

FDIC Survey of Banks' Efforts to Serve the Unbanked and Underbanked

**Executive Summary of Findings
and Recommendations**



February 2009

Transmittal Letter from Chairman Bair to the Committee on Financial Services of the House of Representatives and the Committee on Banking, Housing, and Urban Affairs of the Senate

February 5, 2009

Dear Sir/Madam,

As required under Section 7 of the Federal Deposit Insurance Reform Conforming Amendments Act of 2005 ("Reform Act," Pub. L. 109-173), the Federal Deposit Insurance Corporation hereby submits the results of the First Biennial Survey on Banks' Efforts to Serve the Unbanked and Underbanked. Enclosed are an FDIC Executive Summary of Findings and Recommendations as well as the detailed report.

This initial survey effort had three objectives designed to satisfy the statutory requirements:

- Identify and quantify the extent to which insured depositories outreach, serve, and meet the banking needs of the unbanked and underbanked;
- Identify challenges affecting the ability of insured depository institutions to serve the unbanked and underbanked; and
- Identify innovative efforts depositories use to serve the unbanked and underbanked.

One of several factors and questions that the Reform Act asks the FDIC to consider in conducting the survey is "[w]hat is a fair estimate of the size and worth of the 'unbanked' market in the United States." This question is being addressed by a separate survey effort being conducted jointly by the FDIC and the U.S. Bureau of the Census as a supplement to the Census Bureau's Current Population Survey in January 2009. The goals of that survey effort are to gather accurate estimates of the number of unbanked and underbanked households in the United States, their demographic characteristics, and reasons why they are unbanked and/or underbanked. These results will be forwarded later this year.

If you have further questions or comments, please do not hesitate to contact me at (202) 898-6974 or Eric Spittler, Director of Legislative Affairs, at (202) 898-3837.

Sincerely,



Sheila C. Bair
Chairman

Enclosure

Executive Summary of Findings and Recommendations

Background

Access to a basic bank account and financial services is fundamental to economic self-sufficiency. Banks provide individuals with the opportunity to save, borrow, invest, and build a credit record. Millions of Americans, however, are unbanked or underbanked and lack access to banks or are not fully participating in the mainstream financial system.¹ While there are few statistics available on the actual number of unbanked and underbanked individuals and households in the United States, some estimates indicate that up to 10 percent of American families are unbanked and that a substantial share of the population may be underbanked.²

The Federal Deposit Insurance Corporation (FDIC) is committed to ensuring that consumers have access to basic banking and other financial services as well as to developing more and better data about unbanked and underbanked households and factors that hinder them from fully utilizing the mainstream financial system. As part of its commitment to these issues, during 2008, the FDIC conducted a nationwide survey of FDIC-insured depository institutions to assess their efforts to serve unbanked and underbanked individuals and families.³ This survey was the first of its kind at the national level.

The survey was mandated by Section 7 of the Federal Deposit Insurance Reform Conforming Amendments Act of 2005 (“Reform Act”). The Reform Act requires that the FDIC conduct biennial surveys of insured depository institutions’ efforts to bring individuals and families who have rarely, if ever, held a checking account, a savings account

or other type of transaction or check-cashing account at an insured depository institution into the conventional finance system.

In designing this survey effort, the FDIC focused on questions raised in the Reform Act and sought to provide information to the banking industry that would help enhance efforts to serve unbanked and underbanked individuals. This initial survey effort under the Reform Act had the following three objectives:

- Identify and quantify the extent to which insured depositories outreach, serve, and meet the banking needs of unbanked and underbanked individuals and households;
- Identify challenges affecting the ability of insured depository institutions to serve unbanked and underbanked individuals and households; and
- Identify innovative efforts depositories used to serve unbanked and underbanked individuals and households.

One of several factors and questions the Reform Act asks the FDIC to consider in conducting the survey is “[w]hat is a fair estimate of the size and worth of the ‘unbanked’ market in the United States.” The FDIC is addressing this question through a separate household survey effort being conducted jointly with the U.S. Bureau of the Census as a supplement to the Census Bureau’s Current Population Survey in January 2009. The goals of that survey effort are to gather accurate estimates of the number of unbanked and underbanked households in the United States, their demographic characteristics, and reasons why they are unbanked and/or underbanked. It is anticipated that the results of this extensive survey effort will fill many of the data gaps that exist regarding unbanked and underbanked households in the U.S. The FDIC plans to release those results later this year.

