

# FEDERAL DEPOSIT INSURANCE CORPORATION

# ECONOMIC INCLUSION STRATEGIC PLAN

## EXECUTIVE SUMMARY

The FDIC is committed to expanding economic inclusion in the financial mainstream by ensuring that all Americans have access to affordable and sustainable products and services from insured depository institutions. FDIC economic inclusion initiatives are integral to our mission of maintaining stability and public confidence in the nation's financial system.



### The Importance of a Banking Relationship

An account relationship is fundamental to participation in the banking system. With a quality banking relationship, consumers can build savings and qualify for credit to meet their goals, such as owning a home or starting a business.

### State of Economic Inclusion

The FDIC's latest *National Survey of Unbanked and Underbanked Consumers* indicates that 6.5 percent of households were unbanked in 2017. Another 18.7 percent of households are underbanked, meaning they have a bank account but also use alternative services for transaction purposes, or they get loans from non-bank sources such as pawn shops, vehicle title lenders, or payday lenders. In addition, one in five households likely have little or no credit history, placing them at a significant disadvantage if they need credit.

Populations that are significantly overrepresented among those with no or limited banking relationships include households with low or moderate income, those with a high school diploma or lower educational attainment, African Americans, Hispanics, households headed by women or by a working-age individual with a disability, and younger households. For these groups, combined unbanked and underbanked rates remain close to 50 percent.

### FDIC Economic Inclusion Strategy

The 2019 Economic Inclusion Strategic Plan promotes the widespread use of affordable and sustainable products and services from insured depository institutions that help consumers and entrepreneurs meet their financial goals. This plan builds on work that started in the early 1990s and includes input from the Chairman's Advisory Committee on Economic Inclusion (ComE-IN), established in 2006. The FDIC will use this updated plan to set our course over the next five years and invite others to engage with us. Our economic inclusion work is organized into five areas of economic opportunity (see infographic above).

The FDIC advances our economic inclusion work through collaborative networks, promotion of community development, education, innovation, research, and regulatory policies.

The next page of this document highlights goals, strategies, and success measures for each of these opportunities. It is followed by a snapshot of each of the five opportunities.

