Remarks by Jelena McWilliams, Chairman, Federal Deposit Insurance Corporation at the National Diversity Coalition Washington D.C. Town Hall Meeting; Washington, D.C.

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Good afternoon. It is a great honor to be invited to speak to you today. Thank you so much for the invitation.

As I was considering what topics would be of interest to you, I thought it would be good to share some of my personal experiences and discuss steps the FDIC is taking to help more people achieve the American Dream.

One of my first jobs when I arrived in the United States as an exchange student in the early 1990s was in car sales. The car dealership was located in a dilapidated downtown of a once prosperous town that peaked in the 1800s and never recovered from suburban flight in the mid-1900s. My fellow salesmen – Harold, Harlan, and Harry – had collectively spent over a century at this dealership. They were in their mid-60s and I was the first woman to join their ranks.

Since the new auto mall was built on the periphery of the town, and this dealership was the only one left downtown, business did not go so well. Harold, Harlan, Harry, and I had plenty of time to bond while waiting for a lonely customer to wonder onto the lot. One day Harold pulled me aside and, with a toothpick in his mouth, said, "Listen, if you do not lose your accent, you are not going to make it in America." I thanked Harold, for he had no bad intentions. In his own way, he was trying to be helpful.

Harold, Harlan, and Harry have since passed away. The dealership closed its doors and the downtown where it was located is patiently awaiting an urban revival that may never arrive. While I am still figuring out what it means to "make it" in America, my life experiences have shaped how I view our regulatory framework and the role regulatory agencies play in our American landscape.

I was born in the former Yugoslavia, on the wrong side of the Iron Curtain, to a family of great character and humble means. Neither of my parents went to high school. As an impoverished teenager, my father fought in World War II as millions of civilians were slaughtered across Eastern Europe. As the post-war recovery took shape, educating girls was not a priority, and men were needed to guard the borders, not perform calculus. Education was not even an option for my parents. Still, years later, these two uneducated, humble people instilled in their daughter a belief that education was the only path upwards.

As I grew up, I became increasingly convinced that my destiny was in the United States. From our modest surrounding in the Balkans, the United States looked like a brilliant jewel, a beacon of hope, a land of opportunity – "a shining city on a hill". It was a land where someone who worked hard and developed skills could achieve pretty much anything. At least that is what American TV shows like "Dynasty" and "Dallas" led me to believe.

When I told my parents that I saw my future in the United States of America, they were crushed for I was — and still am — their beloved daughter. After much debate and persuasion, my father said to me: "Why do you want to go a place where you are always going to be a second class citizen?" Without pause, I responded: "I would rather be a second class citizen in another country than the one I was born in. All I want is an opportunity and I will make something out of it." With much sadness and concern, my parents gave me their blessing and borrowed money from a family friend for my airplane ticket and new luggage, which left me with $500 and my parents with debt that took years to repay.

I spent my 18th birthday on a plane en route to the United States, with those $500 tucked in the pocket of my jeans and the dream that I could make it. The very next day, I opened a checking account at a bank, and deposited all of my savings – all $500 – in that account. It did not take long for me to realize that, in addition to a checking account, I should have a credit card.

I applied for a credit card, but with no credit history and no assets other than that meager $500, I was denied. Instead, I was offered the option to open a secured credit card and I jumped on it. If you really think about it, the entire concept did not make sense: I was essentially borrowing from myself while the bank held my money as collateral and collected the interest. But with each swipe of that credit card I felt more integrated into the very fiber of American society, and even more importantly – I was building my credit history.

After 12 on-time monthly payments, the bank released my security deposit. With my newly established credit history, I was able to obtain an unsecured credit card, and it seemed a world of opportunities opened up. From there, I could get an auto loan and buy a car, apply for student loans, and, eventually, secure a mortgage loan to buy my first home.