Bank Survey Details

The bank survey was voluntary and consisted of mail-in survey questionnaires administered to a nationally representative random stratified sample of about 1,300 banks. The survey effort also included a limited number of case studies of banks pursuing innovative strategies to serve unbanked and/or underbanked individuals.

Note: Members of the FDIC Unbanked/Underbanked Survey Study Group are Barbara Ryan and Yazmin Osaki (Office of the Vice Chairman); Susan Burhouse, Katherine Samolyk, and David Chapman (Division of Insurance and Research); Luke Reynolds and Angelisa Harris (Division of Supervision and Consumer Protection); and Leneta Gregorie (Legal).

¹ Unbanked individuals and families are those who rarely, if ever, held a checking account, savings account, or other type of transaction or check-cashing account at an insured depository institution in the conventional finance system. Underbanked individuals and families are those who have an account with an insured depository institution but also rely on non-bank alternative financial service providers for transaction services or high-cost credit products.

² The Board of Governors of the Federal Reserve System, in its *Survey of Consumer Finances*, has reported that from 9 to 13 percent of U.S. households lack transaction accounts. See *Federal Reserve Bulletins* dated January 1997, January 2000, January 2001, and January 2004. The Center for Financial Services Innovation (CSFI) recently estimated that 40 million U.S. households are underbanked. See *The CSFI Underbanked Consumer Study*, CSFI, June 8, 2008.

³ The FDIC retained Dove Consulting to help administer the survey of banks. Dove Consulting collected the survey results and reported aggregated results to the FDIC. Complete survey results are contained in Dove Consulting’s report located at <http://www.fdic.gov/unbankedsurveys/>.

The survey sample represents the population of federally insured banks and thrifts with retail branch operations. In all, 685 complete surveys were returned, resulting in a response rate of 54 percent. Broken out by asset size, the response rate was 96 percent for the 25 largest banks, 61 percent for banks with assets over \$1 billion, and 51 percent for banks with assets under \$1 billion.

Survey questions focused on banks' financial education and outreach efforts; perceived challenges to serving unbanked and underbanked customers; banks' efforts to improve access through retail branch operation modifications; services provided by banks to non-customers who may be unbanked or underbanked; bank account opening practices and policies; and deposit, payment and credit products offered to entry-level consumers.

Case studies were developed from in-depth interviews with 16 banks that appeared to be successfully developing business opportunities with unbanked and/or underbanked individuals. Case study banks were carefully selected on the basis of a variety of different types of information, including survey questionnaire responses and industry research.

Summary of Survey Results

The following summary of survey results is organized by the survey topics.

Financial Education and Outreach Efforts

- **Seventy-three percent of banks are aware that significant unbanked and/or underbanked populations are in their market areas, but less than 18 percent of banks identify expanding services to unbanked and/or underbanked individuals as a priority in their business strategy.** Over three quarters of banks (77 percent) have not conducted research on this potential opportunity in their Community Reinvestment Act (CRA) assessment areas. The 25 largest banks are more likely than smaller banks to identify expanding services to these groups as a priority, although fewer than half of larger banks (46 percent) have done so.
- **When asked to rank-order the three most effective ways of educating and reaching out to unbanked and/or underbanked customers, banks identified "Providing financial education sessions" as most effective, followed by "Participation in other organizations," and "Outreach visits."** Almost all banks (98 percent) rank "Participation in other organizations" or "Outreach visits" among the top three most effective programs.
- **Sixty-three percent of banks provide financial education materials to unbanked and/or underbanked individuals, often in the form of brochures and pamphlets.** Basic banking or savings program educational materials for unbanked and/or underbanked customers are provided by about 39 percent and 34 percent of banks, respectively. Responses to open-ended questions suggest that most banks do not distinguish between unbanked and underbanked customers in their educational materials.
- **Thirty-seven percent of banks participate in financial education or outreach efforts with other organizations to expand services to unbanked and/or underbanked individuals.** Examples of such efforts include working with employers that use payroll cards, government entities that use electronic benefit transfer (EBT) or prepaid cards, and faith-based groups that provide cash assistance. The largest 25 banks are more likely to participate in such efforts.
- **About half (53 percent) of banks teach financial literacy and education sessions targeted at unbanked and/or underbanked individuals.** Larger banks are more likely to offer such educational sessions. Among banks that do provide such sessions, the topics most likely to be covered are basic banking and savings programs.
- **Fifty-eight percent of banks conducted off-premise financial education and outreach visits during 2007, most commonly at high schools and community-based organizations.**
- **Thirty-eight percent of banks work with corporate or business customers to provide services for unbanked and/or underbanked employees.** Larger banks are more likely to work with businesses to promote services for the unbanked than smaller banks.
- **A quarter (25 percent) of banks use targeted marketing to reach unbanked and/or underbanked individuals.** Larger banks are more likely to engage in targeted marketing. Among banks that target a specific demographic segment, Hispanic Americans are most frequently cited.

