The Meeting of the Advisory Committee on Economic Inclusion

of the

Federal Deposit Insurance Corporation

Held in the Board Room

Federal Deposit Insurance Corporation Building

Washington, D.C.

Open to Public Observation via Webcast

June 4, 2024 – 9:00 A.M.

The meeting of the FDIC Advisory Committee on Economic Inclusion (ComE-IN or Committee) was called to order by Martin J. Gruenberg, Chairman of the Board of Directors of the Federal Deposit Insurance Corporation (Corporation or FDIC).

The members of ComE-IN present at the meeting were Steven L. Antonakes, Executive Vice President for Enterprise Risk Management, Eastern Bank; Marla Bilonick, President and CEO, National Association for Latino Community Asset Builders; Michael Calhoun, President, Center for Responsible Lending; Naomi Camper, Chief Policy Officer, American Bankers Association; Edward DeMarco, President, Housing Policy Council; Thomas Foley, Executive Director, National Disability Institute; Kenneth Kelly, Chairman and CEO, First Independence Corp and First Independence Bank; Jonathan Mintz, President and CEO, Cities for Financial Empowerment Fund; Leigh Phillips, President and CEO, SaverLife; Ida Rademacher, Vice President, Aspen Institute, Co-Executive Director, Aspen Financial Security Program; Marietta Rodriguez, President and CEO, NeighborWorks America; and Susan Weinstock, President and CEO, Consumer Federation of America.

Members Margaret Libby, CEO and Founder, MyPath; Brandee McHale, Head of Community Investing and Development, Citi and President, Citi Foundation; and Jennifer Tescher, President and CEO, Financial Health Network, were absent from the meeting.

Members of the Corporation’s Board of Directors present at the meeting were Martin J. Gruenberg, Chairman.

Corporation staff who attended the meeting included James L. Anderson, Julianne F. Breitbeil, Alys V. Brown, Donna J. Brown, Luke H. Brown, Watina (Renee) Cash, Angela Dean, Debra A. Decker, Paola L. Diaz, Camron A. Doss, Mary S. Duron, Keith S. Ernst, Lekeshia Frasure, David J. Friedman, Linda F. Gabriel, Peggi J. Gill, Shannon N. Greco, Deva Helmand, Chantal Hernandez, Edward J. Hof, Hina Hussain, Yan Y. Lee, Daniel Marcotte, Jonathan N. Miller, Mitch E. Miller, John E. Ochoa Espita; Elizabeth Ortiz, Sophia S. Osborne, Mark E. Pearce, Oliver H. Pelton, Ariana L. Rambuyan, David E. Ramos, Ryan M. Rappa, Jarrod Sanders, James P. Sheesley, Noah Shult, Nefretete A. Smith, Mia C. Sowell, Jacqueline R. Steller, Darnell T. Sutton, Lori Thompson, Jeffrey D. Weinstein, Lauren A. Whitaker, Meron Wondwosen, Clarisse A. Young, and Mary W. Zaki.

Chairman Gruenberg presided over the proceedings. Elizabeth Ortiz, Deputy Director, Consumer and Community Affairs, Division of Depositor and Consumer Protection (DCP), and the Committee's Designated Federal Officer, served as moderator.

Opening Remarks

Chairman Gruenberg began by welcoming everyone and introducing the two newest members of the Committee, Ed Demarco and Leigh Phillips. He also welcomed Committee member Ida Rademacher to her first meeting of the Committee. He went through the meeting agenda. He then recognized Ms. Ortiz to proceed with moderating the program.

Insights from the FDIC Survey of Volunteer Income Tax Assistance (VITA) Providers

Ms. Ortiz introduced panel moderator Keith Ernst, Associate Director, DCP. Mr. Ernst indicated that the panel would be discussing insights related to the *FDIC Survey of VITA Providers* (VITA Survey). He noted that some of the research related to the *2021 FDIC National Survey of Unbanked and Underbanked Households (Survey).* Mr. Ernst then introduced the panelists: Mary Zaki, Financial Economist, DCP, Andrew VanSingel Internal Revenue Service (IRS), Mindy Maupin with Southern Bancorp Community Partners, and Mary Duron, Senior Community Affairs Specialist, DCP.

Mr. Ernst highlighted a key finding from the Survey that receipt of income from a job or public benefits is a powerful motivator for households opening bank accounts and that collaboration among outside partners like the IRS, Prosperity Now and VITA is beneficial.

