ECONOMIC INCLUSION STRATEGIC PLAN

2024

FDIC

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Overview

The FDIC published its first Economic Inclusion Strategic Plan (Plan) in 2014. Since then, the number of unbanked households has reached the lowest level since the FDIC began collecting the data in 2008, and both consumers' needs and the market for financial services have evolved. This Plan updates the FDIC strategy to promote economic inclusion in light of these changes. The Plan is designed to support progress toward a state in which all U.S. households can establish, sustain, and benefit from banking relationships to create a strong financial foundation, manage their day-to-day finances, build wealth, and live in communities strengthened by bank lending, services, and investments.

To better respond to the current environment and the opportunities to advance economic inclusion, the FDIC has organized its Plan around four Economic Inclusion Opportunity Areas (Opportunity Areas) that emphasize consumer and community outcomes. These Opportunity Areas—identified and illustrated in **Figure 1** below—will guide the FDIC's efforts to capitalize on emerging opportunities and effectively address identified challenges to economic inclusion. The Plan provides a flexible roadmap for how the FDIC will direct its efforts and resources to promote economic inclusion for all U.S. households.

This Plan was informed by an environmental scan comprising a literature review of more than 70 sources, including peer-reviewed articles, white papers, and FDIC internal documents, plus interviews with more than 50 internal and external stakeholders. (Details on the environmental scan process and the literature review are included in Appendices A and B.) Findings from the environmental scan generated insights into the state of economic inclusion in the United States, including both challenges and emerging opportunities. These findings informed the formulation of the Opportunity Areas, objectives, and strategies of the Plan.

This Plan begins with a short introduction, followed by a description of key findings from the environmental scan. It then describes each of the four Opportunity Areas. For each Opportunity Area, the Plan lays out a clear objective, monitoring measures, strategies, and key performance indicators.

Figure 2 below defines key terms used throughout the Plan.

Figure 1. Economic Inclusion Opportunity Areas

Goal: Promote economic inclusion for all U.S. households

Vision: The FDIC supports economic inclusion by promoting a state in which all U.S. households can establish, sustain, and benefit from banking relationships to create a strong financial foundation, manage their day-to-day finances, build wealth, and live in communities strengthened by bank lending, services, and investments.

Economic Inclusion Opportunity Areas:

1. **Create and Sustain Foundational Banking Relationships:** Establish an on-ramp to the U.S. financial system, setting the stage for future financial success.
2. **Build Household Financial Stability:** Help households save and increase access to consumer credit to better manage ongoing and emergency expenses.
3. **Achieve a Secure Financial Future:** Build household wealth through investments that can foster savings and accumulate value over time.
4. **Live in Strong and Healthy Communities:** Encourage bank lending, investments, and services that support strong and healthy communities, including low- and moderate-income (LMI) neighborhoods and other underserved communities.

Figure 2. Key Terms Used in the Plan

Banks: Insured depository institutions that the FDIC intends to engage with to foster economic inclusion.[1]

Bankable moments: Events or points in time when a consumer has an increase or change in their regular, day-to-day cash flow, such as when receiving benefits or starting a new job. These moments are an opportunity for consumers who are unbanked to find and open a bank account that meets their needs.

Economic inclusion: A state in which all U.S. consumers and communities have access to financial services, secure employment, and opportunities to participate in the broader economy. The FDIC's economic inclusion activities aim to ensure that all U.S. households can access, sustainably use, and increasingly benefit from safe and affordable products and services from insured depository institutions.

Impact: The broader changes that occur in a community, an organization, or society because of program outcomes.

Key performance indicators (KPIs): Measures of FDIC activity used to track contributions toward achieving each objective. These measures reflect outputs and outcomes resulting from the implementation of the strategies outlined in the Plan. As necessary, the FDIC might adjust these measures based on available data or use estimated quantities. These measures might be updated to reflect specific economic inclusion activities that the FDIC engages in. For key performance indicators with a market share component, the FDIC will try to measure the extent to which underserved populations are being reached.

Low- and moderate-income communities: A *low-income* community means median family income is less than 50 percent of the area median income. A *moderate-income* community means median family income is at least 50 percent and less than 80 percent of the area median income.

Low- and moderate-income individuals/households: An individual or household is considered to be low- or moderate-income based on how their income compares to the area median income. A *low-income* individual or household has an income that is less than 50 percent of the area median income. A *moderate-income* individual or household has an income that is at least 50 percent and less than 80 percent of the area median income.

Market share: A relative measure of a firm's activity, which can be expressed in various terms, including the share of a particular product or activity provided by the firm among all other firms or a subset of relevant firms or the proportion of total potential customers served or otherwise connected to a firm or to a product or service from a firm.

Monitoring measures: Metrics the FDIC will use to track overall progress toward each objective, to understand trends in economic conditions, and to provide context for assessing program outcomes. The FDIC will monitor the trends for each of these indicators, even as it recognizes that its work is not solely responsible for changes in these measures. The FDIC may substitute monitoring measures for various reasons, such as instances in which data that provide more precise, more accurate, or qualitatively better information relevant to an opportunity area become available.

Objective: A statement of the impact that the FDIC seeks to advance through its work.

Opportunity Area: Broad categories in which the FDIC plans to work to advance economic inclusion in the banking system. Each Opportunity Area is accompanied by a brief description of the FDIC's vision for that Area.

Outcome: The result of a program's outputs. Evaluating outcomes answers the question, "Are the participants achieving intended results?"

Outputs: The quantifiable results produced as a direct consequence of program activities and efforts, often serving as a tool for monitoring initial progress toward achieving program outcomes.

Partnerships: Collaborative efforts in which the FDIC works closely with federal, state, and local government agencies; community-based organizations; financial institutions; or others on specific efforts such as programs or initiatives.

Special Purpose Credit program: A targeted lending program designed to meet the credit needs of an economically disadvantaged group of borrowers. The primary aim of a Special Purpose Credit program[2] is to provide access to credit and financial support in which traditional lending options are limited or insufficient.

Stakeholders: Federal, local, and state government offices; banks; and community-based organizations that the FDIC collaborates with on events and/or that participate in events.

Strategy: An overarching approach or type of activity designed to help achieve the objectives in the Plan. Over time, these activities and the resources allocated to them might be adjusted to reflect emerging opportunities to promote economic inclusion.

Unbanked: Households in which no one has a checking or savings account at a bank or credit union.

Underbanked: Households that were banked and in the past 12 months used at least one nonbank transaction (money orders, check cashing, or international remittances) or nonbank credit (rent-to-own services, payday, pawn shop, tax refund anticipation or auto title loans) product or service that is disproportionately used by unbanked households to meet basic financial needs.

Underserved consumers/households/communities: Groups that are disproportionately unbanked and underbanked. These groups include, but are not limited to, lower-income households, less-educated households, Black households, Hispanic households, working-age households with a disability, and single-parent households.[3]

1 The term "insured depository institution" has a specific regulatory definition that can be found in the Federal Deposit Insurance Act, and includes banks and savings associations.

2 Regulation B, which implements the Equal Credit Opportunity Act, sets forth compliance standards and general rules for Special Purpose Credit programs [15 U.S.C. § 1691(c)(1)-(3); 12 C.F.R. § 1002.8(a)].

3 The 2021 FDIC National Survey of Unbanked and Underbanked Households refers to "single-mother households" as a subset of unmarried female-householder family households. The survey found single-mother households had an unbanked rate of 16 percent; single-father households had a similarly high unbanked rate of 11 percent. This Plan uses the term "single-parent households" to group these household types under one term.

Introduction

Congress created the FDIC through the Banking Act of 1933 to maintain stability and public confidence in the nation's banking system. The statute provides a federal government guarantee of deposits so that customer funds will be safe and available to them in the event of bank failures.

The FDIC acts as receiver for banks that fail, and it has resolution planning responsibilities for large, complex financial institutions. In addition to its role as insurer, the FDIC is the primary federal regulator of federally insured state-chartered banks that are not members of the Federal Reserve System.[5]

An important component of maintaining stability and public confidence in the banking system is promoting economic inclusion, and in so doing, demonstrating that the banking system is a resource that can benefit everyone. For the FDIC, this means engaging in strategies and programs designed to expand access to safe, secure, and affordable financial products and services from banks for all consumers to help them meet their financial needs and goals.

The FDIC recognizes that special efforts are needed to ensure expanded access to financial services for low- and moderate-income (LMI) consumers, consumers of color, and other underserved groups such as households led by working-age individuals with a disability, single-parent households, and consumers with fewer years of formal education. Promoting economic inclusion among these populations requires understanding their financial needs and challenges,

LMI households and households of color are more likely than other households to be unbanked and underbanked

The 2024 Economic Inclusion Strategic Plan aims to broaden access to financial services for all consumers, but especially for consumers who have been historically underserved by the banking system, including low- and moderate-income (LMI) households and people of color.

According to the 2021 *FDIC National Survey of Unbanked and Underbanked Households* (2021 *FDIC Household Survey*), these groups were much less likely than their peers to have a bank account:[4]

- About one in five households earning less than $15,000 per year were unbanked; in comparison, fewer than one in 100 households earning more than $75,000 per year were unbanked.
- Black households were more than five times as likely to be unbanked as White households, and Hispanic households were more than four times as likely to be unbanked as White households.
- Working-age households with a disability were also disproportionately unbanked—four times the rate of such households without a disability.
- LMI households and households of color with a bank account were more likely to be underbanked.

The Plan notes differences in outcomes that are more likely to be experienced by underserved groups that participate in the mainstream banking system and identifies the underserved as populations that should be specifically considered.

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[4] Federal Deposit Insurance Corporation, 2021 FDIC National Survey of Unbanked and Underbanked Households (2021).

[5] Federal Deposit Insurance Corporation, 2022–2026 Strategic Plan (December 2021).

encouraging the development of products and services that meet those needs, and leveraging partnerships and additional strategies for successfully delivering them to consumers.

Over the past decade, the FDIC has generated a series of strategic planning documents to guide its economic inclusion efforts. The Chairman's Advisory Committee on Economic Inclusion (ComE-IN) developed the first strategic plan in 2006 to guide its work.[6] In 2014, the Division of Depositor and Consumer Protection (DCP) developed a multi-year Economic Inclusion Strategic Plan for the FDIC that was updated in 2019.

The 2024 Plan is the product of an in-depth process that included an environmental scan, an assessment of market opportunities and challenges, and lessons learned from the FDIC's experience with the most effective approaches to fostering economic inclusion.

6 Federal Deposit Insurance Corporation, Economic Inclusion Strategic Plan – June 2019 (June 2019).

State of Economic Inclusion in the United States

The environmental scan generated insights into the state of economic inclusion in the United States that informed the development of this Economic Inclusion Strategic Plan. Some market trends, such as a decline in the share of U.S. households that report being unbanked, point to ways in which economic inclusion in banking has expanded since the Plan was last updated. Other trends, such as the number and diversity of new nonbank entrants that offer basic financial services, suggest consumers continue to have fundamental needs not fully addressed by the conventional banking system.

This section summarizes key findings from the environmental scan and describes trends relevant to each of the four Opportunity Areas.

