

Additional Information for

Connecticut Economic Inclusion Forum

July 23, 2013

Central CT State University

New Britain, Connecticut

Federal Deposit Insurance Corporation

Community Affairs

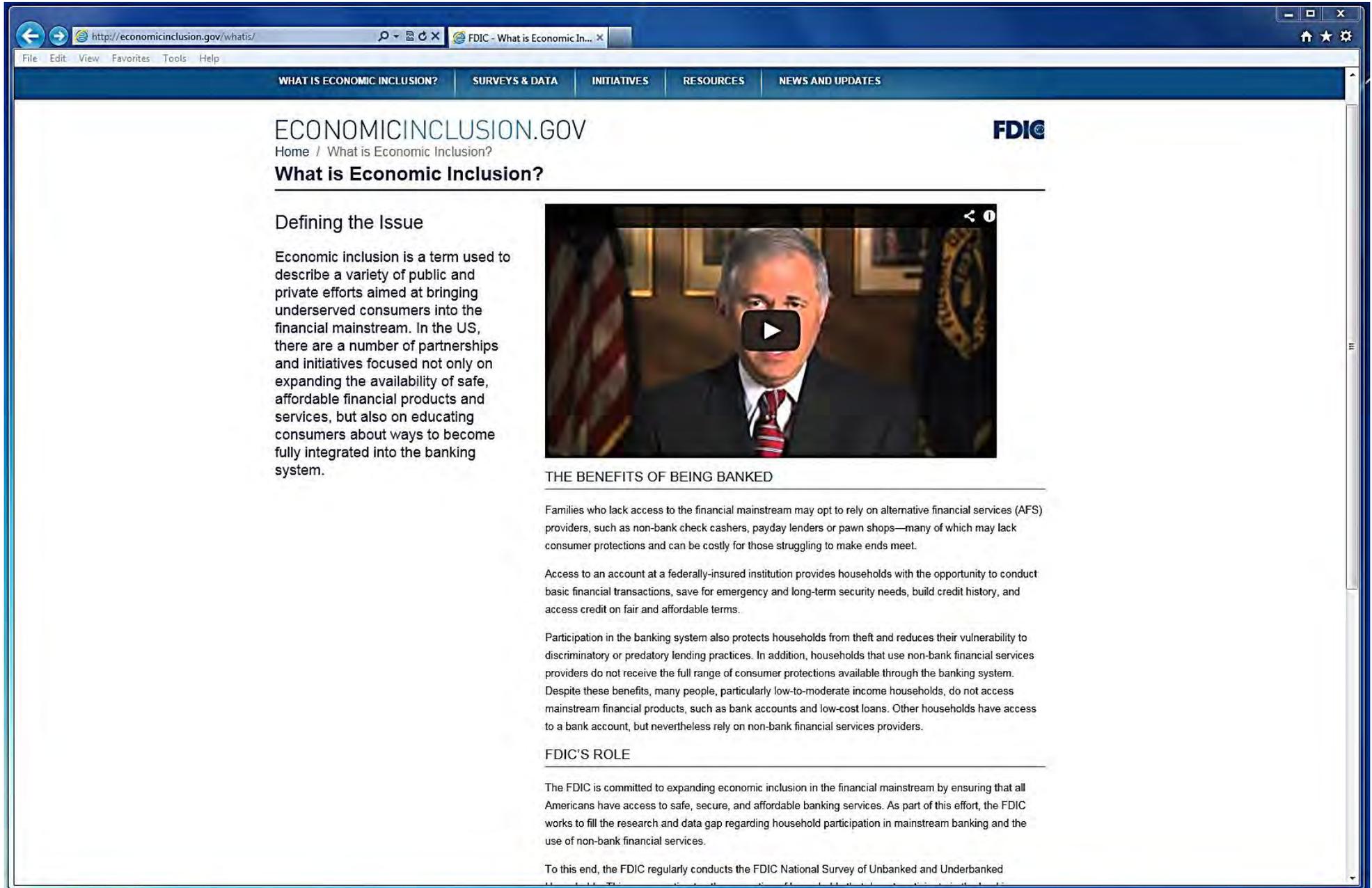
Division of Depositor and Consumer Protection

Boston Area Office, Braintree, Massachusetts



What is Economic Inclusion?

<http://economicinclusion.gov>



The screenshot shows a web browser window displaying the FDIC website. The address bar shows the URL <http://economicinclusion.gov/whatis/>. The page has a blue navigation bar with links for 'WHAT IS ECONOMIC INCLUSION?', 'SURVEYS & DATA', 'INITIATIVES', 'RESOURCES', and 'NEWS AND UPDATES'. The main content area features the FDIC logo and the title 'ECONOMICINCLUSION.GOV'. Below this is a breadcrumb trail 'Home / What is Economic Inclusion?' and the main heading 'What is Economic Inclusion?'. A section titled 'Defining the Issue' contains a paragraph of text. To the right of this text is a video player showing a man in a suit with a play button overlay. Below the video is a section titled 'THE BENEFITS OF BEING BANKED' with three paragraphs of text. At the bottom, there is a section titled 'FDIC'S ROLE' with two paragraphs of text.

WHAT IS ECONOMIC INCLUSION? SURVEYS & DATA INITIATIVES RESOURCES NEWS AND UPDATES

ECONOMICINCLUSION.GOV
Home / What is Economic Inclusion?
What is Economic Inclusion?

Defining the Issue

Economic inclusion is a term used to describe a variety of public and private efforts aimed at bringing underserved consumers into the financial mainstream. In the US, there are a number of partnerships and initiatives focused not only on expanding the availability of safe, affordable financial products and services, but also on educating consumers about ways to become fully integrated into the banking system.



THE BENEFITS OF BEING BANKED

Families who lack access to the financial mainstream may opt to rely on alternative financial services (AFS) providers, such as non-bank check cashers, payday lenders or pawn shops—many of which may lack consumer protections and can be costly for those struggling to make ends meet.

Access to an account at a federally-insured institution provides households with the opportunity to conduct basic financial transactions, save for emergency and long-term security needs, build credit history, and access credit on fair and affordable terms.

Participation in the banking system also protects households from theft and reduces their vulnerability to discriminatory or predatory lending practices. In addition, households that use non-bank financial services providers do not receive the full range of consumer protections available through the banking system. Despite these benefits, many people, particularly low-to-moderate income households, do not access mainstream financial products, such as bank accounts and low-cost loans. Other households have access to a bank account, but nevertheless rely on non-bank financial services providers.

FDIC'S ROLE

The FDIC is committed to expanding economic inclusion in the financial mainstream by ensuring that all Americans have access to safe, secure, and affordable banking services. As part of this effort, the FDIC works to fill the research and data gap regarding household participation in mainstream banking and the use of non-bank financial services.