Perceived Challenges to Serving Unbanked and/or Underbanked Customers

- When asked to rank order the challenges banks face in serving or targeting unbanked and/or underbanked individuals, banks list “Profitability issues” first, followed by “Regulatory barriers,” and “Fraud concerns.” Regulatory impediments are perceived by 40 percent of banks, reflecting concerns related to maintaining compliance with the Patriot Act and the Bank Secrecy Act.⁴

Banks’ Efforts to Improve Access through Retail Branch Operations and Strategies

- **Over half of banks offer limited extended hours and foreign language capabilities at their retail branches.** Fifty nine percent of banks offer extended branch hours, typically after 5:00 p.m. on weekdays and after 1:00 p.m. on Saturdays. Among brick and mortar branch locations, 81 percent offer extended weekday evening hours, 16 percent offer Saturday afternoon hours and 5 percent offer Sunday hours. Fifty two percent of banks have hired staff with foreign language capabilities.
- **Almost two-thirds (64 percent) of banks report that they have modified their retail operations in the last five years to make the bank more appealing or convenient for unbanked and/or underbanked customers.** Almost three quarters (73 percent) of these banks reported doing this by offering Internet or mobile banking. Forty seven percent of banks have installed external automated teller machines (“ATMs”) and 43 percent have added off-premise ATMs. Thirteen percent of banks added non-traditional locations in community centers, supermarkets, etc. and 20 percent of banks added branches in low-to-moderate income (LMI) areas.
- When asked what efforts banks make as part of their branch strategies to serve unbanked and/or underbanked customers, less than half of banks identified providing check cashing (49 percent) and money order (41 percent) services. Far fewer banks identified bill paying services (18 percent), prepaid card issuance and reloading (12 percent), and check cashing kiosks (less than one percent).

⁴ The Patriot Act was signed in law on October 25, 2001 and Title III of the Act requires banks to establish a Customer Identification Program. The Bank Secrecy Act (BSA) of 1970 requires U.S. financial institutions to assist U.S. government agencies to detect and prevent money laundering. The BSA is sometimes referred to as “anti-money laundering” law (AML) or jointly as “BSA/AML.”

Services Banks Provide to Non-Customers Who May be Unbanked or Underbanked

- **Banks provide limited check cashing opportunities for non-customers who may be unbanked and/or underbanked.** Most banks (96 percent) will cash checks for non-customers drawn on the bank itself, but less than one-third will cash payroll and other business checks not written on the bank for non-customers.
- **Offerings of other transaction services to non-customers who may be unbanked and/or underbanked are more limited.** Bank checks/money orders and international remittances are available to non-customers at 37 percent and 6 percent of banks, respectively. Check cashing cards are offered by 2 percent of banks to non-customers.
- **Most banks will accept a driver’s license (92 percent) or state-issued photo identification (86 percent) for non-customers to cash checks.** A limited number of banks accept the Matricula Consular identification (20 percent) and the Individual Taxpayer identification Number (ITIN) (1 percent) as primary forms of identification for non-customers to cash checks.⁵