The rate of unbanked households has reached historic lows. Over the past decade, the proportion of unbanked households—those that do not have a checking or savings account—has steadily declined. The 2021 *FDIC Household Survey* found that about 4.5 percent of U.S. households are unbanked, the lowest rate recorded since the survey began in 2009.[7]

Though the decline in unbanked households is undoubtedly a promising trend, the 2021 *FDIC Household Survey* highlights continued disparities across demographic groups. Households with lower incomes and fewer years of formal education are disproportionately likely to be unbanked. The survey also found that racial disparities in access to bank accounts continued: 2.1 percent of White households are unbanked, compared to 11.3 percent of Black households, 9.3 percent of Hispanic households, and 6.9 percent of Native American or Alaska Native households. Other groups disproportionately represented among unbanked households include working-age households with a disability and households led by a single parent.

The most common reasons that unbanked households cited in the 2021 *FDIC Household Survey* for not having a bank account included not having enough money to meet minimum balance requirements (cited by 40 percent of unbanked households), concerns about privacy (34 percent), lack of trust in banks (33 percent), and bank account fees that are too high (29 percent) or unpredictable (27 percent).

A declining proportion of U.S. households are underbanked and rely on nonbank products to meet basic financial services needs. The 2021 *FDIC Household Survey* found that 14.1 percent of U.S. households are underbanked—meaning they have a bank account but use nonbank products or services to meet some of their basic financial services needs. The rate of underbanked households varies across demographic groups, following patterns similar to those observed for unbanked households. More than 20 percent of Black, Hispanic, American Indian, and Alaska Native households are underbanked, compared to 9.3 percent of White households. As with the unbanked rate, the

[7] Federal Deposit Insurance Corporation, 2021 FDIC National Survey of Unbanked and Underbanked Households (2021).

underbanked rate is higher among lower-income households and households with fewer years of formal education.

Among underbanked households, 72 percent use nonbank transaction products such as money orders, check cashing services, and international remittances. Some 18 percent of underbanked households use nonbank credit products, such as payday loans and auto title loans. The remaining 10 percent or so of underbanked households use nonbank transaction products and nonbank credit products in combination.

The COVID-19 pandemic affected the financial stability of families and accelerated the adoption of technology in financial services. The pandemic had a dramatic effect on household finances and the ways in which households engaged with the financial system.

Many households lost jobs or income during the pandemic. In the 2021 *FDIC Household Survey*, 29 percent of households reported that someone in their household lost or quit a job, was furloughed, or had reduced hours; 23 percent reported a significant loss of income since March 2020. Unbanked households were the most likely to report these types of financial hardships.

The government responded to pandemic-related hardships with increased benefits and stimulus payments. These government payments, along with declines in household spending, led to an increase in household savings during the pandemic.[8] However, the median level of household savings has since fallen to below 5 percent, a level not seen since 2009.[9] Falling savings mean that U.S. households are less able to manage day-to-day expenses and are less able to handle unexpected expenses, which can have devastating consequences for household financial stability. In 2023, only 63 percent of adults said they could cover a hypothetical $400 expense using cash or cash equivalent and only 54 percent reported they have three months of emergency savings.[10]

The pandemic underscored the urgency of helping LMI consumers gain access to the banking system. For consumers eligible to receive economic impact payments, Child Tax Credits, or a tax refund from the Internal Revenue Service, the FDIC leveraged the #GetBanked[11] campaign to share information about how to open a bank account and provide that bank account information to the Internal Revenue Service. The FDIC also conducted outreach to banks and community-based organizations to enhance consumer access to financial services that would allow receipt of government payments directly and safely.

Households also changed how they made payments during the pandemic, with trends persisting after its acute phase. The share of transactions made in cash declined from 26 percent in 2019 to 19 percent

[8] Federal Reserve Board, Excess Savings during the COVID-19 Pandemic (October 2022).

[9] Federal Reserve Economic Data, Federal Reserve Bank of St. Louis, Personal Saving Rate (July 2023).

[10] Federal Reserve Board, Report on the Economic Well-Being of U.S. Households in 2022 – May 2023 (June 2023).

[11] Federal Deposit Insurance Corporation, Press Release: FDIC Launches #GetBanked Campaign in Houston and Atlanta (April 2021)

in 2020 and stood at 18 percent in 2022.[12] In place of cash, consumers increased use of credit and electronic payments, including digital wallets and online payment accounts. Although the increase in adoption of online payment accounts was steady in the years leading up to the pandemic, adoption spiked in the second quarter of 2020.[13] In 2022, two-thirds of households reported using such products.[14]

The prospect of pandemic-related government payments (such as unemployment benefits or pandemic-related stimulus payments) prompted households to open bank accounts, enabling fast and secure receipt. In 2021, about one-third of recently banked households (34.9 percent) reported that receiving a government benefit payment contributed to their opening a bank account.[15] In a 2020 paper published by the Federal Reserve Bank of Kansas City, the authors suggested that a desire to quickly receive pandemic-related transfers could have prompted households to open nonbank accounts.[16]

Macroeconomic trends make it challenging for LMI and other underserved consumers and communities to build wealth. Current macroeconomic trends have created a challenging environment for consumer wealth-building activities. Obstacles to homeownership, a lack of affordable housing options, and the burden of student loan debt collectively undermine the ability of many households to achieve financial stability.

Homeownership—a key wealth-building activity and contributor to the intergenerational transfer of wealth—is out of reach for many households, particularly Black and Hispanic households. Challenges that prospective homeowners face include high housing prices and rising interest rates. Mortgage interest rates increased from historic lows in 2021 to more than 7 percent in 2023.[17] These challenges are often compounded for prospective homebuyers of color, who carry high amounts of non-mortgage debt (including student loans) that make it harder to qualify for a mortgage. Data from the U.S. Census Bureau show that the homeownership rate for Black households in the second quarter of 2023 (45.7 percent) lags behind the homeownership rate for White households (74.5 percent) by nearly 29

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12 Federal Reserve Bank of San Francisco, 2023 Findings from the Diary of Consumer Payment Choice – Cash (May 2023).

13 Federal Reserve Board, Developments in Noncash Payments for 2019 and 2020: Findings from the Federal Reserve Payments Study (January 2022).

14 Federal Reserve Bank of Atlanta, 2022 Survey and Diary of Consumer Payment Choice: Summary Results (2023).

15 Federal Deposit Insurance Corporation, 2021 FDIC National Survey of Unbanked and Underbanked Households (2021).

16 Federal Reserve Bank of Kansas City, How the COVID-19 Pandemic May Reshape the Digital Payments Landscape (June 2020).

17 Freddie Mac, Mortgage Rates (October 2023).

points—a gap that is greater now than it was in 1960.[18] The Hispanic homeownership rate (49.0 percent) also lags far behind the rate for White households.[19]

High rental housing cost burdens also limit opportunities for saving—including saving for a down payment on a home.[20] Black households and other households of color are more likely to be renters than homeowners and tend to have higher rent burdens than their White counterparts. Compared with 44 percent of White renters, 55 percent of Black renters spend more than 30 percent of their income on rent and utilities. This leaves little room for saving and investment. The inability to build home equity through homeownership and limitations on savings related to high housing cost burdens further compound the racial wealth gap and restrict opportunities for economic advancement.

Another challenge for many consumers is the burden of student loan debt. The cost of higher education has skyrocketed, leaving a generation of consumers with substantial student loan obligations. The challenge is magnified and most keenly felt by households that have amassed student loan debt but who have not obtained a degree or credential that could lead to higher-earning job opportunities. Among households with student loan debt, Black households have higher average and median debt levels than do households of other races and ethnicities. For example, in 2019 about 30 percent of Black households had student loans, compared with 20 percent of White households.[21] This debt load can delay wealth accumulation, as individuals must allocate a significant portion of their income toward loan repayment instead of saving or investing. For many, the burden of student loans can hinder their ability to buy a home, start a business, or invest in assets that appreciate. As a result, the weight of student loan debt can prolong the cycle of financial struggle for low-income individuals and families, limiting their wealth-building prospects.

Nonbanks expanded their offerings and role in the market. A notable trend since the last update of the Economic Inclusion Strategic Plan has been the continued expansion of nonbanks and the introduction of new products that can be used as alternatives to bank products and services. These nonbank products, including online payment accounts and digital wallets, may provide some of the functionality offered by traditional checking and savings accounts, such as the ability to receive and store money,[22] but may have different levels of consumer protection. Similarly, Buy Now Pay Later

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[18] U.S. Census Bureau, Quarterly Residential Vacancies and Homeownership, Second Quarter 2023 (August 2023); The Pew Charitable Trusts, Black Families Fall Further Behind on Homeownership (January 2023)

[19] U.S. Census Bureau, Quarterly Residential Vacancies and Homeownership, Second Quarter 2023 (August 2023).

[20] National Low Income Housing Coalition, The Gap: A Shortage of Affordable Homes (March 2023).

[21] Urban Institute, Student Loan Debt and Access to Homeownership for Borrowers of Color (November 2022; corrected February 2023).

[22] Federal Deposit Insurance Corporation, FDIC Consumer News: Banking with Apps (November 2020).

loans—which are offered at the point of sale and enable borrowers to pay for a purchase in installments—provide an alternative to a credit or debit card.[23]

In recent years, the share of mortgages made by nonbank lenders has significantly surpassed the share originated by bank lenders. In June 2023, nonbank lenders made 79 percent of all mortgages purchased by government-sponsored enterprises; the share was even higher—93 percent—for government-backed loans (e.g., Federal Housing Administration and Veterans Administration loans) that disproportionately are used by first-time homebuyers and lower-income and non-White borrowers.[24] Nonbank lenders also provide small business loans and services. In 2022, by some reports, 24 percent of firms used financing from a financial company that is not a bank.[25]

Recent events highlighted the value of deposit insurance. Crypto assets, such as Bitcoin and Ethereum, have grown in popularity in recent years, with some proponents touting them as the future of money. However, many consumers who invested in this market have collectively lost more than $1 billion over the past few years due to price volatility and various scams.[26] Consumers who fall victim to scams related to crypto assets often have limited recourse for recovering their investments. In response to significant volatility and other vulnerabilities associated with the crypto-asset sector, the Board of Governors of the Federal Reserve System (Federal Reserve), the Office of the Comptroller of the Currency (OCC), and the FDIC issued a joint statement that underscored the risks associated with this sector.[27]

The number of bank failures has fallen dramatically since 2008, with no bank failures recorded in 2021 or 2022. However, in 2023, three banks—with a total asset value exceeding $500 billion—failed in two months.[28] The FDIC and other federal regulators reacted swiftly to protect depositors, maintain stability and liquidity in the banking sector, and maintain public confidence in the banking system. This episode reinforced the critical importance of deposit insurance for consumers.

Regulators have developed new rules for banks around community investment. The Federal Reserve, OCC, and the FDIC provide oversight and support to encourage financial institutions to help

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23 Consumer Financial Protection Bureau, Consumer Use of Buy Now, Pay Later: Insights from the CFPB Making Ends Meet Survey (March 2023).

24 Urban Institute, Housing Finance at a Glance: A Monthly Chartbook (July 2023).

25 Federal Reserve Banks, 2023 Report on Employer Firms: Findings from the 2022 Small Business Credit Survey (2023). This paper uses data from the Small Business Credit Survey, which is drawn from a convenience sample.

26 Federal Trade Commission, New Analysis Finds Consumers Reported Losing More than $1 Billion in Cryptocurrency to Scams since 2021 (June 2022).

27 Financial Institution Letter, Federal Deposit Insurance Corporation, Joint Statement on Crypto-Asset Risks to Banking Organizations (January 2023).

