of households using nonbank credit fell by 40 percent between 2013 and 2021.

But, in order to think about what this means for economic inclusion and what we should be doing here, it's useful to try to think about what might be driving these trends. And we've come up with a few possibilities.

The first is, given the decline in unbanked rates over the survey history, the decline in nonbank financial services use could really simply be reflecting that there are more consumers who are banked and are meeting their needs within the banking system with bank products and bank services. Clearly, this would be a welcomed development. That's what we're here for. You know, we do hope that this is the answer, but we do need to know a little bit more to be able to connect the dots here.

In particular, we want to be able to more carefully consider households' characteristics and usage patterns to help figure out whether this makes sense. For example, we know that some unbanked households tell us in the survey that they are very interested in having an account. So, maybe it's not too much of a stretch to think that there is a group of households that have established banking relationships; they don't need their nonbank

providers anymore.

But other unbanked households tell us that they don't trust banks, as we've heard. So, that's always been a main reason why households don't have an account, and in that case it might be harder to assume that these households are happily shifting from nonbank financial services into banking. So, while we know that the unbanked rates are declining, we do need to continue to do some study and research here to really know how this is impacting the nonbank financial services use.

The decline in the use of nonbank financial services could also reflect changes in demand and changes in consumers' underlying needs. For example, we know that the use of paper checks is a lot less now than it had been in the past. So, that's going to reduce demand for check cashing services.

You know, in addition, there's been all kinds of changes in economic conditions,

shifts in societal attitudes towards and perceptions of nonbank providers, just different approaches to messaging and educating consumers about nonbank services. So, that all could be affecting consumers' demand.

And, of course, there's also forces on the supply side. The market has been changing so rapidly. There are so many new nonbank providers and services out there. The entrance of fintechs, online payment services, the development of emerging credit products like all the "buy now, pay later" products and things like that, you know, those are really changing the market.

And to the extent that consumers are shifting from using the more traditional, for lack of a better word, nonbank services like check cashers and payday lenders, to using these newer services, well, then, there are still people that are outside the banking system. You know, there are still economic inclusion

challenges there, but the parameters have changed because of the changes in the supply side of the market.

So, we have all this great information, and what should we do about it? One thing that we can do is more research, which we love to do because we're researchers.

(Laughter.)

But I really do think this is an especially important area in which to focus research efforts. You know, there are certainly things that we can do here at the FDIC, maybe even with the survey, going forward, and with other efforts like qualitative research or other research. And we hope that others out there, other researchers and stakeholders, will dig in here as well. And that's why we want to highlight these topics, so everyone who's working in this space can kind of be contributing and be researching here.

But we can also use this information

to shape action. I think economic inclusion strategies are going to work best if they're really properly aligned to the current state of the world. So, knowing about how consumers are using and choosing between these older and newer types of nonbank services can really help those strategies evolve.

I'm thinking, for example, of things like messaging. If there's messaging out there that had been targeted towards explaining the benefits of banking relative to using a check casher or a payday lender, that's not necessarily going to be as relevant today or it's not going to resonate the same way it did in the past, because more households aren't considering or using those products. So, messaging and strategies should really reflect the current choice set facing consumers to meet people where they are.

So, just reflecting on this trend of the decline in nonbank financial services use

really implies that we can follow up, as I said, both with research to better understand the dynamics, and how and why consumers are making their choices, and also with action, to better target economic inclusion -- outreach, messages, and strategies that we're putting out there in the world.

And moving to our final and third implication, this one really builds from the previous one and it looks more deeply at households' use of one specific nonbank service, the online payment services. And that's PayPal, Venmo, CashApp.

This is one of the newest nonbank services that we have information on from the survey. So, we wanted to take some time to tie together some of the insights that we heard presented by Joyce today and discussed throughout the report. And we want to take a moment to think about the different use cases for these services and highlight the need to clarify the

limits and the applicability of consumer protection, especially deposit insurance.

Nonbank online payment services have really quickly become important tools. They're used by so many households now to help manage their finance and conduct transactions. Nearly half of all households have used nonbank online payment services in 2021, with even higher usage among certain segments, such as young people. These payment services were used by two-thirds of households younger than age 35.

And this product, the online payment services, really stands out as pretty distinct from others that we've tracked in the survey. This isn't something that can be considered just a product for the unbanked. While the other nonbank financial services that we've been interested in over the years, and the ones that we specifically use for the purposes of defining underbanked households, those are products that are disproportionately used by the unbanked, that

is not the case here.

These payment services are used by a sizable minority of unbanked households, about one in five, but they are also used pretty frequently by banked households. You know, about 48 percent of banked households are using these payment services.

So, doing a deeper dive into the different ways that these groups use the payment services is really useful because it prompts discussion of the different economic inclusion implications for these different groups.

So, banked households -- and we heard a little bit about this earlier -- they appear to be using the payment services to complement their banking relationship. Banked households are connecting their PayPal accounts or their payment services to bank products, like credit cards and bank accounts, and they aren't necessarily using these services for what we are considering the core financial transactions, you know, getting

their income and paying bills. They are using them to send or receive money from family and friends. They're using them to make payments online. They're using PayPal to make a purchase on eBay or things like that.

So, it really seems that this is an example of the disaggregation that Yazmin was talking about. You know, banked households are using banks for a lot of their core transactions, but they're also using these other providers to meet specific other needs.

Unbanked households look really different, though. The way they're using these payment services is just really different from how bank services are using them.

The unbanked households who do use them are using them rather extensively. You know, they're often using these payment services for multiple types of things, including the core transactions -- getting money, paying bills -- and the secondary types of transactions,

like exchanging money with family members and making purchases.

And for unbanked people, these also appear to be acting as a standalone product, meaning that they aren't connecting the payment services to a prepaid card or any other type of account. So, that's why it really looks like for this subset of unbanked households the online payment services are really functioning as bank account substitutes.

Interestingly, this is consistent with earlier FDIC research. Karyen referenced back in 2015 we did qualitative research on mobile financial services for economic inclusion. And one thing we heard from consumers who were part of the focus groups was that, yes, even back then, unbanked households were telling us that they felt that P2P services like PayPal and CashApp were functioning like bank accounts, and they were good substitutes to them. So now, we have this data that seems to be providing even

more evidence along those lines.

So now, again, what should we make of this? You know, what do we want people to do and to take away from this? I think it's useful to consider the different economic inclusion considerations for these different use cases.

So, first, for the unbanked, we see, not surprisingly, they continue to have financial needs. They're transacting; they're paying bills; they're getting money, but they're just not turning to banks for that. You know, they are finding online payment services to be good substitutes, and I think that's something that economic inclusion stakeholders should know when they're thinking about ways to maybe design products or to create effective messaging to clarify the unique value of banking versus these types of payment services.

Banked households are an interesting case because, especially the fully banked, they're not often a group of households that we

talk about a lot in these economic inclusion discussions. But now that we see a lot more of these banked households combining bank and nonbank services in new ways, there may be new vulnerabilities.

Banked households, who may be more familiar with the protections of the banking system, you know, they may even take those protections for granted. They really might not understand what happens when they start moving money through or keeping money in these online payment services accounts.

So, I think for both unbanked and banked households, education and awareness are really even more important than ever. Helping consumers distinguish between what is a bank, what is not a bank; you know, helping them understand where consumer protections apply; where deposit insurance does/does not apply, these are really important needs out there now. And we think the FDIC and others can definitely

play a role in clarifying and educating consumers about the implications of using these nonbank online payment services and other nonbank services and the benefits of banking.

So, that's sort of what we have for you today. I'll turn it back to Keith.

MR. ERNST: Great. Thank you, Susan.

And now, this is really our favorite part of the meeting, when we get to hear and engage with you.

Over the years, this Committee has really helped us think through our implications and think through our survey and give us great ideas about where we can take our efforts next. And so, I'm going to open the floor here, first, broadly for your questions. If we have lots of hands, I'll take names. We'll get everybody in, I'm sure.

We will start with you, Marla. I already see your hand.

MEMBER BILONICK: Thanks.

MR. ERNST: And then, if you give me the opportunity, I will ask my questions. But your opportunity comes first.

(Laughter.)

Marla?

MEMBER BILONICK: Thank you very much for the privilege.

So, I just had one -- well, I had two, a question and a comment.

So, the question is, this slide -- which I don't expect everyone to turn to -- but it was just about the uptake of credit products, basically, credit card or personal loan, and the fact that differences were present across income levels. To me, that was just a huge takeaway because I'm certain that the need for credit is not as different as is indicated by these bars between the Black, Latino, and White, or other population.

And so, I think that that's an area that we should definitely focus on: sort of why

it's laying out that way. I don't necessarily want to make the jump all the way to discriminatory practices, but I would assume that that is part of it. Access, I just think that's a huge, huge observation from the numbers that we should dig deeper into.

And then, the other thing that I wanted to touch on that we talked about earlier with regard to trust, I just find it fascinating, even for myself as a consumer, that there is a lot of pushback with regard to trust of banks. But, then, these newer players have like implicit trust. People will Venmo people; will use PayPal.

In fact, I think sort of the marketing around PayPal is that it's a safe way to transact. And so, I'm just curious why society sort of has this broad, sweeping trust for online payment methods versus sort of how they're looking at banks. Because, sensibly, the online payment services, like Venmo, or whoever it might be, are

risky ventures to engage in, particularly if you're linking your bank account to them.

So, those are my thoughts.

MR. ERNST: Yes, thank you for those thoughts. Some information I can share with you from the survey. As Karyen and the authors mentioned, we weren't able to share all of the findings.

MEMBER BILONICK: Of course.

MR. ERNST: One of the findings that stands out in the report is that households that have a credit card are more likely to also have a bank personal loan. So, there does appear to be some sort of gateway entrance there.

In previous surveys, we've also observed that Black and Hispanic households were less likely to have a credit score, which, of course, can be a key attribute for accessing credit in the system.

But it's a great point and there's certainly much more to learn about what is

driving the differences in that chart you held out. So, I appreciate you calling attention to that.

In terms of your second question, I think we are looking to you and the members of the Committee, quite frankly, to help us understand that more and thinking more about where we can take research to delve into developing a deeper understanding of what these reasons mean and what the answer to those questions suggest about promising strategies for addressing them. So, thank you for that point as well.

MEMBER MINTZ: Can I also jump in?

Marla, I have a theory that I've completely made up. So, I may upset the researchers in the room who use data, apparently.

(Laughter.)

I wonder whether this dovetails a little bit with the findings that I referred to earlier and some of our research around people's

desire to feeling in control of what's happening with their money, and whether or not there's something about these apps that feel more like they're controlling what's happening, maybe because of the ad hoc nature of the app and their choice to download the app, and things like that.

I wonder whether all of that is the other piece, but I'm making it up.

MEMBER BILONICK: I think that's really interesting, and I think it's more of a psychological analysis that needs to take place. But I think that could very well be one of the reasons, if not the reason.

MEMBER LIBBY: Can I build on that?

Is this on? Yes.

So, what we hear from young people, and BIPOC, low-income youth from 16 to 24, is really that like CashApp is a big, you know, one of the apps that they use primarily. And I think it's the speed with which the transactions happen. They know like when the money hits, when

they money goes out.

And so, this fear around overdraft, and prior experience with it, I think it is connected to this idea of control because you see it happening, and then, there's a lot of communication around, ooh, you're getting close. And they don't feel that same kind of -- like they've got my back -- they don't feel that same experience, I think, with banks. And so, that's sort of what we hear from that group of folks.

MR. ERNST: That's really interesting. Thank you.

So, Tom, and then, Brandee.

MEMBER FOLEY: As long as we're throwing out research ideas -- (laughter) -- so, one of the things that we've seen and heard, particularly around fintech, and I'll just take it to crypto as well, right, is that those are some really sophisticated marking campaigns, targeting groups of people who, quite often, aren't sort of targeted, right?

And part of the messaging is we're not a bank; we're doing things differently. This is your opportunity to do it differently, to have access in a new, quicker, faster way.

So, putting aside all the downsides of that, I think there is a piece to be learned around the messaging for bank accounts and financial inclusion that we can take away from that.

MR. ERNST: That's really interesting.

And, Jonathan, I may ask you to talk a little bit about what you learned, I know, because you all have invested in research around marketing accounts.

But Brandee first.

MEMBER MCHALE: Okay. I mean, this is a similar theme. I'll just say the one thing about apps like a Venmo is it actually facilitates not just the payment side, but it actually provides a way to support the mental

accounting that, you know, when you're working within a scarcity environment with your finances, actually, you can build up a balance that you actually believe is actually savings.

So, people will pay you. You know, I'll tell you my own personal experience. My kids never cash out the money that they have in their Venmo. They just keep building up that balance and keep using it.

So, that's one thing, is that we should really try to understand how consumers really think of these applications because I don't think they're only just considered payments platforms.

The second thing is that there is a social media and network connection here. It's part of a social engagement. So, the irony is that we hear that consumers are concerned about privacy. You're using these apps. There's a lot of information. I'm like, yeah, let's not share that, you know, all those details about why

so-and-so is paying you for this and paying you for that.

(Laughter.)

So, I think understanding the psychology of those applications is important. And I thought Margaret for sure was going to talk about, you know, how young people see this as actually part of their social engagement with one another, the use of these apps.

The other thing is, I just want to say, go to implication No. 1 around the bankable moments. I actually think we should really not discount how incredibly powerful and simple of a tool this has been to require an account in order to receive your public benefits or in order to receive your -- an employer to pay their employees. And it's not complex and it's actually working.

Hopefully, what we'll see is that -- I'm concerned that we're not getting people in the system. I'm still not sure I fully

understand the data or maybe we haven't had enough time to understand if the accounts really are being -- I'm hearing very high percentages of accounts closing.

But I just think we can keep looking for those moments that just make it an automatic, and you can opt out versus having to opt in.

MR. ERNST: Great. Thank you for all those thoughts.

And, Jonathan, if I can ask you both about the messaging and I also know there's new data coming out later this year that's going to address some of that account activity, right?

MEMBER MINTZ: Yes, we do have a partnership with the Federal Reserve Bank of St. Louis, who collects anonymized and -- what are the adjectives, Naomi?

MEMBER CAMPER: I think I used aggregated.

MEMBER MINTZ: Yes, aggregated, anonymized, and synchronized data among financial

institutions that offer Bank On accounts.

And while I can't comment specifically on the report that's about to be released, unfortunately, I can say that the data continues to show that the closure rates of these accounts are not notably different than closure rates of other accounts. And I'm told again and again and again in line with expectations of financial institutions offering them.

So, I don't think that there's a closure rate sort of asterisk around the continued progress in opening those accounts. But that's not to say that the underlying issue, which is people drop out, you know, as you all were talking about, isn't an issue that we need to pay attention to.

And that's why I couldn't agree more with what Brandee said about, if particularly ongoing government payment streams are utilized for these banking moments, then, at the very least, even if it's just unemployment insurance

payments, you've got a reason to keep that account open and keep using it.

MR. ERNST: Yes, I see Jennifer, and then, Naomi.

MEMBER TESCHER: Naomi, if your question is piggybacking, I'll let you go.

MEMBER CAMPER: It is.

MEMBER TESCHER: Go ahead.

MEMBER CAMPER: Yes, and it's less a comment than an observation about one of the bankable moments that we saw during the pandemic. There were actually several, right? It was the Economic Impact Payments, but it was also enrollment for the Advanced Child Tax Credit.

And from my seat as part of the banking industry that was really working very hard to get more and more banks to offer Bank On-certified accounts, from our perspective, it wasn't just that there was a bankable moment; there was convergence and collaboration among lots of different parties. So, the banks were

ready with a growing number of Bank On-certified accounts that came with the trust and sort of features that everybody had confidence that were right for a certain population.

There was the FDIC with its Get Banked Initiative and really pushing the importance generically of a bank versus not a bank.

And then, the IRS really, I think, also did very important work in terms of making it possible for people to enroll at the last minute or very spontaneously to link their payments to a bank account.