Bank Account-Opening Practices and Policies

- **Government-issued identification is required by most banks to open a new account.** Most banks will accept either a driver’s license (99 percent) or passport (92 percent) to open an account. Matricula Consular cards are accepted by 27 percent of banks and 38 percent of banks accept Individual Tax Identification Numbers (ITINs) during the process of opening a new account.
- **Unbanked and/or underbanked individuals with blemished account or credit histories often face challenges to opening new accounts.** Most banks (87 percent) require a third party customer screen such as ChexSystems when opening a new checking account.⁶ A quarter (25 percent) of banks automatically reject a new account application that receives a negative result in the screening process

⁵ Matricula Consular cards are identification cards issued to Mexican national citizens by the Government of Mexico through its consulate offices. Similar consulate identification cards are issued to citizens of other countries.

⁶ ChexSystems, Inc is a network of financial institutions that provides deposit account verification services to members and information to aid them in identifying account applicants who may have a history of account mishandling (for example, people whose accounts were overdrawn and then closed by their bank).

and about half (49 percent) of banks are able to override a negative result at the branch location. A quarter (25 percent) of banks offer “second chance” accounts designed for individuals not qualified for conventional bank accounts.⁷

- When asked to rank order the three most common reasons that a new account applicant is declined, banks identified “Negative account screening” first, followed by “Insufficient identification information” and “Low credit score.”

Deposit, Payment, and Credit Products and Services Offered to Entry-Level Consumers

- **Almost two-thirds (62 percent) of banks offer an entry-level checking account with no minimum balance.** Another 8 percent of banks normally charge a minimum fee on their most basic checking account but will waive the fee if the customer uses direct deposit. When required, the median minimum balance with or without direct deposit was \$100.
- **Nearly all banks (99 percent) charge a per-item overdraft fee on their most basic (lowest cost) transaction account.** Overdraft fees range from \$8 to \$38 with a median of \$25. While over half (60 percent) of banks offer some type of program that will cover or waive the fee, such programs frequently involve a line of credit or transfer and may not be available to underbanked customers. Over half of banks (57 percent) that charge overdraft fees automatically close an account after a customer has a certain number of overdrafts (ranging from one to 500) or after an account has remained in negative status for a given period of time (ranging from 10 to 180 days).
- **Nearly all banks (97 percent) offer low-balance (under \$500) basic savings accounts, but few offer savings programs designed to help unbanked and/or underbanked customers.** Seven percent of banks offer savings accounts through workplace-based programs, eight percent of banks participate in or offer Individual Development Account (IDA) programs, and 3 percent of banks participate in Internal Revenue Service Volunteer Income Tax

Assistance (VITA) programs.⁸ Less than a quarter (22 percent) of banks partner with organizations to promote savings products and about half (49 percent) of banks offer special savings clubs. The largest 25 banks were more likely to offer some of these programs.

- **Funds availability from deposited checks at many banks, while in compliance with federal regulations, is slow relative to non-bank check cashing services.**⁹ At least one-third of banks require at least a one-day wait for funds to be available from any check. Longer waits are frequently required for government or payroll checks and checks drawn on another bank.
- **Banks offer few advance or credit products tailored to LMI and/or unbanked and underbanked customers.** Less than 6 percent of banks provide an advance on funds due to arrive by direct deposit or check. While over two-thirds (69 percent) of banks offer closed-end unsecured personal loans for amounts under \$5,000, eligibility requirements may hinder access for unbanked and/or underbanked customers.¹⁰ Survey responses to a question asking whether banks offer “affordable small dollar loans” revealed confusion about the product since a number of banks counted overdraft programs with a line of credit in their affirmative responses.¹¹

Case Study Highlights

The 16 case studies developed as part of this survey effort demonstrate that opportunities do exist for banks to serve these markets both profitably and effectively. Banks of various asset size classes and geographic locations are successfully serving unbanked and/or underbanked individuals through a variety of innovative strategies. These banks are noteworthy for their efforts to create innovative programs to increase access to the mainstream financial system. The FDIC encourages all banks to expand efforts to

⁷ “Second chance” accounts are frequently checkless accounts or accounts with limited check-writing privileges that may be connected to a debit card. They usually provide most or all of the benefits of a regular checking account, including bank routing number and account number.