This came in handy over the ensuing years. Because I could not afford to live in the San Francisco Bay Area, I drove 160 miles round-trip to go to college every day. Along the way, I had to get gas, and every time I pulled up at a gas station I was grateful for that secured credit because I did not have to worry if I had enough cash in my wallet to pay for gas.

In the ensuing years I worked three jobs to help pay for college, sold cars and Cutco knives, became a dealer in antique photography and Antebellum Americana, completed a Citizen's Police Academy, and became a mother and a lawyer. In 2007, I was hired as an attorney at the Federal Reserve; from there, I went to work for the Senate Small Business Committee and the Senate Banking Committee, then became Chief Legal Officer at a regional bank, and finally, last year, became Chairman of the FDIC.

Expanding Economic Inclusion

At this point in my life, I have seen the United States from a range of different perspectives – geographic, economic, and social. I saw it as a small girl on a black-and-white television set halfway across the world. I saw it as a poor college student struggling to make ends meet; as an overextended single mom with two mortgages, working 80-plus hours a week; as a government attorney fielding calls from desperate consumers during the depths of the financial crisis; as a bank executive at a $140 billion regional bank; and now, as the head of a federal agency.

I understand from a personal and professional perspective how important the financial system is to people of all walks of life: a short-term loan to cover car repairs for a single parent, a small business loan for an entrepreneur to start a new business, debt refinancing for a company, or a secured credit card that enables a struggling immigrant to build up a credit history.

Still, millions of U.S. households are unbanked or underbanked. The number is trending down, but the FDIC's latest survey shows that more than 8 million households do not have any relationship with the banking system. Another 24.2 million households are underbanked, meaning they have a bank account but also meet some of their financial services needs outside of the banking system.

Unbanked and underbanked rates are higher among lower-income households, less-educated households, younger households, black and Hispanic households, working-age disabled households, and households with volatile income.

Bringing these households into the banking system is one of the FDIC's key priorities. But, to do so requires that we revisit elements of our regulatory framework that have made banks reluctant to innovate and develop products that could attract more unbanked and underbanked consumers into the banking fold.

Innovation

Both the FDIC and the banking industry need to respond to changes in consumer behavior. This means being accessible to both the millennial who has never stepped foot inside a bank branch and also the young immigrant who cannot afford a smartphone.

The banking industry has always been innovative in working to meet consumers' needs. From the ATM to the credit card, innovation has made financial services more available, affordable, and convenient.

Fintech firms have developed new approaches to reach consumers, improve the customer experience, lower transaction costs, and increase credit availability. I want to see more banks leveraging technology to do the same.

We are currently working on standing up the FDIC Tech Lab to promote innovation in the industry and improve the FDIC's use of technology in supervising banks. We have already begun partnering with banks to understand how they are innovating, and promoting technological development at community banks which may have limited funding for research and development.

We are also looking at what policy changes are needed to encourage innovation, while maintaining safe and secure financial services and institutions. Rather than play "catch up" with technological advances, the FDIC's goal is to stay on the forefront of changes through increased collaboration and partnership with the industry.

Small Dollar Lending

In November, the FDIC issued a request for information on potential steps the agency could take to encourage banks to offer small-dollar credit products. We asked a number of questions related to the demand for small-dollar loans, the existing supply of small-dollar credit by both banks and nonbanks, and the obstacles and challenges that discourage or disincentivize banks from offering such products.

As someone who once lived paycheck to paycheck and was often left with two to three dollars in her account at the end of the month (and those were the good months!), I am acutely aware that sometimes consumers need immediate access to cash to cover an unexpected cost before the next paycheck. Generally, consumers benefit when they can walk into a bank to obtain this type of credit, especially banks that have longstanding relationships with local customers and communities. Banks can provide that credit in a manner that makes sense for both the bank and the consumer.

***De Novo* Banks**

Another priority of mine is encouraging *de novo* bank formation. Today, after many years of consolidation, 122 counties in America have only one banking office, and 33 counties have no banking offices at all. At the same time, 14 million Americans still lack a bank account.

