



PRESS RELEASE

Federal Deposit Insurance Corporation

FOR IMMEDIATE RELEASE
March 28, 2007

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FDIC Staff Proposes Pilot Project for Small-Dollar Lending Programs; Agency Advisory Committee Endorses the Plan

Federal Deposit Insurance Corporation (FDIC) staff today outlined a proposal before the FDIC Advisory Committee on Economic Inclusion to create a two-year pilot project for banks. The committee endorsed the project to highlight the need for reasonably priced, small-dollar loan programs that provide value to consumers and banks.

"The FDIC, and its Chairman, Sheila Bair, should be proud of recent efforts that encourage banks to reach out and serve the growing ranks of the unbanked and underserved population in our country," said Diana L. Taylor, Chairman of the FDIC Advisory Committee on Economic Inclusion. "The committee strongly endorses this innovative pilot project and looks forward to assisting the FDIC and its Board of Directors in reviewing and implementing this program."

"I want to thank the committee members, and particularly Chairman Taylor, for their valuable input into this initiative that will help identify alternatives to high-cost loans being offered to those in our society who are outside of the banking mainstream," said FDIC Chairman Sheila C. Bair. "I look forward to working with staff to bring this proposed program before our Board in short order."

Some of the key features of the pilot project could include: loan amounts of up to \$1,000; mandatory savings components; payment periods that extend beyond a single pay period; interest rates below 36 percent; low or no origination fees; no prepayment penalties; prompt loan application processing; and access to financial education to help with asset building. As an incentive, participating institutions could receive favorable consideration under the Community Reinvestment Act or be selected to serve as depositories for FDIC funds.



Congress created the Federal Deposit Insurance Corporation in 1933 to restore public confidence in the nation's banking system. It promotes the safety and soundness of these institutions by identifying, monitoring and addressing risks to which they are exposed. The FDIC receives no federal tax dollars — insured financial institutions fund its operations.

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More details of the pilot project will be made available if the FDIC Board decides to consider the program. There is no timetable as to when the Board may act, but if it does, the proposal will be issued for comment before it becomes effective.

The FDIC Advisory Committee on Economic Inclusion was created by Chairman Bair in November 2006 to provide the FDIC with advice and recommendations on important initiatives focused on expanding access to banking services by underserved populations. This includes reviewing basic retail financial services such as check cashing, money orders, remittances, stored value cards, short-term loans, savings accounts, and other services that promote asset accumulation by individuals and financial stability.

During its first meeting today, the Committee also heard from Chris Larsen, Chief Executive Officer and co-founder of Prosper Marketplace, Inc.; Steven T. Bigari, President and Chief Executive Officer, America's Family, Inc.; and representatives from the Pennsylvania Credit Union Association and the Erie Federal Credit Union.

Additional information about the FDIC Advisory Committee on Economic Inclusion can be found at: <http://www.fdic.gov/about/comein/index.html>
