

Remarks to the 2021 Bank On National Conference

Last Updated: November 15, 2021

Thank you for welcoming me here today. The FDIC is the nation's deposit insurer and primary supervisor of community banks. We are cognizant, therefore, of the important role the FDIC plays in helping banks meet the needs of their customers and communities.

We have seen meaningful improvements in recent years in reaching the “last mile” of unbanked households in this country. Based on the results of our biennial survey of households, the proportion of U.S. households that were banked in 2019 – 94.6 percent – was the highest since the survey began in 2009.¹

Yet we know much remains to be done. Our survey showed that 7 million *households* do not have a banking relationship with which to deposit their checks or to save for unexpected expenses.² That number reflects households, meaning the number of individual unbanked Americans is many times higher.

The ladder of financial inclusion

I know firsthand how a simple checking account can lay the foundation to building financial stability, and the difficulty that many consumers may have in taking those very first steps to becoming part of the mainstream financial system.

I immigrated to this country 30 years ago, with no assets other than \$500 dollars tucked into the pocket of my jeans. Upon arriving in San Francisco, I immediately opened up a checking account and deposited that small amount. My next financial goal was obtaining a credit card. But with no credit history, job, or assets, I did not qualify for a regular – that is, unsecured – credit card. Instead I obtained a *secured* credit card, essentially borrowing from my own funds to make payments. I quickly learned that it is expensive to be poor in America. Basic financial services can be costly, from accessing your own cash to borrowing someone else’s cash.

And yet, slowly, I built up enough of a credit history to qualify for an unsecured credit card, an auto loan, student loans, and eventually a mortgage. Because I had no other access to capital, access to credit was everything: it enabled me to pay for my education, finance a vehicle that took me to school and work, led to financial stability through home ownership, and ultimately brought me before you today as Chairman of the FDIC.

It should be no surprise, therefore, that creating an inclusive financial system and one that works for all Americans has been a top priority of mine since I became Chairman in 2018.

Lessons from the pandemic

The upheaval caused by the pandemic only underscored the importance of our collective efforts to increase financial inclusion.

Receipt of stimulus funds, for example, became much more complicated for families without a bank account. Without immediate receipt of funds through a direct deposit, paper checks took longer to get to their intended recipients and – given lockdowns and reduced hours for many businesses early on in the pandemic – it was also a complicated task to cash these checks.

This experience put into sharp relief why our work to enhance access to affordable and sustainable bank accounts is critical. Knowing that access to affordable bank accounts would be essential to families anticipating stimulus payments, in the spring of 2020, the FDIC launched a webpage – now called our #GetBanked webpage – for consumers expecting Economic Impact Payments and provided information about how to identify a bank that offered remote account openings. That FDIC website in turn linked to the Bank On COVID Banking website, which provided a list of certified accounts that could be opened online.

We worked together with the Internal Revenue Service (IRS), along with other government agencies and industry partners, to increase our ability to reach consumers with information about opening a bank account to receive their government payments. The IRS has been an incredible partner in encouraging the public to visit the FDIC's webpage,³ and included links to our #GetBanked page on its social media posts and multiple pages of its website. To date, there have been over 1.4 million visits to this FDIC webpage since its inception in Spring 2020. In turn, during October 2020 through June 2021, nearly 45% of users who visited the Bank On COVID Banking website came from the FDIC's webpage. By collaborating in these ways, we amplified our collective efforts to get more Americans banked.

Financial inclusion efforts looking forward

Today, as we think about the regulatory system we want to build coming out of the pandemic, I would like to challenge us to think of financial inclusion at a deeper level.

As I see it, we must tackle issues of financial inclusion not solely through the lens of whether a person has a checking or credit account but by asking whether the financial system is working for them. Getting to such a financial system will require us to think outside the box.

This is where innovation comes in.

The FDIC is taking a multi-pronged approach to tackle the issue of financial inclusion. I will touch upon a few of our efforts in turn.

