

FEDERAL DEPOSIT INSURANCE CORPORATION

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ADVISORY COMMITTEE ON ECONOMIC INCLUSION  
(ComE-IN)

+ + + + +

MEETING

+ + + + +

THURSDAY  
FEBRUARY 5, 2009

+ + + + +

The Advisory Committee convened at 8:30 a.m. in the Board Room at the FDIC Headquarters, 550 17<sup>th</sup> Street, N.W., Washington, D.C., Diana L. Taylor, Committee Chairman, presiding.

PRESENT

DIANA L. TAYLOR, Committee Chairman

SHEILA C. BAIR, FDIC Chairman

MARTIN GRUENBERG, FDIC Vice Chairman

KELVIN BOSTON, PBS's Moneywise with Kelvin Boston

MARTIN EAKES, Self-Help/Center for Responsible Lending

LAWRENCE K. FISH, RBS America and Citizens Financial Group

REV. DR. FLOYD H. FLAKE, The Greater Allen A.M.E. Cathedral of New York

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PRESENT: (CONT.)

ESTER R. FUCHS, Columbia University School of  
International and Public Affairs

RONALD GRZYWINSKI, ShoreBank Corporation of  
Chicago

WADE HENDERSON, Leadership Conference on  
Civil Rights

ALDEN J. McDONALD, JR., Liberty Bank and  
Trust Company

JOHN W. RYAN, Conference of State  
Bank Supervisors

PETER TUFANO, Harvard Business School

ELIZABETH WARREN, Harvard Law School

DEBORAH C. WRIGHT, Carver Bancorp, Inc.

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

2 8:48 a.m.

3 MS. TAYLOR: Good morning everybody  
4 and thank you all for coming. Our topic for  
5 today's session is strategies to increase  
6 access to the financial mainstream. Anyway,  
7 today people might wonder if that is actually  
8 a good thing.

9 (Laughter.)

10 MS. TAYLOR: Anyway, that is  
11 basically what we are here trying to do,  
12 getting people into the financial mainstream.

13 And as you all know, have heard, or read, the  
14 underserved population is huge as far as the  
15 banking sector is concerned. There are  
16 estimates all over the place, but they  
17 basically say that at least ten million  
18 households throughout the country, which is  
19 ten percent of the U.S. population, don't have  
20 a bank account.

21 And in New York City that's about  
22 the same thing, too. The estimate is that

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1 there are about 800,000 people in the city of  
2 New York that are underserved by the banking  
3 sector out of a population of eight million.  
4 So I've never really discovered where those  
5 numbers came from, but everybody seems to sort  
6 of say the same estimates. And many of these  
7 households that are underbanked continue to  
8 rely on alternative financial service  
9 providers for their financial needs and as we  
10 all know that is often at a very high cost.  
11 It costs a lot more to use that sort of  
12 service in regard to those banks.

13 And the sheer size of the  
14 alternative financial services industry with  
15 more than 300 billion dollars in revenue  
16 transacted annually, this should be a  
17 tremendous incentive for banks to pursue  
18 underserved consumers. It is a great untapped  
19 revenue source, one would think. In addition  
20 to prospects of extending their customer base  
21 and doing good in their communities, that  
22 would be a great incentive for banks to try to

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1 lure some of these people, this underserved  
2 population into their system. Banks are  
3 driven by a profit and you think there was a  
4 lot of profit there, so one of the things I'm  
5 going to be interested in hearing today is  
6 what are the barriers to banks actually going  
7 after this population and are there things  
8 that we can do to try and break some of those  
9 down?

10 So anyway our first panel today is  
11 going to explore exactly how banks are  
12 reaching out to underserved populations. The  
13 panel will feature a preliminary overview of  
14 the FDIC survey of banks efforts to serve the  
15 underbanked and unbanked population that  
16 intended to identify the challenges that banks  
17 face in serving the customers and highlights  
18 on the general strategies banks can use.

19 The second panel features several  
20 banks that have participated in the survey and  
21 they will discuss specific products they have  
22 used.

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1           The third panel represents a group  
2 of bankers and not-for-profit organizations  
3 most of whom are active in the FDIC's Alliance  
4 for Economic Inclusion or AEI effort. The AEI  
5 is a grass roots initiative of banks, not-for-  
6 profits, government agencies, public  
7 companies, philanthropic and faith-based  
8 groups, and others in eleven markets across  
9 the country that is intended to improve access  
10 to the financial mainstream. The AEI effort  
11 has been tremendously successful so far with  
12 nearly 1,000 members and more than 85,000 new  
13 bank accounts opened to date. This panel is a  
14 great opportunity for this committee to link  
15 up with the AEI members on the ground so we  
16 can hear firsthand of the kinds of products  
17 and strategies that have been proven  
18 successful for banks, bank partners and  
19 underserved consumers.

20           The afternoon session, after lunch  
21 we will build on the outcomes from the morning  
22 session and we will draw on the experience of

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1 this committee to help the FDIC staff identify  
2 and amplify the most effective strategies for  
3 reaching underserved consumers.

4 As usual, a few housekeeping items:  
5 please remember that only committee members  
6 and the panelists themselves are permitted to  
7 speak during the presentations and that this  
8 meeting is being webcast, everybody remember  
9 that, live, and being recorded for anybody who  
10 wants to listen to the words of wisdom that we  
11 talked about today.

12 So now I am going to turn the  
13 presentation over to Chairman Bair who will  
14 take a few moments to update us on items or  
15 things that have transpired since our last  
16 meeting.

17 CHAIRMAN BAIR: Right. I just want  
18 to say thank you all and thank you Diana for  
19 your tremendous leadership for this committee.

20 I have a very good statement here that would  
21 probably take me about 20 minutes to go  
22 through, so I'm going to just provide some

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1 highlights but perhaps we could hand it out  
2 for the public record because it really is a  
3 good summary of what this advisory committee  
4 has accomplished so far. But just to give you  
5 an update.

6 Our first initiative, our first  
7 meeting was the Small Dollar Loan pilot  
8 recommending that the FDIC launch a Small  
9 Dollar pilot program and that I think has been  
10 going on very well. We have 31 banks in the  
11 pilot. About 12,000 Small Dollar Loans have  
12 been made since the pilot began and most are  
13 profitable or at least breaking even. I think  
14 most of the banks participating feel that even  
15 if it is not turning a profit, it is good for  
16 relationship-building and so hopefully the  
17 experiences that they have gained there will  
18 help us convince more banks to offer this very  
19 important product, especially as the economy  
20 becomes more challenging. There will be an  
21 increasing need for responsibly-priced Small  
22 Dollar Loans.

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1 Money service businesses and some  
2 of the issues associated with banks doing  
3 business with money service businesses and  
4 what an MSB is and what the regulatory  
5 requirements are. There has been a lot of  
6 confusion there. And that has, I think,  
7 impaired the ability of banks in the low- and  
8 moderate-income communities to fully serve  
9 those who need financial services. I think we  
10 have made some progress with FinCEN in getting  
11 more clarity on what an MSB is and that work  
12 continues but I am optimistic that is going to  
13 resolve itself fairly soon.

14 We also had a forum on low- and  
15 moderate-income mortgage lending as you  
16 recall. It was a tremendously successful  
17 forum. A lot of very prestigious speakers who  
18 shared a lot of good ideas about what  
19 responsible, sound, sustainable mortgages  
20 designed for the LMI community look like or  
21 should look like going forward. We had some  
22 tremendous ideas. We put that together in a

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1 financial institution letter that we sent out  
2 to all of our institutions and a number of the  
3 ideas are being implemented and the banks are  
4 participating in our Alliance For Economic  
5 Inclusion.

6 Finally on loan modifications, this  
7 committee also was an early advocate for wide  
8 scale restructuring of troubled mortgages. We  
9 were able to pioneer a systematic loan  
10 modification protocol at IndyMac bank which so  
11 far we have completed 10,000 loan mods and  
12 several more in the pipeline. We are taking  
13 them down to a 31 percent debt-to-income ratio  
14 through a combination of interest rate  
15 reductions, extended amortization, and  
16 principal forbearance. We have also put a Mod  
17 in a Box on our website so that other  
18 servicers can use this. It is a very  
19 simplified protocol, how to do it at the NPV  
20 test. The investors obviously require that  
21 you do a net present value test of the loan  
22 modification over closure value, so we have a

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1 simplified process for doing that as well and  
2 I think it has been helpful.

3           Since then Fannie and Freddie have  
4 announced somewhat similar protocols. Bank of  
5 America, J.P. Morgan Chase, I think, and I  
6 hope we are migrating towards a national  
7 standard with at least a 31 percent debt  
8 income ratio. I think the affordability, the  
9 meaningful payment reduction, is really key to  
10 making sure that those and making it a life-  
11 long. No more payment shocks are really key  
12 to making sure that the folks can continue to  
13 pay on their restructured mortgage. So I am  
14 very optimistic about the future of loan mods  
15 and certainly the new administration has  
16 indicated a very strong commitment to getting  
17 these loans restructured and preventing  
18 foreclosures and spending real money to do  
19 that. So I have high hopes that we will be  
20 gaining real momentum on this.

21           Finally on asset building, I think  
22 we had again some wonderful ideas on how to

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1 facilitate savings, more savings among the LMI  
2 community and truly in a category of taking a  
3 lemon and making lemonade. We've been working  
4 with Peter and others on perhaps mirroring  
5 savings with lotteries. So I think there's a  
6 lot of good progress there and thank you,  
7 Peter, for all of your work and those of your  
8 students in trying to get something going  
9 there through FDIC partnerships and certainly  
10 to the extent banks can play a responsible  
11 role in facilitating those savings accounts  
12 linked to lottery participations. I think  
13 that would be a very helpful thing.

14 So finally, we have this wonderful  
15 unbanked survey that was spearheaded by Vice  
16 Chairman Gruenberg and Barbara Ryan which we  
17 are going to be hearing about now and I read  
18 it but I'm looking forward to the presentation  
19 as well. And before I think the panel starts,  
20 Marty, would you like to say anything?  
21 Barbara why don't you go ahead and take it  
22 away.

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1 MS. RYAN: Thank you Chairman Bair.  
2 Good morning everyone. I am Barbara Ryan,  
3 Deputy to Vice Chairman Gruenberg. I'll be  
4 moderating this panel discussion on the FDIC  
5 survey of bank's efforts to serve the unbanked  
6 and underbanked and, as Chairman Bair  
7 mentioned, I've also been managing this  
8 project for the FDIC.

9 I'd like to begin by introducing my  
10 fellow panelists. Ed Bachelder, to my  
11 immediate right is director of research at  
12 BlueFlame Consulting and until recently was  
13 director of research at Dove Consulting which  
14 the FDIC retained in 2007 to help us design an  
15 administrative survey effort. Ed oversaw  
16 Dove's work on this project and has also  
17 contributed to over 230 research studies while  
18 at Dove Consulting including many involving  
19 banking and payments topics.

20 To Ed's right is Michael Barr,  
21 professor of law at the University of Michigan  
22 Law School. And Michael is a well known

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1 expert, as many of you know, on financial  
2 matters, author of many notable publications  
3 concerning financial services and low- to  
4 moderate-income households, and Professor Barr  
5 serves as an advisor to the FDIC and Dove  
6 Consulting on this survey effort. Both of  
7 their bios are in your materials.

8 I'm looking for my slides now. I'm  
9 sorry. So over the next few minutes I am  
10 going to quickly review some background on the  
11 survey. Ed is going to share with us some of  
12 the results from the survey and then Professor  
13 Bar will share some of his thoughts on the  
14 implications and the recommendations related  
15 to the findings of the survey. And we will  
16 also have time for some Q and A.

17 So by way of background, the FDIC  
18 conducted this survey in response to a mandate  
19 under the Federal Deposit Insurance Reform Act  
20 of 2005 which requires the FDIC to conduct bi-  
21 annual surveys on the efforts of secured  
22 institutions to serve the unbanked. The

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1 statute asks the Chairman of the FDIC to  
2 report to Congress on the results and findings  
3 of the survey including recommendations for  
4 legislative or administrative action as the  
5 Chairman deems to be appropriate.

6 Okay, so the Reform Acts lists a  
7 number of factors and questions for the FDIC  
8 to consider in conducting the survey. But it  
9 actually left pretty wide latitude in terms of  
10 the design of the survey. So to take a step  
11 back, while we don't have concise estimates of  
12 the numbers of the unbanked, which is defined  
13 as those who rarely if ever have held an  
14 account at an insured institution, we do know  
15 that it is substantial and that there are  
16 millions of Americans without bank accounts.  
17 We also know that an even larger number of  
18 Americans are underbanked. They have a bank  
19 account but they also rely on non-bank  
20 financial service providers such as check  
21 cashers and early on, the decision was made to  
22 focus the FDIC survey efforts not only on the

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1 unbanked as the statute requires, but the  
2 underbanked and -- because many of the issues  
3 confronted by the unbanked also are faced by  
4 the underbanked.

5 So the FDIC conducted the first  
6 bank study during 2008. This survey was  
7 designed to address factors and questions that  
8 were raised in the statute. Broadly speaking  
9 the goals of the survey were to identify the  
10 extent to which banks are serving the banking  
11 needs of the unbanked and the underbanked, to  
12 identify challenges affecting the ability of  
13 banks to serve them, and identify innovative  
14 efforts that banks use to serve the unbanked  
15 and the underbanked.

16 The Reform Act also asked the FDIC  
17 to provide a fair estimate of the size and  
18 worth of the unbanked market. This isn't  
19 really a question that can be easily asked of  
20 banks. Many do not know the answer to that  
21 question. So the FDIC is addressing this  
22 issue with a separate survey effort, a

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1 household survey, being conducted jointly with  
2 the Bureau of the Census. After a lengthy  
3 planning process, just three weeks ago the  
4 Census actually conducted a supplemental  
5 survey to its monthly current population  
6 survey on behalf of the FDIC. That survey was  
7 designed to identify the number of unbanked  
8 and underbanked households in the U.S., their  
9 demographic characteristics and the factors  
10 hindering their use of banks. The survey was  
11 administered to about 50,000 households. It  
12 will provide the first reliable national and  
13 regional estimates of the number of U.S.  
14 households that are unbanked and underbanked  
15 and the related information that we are  
16 seeking. And we expect to release the results  
17 of that survey later this year.

18 Now back to the bank survey. It  
19 was composed of a mail-in survey questionnaire  
20 sent to about 1,300 banks in three different  
21 size classes. The surveys were mailed out in  
22 the Spring of 2008 by Ed and his team at Dove

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1 Consulting. Participation was voluntary and  
2 685 completed questionnaires were returned,  
3 resulting in a 54 percent response rate. The  
4 survey also involved 16 case studies on banks  
5 in order to highlight innovative efforts to  
6 serve the unbanked and the underbanked. And  
7 these banks were chosen based on a variety of  
8 criteria, including demonstrated evidence of  
9 their efforts and their successes. The survey  
10 instrument asked a lot of questions regarding  
11 the bank's education and outreach obstacles,  
12 access account opening issues, products and  
13 services offered by banks that might appeal to  
14 the unbanked and underbanked.

15 It is going to review some key  
16 survey findings in detail at a very, very high  
17 level. To set the stage, this is what the  
18 survey revealed. Again, I want to emphasize  
19 that the survey, this tremendous amount of  
20 data that we received and we still need to  
21 analyze a lot of this data, but at just a very  
22 high level what we found is that most banks,

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1 the results revealed that most banks are aware  
2 that there are opportunities to serve  
3 underbanked and unbanked individuals in their  
4 areas. Yet relatively few have made it a  
5 priority and there is a tremendous untapped  
6 opportunity out there. While many banks do  
7 provide basic financial education materials --  
8 certain types of efforts of outreach were  
9 identified as most effective by the industry  
10 and these such as educational sessions,  
11 outreach partnerships -- fewer banks  
12 participate in those types of efforts. We are  
13 going to hear more about some banks that have  
14 been very highly successful in those efforts  
15 in the next session when we get into the case  
16 studies.

17 We also found that most banks offer  
18 basic accounts, checking accounts, savings  
19 accounts to all customers. These are basic  
20 accounts, but fewer offered the sorts of  
21 products that are specifically tailored to the  
22 unbanked and the underbanked.

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1           And finally, in terms of the  
2 challenges, many banks are concerned about the  
3 profitability of serving unbanked and  
4 underbanked individuals. And they are also  
5 concerned about perceived regulatory issues  
6 and impediments including anti-money  
7 laundering regulations. So there's a lot more  
8 in the survey results. The report is over 300  
9 pages long. But before I turn to Ed I do want  
10 to recognize the 16 case study banks that were  
11 profiled in the study for their innovative  
12 efforts to serve this segment. I don't have  
13 time to go over the details of each of these  
14 case studies but they are grouped here under  
15 the category most closely matching their  
16 efforts.

17           Not exclusively, but 16 are listed  
18 on the slide. Descriptions of each bank's  
19 efforts are in the FDIC executive summary that  
20 will be released very shortly as well as  
21 complete written case studies are in the  
22 detailed report prepared by Dove Consulting,

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1 those of which will be available on the FDIC  
2 website. And you'll hear from the four banks  
3 identified in red on the slide since they are  
4 here with us today and they are going to share  
5 their experiences in the next panel  
6 discussion.

7 And now I am going to turn this  
8 over to Ed and he'll provide a more detailed  
9 review of the survey results.

10 MR. BACHELDER: Thank you Barbara.  
11 I'm Ed Bachelder. I appreciate the  
12 opportunity to address this committee and all  
13 the good work that it does and I'm delighted  
14 and honored to work on this national survey of  
15 bank's efforts to serve the unbanked and  
16 underbanked.

17 Before I get started, I just want  
18 to give a little bit of background in terms of  
19 methodology. The survey went out, as Barbara  
20 mentioned, to around 1,300 banks. For those  
21 who speak statistics, the sample frame had  
22 about 1,287 FIs that we ended up surveying out

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1 of the 7,487 banks that had retail offered  
2 that would have branch operations for people,  
3 who might come in off the street. We broke  
4 them out in terms of three tiers. Tier one  
5 were the top 25 banks. Tier two were banks  
6 that were over a billion but not a top 25.  
7 And tier three were banks with assets of less  
8 than one billion.

9 In terms of the results we had 685  
10 participants but because of the stratified  
11 sample design, even though we have a smaller  
12 sample, we had a very high participation rate,  
13 96 percent of the top 25 banks. That gave us  
14 a much better representation of the industry  
15 than if it was a random sample. And our  
16 response rates, and Professor Barr encouraged  
17 me to mention this, is -- our response rate of  
18 54 percent overall is about double what you  
19 would typically find in a commercial survey.  
20 And if you just want to think very loosely  
21 about it, approximately 70 percent of insured  
22 bank assets were covered by the banks who

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1 participated and responded to this study. But  
2 the percentages and numbers you will see in  
3 the report are weighted percentages that would  
4 reflect banks across the industry. So think  
5 about it as banks. But in terms of the  
6 coverage, be aware of that.

7 I don't know if people can see but  
8 if we go to slide ten and there should be a  
9 handout with color so people can see it. As  
10 Barbara mentioned, one of the first things  
11 that jumps out of the survey is that the  
12 majority of banks are aware that there are  
13 unbanked and underbanked individuals in their  
14 market areas. Specifically the tier one banks  
15 they all said we don't. The tier two, 90  
16 percent, the tier two banks have 71 percent.  
17 There are some who don't know but in general  
18 the larger banks seem to be very aware of the  
19 unbanked existing. Yet despite that, if you  
20 go across the industry study, you'll see that  
21 only 18 percent of banks have identified  
22 expanding services to these groups as a

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1 priority of their business strategy.

2 We had a number of questions in  
3 this very long survey and we asked, we  
4 developed certain themes in different ways.  
5 But one of the areas that we explored is what  
6 was effective. What methods were working?  
7 And we had a very simple question that you can  
8 probably read faster than I can say, but  
9 essentially we were asking banks to rank or  
10 sort different types of programs as what was  
11 the most effective to less effective. And the  
12 number one ranking was providing financial  
13 education sessions as having - providing a  
14 benefit that leads to account relationships.  
15 The second one was participation with other  
16 organizations outside of the bank. Outreach  
17 going out to employers and community centers.  
18 And then financial education materials were  
19 the fourth and targeted marketing. Targeted  
20 marketing is a challenge because you don't  
21 necessarily know where they live or who the  
22 customers are. A lot of challenging

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1 demographics, so that could be understood, and  
2 then "other". So if you think about it, those  
3 are the top methods.

4           If you turn to the next slide. The  
5 banks have indicated what they thought was  
6 effective but if you look at what banks are  
7 actually able to do and do commonly is most  
8 provide financial education materials. But  
9 they tend to do, tier 1 banks tend to provide  
10 the types or forms of education outreach  
11 viewed as most effective. So, for example,  
12 the left pie, does your bank provide financial  
13 education materials aimed at the unbanked or  
14 underbanked, 63 percent do. That could be a  
15 passive method, some literature or brochure.  
16 On the right hand side: do you teach literacy  
17 or education sessions, the more active method.  
18 You can see that 47 percent of banks don't.  
19 And in terms of where it does occur, 35  
20 percent are off-premise and many banks have  
21 described the challenges of getting sessions  
22 in their own facilities so typically they have

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1 to go out somewhere or a combination. So it  
2 is kind of, I think it is a challenge that  
3 banks face at that level. But, in any event,  
4 tier 1 banks are using that more effective  
5 method by their own results.

6 The next slide. Looking at some of  
7 the challenges for banks that serve the  
8 unbanked and underbanked, we asked them to  
9 rank what they were. On the top of list  
10 profitability, followed by regulatory, fraud  
11 concerns, high cost of customer acquisition  
12 and down at number five was competition from  
13 other service providers, which is kind of  
14 interesting when you think about the unbanked  
15 and underbanked, especially the underbanked,  
16 where somebody might have an account at a bank  
17 but chooses to cash a paycheck at a check  
18 cashing or facility is a very interesting  
19 thought. So the banks aren't reading that as  
20 a top barrier. And 40 percent of banks  
21 perceive regulatory issues as impeding their  
22 ability to serve this market.

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1           When asked, we had a question that  
2 asked about what are banks doing, what have  
3 they done to try and become more accommodating  
4 and modify their operations, retail  
5 operations, branches to serve the unbanked and  
6 underbanked. 64 percent of banks reported  
7 that they have modified their retail branches  
8 to make them more welcoming or convenient to  
9 the unbanked or underbanked, but the method  
10 that was used as I think with branches were  
11 including operations is the top thing that was  
12 mentioned was internet and mobile banking and  
13 that's a timely topic in financial services  
14 world. Mobile banking, we have to realize  
15 this, for some banks includes a van or going  
16 out to a facility. So it is not necessarily  
17 the cell phone that you might think about it.

18       It isn't the cutting edge, it is the going  
19 out to the retirement area or the factory or  
20 location like that to provide services at  
21 specific times.

22           Adding ATMs, extending branch hours

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1 is very common. Many banks have extended  
2 their hours and there are many that use  
3 supermarkets and other facilities that are  
4 open longer. But when you go down toward the  
5 bottom, you'll see new branches in LMI areas.

6 Actually really changing the branches or  
7 looking at non-traditional locations. That is  
8 used much less. Fewer banks have made efforts  
9 that way.

10 Next slide. So if we sort of think  
11 about what banks services are, then the first  
12 challenge for a bank is when you walk in the  
13 door, I don't know whether you are banked or  
14 unbanked. I don't know. All I know is you  
15 are not a customer. So for many banks it is  
16 either customer or non-customer. If you are a  
17 customer I know something about you and I have  
18 a lot less worry. If you are a non-customer,  
19 I have a lot of concerns that I need to take  
20 care of. Therefore, typically the services to  
21 non-customers, the top of the list is I'll  
22 cash a check that is drawn on my bank. So

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1 banks will do that whether you are a customer  
2 or not. However, if you come to that bank  
3 with a local payroll check, for example, this  
4 will be mentioned later but 32 percent of  
5 banks won't cash a local payroll check unless  
6 it is drawn on their bank. So you have to  
7 think about not competing with an alternative  
8 financial services provider. I think that is  
9 an important issue to think about. And then  
10 in terms of making payments, 37 percent of  
11 banks won't do bank checks or money orders for  
12 people who don't have a relationship with that  
13 bank. They are concerned at that level and  
14 only six percent offer international  
15 remittances for non-customers. So I think  
16 that follow up or continuation in services  
17 makes sense when you think about the  
18 regulatory issues and the Patriot Act.

19 So then the other big challenges  
20 for banks serving the non-customers,  
21 identification. Typically it is going to  
22 depend upon some sort of government issued

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1 photo ID. So 92 percent take their driver's  
2 license. And then as you drop down to other  
3 types of licenses, and this is spelled out in  
4 a lot more detail in the report, but you get  
5 down to 20 percent will take the matricula and  
6 38 percent will accept ITINs to cash a check.

7 And I mentioned the regulatory issues.

8 Next slide. So, say you are  
9 unbanked or underbanked. Now you have to look  
10 at I want to become a customer. There are  
11 policies and procedures I have to go through  
12 in order to become a customer. And some of  
13 these policies and procedures are well-  
14 founded, good management but they present  
15 obstacles for somebody opening an account.  
16 So, for example, if you have a blemished  
17 credit history, you are going to end up  
18 probably going through a third party credit  
19 check or debit risk management program like  
20 the check systems. It is going to look and  
21 see do you have any derogatory information  
22 about your background. And if so, banks will

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1 tend to, at that point, choose not to open an  
2 account or will go through a process. So  
3 there's a lot of hurdles if you have had  
4 trouble in the past getting back in. And then  
5 the other one is identification because the  
6 bank wants to make sure they know who you are,  
7 you know, so they can track you down. So it  
8 goes back to government issued IDs as the key  
9 item. So if you don't have that you will have  
10 a harder time using the bank.

11 One of the key areas of the study  
12 was what kind of products and services do  
13 banks offer for unbanked and underbanked  
14 individuals? And it really comes down to  
15 essentially most banks are going to offer a  
16 basic deposit account that doesn't require a  
17 minimum balance. Sixty-two percent offer a no  
18 minimum balance account and that will include  
19 free check writing in their most basic  
20 account. So if you see the pie chart, you'll  
21 see there is 62 percent that have no minimum  
22 balance required. Eight percent will take no

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1 minimum if you have direct deposit and then  
2 another 30 percent will require a minimum  
3 balance. But 30, I guess the key point is 99  
4 percent of these accounts have overdraft  
5 charges that will go with it. So somebody who  
6 has minimal funds and isn't up on their  
7 account statements has a good chance of  
8 encountering overdraft charges which can be an  
9 obstacle to maintaining a bank account.

10 Next slide please. In terms of  
11 products, this is probably a very sleepy  
12 chart. But as you start going through the  
13 different types of products that banks offer,  
14 when you start getting down to those tailored  
15 that might be very unique to the unbanked and  
16 underbanked, the IDAs, eight percent of banks  
17 offer those and typically when a bank offers  
18 those, you don't count those and really don't  
19 count those in thousands. You may count them  
20 in dozens or hundreds.

21 Workplace based programs, going out  
22 and working at an employer site. We are

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1 working at the volunteer tax assistance. They  
2 are trying to help people sign up for  
3 accounts. I think Professor Barr will  
4 probably want to comment about that. But I  
5 think the issue you want to really think about  
6 is for somebody who's not doing well in their  
7 check system screen, what does the bank do?  
8 And only 25 percent of the banks in the study  
9 reported having an option - an account that  
10 they could then queue up for somebody to do.  
11 Today one of the panelists for one of the case  
12 study banks, their bank actually has something  
13 that's not called a second chance but an  
14 opportunity checking account where they  
15 minimize the amount of ATM withdrawals and  
16 deposits, no overdrafts allowed, to really  
17 constrain the account to get people on track  
18 before they let them graduate or move up to a  
19 more traditional account.

