Remarks by

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Good evening. Thank you so much for the invitation to speak here tonight.

It has been eight months since I joined the FDIC as Chairman, and 27 years since I arrived in Stockton, California as a foreign exchange student in search of a better life.

To say that I had to "fight to get where I am in life" would be an understatement. I was born in the former Yugoslavia, two months prematurely … a mere four pounds, without eyebrows, eyelashes, or nails… with underdeveloped lungs. Things only got marginally better from there as I grew up 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 to 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. All I wanted was an opportunity.

I spent my 18th birthday on a plane *en route* to the United States, with $500 in my pocket 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. Except that it did: 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 Fifth Third Bank, and finally, last year, became Chairman of the FDIC.

You may be wondering – why is she telling us all of this? Shouldn't she be talking about bank regulations and deposit insurance?

First, I want you to know that 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 personal experience 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. To meet these needs, I understand how important it is to ensure that government policies enable and encourage banks to offer affordable, responsible financial products and services to consumers across the spectrum. And I understand the role banks play in that system as you serve your communities.

To work towards this goal, the FDIC has begun a number of initiatives, a few of which I will briefly discuss.

Small Dollar RFI

In November, the FDIC issued a Request for Information (RFI) on potential steps the agency could take to encourage banks to offer small-dollar credit products. In the RFI, 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.

The RFI's comment period ended on January 22nd, and I look forward to reviewing the comments we have received. Once we have completed our review, you will be hearing more from us on this topic.

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 such 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 will be hosting similar roundtables in each of our six regional offices this year.

Tailoring Regulations

Another key element of my agenda is appropriately tailoring regulations to allow banks to serve customers more effectively while ensuring banks remain safe and sound. After years of piling on regulations, our regulatory system has become far too complicated for community banks that generally are not all that complicated.

To give one example of how we are rethinking regulations, we are working to substantially simplify the capital requirements for small banks. In November, we joined with the Federal Reserve and the Office of the Comptroller of the Currency (OCC) on a proposal to give qualifying community banks the option to calculate a simple leverage ratio, rather than needing to satisfy multiple risk-based capital and leverage ratios. The agencies estimate that more than 80 percent of community banks will be eligible for the community bank leverage ratio (CBLR), based on the proposed calibration and qualifying criteria. This was a key priority in designing the proposal – to ensure that the simple ratio would be available broadly.

We are also working with our fellow banking regulators on ways to tailor the risk-based capital rules for community banks that do not qualify for the CBLR, recognizing that the risk-based regime should be simpler. We are focusing on the capital ratios and buffers community banks are subject to, and will revisit some of the more complicated calculations and risk-weightings currently required.

The FDIC has also worked toward speedy implementation of many provisions of the Economic Growth, Regulatory Relief, and Consumer Protection Act, the bipartisan banking bill signed into law last May. In addition to the proposed rulemaking to establish the community bank leverage ratio, the FDIC has also proposed rules to:

- Tailor the application of existing capital and liquidity rules for regional banks,
- Modify the capital treatment of certain commercial real estate loans,
- Modify the threshold for mortgage loans to be exempt from appraisal requirements,
- Simplify Call Reports for community banks with less than $5 billion in assets, and
- Exempt community banks from the Volcker Rule.

The FDIC has also issued a final rule to extend the exam cycle to 18 months for banks with less than $3 billion in assets.

The purpose of all of these steps is to better enable financial institutions to serve their customers, while at the same time ensuring the financial system remains strong and resilient.

Supervision

I am also taking a holistic look at our supervision of banks. The FDIC examines banks to ensure that they are safe and sound, treat their customers fairly, and comply with applicable laws and regulations.

A bank examiner has a great deal of authority, and it is essential that this authority is used responsibly and prudently. The examiner needs to make sure the bank is operating in a safe and sound manner, and needs to take firm action when appropriate. But our supervisors also need to respect a bank's business judgment and maintain an open, two-way dialogue with the firm's management.

We need to properly balance protecting the Deposit Insurance Fund and maintaining financial stability with allowing banks room to be nimble and make the right business decisions to better serve their customers and communities.

I live in Arlington, Virginia with my daughter, two elderly parents, and two dogs. I try to live in a clean house, so I frequently clean. I am quite skilled at getting rid of dirt, but no matter how much cleaning I do, I can always find more dirt.

We can apply this concept to banking exams. Our examination approach should not be such that we focus more on seeking out dirt than on whether the home is clean.

But if we find that the house is dirty, we will take action. And, rest assured, if you try to sweep dirt under the rug, we will find it.

Furthermore, we do not want our exams to be overly costly or burdensome. Among the steps we have taken to try to reduce the costs of exams is a pilot program the FDIC launched to use technology to reduce the number of onsite days needed to conduct an examination.

Innovation

Both the FDIC and the banking industry also 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. But, in many instances, our regulatory framework has made banks reluctant to innovate and develop products that could attract more unbanked and underbanked consumers into the banking fold.

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

I announced last fall that the FDIC is establishing an Office of Innovation 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.

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 eight 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 was confirmed by the United States Senate to a five-year term. I plan to spend each and every day of those five years working to ensure that our regulatory framework does not stand in the way of the American Dream, but that it makes it possible. My hope is that you will join me in this effort.

Thank you.