To this end, the FDIC regularly conducts the FDIC National Survey of Unbanked and Underbanked

Interactive Economic Inclusion Website

The screenshot shows a web browser window with the URL <http://economicinclusion.gov/>. The browser's address bar and menu bar are visible. The website's navigation bar includes links for GLOSSARY, PRINT, SHARE, and UPDATES. Below this, a secondary navigation bar contains links for WHAT IS ECONOMIC INCLUSION?, SURVEYS & DATA, INITIATIVES, RESOURCES, and NEWS AND UPDATES.

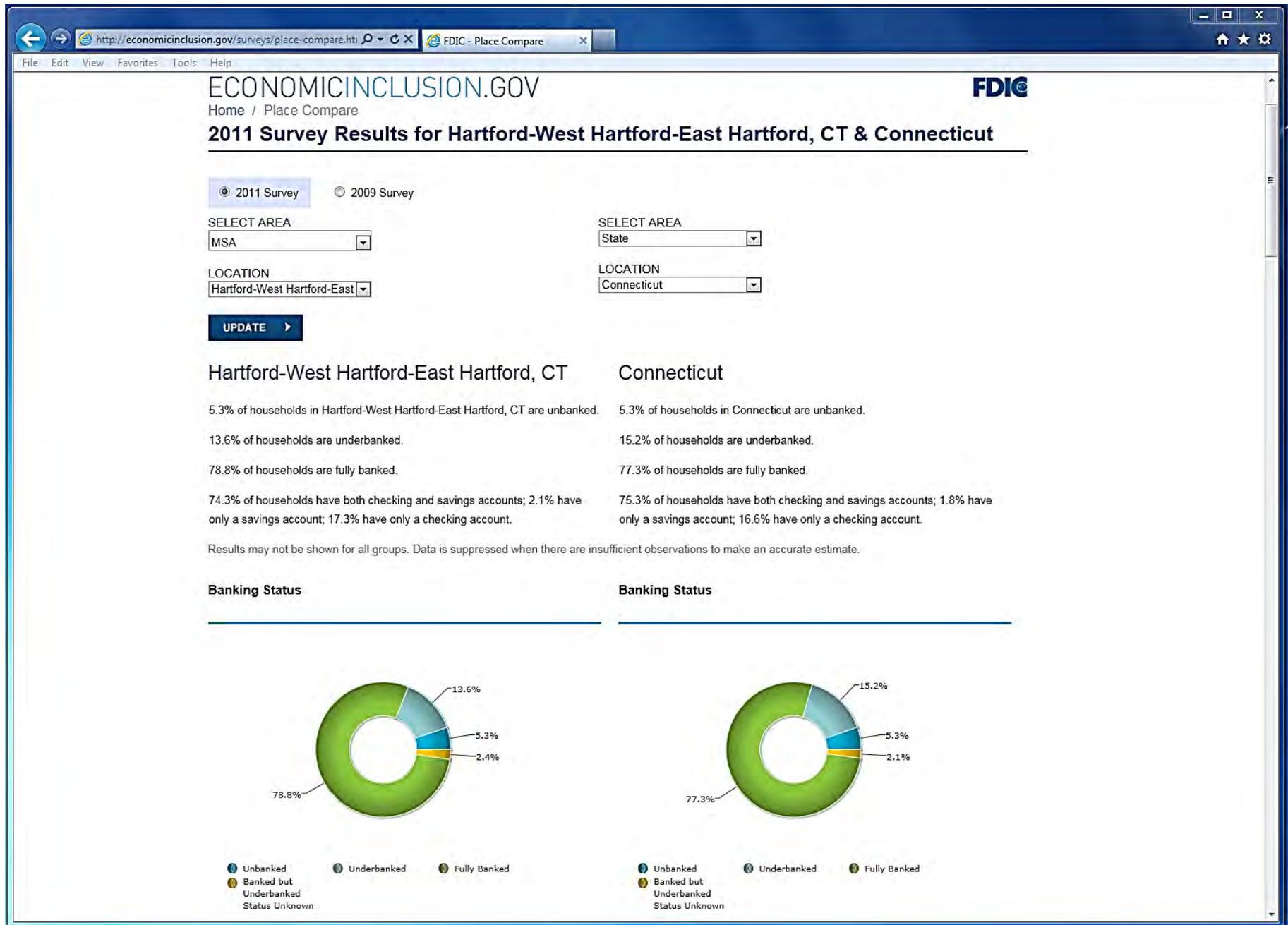
The main content area features the text "ECONOMICINCLUSION.GOV" and the FDIC logo. A large map of the United States is displayed, with a sidebar on the left containing buttons for NATION, REGION, STATE, and MSA. Below the map is a "COMPARE DIFFERENT AREAS" form with two "SELECT AREA" dropdown menus (one set to "MSA" and the other to "Nation"), a "LOCATION" dropdown menu (set to "Hartford-West Hartford"), and a "COMPARE" button. A pagination bar below the form shows numbers 1, 2, 3, and 4.

To the right of the map is a section titled "About the 2011 FDIC National Survey of Unbanked and Underbanked Households". The text describes the survey's purpose: "To assess the inclusiveness of the banking system, and in partial fulfillment of a statutory responsibility, the FDIC conducts biennial surveys of households to estimate the proportion of households that do not fully participate in the banking system. The second FDIC National Survey of Unbanked and Underbanked Households presents new data and insights on the size of unbanked and underbanked markets at the national, regional, state, and large metropolitan statistical area (MSA) levels." Below this text are links for "2011 Executive Summary", "2011 Full Report", and "2011 Appendix Tables" (marked as "NEW!").

The bottom of the page is divided into three columns: "RESEARCH", "WHAT'S NEW", and "SURVEY REPORTS".

- RESEARCH:** "The FDIC provides research, data, and additional resources for consumers, banks, policymakers, and others regarding underserved populations and the use of alternative financial services. [LEARN MORE →](#)"
- WHAT'S NEW:** "The Census Bureau released the 2011 FDIC Survey of Unbanked and Underbanked Households Dataset. [LEARN MORE →](#)"
- SURVEY REPORTS:** "In 2012, the FDIC has released results from both a survey of unbanked and underbanked households and a survey of banks on their efforts to serve those consumers. [VIEW THE HOUSEHOLD SURVEY REPORT →](#) [VIEW THE BANK SURVEY REPORT →](#)"

An Example of Data Comparison (using the Economic Inclusion website)



Excerpts from the Executive Summary for
2011 FDIC National Survey of Unbanked and Underbanked Households
(from Economic Inclusion website)

http://www.fdic.gov/householdsurvey/2012_unbankedreport_execsumm.pdf

http://www.fdic.gov/householdsurvey/2012_unbankedreport_e... fdic.gov

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I. Executive Summary

The FDIC is committed to ensuring that all Americans have access to safe, secure, and affordable banking services. Public confidence in the banking system derives in part from how effectively banks serve the needs of the nation's diverse population. To assess the inclusiveness of the banking system, and in response to a statutory mandate, the FDIC conducts biennial surveys of households to estimate the proportion of households that do not fully participate in the banking system.¹ This report presents the results of the 2011 FDIC National Survey of Unbanked and Underbanked Households.