20 Next please. And then in terms of  
21 the services provided when we were asking what  
22 banks efforts are in terms of branch

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1 strategies to serve unbanked and underbanked  
2 in the market areas, and the most popular item  
3 was check cashing. That was 49 percent of  
4 banks who use that as a strategy and money  
5 orders. Both of those are pretty big cards.  
6 So this is really trying to look at what  
7 financial service providers offer and what do  
8 the banks offer. And you can see that your  
9 numbers would be very different in terms of  
10 who the competition is for banks within this  
11 market segment.

12 There we go. So, one of the key  
13 challenges as we talked about, whether you are  
14 able to cash a check or not is whether you get  
15 cash when you come in with a check. If you  
16 look at the survey responses, you'll see that  
17 the funds availability for checks is in  
18 compliance with federal regulations but is  
19 pretty slow for many people relative to non-  
20 bank check cashing services. So, for example,  
21 36 percent of -- if you can follow the segment  
22 you see the green and the yellow, so 64

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1 percent. So the majority of banks will give a  
2 personal check or business check drawn at that  
3 bank immediate funds availability and still  
4 cash that check. Other ones are going to wait  
5 a day. So you may not get your money. Now  
6 what is interesting is these are for people  
7 who have an account at that bank. So these  
8 aren't just walking in off the streets. So  
9 these are for their customers, established  
10 customers. And I believe an "established  
11 customer", it meant they had an account for  
12 more than 30 days. So they have already had a  
13 cycle. Government checks, 48 percent. When  
14 you start going to payroll checks, you can see  
15 that for many banks they don't give immediate  
16 availability to their own customers. And then  
17 you can work your way through different types  
18 of checks that would have more and more risk  
19 potentially. These are for checks under  
20 \$2,500 and are local.

21 So I think that's probably one of  
22 the key things to consider. That is, what is

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1 the availability and the reason I bring that  
2 up is these are rules that were established  
3 many years ago before Check 21 and the check  
4 clearing and forwarding. So the technology  
5 has moved ahead in banking and the rules are  
6 the same. So I just suggest this might be an  
7 area for exploration.

8 And then the next slide. In terms  
9 of credit products, we found that banks offer  
10 few advanced products. So for example, if I  
11 want to get an advance on my paycheck or an  
12 advance on a scheduled direct deposit or  
13 credit card - it is targeted on individuals -  
14 so there aren't that many banks that offer  
15 products like that. Fewer than six percent  
16 will give an advance on funds or against an  
17 anticipated direct deposit and that would  
18 include things like government and payroll.  
19 And I guess the final point here is that two-  
20 thirds of banks, 69 percent, offer closed and  
21 unsecured loans for up to \$5,000 but the  
22 requirements make it harder for an individual

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1 to, an unbanked or underbanked customer, to  
2 access these to avoid more costly payday  
3 loans.

4 So I moved right through these and  
5 there are some recommendations, but would you  
6 like to --

7 MR. BARR: Do you want to talk  
8 about the FDIC recommendation first or do you  
9 want me to comment first?

10 MS. RYAN: I'll mention that.

11 MR. BARR: Great.

12 MS. RYAN: And then you can take  
13 it away. As I mentioned a few minutes ago,  
14 the statute requires that a report be  
15 transmitted to Congress and it also suggests  
16 that the Chairman of the FDIC make  
17 recommendations for legislative or  
18 administrative action as she deems  
19 appropriate. And there is one recommendation  
20 that the FDIC is suggesting, that you just put  
21 out there, which is to consider defining a  
22 shared national goal, government industry

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1 goal, to lower the number of unbanked and  
2 underbanked households in the United States.  
3 This is not a problem that is uniquely the  
4 industry's or the government's. It is a  
5 shared problem and so that's an idea to put  
6 out there. It could involve, for example,  
7 creating a national task force to provide  
8 oversight and guidance, suggestion for doing  
9 such a thing. And of course any such goal  
10 would need to be based on reliable statistics  
11 which, as many of us know, don't currently  
12 exist, but hopefully we will have some better  
13 statistics soon on this to provide a tracking  
14 measurement. So that's one suggestion. I  
15 know that Professor Barr has thought about  
16 this a great deal and maybe has some more. So  
17 let's move into this session.

18 MR. BARR: Thank you very much,  
19 Barbara, and I just wanted to say thank you to  
20 Chairman Bair and to Vice Chairman Gruenberg  
21 and to the chair of the committee, Diana  
22 Taylor, for inviting me to participate in this

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1 project overall and also for inviting me this  
2 morning. The FDIC's leadership on this issue,  
3 I think, is really extraordinary. I don't  
4 have to tell any of you that, but you take a  
5 step back and look at the range of issues  
6 facing the FDIC over the last few years. The  
7 fact that Chairman Bair has decided to make  
8 this a central part of her leadership I think  
9 is quite extraordinary so I'm thankful for  
10 that on behalf of everybody. I also want to  
11 thank Barbara. It has been just a real  
12 pleasure to work with the FDIC and with  
13 Barbara and her team on this project. It is  
14 just an extraordinary group of people and  
15 working with Ed Bachelder again has just been  
16 a delightful experience too. Ed and I first  
17 worked together more than a decade ago when  
18 the federal government was tasked with the  
19 idea of making benefit payments electronically  
20 under the electronic funds transfer program,  
21 the EFT 99. Ed was instrumental in deepening  
22 our understanding at the Treasury at the range

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1 of issues facing unbanked federal benefit  
2 recipients, very much shaped the nature of the  
3 program that was instituted as a result of  
4 that. So it is a delight to be working with  
5 him again.

6 I want to make a couple of comments  
7 about highlighting a few things that both Ed  
8 and Barbara said, and then suggest for  
9 conversation a handful policy ideas building  
10 on the FDIC's recommendation.

11 I think there are, the central  
12 level of finding that I want to really focus  
13 on with respect to this study, which I should  
14 say also is, both this study and the CPS study  
15 that has just been done a real, scientific  
16 improvement. I think that one of the key  
17 findings from this report is that while many  
18 banks are engaged in lots of activity there is  
19 not a real focus on the kind of activity that  
20 is tailored particularly to the needs of low-  
21 and moderate-income households. So I think,  
22 in thinking about the next kinds of steps that

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1 we would hope that the banking sector comes  
2 to, there would be a set of steps that are  
3 based on a deeper understanding of what works  
4 and what doesn't in financial education, for  
5 example. And what works and what doesn't in  
6 the development and offering of products that  
7 are specifically tailored to the needs of low-  
8 income households. So these would be, for  
9 example, a safe and affordable bank account.  
10 So the basic bank account product that most  
11 institutions offer is a checking account with  
12 high risk of overdraft and high fees. And  
13 that kind of product doesn't work well for  
14 low- and moderate-income households. So I  
15 think we need to channel more of our energy  
16 away from the idea of any basic account and  
17 any financial education is an improvement and  
18 toward what is it particularly that financial  
19 institutions can do to offer low-income  
20 households a safe and affordable bank account.  
21 An account without checking perhaps. An  
22 account without overdraft in it. An account

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1 that lets them receive their income from a  
2 variety of sources, electronically and easily  
3 from federal benefits to state benefits to  
4 income from work. So having an efficient  
5 mechanism for low-income people to receive  
6 their income means it is less likely they are  
7 going to have to pay a lot of money to go to a  
8 check casher. We need a system that makes it  
9 easy for low-income people to save. I'm not  
10 talking about for long term purposes or  
11 retirement. I mean to build a cushion for in  
12 the case of emergencies. Too much of our  
13 conversation about savings is focused on long  
14 term goals and not enough on the need for  
15 short term emergency cushions. We need to  
16 build into our financial products automatic  
17 savings plans that help people build a cushion  
18 in their bank accounts.

19 And the third issue, which Chairman  
20 Bair already highlighted, is the need for a  
21 safer, lower cost credit product that can be  
22 built into these kinds of accounts. Financial

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1 institutions are able to do that at lower  
2 costs than the non-banking industry, but have  
3 not really pursued this as a strategy in  
4 meeting the needs of low-income households in  
5 this way.

6 So I think there's enormous  
7 potential that is embedded in these survey  
8 findings to redirect some of the energy in the  
9 financial sector.

10 Let me suggest, that in addition to  
11 what the private sector can do, a number of  
12 government focused ideas for discussion. One  
13 of them, Ed has already highlighted. That is  
14 with respect to funds availability policy.  
15 Our funds availability policies for banks are  
16 a real impediment to getting more people, the  
17 low-income people in the financial system.  
18 And with the advances in technology we've seen  
19 in the last several years and with check  
20 truncation authority we should really  
21 seriously reevaluate, at least for the largest  
22 institutions that are able now technologically

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1 to do better, requirements for greater speed  
2 and funds availability.

3 The second initiative that I think  
4 that we can take is with respect to  
5 encouraging a direct deposit. Direct deposit  
6 has become relatively commonplace for large  
7 institutions in their interactions with large  
8 banks for their employers. It is much less  
9 common for smaller banks to offer as an easy  
10 service for firms they do business with and  
11 for smaller firms to offer to their employees.

12 And a real focus on direct deposit, I think  
13 would bring more low-income people into the  
14 banking system and reduce their costs of using  
15 non-banks for check cashing services.

16 A third idea is to expand on the  
17 work that the states have already done with  
18 respect to electronic benefits transfers.  
19 There's been enormous progress in reducing the  
20 cost for states of getting state benefits onto  
21 a debit card. There has not been very much  
22 energy put into the incredible functionality

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1 that card could have for low- and moderate-  
2 income people. If we view it not as just a  
3 means of transferring income payment but also  
4 as a means of getting other income from non-  
5 state sources, developing automatic savings  
6 plan, providing other kinds of products and  
7 services that low-income people need. So  
8 there's a lot of action that could happen at  
9 the state level.

10 An idea also with respect to really  
11 moving to the level of the federal government  
12 there are I think three initiatives might be  
13 useful or in order for discussion. One of  
14 them is with respect to greater attention  
15 under the Community Reinvestment Act to  
16 positive innovation and services. There's not  
17 been very much attention paid in the services  
18 test at all under CRA. And in general when  
19 that attention is paid, it is the question,  
20 was there a bank branch opened or closed?  
21 Which is really not that relevant to is a low-  
22 income person getting access to a financial

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1 product that works for them? So I think a  
2 greater focus on that would help.

3 And two ideas in the tax area. One  
4 is that the IRS right now if I'm a low-income  
5 person receiving the earned income tax credit  
6 and I don't have a bank account, I have to  
7 wait six to eight weeks longer than a banked  
8 person to get my refund check. It puts  
9 enormous pressure on low-income people to take  
10 out expensive refund anticipation loans, which  
11 they do. If the IRS were to direct deposit  
12 their tax refund into an account that the IRS  
13 itself made available to a low-income person  
14 through the private banking industry, that is  
15 under a roster of banks that agree to  
16 participate, banks get more customers, low-  
17 income people get into the banking system, we  
18 reduce the incidents of refund anticipation  
19 lending, and people get their money faster.  
20 So it is a way right now to get through the  
21 IRS much greater entrance into the banking  
22 system. And the last idea may not be

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1 especially politically popular in the current  
2 environment, but it is to provide financial  
3 institutions with a tax credit for offering  
4 low cost, safe and affordable accounts to low-  
5 and moderate-income consumers. Our studies  
6 suggest that profitability is one of the key  
7 barriers to serving low- and moderate-income  
8 people. If we were to offset the affixed  
9 amount of the cost of opening an account for  
10 low-income households, we might be able to  
11 rather efficiently make a big difference to  
12 the provision of those accounts. And I think  
13 the dollars involved do not need to be too  
14 high.

15 So that's quite a long list of  
16 ideas. It is really designed to start a  
17 conversation and I again want to thank Barbara  
18 and Ed for their partnership on this and  
19 Chairman Bair for her leadership on this  
20 issue.

21 MS. RYAN: Thanks Michael. I  
22 would like to open this up for discussion and

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1 before I do that I just have one thing I would  
2 like to mention that, in addition to it being  
3 a tremendous pleasure to work with Ed at Dove  
4 Consulting and Professor Barr, we've had a  
5 team here at the FDIC that's put a lot of work  
6 into this over the past two years. Yasmine  
7 Osaki, Susan Burhouse, Katherine Samolyk, Luke  
8 Reynolds, Angelisa Harris, Leneta Gregorie and  
9 David Chapman have all been working here with  
10 me and very involved in this issue which we  
11 are all quite passionate about. So with that,  
12 I would like to open it up for any questions  
13 or comments.

14 VICE CHAIRMAN GRUENBERG: I have.

15 CHAIRMAN BAIR: Vice Chairman  
16 Gruenberg would like to make a few comments  
17 then.

18 VICE CHAIRMAN GRUENBERG: I didn't  
19 want to preempt these guys at the offset  
20 because they have really done the work and I  
21 really think they have done, provided us with  
22 an outstanding piece of work here does break

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1 new ground in this area. I think this is a  
2 big issue that to a certain extent has  
3 received less attention than it should have.  
4 Access to financial services for low- and  
5 moderate-income people is a huge economic  
6 issue both in terms of the cost of those  
7 services and the quality or reliability. And  
8 the way in which those services are provided  
9 have a real economic opportunity and income  
10 consequences for low- and moderate-income  
11 people. And there has been a lack of careful,  
12 reliable information in simply understanding  
13 how those services are being provided and the  
14 obstacles that are presented to people in  
15 getting access to services on a responsible  
16 basis. I think the real purpose here, and in  
17 part it was the opportunity that was created  
18 by this statutory requirement and the deposit  
19 insurance reform law was really to build a  
20 base of reliable information to try to develop  
21 what we hope will be more effective strategies  
22 in this area. I think this survey in a sense

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1 is the first step in trying to get a handle on  
2 what banks are actually doing and in  
3 particular the case studies we are going to  
4 hear about in terms of innovative programs the  
5 financial institutions have implemented. I  
6 think quite importantly is this survey that  
7 the Census is conducting in collaboration with  
8 the FDIC which will be really the first  
9 reliable national survey of who's unbanked and  
10 underbanked in the United States. Diana  
11 referred to it in her opening remarks. We  
12 have general numbers that are thrown around  
13 based on a variety of studies that have been  
14 done, none of which are really as reliable or  
15 far-reaching as we would like. I think with  
16 this survey which will be on a very large  
17 national sample and we'll get into some depth  
18 in terms of the services people used and the  
19 obstacles that they confront. We will really  
20 be able to get on a national regional even  
21 state-by-state and perhaps a metropolitan area  
22 basis who's unbanked and the issues that they

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1 confront in terms of getting access to  
2 services. So I think we really have an  
3 opportunity here both to develop the  
4 information and come up with some responses  
5 that will have an impact and I just wanted to  
6 make that comment and again thank the people  
7 here at the table and the outstanding team at  
8 the FDIC that's really helped put this  
9 together.

10 MR. McDONALD: Thank you. I would  
11 like to first of all congratulate you on the  
12 information you have provided us today from  
13 your survey. And in listening to your  
14 presentation and listening to how you went  
15 about the survey, one piece dawned on me that  
16 I'd like to ask whether or not you took into  
17 consideration some effort toward looking at  
18 the preventive side? In other words, we have  
19 a number of people coming into the system of  
20 unbanked and underbanked and those individuals  
21 are coming in because of some factors. And  
22 when I was listening to the presentation from

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1 a preventive side, if we can at all possible  
2 look at how we could implement some type of  
3 educational piece into our education system, a  
4 lot of banks, a lot of agencies are doing  
5 financial education after the fact. So I was  
6 wondering whether or not during your survey or  
7 looking at alternatives whether or not some  
8 type of preventive piece was thought about and  
9 how we should go about it? That is question  
10 one.

11 MR. BACHELDER: Would you like a  
12 quick answer?

13 MR. McDONALD: Yes.

14 MR. BACHELDER: We did ask  
15 questions around the educational outreach how  
16 to do it, what types of approaches to do to  
17 educate people, on what levels and approaches.  
18 We had questions. We also had on the  
19 analysis side, we did a lot of qualitative  
20 open-ended questions where banks would comment  
21 both about what they have to do to bring  
22 people into the bank as well as what they

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1 might do to retain people who are having, who  
2 might have their account closed for costs  
3 because of having bounced too many checks. So  
4 programs that some banks have to try and help  
5 bring people back to an account where they can  
6 manage and stay in the system. So there is  
7 some comment information. So both the  
8 education part and some of the retention.

9 MR. McDONALD: I think where I was  
10 going with this was whether or not we could  
11 look at the educational system, whether it is  
12 in high school, whether it is in junior high  
13 school because what we need to do is get to  
14 the individuals before they develop these  
15 habits. In the banking business we are  
16 beginning to see a lot of problems beginning  
17 to come about with college students. They are  
18 getting into a financial problem early on with  
19 credit cards, which is affecting their FICO  
20 score, which is affecting what type of credit  
21 they can get, whether or not they can open an  
22 account. So, if we had that early education

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1 and I know the banks have been doing their  
2 part and the agencies, such as the FDIC, and  
3 the whole educational component. But maybe if  
4 we could look at an overall universal effort  
5 to begin having the education system to  
6 incorporate something into its curriculum  
7 early on to begin getting these individuals to  
8 understand the pitfalls. That would at least  
9 begin to slow down the number of individuals  
10 going to the unbanked and underbanked  
11 category.

12 MR. BARR: Let me just add two  
13 quick things to what I had already said. I  
14 think you are right. We need to do better at  
15 financial education earlier. I think one  
16 significant barrier to that is the lack of  
17 science around what actually works in  
18 financial education. We spend a lot of money.  
19 We all put out tons of brochures. We teach  
20 it in the schools and I don't think we have  
21 very good studies about the science and an  
22 effective education and finance.

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1           And the second point -- acceptance  
2           in particular areas. The second thing I would  
3           say is I also think we don't want to put all  
4           of our weight on financial education as  
5           opposed to looking at the way in which we  
6           construct financial choices for our consumers  
7           to make. If we construct choices in such a  
8           way that it is really easy to make a bad  
9           choice and really hard to make a good one, all  
10          the financial education in the world is not  
11          going to be enough.

12                   MS. RYAN: I would like to just  
13           add another point which is that the survey  
14           results revealed that a lot of banks are doing  
15           financial -- providing financial materials  
16           and this survey revealed that pretty clearly  
17           that we still have this problem. So I think  
18           that speaks to a certain extent by itself. It  
19           is also very difficult to evaluate the  
20           effectiveness of financial education. We did  
21           ask the question about effecting -- whether  
22           banks are attempting to evaluate what they are

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1 doing. We found I believe that most banks are  
2 not measuring the effectiveness of it. Now to  
3 give credit, those that answered affirmatively  
4 that they are, most of them felt like it was  
5 effective. But that was a minority. By and  
6 large, most banks are doing this and we don't  
7 know. They are not measuring whether it is  
8 working or not and like I say, the starting  
9 point is the problem still exists. So it  
10 speaks to a need for something.

11 MR. McDONALD: My second point and  
12 observation, because I had two. On the tax  
13 incentive, I think that's a very good  
14 incentive that if you can pull something  
15 together, even if you had a credit against  
16 your FDIC fees. It is something I believe  
17 that would begin motivating the financial  
18 institutions. It would at least get rid of  
19 the thought of them having it as a cost factor  
20 and perhaps they could look at it as an income  
21 factor. So it might be something that you  
22 might want to give some serious consideration

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1 to -- some type of tax incentive. I know you  
2 tacked it on in the end and said maybe this is  
3 far-fetched, but I think if we are going to  
4 change behavior on a large scale, I think the  
5 tax incentive route or some type of incentive  
6 route would be the most effective way to  
7 change the behavior of financial institutions.

8 REV. FLAKE: Thank you. First of  
9 all let me commend you on the survey. Just a  
10 point and that is in the survey of the banks  
11 and the analysis of what they perceive as the  
12 issues related to the persons coming in and  
13 taking advantage of what banks have available.

14 In a climate in many communities where there  
15 is a growing industry as it relates to check  
16 cashing, payday lending, and other kinds of  
17 sources, would it have been possible to do an  
18 analysis by studying some of those customers  
19 to find out why they used that particular  
20 entity as opposed to a bank? And I think some  
21 things that stick out to me is number one,  
22 they are accessible, they are open 24 hours a

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1 day. They, secondly, and the big point is  
2 they are not worried about their money being  
3 held because they get their money the instant  
4 they take their check into those entities.  
5 The question then for me is, is it possible to  
6 go back and take a good look at how you can,  
7 by identifying in some measure, even if it  
8 means putting some persons at those places at  
9 certain times particularly the first of the  
10 month, to find out why they do that. What  
11 makes you spend more in terms of cashing a  
12 check at one of these places as opposed to  
13 going to the bank where the cost is much  
14 cheaper? Money you saved on it? Or even put  
15 yourself into that practice of continuing  
16 going to the payday lender knowing that  
17 ultimately you risk losing everything? I  
18 mean, how do we sell the safety element of the  
19 bank as opposed to the possibility of loss by  
20 virtue of how these institutions that are  
21 unregulated are able to function?

22 MR. BARR: Maybe I could just say

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1 a word about this. So prior to this study I  
2 did an analysis at the household level asking  
3 the kinds of questions that you just described  
4 for 1,000 families in the Detroit metropolitan  
5 area not a national sample of the kind that  
6 FDIC is doing, but I was able to drill down  
7 much more in depth because of the location to  
8 really have an hour and a half conversation  
9 with people about those kinds of choices.  
10 First of all I am happy to make that available  
11 to you to look at. And second I think that it  
12 is important in thinking about this, that it  
13 is not just a focus on the cost of the non-  
14 banking side of the equation but also on the  
15 other sets of alternatives to the equation.  
16 So if a low-income person is not -- can't cash  
17 their checks in a bank, or the bank is going  
18 to wait to pay them, or if they have a bank  
19 account they are going to get a lot of  
20 overdraft fees, we need to compare that to the  
21 non-financial sector. And I guess I would  
22 argue we have significant problems on both

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1 sides of that equation, both in the banking  
2 and the non-banking and, if we are going to  
3 solve this, we have to look across the entire  
4 industry, not by sector.

5 MR. RYAN: I would agree with that  
6 and I have follow up to that: one, a comment  
7 and two, a request for the group. But as  
8 obviously we are interested in creating  
9 incentives here. But we do need to think  
10 about other policies or attempts to address  
11 these efforts and how certainly at the state  
12 level and at the federal level how this policy  
13 may get in the way of some of these  
14 objectives. So as an example, as you all  
15 pointed out funds availability is an issue as  
16 we have heard at previous meetings. There is  
17 a reason that low-income people want the cash.  
18 There are economic reasons. They avoid fees.  
19 It is an efficient way for them to manage  
20 their funds. There are economic decisions  
21 being made into trying to get cash. So, one  
22 of the things at the state level, the state

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1 has tried to do is institutions, this came up  
2 in Texas, were denying the ability to cash "on  
3 us" checks, payroll checks, so the state tried  
4 to require that the banks honor those checks.

5 And then they were preempted under federal  
6 law from doing that. And then another example  
7 is the funds availability issue and in my own  
8 experience I have noticed that, ironically,  
9 Check 21 was exacerbated as that float becomes  
10 a much more obvious thing, many are taking  
11 advantage of it. So for a low-income person  
12 where funds availability is really a critical  
13 issue, and they need it now and they are  
14 trying to avoid fees. We need to look at how  
15 these policy decisions at the federal level  
16 have been made and how they fit together to at  
17 least from our perspective pull this back from  
18 trying to address this issue. This might not  
19 have been the right way to address this issue  
20 but there was no debate about what was driving  
21 the state to do this. It was just a decision  
22 that doesn't apply. So that would be my

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1 request for the group is how do we create  
2 mechanisms at the federal level that one is --  
3 for instance we, in the states, are  
4 identifying issues and trying to address them,  
5 but they are not the right fix and what can we  
6 do to the federal policy to address that  
7 issue?

8 MR. EAKES: I would like to have the  
9 panelists just comment on the tension between  
10 having a national goal of having less unbanked  
11 and underbanked and the prevalence of  
12 overdraft fees. It seems like to me if we  
13 said we want to have people have access to  
14 homeownership but said that the only tool you  
15 could use would be subprime, exploding arm  
16 loans. Knowing what we have just recently  
17 seen, we probably wouldn't feel good about  
18 that. We know that overdraft fees are  
19 anywhere between 20 and 35 billion dollars per  
20 year and at three or four times the entire  
21 payday lending industry fees. And so I am  
22 just curious how do we actually make an

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1 initiative because it seems like to me I can't  
2 legitimately at least in my little arena, I  
3 can't ask people to sign up for a checking  
4 account knowing that it is going to perhaps  
5 end up hurting them more than it helps them.

6 CHAIRMAN BAIR: Yes, I wanted --  
7 that's a good question. Your first  
8 recommendation was requiring banks to have a  
9 safe and affordable checking account. I  
10 wonder if you will explain a little more what  
11 you think an account like that would look like  
12 and maybe those goals need to be combined  
13 somehow. You are right because the last thing  
14 we want is for the government to be pushing  
15 folks into accounts where they are spending  
16 several hundred dollars a month on overdraft  
17 fees which we know is occurring in some  
18 places.

19 MS. TAYLOR: Actually I can just  
20 add one thing before you address that  
21 question. One of the big fights that we had  
22 which I don't remember, when I was banking

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1 superintendent in New York was we had a rule  
2 in New York that you could not have charge  
3 fees, certain fees for overdrafts. And the  
4 state chartered banks came to us and said well  
5 the feds allow it so we have to, to be able to  
6 be competitive and people want that service.  
7 So it is an issue that is both a federal and a  
8 state issue and one thing that I would say  
9 that it is important for whatever to come up  
10 with this in this area to be applied across  
11 the board.

12 MR. BARR: First of all I think,  
13 Martin, you are exactly right. So I would, if  
14 I were sitting down across the table with a  
15 low-income person, I would not advise them to  
16 open a checking account. And so I think all  
17 of our energy has to be around the creation of  
18 the fostering of safe and affordable bank  
19 accounts. Then we can have a goal more people  
20 should have. So I don't think we should have  
21 a goal that we should get everybody into a  
22 checking account as they exist now. I think

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1 that would be a significant mistake. And its  
2 partly on the overdraft side which is a big  
3 deal. It is partly on the funds availability  
4 side. It is partly on the other issues of  
5 fraud and control and other things. So I think  
6 absolutely what we need is a safe and  
7 affordable account. The key elements I think  
8 of a safe and affordable account are that it  
9 be -- not a checking account -- an account  
10 that is electronically based, debit card  
11 based; that it not have overdraft facility in  
12 it. I think that at the very minimum the Fed  
13 ought to be treating overdrafts as a Truth in  
14 Lending issue and not a Truth in Savings issue  
15 which would significantly change the way we  
16 think about the problem. I think that the  
17 FDIC's overdraft report, there is a way of  
18 providing a lot more light on this problem and  
19 the FDIC has shown a lot of leadership on the  
20 overdraft area under Chairman Bair. So what  
21 should this account look like? It needs to be  
22 electronically based. It needs to be debit

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1 card based. No checking account. No  
2 overdraft. It should have a way of receiving  
3 income electronically through direct deposit,  
4 state benefits, federal benefits and income  
5 received. Ideally it would have an automatic  
6 savings feature so you sign up in advance.  
7 Every month I am going to put \$5 of my income  
8 or \$10 or \$100, whatever that amount is, into  
9 a separate savings pocket in that account on  
10 that card that is somewhat harder to access  
11 than the other funds and build up savings in  
12 that fashion, and it could have a Small Dollar  
13 Loan product. So, instead of going to a  
14 payday lender for a short term two week loan,  
15 which I know I am not going to be able to  
16 repay in two weeks, I have in my bank account  
17 the possibility of getting a six-month self-  
18 amortizing loan with a decent interest rate  
19 because the bank is not facing very much risk.  
20 I have direct deposit into the account. They  
21 could direct debit out of the account. I can  
22 get a much lower cost product to the customer

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1 at lower risks at the financial institution.  
2 So I think on each of those dimensions --  
3 transactions, savings and credit -- there is a  
4 way of creating a safer, more affordable  
5 product for low-income people than financial  
6 institutions could do now.