And the cross-pollination of those, I think, again, no data -- no data; I'm making this up, as Jonathan would say -- I would have to presume that that really helped, and I think that if we have ongoing collaboration among lots of different parties.

The other thing that I'll say from the industry's perspective -- and we're getting to sort of sustainability -- we are encouraging even

those banks that already have Bank On accounts, the role of coalitions and working very collaboratively with trusted third parties in communities, that's going to be a really important engagement point to keep people banked.

So, yes, unemployment benefits, whether you are employed or not, having a reason to keep the account, but then, also, that engagement to maintain trust and develop those relationships we think is going to be important.

So, I don't know if there's a way to test my sort of surmises there, but something like that where it gives us guidance about, okay, so we now have lots of banks with these great accounts; what should we be doing now? And getting some observations from you all in two years would be terrific.

MR. ERNST: Thank you.

Jennifer?

MEMBER TESCHER: I wanted to shift the conversation back to implication No. 2 for a

moment and the nonbank payment services, in particular.

And I think it's notable that, when you described in the survey what was included in that definition, you expressly, you intentionally left out Zelle. And I think we need to be really careful about confusing form versus function, because some of the same challenges, consumer protection challenges, that the three that you include face are also faced by consumers using Zelle.

Zelle is owned by a group of banks, but it's a separate, third-party, nonbank company, right, Early Warning Systems? And I think Zelle has done amazing things in the marketplace, but, recently, there have been -- not even recently -- concerns about the lack of recourse.

And some of the other services actually offer a couple of different versions of their service. So that, if you're using it to

not just pay your friend to split the check, but you're paying a business, right, that there is a different version of the product that costs more and that comes with that recourse. Zelle doesn't offer that. And so, it could.

So, I just want us to be careful, as we're thinking about assessing this broader market and how it's changing, that we're not drawing arbitrary lines because we think something is more akin to bank and something is not. I think that's probably unique to payments relative to maybe some other products, where it's either fish or fowl. Payments I think are a bit more complicated in that regard.

MR. ERNST: Yes, so I acknowledge that we did explicitly formulate the question in the way you're describing it. And the intent was really to try and get at those products, not in an effort to confuse form over function, but I take your point that we've got a bit of a blind spot in terms of that exclusion.

But, given that Zelle, even though it was a third-party company, was implemented differently within many bank structures, right, but I take your point. And it's something we can look at and think, is that a hole we can close in terms of our visibility?

MEMBER KELLY: Keith, a comment. The thing that I noticed in the report was that the prepaid card percentage was pretty linear, so to speak, across several of the demographics. And it may be worth the while to look to see if that's being driven by the market, meaning that payers are kind of forcing those prepaid cards onto employees as one example, and understanding the implications of utilizing those funds that way.

Are there any challenges? While it's only 3 percent today, will that expand to 10? And are there implications there? Would be a question that I would have, and maybe one we ought to think about going forward.

MR. ERNST: Great.

MEMBER KELLY: And I would love to have insight, if you have some data on that at this point in time.

MS. CHU: So, the use of prepaid cards, actually, we've been tracking for a while and it has actually been going down over time. Again, we don't have questions that ask, you know, "Why are you using this as opposed to something else?" as opposed to something else.

MEMBER KELLY: Okay. Thank you. Thanks.

MS. CHU: Thank you.

MEMBER MINTZ: Can I -- oh, no.

ACTING CHAIRMAN GRUENBERG: No, no, go ahead, Jonathan.

MEMBER MINTZ: Oh, really? Okay. Thank you.

(Laughter.)

I'm glad our first panelists here are still here, in part, because I'm not willing to let you go yet, Karyen.

(Laughter.)

So, I'm not sure whether this question spans the two, but I hesitantly ask about the breakdown or whether we can figure out some sort of a disaggregation among those who are the 44-plus percent of folks who cited a government payment as a reason for becoming banked, which is, obviously, of a huge amount of interest.

We don't necessarily know whether it was, "Oh, I got more money, so I got banked," or "Oh, I did this cool FDIC/IRS collaboration thing, and took advantage of the opportunity to get banked." We don't necessarily know that, is that correct?

But what I do wonder is, assuming that's true, I do wonder whether there's a way to disaggregate that 44 percent by income. And I wonder whether that might tell us something about this was desperately needed money versus maybe not the kind of factor. Just a thought.

I'm not sure I want to know the

answer, but I feel like we should.

MS. CHU: So, we didn't do that, but it is doable. And again, I will point you to the website.

MEMBER MINTZ: Use one of Joyce's fancy tools. Okay, okay.

(Laughter.)

MR. ERNST: And your question, I think, brings back sort of Naomi's question of, you know, what was in this moment that came together to have this powerful effect, right. You know, there was an environment, there was preparation that taken place, and there was an opportunity and a need that was met.

I mean, one of our working hypotheses is consumers were looking to get their payment as quickly as possible and securely. You may remember, at the time there was a lot of concern that people who were waiting for checks were going to wait for extended periods of time.

MEMBER MINTZ: Oh, it was May or

September when they first started talking about direct deposit versus checks.

MR. ERNST: That's correct.

MEMBER MINTZ: And I do have a little bit of data about this which is about whether this collaboration meant something. So we set up a landing page for bank on accounts in particular highlighting those that could be opened by new customers online.

And we saw about -- we did some advertising, but also there was this wonderful GetBanked page. We saw about 500,000 or so visits to that site and about 30 percent of whom then went on to a bank site, you know, presumably to consider if not open a page.

So of the traffic that we got from other websites, between the FDIC, which was the vast majority of it, and the IRS, it was, like, 94 percent of that traffic came basically from you all.

So I do think it's not much of a

stretch, you know, to suggest that the numbers that you all saw in your survey, and the numbers that we're going to be excited to reveal next month, you know, do suggest a real strong causative impact.

MR. ERNST: Thank you for that. Mr. Chairman, you've been moving forward.

ACTING CHAIRMAN GRUENBERG: So I've had a chance to save up a few thoughts here. I agree there would be value in understanding better the impact that the sort of ad hoc public/private partnership that emerged in response to the pandemic had, in terms of the increase in banked households.

I'm not sure we need to wait for the research though to draw a reasonable conclusion that this kind of collaborative effort across the public and private sectors to utilize public payments and other vehicles to encourage people to open accounts is not something we can move forward on. And doing it, rather than -- we

should use the ad hoc experience, perhaps, to build a more formal partnership here.

And certainly the FDIC could play a facilitating role in terms of putting together, on both the public side and the private side, including the industry and the nonprofit organizations, to focus around the opportunities for expanding access to the system. So that's something we can think about coming out of this meeting is one initiative for us to undertake.

Two, I do think, Naomi raised the point about, you know, the mobile phone versus the online. I think functionally they're the same. I think in terms of access and mobile phone access, appears to be far broader in terms of accessibility. And it's reflected, I think, in the interesting fact that underbanked households actually utilize mobile phones more than the general population in terms of banking services.

And so that is something that I think is really worth focusing on and plays into these

other alternative forms of access. If we can utilize mobile phones as a vehicle for accessing banking services and promoting bank accounts, that seems to me to have a real potential in better coming to the -- I very much agree that we want to understand better what we're seeing in terms of the reduced utilization of nonbank products with a creditor or non-credit products.

I think the fact that we don't have a clear line of sight, and the fact that it appears to be undifferentiated across income categories, just raises some questions that would be important for us to understand.

And then the final point that I hesitate to make but can't quite resist is that, you know, this survey was initiated in 2009. And so in effect the whole period of the survey, excluding the immediate dip at the outset of the pandemic, but then a rapid recovery, has generally been a rather extraordinary period of sustained economic growth.

So we all welcome the steady improvement in the, as it were, unbanked numbers, but I think that has generally coincided with a prolonged period of positive economic performance. And somehow I cannot disconnect those two observations. So it'll be particularly important, as we proceed to the next survey, we may be seeing a change. We're already beginning to see a change in the economic outlook.

And as we may move into a less favorable economic environment, will that be reflected in the underbanked numbers and to what degree? I think that'll be an important thing to understand, to place in context, what this been this, you know, sustained period and really meaningful improvement in terms of access to the banking system.

MR. ERNST: Yeah, thank you for all those observations. And on that last point in particular, I know Yazmin spoke to, you know, our interest in understanding better some of what may

have been happening during this most recent period of time to help households sustain their banking accounts.

Because even though there was tremendous public support to consumers, there still were real challenges in the marketplace. And yet, through some of those challenges, consumers showed a degree of resilience that was even greater than we might have anticipated based on prior findings.

And so understanding that better could be very important, especially if some of the economic winds that we've had at our back shift in the coming periods of time.

You know, it is something that we have explored in previous surveys. And in fact, some recent research by Mark and another economist, who is not on the panel with us who have delved into this topic, and pointed out that periods of unemployment should be expected to come with increased rates of unbanked among different

households.

And that could be pointed out that it could be especially important to identify ways to know when households are facing those challenges and think about support that could be delivered during those moments.

ACTING CHAIRMAN GRUENBERG: And it's exactly at those moments when the connection to public benefits, which may kick in in those circumstances, as it were, could be a countervailing tool here.

MR. ERNST: Right, so public benefits may not just be a gateway, but they can be an important moment in time to sustain --

ACTING CHAIRMAN GRUENBERG: -- to sustain a relationship.

MR. ERNST: Yeah.

ACTING CHAIRMAN GRUENBERG: Depending on the circumstance.

MEMBER MINTZ: Do you think it's possible, Keith, I asked you yesterday but it was

a reception and, you know, who remembers what happens at a reception.

But I was wondering whether or not there was a way to, because I think the good numbers defy expectations that we might have feared because of the pandemic, I wonder if there's a way to quantify or estimate how much they defy expectations? Is there a way that wizards could look at the data and figure out what would have normally been anticipated of a drop in the banking rate and then compare it?

MR. ERNST: You addressed the question to me. I don't have my wizarding credentials, but we have credentialed wizards.

MEMBER MINTZ: I sort of cast a glance towards the people who might actually know if that's possible.

MS. CHU: I mean, that's difficult, but it's partly because the, you know, the support that was provided, right, during the pandemic was just unprecedented. I mean, the

large sums of stimulus payments, for example, you know, we estimated that the drop in the unbanked rate, right, between 19 and 21, about a third of it is associated with changes in socioeconomic conditions of US households.

But that leaves two-thirds that we couldn't explain with, sort of, macro data, right. And some of that two-thirds is probably, you know, the extraordinary efforts of coming together. But it's hard to quantify exactly how much.

MEMBER MINTZ: So maybe in the future, and this is a half-thought idea, but maybe there's a way to disaggregate different versions of disruptions of income, right, to talk about the difference between employment-based income and benefits based income. And maybe that could help us figure it out if we thought that was useful.

MEMBER FOLEY: I had a similar question and related comment. What did you

include in socioeconomic? Was it employment income, did it include benefits, did it include the wealth effects of the stimulus payments and the like? Or were those exogenous from that and counted in the other factors?

MR. WEINSTEIN: Yeah, so for the socioeconomic characteristics, we included income, education, employment status, and home-ownership. And that's, you know, these are all variables that are measured in the base population survey that's given every month.

But it's, like, income from all sources, you know, education, educational attainment, and then, employment is for the -- you know, given how things are measured, like, things like employment which are at, like, person level, it's based on the employment status of the householder or the, you know, person or one of the people who owns or rents the home.

And we observed in general that, you know, comparing 19 and 21 in order to understand

what could be going on, like, income levels went up, education attainment went up, unemployment went up. So that would tend to have the opposite effect on bank rates. And homeownership went up slightly, but it was pretty similar across the two surveys.

But, you know, we found, when we looked at the change in our bank rate, the effects of income and education definitely sort of overpowered the effect that one would expect from the change in employment, or the increase in unemployment.

MEMBER CALHOUN: So were enhanced unemployment benefits, were those -- did people understand those were income, or the stimulus checks, the multiple ones, were they included in income within that definition?

MS. CHU: I think that the, you know, the Census Bureau basically asks households their income. I'm not sure it was differentiated between the different sources. We do have,

right, we did ask in our survey whether they received government benefits, like a stimulus payment or unemployment benefits. So we can tell if they did or didn't. But we don't have amounts of what they received.

MEMBER CALHOUN: And then to comment on the research we've done, there were a whole host of programs here. We focused, for example, in one area of student loan benefits. And we did focus groups and the like on what was the impact of the payment pause that's still in effect now. And a high percentage of people reported that it had a dramatic impact on them.

That's not income. I don't think most people would call the payment pause income. But that's, you know, 30 million or so people benefitted from it. And they reported there, and this is consistent with other things, that they used it to pay down debts that provided huge amounts of impact on their daily financial stress.

And I think we see that elsewhere that, you know, credit card balances adjusted for inflation generally went down. Payday lending and high cost installment lending went down.

I think the concern starting with the student loan, the respondents we dealt with, they were very much afraid of what would happen when, for example, student loan payments started. They were very apprehensive about their capacity to restart the payments.

We see credit card balances going up. We see payday lending and installment lending volumes going up now. So it is one of the warning signs of what's ahead here for these households.

MR. ERNST: Yeah, it's really great and interesting comment. You're highlighting, you know, while we asked about sort of income and with this moment of opportunity in mind, you're highlighting that, in fact, there were also drops in expenses for households.

They didn't have to make to make those

student loan payments. Maybe rent didn't go up as much as it might have otherwise. But those conditions are changing in many places across the country. And I think there's an excellent case in that student loan payments will resume. And what will happen as those changes come into play is worth some consideration.

Jennifer?

MEMBER TESCHER: I was planning to use my roundtable remarks later to share a little bit more about the results of our financial health pulse work. Our survey came out in early September. And, you know, we obviously always look at yours as a bellweather and a benchmark. Are we, you know, are we in the right ballpark, given that your survey sample size is six times ours.

So I won't go into great detail here, but just a couple of things based on some of the comments that have been made. We similarly find that households that have the lowest incomes and

who benefitted from the tight labor market experienced meaningful improvements in their financial health score. And we go into detail about whether it's a new job, or increased hours, or those sorts of things.

And this isn't surprising, right. There's obviously a very significant connection between work and income. But I also feel like, in the conversation about moments, I still think there's more to be doing to leverage the employment moment and/or the enrollment, benefit enrollment moment.

And, you know, over the last few years, we've really extended our work into sort of the world of HR and employers across industries, not just financial services companies. And it's a, for a variety of other macro trends, it's a very hot topic at the moment and something that a lot of employers are thinking about. We'll see what happens when the labor market maybe isn't so tight. So that's

another -- there's just a lot there. And it's sort of obvious, but there's just more to do, I think.

The other thing, just in light of the comments that Acting Controller Hsu made earlier this morning, only three percent of unbanked individuals in our survey are financially healthy, relative to 36 percent of banked. So that gap is obviously significant. But I think it's really important to note that only 36 percent of banked people in this country are financially healthy.

And so as we start to think about what else, what next, what's the next frontier, I think that's meaningful and important. And I'll share just a few other relevant statistics later on.

MR. ERNST: Great, thank you.

MEMBER TESCHER: Oh, and the last thing I wanted to say is on this question about how are people interpreting income with this

inflows, we might have a way to look at that in a non-representative way. So we have a sample size of about 6,000. For about 500 of them, we're also, with their permission, ingesting their transactional data. And so we might be able to use that as a way to understand, so happy to dig into that more if it's useful.

MR. ERNST: Great, we'll follow-up with you about that. Thank you.

MEMBER CAMPER: Just one response, you know, thinking through employment, the bankable moments, banking moments with employment, I would observe the government is a very large employer across lots of different levels. And so I don't really know how it works to onboard. I haven't on-boarded with a government agency in a very long time. But maybe there's an opportunity for a pilot program.

MR. ERNST: Thank you, Naomi. Now, that also actually brings me to one of my questions.

(Laughter.)

MR. ERNST: You know, I wonder --

ACTING CHAIRMAN GRUENBERG: An hour later you get to ask some questions.