28 Martin Gruenberg, Federal Deposit Insurance Corporation, Recent Bank Failures and the Federal Regulatory Response (March 2023); Federal Deposit Insurance Corporation, Bank Failures in Brief - Summary 2001 through 2023 (July 2023).

meet the credit needs of their entire community, including low- and moderate-income neighborhoods in which the institution does business to further the purpose of the Community Reinvestment Act (CRA) of 1977. On October 24, 2023, the agencies issued a unified set of new rules aimed at strengthening and modernizing CRA regulations by:

- Encouraging banks to expand access to credit, investment, and banking services in LMI communities;
- Adapting to changes in the banking industry, including mobile and internet banking;
- Providing greater clarity, consistency, and transparency in the application of the regulations; and
- Tailoring CRA evaluations and data collection to bank size and type.[29]

[29] Federal Deposit Insurance Corporation, Community Reinvestment Act (October 2023).

External factors can affect progress toward economic inclusion objectives

Many external factors beyond the FDIC's control may affect progress toward the strategic objectives described in this Plan. Some of these factors are:

- **Economy and financial environment:** Changes in economic conditions are difficult to predict yet can have a significant impact on household finances and banking behavior. As the recent past illustrates, shifts in economic conditions can have positive or negative impacts on economic inclusion prospects. For example, the U.S. unemployment rate fell from about 15 percent in April 2020 to less than 4 percent in 2022 and 2003,[30] helping to improve consumer finances. The 2021 *FDIC Household Survey* suggests that starting a new job can prompt households to open a bank account.[31] Conversely, from roughly second quarter 2021 through first quarter 2023, the United States experienced high inflation that made it more difficult for some LMI consumers to meet day-to-day and unexpected expenses. Credit became more expensive, with higher interest rates on many consumer products including mortgages and credit cards. Many consumers increased their borrowing in response to rising prices.[32]
- **Emerging technologies:** Rapidly evolving technologies continue to present both potential benefits and challenges to consumers and banks and affect how consumers and banks interact. On the one hand, advances in the digital space offer opportunities for banks to serve a broader set of consumers, improve services, lower operating costs, and enhance customer experiences. On the other hand, emerging technologies could present risks as banks manage operational and other technology-related vulnerabilities and adapt compliance management systems. Consumers, especially those who might not have access to or comfort with technology, could find that some products and services are not as readily available outside of digital channels. Future technological developments could help expand economic inclusion for some but could also exclude others. New technologies have supported the growth of financial services from nonbank providers. A potential issue associated with this development is that consumers might not be able to distinguish between bank and nonbank providers and could be unaware of the risks associated with nonbanks (including gaps in consumer protection and regulation).
- **Climate change:** Climate change presents a variety of risks to the financial health of consumers; these risks are more acute for LMI and other underserved consumers due to limited financial resources to adapt and respond to climate-related financial stressors. For example, extreme weather events such as hurricanes, floods, and wildfires can result in property damage and loss, straining a household's financial security and increasing housing insecurity. The FDIC has taken an active role in promoting climate resilience within the financial sector and has developed a framework to guide financial institutions in how to prepare for and respond to climate-related financial risks.[33]
- **Government actions:** Executive, legislative, judicial, and state actions could affect the FDIC's achievement of its economic inclusion strategic objectives. In addition, actions taken by other financial regulators at the federal and state levels could affect the financial regulatory environment and therefore the success of the FDIC's Economic Inclusion Strategic Plan strategies. The FDIC will monitor and respond to these changes, adapting its economic inclusion strategies as needed.

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30 U.S. Bureau of Labor Statistics, Civilian Unemployment Rate (2023).

Application of Learning from the Environmental Scan

The four economic inclusion Opportunity Areas and associated strategies in this Economic Inclusion Strategic Plan reflect the insights gained through the environmental scan. For example, the environmental scan findings led the FDIC to make the following changes to the content and structure of the previous Plan:

- **Focus Opportunity Areas on outcomes.** During the environmental scan, stakeholders noted that the Opportunity Areas in the FDIC's previous Economic Inclusion Strategic Plan focused on bank products and services that could be leveraged to foster economic inclusion. Many of these stakeholders suggested the new Plan focus on desired *outcomes* for consumers and their communities, especially LMI and other underserved populations, rather than on products and services. This led the FDIC to organize the Opportunity Areas in this Plan around outcomes, rather than bank products. This shift ensures that the strategies in this Plan center on the advancement of economic inclusion outcomes, including fostering greater access to safe and affordable products, services, and investments.
- **Target and deliver just-in-time financial education.** Drawing on lessons from research and comments made during the environmental scan, the FDIC has integrated financial capability strategies into each Opportunity Area, rather than having a separate Opportunity Area focused on financial education. This shift helps to emphasize initiatives and programs that capitalize on just-in-time financial education when a consumer is most likely to use the knowledge they gain, such as when opening a bank account or considering whether to buy a home. The literature suggests that these types of financial education interventions offer advantages over general classroom-based instruction. The shift also signals that financial education is integral to all of the FDIC's efforts to advance economic inclusion, not just one program or product.
- **Focus more attention on sustained use of bank accounts.** Findings from the environmental scan underscore the importance of building on the FDIC's successful efforts to facilitate opening a bank account to include a greater emphasis on *sustaining* account use. Sustained account use helps consumers deepen their banking relationships, with access to a wider range of safe and affordable products and services. (See **Opportunity Area 1. Create and Sustain Foundational Banking Relationships**.)
- **Emphasize household financial stability.** Results from the environmental scan suggest that the FDIC should focus more heavily on enhancing consumer financial stability. This can be

[31] Federal Deposit Insurance Corporation, 2021 FDIC National Survey of Unbanked and Underbanked Households (2021).
[32] Federal Reserve Bank of Boston, Credit Card Spending and Borrowing Since the Start of the COVID-19 Pandemic (2023).
[33] Financial Institution Letter, Federal Deposit Insurance Corporation, Principles for Climate-Related Financial Risk Management for Large Financial Institutions (October 2023).

accomplished through strategies that help consumers borrow and save in ways that allow them to better meet both their daily needs and unexpected costs such as health care or car repair bills. (See **Opportunity Area 2. Build Household Financial Stability**.)

- **Promote wealth-building activities.** Results from the environmental scan support the importance of helping consumers achieve their long-term financial goals by building wealth and acquiring assets that can accumulate value. (See **Opportunity Area 3. Achieve a Secure Financial Future**.)
- **Elevate the importance of community development.** In the interviews conducted during the environmental scan, stakeholders highlighted the value of having an Opportunity Area that explicitly focuses on enhancing community development outcomes, with a particular emphasis on LMI communities. (See **Opportunity Area 4. Live in Strong and Healthy Communities**.)
- **Target strategies to reach LMI and other underserved communities.** Results from the environmental scan highlighted the disparities in access to safe and affordable financial services across subpopulations. These findings, together with guidance from recent Executive Orders,[34] emphasize the importance of enhancing economic inclusion among subgroups that are disproportionately unbanked and underbanked, including Black, Hispanic, and American Indian or Alaska Native households; working-age households with a disability; and single-parent households.

The stakeholder interviews conducted as part of the environmental scan informed the strategies in the Plan by highlighting three key levers the FDIC can use to promote economic inclusion:

- **Awareness and education.** The FDIC has long been a trusted source of information for consumers and plays an important role in raising awareness of safe and affordable financial services. The FDIC offers financial education materials for consumers of all ages and backgrounds through its Money Smart curriculum, *Consumer News* publication, and other resources available on the FDIC website (FDIC.gov). Stakeholders recommended the FDIC leverage its experiences and expertise to provide targeted learning opportunities for consumers using a just-in-time approach, such as when opening a bank account or considering the purchase of a home. The FDIC also has a valued track record of helping banks become aware of opportunities to expand economic inclusion, such as participating in federal government programs designed to broaden the availability of credit. Stakeholders recommended the FDIC continue to educate and support banks in their efforts to expand

[34] See, for example, Executive Order 13985 (2021), which lays out a policy of developing a whole-of-government approach to advancing equity for all and includes language that would support efforts by the FDIC to allocate resources to address historic disinvestment. Also relevant is Executive Order 14031 (2021), which aims to build on previous policies and help advance equity, justice, and opportunity for Asian Americans, Native Hawaiians, and Pacific Islanders.

economic inclusion and meet their regulatory obligations under the Community Reinvestment Act through technical assistance and education.

In October 2023, the FDIC launched a national deposit insurance awareness campaign about how it can protect consumers' money in the event of a bank failure. "Know Your Risk. Protect Your Money" is a consumer-focused campaign that aims to reach those who may have lower confidence in the U.S. banking system or who are unbanked, as well as those who use mobile payment systems, alternative banking services, and financial products that may appear to be FDIC-insured but are not.

- **Partnerships and collaborations.** The FDIC cultivates and invests in the development of extensive national, regional, and local networks of financial institutions; community-based organizations; and federal, state, and local agencies to identify opportunities to reduce challenges for consumers, address community-specific challenges, and capitalize on opportunities to promote economic inclusion. Stakeholders suggested the FDIC continue to collaborate with existing and new partners to develop coordinated initiatives that meet the needs of diverse consumers. Stakeholders emphasized that the FDIC should pay particular attention to building out strategic partnerships that maximize its reach into LMI and other underserved communities.
- **Research and innovation.** The FDIC leads research initiatives, such as the *FDIC National Survey of Unbanked and Underbanked Households,* that provide insights into consumers' changing needs. The FDIC also promotes innovative approaches to economic inclusion in the banking sector by conducting pilot programs and disseminating promising practices. Stakeholders emphasized the significant value of the FDIC's research, which informs practitioners' work and contributes to broader research efforts; for example, data from the *FDIC Household Survey* are widely used by academics, policy researchers, and other government agencies in their research and analyses.

Implementation of the Economic Inclusion Strategic Plan

The Division of Depositor and Consumer Protection (DCP) supports the FDIC's mission to maintain stability and public confidence in the nation's financial system by working to advance economic inclusion, protect consumers, and build positive connections between banks and other stakeholders. DCP ensures that banks keep their customers' money safe, treat customers fairly, and operate in compliance with federal consumer protection, anti-discrimination, and community reinvestment laws. In addition, DCP builds positive connections among banks, consumers, small businesses, and communities to promote public confidence.

Two branches in DCP play a particular role in advancing economic inclusion. Through its national and local partnerships, easy-to-access resources, and expansive stakeholder network, the Consumer and Community Affairs Branch promotes access to banking services across the country. It comprises the Community Affairs Program, the Consumer Affairs Program, and the National Center for Consumer and Depositor Assistance, which includes the Consumer Response Unit and Deposit Insurance Section.

Community Affairs collaborates with bank regulatory agencies, federal agencies, financial institutions, community-based organizations, and local and state governments to encourage partnerships to help deliver credit to low- and moderate- income individuals and neighborhoods, inform financial institutions and community organizations about the availability of public and private development resources, and promote an understanding of the rights and responsibilities of individuals, communities, and financial institutions regarding the Community Reinvestment Act and fair lending laws.

Within Consumer Affairs, the Consumer Education Section provides consumers with resources and products through social media, online content and interactive games, publications, and more. The section develops and disseminates Money Smart—the FDIC financial education suite of curricula for all ages—and provides training to banks, teachers, parents, emerging small businesses, and nonprofit training organizations.