Ms. Zaki discussed the opportunity for economic inclusion at VITA sites that provide low-income households with free tax preparation services. Ms. Zaki noted that the Survey indicated that one-third of newly banked households opened their bank account, in part, to receive government payments. She explained that VITA sites that have a partnership with a bank or credit union assist clients in opening bank accounts by providing comfort, knowledge, or resources. Ms. Zaki discussed the VITA Survey's implications noting that VITA sites without a banking partnership could benefit from efforts to connect them to banking partners able to provide safe and affordable banking products. She next spoke about the benefits of instituting such partnerships to include favorable Community Reinvestment Act (CRA) consideration as well as the availability of technical assistance.

Mr. VanSingel highlighted tax refunds as the largest inflow of funds for many households over the course of a year as well as the importance of getting the right amount of money to the correct person. Mr. VanSingel emphasized the no-cost and accuracy aspects of the VITA program as benefits to consumers.

Next, Ms. Maupin presented her perspective as a VITA site administrator working with Southern Bancorp bank, a Community Development Financial Institution (CDFI). Ms. Maupin provided details regarding the size, complexity, and training requirements of the VITA program at the various Southern Bancorp branches. Ms. Maupin indicated that the VITA program sites offer additional services such as legal aid, health screenings, voter registration, financial counseling, and credit counseling. Ms. Maupin highlighted a couple of customer stories to demonstrate that the bank offers various programs to incentivize customers to save a portion of their tax refund in a savings account. Ms. Maupin also highlighted a few of the bank and VITA program's efforts to increase consumer education and foster relationships with the bank.

Ms. Duron shared what the Los Angeles Alliance for Economic Inclusion has been doing in their collaboration with VITA. She provided an overview of the program set up and highlighted that some of the banks participating were interested in receiving community development services credit under the Community Reinvestment Act. Ms. Duron noted that the VITA program collaboration included support from the City and County of Los Angeles. She highlighted Bank On, Get Banked!, and L.A. Saves as three initiatives that were used to support the VITA collaboration. Ms. Duron provided an overview of the Haven Neighborhood Services VITA program as a success story. She closed by emphasizing the importance of helping bankers realize that collaborating with VITA providers is not overwhelming.

Following the presentations, Committee members asked questions and provided comments. These included a reference to the proliferation of bad tax information on social media accounts. Members also discussed issues regarding access to technology, distrust of banks, and the use of payment apps as related to the VITA program.

At the conclusion of this portion of the discussion, Ms. Ortiz called for a short recess at 10:24 a.m. The meeting resumed at 10:41 a.m.

Increasing Consumer Awareness of Deposit Insurance Coverage

Ms. Ortiz introduced Luke Brown, Associate Director, DCP, to moderate the second panel. Mr. Brown began by providing background on misrepresentation issues that the FDIC has recently seen that could cause a consumer to not fully understand whether they are interacting with a bank and if their funds are FDIC insured. Mr. Brown explained that, in order to address these issues, the FDIC Board approved amendments to Part 328 of the FDIC's regulations governing banks' use of the official FDIC sign and advertising statements. He highlighted two important aspects of the final rule: (1) the final rule modernizes the FDIC official sign and advertising rules and (2) the final rule clarifies the FDIC's advertising and misrepresentations rules related to persons to include non-bank entities. Mr. Brown mentioned the FDIC’s public awareness program “Know Your Risk, Protect Your Money” and then introduced the other panelists: Meron Wondwosen, Assistant Director, DCP; Ed Hof, Senior Policy Analyst, DCP; Chantal Hernandez, Counsel, Legal Division; Mia Sowell, Acting Project Manager, DCP; and Julianne Breitbeil, Senior Media Relations Manager, Office of Communications.

Ms. Wondwosen began by mentioning the history of the black and gold FDIC sign displayed next to teller windows. She then explained that the last Part 328 revisions occurred in 2006, and with the advancements of the market, technology and change in consumer banking habits, the FDIC began to observe an increase in misleading representations about deposit insurance coverage and sought to address these issues with the misrepresentation rule finalized in December 2023.

Ms. Wondwosen outlined that the final rule is broken down into two parts: Subpart A which governs FDIC official signs to include the newly-established digital sign as well as use of the advertising statement and applies to all insured depository institutions; and Subpart B that governs misrepresentations and applies to any persons to include banks and non-banks, and prohibits misuse of the FDIC name or logo to include false advertising or misrepresentations about deposit insurance. She provided details regarding the final rule's effective and compliance dates. Ms. Wondwosen also provided details regarding the final rule's requirements for official signs in physical bank spaces as well as requirements for digital banking channels. Ms. Wondwosen explained the final rule's requirement for an insured bank to display a non-deposit sign physically and digitally when it offers both deposit and non-deposit products.