The FDIC partnered with the US Census Bureau to conduct this survey in June 2011, collecting responses from nearly 45,000 households. The FDIC used survey responses to categorize households' banking status as unbanked, underbanked, or fully banked. Unbanked households are those that lack any kind of deposit account at an insured depository institution. Underbanked households hold a bank account, but also rely on alternative financial services (AFS) providers.² Fully banked households are those that have a bank account of any kind and have not recently relied on any of the AFS included in the survey.³

Key Findings

More than one in four households (28.3 percent) are either unbanked or underbanked, conducting some or all of their financial transactions outside of the mainstream banking system. Many of these households rely on AFS providers, while others use cash or other financial arrangements.

- 8.2 percent of US households are unbanked. This represents 1 in 12 households in the nation, or nearly 10 million in total. Approximately 17 million adults live in unbanked households.⁴
- The proportion of unbanked households increased slightly since the first survey. The estimated 0.6 percentage point increase represents an additional 821,000 unbanked households.⁵
- 20.1 percent of US households are underbanked. This represents one in five households, or 24 million households with 51 million adults.⁶ The 2011 underbanked rate in 2011 is higher than the 2009 rate of 18.2 percent, although the proportions are not directly comparable because of differences in the two surveys.⁷
- 29.3 percent of households do not have a savings account, while about 10 percent do not have a checking account. About two-thirds of households have both checking and savings accounts.
- One-quarter of households have used at least one AFS product in the last year, and almost one in ten households have used two or more types of AFS products. In all, 12 percent of households used AFS products in the last 30 days, including four in ten unbanked and underbanked households.

¹ Section 7 of the Federal Deposit Insurance Reform Conforming Amendments Act of 2005 (Pub. L. 109-173) calls for the FDIC to conduct ongoing surveys, "on efforts by insured depository institutions to bring those individuals and families who have rarely, if ever, held a checking account, a savings account or other type of transaction or check cashing account at an insured depository institution ["unbanked"] into the conventional finance system." Section 7 further instructs the FDIC to consider several factors when conducting the surveys, including estimating the size and worth of the unbanked market in the United States and identifying the primary issues that prevent unbanked individuals from establishing conventional accounts.

² For the purposes of this report, households are identified as "unbanked" if they answered "no" to the question, "Do you or does anyone in your household currently have a checking or savings account?" Underbanked households are defined as those households that have a checking and/or a savings account and had used non-bank money orders, non-bank check cashing services, non-bank remittances, payday loans

⁴ In addition, unbanked adults may also reside in other households. Adults are defined as persons aged 16 and older. This is a lower-bound estimate of the number of unbanked adults in the United States because it is based on the assumption that all adults residing in a "banked" household are banked. A banked household may contain one or more unbanked adults; these unbanked adults residing in banked households are not included in the 17.6 million adults number cited in this report.

⁵ All reported differences resulting from direct comparisons described in the text are statistically significant at the 10 percent level, unless otherwise noted.

⁶ This is an upper-bound estimate of the total number of underbanked adults in the United States because it is based on the assumption that all

FDIC http://www.fdic.gov/householdsurvey/2012_... fdic.gov

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Figure 1.1 2011 Banking Status of US Households (Percent)

Notes: Percentages are based on 120.4 million US households. Percentages may not sum to 100 because of rounding.
* These households are banked, but there is not enough information to determine if they are underbanked.

Figure 1.2 2011 US Households by Account Type (Percent)

Notes: Percentages are based on 120.4 million US households. Percentages may not sum to 100 because of rounding.

Table 1.1 Banking Status for Select Demographic Groups

Select Demographic Groups	Percent Unbanked	Percent Underbanked	Percent Fully Banked
All households	8.2	20.1	68.8
Blacks	21.4	33.9	41.6
Foreign-born non-citizens	22.2	28.9	45.8
Households experiencing unemployment	22.5	28.0	47.5
Lower-income households (less than \$15,000)	28.2	21.6	47.6
Unmarried female family households ⁸	19.1	29.5	48.4
Hispanics	20.1	28.6	48.7
Households with householders under age 24	17.4	31.0	49.7

⁸ The Census Bureau classifies households into different household types. For example, a family household is a household that includes two or more people related by birth, marriage, or adoption and residing together, along with any unrelated people who may be residing there. Single mothers are an example of female family households. For more detail, refer to the Technical Note (Appendix E).

Unbanked and Underbanked Households

Unbanked and underbanked households are not homogeneous populations. On the contrary, these groups have diverse demographic characteristics, past banking experiences, reasons for not holding an account, and future banking plans.

The highest unbanked and underbanked rates are found among non-Asian minorities, lower-income households, younger households, and unemployed households.⁸ Close to half of all households in these groups are unbanked or underbanked compared to slightly more than one-quarter of all households. Relative to 2009, the estimated unbanked rates in 2011 are essentially unchanged for most groups.⁹

⁸ The demographic characteristics of a household, such as race, age, education, and employment, are taken to be those of the owner or renter of the home (i.e., "householder"), unless the characteristic is one defined at the household level, such as income or household type. For convenience, some abbreviated language will be used to refer to the demographic characteristics of households. For example, the term "black household" refers to a household for which the householder has been identified as black. Note that other members of a household could have different characteristics from those of the householder. For instance, an unemployed household is defined as a household whose householder is unemployed, but other household members could be employed and earning income. The income measures included in this report reflect the income earned by all household members and not only the householder.

⁹ Reported differences between groups described in the text do not account for other geographic or demographic factors that may also

Comparing the demographic composition of unbanked, underbanked, and fully banked households shows stark differences between these groups. The same demographic groups are generally overrepresented among both unbanked and underbanked households. However, on many measures, such as employment and income, underbanked households are more similar to fully banked households than to unbanked households.

Among unbanked households, slightly more than half have never had a bank account. Relatively high proportions of Hispanic (14.7 percent) and foreign-born non-citizen households (18.9 percent) have never had an account.

The most common reasons why households report they do not have bank accounts are that they feel they do not have enough money for an account, or they do not need or want one. Households that have previously had an account are less likely to report that they do not need or want an account relative to those that have never had one.