Increasing public awareness

As demonstrated by our experience earlier in the pandemic, clear and readily accessible information for consumers is more important than ever.

I mentioned earlier our dedicated #GetBanked webpage for consumers interested in opening a bank account.⁴ The webpage is available in English and Spanish and has resources that address questions consumers may have about the importance of having a bank account. But the #GetBanked initiative is more than a webpage. It is an effort to increase consumers' awareness of secure and affordable bank accounts; help consumers navigate to resources where they can safely open a bank account; and maximize our engagement with local community partners.

The FDIC has tried to do its part and to meet the modern age by making sure we are social-media savvy, such as by leveraging the GetBanked hashtag to promote our initiative to get more Americans to initiate and re-establish banking relationships. In early April 2021, the FDIC launched a public awareness campaign to inform consumers about the benefits of developing a relationship with a bank in two metropolitan areas, Atlanta, Georgia and Houston, Texas.⁵ As part of a pilot, FDIC ran streaming audio, digital display, mobile video ads, and streaming television ads in these communities between early April and early July.

Our own efforts to inform consumers are enhanced by the Cities for Financial Empowerment Fund's (CFE Fund's) incredible efforts with the Bank On initiative. Many of you here today are familiar with the premise of Bank On – that is, having bank accounts with no overdraft or insufficient fund fees, minimum opening balance requirements, and low or no maintenance fees. We should not forget that this effort and the progress the CFE Fund has made thus far are simply extraordinary. The CFE Fund, to date, has certified over 160 accounts – a number that tripled during the pandemic – and is in progress to certify over 100 additional accounts. During this time, the FDIC has supported the Bank On efforts through technical assistance and collaboration with both the CFE Fund and financial institutions.

This effort builds on years of work. In 2010, the FDIC began its own effort to help identify transaction and savings accounts that were transparent, affordable and sustainable, and insured by the FDIC. We called these accounts the FDIC Model Safe Accounts.⁶ The CFE Fund's work with Bank On picked up this initial effort and ran with it. Inspired by the original FDIC Model Safe Account, the Bank On National Account Standards⁷ call for low and transparent costs and no overdraft fees.

As someone who was born in a country where access to secure banking services was not a given, and having traveled to many places around the world where safe and affordable bank accounts are still not readily available, I applaud the efforts of the CFE Fund, its partners, and the financial institutions who are supporting these accounts. Your work makes a difference in the lives of ordinary Americans and exemplifies the very best of our country.

Collaboration with mission-driven banks

Yet another set of novel initiatives the FDIC is pursuing is creative collaboration with Minority Depository Institutions (MDIs) and Community Development Financial Institutions (CDFIs).

After more than two years of planning and development, we were thrilled to announce in September the launch of a new investment fund – the Mission-Driven Bank Fund – to support

MDIs and CDFIs⁸ by channeling investors' funds to make investments in MDIs and CDFIs, through a variety of asset classes.

Mission-driven banks serve predominantly lower income inner city neighborhoods, tribal areas, or rural communities where mainstream banking and financial services are often lacking. They are often the financial lifeblood of the community they serve, providing individuals and minority-owned small businesses a secure way to build savings and to obtain credit.⁹ Based on my conversations with the leaders of many FDIC-supervised, mission-driven banks, we knew that what these institutions needed most to better serve their communities is capital.

Microsoft and Truist Financial Corporation will lead the investment fund as anchor investors. In addition, Discovery, Inc. will join as a founding investor, bringing the combined initial commitment to \$120 million, with additional investments expected.

I firmly believe that in order to change the status quo and address the gap in financial belonging, we – public and private sector entities alike – must be courageous enough to break the mold of what has been done previously. The FDIC is doing just that . . . in more ways than one.

Supporting our community banks

Our community banks more broadly play an integral role to an inclusive financial system. Despite their notable lending strengths and presence throughout our country, we know that many community banks struggle to remain competitive given technological changes and the demands of increasingly tech-savvy consumers. Many of our initiatives aim to reduce the costs for community banks of adopting innovative new products and services, thereby allowing them to leverage their strengths – including close ties to their communities and access to customers.