⁸ Workplace-based programs, IDAs, and VITA programs can help bring unbanked and/or underbanked individuals into the mainstream financial system through savings products. IDAs are matched savings accounts that allow LMI individuals to save, build assets, and enter the financial mainstream. VITA programs offer free tax help to LMI individuals who cannot prepare their own tax forms.

⁹ The Expedited Funds Availability Act of 1987 - Federal Reserve Regulation CC - sets maximum time frames that a bank can withhold funds and is enforced by the bank's primary federal supervisor.

¹⁰ For example, a minimum credit score is required by 50 percent of banks.

¹¹ The questionnaire defined “affordable small dollar loans” as loans for “less than \$1,000/ at least a 90-day repayment term/less than 36% APR/low or no fees.”

work with community organizations, employers, the government, and the non-profit sector to address the unique needs of the financially underserved.

Brief descriptions of the activities of the case study banks appear in Exhibit 1 and complete case studies appear in Chapter 12 of the study report by Dove Consulting.

Next Steps and Recommendations

Next Steps

The FDIC hopes that these findings and the full results of the survey will assist policy makers, researchers, and practitioners as they continue to work to help expand access to the mainstream financial system. The FDIC intends to conduct and publish further research on these issues utilizing the results of this survey and the FDIC's Household Survey of the Unbanked and Underbanked conducted jointly with the Census Bureau in January 2009.

In addition, the FDIC intends to continue to pursue related initiatives underway that are designed to encourage banks to serve these markets by sharing information on

best practices through the general examination process, meetings, and conferences, as well as its efforts with programs such as the Advisory Committee on Economic Inclusion (ComE-IN), the Alliance for Economic Inclusion (AEI), the Affordable and Responsible Consumer Credit (ARC) small-dollar loan pilot, and the Money Smart Financial Education Program (see Exhibit 2).

Recommendations

Consider defining a national shared government-industry goal to lower the number of unbanked and/or underbanked individuals and households as well as a national task force to provide oversight and guidance, composed of senior representatives of federal bank and credit union regulators and the U.S. Department of the Treasury. Such an effort would need to rely on reliable and regularly reported statistics on the number of unbanked and underbanked households in the U.S. and could be based on the results of the FDIC's Survey of Unbanked and Underbanked Households being conducted jointly with the Census Bureau as a supplement to the Current Population Survey in January 2009.

EXHIBIT 1

Case Study Summaries

Amalgamated Bank, New York, NY (Total assets: \$4,574 million)¹²

Amalgamated Bank relies on strategic partnerships with community organizations and government agencies to tailor and deliver educational outreach and banking services to different unbanked populations in its service areas. In addition to creating a comprehensive financial literacy curriculum, the bank also developed a specialized package of banking services for its union members, other working class individuals, and recent immigrants. The bank continues to evolve its offerings and approaches according to the needs of each community.

Artisans' Bank, Wilmington, DE (Total assets: \$596 million)

Artisans' Bank promotes its innovative products and services through partnerships with community organizations and assistance agencies. Artisans' Bank offers a Credit Builders Program targeted to LMI borrowers with less than perfect credit. The proceeds of a small dollar loan are deposited into an Artisans' Bank savings account, which serves as the collateral. Artisans' Bank also offers free checking accounts and individual development accounts for LMI consumers, and partners with a local inner-city Boys and Girls Club to sponsor a youth savings program. The bank incorporates education into targeted products for the unbanked and underbanked to improve their potential for success, and stresses repetition and reinforcement of knowledge.

BancorpSouth, Tupelo, MS (Total assets: \$13,294 million)

Outreach and financial education are at the core of BancorpSouth's efforts to serve the local unbanked and underbanked population, with programs conducted in and tailored to each market. The bank also offers a Second Chance Checking product designed to assist people who have struggled with successfully maintaining a checking account in the past, affordable mortgage products targeted to customers with blemished credit, and free tax preparation at VITA sites. The bank employs bilingual, Spanish-speaking staff at branches located in areas with a sizable Spanish-speaking population.

Bangor Savings Bank, Bangor, ME (Total assets: \$2,319 million)

Bangor Savings Bank has developed a business model that encourages inclusion, lowers barriers for developing customer relationships, and provides opportunities to help unbanked and underbanked individuals enter the mainstream banking system. In particular, the bank focuses on providing its regular products with greater accessibility and improved service rather than offering special products.