7 MR. GRZYWINSKI: This may be heresy  
8 in this group but it seems as though we are  
9 asking the question from the point of view of  
10 banking, okay. I guess my question would be  
11 whether either in this survey, or Michael, in  
12 the other work you have done or any other work  
13 anybody has done, have we ever looked at a  
14 question from the point of view of the  
15 consumer? In other words is the consumer  
16 making an enlightened and correct self  
17 interest decision? When Martin commented at  
18 the beginning, you used financial services  
19 instead of the word banking, okay. It just  
20 seems that if we are going to be honest with  
21 all of ourselves, we ought to think about what  
22 is the correct language here and should we be

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1 thinking about ways in which banks do provide  
2 services through Wal-Mart, or through other  
3 kinds of providers and is that an additional  
4 vehicle? So I guess the question is, is there  
5 any good data anywhere that anybody here or  
6 anybody else has done that looks at this  
7 question from the consumer product.

8 VICE CHAIRMAN GRUENBERG: Ron, if  
9 I could comment and then perhaps Barbara would  
10 want to expand. In the sense of this survey  
11 that we are undertaking, there are a range of  
12 questions that both go to the financial  
13 services people are utilizing including the  
14 alternative financial service providers. So  
15 you ask the question from the consumer's point  
16 of view, that's really the other side of the  
17 coin of this bank survey that we have done.  
18 We are going to try to get some detailed  
19 national information on the services people  
20 utilize, why they are utilizing them, and the  
21 obstacles they find to utilizing financial  
22 institutions to try to gain some perspective

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1 on that issue which is really key information  
2 to get.

3 MR. BARR: Just to follow up. I  
4 think that national site is going to be a huge  
5 improvement on what we know. In the Detroit  
6 area study I did, I spent a long time trying  
7 to address that question from the consumer  
8 point of view and across the banking and non-  
9 banking sector. So, the approach that I took  
10 was consistent with what you described. Let's  
11 see what people do and why they do it not  
12 study why they are doing this or that in and  
13 out of the banking system. And they do often  
14 make quite good choices. So we need to decide  
15 how do we give them their constrained choice  
16 set? That is, give them the lack of good  
17 products that they have. So I'd like to see  
18 us look at how do we change the products that  
19 they can choose among so that they can choose  
20 something, you know they are making the best  
21 choice. The choices are bad choice because  
22 they are only bad choices to make. I don't

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1 think we have solved the problem. One aspect  
2 that I want to particularly highlight because  
3 Ed and I did it together and this is really  
4 Ed's pioneering work in that area of consumer  
5 choice methodology. We did a study in this  
6 Detroit population of what kinds of particular  
7 products and services do low-income consumers  
8 want when given realistic tradeoffs among  
9 products. So we looked at different kinds of  
10 debit cards, payroll cards, payment cards,  
11 bank accounts. And by varying the features  
12 across these different accounts we were able  
13 to see what would be the hypothetical take  
14 rater. How much desire is there for different  
15 kinds of products and features among the  
16 unbanked and I'd be happy to share that with  
17 the FDIC and to make it publicly available at  
18 any financial institution that wants to use  
19 the model.

20 MR. TUFANO: To pick up on Martin --  
21 well on this past discussion. We have done a  
22 national survey, 22 dimensions of financial

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1 activity. And it is interesting. You cannot  
2 study anyone at any one time. So somebody who  
3 is a payday lender, conditional on being a  
4 payday lender, being a refund anticipation  
5 borrower is quite different. So there  
6 actually are types and so we can't actually  
7 think of them one at a time.

8 Tim Martin's point, we actually did  
9 a study on overdraft, specifically on people  
10 who bounced out of the system and it is  
11 important to understand that the consumer  
12 level who that is, specifically it is over  
13 represented by women who are heads of  
14 household. It is over represented in minority  
15 communities. It is overrepresented in the  
16 young and in the old, less so in the middle-  
17 aged. It is also overrepresented in certain  
18 banking environments. So you can see the  
19 banks are playing a role here too.

20 And then a question for Ed, because  
21 I wanted some clarification. In some of the  
22 work that we have done, we found this curious

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1 thing -- because the checking account is the  
2 entry point for a bank product, that folks are  
3 denied savings accounts who don't want  
4 checking accounts, just straight up want  
5 savings accounts and are willing to forego the  
6 checking part, but they are denied savings  
7 accounts because of check systems.

8 MR. HENDERSON: Because of what?

9 MR. TUFANO: Since the bank  
10 procedures won't allow them to have a checking  
11 account because of check systems problems.  
12 They are also denied the right to have a  
13 savings account. And we found that every time  
14 we sample, we seem to find that is true. But  
15 I could never get a sense of whether that is a  
16 common phenomenon. Do you have from your  
17 survey any insight on that?

18 MR. BACHELDER: We did ask that  
19 and analyzed that direction because there were  
20 lots of things to look at to be explored for  
21 the data that was gathered in terms of that  
22 crossing. But I guess, if you think about the

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1 kinds of concerns we should get to is the  
2 difference the banks have in terms of how long  
3 they will tolerate somebody in an overdraft  
4 state and we had a specific question on that.

5 And the answers were basically from within a  
6 month, you know, within a month we are going  
7 to close your account to 180 days. So a real  
8 long range. Some banks had programs to help  
9 you finance your overdraft fees for a longer  
10 period of time to help you get back on track  
11 and would downshift you to a more limited  
12 account to retain you. But I think that entry  
13 point and if you just look at the customer  
14 proposition and these are self positions, but  
15 if you were to think about somebody shows up  
16 and they have a choice. Who do I want to do  
17 business with? You may look at one of these  
18 segments of demographics and I don't know if  
19 Barbara could slide back to slide 19, but if  
20 you look what the alternative service  
21 providers show. I mean what is it that they  
22 do? Most all of them do check cashing. Most

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1 all of them will do money orders. They  
2 definitely want to do bill point payment.  
3 They are big marketers for prepaid cards where  
4 banks have much more restrictive policies on  
5 prepaid cards for example. So there is a lot  
6 of demographic overlay that basically if you  
7 pull everything up and flip it over you start  
8 to see the market difference because of banks'  
9 regulations, approaches and business model.  
10 Maybe it isn't worthwhile for each bank to  
11 pursue all of these various, but it is enough  
12 to get that front end part of the  
13 transactional services that people need to do  
14 everyday and if you are a cash based consumer  
15 that you were describing that is how I do my  
16 budgeting. I have no more money in my pocket,  
17 no more spending. But I think if you really  
18 look at how banks are not making this easy to  
19 do the transactional payments in a safe way, I  
20 think that would be one area to explore that  
21 might overlap the segments.

22 MS. TAYLOR: I am going to cut

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1 this discussion off because we are already  
2 about 45 minutes behind. You guys are going  
3 to be at lunch, right? So we can continue  
4 this discussion over lunch. I know that there  
5 is a lot to say on this but I think we need to  
6 hear from the banks to learn what is actually  
7 happening from that point of view.

8 I just want to say thank you so  
9 much. This has been really enlightening and  
10 it is a great study. I am looking forward to  
11 reading it in detail and Barbara, thank you  
12 for your work. Thank you so much.

13 So let's go on to the next panel.  
14 I think it is also yours Barbara.

15 MS. RYAN: As I mentioned a little  
16 bit earlier, a very important component of the  
17 FDIC's unbanked survey was a development of 16  
18 case studies that highlight various strategies  
19 that financial institutions have employed to  
20 reach the unbanked and the underbanked. And  
21 we did these to demonstrate that opportunities  
22 do in fact exist for banks to serve these

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1 markets both profitably and effectively. The  
2 case study banks themselves demonstrated an  
3 array of approaches. In fact, in the unique  
4 perspectives of their own market areas, each  
5 case study bank has targeted a customer base  
6 and has developed a strategy and the banks,  
7 among the 16, they represented a variety of  
8 sizes, geographic locals and demonstrate that  
9 different types of banks can successfully  
10 serve the unbanked and the underbanked. So  
11 this morning, four of the 16 case study banks  
12 are going to share their approaches. These  
13 particular institutions were chosen. They  
14 reflect a variety of types and sizes, types of  
15 approaches, sizes of banks. Our first  
16 panelist is from Mitchell Bank, James Maloney.  
17 Mitchell Bank is a small independent  
18 institution located on the south side of  
19 Milwaukee, Wisconsin. Mr. Maloney is  
20 president of the bank and chairman of the  
21 board of the Mitchell Bank Holding Corporation  
22 and Mr. Maloney is also a member of the

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1 Alliance for Economic Inclusion task force.

2 Our second panelist, Peter  
3 Mosbacher is from Amalgamated Bank, the  
4 Nation's only union-owned bank. Amalgamated  
5 has branches in New York City and four other  
6 states across the county. Peter Mosbacher is  
7 the bank's senior vice president responsible  
8 for developing and managing the community  
9 development department. And this includes  
10 identifying the banking and credit needs of  
11 the communities that the bank serve, working  
12 with the bank's senior management to identify  
13 retail branch locations, bank products,  
14 programs and services that respond to those  
15 needs.

16 Our third panelist is from  
17 Citibank. Victor Ramirez is a community  
18 relations officer for that bank and is  
19 responsible for developing and managing  
20 relationships with non-profit organizations in  
21 underserved areas of Los Angeles, Orange  
22 County and the Inland Empire. He also serves

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1 as a subject matter expert for Citibank on  
2 various economic development topics including  
3 asset building strategies and he is a member  
4 of the Los Angeles Alliance for Economic  
5 Inclusion.

6 Our fourth panelist is from Monroe  
7 Bank and Trust, a community bank that operates  
8 25 full service branches in Southeastern  
9 Michigan. Mary Jane Town, is the bank's  
10 senior vice president and director of  
11 marketing, responsible for product  
12 development, public relations, corporation  
13 communications, advertising and promotion.

14 And with that, I look forward to  
15 hearing from our first case study bank, Mr.  
16 Maloney and Mitchell Bank.

17 MR. MALONEY: Good morning. First  
18 of all thank you for the invitation to come  
19 here today and let me also commend the FDIC  
20 and the Alliance for Economic Inclusion for  
21 maintaining the focus on these issues in these  
22 difficult times. As a small bank you have no

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1 idea what your support does when we approach  
2 the directorate and shareholders with regard  
3 to various ideas that we have for new  
4 products. From your support and your focus on  
5 these issues is very important to us at a  
6 small bank and we rely on you for that and we  
7 thank you for it.

8 We at Mitchell Bank are part of the  
9 FDIC's small dollar loan pilot. That is  
10 really where I am going to speak about most  
11 this morning because that is our current  
12 product. We offer a whole suite of products  
13 to non-customers and to the unbanked and they  
14 have all been successfully received. But the  
15 pilot consists of 31 financial institutions in  
16 which we are all offering small dollar loans  
17 and we are sharing our experiences in the  
18 profitability of the product. We are also  
19 very concerned with the issues of safety and  
20 soundness of the product. Sheila Bair and the  
21 Alliance for Economic Inclusion have been  
22 working on this pilot for over a year and

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1 Chairman Bair has been at it for many years.  
2 Chairman Bair, and now the FDIC, has been a  
3 consistent champion of the idea that banks can  
4 competitively and profitably offer small  
5 dollar loans to compete directly with payday  
6 lenders. This goes back to her days at the  
7 University of Massachusetts at Amherst and, if  
8 you ever want to get a real understanding of  
9 low cost alternatives to payday loans, I would  
10 ask each of you look back at the June of 2000  
11 study of the Annie E. Casey Foundation. A lot  
12 of this stuff is written and people don't  
13 really read it. In preparing for my remarks  
14 here today, I went back and reread this and I  
15 have to tell you that it is still very  
16 relevant. It identifies the issues. It  
17 involves the payday lending. It is small  
18 dollar loans and the opportunities that small  
19 dollar loans present to community banks is,  
20 even though it is four years old, it is  
21 informative and it discusses all of the  
22 current issues. Chairperson Bair has been in

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1 the forefront of the issue and has  
2 consistently pointed out to banks that every  
3 user of a payday product has a checking  
4 account in the financial institution. They  
5 are our customers. They are bringing our  
6 customers bank -- postdated bank checks to our  
7 bank and cashing them and charging their  
8 interest rate. Now, the existence of a bank  
9 account is a requirement to even get a payday  
10 loan. We are not mining our data in our banks  
11 to determine which of our customers are using  
12 payday lenders so we can directly target them  
13 with the alternatives.

14 Last June the FDIC issued its  
15 guidelines and recommendations for small  
16 dollar loans and again that is listed on the  
17 website. And I have to tell you that what we  
18 have tried to do is incorporate every one of  
19 these recommendations and guidelines in our  
20 small dollar loan product. In your materials  
21 I have also given you a complete, which is a  
22 detailed description of our product. Our

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1 product has evolved over time. We had to make  
2 changes and we've reached out to non-customers  
3 with this product because we were limiting it  
4 to our customers and that became too limited.

5           So feel free to look and use the  
6 description. We have spent a lot of time on  
7 it and it is has been evolving over the last  
8 year and a half. We still don't know if this,  
9 how this will perform and whether or not it  
10 can be profitable as a stand alone product.  
11 We have made a number of loans and all of them  
12 have performed extremely well, much better  
13 than we ever imagined. We've only had one  
14 loan go bad, not bad, 30 days past due or 60  
15 days past due and, when we looked into it, it  
16 was because of a mistake that CSR made in  
17 issuing the loan. That performance on the  
18 small dollar loans that was issued has been  
19 extremely helpful because in rolling out the  
20 program I have to tell you that the  
21 directorate and manager of the bank is very  
22 skeptical of whether or not this can be done.

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1       So, now we believe that we are starting to  
2       develop information and a track record that  
3       indicates that it can be done in a safe and  
4       sound manner. So the FDIC believes that the  
5       product can be created in a cost effective,  
6       safe and sound manner, and it also presents  
7       financial institutions with an opportunity to  
8       address the longer term financial needs of  
9       their own customers. It also provides us with  
10      an entry point for savings encouragement. We  
11      need to break the cycle of repetitive rolling  
12      over of debt. The basic purpose of a small  
13      dollar loan as we see it is to break the debt  
14      trap and the reoccurring cycle of escalating  
15      loans which is part of a payday lender's  
16      business model. One of the things that we and  
17      I think the FDIC are pretty firm about is that  
18      these small dollar loans cannot be fee-based  
19      overdraft or bounce protection programs. The  
20      rates for those programs many times exceed the  
21      APRs charged by even payday lenders. They  
22      create a product we believe that is no better

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1 and at times is worse than payday lending.  
2 The programs are pointed to, those programs  
3 are pointed to by the payday industry to  
4 justify their own APRs. This is particularly  
5 true where financial institutions allow people  
6 fee-based overdraft protection and actually  
7 allow people to make cash withdrawals using  
8 ATM cards over their balance, and where you  
9 make a mistake and a cup of coffee costs you  
10 \$35 to \$40 on that point of sale using a debit  
11 card. So what we need to do is to offer small  
12 dollar loans, fully amortizing, that people  
13 can pay without having to face the cliff of  
14 the two-week loan.

15 MR. FISH: Could you just help us  
16 orient your comments, Mr. Maloney. Could you  
17 just tell us how many loans you've made and  
18 what the dollar amount of the assets  
19 outstanding are?

20 MR. MALONEY: The total dollars  
21 right now, what has happened is that when we  
22 first got started we limited our loans to

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1 customers who have been with us for six  
2 months. That proved to be very limiting. So  
3 what we did is we recently opened it up to  
4 non-customers and ITIN borrowers which is a  
5 big part of our population. Sixty to 70  
6 percent of our existing customers are ITIN  
7 borrowers. We are now up to about 25 to 30  
8 loans. We've had no defaults and the dollar  
9 amounts are basically what we see is everyone  
10 borrows \$1,000. Our loan goes from \$300 to  
11 \$1,000, six or twelve months --

12 MR. FISH: I understand. So the  
13 credit history is less than a year?

14 MR. MALONEY: Yes it is. But the  
15 six month loans that we've had have all paid  
16 on time and paid off.

17 MR. FISH: Right, I understand.

18 MR. MALONEY: Also what we do is  
19 we allow a savings, we require a savings  
20 component. Ten percent of the loan has to be  
21 placed into a designated savings account. We  
22 give it a favored interest rate, higher than

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1 our normal rate for our savings account. That  
2 account can remain open after you pay off the  
3 loan. You can add any funds to that account.

4 You will always have an account at our bank  
5 that has a higher interest rate than the  
6 normal accounts. So what we are looking at is  
7 a fully amortizing term loan not based on  
8 overdraft or fee based protection. We need to  
9 really streamline our underwriting in the  
10 process making because we need to mimic what  
11 the people want from the payday industry. We  
12 want someone to be able to walk into our bank  
13 and get a loan within 15 minutes, which means  
14 at most we pull a credit report, look to make  
15 sure that they have a \$1,000 of income and the  
16 customer service representative is authorized  
17 to issue the check or the cash on the spot  
18 based upon that credit score.

19 As I said when we first got started  
20 we were limiting it to customers. Now what we  
21 do is we open it to non-customers, the ITIN  
22 borrowers, which gives us the opportunity to

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1 bring someone in. They need a loan. We will  
2 make them the loan. They have to open an  
3 account and they have to have direct deposit  
4 into that account. And we also reduce the  
5 interest rate if they allow us to do automatic  
6 transfers from that account.

7 A couple of issues have arisen  
8 because people don't have -- necessarily have  
9 credit scores. What we've done is we just  
10 arbitrarily said that if you don't have a  
11 credit score we are going to presume -- if you  
12 don't have a bad credit score, but you have no  
13 credit score, we will presume that you have a  
14 middle level credit score because not having  
15 credit isn't bad credit. The payday -- we do  
16 look at the credit scores. As we look here,  
17 these are basically the breakdown of the  
18 credit scores that we use and we escalate the  
19 rate based upon the credit scores. The payday  
20 industry tells us that whether or not somebody  
21 has a 499 credit score or a 528 credit score  
22 really doesn't make any difference. It is a

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1 risky loan regardless. But so far we haven't  
2 had any problems even with the loans with very  
3 low credit scores. So, one of the things,  
4 too, is that the credit report does not track  
5 what people's use of payday lenders have done,  
6 what payday loans they have outstanding. We  
7 will allow people to borrow money to pay off a  
8 payday loan. So, now if you have a credit  
9 score of below 570, we initially require that  
10 you go through three financial education  
11 classes before you got the loan. Well no one  
12 is going to do that and so what we did, we  
13 made one referral for one-hour session with a  
14 consumer credit counselor and you establish a  
15 budget and we will make a loan to you  
16 regardless of your credit score.

17 So in the end, all of these people  
18 are our customers. And we can complain about  
19 the payday industry and what they don't offer  
20 but unless we have something to offer them, we  
21 have no right to complain. What we've learned  
22 about the unbanked is that they may be banking

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1 financially illiterate but they know how to  
2 get their financial services, and they know  
3 the way they like to get them, and they are  
4 willing to pay for them. So, it is a burden  
5 to try and overcome some of those issues but I  
6 think it is something that we can do. There  
7 is a variety of issues with regard to Truth in  
8 Lending and things that we have that we've  
9 struggled with a little bit that makes it a  
10 little more costly for us to do this other  
11 than the payday lenders and with the consumer  
12 credit and the collection issues, but they are  
13 all issues that can be overcome. We are very  
14 high on the small dollar loans. We think that  
15 this is a great initiative and it is the  
16 current product that we are focusing on at  
17 this point. So, with that I think, is my time  
18 up?

19 MS. TAYLOR: If the other panelists  
20 here could limit their remarks to as quickly  
21 as they possibly can because we are really  
22 behind schedule. I hate to do that.

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1 MS. RYAN: Let's move on.

2 MR. MOSBACHER: Thanks Diana for  
3 that added pressure. You can see glimpses of  
4 our Depression-Era art there. Running through  
5 the slides clues you in. For those of you  
6 that don't know, we are the nation's only  
7 union-owned bank remaining going back to 1923.  
8 We are based in New York City and as of early  
9 2006 under new leadership with Derrick Cephas  
10 as president and CEO of the bank. He hired  
11 myself and a whole bunch of other new senior  
12 team managers over the past two and a half  
13 years to really help transform in a short  
14 period of time to an urban community bank  
15 going into low/moderate working class  
16 neighborhoods both in New York City and  
17 nationally without losing sight of our history  
18 which is serving unions and union members,  
19 most of whom are immigrants and working class  
20 people.

21 We are still relatively small,  
22 retail-wise, although we have an institutional

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1 trust division and commercial banking, real  
2 estate banking etc. So we are truly full  
3 service. But retail banking, we have 13  
4 branches in New York City. We are also in  
5 Lyndhurst, New Jersey, Pasadena, California,  
6 one branch in Washington, D.C. I would be  
7 curious to know how many of you all have seen  
8 it or been in there. And three supermarket  
9 branches in Las Vegas where the 60,000  
10 culinary workers reside and have asked us to  
11 come in because they have a toehold or a  
12 foothold, whatever you want to call it, into  
13 the Vegas market. We had to buy three  
14 supermarket branches from Nevada State Bank  
15 and our hope now is we will open a full  
16 service bank there in a short time. We are in  
17 a growth mode and Derrick has ambitious plans  
18 despite the severe recession to continue  
19 opening branches both in New York City and  
20 other markets. A lot of our branch expansion  
21 in New York City, we've been in partnership  
22 with Diana Taylor and the New York State

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1 Banking Department, New York City  
2 Comptroller's Office and New York State  
3 Comptroller's Office. I believe New York  
4 State is still the only state that offers the  
5 special banking development districts and  
6 other states are looking at them. We found it  
7 to be a phenomenal incentive for us to locate  
8 into low-income, underbanked, underserved  
9 areas. So over the past two to two-and-a-half  
10 years we've opened four branches, one in the  
11 South Bronx, one in Long Island City, Queens,  
12 and another in Bed-Stuy, Brooklyn and another  
13 in Sunset Park, Brooklyn. We do get low  
14 market rate deposits for both the city and  
15 state. From my perspective, the advantages  
16 have been the partnerships and the  
17 introductions that have been made through the  
18 banking development district process --  
19 meeting with local government agencies,  
20 meeting with local community-based  
21 organizations -- to get their buy-in and  
22 approval for this. And they in turn say, well

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1 fine, but these are the things we are looking  
2 for as you are coming into our community. So  
3 the plan that we produce and submit to the  
4 regulators incorporates many of the ideas the  
5 community gives us.

6 Again, given the bank's roots,  
7 serving working class people, we've always  
8 offered totally free checking, low minimum  
9 balance, no charges --

10 MR. BOSTON: Peter you may want to  
11 hit your slide.

12 MR. MOSBACHER: I'm sorry?

13 MR. BOSTON: You may want to hit  
14 your slide?

15 MR. MOSBACHER: Yes, thanks.  
16 Sorry. So again this is something that many  
17 banks are offering these days. I guess what  
18 is more exciting is that we recently launched  
19 a second chance account for either checking or  
20 savings accounts to help people who may have  
21 had some minor issues in the check system get  
22 back into the banking system. We do this in

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1 strong partnership with a lot of our  
2 community-based organizations. We find that  
3 they are best qualified to identify potential  
4 clients for these second chance accounts. So  
5 some of the highlights of the program are the  
6 minimum of a cent to open checking and a  
7 minimum of \$5.00 to open a savings, no minimum  
8 balance after the opening. However, only an  
9 ATM card will be issued and there is no  
10 balance protection. We strongly prefer direct  
11 deposit. This then migrates people into a  
12 full banking program including financial  
13 education and eligibility for a \$50 bonus to  
14 help them establish an open-end account.

15 MR. FISH: What is no bounce  
16 protection?

17 MR. MOSBACHER: We offer that with  
18 other products but with this one we would not.

19 But if there is an overdraft that there would  
20 be no protection on that or a check bounce  
21 rather.

22 MR. FISH: I still don't understand.

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1 MS. TAYLOR: If you issue a check  
2 against your account and there is not enough  
3 money in it, it just bounces. They don't pay  
4 it.

5 MR. MOSBACHER: Right. We don't  
6 cover, right.

7 MR. FISH: So no overdraft fee but  
8 the check doesn't clear.

9 MS. TAYLOR: You do get charged  
10 for a bounced check.

11 MR. MOSBACHER: But again, it is a  
12 stepping stone to get people back into the  
13 system that normally wouldn't have the  
14 opportunity to get back into the system. And  
15 then it is a stepping stone for them to go  
16 into a more traditional account.

17 MR. FISH: I'm trying to understand  
18 what is special about this account.

19 MR. MOSBACHER: The fact that it  
20 is offered to folks and they do in fact appear  
21 on check systems and who most banks would not  
22 allow to open a checking and/or savings

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1 account.

2 MR. FISH: Okay, but it wouldn't be  
3 that different from a checking account at a  
4 bank if a person could open the account.

5 MR. MOSBACHER: If they could.

6 MR. FISH: I understand, okay. The  
7 account itself isn't different. It is the  
8 population.

9 MR. MOSBACHER: Yes, I mean the  
10 account features are the same.

11 MR. FISH: I got --

12 MR. MOSBACHER: I wouldn't brag  
13 too much about the account features because  
14 clearly no bounce protection is not something  
15 I am proud of but we put it in there. The  
16 minimum to open the account, the minimum  
17 balance after opening etc. and again only  
18 having an ATM card. But the main issue here  
19 is really there are so few institutions that  
20 are even giving check systems a look to really  
21 peel back the layers and say what are the  
22 issues here. If it is not outright fraud,

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1 there is so many other things that put people  
2 in the check systems and disqualify them from  
3 opening any type of account. So I think that  
4 is a strong way to start to open up that door.

5 This is a fairly new -- the second  
6 chance account is a fairly new thing for us  
7 and we are rolling it out immediately in  
8 California where the State of California has  
9 opened up the Bank of California to bring in  
10 the unbanked and underbanked and they have  
11 some product descriptions that they were  
12 requiring banks to participate in and I think  
13 the second chance account did beautifully with  
14 their program, but we only signed the  
15 agreement on this about a month ago. So  
16 unfortunately I have no hard data to give you  
17 as to how we are doing. I am optimistic we  
18 are off to a good start. We are very proud of  
19 our in-house financial education program,  
20 which we brand, Money Sense. It was done in  
21 partnership with a very strong New York City  
22 based non-profit called the Coalition for

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1 Debtor Education. There is a very strong  
2 focus on behavioral finance, the psychology of  
3 money, in terms of how money affects behavior  
4 and how behavior affects money, important  
5 issues for all of us regardless of income  
6 level, but particularly for low- to moderate-  
7 income people. So it does put a different  
8 twist on financial education and we do this  
9 in-branch. We do this at community centers,  
10 churches, etc. We do put in, we offer upon  
11 completion of the classes a \$50 coupon that  
12 can be redeemed to establish a new savings  
13 account but it has to be redeemed after  
14 maintaining an account in good standing for at  
15 least one year.

16 With our union members we offer  
17 Group Advantage Banking, discounts of products  
18 and services, including direct deposit and  
19 payroll and lunchtime, what we call Lunch and  
20 Learn, financial education seminars tends to  
21 be very well received both by employer and  
22 employee.

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1                   Very quickly, some of the  
2 highlights of Group Advantage Banking. It is  
3 direct deposit, payroll, free checking, no  
4 minimum balance, and savings and money market  
5 accounts, online banking, bill pay. We are  
6 part of the Allpoint Network so again no fee,  
7 ATM banking and reduced rates on various loan  
8 products and, as I mentioned earlier, the  
9 Lunch and Learn program. The partnership, the  
10 very strong partnership we have with our union  
11 in New York City DC 37, most of whom or all of  
12 them are municipal employees with New York  
13 City residency requirements. The union, the  
14 bank, New York City, HPD [Department of  
15 Housing Preservation and Development] and NHS  
16 [Neighborhood Housing Services] of New York  
17 City formed a partnership about five years ago  
18 to assist these union members in saving for  
19 affordable housing in New York City. It has  
20 been a very, very strong program. It is a  
21 place-based program operating out of union  
22 headquarters in cooperation with legal

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1 services. It has put hundreds, if not  
2 thousands of working class city employees,  
3 into affordable housing in New York City. It  
4 does provide five percent of units in city-  
5 sponsored lotteries for their homes and up to  
6 six percent through HPD.