## SNAPSHOT OF GOALS, STRATEGIES, AND SUCCESS MEASURES

ECONOMIC INCLUSION OPPORTUNITY AREA	VISION	STRATEGIC GOALS/PRIORITIES	SELECT STRATEGIES	METRICS
<p><b>Support Financial Education and Capability:</b> Develop and promote free, high-quality financial education to strengthen consumer financial capability and sustainable banking relationships.</p>	<p>Every bank views financial education as adding value to its financial products and services, offering it directly and/or through local partners.</p>	<ul style="list-style-type: none"> <li>○ Maintain Money Smart program—fine tune content for low- and moderate-income and un(der)banked</li> <li>○ Amplify awareness of Money Smart among consumers</li> <li>○ Engage young people for maximum impact</li> </ul>	<ul style="list-style-type: none"> <li>• Collaborate with financial institutions, trades, government agencies, and nonprofits</li> <li>• Innovate and test new ideas to expand reach using technology</li> <li>• Research various methods of delivery to unbanked and underbanked</li> </ul>	<ul style="list-style-type: none"> <li>✓ Evaluate curriculum effectiveness</li> <li>✓ Track Money Smart Alliance and Youth Banking Network membership</li> <li>✓ Identify and share promising practices</li> </ul>
<p><b>Promote Affordable Insured Transaction and Savings Accounts:</b> Promote availability, access and use of affordable insured transaction and savings accounts.</p>	<p>All Americans have access to secure and affordable insured banking services; every bank offers affordable transaction and savings accounts.</p>	<ul style="list-style-type: none"> <li>○ Develop shared national goal to increase percentage of banked Americans</li> <li>○ Showcase successful initiatives that promote access</li> <li>○ Expand public awareness of the value of deposit insurance</li> </ul>	<ul style="list-style-type: none"> <li>• Educate stakeholders about benefits of banking relationships</li> <li>• Innovate and test new ideas to promote access to banking using technology</li> <li>• Research unique characteristics of unbanked and underbanked</li> </ul>	<ul style="list-style-type: none"> <li>✓ Document results of target initiatives</li> <li>✓ Develop baseline benchmarks using survey and track future progress</li> <li>✓ Track outcomes of outreach and activities that promote deposit insurance and account access</li> </ul>
<p><b>Increase Consumer Access to Sustainable Credit:</b> Increase consumer access to credit through resources that help build and sustain a strong credit history.</p>	<p>Creditworthy consumers have fair access to affordable credit solutions and engage in responsible credit usage.</p>	<ul style="list-style-type: none"> <li>○ Encourage banks to provide affordable small dollar loans</li> <li>○ Showcase successful credit-building programs</li> <li>○ Conduct and support bank outreach to credit ‘invisibles’</li> </ul>	<ul style="list-style-type: none"> <li>• Educate institutions, trades and others about credit building/repair</li> <li>• Innovate and test new ideas to expand access to credit</li> <li>• Research methods to build credit history</li> </ul>	<ul style="list-style-type: none"> <li>✓ Document technical assistance and outcomes</li> <li>✓ Evaluate impact of local coalition efforts (e.g., Alliance for Economic Inclusion)</li> <li>✓ Track credit-building lessons learned</li> </ul>
<p><b>Encourage Responsible Options for Affordable Mortgage Credit:</b> Encourage responsible affordable mortgage lending by banks and their partners.</p>	<p>Every bank has the tools and strategies to make an informed decision about responsible mortgage lending to Low- and moderate-income communities and consumers.</p>	<ul style="list-style-type: none"> <li>○ Strengthen role of community banks in the affordable mortgage market</li> <li>○ Amplify awareness of current programs</li> <li>○ Highlight innovation</li> </ul>	<ul style="list-style-type: none"> <li>• Collaborate with stakeholders to promote online Affordable Mortgage Lending Center</li> <li>• Educate community banks about Community Reinvestment Act opportunities and partnerships</li> </ul>	<ul style="list-style-type: none"> <li>✓ Analyze and apply results of annual Affordable Mortgage Lending Center subscriber survey</li> <li>✓ Conduct and evaluate effectiveness of outreach efforts</li> <li>✓ Document community bank success stories</li> </ul>
<p><b>Strengthen Access to Financial Services for Small Businesses:</b> Encourage financial institutions and their partners to prudently serve the financial needs of emerging entrepreneurs and small businesses.</p>	<p>Equip every bank with tools and resources that support small business lending, including technical assistance, education, and access to Community Development Financial Institutions.</p>	<ul style="list-style-type: none"> <li>○ Support community bank role in small business financing</li> <li>○ Identify opportunities for increased lending via collaboration</li> <li>○ Strengthen connections between financial institutions and local resources</li> </ul>	<ul style="list-style-type: none"> <li>• Educate banks via new Online Small Business Resource Center and Money Smart</li> <li>• Innovate and test new ideas to expand reach through partnerships and technology</li> <li>• Research to provide insights into credit opportunities</li> </ul>	<ul style="list-style-type: none"> <li>✓ Monitor community bank market share and SBA program participation</li> <li>✓ Track Money Smart Small Business Alliance membership</li> <li>✓ Measure use of relevant FDIC resources</li> </ul>

## OPPORTUNITY 1 — SUPPORT FINANCIAL EDUCATION AND CAPABILITY

Develop and promote free, high-quality financial education to strengthen consumer financial capability and sustainable banking relationships.

Effective financial education helps people gain the skills and confidence necessary to sustain a banking relationship, achieve financial goals, and improve financial well-being. For example, research shows that the FDIC *Money Smart* curriculum can lead to positive outcomes among participants, including increased comparison shopping and the opening of deposit accounts.

Financial education is most effective when it is:

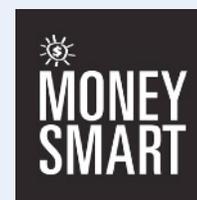
- Relevant to participants and their financial challenges and goals;
- Connected with opportunities for participants to initiate positive financial behaviors, such as by connecting financial education to financial products or other financial decisions; and
- Delivered cognizant of situational factors, including potential barriers to participants achieving goals.

### Leveraging FDIC Strengths

As the nation's bank deposit insurer, the FDIC has a unique opportunity to support banks in delivering financial education and connecting that education to banking products. This strategy has the potential to improve the financial well-being of consumers and their communities.

Through *Money Smart*, the FDIC offers non-copyrighted, high-quality, free financial education resources for banks and other stakeholders to train people of all ages and small businesses. First launched in 2001, *Money Smart* is regularly updated to incorporate user feedback and instructional best practices. *Money Smart* materials are available in multiple languages, Braille, and large print and in instructor-led and self-paced formats. The FDIC shares implementation tools, ideas, and assistance, including through the *Money Smart* Alliance that facilitates quarterly webinars for the more than 1,000 member organizations. Reflecting their popularity, *Money Smart* products are ordered or downloaded more than 200,000 times a year.