DCP's Policy and Research Branch also plays a critical role. Economists, analysts, and other professionals in the branch develop authoritative data, articles, and reports that help measure and provide better understanding of consumer participation in the banking system and identify opportunities to enhance economic inclusion. The branch also conducts analyses to support FDIC program development, implementation, and assessment. Policy analysts ensure economic inclusion considerations are evaluated, as appropriate, in various policy processes. They also develop internal and external guidance that can help clarify the ways in which legal requirements are consistent with, and support, economic inclusion efforts, such as those associated with the Community Reinvestment Act.

Economic Inclusion Strategic Plan Framework

Strategic Goal:
Promote economic inclusion for all U.S. households

Vision Statement:

The FDIC supports economic inclusion by promoting a state in which all U.S. households, including those in underserved communities, can establish, sustain, and benefit from banking relationships to create a strong financial foundation, manage their day-to-day finances, and build wealth and live in communities strengthened by bank lending, services, and investments.

Opportunity Area	Objective
1. Create and Sustain Foundational Banking Relationships: Establish an on-ramp to the U.S. financial system, setting the stage for future financial success	Increase the share of households that establish and sustain bank accounts, using them as their primary means to receive income, make payments, and keep their money safe
2. Build Household Financial Stability: Help households save and increase access to consumer credit to better manage ongoing and emergency expenses	Increase the share of households that have access to and benefit from banking products and services to manage fluctuations in income and expenses, such as variable work earnings and unanticipated expenses
3. Achieve a Secure Financial Future: Build household wealth through investments that can foster savings and accumulate value over time	Increase the share of households that benefit from banking services and other programs that expand access to mortgage credit and broaden the availability of small business financing and services, particularly to small and very small businesses
4. Live in Strong and Healthy Communities: Encourage bank lending, investments, and services that support strong and healthy communities, including low- and moderate-income (LMI) neighborhoods and other underserved communities	Encourage financing and other resources available to LMI and other underserved communities from banks to improve conditions for residents, including improving community facilities, increasing affordable housing, and enhancing employment opportunities

Opportunity Area 1. Create and Sustain Foundational Banking Relationships: Establish an on-ramp to the U.S. financial system, setting the stage for future financial success.

Objective: Increase the share of households that establish and sustain bank accounts, using them as their primary means to receive income, make payments, and keep their money safe

Monitoring Measures

- 1.A. The share of U.S. households that are unbanked[35]
- 1.B. The share of U.S. households that are underbanked[36]
- 1.C. The share of unbanked U.S. households that express interest in opening a bank account[37]
- 1.D. The share of U.S. households that are recently unbanked[38]

Motivation

Opening and maintaining a bank account is a fundamentally important step, enabling consumers to make progress toward achieving their financial goals. Bank accounts provide households with (1) a safe place to store their money while maintaining easy access to it, (2) the ability to make payments swiftly and securely, and (3) tools for monitoring payments and balances. Opening a bank account is the primary way consumers establish a banking relationship and improve their access to other helpful financial products they can use to build savings and access credit. Consumers benefiting from a banking relationship in these ways develop positive associations that cumulatively bolster public confidence in the U.S. financial system.

The FDIC is committed to helping households establish a strong financial foundation by working to increase the share of households with safe, secure, and affordable bank accounts that meet their needs. Though considerable progress has been made in recent years in reducing the share of unbanked households, the 2021 *FDIC Household Survey* showed that about 4.5 percent of U.S.

[35] Federal Deposit Insurance Corporation, 2021 FDIC National Survey of Unbanked and Underbanked Households (2021).
[36] *Ibid*
[37] *Ibid*
[38] Federal Deposit Insurance Corporation, 2021 FDIC National Survey of Unbanked and Underbanked Households (2021). The *FDIC National Survey of Unbanked and Underbanked Households* defines "recently unbanked" households as those not having a bank account at the time of the survey who did, however, have a bank account at some point in the previous 12 months.

households still do not have a checking or savings account; among households with a bank account, 14.1 percent also used nonbank financial services to meet their financial needs.[39]

The 2021 *FDIC Household Survey* also found that lower-income households, households with fewer years of formal education, Black households, Hispanic households, working-age households with a disability, and single-parent households, among others, are more likely to be unbanked or underbanked. These households face multiple challenges to opening and sustaining bank accounts. The most commonly cited reason is lack of funds to meet minimum balance requirements. Other challenges include trust-related concerns, concerns about privacy, high and unpredictable fees, and challenges related to proximity to and cultural competency of bank branches.[40] These challenges could help explain why nearly three-quarters of unbanked households surveyed reported being "not very" or "not at all" interested in opening an account. Some unbanked households are denied the opportunity to open an account because they lack commonly accepted identification credentials or have negative information in systems that banks use to assess a potential customer's risks.[41] The challenges that unbanked and underbanked households face when trying to use banking services can lead them to use nonbank financial services that can have fewer consumer protections, cost more, and be less secure or less convenient.

Banks report several challenges to serving unbanked or underbanked consumers, including navigating legal requirements and the perceived lack of profitability.[42] In addition, limitations of the systems that banks use to manage accounts can make it harder for banks to offer innovative new products. Finally, though some banks have paired products and services that meet the needs of underserved households with strategies that enable them to attract, serve, and retain customer relationships with those households, many banks have not yet implemented these strategies fully.[43]

During the pandemic, the FDIC undertook efforts to connect households to safe and secure accounts. Public awareness campaigns directed at consumers focused on the benefits of opening a bank account, and events for financial institutions focused on expanding account access. The FDIC is well-

[39] Federal Deposit Insurance Corporation, 2021 FDIC National Survey of Unbanked and Underbanked Households (2021).

[40] U.S. Government Accountability Office, Financial Technology: Products Have Benefits and Risks to Underserved Consumers, and Regulatory Clarity Is Needed (March 2023); The Aspen Institute, The Price of Entry: Banking in America (February 2023); and Federal Reserve Bank of Cleveland, Unbanked in America: A Review of the Literature (May 2022).

[41] Dennis Campbell, F. Asís Martínez-Jerez, and Peter Tufano, Bouncing Out of the Banking System: An Empirical Analysis of Involuntary Bank Account Closures (April 2012), note that involuntary account closures have historically been more frequent in U.S. counties with overall lower education levels, lower wealth levels, higher unemployment rates, and a larger fraction of single mothers. See also The Aspen Institute, The Price of Entry: Banking in America (February 2023).

[42] Federal Deposit Insurance Corporation, Bank Efforts to Serve Unbanked and Underbanked Consumers (May 2016).

[43] *Ibid*

positioned to build on these efforts to help spark sustainable relationships between consumers and banks.

Theory of Change

Figure 3. Theory of Change for Opportunity Area 1: Create and Sustain Foundational Banking Relationships

A primary objective of the FDIC's work in this Opportunity Area is to increase the share of households that establish and sustain bank accounts, using them as their primary means of conducting their basic financial affairs. To advance this objective, the FDIC will implement strategies that address challenges and leverage opportunities for expanding bank account access and use. As reflected in **Figure 3**, key challenges for consumers include a lack of trust in the banking system and concerns about requirements and costs associated with bank accounts. To improve consumer trust in the banking system, the FDIC will leverage strategic partnerships with trusted organizations that serve the unbanked and underbanked to raise their awareness about the benefits of safe and affordable accounts. In particular, the FDIC will seek out partnerships with organizations that serve LMI and other underserved consumers.

Among other strategies, the FDIC will work with these partners to leverage its Money Smart curriculum focused on establishing and sustaining bank accounts. These partners will then help raise consumer awareness and understanding about banking products and services that meet their needs, including account monitoring tools to help consumers avoid fees and lessen the need for reliance on credit. Having a greater understanding of the banking products and services available will help consumers maintain a sense of control over their finances, which will encourage ongoing account use. To overcome consumer concerns about costs, the FDIC will work to expand the availability of low-cost bank accounts, such as those that align with the Bank On National Standards for certified Bank On accounts.[44]

The FDIC will also work to increase access to safe and affordable accounts for consumers by engaging banks. Key challenges for banks to serve unbanked and underbanked households include a perception that expanding bank account access would increase compliance risk and hinder bank profitability, as well as technological limitations that prevent banks from innovating. The FDIC will address these challenges by directly communicating with banks, by reducing perceived challenges to offering programs and services that meet consumer needs, and by drawing attention to successful examples. As part of these efforts, the FDIC will leverage its relationships with other regulators, banks, and trade groups to raise awareness and counter misperceptions about regulatory challenges to serving LMI and other underserved populations. The agency will highlight and promote safe and secure products and services that meet the needs of these consumers.

The FDIC will also seek partnerships with relevant agencies and organizations to connect consumers to safe and affordable accounts, leveraging program-specific "bankable moments," such as the FDIC's partnership with the Internal Revenue Service that encouraged consumers to open safe and secure accounts to receive economic stimulus payments during the pandemic. In addition, the FDIC will explore collaborations with other federal agencies to develop guidance for banks that support reducing challenges to account access.

The FDIC's efforts will be informed by research it leads related to account opening and use, including the biennial *FDIC National Survey of Unbanked and Underbanked Households,* which collects data that will continually inform how strategies are targeted and implemented.

Strategies

Awareness and Education

1.1 Raise awareness of and interest in establishing and using accounts through direct communications with consumers by the FDIC and partners that serve LMI and other underserved consumers.[45]

1.2 Raise awareness and interest among banks, particularly community banks, in offering safe and affordable accounts (such as Bank On certified accounts), with no overdraft or insufficient funds fees, other low-cost features, and features facilitating broad functionality, accessibility, and availability.

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[44] The FDIC developed the Model Safe Account Template in 2012; Federal Deposit Insurance Corporation, FDIC Model Safe Accounts Template (2012). The Bank On National Standards incorporated the core principles outlined in the template; Martin Gruenberg, Federal Deposit Insurance Corporation, Bank On/Cities for Financial Empowerment National Launch of Account Standards (2015).

[45] The FDIC will continually monitor the needs among underserved populations and adjust its work to address emerging or changing needs.

1.3 Encourage banks to make safe and affordable accounts readily available in all channels, including branches, and to develop strategies promoting them effectively to consumers, including by prominently featuring them on bank websites and in marketing materials.

1.4 Identify organizations that work with unbanked and underbanked households and train them on Money Smart materials on establishing and sustaining bank accounts. Focus training efforts on organizations that serve LMI and other underserved populations.

1.5 Educate banks on the opportunity for CRA consideration, including with respect to digital and other delivery systems that respond to the needs of LMI consumers.

Partnerships and Collaborations

1.6 Develop partnerships with relevant agencies and other organizations to connect consumers to safe and affordable accounts, leveraging program-specific "bankable moments" that capitalize on consumers' interest in receiving payments swiftly and securely.

1.7 Encourage core service providers to adapt their systems to enable banks to easily offer safe and affordable accounts (such as Bank On certified accounts) with no overdraft or insufficient funds fees and with other features that enhance functionality, accessibility, and inclusive access.

1.8 Identify potential opportunities to work with other banking agencies, the Consumer Financial Protection Bureau, and other relevant stakeholders to address actual or perceived challenges to opening accounts.

Research and Innovation

1.9 Conduct research to measure consumer participation in the banking system, assess bank efforts to serve unbanked and underbanked populations, and better identify challenges to account opening and sustained use, clarifying the conditions under which various challenges are most prominent.

1.10 Identify and assess promising approaches that expand account access and sustained use of banking services. Highlight effective programs to banks, trade groups, community networks, and other stakeholders.

Key Performance Indicators

Awareness and Education

- Number of communications about bank account access and use sent to consumers by the FDIC and its partners; percentage of consumers who engaged with the information as measured by impressions and unique visits to websites linked to the communications; percentage who reported that the information was valuable.