MR. ERNST: I get to ask a question. That's not bad, actually. You know, we're focused on moments of employment, enrollment, and benefits as key opportunities to bring people in the banking system. But, Margaret, I know you deal with people in a variety of contexts, and other people on the panel do as well.

And so I'm wondering, you know, do you see other moments that feel similarly like they present similar potential that we should be thinking about, you know, for research, for action, and just in general.

MEMBER KELLY: Well, I had the pleasure of meeting Margaret last night, and many of her constituents from California. And hearing this discussion around kids who have the ability to work at 16 and 17, but don't have the ability

to have their own bank account, I think really aligns with what we see trending around the nation which is many states now are requiring financial literacy as part of their curriculum.

I think the number may be 20ish states, if I recall correctly, that have that as part of their curriculum. So this may be an opportunity to at least heighten the awareness of literacy along with banking as a safe way of doing that. So it's something that I would suggest to you.

MR. ERNST: Thank you for making that connection. There are several people watching from our Community Affairs program who are applauding at home.

(Laughter.)

MEMBER KELLY: Yes.

MEMBER LIBBY: Yeah, and thank you, Kenneth. And I'll add, I feel like this idea of extending the timeframe, you know, backwards to the 15, 16, and 17 year-olds, is a really

important part of that conversation, whether that's around the employment embedding banking into employment opportunities, first employment opportunities.

Because I think, you know, when you think about the survey that we're going to be -- or the survey data we'll be looking at in two years, those are the households, right, that are going to show up.

And to the extent that we can engage them now through their employment opportunities, through schools, all the ways that we've been doing it, and I think that, you know, Jonathan and others have been engaging minors in accounts that they can own, you know, to avoid or to reduce the barriers to entry for the 16 and 17 year-olds, I think that could just go a long way, I think, in sort of getting us this final mile in terms of getting to 100, getting to 99.

And so I think looking at that barrier is a really important thing when we're thinking

about younger people and just knowing that it really is, you know -- I think some of you had a chance to meet these young people yesterday.

And they're now, you know, 22, 23, and able to really look back at what was the impact of having that access, having it on their own, being able to engage with that account independently and avoid some of the challenges they saw their peers face who had accounts that were, you know, abused by various adults in their lives, or who just couldn't open an account because there was not an adult in their life that could be that custodian.

And so I do think that is a really important thing, you know, for us and I think maybe for all of us as we think about trying to close the banking gap.

And so I guess the final thing I would share is that I know there was some guidance, the joint guidance that came out in 2015 really looking at non-custodial youth savings accounts.

And I think that was a great step in this direction of really thinking about how can we bank young people, and especially low income youth, BIPOC youth, for whom that custodial barrier is very real.

And I think, you know, in order to maybe think more about how we can get more young people, and I think looking at guidance around transactional accounts would be really important. I think that's really the message that our young adults were here talking about.

So I appreciate the question. And I do think that is something that we're excited to engage further and I'm sure others here as well.

MEMBER MINTZ: Brandee and I are arguing about which one of us should talk about it. You know, Brandee and the Citi Foundation made a massive investment over the last several years in the Summer Jobs Connect Program which was leveraging the Summer Youth Employment Program infrastructure in cities across the

country.

That's been a very helpful way of taking more than a moment to educate but a moment to educate and act with those, you know, first pay checks and -- I shouldn't say first pay checks, first salaries and learning how to use direct deposit and to work with your account, things like that.

And that's been hugely successful. And think we are now at the tipping point, thanks to Brandee's team investment, about this becoming a more standard approach to summer youth employment programs across the country rather than sort of an add on.

So I think that the success of some of these types of programs, and Margaret's team has been incredibly helpful as well, and so many of our SJC partners, I think that the ability to translate success in some of these other local versions, like this Summer Youth Employment, can help piggyback other opportunities.

Well, the one that's in my sights at the moment in particular is youth exiting the foster care system. There are money moments there. And for sure there are ethical and moral imperatives. So we're trying to figure out whether we can make some inroads there too.

MEMBER TESCHER: And this line of comments has sparked something in my mind. We're talking often about moments to open an account or to get connected. But it also strikes me that we now need to think about moment of transition once you have it. So I wonder if you, Jonathan, or you, Margaret, have data that shows, okay, opened the account for this younger person, and they used it. And then what happened when your programming was over or the job was over.

I know your work, Margaret, I think has a little bit more of a tail than maybe your Summer Youth --

MEMBER MINTZ: We've surveyed the youth afterwards to see how many kept their

accounts open how that's going. And I don't remember the numbers. My recollection is it was actually a pretty strong continued use rate, that for youth, unlike for adults, for youth it's about the onboarding into their financial lives rather than just, oh, you've got some money. You know, it's not like an EITC moment where you got some money and --

MEMBER TESCHER: Right. But I think the similarity is that for people who don't have a lot of money, when they have less they may see less need to have an account. And so I'm thinking about youth. I had a summer job, right. Maybe I'm not generating any income during the school year. Or maybe it's really small, or similarly with the survey results.

And so I just think there's more thinking to do about once you get someone, how do you either help them see some other income stream that makes it relevant, or how do you get them to see that, this is to your point, Jonathan, like

part of their broader financial life. And so there's a hold button, right, where --

MEMBER MINTZ: Well, actually it's one of the reasons -- Margaret, go ahead, yeah.

MEMBER LIBBY: Yeah, I was going to say, I think for a lot of people that we engage, they are working not just in the summer but they're continuing to work. Because, you know, in a lot of cases they're supporting their families, or they're taking care of their own expenses.

And so I think getting into that account makes an enormous difference. I mean, one of our youth was talking about needing to use his debit card which, you know, sort of underscores that transactional account piece to keep the Wi-Fi on during the pandemic. And without the Wi-Fi, you know, there's no school.

So I do think that there's a lot of earnings that they're doing, you know, earning that they're doing throughout the year. And I

think with additional touch points, and whether those are through, like, financial coaching, financial mentoring, I think there is a pathway where they take up other products, they begin to borrow. And so I do think there is a little bit -- there's touch points that need to be there. But I think it does continue into a longer relationship with a financial institution.

MEMBER TESCHER: But I think that part of this, and I'm almost sort of -- and the work have funded was less focused on the maintaining of the account and the ongoing usage and more upon this was the moment to build the direct trust.

And it was about the experience and then the sense of self-efficacy that, oh, the banking system is for me. And this is part of being an adult. This is just once, like, you get your driver's license, you have to also get a bank account. And I had a positive experience, unlike what I may have heard from family members

or community members. And then you may come back in at a later date.

But I think if there was something we could do to think about this bridging the trust gap, maybe it's actually too late for all of us over a certain age, it's like that's the hardest part, and to so focus on this, you know, the next generation.

MEMBER LIBBY: And I think it trickles up and out in families because of that positive experience. And we've definitely seen that happen. And it is adulting, is the way that we hear young people talking about it, right, having the account and then connecting it to direct deposit means that, like, banking plus savings is really the way that they're experiencing it which I think is, again, part of that feeling, that self-efficacy of, like, I set a goal, I met it. I have savings, I've got a cushion. But it does trickle. We see that with parents, and siblings, and other people in their networks.

MEMBER MINTZ: I also think, oh, I'm sorry, go ahead.

MEMBER CAMPER: Can I ask you a question, because there are totally different issues that's with more mature people like us and youth.

MEMBER CAMPER: And with a sample size of three, which is my --- I thought they were well informed teenagers, but apparently not --

(Laughter.)

MEMBER CAMPER: I'm not sure they, and again, massive failure from a mother in the banking industry, I'm not sure they actually know the difference --

MEMBER LIBBY: You're not alone, Naomi.

MEMBER CAMPER: I know, I'm not alone, -- the difference between, I mean, your nonbank payment app and their bank account. I asked them the other day, where do you think that in your VENMO comes from, honey?

And no answer, no good answer. But I'm wondering if one of the challenges we have collectively, as a society, is educating youth on there actually is a difference in protections, and functionality, and “long-termed-ness” between a regulated bank and this thing, whatever it is. And you're so directly connected with youth. Do you think they know the difference? And if so, what's your secret?

(Laughter.)

MEMBER LIBBY: So I think one of the secrets is, like, having youth-facing content. I think a lot of the education, the financial education resources are targeting adults to prepare adults to then prepare young people. And a lot of the adults that we're giving those resources to are not comfortable with financial content, with financial materials. They're not sure about the answer to your question. They're not sure about how to navigate credit, talk to others about it.

So I do think one thing is the importance of just materials that are going directly to young people. I think peer to peer approaches are really important. Because that's sort of the other issue is, you know, listening to adults is not necessarily, especially about something as personal as money, is not always, you know, the source or the messenger that you want to be hearing those things from.

And yeah, I mean, I think those are two really important things but also just getting them in the accounts so that they can start practicing and using them, making some mistakes which, as they say, they always will, but having those safeguards so that, you know, they're not having, with the thin margin of error that they have, you know, disastrous implications.

But I do also think that financial coaching or having access to financial coaches is really important. Because, you know, you can have the youth-facing content, you can have the

peer to peer approaches, but I think they do need to have access to experts that they can go to with questions as they're making decisions so that they're not --

MEMBER MINTZ: And I think --

(Simultaneous Speaking.)

MEMBER LIBBY: -- more questions like that.

MEMBER MINTZ: And I think this safe experience that the two of you both talked about, you know, as a reminder, part of this equation is the term of the account that they're opening.

And so making sure that it's an account that doesn't have minimum balance requirements, making sure in most of our youth programming that they have no monthly fees at all, allows for, forgive the expression, a, quote, "temporarily dormant account" to not become a bad experience but to be a tool remaining in the tool belt. So there's been a lot of thinking done in that regard.

MEMBER TESCHER: And I think there's more work for banks to do in this regard. Because in the similar experience, right, there's what you do before your child is of age, and there's what's available after.

And even with a knowledgeable parent in person, in a branch, many banks will tell you it's just easier to start over than it is to say, oh, I'll take your mother off the savings account now, or I'll transfer -- I will add a checking account, a transaction account now to this savings account, as opposed to saying oh, let's close this savings account and open -- like, that journey is clunky in a tangible way also.

MR. ERNST: Now, I'll take this opportunity to make a connection to one of the findings that we have seen durably in our survey. And it goes to the part of the conversation that talked about the value of making these connections and how that impacts people's lives over time.

And it's not directly for this population, but one of the findings we consistently see in our data is that households that have had previous banking experience are more likely to want to open a bank account than unbanked households who have not have had those experiences and connections.

So I think it goes to the point you were making about how just having that exposure can help people build trust connection and understand for the potential that's there.

And that doesn't take anything away from your point, Jennifer, about sort of the work to do or, you know, the importance of thinking about what are the on-ramps that get people connected there. But it is something that feels like it buttresses the points you're making.

Marla, please. And I apologize, I do try to look left and right. But this is a very --

MEMBER BILONICK: That's all right.

No, I was just going to say, on the topic of youth, I think something that I've been thinking about a lot recently, and it's, I don't think that we think about this enough, and it's not exclusive to the Latino population, it's really any immigrant population.

Oftentimes, the children of the families are the representative, the advocate. And as they get older, they take on a lot of financial responsibility for their families, for their parents, grandparents, maybe even siblings. And that has a very strong impact on their credit score.

One thing that I had never thought of that someone brought to my attention was a lot of times young people will purchase their home for their family. And that puts them in a very vulnerable spot and also limits them from accessing down payment assistance programs for first time homebuyers when they are ready to buy their home for themselves.

And so it's just something to think about. How does that impact your financial trajectory when you're sort of starting out carrying this very heavy load that can have adverse effects that, you know, coming from a very good place but still -- so I just wanted to bring that up.

MR. ERNST: A great observation, thank you. All right, we are about an hour and 20 minutes into this session. And a few minutes, just a few short minutes from lunch. So let me just ask if there are any final questions before I turn the floor back over to the Chairman.

ACTING CHAIRMAN GRUENBERG: Before we close out, if I could just -- I want to thank you all again, because it's been just a terrific presentation. And there have been a number of useful thoughts and suggestions made by the Committee this morning. And we will follow-up on them.

But perhaps we could, if any of you

are so inclined to jot down briefly things we should be thinking about in terms of follow-up from this meeting that would be very helpful to us. And then we then, in turn, could follow-up with you. But this has been very productive on both ends. So I just wanted to say thanks to everybody unless, I think, we want to take a picture too?

MS. ORTIZ: Yeah, so in terms of folks who are joining us on the public webcast, we're going to be taking an hour and a half break for lunch. So thank you for joining us. And then for those of you who are here, we're going to have a picture, right here in the boardroom. Thank you, everybody. See you soon.

ACTING CHAIRMAN GRUENBERG: Thank you all.

(Whereupon, the above-entitled matter went off the record at 11:54 a.m. and resumed at 1:36 P.m.)

AFTERNOON SESSION

ACTING CHAIRMAN GRUENBERG: Liz, you want to start?

MS. ORTIZ: Absolutely, and we're back. Thank you for coming back for the second half of today's ComE-IN meeting. And we are

going to begin the afternoon's presentation with the members' roundtable. This is the opportunity for the members to share with us and with each other things that are happening in their organizations, in the communities that they serve, and things that we, as a Committee, can consider and look to move forward in a variety of ways as we continue our work together.

Starting us off today is going to be Marla Bilonick. I told her that going first is part of her hazing --

(Laughter.)

MS. ORTIZ: -- as the Committee's newest member. So I hope you will treat her appropriately. Marla?

MEMBER BILONICK: Thank you, yes, I was told this was part of my hazing. And I'm moderately terrified. But I think it should be okay.

So as was said, my name is Marla Bilonick. I'm the president and CEO of the

National Association for Latino Community Asset Builders, otherwise known as NALCAB. And no, I did not come up with that name, but I have inherited it. And maybe someday we'll make something shorter.

You know, just as a quick aside, we had someone join our team, and their grandmother was asking them why they were working for a taxi company. And no, that is not what we do.

(Laughter.)

MEMBER BILONICK: But we are, in essence and in reality, a network and membership organization that represents around 200 non-profit organizations that are entrenched in Latino communities across the US, including the District of Columbia, Puerto Rico, and even Hawaii.

And all of our members work in the economic development space doing activities like housing counseling, affordable housing development, financial coaching, small business

technical assistance, small business lending, and consumer lending. And about a third of our members are CDFIs where half are community lenders of some sort, but not necessarily all CDFIs.

And I wanted to just speak to some of the challenges of our community. And of course, these are broad brush strokes, and I don't purport to speak for the entire community.

And I also wanted to just say that we are not a monolithic community just like, you know, every group would probably say. But in particular we have kind of two subsets which would be more recently arrived immigrants, and then Latinos that have been here for generations and that have, you know, built more financial wherewithal just having been here for longer and having had a chance to establish themselves more.

But some of the challenges in particular for recently arrived immigrants center around linguistic challenges, challenges

navigating unfamiliar systems, and the financial system is certainly not an exception to that, documentation status.

The trust issue is a big issue for our community. And that's across the board universally, partially because in our countries of origin, you know, people have had real life experiences where, for example, I can point to an example of my own family. My father had savings in a bank that shut down, and that's just the end of the story. There was no recourse, there was, you know, no return of that money. And so, you know, the proverbial money under the mattress is not -- it's grounded in real -- oh, gosh, I've never gotten more phone calls than in this meeting.

But anyhow, so that being said, you know, other issues are around credit, so either no credit score, a thin credit file. I thought it was interesting that that was one of the reasons why that was cited in the previous

presentation around why there was a lesser uptake in credit products.

Because it's a vicious cycle. You can't get credit if you can't demonstrate that you can pay down credit. But you can't, you know, establish any credit without a credit score.

And part of that is also cultural. There is not a big credit of external culture -- credit, sorry, culture of external credit. There is a culture of familial and community credit through rotating savings and credit associations, "susus" in other languages. So there's that.

Also I think it's important to note that sending remittances actually limits your availability of funds to save that can be then applied to building assets. And so I think it's interesting when we think about alternative ways of measuring someone's credit worthiness that we look at the payment of remittances. Because it demonstrates the ability to, sort of on a monthly

basis, pay a certain amount.