Mr. Hof provided an overview of the rule's Subpart B, which applies to any person, and provides further clarity on specific situations where consumers may misunderstand or be misled as to whether an entity is insured by the FDIC, whether a particular financial product is FDIC insured, or the nature and extent of deposit insurance coverage. He shared a few examples of conduct that may violate the final rule. Additionally, Mr. Hof highlighted the final rule's requirement that banks must establish and maintain written policies and procedures to achieve compliance with Part 328. Mr. Hof indicated that the FDIC is currently engaged in implementation efforts to include seminars with bankers and other stakeholders and compiling a list of frequently asked questions regarding the final rule.

Ms. Breitbeil discussed the FDIC national public awareness campaign called "Know Your Risk, Protect Your Money," to increase public awareness of deposit insurance and how it can protect people in the event of a bank failure. She noted that after three regional bank failures in the spring of 2023, a Gallup poll found nearly half of Americans were worried about the safety of their money deposited in banks and financial institutions. She explained that the awareness campaign features a piggy bank named "Penny" to represent the image of consumer personal savings in potentially risky situations. Ms. Breitbeil indicated that the campaign includes web banners as well as search engine marketing and that there are additional ads that include sponsored social media that connect consumers to deposit insurance via YouTube, Facebook, Instagram, Reddit, and Snapchat. The advertisements and commercials are in English and Spanish, posted in two major metropolitan cities transportation hubs (New York City and Washington, DC), and in the neighborhoods of Historically Black Colleges and Universities in D.C and on social media.

Ms. Sowell described lessons learned from the 2021 and 2022 pilots of the “Get Banked” campaign that focused on encouraging unbanked customers to begin a banking relationship and open an account that targeted five geographic regions. She explained that some of the successes and ideas from the “Get Banked” pilot were carried over into the new deposit insurance campaign. She provided an overview of the deposit insurance campaign strategies and described levels of engagement seen with the various campaign ads. Ms. Sowell also explained that the second phase of the campaign took place during tax season so the FDIC took advantage of opportunities to encourage more consumers to receive their tax refunds via direct deposit into a bank account by working with the Treasury Department to send out “Get Banked” inserts to any household that received a mailed federal tax refund during a certain time period.

Following the briefings, FDIC staff invited members to provide their questions and thoughts on what was presented. Questions were asked about: who has authority over financial technology companies and others who claim to be FDIC insured, if real-time outreach and education opportunities exist to inform consumers and small businesses who are unable to access funds through financial adjacent company failures, how the rule impacts middleware companies who tout their relationship to FDIC deposit insurance, consumer education efforts regarding deposit insurance, and the size and significance of the misrepresentation and fraud issues.

At the conclusion of this portion of the discussion, the meeting stood in recess for lunch from 11:23 a.m. The meeting resumed at 1:10 p.m.

Members’ Roundtable

Ms. Ortiz introduced the members’ roundtable discussion before turning the meeting over to committee members to provide updates on what is happening within their organizations and communities.

The Committee members discussed a broad range of topics, including the following: the impact of technology on improving the financial health of low-income Americans, the impact of severe weather and climate change on consumers' financial health, issues related to solar energy financing, and the challenges related to wealth creation. Members also discussed issues specifically related to economic inclusion, such as: the importance of continued diversity, equity, and inclusion efforts for underrepresented groups in the banking industry and in community development financial institutions, closing the racial wealth gap, low loan approval for Latin-owned businesses, and the important role technology plays in improving accessibility for people with disabilities.

Several members discussed issues related to homeownership, such as: low supply of affordable housing and high interest rates as barriers to homeownership, instability in the housing market, gaps in homeowner's insurance, home-buying education and counseling, and the FHA program. A few members noted the importance of building trust in the financial system and relationships between banks and community-based organizations as a way to improve economic inclusion and fight misinformation. Members also discussed the increased presence of fraud and non-bank products in the market and noted that they can be combatted through counseling and education. Finally, several members congratulated the FDIC on the updated FDIC Economic Inclusion Strategic Plan.

At the conclusion of this portion of the discussion, Ms. Ortiz called for a short recess at 2:48 p.m. The meeting resumed at 2:55 p.m.