7 And last but not least in Las  
8 Vegas, again we are relative newcomers to that  
9 market but working with the unions, they want  
10 to migrate more direct deposit of paychecks so  
11 we launched a payroll card product for them.  
12 It is an alternative to a deposit while  
13 meeting direct deposit requirements. And then  
14 we put in an ATM at the union's headquarters  
15 for payroll card customers to pay a reduced  
16 surcharge to withdraw the funds. And again  
17 this serves as an entry point for  
18 transitioning the unbanked and underbanked  
19 union members into mainstream banking  
20 activities.

21 And last but not least, real quick,  
22 the last strong partnership we have is with

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1 New York City Housing Authority and our  
2 Banking Development District Branch in Long  
3 Island City which is surrounded by the largest  
4 New York City Public Housing projects anywhere  
5 in the city, probably anywhere in the country  
6 for that matter, totally underbanked area.  
7 Most of the housing project folks were victims  
8 of expensive check cashers, very little access  
9 to traditional banking product services. So  
10 we did go in and have formed a nice  
11 relationship with NYCHA [New York City Housing  
12 Authority] and with a strong local non-profit  
13 called ERDA, East River Development Alliance  
14 to offer financial education as well as a  
15 special program where NYCHA now allows  
16 unbanked residents to pay their rent at the  
17 bank. They can accept payments in cash for a  
18 small fee, process payments for remote  
19 capture, and transfer the payments to the  
20 housing authority. So that is for like \$2.00  
21 a transaction as opposed to previously they  
22 were going to check cashers and paying \$5.00,

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1 \$6.00 or \$7.00 a transaction. At the same  
2 time we can migrate them into starter accounts  
3 or the second chance account or we can offer  
4 them the Money Sense financial education  
5 program.

6 MR. FISH: Peter on the second  
7 chance account, how long have you had it and  
8 what's been your charge-off experience?

9 MR. MOSBACHER: The second chance  
10 account is about three months old.

11 MR. FISH: Okay.

12 MR. MOSBACHER: So unfortunately  
13 no --

14 MR. FISH: It will be very  
15 interesting I think for the FDIC in time to  
16 understand the charge off experience on that  
17 account versus a normal checking account.

18 MR. RYAN: I would be interested to  
19 see what you are seeing in bounced checks  
20 versus other accounts that you have. I kind  
21 of like that there is no overdraft here  
22 because there are consequences to bouncing a

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1 check but there aren't overdraft that may in  
2 itself be enforcing financial literacy.

3 MR. RAMIREZ: Good morning to  
4 Chairman Bair and to the members of the  
5 advisory committee, the other panelists and  
6 audience. It is a pleasure and honor to be  
7 here and to be selected among the various  
8 local AEI working groups to be able to share  
9 some of the leadership role that the city and  
10 United Way has played in making a difference  
11 in the community. I'm so happy to be here  
12 although my luggage did not arrive. So please  
13 excuse me for my attire. It is great to be  
14 here.

15 A couple of years ago I heard a  
16 spin on a national panel and we were  
17 discussing ideas on helping working families  
18 to save part of their tax refund. And to use  
19 it as seed money for developing long-term  
20 relationships at financial institutions. And  
21 there were two issues that we wanted to really  
22 address. One was really how to increase the

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1 national household savings rate and also how  
2 to bank the unbanked and how to become a part  
3 of the financial mainstream.

4           So I walked away from the  
5 conference with four main questions in mind.  
6 What kind of new model and approach do we need  
7 to promote financial inclusion for all  
8 Americans? Second, what policy options are  
9 worth pursuing in partnership with regulators  
10 and others at the federal level? Third, what  
11 can community organizations do to effect  
12 change? And fourth, what is the role of the  
13 private sector or financial institutions in  
14 providing products and services that address  
15 consumer needs? And because each of us  
16 independently by ourselves cannot really make  
17 the kind of impact that we can  
18 collaboratively, it is obvious there needs to  
19 be a value in order to be a value and effect,  
20 there needs to be a private, public and non-  
21 profit collaboration. So the work of a local  
22 AEI asset building committee is a prime

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1 example of such a type of collaboration  
2 between city, United Way of Greater Los  
3 Angeles, regulators and a lot of non-profits.

4 It helped us to identify the community need  
5 to help develop a model and to implement  
6 innovative savings programs such as the Ramp-  
7 Up program which is now -- I am going to share  
8 with you in a moment.

9 So I think on a daily basis we need  
10 to ask ourselves what can financial  
11 institutions do to make a community impact.  
12 There are a lot of questions we ask ourselves  
13 on a daily basis. What is our role in  
14 community impact? There are many things that  
15 we could do to effect change in the community,  
16 I want to focus on two main areas where banks  
17 can make a difference. One of them is in  
18 helping develop products and services and by  
19 providing resources to support community  
20 organizations that really help effect that  
21 change. The city has invested resources in  
22 developing products such as the CitiEscrow

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1 product that is highlighted there. It is  
2 really the platform that we use online to help  
3 support a lot of non-profits around our  
4 individual development accounts. We have  
5 thousands of accounts right now nationwide.  
6 We also have developed an innovative access  
7 account that has been recognized by regulators  
8 because at a low cost, very flexible checkless  
9 account for entry level individuals into the  
10 banking system. We also invested resources to  
11 develop our own city financial education  
12 program partly inspired by the FDIC's own  
13 Money Smart program. So, we have a great  
14 resource. It has a manual about this big. We  
15 call it the bible for financial education, CD-  
16 ROMs and a lot of online resources. And also  
17 we will be highlighting the collaborative  
18 relationship with United Way of Los Angeles to  
19 develop the actual Ramp-Up account program.

20 Other resources that Citi has been  
21 able to provide is financial resources, human  
22 resources as well as intermediary resources

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1 for capacity building: financial resources in  
2 terms of grants and contributions to support  
3 the capacity and non-profits; human resources  
4 -- volunteerism, conducting financial  
5 education, even doing tax preparation services  
6 at the volunteer income tax assistance  
7 programs so training, technical assistance,  
8 board service; and then, through the  
9 intermediaries, we provide some funding for  
10 training for non-profits in the communities.

11 Now I like using this slide because  
12 it shows a simple model of asset building. I  
13 like to call it the cycle of asset building to  
14 combat the cycle of poverty. And it basically  
15 shows the importance of building a continuum  
16 of services in the community that creates  
17 linkages between various asset building  
18 programs by leveraging various resources. So  
19 if we invested resources to help individuals  
20 build their savings as you can see from the  
21 top number one. To help them build assets,  
22 build their wealth, build equity and in turn

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1 they are going to be able to save more money  
2 and build additional assets. So that is that  
3 in a nutshell.

4 So our goal in Los Angeles, to make  
5 sure that working individuals leverage as many  
6 community resources as possible so that they  
7 have it available to them. For an example, if  
8 an individual comes in and learns about the  
9 Earned Income Tax Credit, for example, the  
10 marketing campaign, a grassroots effort, they  
11 would be able to be referred to a provider  
12 site and get their taxes prepared for free.  
13 At the provider site they would be able to get  
14 a bank account to directly deposit their  
15 refund so they don't have to use a rapid  
16 refund and then, hopefully, be referred over  
17 to an IDA program for financial education. So  
18 we want to make sure that no matter where an  
19 individual goes into this continuum of  
20 services, they will be able to benefit from  
21 the various different services that we are  
22 talking about.

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1           An example of this time of  
2 collaboration of connecting the different  
3 pieces, connecting the various dots is our  
4 work with United Way of Greater Los Angeles.  
5 Since 2007, we have been working with United  
6 Way on various programs and projects and these  
7 include funding the *Unbanked Problem in Los*  
8 *Angeles* report that helped us develop some  
9 strategies specific to Los Angeles on how to  
10 overcome some of the banking to the unbanked  
11 barriers to Los Angeles, and we've been able  
12 to use this as part of our Bank on LA campaign  
13 that we are working with the mayor's office as  
14 well as other efforts. We also helped  
15 establish and fund the Asset Building  
16 Collaborative. We call it the ABC and  
17 partnership with the Federal Reserve and it is  
18 a convening, a convening of practitioners,  
19 lenders and researchers on asset building  
20 topics specifically to Los Angeles that  
21 address our unique needs. We also funded the  
22 development of an online asset building

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1 directory. This is a user-friendly online  
2 database where individuals can type in their  
3 address and also their main area of focus, for  
4 example, first time homeownership and they  
5 would be listing, getting a list of all the  
6 various providers in the area. The various  
7 topics include financial education, small  
8 business development, foreclosure prevention  
9 and free tax preparation services. Also,  
10 United Way of Los Angeles has recently housed  
11 the Los Angeles Earned Income Tax Credit  
12 campaign partnership and Citi has had the  
13 pleasure of chairing that partnership for the  
14 last four years.

15 And then we will be getting into  
16 the Ramp-Up accounts that we have partnered  
17 with United Way and network of their agencies.

18 And we are working in 2009 in the future. We  
19 are working with the City of Los Angeles,  
20 Federal Reserve, FDIC and a collaborative of  
21 other partners for launching the Bank on LA  
22 campaign. That was modeled after the Bank on

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1 Central campaign and many others, Bank of New  
2 York, etc.

3 We are also developing something we  
4 are calling the asset building specialist  
5 certification program. This is a training for  
6 individuals in the community from non-profits  
7 on how to leverage and how to identify various  
8 programs that individuals can qualify for. So  
9 it is a 15-week program individuals will go  
10 through and they will be able to refer people  
11 when they come into their agency. And so this  
12 would be a long term relationship that we are  
13 working with the various organizations and the  
14 City of Los Angeles.

15 And then finally one of our goals,  
16 long term goals is to be able to replicate the  
17 rapid account and various markets served by  
18 Citi and United Way.

19 I just wanted to give you a brief  
20 history of how the Ramp-Up account was  
21 developed. Citi has also supported other  
22 United Way programs such as the Saving for the

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1 American Dream program. It is their  
2 individual development account. It was  
3 launched in 2001 and it is one of the nation's  
4 largest IDA programs with about 1,700  
5 accounts. It is the only IDA collaborative in  
6 Los Angeles and it currently has 18 county-  
7 wide partners. They are all focused on  
8 homeownership, micro enterprise and post-  
9 secondary education. Their role at United Way  
10 is to provide program and financial support to  
11 other local non-profits to make sure that they  
12 have compliance monitoring of the federal  
13 grant so they collect all the data and report  
14 it over to the federal government. They  
15 provide quality assurance training to the non-  
16 profits and capacity building for the  
17 organizations. And this project has been used  
18 as a national model by other United Ways and  
19 to build other local IDA programs.

20 Some of the outcomes that come out  
21 of this collaborative. This is data from the  
22 middle of 2008. There have been 85 homeowners

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1 in Los Angeles County, 376 businesses have  
2 started or expanded, and 20 educational  
3 investments have been made. And an important  
4 note, that 28 percent of all accounts that  
5 have been opened have resulted in actual asset  
6 purchases. So it is a very good number.

7 In our discussions with United Way,  
8 we wanted to address some of the challenges  
9 with general savings programs and IDA. For  
10 general savings programs, we realize that we  
11 needed to come up with an effective savings  
12 program for opening new accounts. Some of the  
13 things that we did before, a couple of years  
14 ago, we were giving bonuses for new accounts  
15 that were opened through Citi of \$25. What we  
16 found out is individuals would use the account  
17 for directly deposit receiving their account,  
18 they would take their refund and the \$25 and  
19 never use the account again. So this front-  
20 loading of the incentive wasn't working. We  
21 were trying to figure out more of a back-end  
22 incentive and this is what actually led to the

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1 Ramp-Up account. We saw as a result of these  
2 efforts, they created a lot of unfunded or  
3 inactive savings accounts and there were also  
4 very inconsistent savings patterns. We wanted  
5 to see how we could create long term savings  
6 relationships with financial institutions.  
7 When we looked at the IDA accounts we saw that  
8 this is the model that United Way was using --  
9 was a high cost model. It was high cost  
10 because the cost of management of each account  
11 was pretty expensive when you looked at per  
12 account. There was also high touch, requiring  
13 a lot of case management -- individuals doing  
14 a lot of follow-ups, doing a lot of case  
15 management. It also had a low tech IDA  
16 structure. There was no online management  
17 system for looking at all of the accounts and  
18 trying to see who is saving at what rate. We  
19 were also concerned about something we called  
20 the discouragement factor. This was for  
21 individuals who completed the entire IDA  
22 program. They did the financial education.

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1 They did the savings for two years to three  
2 years. At the end of the day unfortunately  
3 they were not able to actually purchase their  
4 assets for various reasons, either lack of  
5 credit, lack of capital, or in the case of Los  
6 Angeles a couple of years ago, lack of  
7 affordable housing. The housing costs had  
8 gone too high. We were also concerned about  
9 any unused federal and non-federal match  
10 dollars that were raised that were being  
11 unused. All of this money was being left on  
12 the table so we had to come up with a solution  
13 of what to do with this unused money. We  
14 didn't want to lose all this community equity  
15 and then give it back to the federal  
16 government as unused match dollars so we had  
17 to come up with another alternative. And then  
18 finally some of the guidelines that were  
19 surrounding the IDA program were too  
20 restrictive. We wanted to be more flexible  
21 with the income guidelines, asset test etc.  
22 So we were very interested in looking at a new

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1 model that addressed a lot of these  
2 challenges.

3 And that leads us to our Ramp-Up  
4 account. The bank partnership with United Way  
5 and the leadership of Ed at the United Way we  
6 were able to come up and identify a product  
7 that is a low cost, flexible, no strings  
8 attached savings program that provides an  
9 accelerated interest rate. It is a highly  
10 subsidized interest rate of up to 21 percent  
11 APR. And this provides an incentive for  
12 consistent long term savings. The savings  
13 sector was about 15 months. It could be  
14 extendable for beyond that depending if the  
15 individual wants to save a little bit more.  
16 There was no minimum balance requirement, nor  
17 minimum monthly deposit requirement and the  
18 rate of interest ranges from 15 percent to 21  
19 percent based on the initial deposits and also  
20 the monthly deposits that they are making. A  
21 very important point is that the subsidy, the  
22 interest subsidy, is tax-free because the

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1 funding is actually paid by United Way. They  
2 use their own fund-raising efforts to raise  
3 the money for the subsidy and so it is  
4 considered a grant or a match to the  
5 participant, so it is tax-free. So really  
6 that 21 percent could be compared to a 30 or  
7 35 percent when you look at the tax-free  
8 features. Individuals can withdraw the full  
9 savings at any time for whatever reason  
10 without any penalties. Purchases do not have  
11 to be limited to asset specific purchases such  
12 as homeownership, business expenses or  
13 education. It is very, very flexible. They  
14 can be transferred to other savings investment  
15 products such as under the IDA account or an  
16 IRA or a CD. Financial education is highly  
17 encouraged, but it is not a requirement for  
18 them to receive the subsidy as opposed to the  
19 IDA program where you need to do ten hours of  
20 financial education in order to qualify for  
21 this subsidy. Currently we are using the  
22 CitiEscrow account platform which is an online

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1 bank account opening product as the main  
2 platform for opening accounts.

3 I wanted to share this basic grid.  
4 It shows the savings and interest rate and  
5 model for the actual different abilities for  
6 people who save. Since we are trying to  
7 promote this currently during tax season, we  
8 are encouraging individuals to make an initial  
9 \$500 deposit from their tax refund into this  
10 account. Then they make a commitment to save  
11 over a period of the next 14 months, \$40 a  
12 month. They will then receive an APY of 19.35  
13 percent and at the end of their savings goal,  
14 they would have accumulated savings and  
15 interest of \$1,312. And you see right below  
16 that, a different model if somebody decides to  
17 have a larger initial deposit of \$700. The  
18 interest rate is a little lower, 15.1 percent  
19 but at the end they end up saving \$1,659.

20 MR. FISH: So could I open this  
21 account?

22 MR. RAMIREZ: No, everybody asks

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1 that. I wish I would be able too. You have  
2 to LMI so we are looking at 60 percent of area  
3 meeting income for Los Angeles. So they  
4 qualify for the Earned Income Tax Credit they  
5 automatically qualify for this.

6 MR. FISH: I wasn't being cute about  
7 that. I'm trying to understand how you  
8 overcome a lot of legal issues that that  
9 presents.

10 MR. RAMIREZ: Legal issues in  
11 terms of --

12 MR. FISH: Discrimination.

13 MR. RAMIREZ: For income levels?

14 MR. FISH: Yes.

15 MR. RAMIREZ: Well since it is a  
16 grant program --

17 MR. FISH: You feel legally that you  
18 are on good ground that say a person earning  
19 \$62,000 a year walks into this branch and  
20 wants to open that account that you can say  
21 no.

22 MR. RAMIREZ: I think because of

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1 the purpose of the programs to help build  
2 assets for --

3 MR. FISH: I am asking a legal  
4 question.

5 MR. RAMIREZ: We haven't had the  
6 opportunity to think about that. That is  
7 something we can definitely come back and  
8 consider, in terms of discrimination, right?

9 MR. HENDERSON: You have faced no  
10 challenges so far.

11 MR. RAMIREZ: And it has been a  
12 very small pilot program. The funds are  
13 provided by United Way, raised by money for  
14 helping --

15 MS. FUCHS: It is the United Way  
16 piece that covers you.

17 MR. RAMIREZ: Right, we are not  
18 paying the subsidy.

19 MR. FISH: Why is that?

20 MS. FUCHS: Because they are a  
21 charitable not-for-profit and they can create  
22 any kind of standards they want in giving out

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1 their money.

2 MR. RAMIREZ: It is part of their  
3 mission.

4 MR. FISH: Oh, I see.

5 MR. RAMIREZ: Yes.

6 MR. FISH: Okay, thank you.

7 MR. RAMIREZ: But a good question.

8 MR. RYAN: The interest rate is  
9 scalable downward based on the numbers so the  
10 19.5 and 15.1 on the larger amount.

11 MR. RAMIREZ: It is scalable  
12 because there is only a maximum savings  
13 incentive that we can provide per account. It  
14 is about \$250, so the higher the initial  
15 deposit, the lower the interest rate, so we  
16 don't overpay anybody.

17 MR. RAMIREZ: The next couple of  
18 slides are going to show you a side-by-side of  
19 the Ramp-Up accounts with the IDAs.

20 MS. TAYLOR: Since I think  
21 everybody has this so we can sort of look at  
22 the comparisons ourselves.

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1 MR. RAMIREZ: Okay.

2 MS. TAYLOR: If they have  
3 questions about it, they can ask. So if you  
4 could wrap up that would be great.

5 MR. RAMIREZ: Okay.

6 MS. TAYLOR: Okay, thank you.

7 MR. RAMIREZ: The only thing I  
8 wanted to say about this is that Ramp-Up  
9 accounts are by no means supposed to replace  
10 IDAs. They are suppose to compliment them and  
11 maybe as an alternative for those who cannot  
12 use IDAs or aren't ready for an IDA.

13 The Ramp-Up account structure is a  
14 very flexible and customizable design to fit  
15 the needs of the community. We've tried  
16 various programs where we co-enrolled somebody  
17 with an IDA account so they had a Ramp-Up  
18 account and at the same time an IDA account.  
19 We call that a hybrid Ramp-Up account.  
20 Individuals who aren't able to qualify for the  
21 IDA asset match, they can still qualify for  
22 the incentive. And you are very flexible

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1 depending your eligibility criteria based on  
2 local area income, purchase requirements etc.  
3 There is a lot of flexibility in this program.  
4 And the main highlight I wanted to focus on is  
5 some of the outcomes from this program. The  
6 pilot program was launched in 2007 in June and  
7 it was in effect for about 12 months. Our  
8 goal was to actually open up 40 accounts. We  
9 over-enrolled with 42 just to make sure that  
10 we could make up for the possible attrition  
11 rate. According to the accounts that were  
12 opened in the first two months, participants  
13 were co-enrolled in the IDA program. Within  
14 the first 90 days of the program, there were  
15 over \$12,000 in deposits, average of \$300 in  
16 an account. After the first 180 days there  
17 were \$23,970 in cumulative deposits. Some of  
18 the numbers that we looked at was that 80  
19 percent of the individuals made regular  
20 monthly deposits and there were actually 28  
21 percent more savings in the Ramp-Up account as  
22 compared to an IDA saver, an IDA account using

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1 the same population and during the same time  
2 period. So we had a control group to try to  
3 compare that. With that comparison with the  
4 control group, we also saw that only nine  
5 percent attrition rates for the Ramp-Up  
6 accounts versus 26 percent attrition rate for  
7 IDA savers.

8 And then for the second page of the  
9 program in the last year tax season, we opened  
10 up 29 accounts at the VITA sites, average \$500  
11 tax refund used to seed the accounts. We did  
12 not offer the co-enroll into the IDA program  
13 but many were interested. The reasons we  
14 wanted to see if the IDAs had any effect on  
15 people enrolling in Ramp-Ups. We wanted to  
16 offer it as a separate account to look at  
17 that. And then in the first 90 days over  
18 \$10,470 were made in total deposits and as of  
19 just a few weeks ago total cumulative deposit  
20 was about \$29,610. And so far there have been  
21 two homeownership purchases that have been  
22 made using this savings account.

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1           And then finally for our third  
2 phase of expansion, which is what we are doing  
3 currently right now with this VITA season. We  
4 expanded into four new sites for VITA and one  
5 existing site, so a total of five new  
6 locations. So we made it throughout the whole  
7 county of Los Angeles. In trying to look at  
8 various neighborhoods of Boyle Heights, East  
9 LA, Pacoima, Koreatown, Pasadena -- very  
10 culturally diverse communities -- so we are  
11 trying to see if there is -- trying to measure  
12 any variations in outcomes in the communities  
13 that are served. We have a goal of 175  
14 accounts that should be opened by June 2009.  
15 Again, encouraging the use of \$500 opening  
16 deposit using the tax refund and we'd like to  
17 replicate this as the next step throughout the  
18 whole state and hopefully have the federal  
19 government consider this as a national  
20 demonstration project in the future. Thank  
21 you.

22           MS. TAYLOR: Thank you.

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1 MS. TOWN: Hi, thanks for having us.  
2 I'd like to give you a little bit of  
3 background on Monroe Bank and Trust. We are a  
4 one and half billion dollar community bank.  
5 We were founded in 1858 in the back of a  
6 drive-in store when James Buchanan was  
7 president. So we very proudly celebrated our  
8 150<sup>th</sup> anniversary last year. We have been  
9 trading on NASDAQ since 2003 and currently  
10 operate 25 branch locations. In October of  
11 this year, we acquired 86 million dollars in  
12 audits from Main Street Bank in Northville,  
13 Michigan. We just completed a conversion of  
14 those customers to MBT. And we operate under  
15 a slogan that we like to use, MBT banking. We  
16 diligently work to try to provide products and  
17 services to folks in our area that meet the  
18 needs of our market collaboratively. We are  
19 headquartered in Monroe, Michigan, which is  
20 about halfway between Toledo, Ohio and  
21 Detroit. Our branches are in suburban and  
22 agricultural areas. Sadly, you probably know

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1 Detroit is the heart of the automotive  
2 industry and our state has been in a recession  
3 for over five years. We have a 10.6 percent  
4 unemployment rate statewide -- I know that  
5 number is low and will be readjusted when the  
6 New York bureau's numbers come out -- 9.6  
7 percent in Monroe and that's compared to a  
8 national unemployment rate of 7.2. I think  
9 the worst in some ways, our high school  
10 dropout rate in Monroe is reportedly over 20  
11 percent. We have a 53 percent market share in  
12 Monroe County, less than a percent in Wayne  
13 County. And in terms of our CRA assessment  
14 areas in Monroe, we serve one low, one  
15 moderate, two minority, and in Wayne County  
16 two low and two moderate.

17 We developed a second chance  
18 checking product. We recognize the need to  
19 help people in our communities re-establish  
20 good financial banking practices if we could  
21 or to help them improve their banking history.

22 And we also wanted to maintain consistency in

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1 our branch, our front line personnel at the  
2 time of account opening, especially for those  
3 people with financial challenges.

4 So we were -- actually introduced  
5 the concept of the second chance checking  
6 product at a trade show. We decided to  
7 research it via our product and pricing team  
8 internally. We did design and watch a pilot  
9 February of 2008. It's design is a stepping  
10 stone product. The end goal is to graduate  
11 the customer after 12 months of solid  
12 financial management into a more traditional  
13 product such as free personal checking. This  
14 product seems like its features are pretty  
15 similar to those in Peter's. No minimum  
16 balance, \$50 minimum to -- or I'm sorry, no  
17 minimum balance required, \$50 minimum to open.  
18 There is a \$10 monthly service fee. There is  
19 an ATM debit charge but no deposit capability  
20 on the card and available withdrawal limit of  
21 \$300. We've had some success with the  
22 account. We had 49 accounts opened. We are

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1 maintaining a 70 percent retention rate on  
2 those accounts and the average balance account  
3 is \$194.57.

4 In April of this coming year, we  
5 plan -- or this year -- we plan to try to  
6 reach another segment with our launch of a  
7 young adult checking product. Again, the goal  
8 would be to graduate the young adult customer  
9 into a more traditional product at their 25<sup>th</sup>  
10 birthday. Again, \$50 minimum balance, \$20  
11 worth of free ATM fees each month, ATM debit  
12 card with deposit capability and a \$100 debit  
13 reward points in a rewards program that we  
14 have internally at account opening.

15 We think, however, that the  
16 critical elements for us reaching our  
17 customers are our financial outreach efforts  
18 coupled with our products. We have  
19 historically operated a number of programs  
20 including our Partnership in Education bank at  
21 school program that operates in 37 elementary  
22 schools in our markets. Our branch personnel

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1 literally come in and assist children and  
2 parents and open student savings accounts and  
3 the students actually serve as the branch  
4 managers, customer service reps, security  
5 personnel etc. And currently we have 7,286  
6 accounts on our books, average balance of \$551  
7 for a total of a little over 4 million dollars  
8 in student accounts. We also offer \$15,000  
9 college scholarships annually for graduating  
10 seniors. Those seniors are selected by school  
11 personnel. However, the scholarship winner's  
12 household income cannot exceed 80 percent of  
13 the assessment area median family income, in  
14 this case \$52,960. Our branch managers as  
15 many of the banks seem to do also conduct bank  
16 at work programs in area businesses for  
17 example. We do conduct one regularly at the  
18 Global Engineering Manufacturing Alliance  
19 plant in Dundee where our managers go onsite  
20 to assist with account opening and financial  
21 advice. We are also absolutely happy to  
22 assist other of our clients, customers, such

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1 as IDA schools as an example, with opening  
2 things like health savings accounts for their  
3 employees when they offer high deductible  
4 health programs. Internally we are launching  
5 a program which we are calling MBTID, which  
6 stands for Inclusion and Diversity. We think  
7 that we could stand to become more diverse as  
8 an organization and we think that we need to  
9 better understand the needs of our communities  
10 as they change. We also utilize bank-wide a  
11 relationship/sales process to both our  
12 internal and our external customers we refer  
13 to as CARE, which standards for communicate,  
14 ask questions, refer when appropriate, and  
15 enjoy the results.

16 We are most proud of our ENLIST  
17 volunteer program now celebrating its 25<sup>th</sup>  
18 year. The acronym stands for Employees Now  
19 Linked In Service Together. It started with a  
20 reward for top employees for volunteering  
21 their time and energy to serve non-profits and  
22 organizations with their manpower needs. Over

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1 and above our annual contributions of about  
2 \$250,000 in corporate sponsorships, our  
3 employees donate over 9,000 hours each year,  
4 serving over 100 groups. We have over 85  
5 percent employee participation and just last  
6 month ENLIST presented a check to a local non-  
7 profit organization for over \$10,000 in  
8 additional funds that the group raised  
9 throughout the year. ENLIST has been  
10 recognized by the Michigan Bankers  
11 Association, a Shining Star Award, as a  
12 finalist and the American Banker's Association  
13 Community Service Award category and we just  
14 recently received the Presidential Volunteer  
15 Service Award from the President's Council on  
16 Service and Civic Participation.