But in addition, it has a negative and adverse impact on people's ability to have, you know, just other sort of variable finances that could be used either for savings, or a buffer, or for building assets.

In terms of opportunities, we're a very fast-growing demographic, a very young demographic in terms of the makeup of the Latino population in the U.S., which I think, based on some of the things that we've discussed, lays out an opportunity to kind of change the trajectory, financial trajectory for a community.

Latinos, historically, pre-pandemic, were the fastest demographic with regard to home ownership, the fastest growing, I should say. And also our community is over-indexed on mobile usage. So anything that we've been talking about, you know, in mobile banking, I think there's a real opportunity to leverage.

We were talking at our table,

actually, about how the primary use of mobile banking is checking your balance. But there are, as we all know, so many other functionalities that can happen through mobile banking. And so I just think that's a huge area of opportunity.

And then I did mention earlier this issue around generations and the fact that a lot of children of immigrants take on the financial burden of their extended family and how that can negatively impact their personal financial trajectory.

And then just a couple of things that I just wanted to mention about things that are coming up for us. We've been doing a lot of work recently, and of course it's top of mind, because I just came from the Opportunity Finance Network Conference last week. But we are doing a lot in the space of supporting Latino-led and Latino-facing CDFIs.

The Hope Institute put out a study that demonstrated that, even through the CDFI

fund itself, the investment in White-led CDFIs is greater than for Black and Brown-led CDFIs. And so we've created an alliance that is a sister organization to the African American Alliance of CDFI CEOs which is called the National Alliance of Latino CDFI Executives.

And there we are supporting our member CDFIs through advocacy efforts, joint fund raising opportunities. We just leveraged actually, in partnership with the Alliance, which is the Alliance of African American CDFI CEOs, an investment of $25 million from Bank of America jointly into our two entities. And so just really exploring that and developing kind of a pipeline of incoming and new Latino-led CDFIs.

So I don't know if I've met time. I see Liz looking at me. But yeah, we're really excited. And I'm very excited to be here. And I'm not sure if I fulfilled sort of what the purpose of what I was I supposed to say was, but I am sure you guys will be nice to me as a

beginner.

(Simultaneous Speaking.)

MEMBER BILONICK: Thanks.

MS. ORTIZ: That was pitch perfect, Marla. I was not nodding my head to nod you along. I'm much less subtle. Jonathan Mintz can attest to that. No, I was nodding my head as somebody who worked at a CDFI for many years.

And, like, a lot of what you were saying was resonating for me, and the importance of having community among the leaders of the organizations. And thinking about, you know, the future leadership of CDFIs is incredibly important. So I'm just very impressed with the work that you're doing.

MEMBER BILONICK: Thank you.

MS. ORTIZ: All right, top that, Mike Calhoun.

(Laughter.)

MEMBER CALHOUN: Right. I'll not be so friendly next time. You gave me a hard act

to follow.

I'm going to address two things and try to do it quickly to stay within our time constraints. One is just an overarching issue that I think is still worthwhile to remind ourselves about. And then a very urgent and present danger that we see from our perch at CRL.

And the broad issue is one of the unstated premises of the bank account efforts and getting people in is to help people gain financial security and specifically wealth.

And I think it is worthwhile though to remind ourselves of what those wealth disparities are and to think about these problems through that lens and maybe even in collection of data. Because one of the frustrating things is there's pretty limited data on wealth and race with what we have.

So I think everybody here is, you know, the frequent phrase of if you look at the median wealth level, the well accepted statistics

are an eight to one disparity Black to White and a five to one for Latino to White.

That's you know, one snapshot, and there are a lot of dimensions. And let me just give a couple. When you start to peel down in the numbers though, particularly for things like bank accounts, there are other aspects.

So first of all, that figure includes non-financial assets. The biggest one being automobiles. And given the very low median wealth level, particularly of Black households, and even with Hispanic, that changes the numbers significantly. So if you look at just financial assets, the ratio at the median level goes to 20 to one for Latino, and 40 to one for Black households.

And while a car is an important asset, you can't easily turn it into, at least in a good way, into cash to pay a bill if you've got a financial disruption, so the ability to withstand financial shocks, and unfortunately the

vulnerability to getting income and expense shock is very asymmetrically distributed.

So a couple other facts on that, that just bear out, I mean, this is the legacy of literally centuries of deliberate policy to keep Black families and other families of color from being able to build wealth. So it's not surprising that they're not these huge disparities. And I call them disparities, not gaps. This is not a natural phenomena. This is the natural result of explicit policies that had this goal.

So a couple of other stats there. So one, if you look at the impact of this, the average, at the median White high school dropout, non-completer, has greater wealth, and a greater homeownership than for Black households headed by a college graduate. And that is so much about this inter-generational wealth that is not just a thumb but a massive weight on the scale of everything we look at.

And then on stat that comes to me as we talk about this, particularly for younger households, if you look at, and you see this is one of the places where the inter-generational wealth plays out, if you look at households under 35, one of the prime targets we're trying to get into bank accounts, the median wealth for White households is right around $25,000 for households below 35. For Black households it's $600, $600.

And, I mean, these are the gravitational forces that play out in all this, and so I would urge we look at this. And one challenge is, and banking is an aspect of this, is wealth begets wealth. And so we need to look for places for -- that's why this wealth gap hasn't just, you know, reduced with the passage of time. The passage of time expands the wealth gap. So we need to look for where are those places and interventions where we'll break that cycle. And I see government supported programs, which I would include the support for

insured depositories, as a place to do that, that there is an obligation to use that.

I would say, you know, the housing market we believe is heavily government supported. And we need to do that as well. So I would urge collecting that data, looking at it through this lens as we would urge for most of your actions.

And one place we see that play out, for example, in the account field, and FDIC has been a leader going back to the Chairman's work in, I remember, 2009 was really the first big study on overdraft, but the stats show that the bulk of overdraft fees are collected from accounts that have an average balance of less than $350. And that is the life for so many families. They are juggling this every month and a mobile phone helps some.

So if I haven't got you depressed, folks, enough with that, here is the second one that we really are trying to get the word out on.

There is an assault on home equity going on right now of the type we saw with the sub-prime mortgage crisis. And it is because of a confluence of factors.

There is a huge push in the mortgage industry to push market cash-out refis. And we have gone through an inflection point of 30 years of declining interest rates which you're not likely to see again for a while. So the rate refis are gone. The purchase mortgages are down, and there's over supply in the mortgage industry.

One of the few places left to push is cash-out refinances. And people are used to taking money out of their house equity on a pretty regular basis. And the impact of that was cushioned in a declining rate market, because they got tail winds on that with declining rates. They were financing to lower rates.

Now you're looking at people refinancing their whole mortgage, just like the debt consolidation loans of the early 2000 sub-

prime loans, into a significantly higher rate mortgage, usually 200 basis points or more, on the whole mortgage.

Now the broker gets paid about ten times as much for doing a full cash-out refi of the whole mortgage as they would get paid for doing a HELOC or a second mortgage, so tremendous financial incentives to push people in that direction.

They will mask -- and if you listen to the radio and, at least in North Carolina, there are ads every 15 minutes pushing these and targeting people behind on debts and VA loans, which allow 100 percent cash-out refis which is particularly dangerous.

We are talking about a massive stripping of home equity. They extend the term out, of course, to 30 years. So it'll be 15 years here, and that's how they hide the cost of it. They finance all the fees into the loan to mask that as well.

So people don't see any of that. There's nowhere really in our disclosure process where people see, gee, if I have a $300,000 mortgage, and they raise it, you know, two percentage points, most people don't realize that's an extra six grand a year interest before you've gotten any new cash.

And there are a lot of trends pushing the wrong way. We need help. You know, what you could do with the community banks and the FDIC-insured, encourage the HELOCs, encourage second mortgages. And put heavy screens on showing that cash-out refis are not abusive. But with accounts seen with homeownership, it's a lot easier to preserve people than to fix them after the fact.

MS. ORTIZ: Thanks, Mike. Naomi?

MEMBER CALHOUN: You can at least be cheerier than I am.

MEMBER CAMPER: I'm going to try. I usually am.

(Laughter.)

MEMBER CAMPER: So thank you. So what I wanted to do is, first of all, set a little context. So ABA represents the banking industry and, of course, the acting chair talked earlier about, you know, we are seeing economic conditions change and they're projected to change further.

And, you know, the core mission of our members is to provide economic opportunity to people through good times and bad. I think what we're all facing is how to find the balance between making sure that our customers and communities have access to the credit and services that they need to make it through this time well.

We're here at the FDIC maintaining safety and soundness of those institutions, because we need both things to be true. So that's just the context for the work that we're doing. And since I only have between five and

ten minutes, I won't tell you all of the things that banks are doing.

I wanted to focus on two things in particular. One is to update you on how ABA is working on Bank On to promote it still further. I think we've all heard enough. We know it's working. We're up to, I won't steal Mr. Mintz's thunder, but I think we're closing in on 300 certified accounts, and just a few things that we're doing as an association to push that further.

So first of all, at every opportunity we try to use the scale of having members from the very smallest to the very largest congregate together to reinforce our message. So at our largest annual convention just a couple of weeks ago, we not only had main-stage appearances about this, we also, I have a prop, we gave out all of our registration materials to our members in -- oh, and I look really cheesy in the photograph.

We're really trying to, I mean,

frankly create a sense of FOMO for those who do not have a Bank On certified account, that they really need to, you know, get with the program. But what I always hear from David Rothstein is, after we've done some sort of big push, he texts me and says, did you guys just do something with your membership? Because we've gotten a huge influx of inquiries about Bank On.

So what we're doing now is making sure that our members who offer Bank On certified accounts take the next step. And we're encouraging them to report their data into the St. Louis Bond Hub.

We're really pushing, and this is where we can use everybody's help, co-branding their accounts not with just their own bank name but also with the Bank On seal. So the more there is an echo chamber talking about Bank On accounts to both community groups and regulators, but also directly to consumers, we want that to be a recognizable force.

We are really encouraging banks to get involved in their coalitions, state and local. In our state associations, ABA has relationships with each state association. They're a really important amplifier in this regard. And several of them are actually trying to start state-wide coalitions to bring together the groups that really reach these consumers.

We've created training programs for front line bank staff, not just about what are the product features, but this is, you know, one of the things that you all ask is how is the FDIC report informing your work.

The qualitative questions around why are people unbanked, we feel that it's very important for front line staff, who are helping to guide customers into accounts, deeply understand why people may be hesitant, or first time, or returning customers to find the appropriate account. So we're really excited about the training.

And then for those banks, you know, there's a lot of opportunity for those who still don't have Bank On certified accounts. We are confident that we're going to continue to get people opting in. I think there's a sense of excitement and wanting to be part of something. So I'll stop with our Bank On advertisement.

The second thing I wanted to talk about, and I had mentioned this, I'm getting to my notes, last meeting I mentioned that we were going to be relaunching our “BanksNeverAskThat” campaign. And we had done this last year, and we've relaunched it.

I think everybody is aware that there is a huge assault on the American consumer trying to trick them into doing lots of things. And sometimes you, you know, get just, you get phishing calls, you get phishing emails, people are impersonating other people. It's really a scourge.

And one of the most, we think,

destructive campaigns has been people impersonating an individual's bank and encouraging them to click through and then there is account takeovers. And so one of the things that we've done is create a really, what we hope is engaging campaign called hashtag, BanksNeverAskThat.

And so it's got these sort of young, to my eye, hip influencers who -- I'm not sure I'm the target audience for who's responding to this, but we're on, you know, all the social platforms. And it brings in humor and other ways to engage consumers. You know, banks never -- it'll show funny things like, hey, oh, I got to take this call, it's from my bank. Oh, you want my pin, or you want my account number? Banks never ask that. And so we're seeing really good engagement.

So more than 2,000 banks have participated since we launched the campaign three years ago. And even since just the last couple

of weeks since we started, another 1,500 banks are part of the current campaign. We've had, since October 1st, more than 200,000 individual visits to BanksNeverAskThat.com.

More than 73,000 people have played our "Scam City" videogames which give you tips on avoiding scams as you play, so if you've got a gamer in your household, like this seems better than some of the others that they could be playing.

We also have a cyber-fraud expert in-house at ABA, and he's appeared on dozens and dozens of TV and radio programs promoting the campaign. And so, you know, again, the more we can get amplification, whether it's our campaign or anybody else's, we just want people to understand where they may be vulnerable to this kind of imposter.

And then the final thing I'll say is we also really understand and recognize, through incredible members like Kenneth Kelly and other

banks of ABA’s that are either MDIs or CDFIs, the important role that they play in having trusted relationships with more vulnerable or traditionally underserved communities.

And so ABA is really working hard to build out resources for MDIs and CDFIs, including our new advisory committee. And I had a wonderful discussion at lunch with FDIC's MDI expert. And so we would welcome collaboration and partnerships with any of those around the table to help us build those resources for our members.

And I think that made it under my time limit.

MS. ORTIZ: I don't know what I've done to all of you.

(Simultaneous Speaking.)

MS. ORTIZ: You must be so fearful of me. I feel both apologetic and powerful at the same time.

(Laughter.)

MS. ORTIZ: Tom, you are next please. Take your time.

MEMBER FOLEY: Okay.

MS. ORTIZ: And share with us what you would like us to know.

MEMBER FOLEY: Excellent, I hope nobody has plans.

(Laughter.)

MEMBER FOLEY: Hey, everybody, Tom Foley, National Disability Institute. Again, from a context perspective, for the last 18 years, we're the first and only national disability organization that works exclusively on issues of financial inclusion and wealth-building for folks with disabilities.

There are three kind of related things that I wanted to hit on, and a few we were actually talking about at lunch. So it's probably no surprise that, you know, at the beginning of the pandemic a lot of folks with disabilities were laid off, like everybody else.

And some of that was, you know, the areas where they worked, and some of it is, you know, sometimes last hired, first fired.

But once things sort of settled in, we started seeing this kind of interesting trend, particularly for folks with disabilities who are part of the knowledge workforce. And basically, you know, for 30 years people with disabilities have been saying hey, can I work remotely? Can I work from home? And the answer has always been no, you know, we don't do that.

Well, we all got really good at working from home pretty quickly. And so, you know, I just saw this statistic last week. Even given long COVID, right, which has increased the disability numbers, we've seen up to a million new net people with disabilities entering the workforce. It depends on the stat you look at, but we're very close to the highest level of disability employment ever, you know, which is saying something through this kind of pandemic.

And so when we were having the earlier conversations, you know, really excited that the unbanked rate for folks with disabilities moved down, and I do wonder if the employment outcomes, it sure feels like that would be something that is tied to that banked outcome.

And so, you know, one of the things that we've been talking about a lot is, as we're looking at the return to the workforce, not the workforce but the return to work, to make sure that we're doing that in sort of a thoughtful, flexible way so that people with disabilities, you know, can still contribute, and be productive, and add to a company's bottom line.

I have a board member who talks about living in New York. They're a wheel chair user and, you know, what it was like trying to get to the office when the elevator, you know, at Metro was down, or there was a foot of snow on the ground. And as a blind guy, I should think about these things, but I didn't.

But it so makes sense, you know, let's just make sure, particularly when it comes to disability, that those sorts of barriers that we have some control over, you know, we continue to be able to remove for folks.

Because from an economic inclusion point, I mean, obviously, and someone said it earlier, you know, probably the first and most key factor is employment. And so that's just a critical piece of what we've been looking at.

Another part that we've been looking at is sort of a policy piece. And we'd love everyone's help on this. And just real quickly for anybody with a disability who's on a federal benefit program like SSI or Medicaid, there's a $2,000 asset limit.

So when we talk about, you know, savings and wealth building, the way it works is the second you have $2,001 you lose your Medicaid and you lose your SSI. So that's a pretty good incentive to not save.

So about eight years ago after, you know, many years of effort, we were able to pass a thing called ABLE Accounts. And for those of you that don't know, it's basically a flavor of 529 savings accounts for folks with disabilities.