Certain segments of the unbanked population are more inclined to open an account. While most unbanked households report that they are not likely to open an account in the future, one-third (33.9 percent) report they are "very likely" or "somewhat likely" to do so. Among unbanked households more likely to want to open a bank account in the future are those that were previously banked or that became unbanked within the last year, as well as those individuals who are younger, unemployed, have some college education, or are in family households headed by an unmarried woman. The likelihood of opening a bank account also increases with AFS use and with the use of a payroll card or a prepaid debit card.

Excerpts from the Executive Summary for
2011 FDIC Survey of Banks' Efforts to Serve the Unbanked and Underbanked
(from Economic Inclusion website)

<http://www.fdic.gov/unbankedsurveys/2011survey/2011execsummary.pdf>

I. Executive Summary

This report presents the results of the 2011 FDIC Survey of Banks' Efforts to Serve the Unbanked and Underbanked (Bank Survey). As mandated by Federal law, the FDIC surveys insured depository institutions every two years to assess their efforts to bring individuals and families who have rarely, if ever, held a checking or a savings account at an insured depository institution, into the financial mainstream.¹

Accordingly, the primary purpose of the Bank Survey is to understand the efforts being undertaken by the retail banking industry to provide financial products and services to unbanked and underbanked consumers. The findings help inform financial institutions, policymakers, community organizations, and other stakeholders interested in expanding financial products and services to unbanked and underbanked consumers.

The Bank Survey was voluntary and consisted of an Internet-based questionnaire administered to a nationally representative random stratified sample of 707 retail bank headquarters, with 567 banks (80 percent) responding. Through the survey design, banks are grouped into one of three asset size categories: the largest 25 banks (with assets greater than \$38 billion), the smallest institutions (with assets less than \$1 billion), and midsize banks (with assets between \$1 billion and \$38 billion). Data was collected from November 2011 through February 2012.

The survey questions identify the extent to which insured depository institutions offered basic and auxiliary financial products and services, developed and marketed products, used retail strategies, and provided financial education and outreach activities to expand financial services to unbanked and underbanked consumers. The survey also asks about challenges and obstacles that might affect the ability of banks to offer financial services to the underserved.

Key Findings

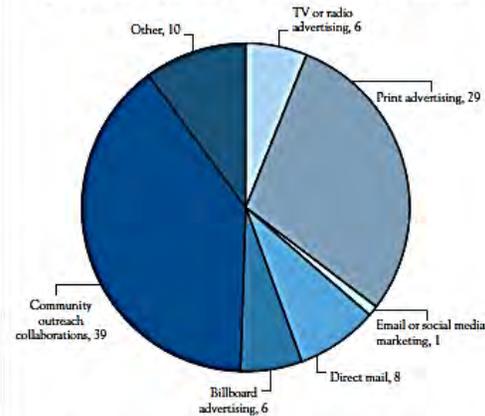
Product Development, Marketing, and Advertising

Four out of ten banks develop products and services for

Almost 43 percent of banks were actively involved in developing products and services for underserved consumers.

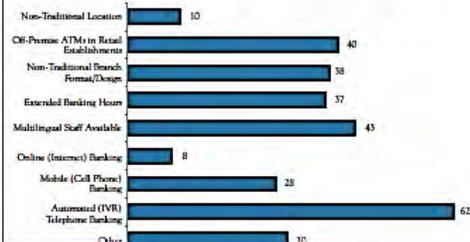
Banks see community partnerships as an important strategy to reach underserved consumers. When asked to identify both the most effective marketing channels for reaching these consumers and retail strategies used, banks tended to identify community outreach collaborations and automated telephone banking, respectively. In addition, about half of banks reported using community partnerships specifically to promote accounts to underserved consumers.

Figure 1.1: Most Effective Marketing Channels (Percent)



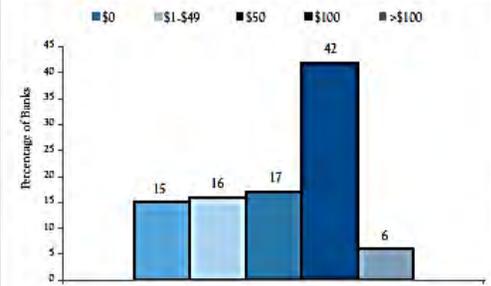
Note: Proportions are calculated based on respondents that actively marketed to the unbanked and underbanked and that answered the question about most effective marketing channels.

Figure 1.2: Retail Strategies Used to Make the Bank More Welcoming or Convenient (Percent)



\$100 and 42 percent required precisely \$100 on accounts without direct deposit. Forty-eight percent of banks required \$50 or less to open such an account.

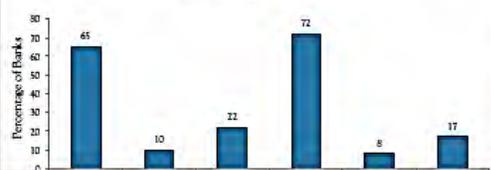
Figure 1.3: Minimum Opening Balance Requirement (Percent)



Note: Proportions are calculated based on all banks where balance requirements are for accounts where paycheck direct deposit is not in use. No respondents reported a minimum opening balance of between \$50 and \$100.

Nearly two-thirds of banks charged no monthly maintenance fees on basic checking accounts, though one in five charged more than \$3 per month on accounts without direct deposit. Regardless of whether a bank had products and services that specifically targeted unbanked and underbanked consumers, respondents were asked to indicate the features and fees for their most basic or entry-level checking accounts. Sixty-five percent of banks charged no monthly maintenance fees, 10 percent charged fees of between \$1 and \$3, and 22 percent charged fees in excess of \$3. On checking accounts with direct deposit, 72 percent of banks charged no maintenance fee. Among those that charged a fee, the median monthly amount was \$5 for accounts with and without direct deposit.

Figure 1.4: Monthly Maintenance Fees for Basic Entry-Level Checking Accounts (Percent)



Two out of ten banks offered a “second chance” account to individuals that do not qualify for a basic checking account. The survey found that 21 percent of banks offered a “Stepping Stone” or “Second Chance” account to individuals not qualified for conventional accounts.

Few banks offered a card-based “checkless” checking account as their most basic, entry-level account. Among all banks, 21 percent offered electronic (card-based) accounts as their most basic transaction account product. Fewer—less than 1 percent of banks—offered a strictly card-based, electronic account (i.e., an account that does not allow at least some paper checks to be written).