- Number of stakeholders (and market share of banks) that participate in FDIC training and outreach related to account opening and use; share of these partners reporting intent to take action after engaging with the FDIC.
- Number and market share of banks reporting they are more interested in offering certified or other responsive accounts after an FDIC engagement.
- Share of households that felt more confident in their ability to establish and maintain a banking relationship after participating in a program offering Money Smart.

Partnerships and Collaborations

- Number of banks that offer Bank On certified or other responsive accounts; share of U.S. households in markets served by a bank that offers such accounts.
- Number of unique visits to web pages that include materials created or promoted by the FDIC and shared as part of an FDIC outreach communication initiative; share of web page visitors who reported that the information was valuable.
- Number of engagements (e.g., events and meetings) with community-based organizations in which Community Affairs personnel provide resources related to safe and affordable bank accounts; number of follow-up engagements with these community organizations related to addressing challenges in bank account access.

Research and Innovation

- Number of presentations made to banks, trade groups, community networks, and other stakeholders about promising approaches that expand account access and sustained use of banking services; share of attendees that report finding this information useful.
- Number of research articles and reports from the FDIC and other sources related to bank accounts, banking relationships, and consumer payments citing FDIC economic inclusion research or data.
- Number of unique visits to FDIC web pages that feature economic inclusion research, data, and related information; share of web page visitors who report finding the information valuable.
- Number of readers and other consumers of popular media reporting on FDIC economic inclusion research or data.

Opportunity Area 2. Build Household Financial Stability: Help households save and increase access to consumer credit to better manage ongoing and emergency expenses.

Objective: Increase the share of households that have access to and benefit from banking products and services to manage fluctuations in income and expenses, such as variable work earnings and unanticipated expenses.

Monitoring Measures

- 2.A. The share of households with a dedicated savings account.[46]
- 2.B. The share of adults who say they can cover a $400 expense using cash or cash equivalent[47]
- 2.C. The share of households with a credit score[48]
- 2.D. The share of households with a prime credit score[49]

Motivation

Access to savings or other liquid financial resources enables consumers to better handle both regular expenses and financial shocks or unexpected expenses, such as a sudden medical bill or car repair or a period of unemployment. Without these resources, it can be difficult for consumers—especially LMI consumers—to meet their immediate needs and maintain the financial stability that serves as a foundation for realizing longer-term financial goals. Banking products such as savings accounts, credit-building products, and small-dollar credit options can help families build and access liquid resources to meet their day-to-day needs and manage financial ups and downs.

The FDIC is committed to promoting broad availability of accessible savings and affordable credit from banks and to helping households understand the benefits of and gain access to such products to help them be better prepared to meet their needs and manage unexpected expenses.

46 Federal Reserve Board, 2019 Survey of Consumer Finances (2019).
47 Federal Reserve Board, Report on the Economic Well-Being of U.S. Households in 2022 (May 2023).
48 Federal Deposit Insurance Corporation, How America Banks: Household Use of Banking and Financial Services (2019).
49 There are a number of different ways to determine the share of households with a prime credit score. For example, the Financial Health Network's Financial Health Pulse 2022 U.S. Trends Report (September 2022) notes the share of consumers that report having a prime credit score. Periodic reports from commercial credit bureaus also note the share of consumers with a prime credit score. If needed, the FDIC might consider purchasing data from one or more credit bureaus to assess this monitoring measure or partnering with another federal agency that has access to these data.

Many households do not have enough savings to draw on to manage unexpected expenses. In 2023, only 63 percent of adults said they could cover a hypothetical $400 expense using cash or cash equivalent and only 54 percent reported they have three months of emergency savings.[50] For many LMI and other underserved consumers, limited cash flow is a key impediment to saving, including building emergency savings.[51] Low- and no-fee transaction and savings accounts with low or no minimum balance requirements that allow easy access to funds are particularly important for consumers trying to build an emergency fund. Features such as automatic deposits and matched savings programs can help facilitate regular contributions by consumers so they can build savings over time. In addition, products or services offered when the consumer has money to save, such as when they receive a tax refund, public benefit, or a raise at work, are an opportunity for consumers to contribute to their savings.[52]

Small-dollar credit products, such as safe and affordable consumer loans, or credit cards can also help households manage expenses. Some consumer credit products can be costly, and many less costly options require applicants to have an established positive credit score. However, about one-fifth of households likely do not include a member with a credit score.[53] Low-income, young, Black, and Hispanic consumers are among those most likely to lack a credit score.[54]

Some bank representatives cite difficulties ascertaining the creditworthiness of LMI potential borrowers as a challenge to lending to these households.[55] Banks most often use traditional underwriting practices to determine borrower creditworthiness. These practices increase the likelihood that borrowers with low—or no—credit score are rejected. However, technological developments have made it easier to analyze financial transaction data from bank accounts. Using certain information rarely found in credit reports could help banks evaluate the creditworthiness of consumers who might not obtain credit using traditional underwriting standards.[56] Other approaches, such as making credit products available to established customers in good standing, leveraging automation and partnerships to lower the cost of acquisition and delivery, and designing programs that support consumer repayment, can also expand the number of consumers who qualify.

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[50] Federal Reserve Board, Report on the Economic Well-Being of U.S. Households in 2022 (May 2023).

[51] The Aspen Institute, Short-Term Financial Stability: A Foundation for Security and Well-Being (April 2019).

[52] Consumer Financial Protection Bureau, Building a Brighter Future by Saving at Tax Time (October 2018); and Consumer Financial Protection Bureau, Planning for Tax-Time Savings: Innovation Insights (September 2019). A number of efforts have been undertaken to encourage consumers to apply for refundable tax credits, such as the Earned Income Tax Credit and the Child Tax Credit. Building on these efforts could provide an opportunity for the FDIC to facilitate partnerships to help LMI and other underserved households increase savings.

[53] Federal Deposit Insurance Corporation, How America Banks: Household Use of Banking and Financial Services (2019).

[54] Consumer Financial Protection Bureau, Data Point: Credit Invisibles (2015).

[55] Lawrence J. White, The Community Reinvestment Act at 40: Why Is It Still Necessary to Lean on Banks? (2020).

[56] Federal Deposit Insurance Corporation, Interagency Statement on the Use of Alternative Data in Credit Underwriting (2019).

The FDIC is well-positioned to encourage banks to develop savings and credit products that can help families manage financial ups and downs affordably. Over the years, the FDIC has helped households build savings and access small-dollar loans by developing Money Smart resources related to savings strategies; supporting national and regional initiatives, such as America Saves; and conducting research about safe small-dollar loans. For example, the FDIC facilitates the Youth Banking Network, which consists of 85 banks, by supporting bank efforts to engage and educate youth across the country and connect them with savings accounts.

Theory of Change

Figure 4. Theory of Change for Opportunity Area 2: Build Household Financial Stability

OPPORTUNITY AREA 2: BUILD HOUSEHOLD FINANCIAL STABILITY

	CHALLENGES	STRATEGIES	OUTCOMES	IMPACT
CONSUMERS 	• Lack of cash flow available for savings • No or low credit score (which inhibits access to credit) • Limited awareness of available products and services that meet their needs	• **Work** with trusted partners that serve the unbanked and underbanked • **Inform** consumers about safe and affordable products • **Educate** consumers on positive credit building strategies	**INCREASE AWARENESS AND USE** of safe and affordable products and services for managing fluctuations in income and expenses, financial shocks, or emergencies	 GOOD
COMMUNITY STAKEHOLDERS 	• Lack of collaboration between banks and local, state, federal, and nonprofit programs	• **Identify and promote** local, state, and national savings initiatives • **Facilitate partnerships** among banks, benefits programs, and saving initiatives	**INCREASE THE AVAILABILITY & ACCESSIBILITY** of bank products and services for managing fluctuations in income and expenses, financial shocks, or emergencies	Increase the share of households that have access to and benefit from banking products and services to manage fluctuations in income and expenses, financial shocks, or emergencies
BANKS 	• Lack of products and service offerings • Hesitancy with lending to perceived risky borrowers	• **Engage** banks to offer products for saving and credit-building • **Promote** promising practices and products for increasing savings, building credit, and offering safe small-dollar loans		

To improve household financial stability, the FDIC will implement strategies that address the challenges that inhibit LMI and other underserved consumers from saving and accessing consumer credit. As reflected in **Figure 4**, key challenges that affect the ability of consumers to save and access credit include a lack of cash flow available for savings, a lack of effective engagement with products and programs that support savings, no or a low credit score (which inhibits access to credit), a lack of responsive credit products, and limited awareness of products and services that meet their needs.

To facilitate savings by consumers with limited incomes, the FDIC will facilitate programmatic partnerships between banks and community-based organizations and government agencies that administer programs that provide opportunities to save. This could include initiatives that help consumers access additional funds, such as from tax refunds (e.g., those who receive the Earned Income Tax Credit[57] or the Child Tax Credit) or from guaranteed income programs. The FDIC will identify and build strategic partnerships with community-based organizations to help consumers capitalize on times when they have income they can save and take advantage of other strategies that support savings behavior. Further, the FDIC will facilitate partnerships between these organizations and banks to foster consumer savings in safe and affordable accounts. To help consumers gain access to credit, the FDIC will continue to encourage banks to offer products that help consumers build their credit scores, such as credit-builder loans or secured credit cards. The FDIC will raise consumer awareness of products and services through partnerships with organizations whose clients include unbanked and underbanked consumers. The FDIC will encourage these partners to offer its Money Smart curriculum focused on savings and building credit.

The FDIC will seek to address the lack of products and services by educating and building awareness among banks about promising approaches to offering credit-building and responsible small-dollar lending products. This could include, for example, the potential to use deposit account data in the underwriting process and engaging with core service providers[58] and others with a role in enabling banks to offer such products.

The FDIC's work in this area will be informed by FDIC research on promising practices for overcoming challenges and capitalizing on opportunities related to consumer savings and credit, with a focus on the experiences and perceptions of LMI and other underserved households.

Strategies

Awareness and Education

2.1 Identify partners that work with unbanked and underbanked consumers, including youth and young adults, and train them to use Money Smart materials to expand awareness and understanding of the benefits of building savings and promising strategies for doing so.

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[57] Internal Revenue Service, EITC Participation Rate by States Tax Years 2012 through 2019 (2022). Many households eligible for the Earned Income Tax Credit do not claim it. In tax year 2019, 79.3 percent of eligible residents nationally claimed the credit, though participation rates varied by state. Efforts that aim to increase the share of eligible households that claim the tax credit could complement tax-time savings efforts.

[58] Core service providers are the companies that offer software and technology solutions to financial institutions, primarily banks, to manage their core banking functions and operations.

2.2 Identify partners that work with unbanked and underbanked consumers, including LMI and other underserved consumers, and train them to use Money Smart materials to build awareness and understanding of the benefits of building a positive credit history and score and promising strategies for doing so.

2.3 Raise awareness of opportunities to build savings and positive credit history through communications and resources for consumers and partners that serve LMI and other underserved consumers.

2.4 Engage community organizations and their members to assess their needs, increase awareness of the FDIC and other resources related to savings and credit.

2.5 Expand awareness among banks of promising approaches to offering credit products that help LMI and other underserved households establish a positive credit history, such as credit-builder loans or secured credit cards.

2.6 Expand awareness among banks of promising approaches to offering safe and affordable credit products that help LMI and other underserved consumers address cash fluctuations, such as responsible small-dollar loans.