17 I am very excited about this  
18 particular initiative. This month we are  
19 launching MBTTeach or I'm sorry MBTeach, which  
20 is an extension of our ENLIST volunteer  
21 program. We have launched this or designed  
22 this to be a little more formal and strategic

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1 in our approach to financial literacy  
2 programming in our communities. We are using  
3 the FDIC Money Smart curriculum. We are  
4 training and certifying our MBTeachers  
5 internally. In fact, there is a public  
6 speaking class going on as we speak. And we  
7 have been scheduling courses with non-profits,  
8 community organizations, etc. as requested and  
9 at completion of those courses we hope to open  
10 accounts for those individuals who attend and  
11 then to provide ongoing financial assistance.

12 We project that we will reach over 1,000  
13 students in 2009.

14 The final initiative that I would  
15 like to point out is The Learning Bank, which  
16 is tremendous collaborative opportunity. In  
17 April of 2008, we closed the branch that did  
18 operate historically unprofitably in a low-  
19 income area. And we transferred the deposits  
20 to our main branch that was less than three-  
21 quarters of a mile away. We didn't want to  
22 abandon or lease the building. So we looked

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1 for alternatives and our president/CEO, Doug  
2 Chaffin had a vision for this. He was aware  
3 of a collaborative effort between Huntington  
4 Bank and Grand Rapids Community College called  
5 The Learning Corner at Wealthy. So we thought  
6 we could do something similar and bring in the  
7 partners in our community to create a similar  
8 model. So we conducted about six months of  
9 community meetings with faith-based community  
10 organizations, government, the community  
11 college, intermediate school district, local  
12 non-profits and we also looked at all of the  
13 community research and data that was available  
14 and reached an overwhelming consensus that all  
15 parties agreed to form a collaborative to  
16 support an educational outreach center in this  
17 facility, which will start providing GED prep  
18 and testing, particularly for the over 24 age  
19 group who are a little more difficult to find  
20 for; COMPASS testing to assist people with  
21 transition into college or job training;  
22 provide access to programs offered by

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1 organizations such as the United Way, the  
2 Salvation Army, the Monroe County Opportunity  
3 Program; and of course we will be offering our  
4 financial literacy courses via MBTeach. And  
5 the State of Michigan Department of Labor and  
6 Economic Growth is meeting this afternoon and  
7 hopefully they will approve a \$300,000 grant  
8 to fund this project.

9 So I think this is in your packet.

10 We were very pleased. It was getting very,  
11 very positive support in the community.  
12 Obviously we like positive PR as well as the  
13 next guy, but it was a very, very valid  
14 effort.

15 So in conclusion we think that we  
16 need multiple approaches in the communities  
17 that we serve and we think that we need to  
18 concentrate on literacy and support literacy  
19 with products.

20 MS. TAYLOR: Thank you. Since we  
21 are so far behind right now, what I would like  
22 to do is limit people's questions to specific

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1 questions that they might have about this  
2 program and take a quick break and come back.

3 I want to make sure that we have enough time  
4 for discussion. So thank you very much.  
5 Anybody have specific questions? Martin?

6 MR. EAKES: Mine is not a question.

7 I just wish everybody in America could hear  
8 your story. You know they think of banks as  
9 being the bad guys and really what you have  
10 described is just so incredible and I know  
11 particularly for Mr. Maloney, I have worked  
12 with a lot of immigrant communities all over  
13 the county and you probably wouldn't even know  
14 how inspiring your bank has been to those  
15 communities for all the leadership you have  
16 done on ITIN over the years. I just want to  
17 say thank you publicly and to Victor. I've  
18 done a lot of work recently with Eric Eave and  
19 Kevin Thurn and others at Citi who have really  
20 taken beyond the call of duty trying to figure  
21 out how to modify mortgage loans and I just  
22 want to thank you. It is amazing what you are

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1 doing.

2 MS. TAYLOR: Having been on the  
3 other side of some of the remarks that is high  
4 praise. Anybody else before we take a quick  
5 break. All right. Why don't we take a ten --  
6 come back at like 20 after. That would be  
7 great and then we can get going again.

8 (Whereupon, the above-entitled  
9 matter went off the record at 11:12 a.m., and  
10 resumed at 11:26 a.m.)

11 MS. TAYLOR: For the new panel, if  
12 people could keep their formal remarks to a  
13 minimum because I really would like to have a  
14 discussion after this. Bob the floor is  
15 yours.

16 MR. MOONEY: We have here  
17 representatives of very successful Alliance  
18 for Economic Inclusion coalitions from around  
19 the country. As you pointed out, our  
20 alliances, we now have more than 1,000  
21 organizations that are members in eleven  
22 cities. They have been able to open banking

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1 relationships for almost 1,000 individuals.

2 I think this morning it would be  
3 important for us to look at the strategies  
4 they used to develop those banking  
5 relationships. We believe that the more  
6 flowers in the garden that bloom the better.  
7 And we have here today a bouquet of success.

8 So, let me introduce our panel,  
9 starting with Mr. Jim Young. He is president  
10 and CEO of Citizens Bank and Trust. He is a  
11 very active, productive member of our AEI in  
12 the Black Belt area. Next to him is Charles  
13 Martin. Charles is the CRA officer at M&T  
14 Bank in Baltimore and a very active member of  
15 our AEI Black Belt area.

16 Charles is going to address how the  
17 AEI coalition of banks in Baltimore are  
18 developing jointly a small dollar loan  
19 program. So it is a different take on the  
20 individual program.

21 Bruce Gotschall is the executive  
22 director of NHS of Chicago and he's not --

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1 there he is. Bruce is going to discuss  
2 foreclosure efforts as well as a remarkable  
3 loan pool that is funded by local banks to  
4 address that issue and how they are addressing  
5 vacant housing. Now the reason he is going to  
6 talk about that relative to the Alliance for  
7 Economic Inclusion is that most of our  
8 alliances across the country are participating  
9 in foreclosure prevention efforts within their  
10 community very actively. And for Bruce's  
11 program, the FDIC is providing information as  
12 to how that qualifies for CRA credit and the  
13 importance of foreclosure prevention relative  
14 to the bank's entire program.

15 Mary Dupont is with us. We are  
16 delighted to have Mary. Mary has long been a  
17 leader of community development for the State  
18 of Delaware and she will overview their EITC  
19 campaign. Remarkably, she has unrolled that  
20 across 22 locations in the State of Delaware  
21 and as an innovative strategy here because it  
22 includes the provision of cash cards to

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1 participants and for the refunds.

2 And finally, last but not least is  
3 Dora Brown, who is Senior Vice President of  
4 the International Bank of Commerce. Dora is  
5 going to discuss a very successful -- Texas  
6 has a robust Alliance for Economic Inclusion -  
7 - a very successful bank school partnership to  
8 reach not only consumers but underserved  
9 families as well.

10 I think we will allow for about  
11 five minutes each and that will give us time  
12 for questions and so I think Dora, let's  
13 start.

14 MS. BROWN: I really want to get to  
15 this program. First, thank you for allowing  
16 me to be here because I could be at home with  
17 73 degree weather and not a -2 but it is a  
18 pleasure to be here. I'll get right to it. We  
19 will be talking about a school and how we take  
20 part in the schools. One of the ways is for  
21 over 12 years now we have been involved in the  
22 schools. There is this Sam Houston

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1 Elementary, and you will see the kids at a PTA  
2 meeting and talked to the parents about PTA  
3 and then our employees become the babysitters  
4 so that the people can attend the PTA meetings  
5 and we talk to them about being able to obtain  
6 credit and loans and checking accounts and  
7 savings. This school is very unique because  
8 we have the mayor and the IBC bank president,  
9 the young lady is a more -- look at the smile  
10 on her face. She is the president of the  
11 bank. And she and along with the mayor of the  
12 city who have the mayor and commissioners  
13 welcome you to the school when you come in  
14 when we have programs. Here at this time I  
15 was having, I held a conference for several  
16 banks to come in. I invited several banks to  
17 come in so they could start the same program  
18 because I can't do it all. And here you see  
19 the tellers, they actually have a bank  
20 president, the tellers all the way down to the  
21 security guards. And the supervisors on the  
22 other side are telling you what a debit and a

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1 credit is, how to be a teller and the ins and  
2 outs of being a teller. Here you actually see  
3 the kids at work. These are the tellers. The  
4 math teachers love this program because it  
5 teaches the kids how to not only read and  
6 write, but they can do the math as far as  
7 adding, subtracting and they have to do it  
8 quick because as you can see on the other side  
9 they got customers waiting. So they got to do  
10 it real quick. So the kids do their own  
11 ledgers. They add their deposits and  
12 everything goes on. As you can see again you  
13 see the kids in line and at the back you will  
14 see the customers that we have invited or the  
15 parents in the community, we have invited to  
16 come in. And the other side they are about to  
17 close. So, this is something that goes on  
18 every day and it is very exciting for the  
19 kids. The attendance has increased  
20 tremendously. The teachers say the kids want  
21 to come to school because they have an  
22 obligation. They have a responsibility. So

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1 they have to go to work, yes they have to go  
2 to work so they don't want to miss school even  
3 if they are real sick.

4 They also have other areas. Not  
5 only a bank, they have a Target, a Wal-Mart, a  
6 H-E-B grocery store also. They have IRS and  
7 the newspaper. And here is the kids, these  
8 are the IRS kids. And it is really cute  
9 everything that they do. But these are very  
10 serious people. Here I am talking to the  
11 parents at the PTA meeting and telling them  
12 about the program that we are all very excited  
13 about and how we are teaching the kids to  
14 save.

15 And then the other businesses that  
16 I just talked about. They have the mail as  
17 you see up there. This young lady at the  
18 bottom, she's one of the Target managers and  
19 she was so excited to be accepted there. We  
20 also have Channel 5, which is the TV station  
21 over and the radio station and the kids make  
22 all the announcements every day through the

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1 radio station.

2 This is really a very exciting  
3 school. They have a slogan that says "you  
4 earn it, we save it." They came with their  
5 own slogan for that. This is not a little  
6 play school. This is actually a school where  
7 the kids learn how to become bankers. And not  
8 only do they just teach the kids there, they  
9 go back and they teach their parents. They  
10 are very successful at this. This is a very  
11 low-income area where 90 percent of the kids,  
12 or the families rather, are very low-income  
13 and don't speak any English. The kids then  
14 teach the parents how to speak English.

15 But we go into the schools, talk to  
16 the PTAs and we counsel them. We become  
17 counselors to those people and teach them on  
18 how to be able to keep a savings account. I  
19 could go on and on about this but since you  
20 only gave me five minutes. The parents  
21 eventually open up accounts and I don't have  
22 all the numbers but I will tell you that we go

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1 in as I say, we don't just tell them open a  
2 free checking account. We actually counsel  
3 the parents and tell them what they can and  
4 cannot do to be able to save money and to not  
5 have any fees and all of that in there because  
6 we don't want to get them in any more trouble  
7 than they probably already have. But we have  
8 found the parents who open checking accounts  
9 said that they actually were able to save  
10 money instead of just cashing a check and  
11 having it at home and have \$5 for this and \$5  
12 for that and have no accountability of  
13 anything. So in that sense, we have had a  
14 really good success.

15 The kids there just love it, like I  
16 said. I wish we had been able to show you a  
17 video that they have because the kids tell you  
18 their own job descriptions of what they are.  
19 This time we were not allowed to do that  
20 because of Texas problems. But I am very much  
21 involved in all the schools. We went to all  
22 the high schools. I have the ability to talk

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1 to the superintendents. I have a really good  
2 rapport with all the superintendents. So we  
3 go to the high schools and teach the high  
4 school students especially about credit cards,  
5 how not to get in trouble with credit cards.  
6 I always make the example that my daughter got  
7 a \$10,000 pre-approved credit card when she was  
8 in high school and we got a \$1,000. We talked  
9 to the kids about try not to get involved with  
10 this. Tear those things up right away because  
11 you will get in trouble. You go get your  
12 degrees and all that, then you want a job. If  
13 you have bad credit, you won't be able to get  
14 a job, especially not in a financial  
15 institution. So we try very hard and talk to  
16 them on a one-to-one basis on it.

17 So, there is a lot of things, IBC  
18 is involved. We have throughout corporation,  
19 we are involved in a lot of the going into the  
20 schools and doing presentations in different  
21 areas to talk to the people in the underbanked  
22 areas and underserved areas on the things that

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1 we could do for them. We have gotten a lot of  
2 awards, a lot of free press and everything  
3 where IBC is actually going out there, rolling  
4 their sleeves up and helping the people.

5           Before you all leave I would like  
6 for you to take, this is different brochures  
7 that we have. This is from the school, how  
8 they work and other things. Their life skills,  
9 how they earn their money and this would kind  
10 of show you also.

11           If anybody has any questions on how  
12 to get started and would like to get going on  
13 this program, I would love for you to give me  
14 a call. I put my number I think everywhere  
15 and we would love to get -- my goal was to  
16 have all this program in the McAllen schools  
17 because our corporate FIO has requested that  
18 he would like this program, he is so much into  
19 and gives us a lot of support that he would  
20 really like this to be in all our markets and  
21 we are in over 102 markets. So we've already  
22 got started on this so now we are not only

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1 going to be in McAllen, Texas, which is a  
2 great city to be in, but we are going to be in  
3 Austin, McAllen, rather Houston, Oklahoma.  
4 So, we are in San Antonio and different areas.  
5 So we are really passionate about this  
6 program. I guess you saw that. But also we  
7 give a lot of free quotes and as people have  
8 said, we've got this right here. This is from  
9 the -- it came in the magazine and I just  
10 condensed it from one of the programs that I  
11 did and actually a story that Texas bankers  
12 did on us and also the American Bankers  
13 Association did another story. It has been  
14 all over the newspapers in different areas. I  
15 have the brochures on how to get started and  
16 then the bank on what our duties are. Thank  
17 you very much.

18 MR. MOONEY: Dora, thank you and  
19 IBC and Dora have been very active in the  
20 Texas AEI, so we thank you very much and we  
21 are going to share your information with other  
22 alliances around the country because we want

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1 to move into high schools. Mary?

2 MS. DUPONT: Okay, well good morning  
3 everybody. It is a pleasure to be here. I'm  
4 another person who is very excited about the  
5 work that we are doing in Delaware. By the way  
6 I'm not related just in case you thought it  
7 was quite a coincidence.

8 (Laughter.)

9 MS. DUPONT: I passed these red  
10 folders here. You can read the background  
11 information me -- my Gateway Community  
12 Development Corporation and the Delaware  
13 Earned Income Tax Credit campaign which is on  
14 the first page here. And in the folder there  
15 is a green piece of paper that shows you our  
16 statistics from last year. To sum it up, our  
17 organization runs a statewide earned income  
18 tax credit campaign which is the free-tax  
19 preparation bundled with a whole array of  
20 financial services. My interest in getting  
21 this started was really on the financial  
22 service side and what I recognized eight years

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1 ago was that the organizations in the country  
2 that at that time were most successful at  
3 reaching potential IDA customers were those  
4 who were involved in this free tax prep. So  
5 the whole idea is to use the tax sites as a  
6 front end to attract the market and then once  
7 they are there to capture the money moment and  
8 be able to offer them a whole array of  
9 financial services.

10 The IRS really made our job a lot  
11 easier three years ago when they introduced a  
12 new strategy to be able to split the refund.  
13 So now you can directly deposit your refund  
14 into as many as three accounts by using the  
15 Form 8888. So before we were simply opening  
16 up savings accounts to have a direct deposit  
17 in partnership with PNC Bank in Delaware and  
18 then once the 8888 came along we can now offer  
19 our customers an opportunity to save in more  
20 long term type vehicle. So put out an RFP to  
21 the banks and I guess I am not using my  
22 slides. I will just tell you the story. We

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1 put out an RFP asking Delaware banks to create  
2 a specific product which would be a CD, six  
3 months minimum deposit of \$250. Basically we  
4 designed a product that would be easy for our  
5 customers and appeal it to our customers to  
6 get into. And then we also designed a new job  
7 for our volunteers because as you know free  
8 tax programs are based on volunteer  
9 participation. We created the tax  
10 coordinator. So we have the tax preparer who  
11 does the taxes and the cash coordinator, oh  
12 there we go. And we trained our volunteer  
13 cash coordinators to talk to our customers  
14 about the products we offer. We offer savings  
15 accounts -- and this is all in partnership  
16 with local banks -- savings accounts,  
17 certificates and certificates of deposit. And  
18 by the way, we have no bankers on site. We  
19 are able to offer the products at all of our  
20 tax sites either using -- we started out with  
21 an 800 number and now we just do it online.  
22 We developed a secure website where we can go

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1 up and just open up an account right online.  
2 Last year and then we also last started  
3 partnership with D2D, Peter's brainchild, to  
4 offer savings bonds. So it started getting  
5 really complicated. Now we've got savings  
6 accounts, CDs, savings bonds, and we also  
7 offer free merged credit reports with a score.  
8 And this year we are offering a new product  
9 which is a convenient cash card. And I'm very  
10 excited about that. I'm trying to keep an eye  
11 on the time here.

12 I think rather than describing  
13 everything because you are all bankers so you  
14 know what this stuff is. I think I should talk  
15 about the lessons learned. One is you can  
16 open accounts without a banker present. So a  
17 lot of programs around the country are limited  
18 in terms of using tax sites as a front end  
19 because they say that local banks don't have  
20 enough support to be able to send somebody out  
21 to all of these tax sites to open the  
22 accounts. In Delaware we have been able to do

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1 it. I'm not a legal person. I'm not a  
2 banker. But they figured out how to do it  
3 legally in spite of the Patriot Act and all of  
4 those other limitations that we hear about all  
5 the time.

6 Number two, the savings accounts  
7 were a flop. We've opened up a lot of them  
8 and we've had three different banking partners  
9 and this is for unbanked taxpayers. We've  
10 opened up probably about 1,000 savings  
11 accounts over the past eight years and I would  
12 say that 90 percent of them were closed or  
13 they remained opened with \$5 in them. And the  
14 big bulk of them were overdrawn. So not only  
15 were they closed but people ran into problems  
16 by overdrawing and they ended up worse than  
17 they started. So I don't like savings  
18 accounts. We still offer them because people,  
19 some people want them. So we try to provide  
20 people with what they want.

21 The CDs, they have to be an  
22 interesting product. Last year I was able to

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1 convince one of our banks to reduce the term  
2 to three months and the minimum to \$50. They  
3 decided they didn't want to do that again this  
4 year. So we now offer \$250 at a minimum term  
5 of six months. And we do have some interest  
6 in the CDs. It actually conceived from our  
7 money menu. This is what everybody gets when  
8 they come in. So when they enter, they are  
9 given the money menu, we introduce the  
10 products. We have decided to label the CDs.  
11 We have Christmas CD, vacation CD, back-to-  
12 school CD, dream purchase, and debt repair.  
13 So we try to suggest these are things that you  
14 might want to use the money for later this  
15 year. And that really helps people to  
16 visualize what you might want to do in six  
17 months with \$250.

18 Another lesson learned, everybody  
19 wants to know what their credit score is.  
20 Everybody knows that there is a problem that  
21 follows them around and that prevents them  
22 from gaining access to financial services,

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1 jobs, all kinds of things in life. Credit  
2 scores are what I call your report card for  
3 life. And we have done, I only can afford  
4 2,500 a year. We'll do somewhere between  
5 15,000 and 18,000 returns, but I have to pay  
6 for these of course because they have the  
7 score. So there really is no free credit  
8 report. But we have developed a whole program  
9 just on credit, a financial education program  
10 called the money show and that combines  
11 theater and financial education. We do it for  
12 high school, college and adults. It is  
13 described in our brochure.

14 Another lesson learned is that --  
15 and this has really been a tough one for me.  
16 I've been trying to work with banks for many  
17 years. I started out in micro lending and now  
18 I've been doing all this consumer stuff. And  
19 it seems to me that banks don't really have  
20 the infrastructure, although they have the  
21 desire. They don't really have the  
22 infrastructure, the ability to create the kind

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1 of product that our customers need which is  
2 un- and underbanked consumers. So I'm really  
3 excited because I met up with some guys who  
4 used to be with H&R Block. They just started  
5 their own company called Advent Financial  
6 Services. Their market is my market. They  
7 know how to create a product that doesn't  
8 overdraw. You can't -- that's the main thing  
9 you can't bounce the account. It has direct  
10 deposit. It is this cash card. It is  
11 described here. We are calling it the  
12 convenient cash card and we are piloting it  
13 this year. It can receive a direct deposit  
14 from the tax return, from payroll, from  
15 benefits. If Michael Barr is still in the  
16 room, I was jumping up and down because what  
17 he was saying is the ultimate financial  
18 transactional product that people need, this  
19 is it. Plus not only is it ideal for  
20 transactions and people cannot fall into the  
21 same kind of traps that they will with  
22 traditional financial services, it is also

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1 going to have a savings pouch and a credit  
2 line. So if you are using it for your  
3 payroll. I you have an established  
4 relationship, you can get a line of credit.  
5 You don't need a payday loan. So basically it  
6 is the trinity card. It has three in one. It  
7 can do everything. So hopefully I'm not being  
8 overly optimistic about it but I'm pretty  
9 excited because it is what I have been looking  
10 for, for a long time.

11 So I think that is it. I could go  
12 on and on and tell you more and more but look  
13 at our money menu. You don't have to give it  
14 back even though we do ask for them back at  
15 our tax sites.

16 MR. MOONEY: Thank you Mary.  
17 Bruce?

18 MR. GOTSCHALL: Glad to be here.  
19 The FDIC has been such a great partner in both  
20 brokerage intervention work and loan improved  
21 development and so forth and you can see from  
22 the title of this slide serving more low-

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1 income neighborhoods and actually a few years  
2 would have been serving low-income communities  
3 on the mend. We will stress because of the  
4 foreclosure and vacate properties, it is a  
5 whole different situation. I won't spend a  
6 lot of time on the background on Neighborhood  
7 Housings Services but I have a couple of  
8 slides in there. I won't spend a lot of time  
9 on there but we have three particular areas.  
10 One is foreclosure and prevention work through  
11 our lending services which is the loan pool  
12 and making loans for a range of activities and  
13 then the redevelopment corporation which is a  
14 community development corporation, real estate  
15 development, on neighborhood housing. The  
16 activity of NHS is really neighborhood  
17 focused. Foreclosure prevention is what I  
18 will focus on today. Homeownership  
19 Preservation Initiative which we started in  
20 2003 has significant results but because we  
21 didn't keep up with the extreme increase in  
22 foreclosures and the negative impact. Just to

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1 give you some recent activity and the growth  
2 of that activity, this is partly due to the  
3 growth of the problem but it is also due to  
4 federal money has assisted us to capacity as  
5 well as foundations and others have stepped up  
6 some. We have a lot more activity, a lot more  
7 education, a lot more connections. It is not  
8 increasing as rapidly as the connection to the  
9 people. Some of that is time. It still takes  
10 three to six months just to get through the  
11 process of trying to get a saved or corrected  
12 mortgage situation, but it is very difficult.

13 On the loan modification front, a lot of  
14 discretion there actually. Modifications from  
15 our experience, we see only a third of them  
16 actually lower the monthly payment. They keep  
17 the payment the same or they add principal to  
18 the end and we readjust and so it really is a  
19 modification in change of terms but it doesn't  
20 improve the situation for the borrower. So  
21 that we think is why the discretion in mods  
22 demonstrates that they are not performing

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1 well. But we think they are not performing  
2 well because of all of the information is not  
3 calculated and the borrower situation is not  
4 taken into consideration.

5 The money announcements which we  
6 think are great in terms of the new programs,  
7 from our experience, they have not yet reached  
8 the borrower level to really create more  
9 volume of saves and less mitigation efforts  
10 that are sustainable. We could talk about why  
11 mods aren't sustainable, what are the issues?  
12 Many people have talked about those. These  
13 are interpretations of what some of the causes  
14 might be. The securities themselves, we think  
15 the second one is a great big one and that  
16 data that is available to the service or they  
17 don't get full, accurate data information. We  
18 think help fill that gap and really do in  
19 situations where we get cooperation. So there  
20 is a number of current situations that are, I  
21 think, making it difficult still to move on  
22 the modification and sustainable mod.

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1           One kind of disturbing piece of new  
2 information in terms of people that we are  
3 seeing -- when you look at the total expenses,  
4 the average person we are counseling, that is  
5 coming to us, is -- 37 percent of their income  
6 goes toward expenses. It is just and it is  
7 gotten to the point where that is as big or  
8 bigger problem than the loan terms and so  
9 forth or the original underwriting. We think  
10 streamlined mods can help a good portion of  
11 the segment. A second tier really needs  
12 significant intensive counseling and budget  
13 work and also working with significant  
14 modifications of the terms of the loan to  
15 lower payments. Some current we have talked  
16 about before, a critical ingredient is the  
17 connection between the counselor and the  
18 servicer. BestFit is one tool that we use and  
19 other counseling organizations use to connect  
20 with loss mitigation people, the services that  
21 they have. Get away from the facts as they  
22 get to work-based connections which many, many

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1 counselor organizations are now using this.  
2 We don't yet have as much acceptance from the  
3 services as we would like to see. It is  
4 something that I think is making some  
5 progress.

6 Moving quickly to neighborhood  
7 lending services, which is our licensed  
8 mortgage bank that provides lending for a  
9 range of leads to close the gap of lending and  
10 also combined public money with the private  
11 lending source to make deals work that could  
12 not work without public subsidies for the  
13 range of what we call buy, fix and keep their  
14 homes. The borrowers that we serve and have  
15 served over the years, you can see the  
16 demographics and income and so forth and then  
17 ITINS are part of our process also. Low- and  
18 moderate-income have a significant portion of  
19 that. Over the last six years, five or six  
20 years, we've had loan pools have generated  
21 about 150 million in loans and over time you  
22 can see the new, developing a new loan pool

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1 currently right now. 150 million, a new piece  
2 of it is the third bullet, the loss reserve.  
3 Although our loans have performed very well  
4 over the last five or six years, in order to  
5 get our investors comfortable, we have set a  
6 premium, the loans to the lenders and some of  
7 that premium goes toward the reserve and then  
8 the MacArthur Foundation has stepped up to  
9 help the loss reserve --

10 MR. FISH: Who are your investors?

11 MR. GOTSCHALL: We've got 20 and  
12 I've a slide here that shows those, currently  
13 who we have. And just as composition and  
14 product mix, when you look at refinance,  
15 purchase and home improvement, 2003-2006 you  
16 see 12 percent of our lending rights for our  
17 re-fis. In 2007 it was 53 projecting going  
18 forward. Actually we see a very slight  
19 decline in refinances over the years but this  
20 is as we project, what we've done and what we  
21 project going forward to be lending about 45  
22 to 50 million a year for those kinds of

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1 improvements or those kinds of loans.

2 This is just a slide that we use  
3 with our potential investors describing why it  
4 is important to invest to the low- and  
5 moderate-income borrowers, the geographies  
6 that you had to get to, investment that  
7 couldn't be done without this kind of  
8 partnership from public funds.

9 Investors here, we have about 20  
10 investors. We have two other pools in the  
11 past and many repeats and a few new, still in  
12 progress. During this month we will be  
13 finalizing and closing at the end of month.

14 MR. FISH: So they are all banks?  
15 You don't have any non-bank?

16 MR. GOTSCHALL: No.

17 MR. FISH: And you don't have any  
18 financial -- you don't have check cashing  
19 companies? You don't have --

20 MR. GOTSCHALL: As investors?

21 MR. FISH: As investors.

22 MR. GOTSCHALL: No, no.

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1 MR. FISH: Payday lenders, you have  
2 no payday lenders as investors?