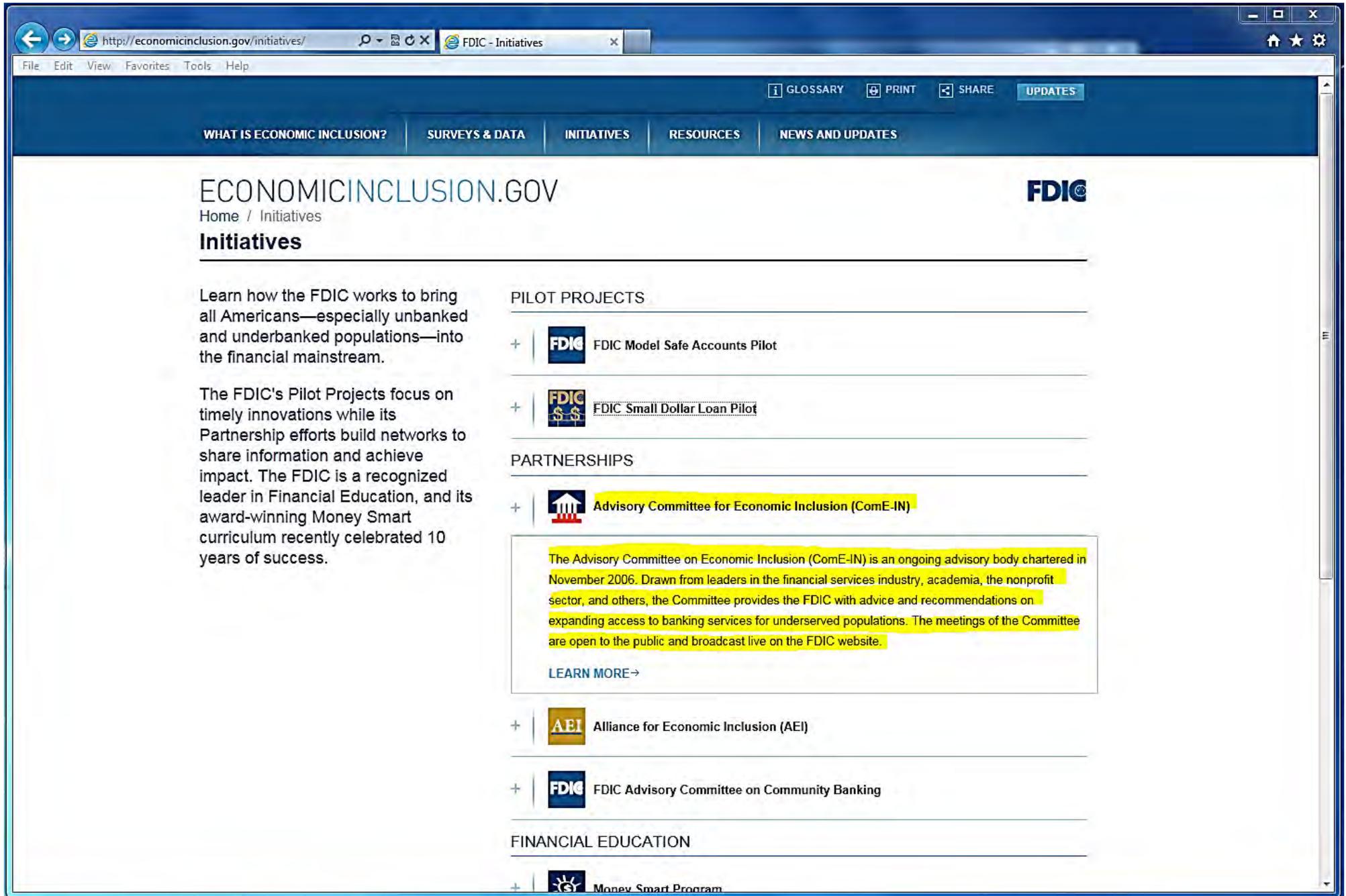
Banks required a median minimum initial deposit of \$100 to open a basic savings account, though most banks did not charge a monthly maintenance fee if minimum average balance requirements were met. The median minimum average balance to avoid a monthly fee was \$100. If the minimum average balance requirement was not met, the median monthly maintenance fee was \$2.50.

More than eight out of ten banks offered specialty savings products, such as youth savings accounts. A majority of banks (87 percent) offered at least one of the following specialty savings products: Individual Development Accounts (IDAs), specialized savings clubs, workplace-based savings, or youth (minor) savings accounts. Youth accounts dominated, with 82 percent of financial institutions offering this savings product. Forty-one percent of banks offered specialized savings clubs, while 9 percent of banks offered workplace-based savings accounts and close to 4 percent offered IDAs.

Most banks accepted non-traditional forms of identification to open accounts. A majority of banks accepted a non-US passport or some other nontraditional form of identification (ID) from prospective customers. Among respondents, 58 percent of banks accepted a non-US passport, 40 percent accepted ID from a foreign consulate, and 73 percent accepted an Individual Taxpayer ID Number (ITIN) as an alternative to a Social Security Number at account opening.

Auxiliary Products

Advisory Committee on Economic Inclusion (ComE-IN)



The screenshot shows a web browser window with the URL <http://economicinclusion.gov/initiatives/>. The page features a navigation menu with links for GLOSSARY, PRINT, SHARE, and UPDATES. Below the menu, there are tabs for WHAT IS ECONOMIC INCLUSION?, SURVEYS & DATA, INITIATIVES, RESOURCES, and NEWS AND UPDATES. The main content area is titled "ECONOMICINCLUSION.GOV" and "Home / Initiatives". The "Initiatives" section is highlighted in yellow. It includes a paragraph about the FDIC's mission to bring all Americans into the financial mainstream, a section for "PILOT PROJECTS" listing the FDIC Model Safe Accounts Pilot and the FDIC Small Dollar Loan Pilot, a section for "PARTNERSHIPS" listing the Advisory Committee for Economic Inclusion (ComE-IN) and the Alliance for Economic Inclusion (AEI), and a section for "FINANCIAL EDUCATION" listing the Money Smart Program. A detailed description of the ComE-IN is provided in a yellow-highlighted box, stating it is an ongoing advisory body chartered in November 2006, providing advice and recommendations on expanding access to banking services for underserved populations. The page also includes a "LEARN MORE" link.

Learn how the FDIC works to bring all Americans—especially unbanked and underbanked populations—into the financial mainstream.

The FDIC's Pilot Projects focus on timely innovations while its Partnership efforts build networks to share information and achieve impact. The FDIC is a recognized leader in Financial Education, and its award-winning Money Smart curriculum recently celebrated 10 years of success.

INITIATIVES

PILOT PROJECTS

- +  **FDIC Model Safe Accounts Pilot**
- +  **FDIC Small Dollar Loan Pilot**

PARTNERSHIPS

- +  **Advisory Committee for Economic Inclusion (ComE-IN)**

The Advisory Committee on Economic Inclusion (ComE-IN) is an ongoing advisory body chartered in November 2006. Drawn from leaders in the financial services industry, academia, the nonprofit sector, and others, the Committee provides the FDIC with advice and recommendations on expanding access to banking services for underserved populations. The meetings of the Committee are open to the public and broadcast live on the FDIC website.

