PRESS RELEASE

Federal Deposit Insurance Corporation

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FDIC Highlights Bank Strategies for Encouraging Low- and Moderate-Income Households to Save

FDIC Quarterly Also Reports on Feasibility of Raising Insurance Coverage for Municipal Deposits

In the current issue of ***FDIC Quarterly***, released today, the FDIC examines the challenges that lower-income households face in increasing personal saving, incentives banks have for encouraging these households to build assets, and strategies for banks to broaden their relationships with these customers. The FDIC also reports on the results of a congressionally mandated study on the feasibility of increasing insurance coverage for municipal deposits.

In the article "Building Assets, Building Relationships: Bank Strategies for Encouraging Lower-Income Households to Save," the FDIC explains that banks already have account relationships or other connections with many low- and moderate-income households. Because banks have incurred the fixed costs of acquiring these customers, their challenge is to increase the profitability of these relationships while providing consumers with opportunities to build assets.

"In light of a very low national saving rate and the more recent decline in home equity, I am particularly concerned about the ability of lower-income households to plan for their financial futures," said FDIC Chairman Sheila C. Bair. "I am, however, encouraged that a growing number of banks are beginning to view these consumers as a long-term business opportunity. I have asked the FDIC Advisory Committee on Economic Inclusion – which convenes today – to consider the issues surrounding asset-building opportunities, and I look forward to the Committee's feedback."

The article describes several strategies that banks have used to develop asset-building programs for lower-income households. These include "doing no harm" by offering reasonably priced products and services, expanding direct deposit options, partnering with outside organizations, leveraging tax refunds into savings, and linking saving to credit and other bank products.

In the article "Increasing Deposit Insurance Coverage for Municipalities and Other Units of General Government: Results of the 2006 FDIC Study," the FDIC examines the pros and cons of raising coverage for these entities and considers whether private sector options provide a viable alternative to traditional public deposit collateralization programs.

This issue of the ***FDIC Quarterly*** also includes fourth quarter industry results from the ***Quarterly Banking Profile*** released on February 26, 2008.

The ***FDIC Quarterly*** is available online at the FDIC's Web site at: http://www.fdic.gov/bank/analytical/quarterly/index.html.