And you can save money in it, and the money that you put into it accumulates tax free, and you can use it for, you know, virtually anything. But it is not a countable asset for this asset limit test. It's a really, really important savings tool, the first savings tool for a lot of people with disabilities.

And it hasn't been as successful as we would like. There's about a 15,000 accounts. But, you know, there's over a billion dollars in savings. And one of the things, you know, I've been doing this work for a while, one of the things we've been hearing for years is well, you know, people with disabilities can't work, and they can't save. And they certainly can't do that if there's a $2,000 asset limit.

So ABLE accounts have been a really effective tool for many people and many families of folks with disabilities to be able to, you know, save some money. And maybe during an economic downturn that kicks in or the air conditioner breaks in the summer and it kicks in.

And some people, you know, that's 40 to 50 percent of the accounts are transactional. And there's usually an FDIC-insured bank account that's part of this. The others are more longer term investments. So, you know, people use them for all sorts of things.

The one piece around ABLE accounts of note is that, in order to qualify for one of these, you have to have a disability onset before age 26. And so if you're in traffic accident at 27, you're kind of out of luck. Or if you're a veteran who gets an injury at, you know, 27 or 28, you're out of luck.

So this has been another piece that we've been working on for quite some time. And

the reason they put that in place was to sort of manage the CBO score back in 2014. So we are hopeful that in the lame duck session the ABLE Age Adjustment Act will raise that from 26 to 46, so disability onset before age 26. And we think it's going to get built into one of the retirement bills that is happening once that all gets sorted out between the House and the Senate.

But it will reach as many as six million new people, including a million veterans with disabilities. And so it's a really important piece of legislation. And so to the extent folks weigh in on such things, any support would be greatly appreciated.

And then, you know, the third piece, I guess I just want to say thank you to the FDIC and thank you to the whole team for a number of things. You know, the disability data that is reported on is really important to us. And I guess there's two pieces to that.

One is, you know, thank you for asking

the questions that you do about disability, because there are a number of data sets, and a number of surveys, and a number of regulatory requirements that ask lots of questions. But they never ask about disability.

And a number of you have heard me go on about this. But, you know, when we're trying to make the argument for including the people with disabilities and whatever, the first piece folks always ask for is the data. So thank you to the FDIC for that data.

And it's been really important to our work. Back in 2017 we issued our first brief on the intersection of race, ethnicity, and disability. And we did it at the Congressional Black Caucus Conference. And Naomi was there, a couple of other people were there.

And what we highlighted and, you know, not to go too deep on the statistics, is just not only the disparity between people with and without disabilities, but it's the first time we

really broke it down and looked at that intersection. And we did it again two years later in 2019.

And, you know, the numbers that, I'll just share one, but roughly speaking, sort of average household net worth is about $84,000 in 2019 according to the data. For folks with disabilities, it's about $14,400, so huge disparity there, right?

But if it's a household that is Black and has a disability, it was $1,282. So that's about a 70 to one change. But being able to highlight that has been critical to our work, because ever since 2017, we've really focused not just on disability but on this intersection between disability and BIPOC communities.

And so, you know, we're running demonstration programs, we're running pilot projects in 15 or 17 communities across the country looking at this intersection to work with communities to find out the best ways to have

impact, not only from a financial inclusion perspective but from housing and from the wealth building perspective as well.

So we're really excited to see the disability number drop about eight and a half percent down to what it was reported on today and are planning to go much deeper into the data to look at this intersection between, you know, disability and race, disability, race, and gender, so that it can continue to inform our work so can work in communities to change this.

And without you guys, and without your support, and without that data, we wouldn't be able to do it. So thank you for everything you do.

MS. ORTIZ: Thanks, Tom. Kenneth?

MEMBER KELLY: Let me say good afternoon, everyone. And Chairman, thank you so much for the invitation to serve on this Committee. I feel like I know all of the smart people in the room. They're all over to my right

at this point. You guys have done a phenomenal job in talking about these issues.

(Laughter.)

MEMBER KELLY: They haven't spoken yet. I'll talk about them after they speak. But I will tell you --

MS. ORTIZ: Shame on the left slide.

(Laughter.)

MEMBER KELLY: That's right, strong side, left side. But I will tell you, you know, when you think about the goals of this Committee, talking about asset accumulation, I think were a couple of the last words in the goals of this Committee.

Michael, I will say, as an African American man, I rarely hear someone speak to topics like you did just a moment ago. And I want to commend you for that. It's hard to talk about lot of these topics in a way that now we can deal with the reality of how do we make change and how do we go about changing our current

status.

And so it was very authentic what you said. I hear it loud and clear. And I hope those in the listening audience heard you loud and clear that, when you think about things like the Black Bottom community in Detroit that was rummaged through to build an interstate, or Rondo community in the Twin Cities, those things matter.

And to your point, I would say, Tom, as you talked about the disparities in employment, even along the lines of disabilities, it's just very eye-opening and awakening. And I think we need to learn to have the cultural competence to have these conversations without them feeling threatening.

And so with that in mind, I'll share a little bit about, you know, what's going on with us at First Independence Bank and some of the roles I've shared and worked on in trying to create asset accumulation in a way that doesn't

have to be so clearly distinct across the lines of race, and gender, and age.

And so when I think about that, I think about our efforts, and what we were doing, and what Naomi talked about. We did Bank On. We were heavily engaged with the conversation with Secretary Mnuchin back in the spring of 2020 about payments and the timing that they were dealing with those. I think that's a program that we need to continue to support across the industry.

We were speaking with the Chairman just a moment ago, and I think hopefully we'll see some of that come to fruition sometime here in the near future.

I will say to you, Margaret, last night was eye-opening for me in hearing what your team is thinking about. And I will tell you I'm going to one of your strongest advocates, because I believe if a child can work at 16, they should have the ability to control their money at 16.

I mean, we trust them in a car at whatever, $10,000, $20,000, $30,000, $40,000, $50,000. But we don't trust them with a bank account. It doesn't make sense to me. And so need to highlight those opportunities and look at ways we can we make a difference in these young people's lives.

When I think about our industry and inclusion, the data is there along our industry lines. We do not have enough diversity and inclusion across the industry. And I'm proud to say at the ABA, where Naomi is one of the leaders, we have created a Black employee resource group, again, making it more comfortable to have these conversations in way that can make a difference.

And that, I'll tell you, one of those first calls on one of the executive sponsors, we had over 100 people a Zoom call. That's kind of typical, but it's atypical. It just shows the demand and the need is there.

And I think we're in a great point in

our country where those leaders who are willing to talk about these topics, inclusion, economic inclusion, I think will be leaders in a way that will hopefully change the direction and move it in the right direction going forward.

At our bank level, we've celebrated a couple of great events this year. Actually, First Independence was started as one of the positive outcomes of the 1967 riots in Detroit. And many of you may know about that, but there was a movie made about that police brutality incident in 2017.

This year we actually opened a branch there in Minneapolis, Minnesota where George Ford was murdered. Two plus weeks ago we opened an office there on Lake Street where you probably saw the Target burn and others.

As I've shared, we collected a lot of pledges with the help of several banks. And I want to name them, because their effort were extraordinary. That was Bank of America, Bremer

Bank, Huntington/TCF at that point in time, U.S. Bank, and Wells Fargo were partners with us in looking at making that happen.

And so as I've shared, we've collected a lot of pledges. Now we've got to do the work and go pick up the cash, so to speak, in terms of operating the bank. But I share that to say I think all of us can find ways to collaborate with each other and other institutions in a way that hopefully can make a difference.

So as I get ready to close, I want to just make note again to Chairman and all of the Committee members here of the FDIC. I thought the report that was done today was exceptional. Yes, there is more work to be done, but I think the education, as you all have talked about, highlights the need for us looking at changing policies in a positive way.

And so I just want to thank you, Mr. Chairman, for having me on this Committee, and just want to say that I'm looking forward to

working with all of you. And at this point in time, I will yield so I can hear from those to the left of me.

(Laughter.)

MEMBER LIBBY: Okay, so here begins the left.

(Laughter.)

MEMBER LIBBY: So I'm Margaret Libby. And I am CEO and founder of MyPath, and so what we do as an organization is really focus on financial inclusion and access to wealth building tools of BIPOC young adults.

And I first want to say I appreciate, Kenneth, your comments about our young leaders that have been able to be here in D.C. for a few days having a series of meetings, excuse me, promoting their youth economic bill of rights which really outlines, you know, some of the banking topics that we've been talking about, but a handful of other supports or economic rights that they really feel like they and their peers

need to get into a position really to create an on-ramp into the financial system, into the economic system, so that they do have that footing under them as they're moving into adulthood.

And so I want to highlight a couple of those, you know, in the context of this conversation. But I did want also say I really, I'm grateful to you, Mr. Chairman, and also to you, Liz, for inviting them to join the reception.

I think that was very meaningful for them to be able to meet some of the members of this group and be able to talk about the work that they're doing so that, you know, folks like Kenneth had a chance to meet them and really understand what it is the having an account as a 15, 16, and 17 year-old has meant to them. You know, they're all in their early 20s at this point, and also for you for making time to meet with really appreciate that.

I think that one of their top rights is really about access to banking. We had a conversation, I think we had a great conversation about that area earlier. And I think this idea of starting when you're old enough to earn money in a bank account that you own that's, you know, a savings account and a transactional account is one of the core economic rights that they have identified.

And, you know, in a lot of ways we've seen this in the pandemic and people opening accounts to get the stimulus dollars. It's really the rails of the economy. And we want them to, you know, get in there. They want that for themselves and their peers as well.

And I feel like, based on some of the conversation earlier, I think one of the things that I would love to kind of figure out how we might do is to have a next step where we can bring some banks together, credit unions together, and even regulators, to really look at this question

around, you know, FDIC and other regulators, I should say, to look at this question of how might we get something started where we could do a pilot, offer these kinds of non-custodial accounts through a handful of financial institutions that are willing to step up.

And we've had some credit unions that have adopted our banking standards, but just excited about the interest in this area and looking to see, you know, what kind of steps we can take together to really look at this and get something started.

I want to say too though that I think, Mike, your comments have underscored -- I think this idea that, you know, getting into the bank account is really important. But it's really like a first step. And I think that if we really want to address the racial wealth gap, I think figuring out how to move young people along this pathway to get into credit building, to get access to capital, I think is really what we want

for them.

So I think, Marla, you highlighted earlier the results from the survey around credit access and the disparities there. And I think that's just another area that our young people are concerned about in places where they really want to see, you know, greater access.

I think there have been a couple of reports. Jennifer, I know you and also the Urban Institute have put out reports more recently about the disparities in credit for Black and Brown young adults. And so I think that's, you know, something that we are concerned about and looking at.

I think, in addition to money that's, you know, coming to them through borrowing, you know, we're looking at strategies to increase their income. And so whether that's through guaranteed income or certainly employment, I think we're doing a couple of pilots where we're providing Black-identified young adults with $500

a month along with some financial inclusion, financial capability supports, to start them on this pathway.

And I think one of the economic rights that the youth have been talking about here this week is making sure that people under 25 have access so the earned income tax credit. Since that's something that they can't access until they're 25 while they're earning money and, you know, paying those taxes.

So we're looking at strategies to ensure that they have access to borrowing, to capital that way, but also to other forms of income that can, you know, add to what they're earning in employment.

So I guess the final thing that I will say, because I suspect that I'm close to time, is one of the things that we're seeing is --

MS. ORTIZ: I'm just looking at you Margaret.

(Simultaneous Speaking.)

MS. ORTIZ: I'm paying attention.

MEMBER LIBBY: Okay. Crypto is sort of an issue that we are seeing, a lot of young people getting, you know, targeted. And this FOMO idea, Naomi, that you are trying to use in a good way, right, is really alive and well inside this whole area of crypto.

And so I think it's something that, I think, connects to this idea of, like, how do we get more targeted messaging out to different groups around, I mean, crypto being one thing but, I think even just like the positive, or the benefits of banking.

I think, going back to the conversation around the reasons people aren't banking, and I think this was sort of discussed around what kind of qualitative look may we be able to take to really understand what are the challenges, what are the barriers for different populations so that we can target different groups with particular messaging to really engage

them, get them into banking but, I think, similarly to get messages out about things and risks like crypto so that folks really have the information they need.

Because, yeah, we're seeing a lot of you know, with especially the folks who were in crypto, are younger, Black and Brown, lower income. And so it's clear that there's that some targeting on there. So we want to make sure that they have the information and resources that they need to really be making the best decisions for themselves.

So just thank you for this report to the staff that has worked on this. It's just enormously helpful to us in our work. And just, yeah, really appreciate the conversation here in the meeting and wonderful to see everybody again.

MS. ORTIZ: Thanks, Margaret. Brandee?

MEMBER MCHALE: Hello. There is so many things I want to talk about. Just for those

of you that I don't know as well, I'm Brandee McHale, I'm the president of the Citi Foundation.

We've been a long time funder and supporter of work to bring people into the financial mainstream, help them develop financial assets, financial security and have been working and supporting efforts to address the racial wealth gap.

I am actually going to talk about something that, the guidance was to talk about something that's top of mind for your institution and what it might be pointing to. And I wasn't sure a hundred percent what I was going to say until, Chairman, you actually gave us some, I think a dose of reality a few hours ago where you said, it's great the gains that we've made, but we've been doing it for an economic moment where the wind was with us, and now what is going to happen when the wind is against us. And that was a forward looking comment.

And I actually want to build on that

and say that I think the wind is against us in a very real way for the communities that we serve.

Ten years ago, I can't believe it's ten years, Jennifer, we partnered with Financial Health Network on a project called the Financial Diaries, that tracked households over a period of about a year and a half to understand the inflows and outflows of money into their households and how they were coping and adapting.

There were lots of takeaways. Perhaps the biggest one that has informed our work was around the impact of income volatility.

I think what we are about to face right now is building, that income volatility actually hasn't gone away, but it is now being exacerbated by incredible expense volatility. The pressure on both sides of the household balance sheet I think we have not seen forces like this in quite some time.

And in particular, the high cost of housing, the high cost of energy and the high

cost of food all happening at the same time I think are going to create real stress for our households and communities in a way that we haven't seen. And so, one of the things that on the, kind of frontier for us, is to really look at this intersection in particular.

And it’s hard for me to even say that this is an issue in our country. But how the food insecurity is impacting financial health.

And I just want to cite a couple of things. You know, we're a global foundation, so we're thinking about this work globally.

You know, the World Food Program has done research. The number of people facing acute food insecurity has tripled over the past year and a half. Almost a billion people go to bed hungry each night. That's global. But it's the same, almost the same statistics here, right here at home.

And I don't know that we have really have fully felt what the effects of this growing

trend. You know, food prices are surging. And the supply chain chaos is only exacerbating the situation.

The other thing I want to point out is that really core to the work we've done in the foundation is to also make sure that we are investing, not only in innovation and ideas, but also in the change agents themselves that are really on the front lines. And many of the organizations here, we certainly work with CFE, we have referred to you as the economic first responders during COVID.

The front-line first responders in food insecurity are actually themselves going through a period of real chaos. I mean, food banks around this country are incredibly understaffed. And funding is actually not keeping pace with the challenge.

And so, one of the things that we are, you know, and ultimately it's creating households having to make really tough economic choices. So

while we should keep, and I really appreciate Mike and Kenneth, you've re-in-doubled downing on this, let's not forget our North Star here, which is to make sure that households have real financial security and the ability to develop wealth that allows them to have both economic and social development gains.

I think we are in the midst of a real crisis point. And one of the things I would encourage us to look at is, how this inflationary crisis is going to, could potentially undo some of the gains. And think about creating new connection points.

And certainly, I think at the public policy level, break down some of the silos we have between the economic inclusion arena and then some areas where we haven't been working. And I would put on the table that I do think that pulling together with other agencies and policymakers focusing on food security, both at the national, but also at the local government

level. Where local government really has the ability to touch individual people.