3 MR. GOTSCHALL: No. We've  
4 historically worked with what we call  
5 conventional lenders.

6 MR. FISH: And why do you think that  
7 is that banks are your investors?

8 MR. GOTSCHALL: Well because  
9 historically Neighborhood Housing Services has  
10 been a partner with existing financial  
11 institutions, I think their focus on the  
12 communities plus I think CRA is a benefit that  
13 is something that is worthwhile. We did  
14 actually have long discussions with Goldman  
15 and Morgan Stanley this year but we haven't  
16 gotten them yet. But eventually I think we  
17 will.

18 CHAIRMAN BAIR: They are banks  
19 now.

20 MR. GOTSCHALL: So that is the  
21 lending front. Our redevelopment corporation,  
22 which is Neighborhood Housing Services --

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1 particularly what I wanted to focus on today  
2 was our NeighborHomes activity with buying  
3 vacant buildings and reselling those  
4 properties in targeted neighborhoods. Just as  
5 an example, this happened to be two years ago  
6 we did work. There was a block that had six  
7 vacant properties. They were actually FHA at  
8 that time. These properties we purchased and  
9 rehabbed with some city assistance, but also  
10 privately financed in terms of the sale of the  
11 properties at the end. Of course the current  
12 purchase/rehab/resale market and issues are  
13 significant. The market -- and we all know  
14 the market and credit -- the overall sales and  
15 all of these are very, very difficult today in  
16 terms of taking a building, buying it, fixing  
17 it and selling it to new owners. So the ideas  
18 of rent to single families, lease-to-purchase  
19 options, those things that are things that  
20 need to be considered on how those can add  
21 resources to work on the problem. I think  
22 that reality, different from a number of years

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1 ago, used to be at the foreclosure sale there  
2 would be some investors bought the loan out of  
3 the foreclosure sale. Now almost nobody; 97  
4 percent of the properties go to the lender  
5 with no investors paying off the mortgage as  
6 there was before. Of course huge inventories,  
7 some REO lenders, you know, the attitude of  
8 give me an offer or what can I do? Give me an  
9 idea of a neighborhood in terms of the  
10 straight on the market, the third bullet  
11 point, and this was a neighborhood which  
12 interestingly is in the neighborhood President  
13 Obama use to organize outside of Chicago.  
14 This is 47 listed at under \$30,000 and been on  
15 the market 157 days. There were none in 2005  
16 and 2006 and ten properties listed on the  
17 listing service for under \$15,000. So the  
18 market is just flooded with properties.  
19 Putting a presentation without a map. This is  
20 map over a three year period and the  
21 neighborhood in Chicago. You can see if you  
22 look on one of those blocks that we had these

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1 properties that were in foreclosure -- the  
2 negative impact that it has on that geography.

3 So just to summarize the whole situation and  
4 NHS over the last number of years has done 50  
5 to 100 properties a year in terms of  
6 purchase/rehab/resale in our targeted  
7 neighborhoods. We are working with the city  
8 with the neighborhood strategy program, the  
9 federal government's funds for vacant building  
10 rehab, resale and rental that we hope can  
11 close the gap of appraisal and market with the  
12 total costs of rehab and so acquisition prices  
13 are coming down for REO and other kinds of  
14 things but the rehab process is still high and  
15 the markets are soft. So, that's kind of the  
16 situation as we see it today and the range of  
17 things that we are working to do to -- I guess  
18 one of the words is we are trying to include  
19 people but we are also trying to sustain  
20 people in the situation. Those are the things  
21 we are about. Thank you.

22 MR. MOONEY: Bruce, thank you.

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1 The FDIC is working with the Alliance for  
2 Economic Inclusion to get its bank members to  
3 include the program. They were anyway because  
4 of you. Charles?

5 MR. MARTIN: How are you doing.  
6 Good morning everybody. I know we are coming  
7 up on lunch. I promise to go quick, okay.  
8 You guys have a pretty nice dining room. I  
9 would like to thank Chairman Bair and also  
10 thank Bob Mooney and Barry Wings for guiding  
11 us and the FDIC in this effort. Thanks to the  
12 participating banks, the foundations and the  
13 not-for-profit community in Baltimore. This  
14 has truly been a collaborative effort in  
15 Baltimore where we have all come together to  
16 try to develop a product in which we combat  
17 some of the predatory or payday lending that  
18 is going on.

19 What I think I would like to do is  
20 go right to the history slide here because a  
21 lot of the information you have heard before.  
22 Again, we began our campaign in probably

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1 2007. We started off with over 40 different  
2 members. We tried to break it off into  
3 different committees and you heard a lot this  
4 morning about data collection and research and  
5 so forth. One of our committees was actually  
6 a research and data collection committee. It  
7 was funded by one of the foundations. The  
8 work was actually done by one of the not-for-  
9 profits in Baltimore. It was under the on-  
10 the-ground footwork. People standing out in  
11 front of check cashers trying to figure out  
12 why do you use this check casher and why do  
13 you use this particular check casher as  
14 opposed to the one a block away from here and  
15 why don't you use banks for this particular  
16 purpose? So we gathered that information and  
17 as a result of some of that, we decided we are  
18 going to focus on certain target areas in  
19 Baltimore where this is pretty prevalent and  
20 come up with a small dollar loan program. The  
21 loan model -- and this is similar to what you  
22 heard this morning --there is an application

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1 process. The loan ranges from \$300 to \$1,000.

2 We figured it would be repaid over 12 months.

3 The APR here is actually wrong. I think got  
4 excited and put an extra one in there. That  
5 should really be 7.99 and not 17.99, okay. We  
6 do have a savings component added to this so  
7 that as people repay their loan they actually  
8 get -- a portion of their payment gets  
9 deposited to a savings account. We are coming  
10 up with a match strategy so that we match one  
11 for one in terms of the dollars that the  
12 people save. MR. FISH: So where  
13 does that match come from?

14 MR. MARTIN: We are debating that  
15 now whether we are going to get that from the  
16 foundation for banks or just where that match  
17 will come from. That is still an item to be  
18 worked out and I actually have a slide. The  
19 last slide will talk about things that we are  
20 still going through.

21 Again, when I say we put banks  
22 together to do this, banks are cautious. So

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1 we put a bunch of cautious banks together.

2 Financial education, there is a  
3 financial education component to this. We  
4 believe that financial education is definitely  
5 a key component to people understanding why it  
6 is important to save. But also when you are  
7 doing things with payday lending, you also  
8 have to change the mind set of the person in  
9 terms of paying on a monthly basis as opposed  
10 to paying every time I get my paycheck. So a  
11 little bit of education has to go on that.

12 Again, talk about foundation  
13 support. We are actually approaching  
14 foundations for loan loss reserves. They were  
15 instrumental in doing focus groups for us and  
16 doing surveys in terms of doing check cashing  
17 surveys and also surveys in terms of what  
18 banks in the area had to offer as it relates  
19 to these types of programs. They were  
20 instrumental in marketing. One thing we  
21 recognize is that if we do come up with a  
22 program, a workable program, it has to be

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1 advertised. People have to know about it in  
2 order to understand how to utilize it and they  
3 have been instrumental in doing that, grants  
4 for payroll and also grants for the loan pool.

5 Our non-profit support partner, we  
6 chose NHS of Baltimore because we recognize  
7 that, as a group of banks, we probably would  
8 never get this done by ourselves. We needed a  
9 non-profit partner that we could all work with  
10 and who we all were currently working with  
11 that could actually make this product work for  
12 us. Again, NHS, great name of Baltimore, great  
13 name in many other cities -- the charter  
14 member of NeighborWorks, certified CDFI --  
15 they are centrally located and that is  
16 important because people have got to be able  
17 to get there. Convenience is one of the  
18 reasons people use check cashers. They are on  
19 every corner. They are very, very convenient  
20 and everybody knows where they are. And the  
21 people in the check cashing operation know  
22 them. So NHS is similar to this. They

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1 service the population that we are trying to  
2 reach. They are centrally located, easy to  
3 get to. Parking is obviously an issue because  
4 it is in a city and that is one of the things  
5 we have got to work out. They have got name  
6 recognition and they have a history of  
7 community outreach. And the other thing we  
8 noticed when we got in there is they have a  
9 lending platform that really makes this work  
10 for all of us. Because of the things that  
11 they do on the loan side, the platform that  
12 they have will make this product work for us.

13 Current financial partners -- and  
14 these partners have committed time effort and  
15 money to this particular project -- again it  
16 is not just banks up here. It is also credit  
17 unions that are also joining in this effort to  
18 make this thing work.

19 This is the flow chart and if you  
20 would like you can't see it this far back, but  
21 in terms of how this process works. A  
22 borrower comes in, what happens, how the

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1 application flows. Who does what in order for  
2 the person to get the money because we are  
3 trying to make this convenient, efficient and  
4 quick in terms of making it happen.

5           Some issues to be resolved? Many  
6 of the banks and credit unions that are  
7 contributing to this effort are doing it  
8 through contributions which reduces the cost  
9 to the loan pool and not necessarily to zero  
10 but it reduces the cost. So we are still in  
11 discussions about a more affordable interest  
12 rate and how do we make that work. Because  
13 the interest earned off of the loans will go  
14 back into the pool to help fund the programs.  
15 So we can't make it too low but then again we  
16 can't make it too high. Maximum savings  
17 amount that qualifies for the match -- we got  
18 the issue of someone taking out a loan and  
19 then depositing the money in there and then  
20 looking for a huge match which would make us  
21 run out of matching dollars quickly. So we  
22 got that issue in terms of how we go about

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1 that. Loan repayment -- monthly versus  
2 biweekly. That depends on how the people get  
3 paid and some other issues that are in there.  
4 Limit on the number of loans a borrower can  
5 take? We are looking at limiting the maximum  
6 amount that you can have out there at any one  
7 time. Bank accounts set up because all the  
8 banks are participating and different banks  
9 take different IDs in terms of opening  
10 accounts. We are trying to figure out a way  
11 that could work so all the banks benefit from  
12 setting up the accounts.

13 The incentives. You heard a lot of  
14 talk about completing the educational program.

15 We recognize that there has to be an  
16 incentive there for a person to complete that  
17 educational program. Just how do we go about  
18 delivering that, whether that is in the  
19 beginning, the end or where that goes? And  
20 also the question of processing a cash payment  
21 -- NHS is not set up to accept cash payments.  
22 How do we accept someone who maybe doesn't

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1 have a checking account yet and does need to  
2 make a payment on their loan? How could we  
3 process that? Okay.

4 MR. FISH: How many loans have you  
5 made?

6 MR. MARTIN: We are still in the  
7 process of getting set up. So to date we have  
8 not made any.

9 MR. MOONEY: It is my pleasure  
10 and honor to introduce Mr. Jim Young who is  
11 the president and CEO of Citizens Bank and Jim  
12 if you could just update us on what's going on  
13 in the Black Belt Area of Alabama and  
14 elsewhere.

15 MR. YOUNG: I am very leery as well  
16 because I guess I'm the last person before  
17 lunch. It is good to be back in the city.  
18 Two weeks ago I promised myself and my wife I  
19 wouldn't be here again until the cherries  
20 blossomed or 70 degrees, whichever came first,  
21 but I'm happy to be back here.

22 My bank is Citizens Trust Bank in

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1 Atlanta, Georgia. It was founded in 1921 with  
2 people with amazing foresight. It was founded  
3 to serve the underserved back in 1921 and they  
4 were obviously very proficient in what they  
5 were doing. The bank has survived a lot of  
6 turmoil, including the Great Depression, World  
7 War Two, social upheaval and a lot of other  
8 things that I'm sure people predicted the  
9 demise of the bank the day after it was  
10 started. But it had been there stock-in-  
11 trade. We have 10 branch locations in a  
12 multi-state environment. I became president  
13 in 1998 as a result of a merger and we  
14 acquired since a failed savings and loan as  
15 well as an ongoing institution which was a  
16 thrift in Birmingham, Alabama that had been  
17 founded by the well known A. G. Gaston. Part  
18 of what A. G. Gaston had built including a  
19 thrift in Birmingham to provide housing, he  
20 also opened a branch very near his hometown in  
21 Utah, Alabama. I don't know how many people  
22 were living there then. There are only 1,800

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1 there now. We had a branch in Utah, right in  
2 the heart of the Black Belt of this country,  
3 the poorest of this country. We had options,  
4 obviously when you make that kind of  
5 acquisition to be more efficient you eliminate  
6 those branches that are not profitable. You  
7 do not have the critical mass. You do not  
8 have the potential to ever be profitable for  
9 you. For us, because of our founding, we  
10 decided that was not the case. We would keep  
11 that branch open even across some modest  
12 amount. We market products and services  
13 through them. The majority of the people  
14 there are African-American and poverty  
15 stricken. So we felt it very important to  
16 keep that branch there even if it were not the  
17 highest yielding branch that we had in our  
18 network.

19 We got involved and always had an  
20 interest in helping those who were  
21 underserved. My bank has an outstanding CRA  
22 rating and those of you who think that would

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1 assume that a minority bank would. Believe  
2 me, it is very, very difficult these days to  
3 get an outstanding CRA rating. I don't care  
4 what your heritage is or where your branches  
5 are located. We are very proud and take it  
6 very seriously. From the things we do  
7 everyday, I don't have an income with slides  
8 and income with any additional pieces. I  
9 wanted to be able to talk to you directly  
10 about what we do. I did not want to send my  
11 CRA person. I did not want to send my  
12 marketing person. I did not want to send my  
13 public relations person. The reason we are  
14 doing a small dollar loan program is because  
15 it is important to me. It is important to me  
16 because we were asked to consider being one of  
17 the banks that would develop a small dollar  
18 loan program. We were happy to try to do so.  
19 We started and the thing that struck me about  
20 this thing and because our involvement was  
21 that we have a branch in Columbus, Georgia,  
22 which is the base for Fort Benning, Georgia.

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1 And there was discussion from the Department  
2 of Army that their soldiers, they felt had  
3 become security risks and could not be  
4 assigned to certain tasks by larger numbers  
5 simply because they had fallen prey to payday  
6 lenders. And the fact that their credit was  
7 so weak that they had to utilize it that it  
8 eliminated what they could do in the service  
9 in the name of national security. And so we  
10 felt that if we could offer a program where  
11 they did not have to go to payday lending and  
12 find themselves in a spiral, where the more  
13 they paid, the more they owed, that we could  
14 help eliminate that. Well we were a bit naive  
15 about penetrating, I guess, the fort. It was  
16 very difficult to get our product. We had  
17 advertising on radio in Columbus, Georgia. We  
18 had gone to the base and hoped we could get  
19 in, in order to market that product. It was a  
20 small dollar loan product up to \$1,500. There  
21 was an element of savings there. We could  
22 not. We did about two loans. The program had

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1 major benefits if we looked at our market. We  
2 also recognized that there were very few, if  
3 any, and I didn't find any and I don't know  
4 today where you can walk into a bank,  
5 particularly a major bank, walk into a bank  
6 and say I'd like to borrow \$1,500. You can't  
7 do it. It is -- and I understand why. They  
8 are simply not interested in. Before the ink  
9 is dry on the paperwork, they have lost money.  
10 You simply can't, if you are going to produce  
11 the kind of document that consumer compliance  
12 regulators would expect you to have, you have  
13 lost money.

14 And so it is a very, very tough  
15 thing to do. But nevertheless, I look at this  
16 as an opportunity. Years ago when I started  
17 in banking, I was assigned to the financing  
18 and leasing companies division at the Chase  
19 Manhattan Bank, my first assignment out of  
20 training. And I had companies like Household  
21 and those kinds of large finance companies.  
22 We were simply providing them the money in

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1 bulk that they loaned out in smaller pieces.  
2 And I knew that there was a possibility to do  
3 this, but it was dependent upon volume. And  
4 so we were determined then that we would  
5 continue and we opened what we called the  
6 community relief loan. I had to refrain from  
7 calling it a main street relief loan. That was  
8 in line to let the American consumer know that  
9 somebody cared at least in our market that no  
10 matter what was happening in Congress, no  
11 matter what was happening, that we were going  
12 to use, whether we got taught or not, what  
13 resources we had to touch those. A lot of  
14 people who had suffered foreclosure got on a  
15 slippery slope simply because at some point in  
16 their time they only needed enough for one  
17 mortgage payment to bridge the time until they  
18 could get something else. But nobody was  
19 making those kinds of loans. They would tell  
20 you to go find your friends and family.

21 I then further decided that it  
22 would give me an opportunity to tap the

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1       enthusiasms    of    younger    people    in    my  
2       organization.    So I stripped the program down  
3       and asked them to create this program.    How  
4       would they respond to it? What would they like  
5       to see and what did they think was fair? How  
6       should we approach it?    So they spent the  
7       summer of last year developing a program.    So  
8       we have in fact implemented the program. A  
9       \$1,500 minimum loan, and I have signed for  
10      more than that on occasion for those who have  
11      a further need.    It is a one-year maturity  
12      loan, requiring monthly payments that is  
13      obviously a lot less than if you have to pay  
14      back the full balance of a loan every time you  
15      get paid at a significant interest rate. No  
16      annual fee.    The debt ratio cannot be higher  
17      than 50 percent.    I know there is some  
18      leniency there considering debt ratio.    We  
19      looked for cross selling opportunities in  
20      savings accounts, CDs, free check.    We do  
21      require an automatic debit.    We do not require  
22      direct deposit.    They are still free to pick

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1 any bank they want. We simply want to have  
2 the direct deposit. We advertise heavily on  
3 this program, digging the program file  
4 financially more and more in the hole but we  
5 knew we had to advertise to get the message  
6 out. And we began to be bombarded with  
7 applications. We wanted to make it a simple  
8 process in which a decision could be made in  
9 one day. And we have been successful in doing  
10 that. We have had 400 applications. We have  
11 accrued 90 loans and this is since November  
12 when we finally rolled the program out in all  
13 of our markets. And yes Utah is an active  
14 participant in this program as well. So we  
15 have rolled this program out and we have some  
16 15 pending applications and it continues to  
17 grow. Are we making money on it? No. What do  
18 we get from it? It has been a training  
19 vehicle for some of my people who thought that  
20 their role in the bank was simply to take  
21 deposits and cash checking. We've been able  
22 to tap that and to give them an opportunity

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1 and actually create a product. So they have a  
2 vested interest in the product and a vested  
3 interest in selling the product. I have not  
4 had much success in collaborating with non-  
5 profits and things of that sort. It simply  
6 has not been a consistency there.

7 Over the years we have taught the  
8 Money Smart program. We were one of the few  
9 that began teaching the Money Smart program.  
10 Non-profits and churches of faith-based  
11 institutions would invite us in to teach and  
12 it was not consistent. We set up school banks  
13 and that was not consistent. Change and year-  
14 to-year, it was not consistent.

15 So we felt whatever activity we  
16 were going to do in this area, we were going  
17 to need to control and do ourselves. We would  
18 have to use our money and hopefully we would  
19 draw other people. And so to date, we have  
20 this program. It has been very, very helpful  
21 to us. It has been very, very helpful to the  
22 people we serve. We get an opportunity to sit

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1 and talk with them. We had a second chance  
2 program and I didn't want to be a second  
3 chance program. I wanted the customer base to  
4 feel that any time they walked into any one of  
5 our locations, if they happened to have had a  
6 bad encounter with check systems, even had a  
7 second chance with a bank, you have a human  
8 being to talk to, to explain your situation.  
9 In many cases I was the final arbiter on  
10 whether somebody would get another chance.  
11 The reason because I was not a large bank to  
12 do that. And part of what we sell that major  
13 banks cannot sell, everybody has access to all  
14 of my people in the bank including me. It  
15 keeps me there longer hours but there is not  
16 someone in Atlanta or in Columbus or in  
17 Birmingham who says they want to speak to the  
18 president of the bank or the chief operating  
19 officer of the bank and did not have an  
20 opportunity to speak with him and make their  
21 case. The way banking was perhaps the way  
22 banking ought to be. So we've been successful

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1 in that. To take 500 applications and comply  
2 in consumer compliance, it takes a lot of  
3 effort and it takes an energy that you cannot  
4 pay for. You have to have a stronger  
5 commitment. And so ours is a little  
6 different. We think we had the responsibility  
7 to do it and not wait until all the stars  
8 aligned in the sky before we take action. So  
9 it is working well for us. Now I have not  
10 done the equation to see what critical mass I  
11 have to get to break even. And I know that's  
12 an anathema to a lot of people who manage and  
13 run banks but that is the way I run this  
14 program. I don't want that focus to be there.

15 You know the total of outstanding is probably  
16 \$100,000 to \$120,000. We can run this program  
17 and we certainly don't expect to lose any part  
18 of that and, since November, the economy  
19 started -- we have not had one default in this  
20 program. We have done every loan, but we have  
21 not had one default. But someone who was  
22 going to -- we've outlawed payday lenders in

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1 Georgia. They have been replaced by title  
2 lending. And so people begin to realize that  
3 what they are giving up when they do that.  
4 Now it is not just the interest rates that you  
5 pay. Now you are subject to lose the equity  
6 in your automobile which is significantly more  
7 than the interest rates and the value in those  
8 automobiles simply because you cannot make the  
9 payment in two weeks. So this is set up just  
10 like any other normal loan. But the banking  
11 system has gotten to the point that even some  
12 community banks is simply not attractive to  
13 make a loan at the levels at which you ask.  
14 And perhaps that is why when you hear from  
15 people who are in this program and asked to  
16 contribute and asked to create small dollar  
17 loan program, why they have had difficulty  
18 launching them and getting them off the  
19 ground. Because somewhere, and I don't know  
20 where, if it is the CFO or the CEOs and say we  
21 can't make money, I'm sorry. With me, it is a  
22 different case. I believe that we will

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1 ultimately win. And you know, like a lot of  
2 people I have relatives, maybe distant  
3 relatives who would benefit from such a  
4 program. Either the bank lends them the money  
5 or I lend them.

6 They must be gainfully employed. They  
7 come to us with six months of evidence of  
8 having been employed. We like to see six  
9 months of consistent employment. There are a  
10 lot of people who are employed and found  
11 themselves just short of a mortgage payment,  
12 just short of an auto payment. But if that  
13 continues, it creates a problem. But if they  
14 can nip that in the bud, it solves the  
15 problem. At least that is an improvement for  
16 us.

17 I'm going to take one minute and  
18 mention one other thing I feel passionately  
19 about and am trying to promote. And that is  
20 this thing of financial literacy. Whether the  
21 FDIC Money Smart, Operation Hope and all of  
22 these things are going on, and there is a

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1 requirement for, in many cases when we were  
2 doing the mortgage business, first-time home  
3 buyers, we would have a first-time home buyers  
4 training program. We would work them in  
5 Fannie Mae and we would come and give those  
6 lessons. It occurred to me as we began the  
7 talk about the bailout, TARP, a trillion  
8 dollars or 800 billion dollars and I've looked  
9 at it and looked at No Child Left Behind for  
10 the last four years and always wondered that  
11 if we can teach phys ed and require phys ed in  
12 our public schools. If we can teach home  
13 economics and I'm not -- if we can do those  
14 things, why is it we cannot require as part of  
15 the curriculum that our young children learn  
16 about financial literacy rather than hoping  
17 than a non-profit will pick it up and someone  
18 else will do it for a fee. Why not allocate  
19 part of that money or someone with a voice  
20 that can be heard, why not take a piece of  
21 this money that they are debating now over on  
22 the Hill and allocate to ensure that when our

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1 kids come out of school, if they don't come  
2 out with credit card debt as someone down here  
3 mentioned, they come out with a savings  
4 account with money in it. They come out with  
5 an understanding of how the mortgage business  
6 works. They come out with an understanding of  
7 how the stock market works. They come out  
8 with an understanding of having been in an  
9 investment club and perhaps come out with a  
10 stake in life at 18 years old. We are turning  
11 out people who, it is cards, and we've all  
12 suffered and accepted blame for cards and the  
13 mortgage problem. Everybody with every bank  
14 was not at fault. There were people who knew  
15 they were buying more than they could afford.

16 They couldn't believe it themselves but if it  
17 was being sold it had to be legal so they were  
18 going to take it without any concern about the  
19 implications for them.

20 So having done what we do, we will  
21 continue to do, but there are many of you who  
22 have a voice on the Hill. Ask them to modify

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1 the curriculum so that our children don't come  
2 out with a lack of understanding. They come  
3 out with a full understanding and a stake in  
4 America before they even go to college. It is  
5 a simple thing in my mind. So I thank you for  
6 the opportunity. Mr. Mooney knows how to  
7 reach me and my program. I'm a fairly  
8 simplistic guy. I don't like getting bogged  
9 down with a lot of collaborative things that  
10 is going to require we meet every third  
11 Thursday and we'll come up with something when  
12 you have the full capacity to do something. I  
13 really think we all ought to be the change  
14 we'd like to see.

15 MS. TAYLOR: Thank you. Does  
16 anybody have any questions comments?

17 MS. WRIGHT: Amen.

18 MS. TAYLOR: Amen, yes.

19 CHAIRMAN BAIR: I unfortunately  
20 have some meetings up on the Hill and another  
21 agency this afternoon. I couldn't control the  
22 scheduling. I may not be able to be back for

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1 the discussion but a couple of areas where I  
2 really would like some input from the group.  
3 Apropos the excellent presentations we have  
4 had this morning is that I think we are having  
5 increasing success in our small dollar loan  
6 pilots and whether it is time to take that to  
7 the next step and see if we could provide  
8 further incentives for banks to start offering  
9 those types of products more broadly.

10 I am intrigued by Michael Barr's  
11 notion of a safe transaction account, whether  
12 in combination with setting goals for reducing  
13 the unbanked or underbanked population that  
14 there should be an affirmative requirement  
15 that banks provide that type of account.  
16 Maybe they do it already. It would be  
17 interesting to find out. Maybe that would be  
18 the next step. How many banks do it already  
19 and what the costs and success are? So those  
20 are two areas. And then also this check  
21 system issue. I've heard this a lot. It came  
22 up again on the survey data. I do not

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1 understand why. Certainly it is prudent to  
2 run customers through checks and maybe to  
3 exclude them from a conventional checking  
4 account but why not a savings account? It  
5 seems to me -- why shouldn't everybody be  
6 getting a savings account. So maybe there are  
7 other barriers there or not and maybe that's  
8 another area where regulators should step in  
9 and say affirmatively yes, you can train for a  
10 checking account but not for a savings  
11 account. So I very much would like input on  
12 those specific issues and obviously anything  
13 you would like to recommend to us. We are  
14 getting a good additional baseline with our  
15 small dollar pilot, as well as this wonderful  
16 survey that Marty and Barbara have  
17 spearheaded, I think to make some policy  
18 judgments now that could lead to more  
19 definitive regulatory steps. So, I hope I can  
20 get back this afternoon but, if not, I look  
21 forward to getting a report about what your  
22 reviews are. We'll be talking over lunch too.

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1 Thank you.

2 MS. TAYLOR: Anybody else?

3 MS. DUPONT: The one thing that I  
4 forgot to mention about this card is that it's  
5 a bank product. It's currently, the bank  
6 that's offering it is Bancorp. But any bank  
7 here could offer it. So if we'd like to have  
8 discussions, I could connect you. So it's  
9 really, the card is a process just like these,  
10 and MasterCard is a process. It's just  
11 designed for this market so they don't fall  
12 into some of the traps. So it is a financial  
13 product, and it is FDIC-insured.

14 MS. TAYLOR: Okay. We have lunch  
15 upstairs on the 7<sup>th</sup> floor. And if everybody  
16 could be back in their seats by 1:30 so that  
17 we can have some good discussion this  
18 afternoon, that would be great. And panelists,  
19 thank you very much.

20 (Whereupon, the above-entitled matter  
21 went off the record at 12:32 p.m., and resumed  
22 at 1:44 p.m.)

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1                   MR. MOONEY:            Okay.    What we  
2                   wanted to do was to follow up on the  
3                   Chairman's request before she left, and also  
4                   to get reactions to what we heard earlier.

5                   MS. MILLER:            I heard three  
6                   things.    How can we increase success in the  
7                   small dollar loan programs?    Are there any  
8                   other incentives that we could perhaps  
9                   provide?    And the Chairman indicated that she  
10                  was sort of intrigued by this idea of having  
11                  an affirmative requirement for some sort of  
12                  limited access account or account being  
13                  targeted to one bank.    And then what are the  
14                  next steps that we need to take?    Where do we  
15                  need to take the empirical information and  
16                  findings of small dollar loan pilots and the  
17                  unbanked survey, both the one we've got in  
18                  front of us, and then the one forthcoming on  
19                  the consumers?    Those were the three things I  
20                  heard.