[LEARN MORE](#) →

- +  **Alliance for Economic Inclusion (AEI)**
- +  **FDIC Advisory Committee on Community Banking**

FINANCIAL EDUCATION

- +  **Money Smart Program**

FDIC'S Pilot Projects use timely innovations to bring the unbanked and underbanked populations into the mainstream financial system.

FDIC Model Safe Accounts Pilot Program

The screenshot shows a web browser window displaying the FDIC Initiatives page. The browser's address bar shows the URL <http://economicinclusion.gov/initiatives/>. The page features a dark blue navigation bar with links for GLOSSARY, PRINT, SHARE, and UPDATES. Below this is a secondary navigation bar with links for WHAT IS ECONOMIC INCLUSION?, SURVEYS & DATA, INITIATIVES, RESOURCES, and NEWS AND UPDATES. The main content area is titled "ECONOMICINCLUSION.GOV" and "Home / Initiatives". The "Initiatives" section is highlighted. On the left, there is a text block explaining the FDIC's mission and its Pilot Projects. On the right, there are three sections: "PILOT PROJECTS", "PARTNERSHIPS", and "FINANCIAL EDUCATION". Each section contains a list of initiatives with their respective logos and brief descriptions.

<http://economicinclusion.gov/initiatives/>

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GLOSSARY PRINT SHARE UPDATES

WHAT IS ECONOMIC INCLUSION? SURVEYS & DATA INITIATIVES RESOURCES NEWS AND UPDATES

ECONOMICINCLUSION.GOV

Home / Initiatives

Initiatives

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PILOT PROJECTS

-  **FDIC Model Safe Accounts Pilot**

This one-year project highlighted opportunities for financial institutions to offer safe, low-cost transactional and savings accounts that are responsive to the needs of underserved consumers. Nine financial institutions participated in the effort. Complete product features and detailed findings from the project are available.

[LEARN MORE →](#)
-  **FDIC Small Dollar Loan Pilot**

PARTNERSHIPS

-  **Advisory Committee for Economic Inclusion (ComE-IN)**
-  **Alliance for Economic Inclusion (AEI)**
-  **FDIC Advisory Committee on Community Banking**

FINANCIAL EDUCATION

-  **Money Smart Program**

Nine Financial Institutions Participated in the Safe Accounts Pilot

<http://www.fdic.gov/consumers/template/banks.html>

The screenshot shows a web browser window displaying the FDIC website. The page title is "FDIC Model Safe Accounts Pilot Banks". The main content area features a table listing nine financial institutions that participated in the pilot. The table includes columns for the institution's name, location, and asset size in thousands of dollars. Below the table, there is a note about the asset size data and a detailed description for Bath Savings Institution, Bath, Maine.

Name of Institution	Asset Size (\$000s)*
Bath Savings Institution Bath, Maine	636,748
Citibank New York, New York	1,288,658,000
Cross County Savings Bank Middle Village, New York	411,653
First State Bank Union City, Tennessee	1,646,228
ING DIRECT Wilmington, Delaware	92,212,498
Liberty Bank and Trust Company New Orleans, Louisiana	559,358
Pinnacle Bank Lincoln, Nebraska	3,171,239
South Central Bank Glasgow, Kentucky	276,250
Webster Five Cents Savings Bank Webster, Massachusetts	558,872

*Note: Total assets as of December 31, 2011.

Bath Savings Institution, Bath, Maine
Bath Savings, a mutual savings bank, offered a new eSafe transaction account and its existing Basic Savings account at its locations in coastal Maine. Not all of the institution's savings customers are transaction account customers, so Bath Savings marketed its new eSafe transaction account to existing savings account customers. This cross-selling opportunity was a way for the bank to broaden its product

FDIC Small Dollar Loan Pilot Program

The screenshot shows a web browser window with the URL <http://economicinclusion.gov/initiatives/>. The page features a dark blue header with navigation links: GLOSSARY, PRINT, SHARE, and UPDATES. Below the header is a secondary navigation bar with links: WHAT IS ECONOMIC INCLUSION?, SURVEYS & DATA, INITIATIVES, RESOURCES, and NEWS AND UPDATES. The main content area is titled "ECONOMICINCLUSION.GOV" and "Home / Initiatives". The "Initiatives" section is highlighted. On the left, there is a text block about the FDIC's mission. On the right, there are sections for "PILOT PROJECTS", "PARTNERSHIPS", and "FINANCIAL EDUCATION". The "PILOT PROJECTS" section includes a link to the "FDIC Small Dollar Loan Pilot" with a highlighted text box describing the pilot's findings. The "PARTNERSHIPS" section lists the Advisory Committee for Economic Inclusion (ComE-IN), the Alliance for Economic Inclusion (AEI), and the FDIC Advisory Committee on Community Banking. The "FINANCIAL EDUCATION" section lists the Money Smart Program.

http://economicinclusion.gov/initiatives/

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GLOSSARY PRINT SHARE UPDATES

WHAT IS ECONOMIC INCLUSION? SURVEYS & DATA INITIATIVES RESOURCES NEWS AND UPDATES

ECONOMICINCLUSION.GOV

Home / Initiatives

Initiatives

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PILOT PROJECTS

- +  [FDIC Model Safe Accounts Pilot](#)
- +  [FDIC Small Dollar Loan Pilot](#)

Through a two-year pilot with 28 participating banks, the FDIC illustrated how banks can offer affordable small-dollar loans as an alternative to high-cost credit products, such as payday loans and fee-based overdraft protection. The resulting template is a safe, affordable, and feasible small-dollar loan product. The product template and detailed findings from the project are available to the public.

[LEARN MORE →](#)

PARTNERSHIPS

- +  [Advisory Committee for Economic Inclusion \(ComE-IN\)](#)
- +  [Alliance for Economic Inclusion \(AEI\)](#)
- +  [FDIC Advisory Committee on Community Banking](#)

FINANCIAL EDUCATION

- +  [Money Smart Program](#)

Final Results of the Pilot

(found on the Small-Dollar Loan Pilot Program website)

http://www.fdic.gov/bank/analytical/quarterly/2010_vol4_2/FDIC_Quarterly_Vol4No2_SmallDollar.pdf

Excerpts from Article

“A Template for Success: The FDIC’s Small-Dollar Loan Pilot Program”

Feature Article:

A Template for Success: The FDIC's Small-Dollar Loan Pilot Program

Introduction

The Federal Deposit Insurance Corporation's (FDIC) two-year Small-Dollar Loan Pilot Program concluded in the fourth quarter of 2009. The pilot was a case study designed to illustrate how banks can profitably offer affordable small-dollar loans as an alternative to high-cost credit products such as payday loans and fee-based overdraft programs.¹ This article summarizes the results of the pilot, outlines the lessons learned and the potential strategies for expanding the supply of affordable small-dollar loans, and highlights pilot bank successes through case studies.

