



PRESS RELEASE

Federal Deposit Insurance Corporation

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Media Contact:
David Barr (202) 898-6992
dbarr@fdic.gov

FDIC Report Highlights Business Case for Banks to Offer Individual Development Accounts

According to a report issued today in a new FDIC publication, the *FDIC Quarterly*, the strategy of offering Individual Development Accounts (IDAs) is showing promise as a means of attracting the banking business of low- and moderate-income households. IDAs are matched savings accounts that enable these households to save money for a particular financial goal, such as buying a home, paying for post-secondary education, or expanding a small business.

Even with greater access to banking products and services provided through the development of alternative delivery channels, including the Internet, about 10 million American households, typically low- and moderate-income families, do not use the banking system. Many more only use a limited number of banking services. Although their income may be relatively low, these individuals hold assets and regularly conduct financial transactions, frequently with nonbank financial companies. Some estimates put the volume of nonbank financial transactions at \$250 billion, which suggests a reasonable business case for FDIC-insured institutions trying to attract the banking business of these households.

"IDAs are a relatively low-risk way for banks to introduce underbanked individuals to the financial mainstream," said FDIC Chairman Sheila C. Bair. "IDAs can help people of modest means build assets and can help banks tap into new markets."

Approximately 244 FDIC-insured banks and thrifts are participating in IDA programs. Benefits that accrue to banks participating in IDA programs include a potential for long-term profitability, positive consideration during Community Reinvestment Act examinations, and goodwill in the community.

The report "IDAs and Banks: A Solid "Match" is the first in a series of articles looking at underbanked consumers and the delivery of alternative financial services. This issue of



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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the **FDIC Quarterly** also features results from the **Quarterly Banking Profile** released on May 31, 2007.

The **FDIC Quarterly** is a print and Web publication that brings together in one place research and information that previously were available through three publications -- the **FDIC Outlook**, **FDIC Banking Review**, and the **Quarterly Banking Profile**.

To ensure timely release of critical data and analysis, individual articles appearing in the **FDIC Quarterly** will be posted throughout the quarter to the FDIC Web site at <http://www.fdic.gov/bank/analytical/quarterly/index.html>.

Previous issues of the **FDIC Outlook**, **FDIC Banking Review** and **Quarterly Banking Profile** are available on the FDIC Web site under the original publication name.

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