21                  MS. FUCHS:    Just a quick suggestion  
22                  on the survey.    I mean I just remembered that

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1 the table about the perceptions of the  
2 bankers, and their perceptions about why they  
3 can't serve this community had to do with  
4 profitability, and regulatory barriers, and  
5 fraud, and high cost of customer acquisition.

6 When I used survey data like that in other  
7 contexts, it's a really useful thing to do to  
8 match up perceptions with other indicators of  
9 the empirical circumstances of the reality.  
10 So it would be good to really understand  
11 whether or not there really are problems of  
12 profitability and problems, regulatory  
13 barriers, and that are these real things that  
14 don't fit in with the business plans that  
15 banks have, and if they are, then you're  
16 dealing with a different problem in terms of  
17 the kinds of solutions you'd want to put out  
18 there then if it's simply perceptions, and in  
19 fact, they can make a profit, and there really  
20 aren't great regulatory barriers. So you know,  
21 and on and on and on. So I think to the  
22 extent that you can provide some empirical or

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1 objective indicators out there that you rank  
2 alongside the perceptions, you'll actually  
3 have a better capacity to make suggestions  
4 along the lines of what kinds of incentives  
5 and what kinds of regulations do we have to  
6 really put into place, and whether banks have  
7 to change, or are we asking banks to change  
8 their business plans essentially as it relates  
9 to profit for this constituency.

10 MS. TAYLOR: And can we do that?

11 MS. FUCHS: And can we do that?  
12 Right. I mean, that's a decision that has to  
13 be made.

14 MS. MILLER: In terms of the  
15 perceptions, of course the case study banks  
16 are going to sort of debunk some of those  
17 perceptions, and that was a part of the reason  
18 why there was the case study banks in there,  
19 and why we have these presentations here  
20 today. You know, some objections are going to  
21 be perceptions, and then also some banks just  
22 aren't really going to want to pursue this

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1 line of business. But that's the whole idea  
2 of having case study banks and presentations  
3 of this sort.

4 MR. HENDERSON: Thank you. First,  
5 Madam Chair, I have a question which really I  
6 suspect goes to you and to the broader  
7 committee, but it's based on the conversations  
8 we had this morning. Let me say I found this  
9 to be a very enlightened set of presentations,  
10 very informative. And as someone who is not  
11 either a banker or directly involved in the  
12 regulation of banks, but who has an interest  
13 in the impact of these programs and policies  
14 on the constituencies that we represent, I  
15 thought that this was an extremely helpful set  
16 of presentations. I think the survey that the  
17 FDIC has undertaken of the unbanked or the  
18 underbanked, and as my friend, Larry Fish,  
19 refers to them, the alternatively-banked - he  
20 doesn't see that as being either unbanked or  
21 underbanked - but I thought that was very  
22 informative, and obviously there is more

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1 information that needs to be gathered. I  
2 think your pilot project with the Census  
3 Bureau is really quite innovative. You should  
4 be commended for it. We have lots of  
5 questions that we could delve into, but  
6 there's a larger issue, which I think looms  
7 over this conversation, and I wanted to get  
8 your advice, Madam Chair. And that is the  
9 question of the role of the Advisory Committee  
10 in helping to develop recommendations that  
11 actually impact policy that is now being  
12 developed right here in Washington. I mean, I  
13 don't have to state the obvious. We are in  
14 the greatest financial crisis facing the  
15 country in the last 50 years. But in that  
16 crisis, there are also seeds of opportunity.  
17 Virtually a trillion dollars in income is  
18 being spent in one form or another to  
19 completely restructure a financial system as  
20 we know it today. And there are opportunities  
21 within that restructuring to make significant  
22 gains, I believe, on some of the issues which

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1 have been the subject of this advisory  
2 committee and its role. The question is  
3 whether the kinds of information that is being  
4 generated has been put in some sort of broader  
5 context so that we can inform the appropriate  
6 policymakers on Capitol Hill, the banking and  
7 finance committees of the Treasury Department,  
8 and those in the White House who are actually  
9 shaping these policies, and I fear that, if we  
10 take too long to develop a more comprehensive  
11 assessment of recommendations, that we would  
12 make -- we'll miss that opportunity. And so  
13 the issue is whether the kinds of things that  
14 are being discussed here are assembled in a  
15 way that become digestible for that broader  
16 body, and whether there is any intent to try  
17 to use this information to affect the policy  
18 decisions that are being made right now.

19 MS. TAYLOR: I think the short  
20 answer to that is absolutely yes, and Marty  
21 I'm just going to say a few words, and then  
22 maybe you can speak for the Chairman,

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1 chairwoman, as to what is actually being done  
2 with the information we get from these  
3 sessions. The subject matter of each of the  
4 sessions I think has been thought through a  
5 lot, and it's not an accident that this  
6 session is happening right, now because it  
7 really goes to the crux of some of the  
8 problems that have been inherent in the system  
9 which have sort of trickled, I believe up, and  
10 caused some of the problems that we're in  
11 today. So I think our role, from my point of  
12 view, is to elicit information, discuss among  
13 ourselves what we think some of the policy  
14 implications of that could be, some of the  
15 things that the FDIC could do with that  
16 information as far as policy construction  
17 goes. And I think we've seen some very good -  
18 - heard some really good ideas here, and our  
19 job is to figure out what it is that the FDIC  
20 and regulators could do to promote some of  
21 those ideas, and to give the FDIC and the  
22 chairwoman and Marty, the co-chair or vice

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1 chair the ammunition and information that they  
2 need to go and advocate those ideas with the  
3 current administration and the powers that be,  
4 because the chairwoman has been very much  
5 involved in all of these discussions. And the  
6 more information that she has from groups,  
7 such as the people that we've been talking to  
8 here, and the benefit of the discussion that  
9 we had, which is a very, very diverse group,  
10 she is much better, and has a lot more  
11 ammunition to go and --

12 MR. HENDERSON: Can I give  
13 specific follow though, because it goes to  
14 your point, and not at all to be  
15 argumentative. I agree with exactly what  
16 you're saying. First of all, we are an  
17 advisory committee to the FDIC. So the  
18 information that we provide presumably will  
19 arm our chair, Sheila, and our vice-chair,  
20 Marty, and perhaps prepare them better to  
21 advance a broader agenda within the circles in  
22 which they function.

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1           Having said that, I question  
2 whether, even as the chair and the vice-chair  
3 of the FDIC, they have sufficient political  
4 power unto themselves to influence the policy  
5 at the highest level simply by taking forth  
6 our recommendations and putting them forward.  
7 My own experience has been that, unless there  
8 is an echo chamber created outside of the  
9 official body in which you're operating, your  
10 ability to have influence on some of these  
11 broader policy issues is quite limited. I  
12 think Madam Chair has already encountered  
13 challenges with respect to her intervention  
14 around the home foreclosure issue. She has  
15 been admirable in her advocacy. But her voice  
16 is a voice in the wilderness, unable to  
17 influence the process entirely on her own.  
18 And what I'm suggesting is that we represent a  
19 much more diverse, and to some degree  
20 influential, body as an advisory committee  
21 than simply providing recommendations to the  
22 FDIC alone. Case in point: I listened this

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1 morning to the discussion of the survey that  
2 was undertaken. I thought it was tremendous,  
3 informative, very helpful. I asked Marty, and  
4 Marty can talk with us about it, I asked  
5 whether there had been a definitive case made  
6 for banking the unbanked. What was missing in  
7 the discussion this morning is not the survey,  
8 and that wasn't the purpose of that  
9 presentation. But it was a broader context in  
10 making the case for why federal policy should  
11 encourage banking those who are unbanked, or  
12 underbanked, or alternatively-banked.  
13 Thinking of ways to strengthen the  
14 presentation so that your ability to have  
15 impact in the appropriate venues where this  
16 conversation is taking place can be amplified  
17 beyond what the FDIC can do. And I fear that,  
18 notwithstanding the wisdom of the  
19 recommendations or, you know, the probity or  
20 the thoughtfulness of the presentation, there  
21 is a limited impact that these recommendations  
22 will have if they are voiced exclusively by

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1 our chair or vice chair.

2 MS. TAYLOR: I'm so glad you  
3 brought that up.

4 MR. HENDERSON: Good.

5 MS. TAYLOR: This committee was  
6 formed by the FDIC.

7 MR. HENDERSON: Yes, absolutely.

8 MS. TAYLOR: So our duty is to  
9 advise and inform the FDIC of what goes on,  
10 and what we decide to discuss here. However,  
11 what members of this committee do with the  
12 information, which is also very public, is  
13 entirely outside of the purview of this  
14 committee. So if people wanted to  
15 individually go and advocate, as I know that  
16 many of us are very able to do, this committee  
17 has no control over what they might do with  
18 that. So I would say --

19 MR. HENDERSON: I will make one  
20 last comment, then I'm done. I appreciate  
21 that. Look, we -- I worked as head of a  
22 coalition that operates by consensus, and so

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1 the nature of that process, as you could  
2 imagine, is challenging on many issues. But  
3 there would seem to be a consensus on some  
4 recommendations that would come off of this  
5 advisory body that could have real impact as  
6 Congress is debating these issues. Obviously  
7 not everybody will reach the level of  
8 consensus, nor should we seek to advance a  
9 broad set of policies. But I certainly think  
10 that a targeted set of recommendations,  
11 prepared by a well respected, diverse group  
12 like this advisory body, and given voice at a  
13 time when the Treasury Department, the White  
14 House and the Hill are debating these issues,  
15 could have some influence. And so I'll close  
16 simply by saying I hope that, as we consider  
17 how we can be helpful to the FDIC, that we  
18 consider a broad range of options.

19 MS. TAYLOR: Thank you for that,  
20 and I think that's something that we should  
21 consider very closely, because it's a really  
22 good idea. I'm not sure where it goes --

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1 MR. HENDERSON: I'm not either.

2 MS. TAYLOR: -- but I think it is  
3 a really good idea. Thank you for that. Ron?

4 MR. GRZYWINSKI: If I may, with  
5 all due respect, I would like to say what Wade  
6 has said in slightly different terms, if I  
7 may. The feeling here, my feeling to be  
8 precise, is like there's a revolution going on  
9 over there. As the President pointed out  
10 yesterday, we had an election, and the people  
11 spoke. And there is a revolution that is  
12 getting started. It feels like we're here  
13 having tea and crumpets while that revolution  
14 is getting started. This committee is about  
15 economic inclusion, okay? And there is going  
16 to be legislation on new regulatory mechanisms  
17 that's going to come out of the House or  
18 wherever it's going to come out of, okay? Is  
19 anybody thinking that any part of that ought  
20 to deal with how providers of services to low-  
21 income people are part of that legislation,  
22 okay? If we have people in treasury saying,

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1 you know, 2,000 community banks are going to  
2 fail, don't worry too much about it, okay?  
3 We're going to make sure that the big banks,  
4 the same people who brought us our problems  
5 are going to survive and continue, okay?  
6 Whereas the capacity to service the people  
7 that we're talking about and inclusion rests  
8 more with the smaller banks, the community  
9 banks, etc. You know, I don't hang out in  
10 this town, okay? So I don't really know what  
11 goes on here. But the point is --

12 MS. FUCHS: You're just a country  
13 lawyer.

14 MR. GRZYWINSKI: Pardon?

15 MS. FUCHS: You're just a country  
16 lawyer.

17 MR. GRZYWINSKI: I'm just a  
18 country boy from the South Side of Chicago.

19 MS. FUCHS: We knew that.

20 MR. GRZYWINSKI: Born and raised.  
21 So it feels like we're just, this is an  
22 important moment, okay? These next several

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1 months are important times, and it feels like  
2 we do have a mandate as a committee, okay, of  
3 the FDIC, okay? You know, if most of these  
4 small banks are marketing towards your clients  
5 of the FDIC, if I was going to lose --

6 But if I was going to lose a fourth  
7 of my market, okay, I might have an opinion  
8 about that. So it seems like it's within our  
9 mandate, but we're not quite coming to grips  
10 with it the way we should at what I think is a  
11 historic moment.

12 MR. McDONALD: I guess I'm more of  
13 a direct person. I agree with everything  
14 that's been said, and I would like to suggest  
15 strongly that the recommendations, or some of  
16 the recommendations that we've heard over the  
17 last four to six meetings, I mean, we've got a  
18 lot of information here over the last four to  
19 six times that we've met. And I think it is  
20 our duty and responsibility to perhaps look at  
21 gathering this information, and coming up with  
22 a number of policy decisions that we should

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1 ask the chair and the vice-chair of the FDIC  
2 to put forth as policy issues for this new  
3 administration to consider. I agree with the  
4 fact that, first of all, if we are looking at  
5 this huge number of unbanked individuals that  
6 all of these banks, large and small, are  
7 dealing with, if we take a look at the sub-  
8 prime market, the sub-prime market is a result  
9 of the community not being properly educated  
10 on the financial side of this economy. So it  
11 does affect the FDIC. It affects the Federal  
12 Reserve. It affects the entire economy in  
13 which we live in today. So I think it's very,  
14 very important for us to look at some of these  
15 overriding issues and come out with a few  
16 policies that we should suggest. So I said  
17 earlier that I'm more direct, and I don't  
18 think we should let this opportunity pass us.

19 MS. TAYLOR: Can I just say  
20 something? I totally agree with you, and as  
21 the chair of this august group, and a  
22 consensus builder, I think it would be really

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1 interesting if we could work with the FDIC  
2 staff to come up with some recommendations,  
3 not just - I think you're absolutely right -  
4 not just for the FDIC, which is what we've  
5 been doing up until now, things have been  
6 happening within the FDIC, but in the greater  
7 context. And if we could -- I think we've  
8 heard a lot of really good policy ideas here,  
9 and I can envision working with the FDIC staff  
10 to come up with a letter that we could all  
11 sign and send to the appropriate members of  
12 Congress and the Treasury and Regulatory  
13 Committee. So, and I'm hoping -- I think for  
14 the most part we are enough on the same page,  
15 and obviously everybody isn't here. And I'd  
16 like to have the chair's input also on this,  
17 which I think is very important. But I think  
18 that's a really good idea.

19 MS. WRIGHT: I came in a little  
20 late, so I may have missed some important  
21 context, but having served in government --  
22 how do I say this appropriately?

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1 MS. TAYLOR: Just come out with  
2 it.

3 MS. WRIGHT: There are things, well,  
4 when I reported to, when I was Housing  
5 Commissioner, I reported to Mayor Guiliani the  
6 notion of my own commission coming up with  
7 some recommendations that may or may not be on  
8 the reservation would not have been  
9 appreciated. And so there are some things --  
10 this is an official relationship between us  
11 and the FDIC, and there are some things that  
12 the FDIC can recommend, but there are also  
13 things that would be better recommended by  
14 individuals that have a strong point of view.

15 And so there may well be, to be fair to our  
16 chair and the folks here at FDIC, I think  
17 there may be a line beyond which they are not  
18 appropriately to go, and it doesn't mean that  
19 we can't go further. But I think we should be  
20 respectful of that.

21 MR. RYAN: I don't know if this is  
22 something that the FDIC would be looking to

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1 do, but being in this town I sort of sense  
2 that, I don't feel the revolution yet. There  
3 are a lot of things going on right now in the  
4 reshaping of our financial industry, but  
5 they're putting out fires, and maybe not  
6 necessarily thinking of the consequences of  
7 some of the things they're doing. You know,  
8 from where I sit in the bank regulatory world,  
9 we're consolidating an industry that may  
10 result in a much larger swath of unbanked or  
11 inadequately banked individuals that's an even  
12 more global question. What I would ask is,  
13 perhaps as Bob Steel had appeared before this  
14 group, that maybe we would be able to have a  
15 dialogue to discuss with Treasury or some of  
16 the administration, and be able to share some  
17 of our thinking. And again, I fully respect  
18 that that may not be the function of this  
19 group, or what the FDIC is looking to  
20 accomplish, but --

21 MS. TAYLOR: There's this group,  
22 and then there are the individuals who are a

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1 part of this group, which will do what we see  
2 fit.

3 MR. HENDERSON: Let me say, first  
4 of all, Deborah, I completely agree with you.

5 I mean, the nature of consensus is such that  
6 anyone can object. And therefore consensus is  
7 not achieved, and you can be blocked from  
8 doing anything. Certainly nothing I would  
9 propose would be done independent of the chair  
10 and the vice-chair. They would have to weigh  
11 this. They would have to consider it. They  
12 would have to determine whether this was  
13 appropriate from their perspective, whether  
14 they were comfortable with it. Obviously, if  
15 we were to make recommendations as an advisory  
16 committee, it would reflect on their  
17 leadership, and they obviously have to take  
18 that into account in determining whether it's  
19 appropriate or inappropriate, and to whom,  
20 with whom it would be communicated. Certainly  
21 as individuals we can all make recommendations  
22 regarding policy, and you'll have that kind of

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1 impact.

2 But I guess my point is this.  
3 First of all, I think it's a question that  
4 they should consider, and I'm proposing that  
5 they do so, so that's number one. Number two,  
6 anything that is objectionable, I mean, if  
7 there is no consensus, there isn't. So we  
8 would not do something as the collective body,  
9 but I think we would have made a mistake not  
10 to discuss it, which is why I wanted to  
11 present it here in the context of a  
12 conversation. You know, we in the civil  
13 rights community, which has obviously a  
14 broader interest, we share national concerns,  
15 but we are not specialized professionals in  
16 the banking world. And yet I am clear that  
17 there needs to be an opportunity impact  
18 assessment of every expenditure that is being  
19 made now, under TARP and under the stimulus  
20 plan, that speaks to the concerns that we  
21 share in common of the constituencies we  
22 represent. When the dust clears, if left to

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1 its own devices, I'm convinced that the  
2 constituencies we represent will have the  
3 short end of the stick on almost every issue  
4 where a policy question is placed on the table  
5 about who pays, who's responsible for helping  
6 dig us out of this mess. And I have, you  
7 know, without disparaging any of the leaders  
8 who are currently in positions of  
9 responsibility, I'm very confident that they  
10 share the concern that we share about making  
11 certain that the country is righted in an  
12 appropriate way. I think the opportunity is  
13 too great to ignore, and so again, I'm simply  
14 suggesting that perhaps, in an appropriate  
15 setting, there be some discussion about the  
16 kinds of things that either we can recommend  
17 or the chair or the vice chair can recommend  
18 on behalf of the FDIC, but we're seeking to  
19 amplify our voices, their voices, and so  
20 that's really the purpose behind it.

21 MS. McINERNY: Madam Chair, I don't  
22 know if it would be helpful. I don't want to

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1 interrupt the discussion, but I was thinking  
2 in terms of just the advisory committee  
3 charter, and what it says about the goals of  
4 the committee and so forth.

5 MS. TAYLOR: No, I think that  
6 would be entirely appropriate, because the  
7 topic of this discussion right here is -- it  
8 facilitates a discussion on how to amplify and  
9 promote, so I think that's very much on point.

10 MS. McINERNEY: Looking at the  
11 charter, the charge of this committee is to  
12 provide advice and recommendations to the FDIC  
13 on initiatives to expand access to banking  
14 services by underserved populations -- so  
15 advice and recommendations. There's nothing  
16 in the charter that says the advice has to be  
17 consensus advice. So if the committee members  
18 decide that they want to provide some sort of  
19 advice on a document, or options, or anything  
20 in writing, that's certainly something you  
21 could do if the committee were to decide that.  
22 And under the charter also, FDIC staff is

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1 able to facilitate and provide support in  
2 terms of helping you all communicate, and  
3 things like that, typing things up, things  
4 like that.

5 MS. TAYLOR: As a start, I think  
6 it would be very helpful for FDIC staff to, as  
7 I'm sure they're going to do anyway, compile  
8 what we've heard today in terms of  
9 recommendations and serving the underserved,  
10 and maybe fashion it into something that we  
11 could all sign and send to the appropriate  
12 people on the Hill, for starters, and I'm sure  
13 that there are a lot of other ways that we  
14 could do this. Do you have anything you want  
15 to say?

16 VICE CHAIRMAN GRUENBERG: Well  
17 first, I mean, I don't want to preempt the  
18 Chairman, but I don't think I am here. You  
19 know, we set up an advisory committee to get  
20 ideas from the advisory committee. So the  
21 notion that you all would want to make  
22 recommendations is not -- so it strikes me

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1 what you're suggesting is entirely appropriate  
2 and consistent with the charter creating the  
3 advisory group. And you know, it's an  
4 exceptional group of people with a wide array  
5 of backgrounds and expertise that you could  
6 bring to the subject, and I don't see why we  
7 wouldn't want the group to develop a set of  
8 recommendations that you could provide to us,  
9 and let us provide to a broader audience, as  
10 well. So that's -- I guess the Chairman would  
11 agree with that, but I don't want to --

12 MS. TAYLOR: I'm sure she would.

13 MR. TUFANO: I think one of the  
14 things we've seen in the six or so meetings is  
15 that there's no line out there that says, FDIC  
16 here, and the rest of the world there. So  
17 we've seen, you know, when we talked about  
18 mortgages, that some of the problems in the  
19 mortgage area were not in FDIC banks, but  
20 beyond -- were in payment systems. It's not  
21 necessarily just about what happens in banks,  
22 but rather what happens in the money center

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1 businesses, as well. So as we think about  
2 these recommendations, to the extent that  
3 we're going to be thinking broadly in terms of  
4 affecting policy, I think one can be focused  
5 just on the FDIC, but I think that would be a  
6 missed opportunity, because if our focus is on  
7 the underserved, starting from the consumer's  
8 perspective, then you'd want to think across  
9 those businesses. So for example, we heard  
10 today that when payday lending goes away,  
11 title lending pops up. These are all  
12 interconnected businesses, and the more that  
13 we can give -- to the extent that it's  
14 appropriate to give policy advice, which I  
15 think it is, then we should try to make sure  
16 that we're not parochially, you know, just  
17 focused on bank related policy advice. Now  
18 whoever hears this advice is free to discard  
19 it. But on the other hand, I think that's the  
20 appropriate way to think. Think in terms of  
21 functions, and then think of the policies with  
22 respect to functions. So as an example of

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1 that, you might say, we believe that everyone  
2 should have access to a low cost, low risk  
3 payment system alternative. And that could  
4 come through an FDIC bank, or through a credit  
5 union, or perhaps through a non-bank entity.  
6 But I think if we're making clear what we're  
7 trying to achieve, then it might frame some of  
8 these policy things better, because we need  
9 consistency across policies.

10 MR. BOSTON: I want to follow up on  
11 your point, but first I want to say, if  
12 there's a revolution going on, Sheila is at  
13 the head of it. We should keep that in mind,  
14 in a good way. So I think a lot of things are  
15 happening, and a lot of the things that we  
16 talked about are being discussed at other  
17 places, and we're all proud of her work.

18 But one of my concerns is that many  
19 of the people who are banked today may be  
20 unbanked tomorrow. So I think we should also  
21 keep in mind about the new unserved or  
22 underserved that are about to be created. And

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1 so we just cannot think about those we call  
2 low-, moderate-income, and think they're the  
3 only ones that we should be protecting. We  
4 have millions of people who are so-called  
5 middle class who are going to be low class or  
6 unemployed or whatever you want very quickly,  
7 and this will impact the banking community.  
8 So when we're thinking about our policies,  
9 let's not say it's just for those folks over  
10 there. It's for all Americans who are at  
11 risk, and today that's millions of Americans.  
12 So I just want to keep that in mind.

13 MR. MOONEY: In response, this  
14 discussion seems to be aligned with what the  
15 Chairman asked before she left, which was to  
16 increase the success of small dollar loans  
17 with more incentives. Two, she was intrigued  
18 by an affirmative requirement for basic  
19 savings and checking accounts. So we are  
20 talking about incentives and affirmative  
21 obligations and requirements that may very  
22 well be tied to federal programs. And I think

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1 staff could research. You're right. There's  
2 not a plethora of recommendations out there  
3 concerning unbanked programs relative to the  
4 federal programs we're seeing now, but there  
5 are some that cross my desk. And even if we  
6 collate those, and present them for  
7 consideration, that would be useful.

8 MS. TAYLOR: I think it's bigger  
9 than that. I think it's, you know, the big  
10 issue is underserved populations, and how do  
11 you serve them in financial services, in the  
12 financial services arena, which brings in  
13 everything from protection against fraud, to  
14 education, to the actual services that are  
15 offered, to -- and that's fraud from within  
16 and without the system, too. The thing that  
17 we were discussing before is that, you know,  
18 there are some victims, but some of these  
19 victims weren't really victims. They were  
20 victims of their own egregious actions trying  
21 to take advantage of a system which finally  
22 stopped when mortgages or housing prices

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1 stopped going up. So I think that we can  
2 start with the recommendation regarding  
3 underserved populations, or to be underserved  
4 populations and their interaction within the  
5 financial services sector, and then what  
6 financial institutions can do to alleviate  
7 that, and what the regulators can do to assist  
8 the financial institutions in alleviating some  
9 of those problems, and bringing services that  
10 people can actually use based on real data and  
11 information. And one of the things that we  
12 were discussing before, it is very interesting  
13 to hear what some people had to say about  
14 savings accounts. I mean, savings accounts  
15 have been sort of the holy grail. Everybody  
16 should have a savings account. Well, maybe,  
17 maybe not. Maybe it works, and maybe it  
18 doesn't. So you know, I think that we've got  
19 some more research to do there, too, or a  
20 recommendation would be to research that some  
21 more.

22 MR. McDONALD: I would like to just

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1 expand on what Kelvin said at that end. With  
2 an effort to perhaps enhance the thought  
3 processing, gathering the information,  
4 Kelvin's statement basically made reference  
5 to, that is not only the unbanked/underbanked  
6 to that -- tomorrow, it's going to be middle  
7 America, because they are unemployed. So when  
8 I think in terms of just that statement alone,  
9 it brings me back to a comment that I made  
10 earlier, and Jim Young also made the comment,  
11 and we had no discussion on this. As a matter  
12 of fact, he wasn't even here when I made the  
13 comment about how do we get it into the  
14 education system. And from a broad point of  
15 view, the sub-prime market is a result, and  
16 that crossed all lines, middle America, etc.,  
17 because of a lack of education on the issue of  
18 finance. Jim Young made the comment that, if  
19 we taught home economics or whatever in the  
20 school system, why not have this to be part of  
21 the curriculum? We've had individuals to lose  
22 money in the investment community where they

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1 thought they were part of this whole billion  
2 dollar investment company, and it was because  
3 perhaps of a lack of education in some sense.  
4 So this goes across the entire spectrum. So  
5 my point is, from a broader perspective, and  
6 from a policy point of view, looking at the  
7 issues that we've been faced with just by  
8 talking about the underbanked and the  
9 unbanked, this issue is much broader. It goes  
10 to the whole community. So from a policy point  
11 of view, perhaps we should talk in terms, or  
12 look at the possibility of having something  
13 put in the education system, which is beyond  
14 the FDIC. And when we talk about -- that  
15 perhaps recommendations on how the FDIC could  
16 encourage banks to help people who are not  
17 banked to be banked, I think it's a much  
18 broader issue. So I just wanted to re-  
19 emphasize the fact that we're talking about  
20 broader policies, and I wanted to at least  
21 give that as an example as to perhaps how far  
22 our thought process should go in developing

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1 some of the recommendations, some of the  
2 observations, because the staff in the last  
3 five or six meetings, and Bob, the number of  
4 people you had to present. It's a wealth of  
5 information, a wealth of information and  
6 there's some common denominators, and one  
7 common denominator is the educational aspect.

