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FDIC Advisory Committee Seeks Comment on Templates to Increase Supply of Safe Transactional and Savings Products

The Federal Deposit Insurance Corporation (FDIC) Advisory Committee on Economic Inclusion (ComE-IN) met on Thursday, April 1, to discuss the design and distribution of safe transactional and savings accounts for low- and moderate-income consumers, many of whom are underserved, as well as the committee's strategic focus going forward. The Committee will seek public comment on criteria for templates for financial institutions to use in an effort to make these accounts more widely available to customers.

"There is a great need for safe, affordable transactional and savings products, among the millions of consumers currently using alternative products. The challenge is to develop model transactional and savings accounts that are not only safe and affordable for consumers, but also economically sustainable for mainstream financial institutions. We know that some banks have found ways to serve these consumers," said FDIC Chairman Sheila C. Bair.

The committee reviewed sample templates of the key product features for both transactional and savings accounts and will seek public comment on the criteria. The sample templates discuss account eligibility; basic characteristics of the accounts – including opening deposit requirements, minimum balances, maintenance fees and service charges, no overdrafts, and electronic options; as well as other financial services that could be offered including money orders and check cashing. Later this spring, the templates will appear in the *Federal Register* for comments.

The advisory committee discussed the key product features related to safe transactional and savings products that most closely target the needs of underserved consumers. The committee also explored options for banks regarding product design and ways in which financial institutions and other organizations have been successful in offering and marketing products targeted to underserved consumers.

The FDIC's landmark December 2009 study, the National Survey of Unbanked and Underbanked Households (found at http://www.fdic.gov/householdsurvey/), showed that at least one quarter of U.S. households, or close to 30 million households with 60 million adults residing in them, are underserved - meaning they either lack a bank account or use non-bank providers for some financial services.

Given the size of the underserved market, banks appear to have a strong incentive to pursue these consumers. However, the FDIC's February 2009 Survey of Banks' Efforts to Serve the Unbanked and Underbanked (found at http://www.fdic.gov/unbankedsurveys/unbankedstudy/FDICBankSurvey_ExecSummary.pdf) revealed that while almost three quarters of banks are aware of significant underserved populations in their market area, less than 18 percent identify expanding services to these consumers as a priority in their business strategy.

The committee also approved a strategic plan for its work going forward, though 2012. It includes policy initiatives and projects for increasing access to the financial mainstream. The Advisory Committee was created by Chairman Bair and approved by the FDIC Board in November 2006 to provide the FDIC with advice and recommendations on important initiatives focused on expanding access to banking services by underserved populations. Chairing the committee is Diana Taylor, Managing Director, Wolfensohn & Company, L.L.C., who formerly served as Superintendent of Banks for the State of New York. For the list of committee members, visit http://www.fdic.gov/about/comein/.