But I don't want to leave us on a negative note. And I'll just say very quickly, that in the same way that COVID relief turned out to be a tool that actually helped us achieved our goals of bringing people into the financial mainstream, I actually think this is a touch point that could potentially be a distribution mechanism for us to reach families that we haven't been able to reach.

And as we're thinking about benefits on the food side, it could be, again, a way to link them up and to look at, again, your food security with your financial security. I'll stop there.

MS. ORTIZ: Jonathan?

MEMBER MINTZ: Liz. You know what's top of mind for me, at the moment, is the critical importance of, not just the numbers that we saw in this report, but in the numeric validation,

the data rich validation of this equation that so many of us have been working on and positing as the right North Star in banking access for so long, which is to combine the supply of the right kind of products with the opportunities to connect people to those products through large scale approaches, to bankable moments.

And I bring that up, not as a victory lap that I think everyone deserves, but I bring it up because it didn't happen by accident. Market forces didn't suddenly create this new formula that the Chairman mentioned earlier, has been really so amazing.

You know, we start with the concept of supply, you know, deeply informed by the FDIC's work in the early days on the model safe account and whether banks would be open to playing ball in an apples-to-apples kind of context. The regulatory aspect of the changes to the laws and regulations around overdraft.

And of course the data about what

drove people to stay out of the system in banking, all led to this concept of a single ask. This Bank On certification program.

And the supply has exploded. And that happened because among other heroes, first and for most, the ABA just absolutely made it as clear as possible to their members that this was the collective strategy.

And as of yesterday at 4 o'clock, according to David, we hit our 300th account. Those 300 financial institutions offering these accounts represent, and this is what we call our Keith number, they represent 60 percent of the U.S. deposit market share. Those institutions.

And you can walk into 53 percent of the branches in this entire country and you will find that they have a Bank On certified account available.

So the supply part of the equation has just delivered in a way that surpasses all of our expectations. And so I really have to shout out

to the ABA and to the banking industry for responding so strongly to that part of the equation.

The next part of the equation has several heroes as well. You know, we have about 90 coalitions, local and state coalitions around the country, who are laboring to make the kind of bankable moment opportunities available to bring in their local community banks and credit unions into the certified family as well.

Those coalitions are, this is their day job. And they've been working really hard to do that. And I think that over the last few years the quality and dedication of those efforts have had resounding successes. And so it's really great to see that part of the partnership.

Third part of the, another part of this equation, I've lost count, is what the FDIC and the IRS did around the stimulus payments. Boy, we could talk about this stuff forever. We could talk about our aspirations, we could talk

about the inequities, we could talk about our goals, we could talk about our plans, we could talk about our pilots. These folks did it.

You know, they created and used this moment to say, while they were pushing money out to people who desperately needed it, this is when you need an account, you're going to get your money faster and safer, you're going to be able to use it inexpensively, and they, incredibly, trusted the Bank On certification and the collective belief that the Bank On certified standard represented a safe account.

An account safe enough that even the IRS --

(Laughter.)

MEMBER MINTZ: -- that even the IRS was comfortable sending the message to America, if you open up one of these accounts you're in good shape.

And having that equation work and having the FDIC's #GetBanked Campaign midwife all

of this to, I'm fond of the metaphor, you know, midwife all of this energy and opportunity into the kind of success that we saw reflected in the study, again, none of that happens by accident.

And so what I would say is, yes, it's nice to have a moment of a victory lap, but much more importantly, this kind of validation super-charges all of our efforts, not just in the room but in our coalition partners across the country, super-charges our efforts to really lean in to other bankable moments that exist at scale.

And whether it's summer youth employment programs, like we talked about with Brandee and Margaret, whether it's unemployment insurance payments, like we've already started to see in the State of Maryland. Other workforce programs, other opportunities, foster care, et cetera, et cetera, other opportunities where money is being pushed out in a regular way through systems, now we know and can prove. And the FDIC put its stamp of approval on the idea that this

is how you get it done.

The last piece I want to say real quickly is, that there is another part of the CFE fund. We love Bank On, but there are some other programs that we do.

And one of the other programs is another delivery method part of this equation for us, which is the Financial Empowerment Centers. So the Financial Empowerment Center movement is this idea that began in the Bloomberg Administration that one-on-one professional financial counseling should be a free public service.

Thanks to Bloomberg, there is a lot of other funders, that movement has now spread to 30 operating Financial Empowerment Centers, cities and counties, with another 14 in the works heading toward their launch.

These Financial Empowerment Centers are real trusted intermediaries for people who are dealing with financial distress points. And

while most of our clients, whoever called you before is now calling me by the way, whoever of our clients come in, they don't tend to come into these Financial Empowerment Centers to open a bank account.

But what we have learned, and I saw this all the time, being “banked” just isn't an adjective, it's a fundamental component of making progress on the issues that drive people into these Financial Empowerment Centers. Working on increasing savings on establishing a credit score, reducing debt.

Our counselors know that connecting people to these safe accounts is also proven as a fundamental baseline for their ability to get ahead. People who become banked in the course of a professional financial counseling experience are eight times more successful at the other efforts that they have with those counselors particularly to build savings.

So it's a critical part of the

equation. It's also, and this is a little, maybe preview for our next session, it's also a really important opportunity where we've been able to help push out messages about the difference between a real bank account and a nonbank sort of fake account, and why those differences matter.

The trusted intermediaries, like our Financial Empowerment Center counselor partners, and so many other programs, including those represented around the room, can help spread that word and make those connections. Even though it's one-on-one, through systems that allow us to do it at scale. So thank you.

MS. ORTIZ: Okay, Jennifer, take us home.

(Laughter.)

MEMBER TESCHER: I kind of was going to suggest that Jonathan and I switch places because I feel like he should get the last word given the, you know, validation and vindication of the survey and of the work of the, of CFE and

Jonathan and his team. So really it's, it really incredible to be here in this moment.

I'm going to share a couple of thoughts. One is, I mentioned earlier that for the last five years we have been serving Americans to understand the state of financial health in this country. And our results, we published them just a couple months ago.

And to the conversation about what lies ahead, while I don't think we can say with certainty that financial health is a leading indicator. As we're now having five years’ worth of data, we are starting to think that it could be.

And I say that in part because this is the first time in five years where we've seen financial health decline. And essentially erased most of the gains that we saw during the course of the pandemic.

Key drivers of the deterioration were a six percentage point increase in the share of

individuals whose household spending exceeded their income. And a three percentage point increase in the share of individuals whose households have less than three months of savings.

Now, financial health in 2022 is still better than it was in 2018. But as I mentioned, we've seen the gains of the last couple of years be erased. And if I had to guess at what it will look like next year, it's hard to imagine a rebound given where things are at the moment.

I also want to point out that we ask a number of demographic questions and we really, when we think about equity, we look at four categories. There are many, but we look at four. Race, gender, ability and sexual orientation and identity.

And the financial health gaps, the inequities between those groups and their counterparts, theirs is always lower. But the one that I really want to point out is that the

gap between Black people and White people is 20 points. So only 15 percent of Americans, 15 percent of Black individuals in America are financially healthy as compared with 35 percent of their White counterparts.

And while the decline in financial health was across the board, it was of course greater among Black individuals. And it's just unconscionable.

I mentioned earlier that we now have five years of longitudinal data from the same people taking the survey. About 3,000 of them. And we're just digging into it now.

Our data is also available, not on a fancy website, but we are willing to make available our data to researchers who may want to take their own slice at it. So I'm happy to direct you to other, my other colleagues if that's of interest to you.

So, we also put out a couple of other pieces of research this year. And they tie, in

a way, into the comments that Brandee made.

Brandee talked about needing to breakdown silos across issues. And in fact, at the reception last night when Mike was giving me a little bit of a preview of what he was going to share just now, there was some consternation about, well, aside from being just incredibly disappointing, where and how much can banks do something about that.

And I think the point is, everyone needs to do something about that, not just banks. And I think that's true with inclusion. I think that's particularly true with financial health.

So as an example, we did a particular deep dive into women's financial health. Even after controlling for age, race, marital status and income, there is still a five percentage point gap between men and women's, the share that are financially healthy.

Women lag men on all indicators. But when we looked at the causes there were two in

particular that stood out. Again, these won't be shocking, right?

The impact that dependent care responsibilities have on women, more than half of women with children under the age of 12 who aren't working, or are working part-time, said that their choices were driven by the lack of affordable child care. And the second reason was, the lack of retirement savings.

Over one third of women ages 55 to 64 reported having no personal retirement savings. That's a scary number.

So when we think about who else needs to be at the table in moving the needle on financial health and well-being, well, we need to be thinking about care providers and the care economy, as an example.

Similarly we did a study on low wage workers. We defined that as folks earning less than $17 an hour. Seventy percent of these workers are the primary wage earners in their

family.

And of course we know that they are financially struggling more than folks who make more money. And of course, it's more true for people of color than for Whites. More true for women than for men.

But what's interesting is the most frequently cited causes of financial stress, one might think the answers would be childcare or healthcare. They weren't. Insufficient emergency savings and insufficient retirement savings were the most frequently cited causes of financial stress for workers making less than $17 an hour.

Here's another scary statistic. Among low age workers age 50 or older, almost a third had no retirement savings. And roughly another third had less than $10,000 in retirement savings.

And for those of us at the table whose parents are still with us, we've all watched

what's happened with the stock market and the impact that that has on older Americans and their retirement savings. If to the degree those who have any it still exists.

So I'm sorry to end on a down note, except to say that while I really enjoy these conversations and the diversity of voices at this table, it's still not diverse enough. If we're really going to make a difference here, I believe, truly, that banks have an incredibly important role, many, many roles to play actually, across their enterprises. But they can't do it alone. They're not the only answer.

And I am convinced that they are willing and ready to be partners with others across industries. And I think there is a real interesting opportunity for the FDIC and for other parts of the government to help be conveners.

Because at the end of the day, like, you know, your student is, his employee is her

tenant, is his patient. It's all the same person.

Like, we just kind of, this is how we operate silos because this is how we make sense of a complicated world. But that's not how people live their lives. You know, it's not like today is a doctor day and tomorrow is a work day. So I look forward to finding ways to continue to expand the table.

MS. ORTIZ: Thanks, Jennifer. And thank you, everyone. Despite what you may believe, I am always very excited when the panel takes the full amount of time. And as it did today, even runs over a little bit because it relieves me of having to trying and say something insightful --

(Laughter.)

MS. ORTIZ: -- or provocative or as inspiring as the things that I've just heard from all of you. So I think the only thing for me to say is, thank you very much everyone.

We have time for a very short break. So please run outside, get a little coffee and come right on back because we're actually ready to go with the next panel. So go out and come back quickly. See you soon.

(Whereupon, the above-entitled matter went off the record at 2:49 p.m. and resumed at 2:58 p.m.)

MS. ORTIZ: All right. This is the last panel of the day, so it is my pleasure to introduce my colleague, Luke Brown.

MR. BROWN: Good afternoon, everybody. It's great to be here. The last time I had this conversation with you I did it through a screen.

(Laughter.)

MR. BROWN: Well actually I'm doing it through a mask unfortunately.

But I've sat in the back of the room for this conversation since this morning. And I witnessed the amazing work of my FDIC colleagues,

and then the roundtable. And it's clear to me that one of the major themes of the conversation today is trust.

Trust in banks. And to the extent that trust impacts the unbanked and underbanked in their financial decisions.

As you heard earlier, the new FDIC household survey shows progress in reducing the unbanked and underbanked populations. But trust in banks continues to be a barrier to full participation in the banking system. Particularly for communities of color.

The primary mission of the FDIC includes promoting and maintaining public confidence in the banking system, and the FDIC's deposit insurance fund. The FDIC will be entering its 90th year in 2023. However, increasingly, consumers are presented with an array of banking product options, not just in their communities, but also online.

These options can provide a number of

benefits. But as consumers have substantially increased reliance on internet and mobile channels to access banking and financial services, consumers today may not fully understand if they are doing business with a bank, or when their funds are protected with FDIC's deposit insurance.

In addition, the FDIC continues to see misrepresentations by nonbanks regarding FDIC deposit insurance coverage and numerous forms. These types of misrepresentations can cause confusion and create uncertainty which erodes consumer's confidence in banks and in protections afforded by the FDIC.

Consumers, including unbanked and underbanked, can benefit from safe, secure and affordable financial services from insured institutions. It is vital for them to have an ability to make informed choices.

All consumers should clearly understand when they are dealing with a bank and

where there funds are protected by the FDIC's deposit insurance coverage.

So I'd like to now turn and introduce this panel of talented FDIC Staff. Meron Wondwosen is to my right. She is acting section chief in the Division of Depositor and Consumer Protection.

To her right is Edward Hof, who is the senior policy analyst, who is also in the Division of Depositor and Consumer Protection.

And Michael Farrell, who is counsel in our Legal Division, bringing up the rear and supporting us in this conversation.

Our panel today will describe the FDIC's mission and authority, the kinds of potential misrepresentations the FDIC has seen. How misrepresentations can confuse consumers and cause consumer harm. And how the FDIC has responded to these risks.

After that we will provide an overview of some of the public information that we've made

available so that consumers can better understand deposit insurance. And then of course, after our formal presentation concludes we're happy to have a conversation and take your questions.

So with that, we'll get started. Meron.

MS. WONDWOSEN: Thanks, Luke. Good afternoon, everyone.

Our presentation today focuses on an issue which impacts the ability to maintain public confidence in our banking system and in FDIC deposit insurance. The FDIC is aware of instances where consumers are unclear about whether they're dealing with an insured institution or an uninsured, or a nonbank offering an uninsured financial product.

Today consumers have numerous options with respect to their banking decisions. With the flexibility to deposit funds and open accounts from their laptops, from their mobile phones, sorry, from their laptops and their

mobile devices and from practically anywhere in the world, no longer tethered to a brick-and-mortar bank.

In the same vein, consumers face increased risk from fraudulent entities who misrepresent FDIC deposit insurance coverage as well as legitimate entities that may misuse FDIC associated terms or FDIC associated images. Some entities, or persons, fraudulently induce consumers to not only send their hard-earned funds never to be recovered, but to also provide their personally identifiable information causing, at times, irreparable consumer harm.

Other legitimate nonbank entities may, at times, inadvertently misrepresent deposit insurance leading consumers to believe they're dealing with an insured financial institution. These developments are particularly concerning if they impact the trust consumers have in banks, such as unbanked or underbanked consumers, that would benefit from access to safe, secure banking

services offered by insured banks.

The FDIC has a long history. Almost a century of protecting consumers by maintaining public confidence in our financial system. More specifically, the FDIC fulfills its mission by ensuring deposits, examining and supervising financial institutions for safety and fairness in consumer protection, making large complex financial institutions resolvable in managing receiverships.

The FDIC has promoted public confidence in our nation's banks and their consumers through several crises, including the COVID-19 pandemic. And prior to that, the 2008 financial crisis.

The FDIC deposit insurance program is key to the mission of supporting public confidence in our banking system. Since its founding in 1933, the FDIC has protected depositors against the loss of their insured deposits in the event of the failure of an insured

financial institution. As a result, in the long history of the FDIC, no depositor has ever lost a single penny of insured funds.

The FDIC also works to ensure consumers are not confused or harmed by nonbank entities, or even fraudulent entities, misusing the FDIC's name, seal or logo. Other entities erroneously or fraudulently using terms such as “FDIC-insured” or “Member FDIC,” can cause consumer harm in terms of lost funds and compromised personally identifiable information.

In the long-term it can also erode public trust in the FDIC and in deposit insurance. The FDIC sign and advertising statement requirements for insured institutions, which we are discussing today, date back to the Banking Act of 1935.

I'll now turn it over to my colleague, Mike.

MR. FARRELL: Thank you, Meron. As an introduction to start, to help understand the

importance of deposit insurance and the way misrepresentations that we're seeing about deposit insurance may confuse consumers, it's helpful to quickly review some of the basic parameters of FDIC deposit insurance.