Meanwhile, *de novo* activity over the past decade screeched to a halt. Only two new startup banks opened between the end of 2010 and the end of 2016.

Like many competitive industries, a dynamic banking sector benefits from new startups entering the marketplace. *De novo* banks are a key source of new capital, talent, ideas, and ways to serve customers.

In December, the FDIC issued a request for information regarding potential steps the agency can take to improve the *de novo* application process. We also rolled out an improved pre-filing process that allows prospective organizers to submit draft proposals in advance of an official submission. The FDIC will then review those draft proposals and work with the organizers in advance of a formal filing.

The agency also launched a nationwide outreach initiative, beginning with a roundtable discussion in D.C. in December. We have been hosting similar discussions in each of our six regional offices. We have completed five such roundtables, which have been constructive and thoughtful, and will wrap up in Chicago on March 22.

Commitment to the FDIC Mission

I would like to close with a story about my family that should help explain my strong commitment to the FDIC and its mission.

Twenty-six years ago, on a cold March morning, a long line of people meandered around a bank building. They had waited all night, hoping to withdraw their savings when the bank opened the next morning. Many were retirees living off meager monthly pensions sufficient to buy bread and milk but not luxuries such as meat and fruit. Around 10 p.m. the night before, my 68-year-old father patiently stepped up to the end of the line, wearing an old but presentable three-piece suit. He belonged to a pre-World War II generation that believed one ought to dress up to visit a reputable institution such as a bank.

On that drizzly morning, as daylight was struggling to penetrate the city smog and gray clouds, it turned out that his three-piece suit was not necessary. The financial system had collapsed and by the time my father reached the teller window—a solid 12 hours after he had joined the line and a mere hour after the bank had opened its doors—there was no money left to distribute to depositors. The bank was going under, and in the run on deposits, my father was not fast enough. His life savings were wiped out.

The next day, he went to a street corner where he recalled seeing day laborers as he had made his daily trips to get bread and milk. This time, he was wearing patched-up pants, a sweater that my mother had knitted from leftover wool, and old shoes that he had polished that morning. Once again, he stepped in line, hoping to earn 10 Deutsche Marks for eight hours of physical labor.

The year was 1993, and my father was in Belgrade, former Yugoslavia, as the country was falling apart.

When I assumed the chairmanship of the FDIC in June of last year, I did so with a firm belief that we ought to do whatever it takes to ensure that no 68-year-old would ever wait in a bank line and walk away empty-handed.

Conclusion

Whenever I return to Europe, after I get over my initial nostalgia about superior European bread, Nutella, and great cafes, I am reminded of the many things that make America special. When I look around, I realize how rare – perhaps unthinkable – it would be in many countries for a foreign-born girl with a name no one can pronounce to be named Chairman of an important federal government agency. Only in America.

As I assumed chairmanship of the FDIC nine months ago, I did so with a firm belief that our Founding Fathers have created a system of government that, however imperfect, is far superior to that of most other countries ... that of the many things that make America unique, the diversity of our backgrounds, struggles, and aspirations somehow collectively translate into an American Dream that binds us ... that in this great country of ours you can start with nothing and create something ... that the role of government in our society is to promote, not inhibit, growth and opportunity.

I have much to be grateful to this country for, mainly an opportunity to realize my full potential. I realize the U.S. economy is not perfect. There is still much work to do to address the problems and hardships many Americans face. But for someone like me, the American dream is still alive and well, and I believe that it exists – and should exist – for others.

I will leave you with the same advice I give my daughter: challenge yourself both personally and professionally. You are likely to be surprised by how far you can reach, how resilient you are, and how exciting the journey can be. My job on the regulatory front is to make sure that our financial system makes that journey possible in a safe and sound manner. I am committed to spending my tenure at the FDIC ensuring that our regulatory framework does not stand in the way of the American Dream, but that it makes it possible.

And with that — back to work!