Partnerships and Collaborations

2.7 Partner with federal, state, and local government benefit programs to identify opportunities to help LMI and other underserved households save. Facilitate partnerships between these programs and banks to help LMI and other underserved households increase savings.

2.8 Partner with community-based organizations and nonprofit financial counseling agencies to cross-promote resources related to credit building and to gain an understanding of the credit needs of consumers.

Research and Innovation

2.9 Conduct research to measure consumer use of bank and nonbank credit and savings products; conduct research to understand banks' provision of products and programs to meet the savings and credit needs of a wide range of consumers and obstacles to consumers' ability to access and benefit from them.[59]

Key Performance Indicators

Awareness and Education

- Number of households reached through Money Smart materials focusing on savings; share of users reporting more understanding of and interest in savings.

[59] This information may come from outreach events, listening sessions, or formal research.

- Number of households reached through Money Smart materials focusing on credit building; share of users reporting more understanding of and interest in credit building.
- Number of households sent direct communications from the FDIC or a partner; percentage who engaged with the information as measured by impressions and unique visits to websites linked to the communications; share who reported that the information was valuable.
- Number and market share of institutions that offer responsible credit-building products, such as credit-builder loans or secured credit cards; share of U.S. households served by a bank that offers credit-building products.
- Number and market share of institutions that offer responsible small-dollar credit products, such as affordable small-dollar loans; share of U.S. households served by a bank that offers safe, affordable short-term credit products, such as affordable small-dollar loans.

Partnerships and Collaborations

- Number and market share of institutions that partner with community-based or government programs that help LMI and other underserved populations save.
- Number of stakeholders that participate in FDIC training and outreach on maximizing opportunities to save; percentage reporting intent to take action after engaging with the FDIC; number of households served by those partners or institutions.
- Number of partners that participate in FDIC training and outreach related to credit building; percentage reporting intent to take action after engaging with the FDIC; number of households served by those partners or institutions.

Research and Innovation

- Number of research articles and reports from the FDIC and other sources related to consumer credit, credit scores, credit building, or savings citing FDIC economic inclusion research or data.
- Number of unique visits to FDIC web pages that feature economic inclusion research, data, and related information on credit or savings; share of web page visitors who report finding the information valuable.
- Number of readers and other consumers of popular media reporting on FDIC economic inclusion research or data related to credit or savings.

Opportunity Area 3. Achieve a Secure Financial Future: Build household wealth through investments that can foster savings and accumulate value over time.

Objective: Increase the share of households that benefit from banking services and other programs that expand access to mortgage credit and broaden the availability of small business financing and services, particularly to small and very small businesses.

Monitoring Measures

- 3.A. The share of small businesses that receive credit from banks[60]
- 3.B. The share of banks' home purchase lending to low- or moderate-income borrowers and to borrowers in low- and moderate-income areas.[61]

Motivation

Building household wealth is an important part of promoting consumer financial stability, well-being, and future opportunities, including the opportunity for intergenerational wealth transfer. Though a range of wealth-building activities help consumers work toward long-term financial stability, including building retirement savings and accessing education loans, this Economic Inclusion Strategic Plan focuses the FDIC's efforts on homeownership and small business ownership. These are areas where banks can play an important role and where the FDIC is well-positioned to support their work. Buying a house or starting a business requires long-term planning and preparation. To meet these financial goals, consumers need access to safe and affordable financial products that facilitate wealth building and access to long-term credit.

The FDIC is committed to improving consumer access to banking resources needed to become a homeowner or start or grow a business, including affordable mortgages and small business loans. These investments will help consumers build long-term savings and assets and make progress toward financial security. When banks provide mortgages and small business services and loans, confidence increases that the products will be well-suited to the needs of consumers and will likely benefit them over the long term.

- **Homeownership.** Owning a home can help households build home equity—a significant source of household wealth, including wealth that can be passed on to the next generation. Homeowners build home equity through both "forced savings" (a portion of each monthly payment on an amortizing mortgage contributes to home equity) and home value appreciation (gain when the value of the home exceeds its original purchase price).

[60] Federal Reserve Board, Availability of Credit to Small Businesses (October 2022).
[61] Federal Financial Institutions Examination Council, The Home Mortgage Disclosure Act (June 2023).

Homeownership is also supported by several public policies, including the tax code, which can bolster household balance sheets.

In 2020, the median wealth of homeowners—comprising mostly home equity—exceeded that of renters by $330,372, or 58 percent.[62] However, homeownership may be out of reach for many households. In 2023, two-fifths (40 percent) of all renters reported they cannot qualify for a mortgage and 65 percent said they cannot afford the down payment for a home.[63] Homeownership affordability has also declined in recent years as home prices and interest rates have risen.[64] Studies have underscored the importance of not just attaining homeownership, but sustaining homeownership over time. In one study, low- and moderate-income households that sustained homeownership had more than 20 times the wealth of similarly situated households that remained renters.[65] Homeownership rates vary significantly by race and ethnicity. In the second quarter of 2023, more than 74 percent of White non-Hispanic households owned their home, compared to 46 percent of Black households, 49 percent of Hispanic households (of any race), and 58 percent of other households of color.[66]

Current market conditions underscore the need for programs and services to proactively meet the needs of LMI and other historically underserved communities. Current housing prices—combined with mortgage rates that are at a 20-year high as of 2023—require consumers to pay a large share of their income for housing. In June 2023, the share of median income needed for the average monthly mortgage payment was 33.9 percent.[67] Given these costs, it is not surprising that the share of purchase mortgages going to LMI homebuyers has declined—from 39.4 percent in 2018 to 23.1 percent in 2022.[68]

Over the past decade, nonbanks have played a growing role in the mortgage market. In June 2023, nonbank lenders made 79 percent of all mortgages purchased by government-sponsored enterprises. The share was even higher—93 percent—for government-backed loans (e.g., Federal Housing Administration and Veterans Administration loans) that disproportionately are used by first-time homebuyers and lower-income and non-White borrowers.[69] However, banks continue to have a meaningful role to play in the mortgage

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[62] Donald Hays and Briana Sullivan, The Wealth of Households: 2020, U.S. Census Bureau (August 2022).
[63] Federal Reserve Board, Supplemental Appendixes to the Report on the Economic Well-Being of U.S. Households in 2022 (May 2023).
[64] Urban Institute, Housing Finance at a Glance: A Monthly Chartbook (July 2023).
[65] Freeman, A. and R.G. Quercia. 2014. Low and Moderate-Income Homeownership and Wealth Creation. UNC Center for Community Capital Working Paper. Chapel Hill, NC: UNC Center for Community Capital.
[66] U.S. Census Bureau, Quarterly Residential Vacancies and Homeownership, Second Quarter 2023 (August 2023).
[67] Urban Institute, Housing Finance at a Glance: A Monthly Chartbook (July 2023).
[68] *Ibid*
[69] *Ibid*

market. From an economic inclusion standpoint, fostering consumer use of affordable mortgage products and increasing bank participation in mortgage lending remain important.

Business Ownership. Building a business can provide additional financial stability that helps business owners increase their income over time and generate wealth that can be passed on to the next generation. In addition, providing loans and grants to diverse entrepreneurs is seen by many as an important way to address the racial wealth gap.[70] Small business loans provide business owners with the capital needed to start, expand, or improve their businesses. For example, research shows that loans of less than $50,000—or microloans—are the financing product that will reach the greatest number of Black and Hispanic/Latino entrepreneurs.[71]

However, accessing credit can be challenging. Only about 15 percent of small businesses applied for credit in 2020; just 60 percent received the amount requested, and 12 percent received none. Trends in Paycheck Protection Program (PPP) lending suggest that lending in historically underserved areas, including LMI and rural areas, is lower than for urban, higher-income areas.[72,73] Community development financial institutions (CDFIs) have long been a source of support for businesses in LMI communities and those businesses with owners of color who have lacked access to traditional sources of capital and small business support.

Banks, especially community banks, play a unique role as service providers to and financers of small businesses in their areas and are important participants in the Small Business Administration–guaranteed 7(a) loan program. Small business loans often represent a majority of community banks' commercial and industrial portfolios. Community banks have a locally-minded focus and emphasize relationship building that allow them to be key supporters of small businesses in their area. Leveraging practices and competencies that meet the specific contexts of entrepreneurs who face barriers to accessing credit due to a range of factors, such as differences in cultural experiences and languages, low levels of wealth, or thin or no credit files, can enable community banks to more successfully reach the full range of creditworthy entrepreneurs.[74]

Taken together, the trends in homeownership and business ownership underscore the importance of ensuring that consumers, particularly LMI and other underserved consumers, are aware of and have access to programs and services available to them on their wealth-building journeys. By facilitating

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70 The Aspen Institute, Scaling Lending to Entrepreneurs of Color: Part I (November 2021).
71 *Ibid*
72 U.S. Small Business Administration, Paycheck Protection Program (May 2021). For example, 28 percent of approved PPP loans were in LMI areas, and 16.6 percent of approved PPP loans were in rural areas.
73 Federal Reserve Board, Availability of Credit to Small Businesses (November 2022).
74 The Aspen Institute, Scaling Lending to Entrepreneurs of Color: Part I (November 2021).

wealth building and access to long-term credit, banks can help LMI and other underserved populations build a secure financial future.

The FDIC is well-positioned to grow its efforts to support consumer wealth building through homeownership and small business ownership. For example, the FDIC's online Affordable Mortgage Lending Center, which provides information to banks and promotes responsible, affordable mortgage lending, has more than 54,800 subscribers.[75] On the small business lending front, the FDIC is a trusted resource, facilitator, and connector. For example, Money Smart for Small Business and the practitioner network of training providers within the Money Smart Alliance are established resources that the FDIC can leverage to support the financial goals of aspiring entrepreneurs. The FDIC has networks that include a well-established partnership with the Small Business Administration (SBA) and relationships with trusted community partners, including SBA's Small Business Development Centers, Women's Business Centers, Veteran Outreach Centers, and others.

Theory of Change

Figure 5. Theory of Change for Opportunity Area 3: Achieve a Secure Financial Future

OPPORTUNITY AREA 3: ACHIEVE A SECURE FINANCIAL FUTURE

	CHALLENGES	STRATEGIES	OUTCOMES	IMPACT
CONSUMERS AND ENTREPRENEURS 	• Limited or no savings • High debt burden • Low income • Low or no credit score • Lack of awareness of assistance programs • Complex application processes and limited capacity	• **Partner** with intermediaries to offer education and technical assistance to prospective homebuyers and entrepreneurs • **Ensure** consumer resources and tools are accessible (technology, language, etc) • **Facilitate and encourage** collaboration between Community Based Organization and banks	**IMPROVE CONSUMERS' AND ENTREPRENEURS' KNOWLEDGE, AWARENESS, AND USE** of available resources	 Increase the share of households that benefit from banking services and other programs that expand access to mortgage credit and small business financing, advancing long-term financial security
BANKS 	• Perceived risk and lack of profitability of mortgage lending • Perceived complexity, risk, and lack of profitability in lending to LMI and other underserved populations	• **Educate** banks about opportunities to support homeownership and small business lending • **Partner** with banks and other stakeholders to raise awareness and interest in promising approaches to expanding homeownership and small business lending	**INCREASE THE AVAILABILITY & ACCESSIBILITY** of bank services and programs for expanding access to mortgage credit and small business financing	

[75] As of August 2023.