Carver State Bank, Savannah, GA (Total assets: \$41 million)

Carver State Bank targets the unbanked and underbanked population in the Savannah, Georgia area with active outreach, second chance checking products, a credit rebuilder program, first time homebuyers' seminars and individual development accounts. Bank staff have already been able to convince many individuals of the advantages of opening accounts and of using the bank instead of more costly check cashing services.

Central Bank of Kansas City, Kansas City, MO (Total assets: \$165 million)

Central Bank of Kansas City (CBKC) is a Community Development Financial Institution (CDFI) that works to develop products to serve the unbanked and underserved. CBKC is committed to achieving its goal of developing programs that resonate with and deliver value to the community. As a result, the bank has created more effective approaches, including its payroll card program for low income employees and participation in wider community events for educational outreach, informed by past experiences and continued insight into its dynamic market.

Citibank, National Association, Las Vegas, NV (Total assets: \$1,207,007 million)

Leveraging strategic long-term partnerships with strong community organizations has been integral to the success of Citibank's asset-building initiatives. Citibank relies on partners to deliver connections to the community by virtue of their local experience, subject matter expertise, staff resources, and fundraising capability. Citibank's primary partnership in Los Angeles is with the United Way of Greater Los Angeles (UWGLA) in the UWGLA Saving for the American Dream asset-building program. This program promotes Individual Development Accounts to low-income working fami-

¹² Total assets as of September 30, 2008.

lies. Local partner help Citibank mitigate language and cultural barriers and deliver services and programs tailored to the needs and preferences of the local market segments. Citibank also invests in market research to assess and refine its strategies for serving the unbanked and underbanked.

Citizens Union Bank of Shelbyville, Shelbyville, KY (Total assets: \$595 million)

In July 2007, Citizens Union Bank opened a branch called Nuestro Banco (“Our Bank”), a Division of Citizens Union Bank, to target the Hispanic community. A major component of their strategy to reach the Hispanic market is its branch configuration. Nuestro Banco is completely bilingual, and provides a welcoming environment to enhance the banking experience. It competes with small check cashers and large payday lenders. Citizens Union Bank also offers two affordable small dollar loan programs and provides extensive outreach to underserved populations.

The Commerce Bank of Washington, Seattle, WA (Total assets: \$846 million)

The Commerce Bank of Washington transformed and modernized banking services offered by The Compass Center (TCC), a non-profit homeless service provider. The Commerce Bank of Washington provides funding, technical assistance, and banking processing services for TCC for homeless clientele and individuals with permanent disabilities in Seattle. Clients also benefit from financial education and counseling resources, which can also help them move into the economic mainstream.

Fort Morgan State Bank, Fort Morgan, CO (Total assets: \$51 million)

Fort Morgan State Bank opened a branch at the Cargill Meat Solutions facility to provide banking services and education to its 2,000 employees, many of whom are unbanked and/or new immigrants. The bank tailors its workplace branch operations to specific needs and behaviors of the employees and provides a package of targeted products and services to serve this population and to compete with alternative service providers. The bank observes that its partnership with Cargill has increased traffic at the bank’s main branch, signifying that some of its Cargill customers have been transitioning into more extensive banking relationships.

International Bank of Commerce (IBC), Laredo, TX (Total assets: \$9,822 million)

IBC strives to improve access to banking services by providing full-service, seven-day-a-week banking in grocery stores and shopping malls and by bundling a range of banking services and offering them free-of-charge. The bank also visits high schools, vocational schools and colleges, workplaces, community-based organizations, and has two branch locations that operate mock banking services as part of an educational program at elementary schools. IBC has reported that outreach efforts, particularly in the Latino community, have been successful in attracting new customers.

KeyBank, Cleveland, OH (Total assets: \$97,811 million)

KeyBank’s strategy for serving the unbanked and underbanked populations consists of an integrated approach that includes product development, technology, modified retail operations, outreach, financial education, and strong management support. The KeyBank Plus program offers low-cost check cashing and money orders for non-customers and was developed as a way to attract clients to the bank with the goal of converting them to deposit account customers over time.