First, FDIC deposit insurance fully ensures deposits held at insured banks and savings associations up to $250,000 per account category.

But it's important to differentiate between insured deposits and uninsured financial products. Examples of insured deposits are things we're all familiar with. They're things like checking accounts, savings accounts and CDs.

But some examples of uninsured financial products include things like stocks, bonds, mutual funds and crypto-assets. FDIC insurance does not cover losses related to these kind of products.

The second important note is that FDIC deposit insurance only applies to losses that are

caused by a failure of an insured bank or savings institution. It does not apply to the loss, any losses caused by failures of nonbank institutions or other causes.

To prevent confusion, the Federal Deposit Insurance Act provides that a prohibition against any person, including a nonbank, for misusing the FDIC's name or logo, engaging in false advertising related to deposit insurance or making knowing misrepresentations about deposit insurance.

Earlier this year the FDIC promulgated a final rule implementing this statutory prohibitions, which became effective on July 5th of this year. The final rule has several parts, but in general it describes how the FDIC will investigate and identify potential misrepresentations, the standards the FDIC will use to evaluate potential misrepresentations and the procedures the FDIC will use to enforce these prohibitions when necessary.

One specific provision of the rule that should be highlighted is a provision that requires anyone other than an insured bank who advertises deposit insurance, to identify the insured bank, or banks, that will actually provide that deposit insurance. This is coming up more and more frequently.

It comes up in situations where a nonbank financial company works with an insured bank to offer deposit insurance to its customers. And in those circumstances the rules expressly requires the nonbank to identify the insured bank, or banks, that are providing the deposit insurance.

I'm going to turn a bit to some of our enforcement authority. When the FDIC becomes aware of potential misrepresentations about deposit insurance, it has several formal and informal options. Normally the first step that the FDIC will take will be to send the party, send a letter to the party making the apparent

misrepresentations.

These letters inform the recipient of the FDIC's concerns, and request that the correct any misrepresentations. They also provide the recipient with an opportunity to provide the FDIC with any information that they believe demonstrates that the representations at issue are in fact accurate.

However, the FDIC also has substantial authority to take formal actions against misrepresentations. Generally as I said, the FDIC has first step attempts to resolve potential misrepresentations informally. However, it's not required to do so if it believes the consumers or insured banks may suffer harm because of misrepresentations.

If formal action is necessary, the FDIC has several options for pursing remedies. The first one is, obviously, we can pursue injunctive relief through cease and desist orders that can require both cessation of conduct and

affirmative conduct to correct misrepresentations. And this authority does also include orders that would have immediate effect.

The second arrow in the quiver is that we can assess civil money penalties against violators. And lastly, in cases where someone is unjustly enriched or where they've acted in reckless disregard of the law, we can seek restitution to anyone who was harmed.

In short, the FDIC has a number of tools at its disposal and is committed to taking all appropriate action to address potential misrepresentations.

Now I'm going to turn the presentation over to Ed to discuss some specifics about misrepresentations we're seeing.

MR. HOF: Great. Thank you, Mike. So as noted earlier, the FDIC has continued to see misrepresentations by nonbanks regarding FDIC deposit insurance in numerous forms, which can

cause confusion and create uncertainty.

For example, for over a decade the FDIC has been aware of scammers and fraudsters who setup websites to intentionally look and feel like an insured bank's website, but they aren't. The scammers claim to be Member FDIC, but they're not.

In other cases there are legitimate nonbank entities that have relationships with insured banks. And they advertise insured deposit products on their websites. However, the way they advertise the products can make it seem, even if unintentionally, as if the nonbank is FDIC-insured.

And more recently, there have been some entities that have suggested that crypto-assets are FDIC-insured. Or that crypto-companies are FDIC-insured.

In the case of fraudulent nonbanks, we'll go through a couple of examples to illustrate what consumers see, but essentially

they tend to see websites that claim to be Member FDIC, offer competitive interest rates and look like bank websites. Some of these fraudulent nonbank websites are not too sophisticated. But others do a better job at mimicking legitimate bank websites. And as a result, consumers may mistakenly believe they are protected by FDIC insurance.

For example, what you are looking at here is a portion of a fraudulent website. In this particular case the scammer basically copied and pasted a website used by a legitimate FDIC-insured bank. So it looked like a real bank website, but it was a scam.

On the right side of the slide here is a portion of the website where we zoomed in. And you can see here a misleading signal of safety. The gold “Member FDIC” advertising statement in the bottom right-hand corner.

For some consumers, just seeing the FDIC logo is enough to trick them. To give them

a false sense of security. And here by the logo there is some familiar links to financial calculators, credit cards, business loans and so on.

It may not surprise you to hear that some consumers up open accounts, share personal information, and in some cases, wire money to these scammers who setup these websites.

Now I'll pass it to Meron.

MS. WONDWOSEN: Thanks, Ed. On this slide here is another example. Which is really intended to emphasize how scammers rely on the FDIC member logo to mislead consumers.

In addition to misusing the FDIC advertising statement, "Member FDIC" that you see here, some fraudulent entities post fake credentials in an apparent attempt to convince consumers that they are reliable. Here on the slide, the claim is that this fraudulent entity has been in business for over 150 years and operates world-wide.

These statements are an attempt to convey a certain level of reliability to some as over 150 years of continuous operations notes a level of stability. Especially if this statement is posted near the FDIC logo.

MR. FARRELL: Thank you, Meron. This example we're looking at is slightly different. The previous two examples were taken from fake bank websites. The places that people would find, a consumer would find, while surfing the web. Those really act as the lure to try and pull the consumer in.

This example is different. What we have here is this is taken from someone who has frankly already gone the first step of being pulled in. This is an email from a fraudster to a consumer who believes they've already opened an account and are now a customer of the fake bank. And at this point the consumer has probably already shared some amount of personal information.

But you can see from this that that's not where we'll see fraudsters stop. Here they'll send emails to follow up, which can include instructions to the customer of actions to take next. These can include, most notably, wiring money.

But even if the consumer doesn't do anything further once they've reached this point, they're already at the point where they've shared personal information with the fraudster, and that can put them at risk of identity theft. And in this example, as in examples earlier, the scammer uses the “Member FDIC” ad statement.

As Ed mentioned earlier, and then Meron, just the inclusion of that can really generate a lot of trust for many consumers and create a false sense of security.

Now the FDIC does provide resources consumers can use to try and verify they're dealing with an actual bank. They can call or email the FDIC's Information and Support Center,

who will help them try to make that determination. Or they can use our online database bank find to figure out if the website and the entity they're looking at is a legitimate bank.

Unfortunately in some cases we do hear of consumers wiring funds. Sometimes significant amounts to these type of scammers. And I'll turn this back to Ed.

MR. HOF: All right, thank you, Mike. So we're going to switch gears a little bit here away from scammers and towards legitimate nonbanks. So these are third-party nonbanks, some of which are financial technology firms, or fintechs, that work with banks and advertise FDIC-insured deposit products.

In some cases, however, the advertisements or the marketing can make it seem that nonbank is FDIC-insured. For example, a nonbank website may emphasize FDIC deposit insurance, almost as if the nonbank is a bank.

So on this slide what we have are some phrases that often confuse consumers looking at these nonbank websites, some of whom may mistakenly think that they're looking at an insured bank website. So you can see "FDIC-insured," "Member FDIC," "automatically FDIC-insured."

So in some cases these nonbank websites help consumers to, what Mike was speaking about earlier, they identify the bank that they are working with. And that little detail is helpful for consumers.

Unfortunately, however, some nonbanks fail to identify the bank that they're working with. That makes it very difficult for a consumer or the FDIC to verify which bank is involved.

One of the significant improvements in the recent regulation on misrepresentations, which became effective July 5th, 2022, is that a nonbank in this situation may violate the misrep

rule if it fails to identify the insured bank that's involved in the transaction and that may hold consumer funds. This should help consumers who are trying to figure out if they're dealing with a legitimate entity and which bank may be holding their money.

So let's go to the next slide. And I'll hand it back to Mike.

MR. FARRELL: Thank you, Ed. And as Ed mentioned earlier, one of the recent issues we're seeing is, the FDIC has recently become aware of potential misrep, misrepresentations, related to crypto-assets.

These have generally involved representations about the crypto-assets themselves or the platforms that consumers use to trade and hold the crypto-assets. The two most common forms of misrepresentations that the FDIC has observed in the crypto-space are representations that state or imply either that a nonbank, crypto-platform is insured by the FDIC

or that the failure of a nonbank platform would trigger FDIC insurance coverage.

Or, secondly, we've seen representations that nondeposit products, specifically crypto-assets, are FDIC-insured. As I said earlier, FDIC insurance only covers deposit products and only those held at insured banks and savings associations.

And it only applies to losses caused by the failure of those insured banks or savings associations. It doesn't cover nondeposit products and it doesn't apply to losses caused by failure of nonbank entities.

Statement implying that the deposit insurance covers other products or implies in other situations are inaccurate and can cause consumer confusion about deposit insurance and expose consumer to potential harm.

These are particularly confusing in some places in the crypto-space as some platforms both allow consumers to hold uninsured non-

deposit products, like crypto-assets, while also, as Ed was discussing earlier, working with banks to provide them insured depository accounts at actual insured savings accounts. Or banks and savings associations.

Which can really blur the line for some consumers about what part of their holdings are insured and what parts aren't. And what circumstance that insurance will provide coverage in.

Now, switching gears a little bit. Back to the resources available to consumers. One important resource in connection with the new rule on misrepresentations was that the FDIC added a new portal to the FDIC's support and information website that I mentioned earlier.

And that portal is for the specific purpose of allowing consumers, or any member of the public, to report potential deposit insurance misrepresentations to the FDIC. The portal allows consumers the choice to submit information

anonymously, or to provide contact information if they would like a response and follow-up from the FDIC.

That portal went live on July 5th, the same day our final rule became effective. And since its launch in July, the FDIC has received more than 300 submissions through that portal. And it has sent six cease and desist letters to various entities demanding that they cease and desist from making certain misrepresentations. And the FDIC is continuing to evaluate new submissions as they come in.

And now I'll turn it back to Ed to discuss the recent request for information.

MR. HOF: Thank you, Mike. So in February of 2020, and also April of 2021, the FDIC published requests for information in the federal register to seek public comment regarding potential modernization of the official sign and advertising rules to reflect how deposit taking has changed. Not only in physical branches, but

also through digital banking channels.

And some of the comments we received really noted the need for updating the FDIC sign and advertising rule, in response to changes in the industry. And the increasingly significant role that digital banking has played. And also that consumers assume that products that are offered through banks are insured.

There is an emphasis on the importance of enabling consumers to identify uninsured products and understand the role of third-parties who offer products.

MS. WONDWOSEN: Thanks, Ed. Finally on this slide we will mention some more resources and tools that are available to consumers to address some of the issues that we discussed this afternoon.

As Mike mentioned at the beginning of the presentation, earlier this year the FDIC issued a final rule to address misrepresentation and misuse of the FDIC name and logo. The FDIC

has also published resources, including a fact sheet, about deposit insurance coverage and crypto- companies. Which is intended to address some common misconceptions about the scope of deposit insurance coverage and whether deposit insurance applies to funds that consumers provide to crypto- companies.

In additionally, specifically for insured institutions, the FDIC issued an advisory regarding their dealings with crypto-asset companies reminding insured banks that they need to be aware of how deposit insurance operates and the need to assess, manage and control risks arising from third-party relationships, including those with crypto-companies.

The FDIC is also engaged in some public education efforts by publishing articles about the basics of deposit insurance, reiterating what products are insured by the FDIC and which products are not insured.

Finally, we want to emphasize a few

other tools which are available to the public. The first, as Mike mentioned, is the FDIC's BankFind tool.

A database which consumers can use to determine whether the entity they're dealing with is insured bank. BankFind can also help consumers find a particular bank branch or determine if the bank is using a trade name, or a name different from the bank's official name for their deposit taking website.

With over 80,000 views by consumers in the last month alone, the FDIC's BankFind tool continues to be a trusted source of information.

As you can see on this slide we've also identified several avenues to which the public can contact the FDIC. Consumers with questions on deposit insurance generally or deposit insurance misrepresentations can contact the FDIC via the 1-877-ASK-FDIC or through the misrepresentation portal that Mike mentioned earlier in his presentation.

And more information on FDIC, on how the FDIC is responding to these challenges and continuing to instill public confidence is always available on our website. Thank you for your time this afternoon.

MR. BROWN: Okay, thank you folks. I just want to underline a couple of things. So these were real life examples. Of course we filtered them to maybe protect the guilty.

But we filtered them just for conversation purpose, to give you all an illustration of the things that we've seen. Technology is fantastic.

And hopefully it expands access to banking. But there can be challenges. We talked about these blurred lines that we've been seeing on websites, and it gets more and more complex.

So for example, when these third-parties have partnerships with banks, sometimes online, when you're engaging in a transaction, the bank is the face of the transaction. You're

aware there is a bank. But other times it's the third-party nonbank that's the face.

And so a consumer might not have any idea whether there is a bank behind them or not. So that's confusing.

But also, we've seen examples where banks themselves have websites that look like they aren't banks. That look like they're a fintech. Maybe their marketing and trying to attract business from certain demographics. So these lines get blurred. And it gets more and more complex.

But thanks, everybody, for your formal presentations. With that we'll open it up for dialogue and conversation. To the extent that you all have feedback or questions of us. Jonathan?

MEMBER MINTZ: So, it's been a long day but I'm coming in hot on this because --

(Laughter.)

MEMBER MINTZ: -- I think, I'm so

happy to hear this. And as an old consumer protection regulator, my blood is boiling.

A few comments, other than I'm so glad you're working on this so hard. Talking about the non-fraud folks. The sort of third-party confusing in the middle type folks.

So I -- one of the other components that we've been seeing in our work is not just confusion about, is this third-party really a bank and do they have FDIC insurance, or is there a bank behind them or not that does have FDIC insurance?

But I think I'm getting this right, which is, what's the structure of the relationship between the third-party and the bank?

Do they have a single account that only has $250,000 worth of insurance or are there individual accounts?

And I think that that's a huge area of, I think, a huge area of misrepresentation as

well where people assume, maybe correctly, maybe a little confused, about the role of third-party. Well there is FDIC insurance in the background, but if something goes wrong, it's only a single account.

So I think that nuance matters a lot to our population and something we've been paying a lot of attention to. And it's one of the ways that we've been trying to scare folks that think it doesn't matter.

The second thing I want to say real quickly is that I think that the confusion in this space sadly isn't just consumer confusion. I think it's a lot of regulator and program head folks who have really, in my opinion, undervalued how much this issue makes a difference.

And I think when you look at a lot of messages from, in some cases mayors pushing cryptocurrency as a way to solve low-income finance issues, program heads with guaranteed-income programs that aren't using banks to push

money out. I mean, there are lots and lots of well meaning, important program type folks that need this information, not just consumers.

And I think the more that you can help spread the word to those kinds of audiences about what the significance is of the difference, not just people trying to take advantage of the difference but that there is actual significance of the difference, I think that would really help a lot of our efforts out there as well.

The last thing I want to say, and I'm a little embarrassed, I feel like I didn't see your, and it's completely on me, I don't think I saw your request for proposals on the labeling stuff. I feel terrible about that.

But let me just say this. I wonder whether you all should consider, and maybe you are, a require, a disclosure requirements of those that aren't, not just rules about those that are insured by FDIC.

I think that I would suggest that

financial service providers in the middle ought to have a duty to disclose that they're not a financial institution. That they, themselves, don't have the FDIC insurance, et cetera, et cetera. I hope it's appropriate to say that because you had a comment period thing --

MR. BROWN: Sure.

MEMBER MINTZ: -- but I --

MR. BROWN: Our ears are always open.

MEMBER MINTZ: Okay, great.

MR. BROWN: That's very helpful.

MEMBER MINTZ: Thank you. Thank you for doing this, it's really, really important.

MR. BROWN: Yes, thank you, Jonathan. Those are all very helpful comments that are on point.