Since the pilot began, participating banks made more than 34,400 small-dollar loans with a principal balance of \$40.2 million. Overall, small-dollar loan default rates were in line with default rates for similar types of unsecured loans. A key lesson learned was that most pilot bankers use small-dollar loan products as a cornerstone for building or retaining long-term banking relationships. In addition, long-term support from a bank's board and senior management was cited as the most important element for programmatic success. Almost all of the pilot bankers indicated that small-dollar lending is a useful business strategy and that they will continue their small-dollar loan programs beyond the pilot.

A Safe, Affordable, and Feasible Template for Small-Dollar Loans

The pilot resulted in a template of essential product design and delivery elements for safe, affordable, and feasible small-dollar loans that can be replicated by other banks (see Figure 1). While each component of the template is important, participating bankers

Figure 1

A Safe, Affordable, and Feasible Template for Small-Dollar Loans	
Product Element	Parameters
Amount	\$2,500 or less
Term	90 days or more
Annual Percentage Rate (APR)	36 percent or less
Fees	Low or none; origination and other upfront fees plus interest charged equate to APR of 36 percent or less
Underwriting	Streamlined with proof of identity, address, and income, and a credit report to determine loan amount and repayment ability; loan decision within 24 hours
Optional Features	Mandatory savings and financial education
Source: FDIC.	

cycle for payday loans, or the immediate repayment often required for fee-based overdrafts.

FDIC Chairman Sheila C. Bair has expressed a desire to determine how safe and affordable small-dollar lending can be expanded and become more of a staple product for all banks.² Pilot banks have demonstrated that the Safe, Affordable, and Feasible Small-Dollar Loan Template is relatively simple to implement and requires no particular technology or other major infrastructure investment. Moreover, adoption of the template could help banks better adhere to existing regulatory guidance regarding offering alternatives to fee-based overdraft protection programs.³ Specifically, this guidance

Small-Dollar Loan Pilot Program

Table 1

Small-Dollar Loan Pilot Program Participants			
Bank	Location	Total Assets (\$000s)	Number of Branches
Amarillo National Bank	Amarillo, TX	2,792,382	16
Armed Forces Bank	Fort Leavenworth, KS	862,852	52
Bank of Commerce	Stilwell, OK	93,672	3
BankFive	Fall River, MA	708,545	13
BankPlus	Belzoni, MS	2,144,987	61
BBVA Bancomer USA*	Diamond Bar, CA	139,327	25
Benton State Bank	Benton, WI	45,780	3
Citizens Trust Bank	Atlanta, GA	387,130	11
Citizens Union Bank	Shelbyville, KY	715,927	18
Community Bank of Marshall	Marshall, MO	98,478	6
Community Bank - Wheaton/Glen Ellyn	Glen Ellyn, IL	340,628	4
The First National Bank of Fairfax	Fairfax, MN	27,539	1
Kentucky Bank	Paris, KY	676,239	15
Lake Forest Bank & Trust	Lake Forest, IL	1,816,422	8
Liberty Bank and Trust Company	New Orleans, LA	423,624	24
Liberty National Bank	Paris, TX	245,262	3
Mitchell Bank	Milwaukee, WI	73,623	5
National Bank of Kansas City	Overland Park, KS	708,191	6
Oklahoma State Bank	Guthrie, OK	43,228	4
Pinnacle Bank	Lincoln, NE	2,538,702	57
Red River Bank	Alexandria, LA	795,889	16
State Bank of Alcester	Alcester, SD	94,263	1
State Bank of Countryside	Countryside, IL	913,111	6
The Heritage Bank	Hinesville, GA	982,012	32
The Savings Bank	Wakefield, MA	417,081	9
Washington Savings Bank	Lowell, MA	164,724	3
Webster Five Cents Savings Bank	Webster, MA	559,762	8
Wilmington Trust	Wilmington, DE	9,609,666	44

Source: FDIC.
 Note: Data as of fourth quarter 2009.
 *BBVA Bancomer USA merged into Compass Bank (Birmingham, AL) in September 2009. Data shown are the latest available for BBVA, as of June 30, 2009.

alternative credit arrangements or other services, and inform consumers of these available options” that could include small-dollar credit products.

Background

The Small-Dollar Loan Pilot Program pilot began with 31 banks, and several banks entered and exited as the pilot progressed. The pilot concluded with 28 participating banks ranging in size from \$28 million to nearly \$10 billion (see Table 1). The banks have more than

most programs would be consistent with the Affordable Small-Dollar Loan Guidelines (SDL Guidelines), but it offered banks some flexibility to encourage innovation.⁵

The pilot was a case study and does not represent a statistical sample of the banking universe. Pilot bankers provided some basic information about their programs each quarter.⁶ Some data, such as number and volume of loans originated, were relatively straightforward to obtain and aggregate. To obtain more subjective or

Alliance for Economic Inclusion (AEI)

http://economicinclusion.gov/initiatives/

The screenshot shows a web browser window displaying the 'Initiatives' page of the FDIC's Economic Inclusion website. The browser's address bar shows the URL 'http://economicinclusion.gov/initiatives/'. The page features a dark blue navigation bar with links for 'WHAT IS ECONOMIC INCLUSION?', 'SURVEYS & DATA', 'INITIATIVES', 'RESOURCES', and 'NEWS AND UPDATES'. The main content area is titled 'ECONOMICINCLUSION.GOV' and 'Home / Initiatives'. It is divided into three columns. The left column contains introductory text about the FDIC's mission and its Pilot Projects. The middle column lists 'PILOT PROJECTS' including the 'FDIC Model Safe Accounts Pilot' and the 'FDIC Small Dollar Loan Pilot'. The right column lists 'PARTNERSHIPS', including the 'Advisory Committee for Economic Inclusion (ComE-IN)' and the 'Alliance for Economic Inclusion (AEI)'. A detailed description of the AEI is provided in a highlighted box, stating it is the FDIC's national initiative to establish broad-based coalitions of financial institutions, community-based organizations, and other partners in several markets across the country to bring all unbanked and underserved populations into the financial mainstream. Below this, a 'LEARN MORE' link is followed by a list of 16 regional AEI campaigns: Alabama AEI, Arkansas AEI, Baltimore AEI, Boston AEI, Mississippi Gulf Coast/Delta AEI, New Orleans AEI, Northeastern Oklahoma AEI, and Rochester AEI.