8 MR. BECK: If I could comment on  
9 that, since I represent that financial  
10 education community. I was very struck by a  
11 couple of things this morning. First of all,  
12 I applaud the banks that presented. And if  
13 you look at the financial education programs  
14 that are out there, there's a really wide  
15 range of quality. And what I appreciated  
16 about the banks today was that they were  
17 volunteering their time to enhance the  
18 experience in the classroom in supporting a  
19 teacher. That is a long way from passing out  
20 a brochure. So I think you saw some best-in-  
21 class today. But I want to throw in a couple  
22 of cautions. And this is just from our world.

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1       It's a lot more than just a class. There are  
2       very good high school programs that are  
3       available from the non-profit community,  
4       including the program from the FDIC. There's  
5       some high quality things out there that  
6       schools can adopt and are adopting and without  
7       the banks and the credit unions' support, that  
8       wouldn't happen. There's an interesting  
9       couple of statistics for you. There's roughly  
10      40 states that have some sort of financial  
11      education mandate. There's less than ten that  
12      do anything about it as far as trying to  
13      measure the quality. The one thing they all  
14      have in common is they have no funding. So,  
15      recommendations from my world, including the  
16      President's Counsel on Financial Literacy, is  
17      to create a mandate for schools to make sure  
18      that this is included, because it can be  
19      included in a lot of different categories.  
20      But the caution I think we have to throw out  
21      in pursuing this, which is I think a great  
22      idea, is that one class is not an inoculation.

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1       And just because you've finished that class  
2       doesn't mean you're good to go for the rest of  
3       your life. So it's a foundation that I happen  
4       to think is critical. So I strongly support  
5       it. But it's an ongoing process if we really  
6       want people to avoid having the problems we're  
7       seeing. So one class won't do it. But a  
8       continuous process from the financial  
9       community, from the FDIC, from a lot of  
10      different points, will help keep people out of  
11      trouble. This is not something that stops  
12      when you finish 12<sup>th</sup> grade. So just a word of  
13      caution that I wish it was that easy that we  
14      could just send somebody out of high school  
15      saying, you're good. The rules will never  
16      change during your economic life. So don't  
17      worry about it.

18                   MS. TAYLOR: Ester?

19                   MR. FUCHS: Yes, I just wanted to go  
20      back to Alden's general point. I know he used  
21      education as an example. I just think that  
22      the whole idea also that this is a

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1 particularly critical moment in which we can  
2 have an impact is very important. And what I  
3 would like to see happen in this effort to  
4 come up with proposals is essentially a  
5 linkage between the issues that we've been  
6 discussing over the last year -- of the  
7 underserved community -- and the ones that are  
8 now being dealt with in the broader financial  
9 crisis out there. This is an opportunity to  
10 put this problem and this issue sort of center  
11 stage. It's not really peripheral. It's just  
12 -- it now can be viewed as symptomatic. You  
13 know, as you pointed out, there's going to be  
14 a lot more people underserved, a lot more  
15 people with this problem that usually is  
16 viewed as a sideline, or a sidebar, or it's  
17 just a sort of special group of people who are  
18 interested in this population. It's not a  
19 sidebar anymore. It's really the main event.  
20 And a lot of the proposals that have been  
21 discussed in this committee really relate to  
22 the larger issues of what will regulatory

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1 reform look like, what kinds of incentives  
2 will we put on the table over the long term  
3 for banks and other financial institutions to  
4 change their behavior at the neighborhood  
5 level? So I would like to see this structured  
6 linking, this question of the what do we do  
7 for this population, with how this is part of  
8 the larger fix to the financial crisis that  
9 we're in. And I think that we would have  
10 better traction that way, and of course  
11 that's, insofar as Sheila can use this, I  
12 think, as part of what her agenda has been  
13 coming out of the FDIC, I think everybody  
14 understands that the FDIC is not going to be  
15 the implementer of all of the solutions to the  
16 current problem. But it is, she has been, and  
17 the FDIC has been a very important voice now,  
18 and I think we can help reinforce the  
19 credibility that they already have in that  
20 debate by creating this kind of linkage, and  
21 not sort of staying as a sidebar to the  
22 conversation.

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1 MS. WARREN: Thank you. I apologize  
2 for having to miss the whole morning. I had  
3 to testify, and I was assured it would be very  
4 short. It was not. But this is important,  
5 and that's why I wanted to come back and be  
6 here, and especially for this meeting. I just  
7 want to make one point as we start drawing  
8 this together, and that is, we talk about what  
9 are, in effect, the discreet recommendations.

10 They may be open-ended when we talk about  
11 education, but we're talking about a series of  
12 fairly discreet recommendations. I think we,  
13 because you rarely get this many good people  
14 together, really need to spend a minute on the  
15 notion that there's a systemic problem here.  
16 I think back to, I think it was our first  
17 meeting, and PROSPER presented to us. Do you  
18 remember? And the whole notion of maybe there  
19 would be this new form that would intersect  
20 with small loan lending, and what could that  
21 mean, and people-to-people, and I'm sure most  
22 of the people in this room know it's been shut

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1 down, as have its two competing entities,  
2 business models, by the SEC, because it turns  
3 out there was an argument that this was an  
4 investment vehicle, rather than the way we saw  
5 it, which was people-to-people small loan  
6 access.

7 MS. TAYLOR: I see no one is  
8 making a comment on where the SEC ought to be  
9 spending their time.

10 MS. WARREN: I thought it was, I  
11 felt safer knowing that PROSPER had been shut  
12 down at the very time that Bernie Madoff was  
13 still going forward. But I think back to our  
14 early meetings on foreclosure. I think back  
15 to the data and the warnings, and frankly, I  
16 think how quaint they look even six months  
17 later in terms of how very serious this  
18 problem has turned out to be. I think about  
19 Kelvin's point on what job loss is going to do  
20 to people, what losing homes is going to do to  
21 people, and how that intersects with financial  
22 services, and how financial services will be

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1 called on in ways that had not been called on  
2 before, how people who had been able to manage  
3 under one financial services, consumer  
4 financial services regime, may not be able to  
5 manage under a new regime. So all of this  
6 reminds me that it is a dynamic process out  
7 there. It's moving, and it's moving very,  
8 very fast. I think that Esther's point's  
9 right. The window may be open for a brief  
10 period of time to do something here, but I  
11 just want to be clear, there's no one who  
12 advocates on behalf of consumers, on financial  
13 products on a systematic basis. There is no  
14 one whose portfolio, when you open it up, says  
15 right up at the top, consumers, customers,  
16 people, families are the first thing we have  
17 to worry about, and we have some ability, some  
18 agenda to look at different financial products  
19 across the spectrum, because families don't  
20 live these, in the silos of regulatory  
21 agencies.

22 Checking accounts in one silo, and

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1 fee for services in another, and mortgages  
2 somewhere else, they just don't work that way.

3 And so I just suggest that there's been a  
4 real advantage to the fact that we have an  
5 Environmental Protection Agency that attracts  
6 the people who are interested in this issue,  
7 who have a broad portfolio to go forward on  
8 behalf of environmental issues, whether it's  
9 water, whether it's air, whether it's  
10 particulates, whether it's -- they have a  
11 really broad way to look at it. I am  
12 heartened by the fact that we have a Food and  
13 Drug Administration that does this. I am  
14 heartened by the fact that we have a Consumer  
15 Product Safety Commission that does this, and  
16 I just want to say, at some point, we need to  
17 think about this question of whether there  
18 should be something similar for consumers when  
19 we're thinking about financial products.  
20 Consumers are left naked in this world in  
21 terms of someone to think and advocate on  
22 their behalf in a systemic way. And God bless

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1 the regulators, like Sheila, who have  
2 certainly moved them up in the portfolio. But  
3 the bottom line is, it's fractured oversight,  
4 it's regulatory competition that creates forms  
5 of arbitrage that have caused effective  
6 regulation to become a null set, in some  
7 cases. And this is our moment, statutorily  
8 speaking, and if we spend it advocating for  
9 ten specific changes, and then congratulate  
10 ourselves that we made a difference, and it  
11 will make some difference, but it's a short  
12 term, non-systemic difference. And that means  
13 that all the changes will keep occurring, and  
14 five years from now, ten years from now,  
15 twenty years from now, if we have someone as  
16 interested as Sheila, our successors will be  
17 back in this room talking about a whole new  
18 set of problems that have emerged, and no  
19 one's been there to watch out for the  
20 consumer. So I just wanted to put on the  
21 table that we should be thinking about  
22 systemic change, not just discreet changes.

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1 Thank you.

2 MS. TAYLOR: If you want to, and  
3 Marty, you know a lot more about how these  
4 things work than I do, but to do something  
5 such as you're talking about, which I think is  
6 an absolute fabulous idea, which is -- I think  
7 what you're saying basically is create a  
8 federal agency, or cabinet position, or  
9 whatever you want to call it, for consumers in  
10 the financial services arena.

11 MS. WARREN: Yes.

12 MS. TAYLOR: And I think that  
13 that's definitely worth advocating for. I  
14 don't know how fast it would happen, but I  
15 think there's some things that you can do to  
16 almost create the same thing without, you  
17 know, waiting for somebody to create a cabinet  
18 position. And one of the things that I worked  
19 on very hard when I was a banking  
20 superintendent was, you know, we saw what was  
21 going on in the mortgage industry, which was -  
22 - and you know, when I first started there,

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1 like two weeks later, the Comptroller of the  
2 Currency basically advocated all state lending  
3 and depository rules for banking institutions.  
4 Just a little bit of a shock. And so you  
5 could see right there that there were a lot of  
6 things that were going to fall through the  
7 cracks that had to do with consumers. You  
8 know, the whole mortgage industry, check  
9 cashing, money transmitting, all the rest of  
10 it that had very, very uneven regulation, but  
11 had huge impacts on the most vulnerable  
12 consumers. So what we did, I went to the  
13 Treasury Secretary at the time, which was John  
14 Snow, and said, look, you know, there's all  
15 this stuff that's going to fall through the  
16 cracks, so why don't you, Mr. Treasury  
17 Secretary, put together a committee which has  
18 the top of each of the agencies that touches  
19 financial services in it meet on a regular  
20 basis to talk some of the issues through,  
21 because if one of these entities is convinced  
22 to issue a regulation on something, it really

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1 doesn't matter, because there are all these  
2 other institutions that don't have to worry  
3 about this one agency. So why don't we come  
4 up with some things that all the agencies can  
5 do together? And I don't know what happened  
6 to that. I don't think it lasted very long.

7 MR. RYAN: The first time I  
8 mentioned mortgage brokers, they never met  
9 again.

10 MS. TAYLOR: Yes, okay. Fine.

11 MR. RYAN: And that's something,  
12 that's a lesson that I think we need to, in  
13 this dialogue to consider, that Washington has  
14 its own issues, and you cannot expect it to  
15 answer everything. It becomes so compromised,  
16 as someone who's spent 20 years on all of  
17 this. And the more you consolidate this  
18 industry, the more compromised it gets. And  
19 we have an FTC. We have things that have been  
20 gutted, and you have to think of the history  
21 of those things.

22 MS. WARREN: The answer can't be, we

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1 can't make things better, because if the  
2 answer is, we can't things better, I'm going  
3 to go do something else. I'm not going to  
4 spend the rest of the afternoon here.

5 MS. TAYLOR: No, the thing is,  
6 though, that there are ways to do this, and we  
7 need to figure out -- I think we're all agreed  
8 that we need to do something here, and what we  
9 need to discuss now is how to do it, and the  
10 probabilities of success, and how do you get  
11 people on board, and advocate for it, and that  
12 sort of thing. So I think there are a bunch  
13 of different ways. I think your ideas are  
14 really fair minded. So we need to figure out  
15 how to work it.

16 MR. HENDERSON: Well Madam Chair,  
17 first of all thank you for entertaining this  
18 conversation. It's useful, and your  
19 leadership in providing us with a forum where  
20 we're comfortable about having a discussion  
21 like this is much appreciated, so thank you.

22 MS. TAYLOR: However --

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1                   MR. HENDERSON:    No, no, it's not a  
2                   however.    Secondly, again I think that we are  
3                   given a unique opportunity.    I mean again, the  
4                   challenge, the crisis is certainly real, and  
5                   it's there, it's palpable, people see it, and  
6                   it's actually deepening.    It's getting worse  
7                   in many respects.    To have an advisory  
8                   committee named for economic inclusion to have  
9                   been created by the FDIC is really quite  
10                  fortuitous in terms of being able to consider  
11                  a range of options.    I think, without making a  
12                  commitment to any particular course of action,  
13                  to give us a charge of being expansive in our  
14                  thinking so that we take advantage of the  
15                  assembled work and experience of this very  
16                  diverse group, it seems to create many  
17                  opportunities.    Now I happen to like  
18                  Elizabeth's recommendation, because I think it  
19                  makes sense, and having seen lesser efforts,  
20                  you know, there's something within the civil  
21                  rights arena, an Office of Coordination and  
22                  Review.    It's in the Department of Justice.

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1 It is given the responsibility of coordinating  
2 various civil rights enforcement activities  
3 among a variety of agencies. It's been an  
4 utter failure. Now part of it has of course  
5 been the responsibility of who is in charge.  
6 So who, the decider, makes a difference, okay?  
7 So without, you know, spending a lot of time  
8 on that, there has to be another way of  
9 institutionalizing a set of changes and  
10 recommendations that could be helpful. So  
11 without, you know, reaching any conclusions, I  
12 simply think this conversation is worth  
13 having. I think there are a variety of  
14 proposals that could be on the table,  
15 certainly Elizabeth's is one, and I think it's  
16 a sufficiently large idea, such that it speaks  
17 to the value of a group like this. I think the  
18 recommendations of the staff, in terms of  
19 thinking through a set of proposals that fall,  
20 or recommendations that fall under that would  
21 be very helpful. And you have a broad charge.

22 And again, I think this issue of

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1 consensus, Deborah, I want to go back to that,  
2 because nothing that has been proposed is  
3 intended to foreclose the fact that we won't  
4 agree on everything. And if we don't, I think  
5 we should be frank about that, and as you  
6 said, Roberta, thank you, we don't have a  
7 consensus requirement, but I think among  
8 ourselves. You know, as people of integrity,  
9 we should respect the differences that we  
10 have. I think consensus is a very useful  
11 tool. It takes a long time sometimes to  
12 achieve that result, but I think you get a buy  
13 in and support that enables us to take those  
14 voices and amplify them many times over. So  
15 that I know, as Elizabeth is carrying out her  
16 responsibilities with TARP, as I'm meeting  
17 with various, you know, offices within this  
18 area, I bring a different perspective, as do  
19 my colleagues. We can be, you know, we can  
20 amplify the impact of the FDIC's work from the  
21 advice that we might provide in ways that I  
22 think will be very useful. So that's really,

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1 I think, the charge.

2 MR. RYAN: And I would fully agree  
3 with Peter's comments in taking a broad look  
4 at the industry. Someone who comes from the  
5 state side, I think we do need to look at all  
6 those components, what's the appropriate role  
7 of federal rules, how they mesh together, and  
8 how we provide an adequate, comprehensive  
9 consumer protection. I strongly advocate for  
10 that.

11 MR. EAKES: So I wanted to just add  
12 to the systemic some very specific proposals,  
13 and see whether that would be something that  
14 made sense. We talked about whether or not,  
15 to make lifeline accounts, or something that's  
16 a very low cost account mandatory, which seems  
17 hard. I mean, it's hard to figure out how to  
18 do that exactly, but what you could do is FDIC  
19 by itself could publicize a list of the banks  
20 that had the highest percentage of their total  
21 checking accounts that met this low fee, low  
22 transaction cost model, and you know, we're

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1 all competitive. We want to be at the top of  
2 whatever list gets done, and I think that  
3 we'll have a -- there's some way we could use  
4 that, you know, whether it's CRA credit, or  
5 publicizing, or carrots and sticks, I think  
6 that comparing it to the other accounts,  
7 assuming that we're not yet able to get rid of  
8 some of the fees that I'd like to get rid of,  
9 which is the second proposal, and that is -  
10 Michael Barr mentioned it - the proposal to  
11 have overdraft fees counted under Truth in  
12 Lending, which was a proposal that the Federal  
13 Reserve looked at. They specifically reserved  
14 the right to come back and look at it again.  
15 It's been long enough that this committee and  
16 the FDIC weighing in could make a real  
17 difference.

18 A third very specific proposal  
19 would be that we recommend an expansion of the  
20 36 percent interest rate ceiling that was  
21 adopted two or three years ago for military  
22 families under the Talent-Nelson Amendment.

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1 You know, as Wade has pointed out a dozen  
2 times to me, if you have military members who  
3 were unable to be deployed because they were  
4 considered a security risk because they had  
5 payday loans that were putting them under  
6 stress, the same kind of issue applies for  
7 policemen, and teachers, and firemen, and  
8 nurses, and folks who are under stress because  
9 they've got these very high interest loans.  
10 And you know, there are bills being discussed.  
11 This was something during the FDR period that,  
12 you know, there was a movement to put an  
13 interest rate ceiling, and once you have  
14 something like that, then all of the  
15 institutions are put on a level playing field  
16 so that they actually, if it makes sense to  
17 say a checking account really should have a  
18 \$3.00 or \$4.00 a month monthly fee, that  
19 that's what it really does cost, rather than  
20 advertising that we have free checking, and  
21 the ten percent at the bottom of the pay every  
22 month end up paying all of the costs from

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1 penalty fees on overdrafts. We could change  
2 the financial services environment with that  
3 proposal very, very quickly. Title lending  
4 would have to conform on car loans. Payday  
5 lending would have to conform to a lower rate.

6 And it seems like we might be able to get all  
7 three of those done. So mine are much more  
8 pedestrian than Elizabeth's, but it might  
9 supplement by having very specific things --  
10 those three things I think we could do, and  
11 would make a real difference.

12 MS. TAYLOR: Actually, another  
13 concrete thing, too, which we talked about  
14 several years ago, if you recall, John, is  
15 having sort of a consumer national 311 number,  
16 where anybody who had a question about a  
17 financial services question could call, and  
18 somebody there would tell them where they  
19 could go to get the answer. Because as the  
20 superintendent of the Estate Banking  
21 Department, it's incredible how many people  
22 didn't know who -- and why would they -- who

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1 the supervisor for their particular financial  
2 institution is. So I mean that would go -- I  
3 mean, I think that would go a long way,  
4 because people could then, they would have one  
5 place that they could go and get the  
6 information that they needed to make  
7 intelligent decisions about things.

8 MR. EAKES: Being a pedestrian, if  
9 you don't own a car is okay.

10 MS. TAYLOR: Deborah?

11 MS. WRIGHT: I think just putting  
12 Elizabeth's proposal on the table would create  
13 such incredible national dialogue, which is  
14 what we need to have to put the consumer right  
15 on the table, and have to have every part of  
16 Washington respond to that, because that's  
17 really what needs to happen. We've been  
18 having these conversations in silos and,  
19 whether it happened in that forum or not, I  
20 think it would force everybody to deal with  
21 the issue.

22 I had a smaller question on your

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1 proposal, and there's no doubt you know the  
2 answer to this: what does the Consumer  
3 Protection Agency do? Because undoubtedly,  
4 you're going to have a series of people, maybe  
5 me included as the taxpayer, so the last thing  
6 we need is another agency. So what do they do  
7 now, and is it possible to reform? I think  
8 we're going to have to think about sort of the  
9 little "p" politics of how we'll actually get  
10 something done as opposed to just a dialogue.

11 MS. WARREN: The Consumer Product  
12 Safety Commission right now does physical  
13 products. So basically, between the Consumer  
14 Product Safety Commission, the Department of  
15 Agriculture, the Food and Drug Administration,  
16 maybe a couple more, literally everything you  
17 touch, everything you taste, everything you  
18 smell, is checked for safety at some level.  
19 Not always perfectly. We know there have been  
20 some terrible problems with underfunding. But  
21 the point is, there's someone there who has it  
22 as their first responsibility, and someone to

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1 hold accountable if they fail to do it. That  
2 is not so with financial products. And I  
3 think the time for that -- I just want to make  
4 one other just very small point. In this  
5 context, we put the Consumer Product Safety  
6 Commission in effect back in the 70s, and the  
7 Nixon Administration was the first  
8 administration that embraced it, and said,  
9 we're going to have this thing together at a  
10 time when we had usury laws that were solid  
11 and strong at the state level. There were  
12 some state variation, but they were effective  
13 at the state level all across the country.  
14 And so it would be quite reasonable to say we  
15 found another way to deal with consumer  
16 financial products. We have usury laws in  
17 effect. We kicked the tent pole out on usury  
18 laws. It's gone. And so the center thing  
19 that held us up and said, nobody's going to go  
20 above whatever was your state usury law all  
21 in, so that there wasn't a reason to do these  
22 long deceptive contracts, because you just

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1 never could get above where the usury cap was.

2 Once you kick that out, and don't put  
3 anything else in its place, that's how we end  
4 up with what we've got. And so I just mention  
5 it by way of kind of the history. I think if  
6 we'd been in the 1970s where we are today on  
7 financial products, I think at the same time  
8 we did a consumer physical product safety  
9 commission, we probably would have done a  
10 consumer financial product safety commission.  
11 Whether they would have been separate, whether  
12 they would have been the same agency, I don't  
13 know. But I don't think anybody looked around  
14 and said, gee, we don't care about your money,  
15 we only care about these other issues.

16 MR. BOSTON: I just want to say, I  
17 support your proposal, but I support it  
18 because, right now, with all the new  
19 regulation, and everything that's coming  
20 about, and there's going to be a lot of  
21 changes as it relates to what's going on.  
22 Most of us are trying to put the

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1 responsibility on the consumer. No one is  
2 asking any financial institution to be more  
3 responsible about what they present to the  
4 consumer. Nor are we asking our government to  
5 make sure that we have responsible products  
6 given. Part of our problem right now is that  
7 many people thought that what they were being  
8 sold was something that was indeed backed up,  
9 supported in some way by the Federal  
10 Government. That they allowed -- this product  
11 would not be available to us as a consumer  
12 unless somebody in the Federal Government has  
13 said it was okay to be provided. So I think  
14 we must think about making sure that our  
15 financial institutions as a body, not banks  
16 per se, but that we have responsible financial  
17 products, and I think that I support what  
18 you're saying, because I think this will help  
19 us get those types of responsibilities.

20 MS. TAYLOR: In all fairness, I  
21 think that the individual regulators try to do  
22 that with their regulated institutions. The

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1 problem is that there are some that fall  
2 through the cracks, and some are better at  
3 doing it than others. But that -- I think,  
4 you know, in all fairness, that is something  
5 that regulators try to do. However,  
6 effectively is a different story.

7 MR. RYAN: And I think that's where  
8 you need some of the checks and balances, and  
9 something that's been helpful, imperfect as it  
10 is, but at the state level, is we have a  
11 regulatory functions. But there's an AG who  
12 can come in, do investigations, take  
13 enforcement actions. And what I've seen  
14 evolved at the federal level is, for instance,  
15 the FTC had broad authority, but the banking  
16 regulators got to carve out bank customers as  
17 to the purview of the bank regulator. And we  
18 saw the bank regulators, to your point on the  
19 usury laws, preempt, allow the lowest state  
20 law to preempt all the other state laws. So  
21 it's -- I share your objective. I come at  
22 this with some trepidation and a little bit of

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1 cynicism about how, when you have one king,  
2 and I know that is not what you are  
3 suggesting, but the challenges that that  
4 poses.

5 MR. EAKES: There's no reason that  
6 it has to be preemptive federal decision that  
7 states are left to be concurrent.

8 MR. RYAN: Absolutely not, but we've  
9 seen it evolve over time, and so it's that  
10 experience, once again, where these things  
11 were not supposed to be preemptive. We had --  
12 get a little pedantic here, but with  
13 interstate banking and branching, that was  
14 clearly in the law. It says, this does not  
15 preempt state consumer protection laws. And  
16 that's where I see Washington working in  
17 certain ways that, when the spotlight's not  
18 on, are troublesome. And you need some checks  
19 on that. And so that is not a reason not to  
20 do anything, and not to try to address what we  
21 all agree are serious problems.

22 MR. GRZYWINSKI: At the risk of

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1 not saying anything that hasn't been said,  
2 there's a saying, there's a quotation that  
3 people like to throw around in Chicago, which  
4 goes back about 100 years or more, although  
5 probably more, from Daniel Burnham. Make no  
6 small plans. Then you have the power to move  
7 men's minds in the language of the day. But  
8 think of the -- if I may, think of key words  
9 of our situation right now. Economic crisis,  
10 okay, which means opportunity for change.  
11 Mandate from the electorate, okay, means  
12 momentum. A president who is leading, okay?  
13 A committee here that says economic inclusion,  
14 okay? It says economic inclusion for the  
15 FDIC. The FDIC is at the center of the  
16 nation's economic system of banks, okay? The  
17 FDIC has a leader who has been ahead of the  
18 game at risk to herself, okay, and is leading  
19 the charge, okay? We should be doing  
20 everything we can to support and better arm  
21 that leader. We should seize the momentum,  
22 okay, on behalf of the American family. We

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1 should not think small thoughts, okay? We  
2 should not be satisfied with the leavings of  
3 the day, okay? We are talking about the  
4 American middle class, everybody, okay? And  
5 what we have in front of us is an opportunity  
6 to try to create an economic safety net for  
7 the American family. And while I'm not the  
8 expert, I would say, lastly, that the law  
9 exists. The Community Reinvestment Act is  
10 written very, very broadly. The legislation  
11 is very broad, and there is a mandate here, I  
12 would argue. More would argue perhaps against  
13 me. But I think the pieces are there, the  
14 time is there, the need is there, and we ought  
15 to think big enough thoughts.

16 MS. TAYLOR: If I could add one  
17 thing to that, too. People talk about, as part  
18 of financial markets today, that we have a  
19 crisis of confidence, and the FDIC is all  
20 about confidence in the banking system, which  
21 I would just add to what you just said, but  
22 yes. So I think that's just that we're here

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1 to be used.

2 VICE CHAIRMAN GRUENBERG: Well, we  
3 picked you guys because you are interesting  
4 and provocative, and you haven't let us down.

5 (Laughter.)

6 VICE CHAIRMAN GRUENBERG: My only  
7 cautionary word is that I really do think it's  
8 unfortunate, it would have been helpful to  
9 have the Chairman here to take part in this  
10 conversation. And on her behalf, I would  
11 obviously say we really need to bring this to  
12 her attention, and sort of work it through  
13 with her.

14 MR. MOONEY: We will follow  
15 through, Madam Chairman, and do as Marty said,  
16 and cover broader and less discreet  
17 recommendations, everything we've heard here  
18 today. Financial education, product safety  
19 issues, and development of a product, consumer  
20 financial product safety bureau recognition,  
21 and Professor Warren and I have read every  
22 word you have written on that subject. It's

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1 quite impressive. And we all have an interest  
2 in that, and exploring the incentives, so we  
3 will do as you suggest.

4 MS. TAYLOR: I'll talk to the  
5 Chairman about ways that this committee could,  
6 with the FDIC, do some of the things that  
7 we've talked about here. And I think it would  
8 be useful for people to talk among themselves,  
9 too, some of the things that Wade was  
10 suggesting, you know, how could we have a  
11 broader impact?

12 Well, if nobody has anything else,  
13 I think we're starting to lose people. So,  
14 thank you all.

15 MR. McDONALD: I would just like to  
16 make one comment for the record. It's been  
17 said several times around the table about the  
18 Chairman's role in bringing this issue to bear  
19 some two and a half years ago, three years  
20 ago. I want to not only congratulate her, but  
21 to congratulate the entire staff of the FDIC  
22 in supporting this very, very important issue

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1 that is touching the lives of millions of  
2 people.

3 This one issue has a significant  
4 effect on the quality of life. And I just  
5 want to say again that, thanks to the  
6 leadership of the FDIC for bringing this issue  
7 of economic inclusion to the table. We've  
8 debated whether or not it was just for the  
9 underbanked or unbanked. We now see how big  
10 this picture is, and as Kelvin said, it's  
11 America that this issue is touching. So I  
12 would like to thank you guys once again for a  
13 job well done.

14 MS. TAYLOR: Thank you.

15 (Whereupon, the above-entitled  
16 matter was concluded at 2:54 p.m.)  
17  
18  
19  
20  
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