To support consumers' journeys toward long-term financial security, the FDIC will implement a suite of strategies that address the key challenges to consumer access to banking products and services that support homeownership and business ownership and growth.[76] As reflected in **Figure 5**, consumers face multiple challenges to accessing homeownership and business ownership and growth, including insufficient savings for a down payment or to seed a small business, high levels of debt, low incomes, and low credit scores. Some entrepreneurs lack awareness of processes and the capacity to fulfill requirements to establish a small business and apply for resources available through loans or technical assistance programs. Consumers also could be unaware of programs that can help them overcome these challenges, such as down payment assistance or technical assistance for small businesses. To build consumer awareness and increase use of these resources, the FDIC will partner with intermediaries, including community-based organizations that offer financial resources, education, and technical assistance. To promote the uptake of these opportunities, the FDIC will facilitate strategic partnerships between community-based organizations and banks.

For banks, key challenges to engaging in mortgage and small business lending for LMI and other underserved populations include perceived complexity, risk, and lack of profitability. For mortgages specifically, some banks have withdrawn their participation in federally sponsored mortgage programs and others have never participated.[77] To counter these challenges, the FDIC will work with banks and other relevant stakeholders to raise awareness and interest in promising approaches such as government-backed guarantee programs, down payment assistance, and Special Purpose Credit programs.

The FDIC's work in this area will be informed by ongoing FDIC research on promising practices related to supporting small business ownership and homeownership. This work will include conducting and disseminating information about promising approaches and products.

Strategies

Awareness and Education

3.1 Educate banks about community-based and government programs that promote homeownership among LMI and other underserved consumers (including down payment assistance programs, public housing agency programs that support homeownership, and homebuyer education and counseling programs).

[76] The environmental scan conducted as part of the strategic planning process informed this approach; rather than having separate opportunity areas for business lending and mortgages, the FDIC will focus on fostering bank-related activities that promote long-term financial stability, including activities that promote ownership of homes and small businesses.

[77] Following the passage of new regulations after the 2008 financial crisis, most mortgages follow product parameters that conform to those laid out by the government-sponsored enterprises (GSEs) Fannie Mae and Freddie Mac.

3.2 Educate banks about community-based and government programs that support aspiring entrepreneurs (such as capital access and technical assistance programs).

3.3 Identify organizations that work with residents of LMI and other underserved communities and educate them about government and bank products and programs that support aspiring homebuyers and small business owners.

3.4 Identify partners that work with LMI consumers and train them to use Money Smart materials that address home buying and homeownership.

3.5 Support organizations that provide training and technical assistance using the Money Smart financial education program to build awareness of how entrepreneurs can start and run their small business and how to access and apply for resources to support it.

3.6 Educate and raise awareness among organizations that work with LMI and other underserved entrepreneurs about promising strategies to help small businesses active in LMI neighborhoods make informed choices about credit options, particularly given gaps in regulatory protections that may result, for example, in them receiving less fulsome disclosures.

3.7 Educate and raise awareness among banks about promising approaches to developing Special Purpose Credit programs and other products to help LMI consumers access capital for homeownership and small business ownership.

3.8 Educate and raise awareness among banks about promising approaches to developing products that support LMI homeowners to maintain or make renovations or modifications needed to stay in their homes.

Partnerships and Collaborations

3.9 Develop strategic partnerships with organizations and government agencies that support homeownership and small businesses; identify gaps (in knowledge, resources, etc.) and opportunities for collaboration.

3.10 Encourage banks to partner with federal, state, and local government programs and programs offered by nonprofit organizations that help LMI and other underserved consumers access down payment funds or homebuyer/owner education and counseling services.

3.11 Facilitate collaboration between community banks and small business technical assistance providers to support consumers in their pursuit of small business financing.

Research and Innovation

3.12 Stay current on leading research; conduct research and analyze available data to inform FDIC program development and implementation, including trends in bank residential mortgage lending and lending to businesses, including very small businesses, woman- and minority-owned small businesses, and other business segments identified as underserved.

Key Performance Indicators

Awareness and Education

- Number of unique visits to FDIC online resources about mortgages and small business lending; percentage of visitors who reported that the information was valuable.
- Number of banks and community-based organizations trained on teaching Money Smart for Small Business; percentage of those trained that report feeling more confident in helping small businesses after they attended the training.
- Number of consumers reached through Money Smart materials focusing on homeownership and business ownership.
    - Share of users reporting a better understanding of the homebuying process and the steps required to obtain a mortgage.
    - Share of users reporting increased confidence managing small business finances.
- Number of community-based organizations, small business owners, and entrepreneurs that attend FDIC-led education that helps small businesses active in LMI neighborhoods make informed choices about credit options; percentage of attendees reporting increased confidence to make informed choices about credit options; number of households served by those organizations.
- Number and market share of banks that attend FDIC-led education related to developing Special Purpose Credit programs and other products to help LMI consumers access capital for homeownership and small business ownership; percentage and market share reporting intent to take action after engaging with the FDIC; number of households served by those partners or institutions.
- Number of banks that attend FDIC-led education related to promising approaches to developing products that support LMI homeowners to maintain and/or make renovations or modifications needed to stay in their homes; percentage and market share reporting intent to take action after engaging with the FDIC; number of households served by those banks.

Partnerships and Collaborations

- Number of banks that attend FDIC partnership-oriented engagements related to small business and homeownership programs; percentage that report making new contacts; percentage and market share reporting intent to take action after engaging with the FDIC.

Opportunity Area 4. Live in Strong and Healthy Communities: Encourage bank lending, investments, and services that support strong and healthy communities, including low- and moderate-income (LMI) neighborhoods and other underserved communities.

Objective: Encourage financing and other resources available to LMI and other underserved communities from banks to improve conditions for residents, including improving community facilities, increasing affordable housing, and enhancing employment opportunities.

Monitoring Measures

- 4.A. Dollar amount of community development lending by CRA reporters[78]
- 4.B. Share of CRA reporters that report community development lending[79]

Motivation

For more than a century, a wide range of partners have worked to reduce poverty and improve living conditions and quality of life in LMI neighborhoods across the United States. In the modern era, these efforts have focused on developing quality, affordable, and mixed-income housing; investing in small businesses that provide jobs and services in these neighborhoods; encouraging and supporting investments by banks and other financial institutions to provide the capital needed to strengthen communities; and engaging community residents, organizations, and businesses as partners in the community development process. Key community development partners include community development corporations and other community-based nonprofit organizations that build housing, improve streetscapes, provide essential services, and advocate for stronger policies and funding; anchor institutions like universities and hospitals that provide jobs, local leadership, and financial support; local governments that administer federal and state programs and provide vital social services; and banks and community development financial institutions (CDFIs) that provide capital for housing, small businesses, and other community needs.

Today's community development efforts are supported by federal policies and programs that work collectively to improve local conditions. These include the Low-Income Housing Tax Credit, which has

[78] Federal Financial Institutions Examination Council, CRA National Aggregate Table 3: Community Development Lending (2021). CRA reporters are institutions that have CRA obligations; they include national banks, savings associations, and state-chartered commercial and savings banks that are FDIC insured.

[79] *Ibid*

produced or preserved more than 3.5 million affordable rental units,[80] and the New Markets Tax Credit, which, through the end of fiscal year 2021, had, "supported the construction of 76.9 million square feet of manufacturing space, 118.3 million square feet of office space, and 77.1 million square feet of retail space" and helped create or retain more than 938,000 jobs.[81] A third key federal support for community development efforts is the CDFI Fund that provides funding and technical assistance to CDFIs that in turn support small businesses, affordable housing, and other community needs. Among the many other federal programs that support community development efforts are the Community Development Block Grant and affordable housing programs administered by the U.S. Department of Housing and Urban Development and the U.S. Department of Agriculture's Rural Housing Service.

Another key federal policy supporting community development is the CRA, which encourages banks to provide services, lend, and invest in the communities in which they do business, including LMI communities, consistent with safe and sound operations. The FDIC is one of three federal regulators responsible for implementing the CRA. In this role, the FDIC assesses the extent to which banks fulfill their CRA obligations. The CRA plays an important part in expanding the availability of credit and banking services in LMI and other underserved communities, critically helping to ensure that banks are actively engaged in community development efforts.

Bank engagement with LMI individuals and in LMI and other underserved communities can result in substantial social, economic, and environmental benefits. For example, according to community development lending data reported by large banks, in 2021, banks made more than $151 million in community development loans that are eligible for CRA credit, benefiting such individuals and communities.[82] Since 1996, certain large financial institutions have been mandated to report their community development loans. These reports indicate notable increases in affordable housing lending, with substantial increases in the construction and preservation of new housing units. Beyond housing, bank community development loans and investments have also expanded the number of community facilities and fostered the establishment of new businesses and job opportunities.

Despite these various programs and CRA's positive impact on community development outcomes,[83] LMI neighborhoods still fall short on measures of community health and well-being such as access to health care, safe and affordable housing, and employment opportunities. The FDIC is well-positioned

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[80] U.S. Department of Housing and Urban Development, Low-Income Housing Tax Credit (LIHTC): Property Level Data (2023).

[81] Community Development Financial Institutions Fund, Fact Sheet: New Markets Tax Credit Program (2022).

[82] Federal Financial Institutions Examination Council, Findings from Analysis of Nationwide Summary Statistics for 2021 Community Reinvestment Act Data Fact Sheet (2022).

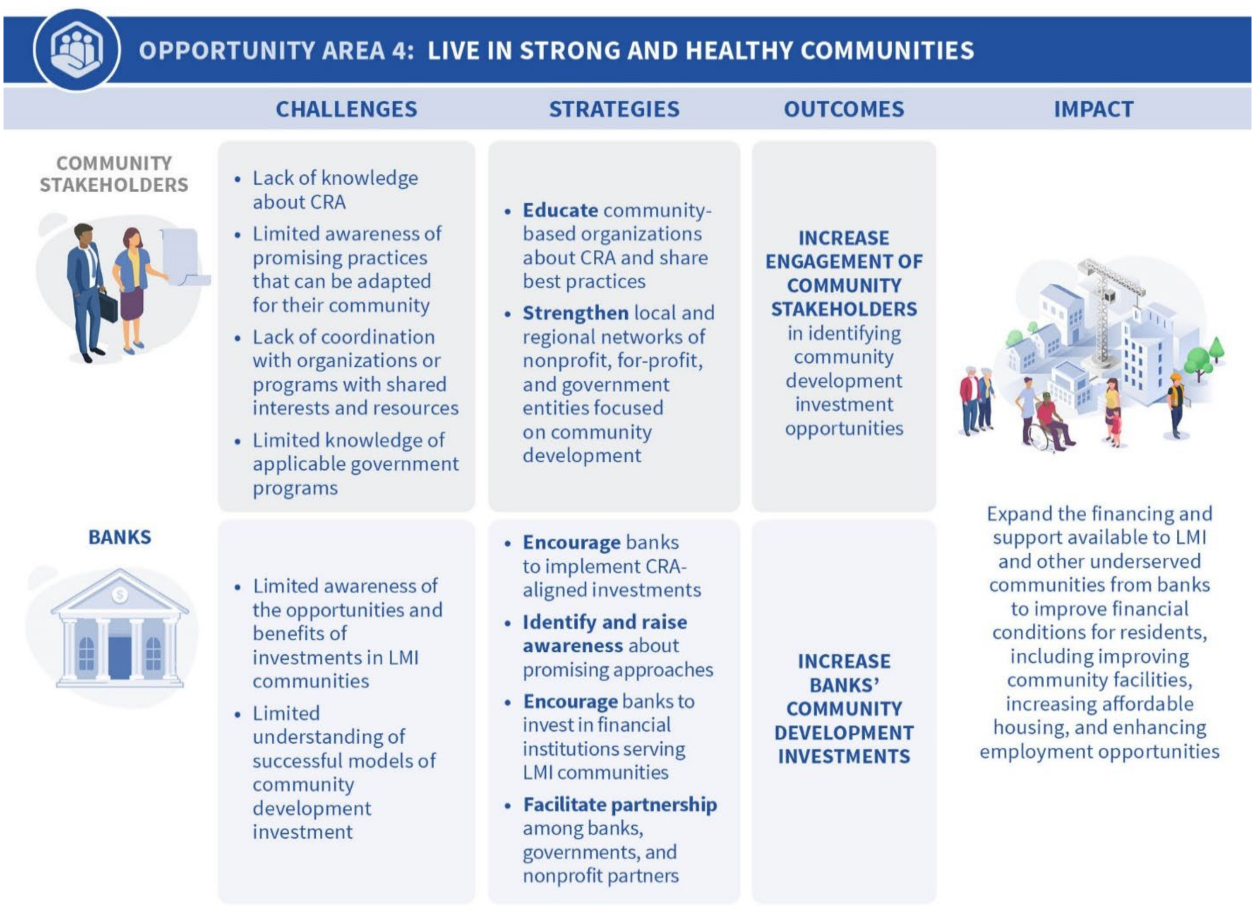
[83] Panagiotis Avramidis, George Pennacchi, Konstantinos Serfes, and Kejia Wu, The Role of Regulation and Bank Competition in Small Firm Financing: Evidence from the Community Reinvestment Act (April 2022); Lei Ding and Carolina K. Reid, The Community Reinvestment Act (CRA) and Bank Branching Patterns (September 2019); and Lei Ding and Leonard I. Nakamura, "Don't Know What You Got Till It's Gone"—The Community Reinvestment Act in a Changing Financial Landscape (February 2020).