Increasing the Supply of Affordable Housing in Native American Communities

Ms. Ortiz introduced panel moderator, Jackie Steller, Special Assistant to the Deputy Director, DCP. Ms. Steller introduced the panelists Phil Gover, a policy fellow from the Center for Indian Country Development (CICD); Dawson Her Many Horses, Managing Director and Head of Native American Banking at Wells Fargo; Sharon Vogel, Executive Director, Cheyenne River Housing Authority; and Chrystel Cornelius, President and CEO, Oweesta Corporation.

Mr. Gover discussed the CICD's research at the Federal Reserve Bank of Minneapolis on the economy of tribes, Alaskan Native villages, and Native Hawaiian communities. Mr. Gover explained the various definitions of "Indian Country" and that housing shortages on or near reservations are due to historical policy and regulatory choices that have resulted in persistent under-investment in basic infrastructure in Indian Country. He also discussed the impact tribal sovereignty has on economic development. He highlighted a CICD working paper entitled "The Unequal Cost of Native American Homeownership," which showed the substantial racial disparity between interest rates for on-reservation native owners compared to that of white and off-reservation native homeowners. Native homeowners who live on Indian reservations pay the highest interest rates of any demographic group in the nation. The prevalence of home-only or 'chattel' loans or manufactured homes is a key driver of high interest rates on reservations.

Mr. Her Many Horses began by discussing the relationship between Wells Fargo and federally recognized tribes, noting the importance of having someone inside a major financial institution advocating and educating bankers and their partners on the challenges and opportunities in the Native American sector. He shared that the current capital needs for tribal housing across the country is estimated to be between $34 and $50 billion. Mr. Her Many Horses explained this need comes from the lack of data about tribal communities, particularly the economic opportunity for financial institutions in Indian Country. He also shared the nuances involved with lending to tribal governments. Mr. Her Many Horses described the problem as one that does not have a one-shot solution and requires multiple stakeholders involved in the design of a solution that includes tribes, financial institutions, policymakers, regulators, and others.

Ms. Vogel summarized the unique characteristics of tribal housing authorities across Indian Country and the various roles tribal governments play in housing. She highlighted Badger Park, a mixed-use income and mixed-use development, as an example of a housing development strategy that can be replicated. The housing authority invested in Badger Park's infrastructure which reduced future project costs and allowed for shovel-ready projects. Ms. Vogel shared that home ownership rates for Native American families is one of the lowest in the country which is why they have prioritized home development. However, there is still a great need for down payment assistance and loan subsidies for new homebuyers to keep mortgage loan payments affordable. . She also stated that Native CDFIs need more capital to fund mortgage loans and investments into workforce development to facilitate job creation. Ms. Vogel closed by saying that addressing the housing crisis in Native communities requires contributions from the private and non-profit sectors and policymakers at all levels of government.

Ms. Cornelius discussed the work of the Oweesta Corporation, the longest standing Native CDFI intermediary in the country. She also summarized the findings of the Department of the Treasury's 2001 Native American Lending Study, highlighting that the number one barrier for economic development and asset creation in Indian Country was lack of access to credit and/or capital for tribes and tribal members. Ms. Cornelius discussed the origins of CDFIs and their importance within Native communities for promoting entrepreneurship and homeownership. Ms. Cornelius discussed new opportunities for Native communities to access new market tax credits and upcoming CRA opportunities and what that could be with financial institutions. She ended by noting that technical assistance, training, and capacity building are needed to further promote homeownership in Native communities.

Members asked questions on how to gain trust in Native American communities and how institutions can approach Native land in a trustworthy and culturally appropriate way. Members also asked about the barriers for responsive financial products to meet the home buying needs and basic financial products. Lastly, members asked how to incentivize regulated bank financial institutions to invest in Native CDFIs and Indian Country more broadly.

Closing Remarks

Chairman Gruenberg delivered closing comments on the content of the presentations and thanked the members and the staff for their contributions to the meeting.

There being no further business, the meeting was adjourned at 3:58 p.m.

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Debra A. Decker
Executive Secretary
Federal Deposit Insurance Corporation
And Committee Management Officer
FDIC Advisory Committee on Economic Inclusion

Minutes

of

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I hereby certify that, to the best of my knowledge, the attached minutes are accurate and complete.

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Martin J. Gruenberg
Chairman
Board of Directors
Federal Deposit Insurance Corporation