Learn how the FDIC works to bring all Americans—especially unbanked and underbanked populations—into the financial mainstream.

The FDIC's Pilot Projects focus on timely innovations while its Partnership efforts build networks to share information and achieve impact. The FDIC is a recognized leader in Financial Education, and its award-winning Money Smart curriculum recently celebrated 10 years of success.

INITIATIVES

PILOT PROJECTS

- +  **FDIC Model Safe Accounts Pilot**
- +  **FDIC Small Dollar Loan Pilot**

PARTNERSHIPS

- +  **Advisory Committee for Economic Inclusion (ComE-IN)**
- +  **Alliance for Economic Inclusion (AEI)**

The Alliance for Economic Inclusion (AEI) is the FDIC's national initiative to establish broad-based coalitions of financial institutions, community-based organizations, and other partners in several markets across the country to bring all unbanked and underserved populations into the financial mainstream.

[LEARN MORE](#) →

AEI consists of 16 parallel campaigns (each its own Alliance) operating in eight different regions of the country. More information on specific Alliances can be found by visiting the links below:

- Alabama AEI
- Arkansas AEI
- Baltimore AEI
- Boston AEI
- Mississippi Gulf Coast/Delta AEI
- New Orleans AEI
- Northeastern Oklahoma AEI
- Rochester AEI

AEI Initiatives Span Eight Regions in the United States

<http://www.fdic.gov/consumers/community/AEI/initiatives.html>

The screenshot shows a web browser window displaying the FDIC website. The address bar shows the URL <http://www.fdic.gov/consumers/community/AEI/initiatives.html>. The page header includes the FDIC logo and the text "Federal Deposit Insurance Corporation" and "Each depositor insured to at least \$250,000 per insured bank". The navigation menu includes links for Home, Deposit Insurance, Consumer Protection, Industry Analysis, Regulations & Examinations, Asset Sales, News & Events, and About FDIC. The breadcrumb trail is "Home > Consumer Protection > Community Affairs > Alliance for Economic Inclusion (AEI)".

Alliance for Economic Inclusion (AEI)

[AEI Home](#)
[Overview](#)
[Advisory Committee on Economic Inclusion \(ComE-IN\)](#)
[AEI Regional Initiatives](#)
[Publications and Other Resources](#)
[Contacts](#)

AEI Regional Initiatives

Broad-based, diverse coalitions are formed in 17 markets nationwide. The AEI coalitions include: financial institutions, community-based organizations, researchers, employers, faith-based organizations, state and local governmental agencies, federal bank regulators, and bank trade associations

Community Affairs staff in the FDIC's eight regional and area offices are continuing to identify local partners, convening meetings in each of the markets, and facilitating an open discussion of local financial service needs. Each independent regional coalition has formed Working Groups to identify barriers and opportunities, and develop products and marketing strategies to reach the underserved populations identified.

Information on each Regional AEI initiative follows:

Atlanta	Boston
Chicago	Dallas
Kansas City	Memphis
New York	San Francisco

Last Updated 08/21/2012 communityaffairs@fdic.gov

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Freedom of Information Act (FOIA) Service Center | FDIC Open Government Webpage | No FEAR Act Data

Resources created or used in any of the 17 specific “markets” may be useful in other areas, and practitioners are encouraged to review them.

Boston Alliance for Economic Inclusion (BAEI) Resources

<http://www.fdic.gov/consumers/community/AEI/regional/boston/resources.html>

The screenshot shows a web browser window displaying the FDIC website. The address bar shows the URL: <http://www.fdic.gov/consumers/community/AEI/regional/boston/resources.html>. The page header features the FDIC logo and the text "Federal Deposit Insurance Corporation" with the tagline "Each depositor insured to at least \$250,000 per insured bank". A navigation menu includes links for Home, Deposit Insurance, Consumer Protection, Industry Analysis, Regulations & Examinations, Asset Sales, News & Events, and About FDIC. A secondary menu lists various services like Consumer News & Information, Loans & Mortgages, and more. The breadcrumb trail reads: Home > Consumer Protection > Tertiary > Boston Alliance for Economic Inclusion.

Boston Alliance for Economic Inclusion

[BAEI Home](#)
[The BAEI Process](#)
[For More Information](#)
BAEI Resources
[AEI Home](#)

Resources

June 13, 2013 BAEI Forum - Selected Presentations

- A State Perspective on Economic Inclusion; Presenter – David Cotney, Massachusetts Commissioner of Banks ([PDF - 111 KB](#))
- Clear Skies Ahead for the US Recovery? A Regional Economic Perspective; Presenter – Susan Levy, FDIC Financial Analyst ([PDF - 2.53 MB](#))
- FDIC 2011 Survey of Bank Efforts to Serve the Un- and Underbanked; Presenter – Sherrie Rhine, FDIC Senior Economist ([PDF - 950 KB](#))
- Impact of the Great Recession on Consumer Credit, a Banker's Perspective; Presenter – Donna Oliveira, Senior Vice President, Bristol County Savings Bank ([PDF - 1.8 MB](#))

December 6, 2012 BAEI Forum - Selected Presentations

- Massachusetts Small Business Banking Partnership Program; Presenter - Al Gordon, Deputy State Treasurer and Director of Policy ([PDF-844KB](#))
- FDIC Safe Accounts Pilot Program - Report on Results; Presenter - Sherrie Rhine, Senior Economist, FDIC ([PDF - 983KB](#))
- FDIC 2011 Survey of Un - and Underbanked Households; Presenter - Yazmin Osaki, Senior Consumer Research Associate, FDIC ([PDF - 713KB](#))
- Expanding Access to Traditional Banking Services; Presenter - Barbara Anthony, Undersecretary, Massachusetts Office of Consumer Affairs and Business Regulation ([PDF - 27KB](#))
- Massachusetts Community and Banking Council Basic Banking Surveys; Presenters - Kathleen Tullberg, MCBC Manager and Doreen Treacy, MCBC Board of Directors ([PDF - 529KB](#))

May 5, 2012 BAEI Forum - Selected Presentations

- Serving Unbanked and/or Underbanked Customers; Presenter Scott Strockoz (FDIC) - ([PDF- 48 KB](#))
- Is It a Real Recovery At Last? A Regional Economic Perspective; Presenter - Susan Levy (FDIC) - ([PDF- 903 KB](#))
- MA Small Business Development Centers Network; Presenter -Michael Dimino (MA SBDC) - ([PDF - 685 KB](#))
- Small Business Partnerships, a Win-Win Approach; Presenter - Alison Moronta (Lansing Plain MDC) ([PDF- 152 KB](#))

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