Mitchell Bank, Milwaukee, WI (Total assets: \$79 million)

Mitchell Bank responded to changing demographics in its service area by reaching out to community groups to determine what products and services the bank should offer to best serve the Latino community. The bank has actively sought to assist individuals in the Latino community obtain forms of identification that would allow them to open accounts. In addition, Mitchell Bank offers the services available from alternative providers at a lower cost. In 2000, the bank established a branch, branded as Cardinal Bank, in a high school located in a predominantly Latino neighborhood. Cardinal Bank is a student-operated branch now open four days a week. Through this branch, Mitchell Bank is able to successfully provide products and financial education to both students and parents, many from unbanked households.

Monroe Bank & Trust, Monroe, MI (Total assets: \$1,505 million)

Monroe Bank & Trust has developed a strong community presence in its service area through its extensive employee volunteer program, which assists over 100 non-profit organizations in its local market. By leveraging relationships with

local agencies and community organizations, the bank is currently expanding its education and outreach efforts to include financial education programs delivered in neighborhoods with high unbanked populations and a “Learning Bank” to provide adult continuing education courses, including financial literacy training for low income individuals. In addition, the bank offers a transitional, second chance deposit account, Opportunity Checking, for customers ineligible for standard checking accounts.

Ridgewood Savings Bank, Ridgewood, NY (Total assets: \$4,101 million)

Ridgewood Savings Bank’s approach to serving unbanked and underbanked communities focuses on increasing access to banking services and conducting outreach and education. The bank has combined local and state initiatives with internal business strategies. The bank received a Banking Development District designation from New York State, which has been a critical component of its efforts to serve underserved customers. Since 2006, the bank has opened two branches in Bronx neighborhoods with significant populations of unbanked and underbanked residents. In May 2005, Ridgewood launched a full-service mobile branch that brings banking services to people and places that otherwise would not have them, such as assisted living facilities. In addition, the bank offers an array of educational programs targeting first-time homebuyers, low-income residents, and students.

Second Federal Savings of Chicago, Chicago, IL (Total assets: \$259 million)

Headquartered in the South Side of Chicago, Second Federal targets the Mexican immigrant community. Second Federal was one of the first banking institutions in the United States to accept the Matrícula Consular card as a valid form of identification. In order to serve unbanked and underbanked populations, the bank provides money transfer and bill payment services to non-deposit customers. Second Federal also developed a remittance product based on a dual ATM card program.

EXHIBIT 2

FDIC Activities to Encourage Economic Inclusion

The FDIC's **Advisory Committee on Economic Inclusion (ComE-IN)** was established by Chairman Sheila C. Bair and the FDIC Board of Directors in November 2006 pursuant to the Federal Advisory Committee Act. The mission of the Committee is to provide the FDIC with advice and recommendations on important initiatives focused on expanding access to banking services by underserved populations. This may include 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.

The FDIC's **Alliance for Economic Inclusion (AEI)** is the FDIC's national initiative to establish broad-based coalitions of financial institutions, community-based organizations and other partners in ten markets across the country to bring all unbanked and underserved populations into the financial mainstream. AEI focuses on expanding basic retail financial services for underserved populations, including savings accounts, affordable remittance products, small-dollar loan programs, targeted financial education programs, alternative delivery channels and other asset-building programs. To date, 952 banks and organizations have joined AEI nationwide; more than 65,000 new bank accounts have been opened; 45 banks are in the process of offering or developing small-dollar loans; 33 banks are offering remittance products; and more than 61,000 consumers have been provided financial education.

The FDIC's **Affordable and Responsible Consumer Credit (ARC) small dollar loan pilot program** is a two-year pilot project to review affordable and responsible small-dollar loan programs in financial institutions. The purpose of the study is to identify effective and replicable business practices to help banks incorporate affordable small-dollar loans into their other mainstream banking services. Best practices resulting from the pilot will be identified and become a resource for other institutions.

The FDIC's **Money Smart financial education curriculum** is designed to help individuals outside the financial mainstream enhance their money skills and create positive banking relationships. The FDIC also oversees the Money Smart Alliance, which consists of over 1,500 financial institutions, nonprofit organizations, schools, government authorities and others that partner with the FDIC to provide financial education targeted to LMI households and others.