The FDIC offers unique financial education resources for people of all ages to support bank and community partnerships. [Money Smart](#) materials are flexible and easy to adapt to accommodate specific learning needs or program objectives. *Money Smart* News articles give implementation ideas. Other *Money Smart* resources include youth savings strategies.



***Money Smart:  
Building Skills and Confidence  
through Knowledge and Practice.***

## OPPORTUNITY 2 — PROMOTE AFFORDABLE INSURED TRANSACTION AND SAVINGS ACCOUNTS

Promote availability, access, and use of affordable insured transaction and savings accounts.

Access to affordable insured transaction and savings accounts provides households with the opportunity to conduct basic financial transactions, save for emergencies and long-term security needs, while developing a banking relationship that can make it easier to obtain credit. Participation in the banking system also affords people with the protections inherent in the regulated banking system. Offering affordable transaction and savings accounts, and engaging community leaders to demonstrate the benefits of banking, broadens bank-consumer relationships and sets the stage for deeper connections between the public and insured financial institutions.



### Leveraging FDIC Strengths

The FDIC places a high priority on understanding participation in the banking system and opportunities to expand inclusion. For example, the FDIC conducts research relevant to the access and sustainable use of banking accounts, including the *National Survey of Unbanked and Underbanked Households* produced in collaboration with the U.S. Census Bureau. We customize survey findings to analyze the distribution of bank branches and the financially underserved population in selected geographies. The FDIC uses these analyses to identify communities that can benefit from technical assistance and other forms of outreach.

The FDIC also developed templates in 2010 to help identify transaction and savings accounts that are transparent, low-cost, easy-to-understand, backed by established consumer protections, and insured by the FDIC. In addition, the FDIC conducted a pilot with nine institutions to offer checkless, card-based electronic accounts and issued a report on the results.

The FDIC engages in national and local collaborations to expand awareness of opportunities to create and strengthen relationships between banks and unbanked and underbanked consumers. The FDIC works at the national level in collaboration with federal regulatory agencies and national community development organizations, as well as at the state and local levels through its Alliance for Economic Inclusion (AEI) network and other local coalitions, such as Bank On coalitions, to reach the unbanked and underbanked.

As part of our ongoing work to reach the unbanked and underbanked, the FDIC will continue to emphasize the types of deposit services that are responsive to local needs and present opportunities for banks and consumers to develop stronger relationships. These include transaction and savings accounts and prepaid debit cards offered by banks.

## OPPORTUNITY 3 — INCREASE CONSUMER ACCESS TO SUSTAINABLE CREDIT

Increase consumer access to credit through resources that help build and sustain a strong credit history.

Access to consumer credit and the ability to build and sustain a strong credit history are important to financial success in the economy. Banks continue to have a significant opportunity to serve the consumer credit needs of a wide range of households. For example, the 2017 *FDIC National Survey of Unbanked and Underbanked Households* included questions on bank and nonbank credit to gain insight into household credit behavior. The survey showed that 12.9 percent of households had credit needs that were not met by banks. Approximately 26 million Americans are “credit invisible,” meaning they have no credit history or likely have insufficient credit history to produce a credit score. Black and Hispanic consumers, and consumers in low-income neighborhoods, are more likely to be credit invisible.



Banks can help meet the credit needs of these households through a wide range of approaches, from promoting the importance of building a credit history and offering credit-builder loans or other tools, to incorporating a wide range of predictive data into underwriting, and collaborating with local or national stakeholders on consumer education. Banks may find that adding affordable, entry-level credit products or a credit-building product makes it easier to more effectively meet diverse community needs. The FDIC will continue its efforts through *Money Smart* to support consumer awareness of strategies to build and improve their credit histories, which is central to financial stability.

### Leveraging FDIC Strengths

The FDIC is well-positioned to assess the complex interactions between financial capability and customer needs for credit and savings options. FDIC Community Affairs activities, including Alliance for Economic Inclusion initiatives, establish broad-based coalitions of financial institutions, community-based organizations, and others to bring additional populations into the financial mainstream. These initiatives focus on expanding the reach of basic retail financial services, including savings accounts, affordable remittance products, small dollar loan programs, targeted financial education programs, alternative delivery channels, and other asset-building programs.

The FDIC strongly supports national and regional initiatives, including America Saves and small dollar loan initiatives, which help build household savings and access affordable consumer credit products. The natural progression of these efforts is to promote innovations within the industry that offer solutions to support consumer financial health. In particular, the FDIC’s research on bank practices provides a strong foundation to explore product offerings in-depth. The FDIC has national communications channels and strong local partnership networks to strengthen collaborations between insured depository institutions and community-based organizations, while also reaching consumers through educational resources.