At the end of 2020, for example, we updated our brokered deposits regulations, the first substantial update in approximately 30 years, which removed regulatory hurdles to certain types of innovative partnerships between banks and fintechs.¹⁰ More than half of unbanked individuals have access to a smartphone,¹¹ but do not have a checking or savings account, while many banks located in low-income areas depend on deposits sourced from outside their local area for funding. The updates to the brokered deposits rule were crafted to help both the former and the latter.

In addition, last year we asked stakeholders to comment on a groundbreaking approach to facilitate technology partnerships. The on-boarding and due diligence process can be costly and time consuming for both banks and their potential technology vendors. Our request for information proposed a public/private standard-development organization to establish standards for due diligence of third-party service providers and for the technologies they develop.¹²

Our goal is to standardize the due diligence process to fundamentally improve the ability of banks to partner with technology firms. At the same time, we hope the new standard-development organization will strengthen compliance with consumer protection laws and regulations, and better allow the FDIC to engage in a horizontal review of the products, services, and risk management practices of third-parties.

We received many supportive comments in response to the request for information.¹³ We are pursuing the concept actively and will begin to engage our fellow regulators and the private sector more closely in order to bring this proposal to fruition.

Conclusion

Thank you for hosting this important conference to highlight the critical role of working toward a future of financial inclusion. Few groups represent a stronger commitment to financial inclusion, coupled with outside-the-box thinking, than the CFE Fund. Though I do not have to convince this crowd, the Bank On initiative exemplifies some of the best efforts to create tangible improvements for consumers.

I hope you enjoy the conference.

¹See How America Banks: Household Use of Banking and Financial Services, 2019 FDIC Survey, available at <https://www.fdic.gov/analysis/household-survey/2019report.pdf> (PDF).

²See *id.* at 1.

³See FDIC, #GetBanked (April 5, 2021), available at <https://www.fdic.gov/GetBanked>

⁴*Id.*

⁵See *id.*

⁶See FDIC Model Safe Accounts Template (April 2021), available at <https://www.fdic.gov/consumers/template/template.pdf> (PDF).

⁷See Bank On National Account Standards 2019-2020, available at [https://www.ccefund.org/bank-on-national-account-standards-2019-2020/](https://www.cfefund.org/bank-on-national-account-standards-2019-2020/)

⁸See FDIC, Press Release: FDIC Launches Mission-Driven Bank Fund (Sept. 16, 2021), available at <https://www.fdic.gov/news/press-releases/2021/pr21086.html>.

⁹See, e.g., James Barth, Aron Betru, Matthew Brigida, and Christopher Lee, Minority-Owned Depository Institutions: A Market Overview, Milken Institute (July 2018), available at <https://milkeninstitute.org/sites/default/files/reports-pdf/MDIs-A-Market-Overview.2018.FINAL.pdf> (PDF)

¹⁰See Unsafe and Unsound Banking Practices: Brokered Deposits and Interest Rate Restrictions, 86 Fed. Reg. 6742, (Jan. 22, 2021), available at <https://www.fdic.gov/news/board/2020/2020-12-15-notice-dis-a-fr.pdf> (PDF); Remarks by Jelena McWilliams, FDIC Chairman, “Brokered Deposits in the Fintech Age,” Brookings Institution (Dec. 11, 2019), available at <https://www.fdic.gov/news/speeches/spdec1119.pdf> (PDF).

¹¹See FDIC, How America Banks, *supra* note 1, at 26.

¹²See FDIC, FDIC Seeks Input on Voluntary Certification Program to Promote New Technologies (July 20, 2020), available at <https://www.fdic.gov/news/press-releases/2020/pr20083.html>.

¹³Comments received in response to the request for information are available at <https://www.fdic.gov/regulations/laws/federal/2020/2020-request-for-info-standard-setting-3064-za18.html>.