to encourage and support community development loans, services, and investments that benefit LMI communities. The FDIC hosts regular meetings across the country where banks and community-based organizations meet to discuss local challenges and pursue promising solutions. In addition, in 2023, the FDIC and the other two federal regulators with responsibility for the CRA finalized a regulation that strengthens and modernizes CRA.[84]

This Economic Inclusion Strategic Plan signals the FDIC's commitment to continuing to encourage banks to direct their resources in ways that support all the communities in which they operate.

Theory of Change

Figure 6. Theory of Change for Opportunity Area 4: Live in Strong and Healthy Communities



The strategies that the FDIC implements in this Opportunity Area will result in growth in bank loans, investments, and services that are responsive and contribute to positive community development

[84] Federal Deposit Insurance Corporation, Interagency Overview of the Community Reinvestment Act Final Rule (October 2023).

outcomes, including greater access to affordable health care, affordable housing, and employment for community residents.

As shown in **Figure 6**, many community stakeholders are not aware of the types of bank loans, investments, and services that may qualify as community development for CRA purposes. The FDIC will build partnerships and networks with nonprofit and government programs that raise awareness about opportunities to access loans and investments that may qualify under CRA. In addition, the FDIC will bring together local and regional nonprofit organizations and private and public sector stakeholders to find areas of alignment across community development needs and available resources. These networks of stakeholders will be better equipped to partner with banks to leverage investments in community infrastructure that improves community health and well-being.

Some banks, especially community banks, would be better positioned to meet the needs of their community by increasing their awareness of community development needs and models of community development financing that have been implemented successfully elsewhere. To improve bank knowledge of and interest in investing in LMI communities, the FDIC will educate banks about opportunities for CRA-qualified lending activities, including promising approaches that leverage private, government, and philanthropic investments. The FDIC expects that this awareness will lead banks to explore and pursue activities that are CRA-qualified and benefit communities. The FDIC will also raise awareness among banks about opportunities to achieve community development objectives through investments in financial institutions that are located in and serve LMI communities, including minority depository institutions (MDIs), women depository institutions (WDIs), low-income credit unions (LICUs), and CDFIs.

The FDIC's work in this area will be informed by ongoing FDIC research that identifies and elevates successful strategies for banks to invest in building and maintaining affordable housing and essential community facilities and infrastructure, promising practices for bank engagement and outreach to LMI communities, and opportunities for bank investments that leverage government-sponsored community development programs and initiatives.

Strategies

Awareness and Education

4.1 Educate and inform banks about opportunities for CRA-qualified community development lending, investment, and service activities, including opportunities that support affordable housing, economic development, community support services, community revitalization, and essential community facilities and infrastructure.

4.2 Facilitate meetings and forums that bring together banks, community development practitioners, and other relevant public and private sector stakeholders to explore community needs and identify how CRA-qualified investment opportunities can meet those needs.

4.3 Educate and build awareness among community-based organizations about opportunities to work with banks to increase CRA-qualified lending and investment that support community needs.

Partnerships and Collaborations

4.4 Encourage bank activities that support MDIs, WDIs, LICUs, and CDFIs to expand their reach in LMI communities, including in rural areas.

4.5 Facilitate collaborations among banks and federal, state, local, and tribal government agencies; CDFIs; and other stakeholders to identify initiatives, opportunities, and promising practices to achieve local community development goals; share learning to encourage replication of promising approaches and identify gaps where further policy development efforts are needed.

Research and Innovation

4.6 Stay current on research related to community development needs and approaches; conduct research and analyze available data to inform FDIC program development and implementation related to bank involvement in community development efforts, such as investments in affordable housing, economic development, community support services, community revitalization, and essential community facilities and infrastructure.

Key Performance Indicators

Awareness and Education

- Number and market share of banks that participate in FDIC training and outreach related to CRA-qualified community development activities; percentage and market share of those banks reporting intent to take action after engaging with the FDIC.

Partnerships and Collaborations

- Number and market share of banks that receive information from the FDIC about promising practices for community engagement and outreach by banks; percentage and market share of banks that attend FDIC partnership-oriented engagements and report making new contacts.

- Number of attendees at engagements with federal, state, and local stakeholders that explore how banks can address community development outcomes; percentage of and market share of bank attendees reporting intent to take action afterward.

Research and Innovation

- Number of unique visits to FDIC web pages that include publications and resources related to the role of banks in community development; percentage of those visitors who report finding the information valuable.

Appendices

Appendix A: Overview of Environmental Scan Process

The FDIC drafted this Economic Inclusion Strategic Plan according to applicable requirements of the Government Performance and Results Act of 1993 (GPRA), as amended, the GPRA Modernization Act of 2010, and OMB Circular A-11. The FDIC is also developing internal processes to facilitate monitoring and evaluating the four strategic objectives outlined in this Plan.

The strategic planning process for this Plan included an in-depth environmental scan comprising two streams of research activities: (1) a literature review and (2) internal and external stakeholder interviews and listening sessions. The insights from that research informed the development of the Opportunity Areas, objectives, and strategies in this Plan.

Seven research questions guided the literature review. The review also included a summary of relevant executive orders and other relevant literature that emerged during the environmental scan. Appendix B lists the research questions guiding the literature review and the sources reviewed, which included peer-reviewed articles, white papers, and FDIC internal documents.

The stakeholder listening sessions involved 19 FDIC stakeholders and 39 external stakeholders including researchers, practitioners, career staff from other federal agencies, and staff from financial institutions and nonprofit organizations.

Appendix B: Research Questions and Associated Literature Sources from the Environmental Scan

The environmental scan included a literature review guided by seven research questions. The review also included relevant executive orders and other relevant literature that emerged during the scan.

1. What kinds of activities were included in the FDIC's current Economic Strategic Inclusion Plan, and what did the FDIC accomplish? (Summarize key activities, accomplishments, barriers and challenges, and opportunities)

- Federal Deposit Insurance Corporation. (2019). Economic Inclusion Strategic Plan.
- Federal Deposit Insurance Corporation. (2007). A Longitudinal Evaluation of the Intermediate-term Impact of the Money Smart Financial Education Curriculum upon Consumers' Behavior and Confidence.

2. What is the broader research landscape saying about successes and challenges/barriers in getting the unbanked and underbanked banked nationally?

- Boel, P. & Zimmerman, P. (2022). Unbanked in America: A Review of the Literature. Economic Commentary 2022-07. Federal Reserve Bank of Cleveland.
- Burhouse, S., Navarro, B., Osaki, Y. (2016). Opportunities for Mobile Financial Services to Engage Underserved Consumers: Qualitative Research Findings. Federal Deposit Insurance Corporation.
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- White, L. (2020). The Community Reinvestment Act at 40: Why Is It Still Necessary to Lean on Banks? *Housing Policy Debate, 30*(1), 110-115. https://doi.org/10.1080/10511482.2019.1665832.

3. What does the literature say about how banks respond to the Community Reinvestment Act?

- Avramidis, P., Pennacchi, G., Serfes, K., Wu, K. (2022). The Role of Regulation and Bank Competition in Small Firm Financing: Evidence from the Community Reinvestment Act. *Journal of Money, Credit and Banking*, 54(8), 2301-2340. https://doi.org/10.1111/jmcb.12938.
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- Zuluaga, D., & Forrester, A. C. (2020). The Impact of the Community Reinvestment Act on Neighborhood Gentrification. *Quarterly Journal of Finance & Accounting*, *58*(3).

4. Is financial education effective? How effective is financial education broadly in changing consumer behavior? What do we know about the efficacy of financial education in getting the unbanked and underbanked banked?

- Al-Bahrani, A., Weathers, J., & Patel, D. (2019). Racial Differences in the Returns to Financial Literacy Education. *The Journal of Consumer Affairs*, 53(2), 572-599. doi:10.1111/joca.12205.
- Davis, H., & Hasler, A. (2021). Testing the Use of the Mint App in an Interactive Personal Finance Module. Global Financial Literacy Excellence Center. https://gflec.org/wp-content/uploads/2021/02/Mint-Report-Final-Version-February-10-2021.pdf?x73402.
- Elliott, D., Theodos, B., Teles, D., Adaeze, O., & Docter B. (2020). An Evaluation of the $tand By Me® Financial Coaching Program. Urban Institute. https://www.urban.org/sites/default/files/publication/103036/an-evaluation-of-the-tand-by-me-financial-coaching-program_0.pdf.
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- Short, K. J. (2020). “Knowledge is Power”: The Effect of Peer-Led Financial Education on Financial Stress among Graduate Students. University of Georgia, Department of Financial Planning, Housing and Consumer Economics. https://esploro.libs.uga.edu/esploro/outputs/9949365653202959.
- Walker, J. T., Bocian, D. G., DeMarco, D. & Freeman, B. (2018). Understanding the Pathways to Financial Well-Being. Abt Associates. https://www.abtassociates.com/sites/default/files/2018-09/FWB%20Report%202_Final_180709.pdf.
- Wagner, J., & Walstad, W. B. (2019). The Effects of Financial Education on Short-Term and Long-Term Financial Behaviors. *The Journal of Consumer Affairs, 53*, 234-259. doi:10.1111/joca.12210.

5. What are promising practices, strategies, or products being used to help LMI families build savings?

- Ain, J., Iwry, J. M., Newville, D. (2018). Saving for Now & Saving for Later: Rainy Day Savings Accounts to Boost Low-Wage Workers’ Financial Security. Prosperity Now.
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