## OPPORTUNITY 4 — ENCOURAGE RESPONSIBLE OPTIONS FOR AFFORDABLE MORTGAGE CREDIT

Encourage responsible affordable mortgage lending by banks and their partners.

Mortgage lending is an important business strategy for many banks. For example, according to an analysis of the 2017 Home Mortgage Disclosure Act (HMDA) data, about 51 percent of FDIC-supervised institutions reported HMDA data. Single-family residential loans make up 67 percent of HMDA loans reported by FDIC-supervised institutions.

FDIC research and analysis on the status of housing lending by insured depository institutions and by minority-owned depository institutions have revealed potential opportunities to enhance the capacity of insured depository institutions and their partners to expand mortgage lending.

### Leveraging FDIC Strengths

The FDIC produced the *Affordable Mortgage Lending Guide* (Guide). This three-part publication takes an in-depth look at products and programs for homeownership, including loan products that can be sold in the secondary market to expand single-family mortgage lending.

The online [Affordable Mortgage Lending Center](#) (Center) was created to house the Guide, and other relevant information regarding housing. The Center is specifically designed to meet the needs of banks. Through targeted outreach to community bankers, in less than two years, almost 16,000 new subscribers have been added to the Center.

The FDIC has long championed, often in cooperation with other regulators, the importance of responsible mortgage lending practices. The FDIC has emphasized that prudent lending is consistent with providing access to credit through proven affordable lending programs that serve households that are low or moderate income and that qualify for positive consideration under the Community Reinvestment Act. We can leverage and sustain our engagement by continuing to collaborate with federal and state resources to improve options for mortgage credit and affordable housing. By helping connect banks and communities in new ways and increasing awareness and the use of affordable banking services, including affordable mortgage lending, we can strengthen the country's banking system and communities across the country.

The *Affordable Mortgage Lending Guide* is a three-part publication that takes an in-depth look at products and programs to expand access to affordable mortgage credit to people with low or moderate income and other underserved populations. The [Affordable Mortgage Lending Center](#) houses information for banks on access to affordable mortgage credit from federal agencies, government-sponsored enterprises, state housing finance agencies, and the Federal Home Loan Banks.



## OPPORTUNITY 5 — STRENGTHEN ACCESS TO FINANCIAL SERVICES FOR SMALL BUSINESSES

Encourage insured depository institutions and their partners to prudently serve the financial needs of emerging entrepreneurs and small businesses.

Community banks hold more than 40 percent (by dollar volume) of all small loans to businesses in the United States, more than three times their 13 percent share of industry assets. The 2018 *FDIC Small Business Lending Survey* reveals that the community bank business model, based on local knowledge, personal contact, and analysis of small business creditworthiness, is the reason community banks capture such a large percentage of the market share.

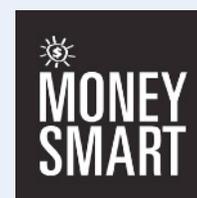
Still, small businesses operating outside of the financial mainstream often lack access to capital and a range of services available from insured depository institutions that support creditworthiness and credit building.

### Leveraging FDIC Strengths

The FDIC has a long-standing practice of supporting small business development by serving as a trusted resource, facilitator, and connector. The FDIC provides financial institutions access to information on federal, state, and local resources. We engage with economic development agencies, Community Development Financial Institutions (CDFIs), training and technical assistance providers, coalitions, and local governments.

In 2012, the FDIC collaborated with the U.S. Small Business Administration (SBA) to develop *Money Smart for Small Business* and established an ongoing practitioner network of training providers within the *Money Smart Alliance*. The FDIC strengthened its collaboration with the SBA with the execution of a FDIC-SBA Strategic Alliance Memorandum for 2017–2018. The FDIC supports SBA partner networks, including Small Business Development Centers, Women’s Business Centers, Veteran Outreach Centers, and SCORE to provide training, technical assistance, and mentoring to small businesses. We also help banks to reach and better serve entrepreneurs. Continuing to pursue opportunities to understand and support the role of community banks in small business lending is consistent with the FDIC’s status as the primary regulator of community banks.

The FDIC will continue to build partnerships and collaborations to support small business lending through continued collaboration with the SBA and its affiliates, the US Department of Agriculture, and state and local organizations, and by identifying promising loan products, technical assistance, and collaboration models.



### *Money Smart for Small Business*

Developed jointly with the U.S. Small Business Administration, [Money Smart for Small Business](#) (MSSB) is a free training resource to help entrepreneurs become bankable. Thirteen fully-scripted modules on topics related to managing and starting a business can be taught by bankers and intermediaries in English and Spanish. MSSB is promoted within SBA and other networks to complement small business loans and programs with technical assistance.