And as you say, it's really important as to how the bank account is structured and whether you know you can connect the funds with specific people in order to get deposit insurance. Very important. Jennifer.

MEMBER TESCHER: I'll echo Jonathan's comments about how important this is. I like very much the idea of requiring nonbanks that are in a relationship with an FDIC-insured, Member FDIC bank, to not only follow the rules around using the right language to explain it, but going a step further to add another sentence that will explain whether it's in a way that is understandable to the average person.

Whether there is indeed pass-through insurance because it's an individual account versus a pooled account model. I'm curious if you have done any research to identify, among the major players in this space, what is the predominant structure at this point versus the scammers or the sort of fly by night folks?

So I'm thinking about the Chimes of the world, the Netspends of the world, the, you know, the big established folks in this world who have a bank behind them legitimately. Do you have a sense of whether most have now moved to a

single account structure or not?

MR. BROWN: So we don't have sort of overall data, but we have engaged in a series of conversations with folks in the industry. And also people come in and talk to us. And we asked those questions.

Which it's really important for us to understand the structure. There is a lot of structures out there. There is a lot of ways that companies are structuring the accounts and the relationship themselves.

And so we have been collecting those models to understand and inform our thinking in terms of, do we need to provide more information to make it clear what FDIC's expectations are for example.

MEMBER TESCHER: Yes.

MR. BROWN: So that has been front in mind for us for a few years actually.

MEMBER TESCHER: That's great. And one other question. Let's pretend nonbank, real

bank behind, structured in a way where the individual, there is a real account for the individual. Can you identify a scenario in which company itself could fail, could go out of business, and yet FDIC insurance somehow wouldn't apply or somehow someone's funds might not be where they're supposed to be?

MR. BROWN: Oh yes. There are a number of ways that could occur. The bottom line is, if the funds are, and we have very specific guidance about operationally what needs to occur or you have a, it's insurable but actually when the bank fails there is a number of steps for the pass-through insurance to apply.

And you have to sort of get into the institution, look at the accounts and look at the names and have all that information whether it's actually the case. So we would call it insurable until the bank, the entity actually fails.

MEMBER TESCHER: I see.

MR. BROWN: But the bottom line is,

if the funds are at the bank and you can connect it with individual consumers, and there are other requirements for pass-through, they're insured regardless of whether that third-party failed.

MEMBER TESCHER: Right. And in that case, in a way, it's not even about whether they're insured because the bank in question, let's pretend the bank in question is still a going concern, it sounds like you're having to pay out of the fund, but the money is in the bank.

MR. BROWN: Yes.

MEMBER TESCHER: It's making sure that person is able to then access those funds --

MR. BROWN: That's right.

MEMBER TESCHER: -- essentially?

MR. BROWN: And if the bank itself fails --

MEMBER TESCHER: Yes, that's it.

MR. BROWN: -- they get the funds.

MEMBER MINTZ: Well I think that's a

really, I'm sorry, real quick, I think that's a really important point because I think that people conflate insurance if a bank fails with, I'll get access to my money generally. And I think if the middle third-party fails and there is this long gap between trying to figure out, well where the hell is the money and what's the underlying bank and how do I reach them and all of that, I think that, I think it's another risk area of confusion around the FDIC brand. I think people assume.

I'm sure that, I'm making it up, but I'm positive --

(Laughter.)

MEMBER MINTZ: -- that if these third-parties, that's a thing in data.

(Laughter.)

MEMBER MINTZ: That if, you know, when these third-party financial service providers fail and there is legitimately an FDIC logo in there because of the underlying bank, people are

absolutely going to look to you with disappointment, right, because suddenly who are they supposed to call.

MR. BROWN: Right. You're not making anything up.

MEMBER MINTZ: Okay.

MR. BROWN: That's exactly right. And one of our significant concerns is, whether they see the bank, whether they see the third-party, what language is being communicated to them from a disclosure perspective about the coverage.

And so sometimes you see examples where the language is extremely definitive that they are insured, but they're not. Or maybe they're insured. So that's something we're thinking deeply about as well.

MEMBER MINTZ: I wonder whether some of these third-parties could be consider somehow brokers of the insurance in some way. I wonder whether there isn't a way to require some kind of

connection between them and you all. Just throwing that out there.

Like there is something about the way they do it that makes them have to somehow be able to have some recourse for the consumers when they disappear. Not for the money, that's the bank, but for the connectivity at least to where their funds are. I don't know. I might be going too far.

MEMBER TESCHER: Do you have any restrictions on who can use the logo itself versus the words?

MR. FARRELL: That's a great question. So, there is a, the FDIC Act provides us with authority with respect to our logo, FDIC-associated terms and images. And legally one cannot use one of our imagines to imply that there is deposit insurance. Or certainly cannot falsely state or say that there is deposit insurance.

So we have broad authority in that

space. Our lawyer is here so I shouldn't speak too much more than that.

But we have broad authority when someone is misusing our logo, making false statements with respect to deposit insurance.

MEMBER TESCHER: I ask because it seems to me that words matter. People have got to get the words and the representation right. But that there is a lot of power in the actual, just the image, right. And people take it as a sign, and maybe don't necessary then read the finer print.

You know, I wonder if you thought about restricting use of the logo only to the web properties of, or mobile properties, of your insured institutions.

MR. BROWN: Well, as I mentioned, we've been doing a lot of analysis and thinking about all the various things that we're seeing and considering opportunities at the staff level of anything that would make sense going forward.

And as Michael said and as Ed said, we did issue an updated rule earlier this year because of concerns. But we continue to see things and we continue to think about it.

MEMBER TESCHER: Yes. Because, like I just pulled up one of the largest nonbank providers who has got two banks behind it, right. No logo. Very prominent, not from a, it's their top market thing, but prominent in terms that the customer would be able to see it. Your funds are FDIC-insured up to $250,000 through the, this bank and bank, Members FDIC, all just words. No logo.

Assuming the structure is kosher, I'm guessing that meets the test. I won't make you say that out loud, right, because --

MR. BROWN: Well, I'll say we don't know what the structure is.

MEMBER TESCHER: Right.

MR. BROWN: We don't know what the facts are behind that so that --

MEMBER TESCHER: Right. But I'm just saying, assuming --

MR. BROWN: Yes. Assuming that --

MEMBER TESCHER: -- they were, right?

MR. BROWN: -- sure.

MEMBER TESCHER: You know, there is no logo here. But, you know, it would be interesting to do some focus group work with consumers, right, to understand what do they take from seeing this, right?

MR. BROWN: Absolutely.

MEMBER TESCHER: What does it mean to them? I don't think we, maybe you've already done research like that, but I haven't seen any. It would be interesting to know.

MR. BROWN: And our, well, our research colleague is here. One thing we have talked about a little bit is, what are the magic words?

MEMBER TESCHER: Right.

MR. BROWN: You know, what would

resonate with the consumers, how can you communicate information about deposit insurance in ways that they get it and they feel safe and protected? And we're having conversations about that with our research colleagues in fact.

MEMBER TESCHER: Awesome.

MEMBER MINTZ: I promise this is the last thing I'll say --

MR. BROWN: Sure.

MEMBER MINTZ: -- but just to clarify what I was trying to say before in regard to this conversation. I wonder whether using any version of those words and/or the logo, even if legitimately, could trigger, I'm looking at the lawyer, could trigger some kind of responsibility on the part of those who choose to use those words that could somehow help achieve some of the goals that we talked about?

I'm just wondering. That's sort of what I meant about this broker idea, that somehow by invoking it they then have responsibilities

that come with the invocation.

MR. FARRELL: Well, and I can't comment on any specific cases, but to your point, that is sort of, that's the aim of the section of the law of the statute that prohibits this, and that is the aim of the rule. You can't use the FDIC's name, you can't use any similar worlds, you can't use deposit insurance, federal deposit insurance, deposit insurance corporation. You can't use our logo, you can't use similar looking things to imply or suggest that things that are not insured, are insured.

So, you know, to your question, can using those words --

MEMBER MINTZ: I see what you're saying.

MR. FARRELL: -- in part, in responsibility. And you clearly can. It's a very case-by-case analysis.

You know, we try to look at it through what is the impression being created by how

you've done that. But certainly that's, I mean, that's really the heart of the statute in the rule.

MEMBER MINTZ: Okay.

MR. BROWN: This is the right side now.

ACTING CHAIRMAN GRUENBERG: I'm sorry.

(Laughter.)

MEMBER CAMPER: The strong side I think.

(Off microphone comment.)

MEMBER CAMPER: I want to, and this will be very brief, an observation on the scam side. So this is the sort of spoofers.

And first I'll say, we feel your pain if you were here for the Member roundtable, it is, launch this banks never ask that campaign, because there are so many instances of customers thinking their bank is calling them, urging them to do something, and they're not. You are

encountering FDIC purporting to provide protection or say anything.

And I think for the industry one of the conundrums is, you know, who is responsible when a consumer who is targeted by spoofers and scammers believes it and takes action. You know, presumably if a consumer takes action it's a very complex thing.

But one of the things that we've observed is, there may be opportunities for collaboration with other government entities who are responsible, whether it's spoofing. So, FCC, is there a constructive role that they can play when somebody is allowed to spoof a bank name. Or perhaps, I don't know if anybody is calling and pretending to be you.

I will say, I don't know who regulates the internet. Is the internet regulated? I don't know if it's an FCC.

But when there is a misuse of your logo, you know, is there some other cavalry that

can come in and provide. So I think we're experiencing similarly troubling misrepresentation of brands of trust where customers take an action based on what they believe is you or us.

So I think we have sort of parallel challenges here. And there may be other players who can help us collectively address the issues. So that's --

MR. BROWN: That's helpful. Thank you.

MEMBER CAMPER: Yes. Ken, I'm sorry, I didn't mean to --

MEMBER KELLY: Sure. My question goes to the, since July 2022 it says there have been 300 complaints. Is that all centered on one institution or is that 300 separate institutions? Can you give me some context for that?

MR. FARRELL: It's certainly not one institution. There have been some repeats of, we've gotten multiple complaints about certain

things, but it's a wide variety of potential parties that are responsible.

MEMBER KELLY: Okay, great. Thanks.

MR. BROWN: And obviously that was an important, I don't know if I should use the word innovation, but change to the FDIC given that it's the whole internet. And so to the extent that people need to know where to go, rather than just calling us, which they have done over the years, it's a great resource for us.

MEMBER KELLY: Thanks.

MR. BROWN: Yes, sir. Michael.

MEMBER CALHOUN: So I am particularly concerned how this plays out in the already fraught world of crypto. From the research we've done it seems to be an explicit strategy of the crypto- industry to increase their sales by reassuring consumers that they are regulated.

And if you go on some deleting exchanged, I won't name them, they prominently advertise US-based and regulated. They don't

talk about how limited that particular form of regulation is.

They clearly, I think, implied that there are safety incentive regulations regarding the crypto-assets themselves as well. And I think questions are, I mean, I assume from what you're saying, crypto, if the bank is holding crypto, that it's just like the bank selling mutual funds. That they are not guaranteed. The asset itself is not guaranteed at all.

I don't think that comes through at all. I mean, yes. The same exchange prominently advertises that this is a good safe hold asset. This is one of the largest players in the field and describe it as "digital gold to hedge you against volatility in the market."

And there are two leading polls out there on crypto. Annual polls. There is Greystone, one of the mutual fund of cryptos. They do poll. And then Motley Fool does a poll.

And when you read the responses, there

are questions like, how much do you know about crypto. And little or nothing is just shy of 50 percent. And would you invest your retirement assets in crypto. And not quite, but nearly 50 percent.

But again, the overt strategy of the industry now is to get the patina of regulation so that they can now say these are officially safe products now. In particularly with some of the two X Black participation in the market. I mean, we are very concerned about the impacts of this.

And I would urge you to do everything you can to not let, they will try and leverage that it is being held by a regulated insured institution into a misimpression by consumers that the underlying asset is thoroughly regulated. And may be vetted, including by the FDIC.

MR. BROWN: Sure. So you can imagine, given the presentation we gave earlier,

you could imagine a crypto-asset company associating with an FDIC term and looking to show, or signal some sort of stability as something that would be concerning. And we keep our eye on that kind of issue.

More broadly on crypto-activity and banks. We've issued guidance from safety and soundness perspective, and a consumer protection perspective to banks, as well to consumers and consumer advisories. So generally we're thinking about that.

But to the extent that there is any sort of product that is new and where there is uncertainty or potentially volatility, that is even more concerning from a depositor insurance perspective. And if there is blurred lines and consumers are not clear whether it's deposited, whether even if it's insured, that's concerning. And so certainly that's something we're focused on as well.

MEMBER CALHOUN: I mean, if you go to

the Greystone poll, one of the questions they ask, crypto, existing crypto-investors, would you be more likely to invest additional, or if they're not, they have some that are not crypto-investors, if crypto were regulated. And of course most people say, of course, I'd be more likely to invest. By a fairly substantial margin.

So that is their game plan right now. And we are deeply concerned in terms of wealth building and wealth equity perspective.

MR. BROWN: Thank you for raising that issue. Questions from others? Liz, I think it might be all yours.

MS. ORTIZ: Mr. Chairman?

ACTING CHAIRMAN GRUENBERG: Well thank you. And thank you all for this presentation, which is very helpful and very much on point with the subject on the issue of concern for this Committee.

And if the public credibility of

deposit insurance is undermined, why would unbanked individuals or households open a bank account. I mean, it really goes to the very heart of what the FDIC is about and to the very heart of the issue that this Committee is concerned with.

And so in light of the increase in the, let's call it the activity in this area, across a multiple of players I might add, we all share an interest, as a regulator, as an industry, as a consumer, in the accuracy of this information and that the damage that can be done by misrepresentation. So it really is a, for our standpoint, a core issue for all us.

And very much appreciate both your support and your thoughts on this. And let me thank you both for the feedback you gave us this morning on the survey, as well as the very thoughtful and informative comments during the roundtable.

I am struck by the diversity of

perspectives on this Committee. I mean, you all do represent a diverse range of interests, background, perspectives that really inform us in terms of policy making in this area.

And we spent a couple of years in consultation with this Committee developing the safe account template. Which, you know, by focusing on an account-based debit card with lower no minimum balances and no overdraft fees, you know, we really tried to come up with a model that would lower the hurdle for access to the system in a way that would really serve the interests of those who were outside of the system.

And also be a model that, from a business standpoint, would be attractive and workable for the industry. And that was really what we were aiming for.

And to a remarkable degree, if I might say, we sort of threaded the needle. And the proof has been the uptake of the model by the

industry with the, I will say the industry was receptive from the outset. And I do think the leadership of Cities for Financial Empowerment and the Bank On movement is really a vehicle to promote. Has really made an impact.

And I think, you know, can't take all the credit for the numbers in the survey, but I think contribute to it. And even if we have a shift in the economic environment, I do think the impact here of the work has been real.

And, you know, I was trying to think, well, what's the next thing for us to do. And I guess the conclusion I've come to is, you know, you only get to come up with so many paradigms and we're not going to come up another single big paradigm. But when you come up with a paradigm, what you can do is build off of it.

And that really, to me, is sort of the forwarding looking agenda for us, and perhaps for this Committee as well. Because I think as the discussion this morning suggested, and the

roundtable discussion, there's a really huge upside opportunity here for us to build on. And that seems to me what we need to focus on from the strategic standpoint and think about how we can utilize the resources available to us.

Which are really pretty substantial, if you look at around the people at this table, and I think others, that we can bring in as partners to advance this effort. So we will give that some thought. And I would encourage you all to give it further thought.

And you've already shared with us some very valuable comments, but if you have any thoughts that you'd like to share with us in writing, we really would welcome them. We'll give it some thought. And maybe the next time we get together we can advance the conversation here.

So listen, thank you all, it's been a terrific day. And we thank you. And we'll see you next time in-person. Thank you all.

And thanks to the Staff. For this presentation, for the whole day and the work that you all did.

(Whereupon, the above-entitled matter went off the record at 3:55 p.m.