

**Remarks by
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for Delivery to
"Tapping the Unbanked Market: Helping People Enter the Financial Mainstream"
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Photo Essay: "Tapping the Unbanked Market"

Good morning. I am glad you are here with us today explore ways to help the unbanked enter the financial mainstream.

There has been considerable discussion in the industry -- and significant media attention -- about those who have not yet made it into the financial mainstream. I'm talking about the rapidly growing segments of ethnically and racially diverse consumers who are either unbanked or underbanked. These groups represent significant emerging markets for new and expanded bank products and services.

Interest in multi-cultural markets has skyrocketed since the release of the 2000 Census figures. The statistics that have stimulated such keen interest are well known. Asians make up 4% of the U.S. population, and that percentage is expected to grow to 6.5% by 2025. The Hispanic population, currently around 13%, is expected to reach 18% during that same period. In addition, homeownership among African-Americans rose by 89% between 1993 and 2000, making them an even more attractive market segment for bank products and services. For banks that successfully reach these groups, they represent a significant business opportunity.

But like most other "great opportunities," there are inherent challenges as well.

We know a lot about the market we're trying to reach. Adults without transaction accounts - such as savings, checking, mutual funds and money markets - are more likely to have lower incomes, are younger than 35, non-white or Hispanic, and underemployed. Many of them do not own their homes, have limited English-speaking ability, and often live from paycheck to paycheck.

They remain unbanked for reasons ranging from problem credit histories and debt burdens to general distrust of financial institutions, all associated with a lack of basic financial education.

Not surprisingly, when cut off from mainstream banking services, many turn to traditionally higher-cost lenders such as pawnshops, car-title lenders, payday lenders, check-cashers and wire-transfer companies.

Today you are going to hear a variety of perspectives on how and why it is a good idea to identify, support and initiate efforts to reach unbanked customers.

Banking relationships enable consumers to avoid carrying large amounts of cash, reduce overall costs for financial services and establish solid relationships with financial institutions that can help improve their economic circumstances.

For financial institutions, unbanked households represent a valuable source for new customers that can produce revenue and help banks better meet the compliance requirements of the Community Reinvestment Act.

And finally, both the public sector - through federal payments - and the private sector - through payrolls - benefit from the cost savings that electronic delivery of payments provide when unbanked individuals become account holders.

The rationale is clear, but most of us have yet to see an abundance of products, services or outreach efforts to motivate these potential customers to enter the mainstream market. But they are out there. And that's why we're here today - to discuss the issues and share some answers.

Several of you are taking the lead in expanding your bank or organization's presence, activities, and customer base in underserved emerging markets; and you can serve as the beacon for the rest of us. At the end of the day we will discuss a forum to capture and share best practices to help one another achieve this important goal.

The FDIC is committed to promoting your efforts through our financial education curriculum, Money Smart, which we developed to help build awareness among the unbanked about the benefits of banking relationships.

Since the rollout of Money Smart a little over two years ago, we've learned that financial education is more effective when offered in conjunction with other asset building strategies, such as opening Individual Development Accounts (IDAs), offering free tax preparation for Earned Income Tax Credit (EITC) refunds, and other types of job training.

The FDIC has taken the lead in establishing partnerships with communities and bankers to link services such as applying for EITC funds, offering free tax preparation services and other incentives to promote and provide financial education. And we have seen nearly 14,000 previously unbanked consumers establish new bank accounts as a result of these efforts.

As I often do, I had the opportunity to speak on this topic earlier this year at the National Community Investment Fund's Annual Conference. There, before a dynamic group of bankers, community developers, and civic leaders, I raised a few questions and got fired up enough to issue a challenge. I asked, "What's next after financial education? And how do we expand initiatives to bring all Americans into the financial mainstream?"

To rise to the challenge and help answer those questions, the FDIC has been busy working to expand our efforts beyond basic financial education.

In partnership with the National Community Investment Fund, we are hosting an ongoing series of meetings in Chicago to identify and implement alternative ways that local financial institutions can effectively bridge the gap and deliver banking services to more and more Americans.

Today we launched the first in a series of research papers on this topic through our FYI series. The first installment, called "Financial Education in a Dynamic Banking Environment," is available through our website, www.fdic.gov and provides a wealth of information on this subject.

Let me close by saying it is an honor for the FDIC to welcome you all to this conference. Today we will be hearing from some of the best-informed and most enthusiastic champions of this cause. Let me begin by introducing our distinguished Congressional panel:

Chairman of the House Financial Institutions and Consumer Credit Subcommittee - Spencer Bachus of Alabama, is joined by his distinguished colleagues from the House Committee on Financial Services:

Congressman Ruben Hinojosa of Texas, and

Congressman David Scott of Georgia.

These gentlemen will be moderated by Judy Kennedy, the President and CEO of the National Association of Affordable Housing Lenders - who undoubtedly has the toughest job of any of us this morning.

I applaud all of you for being here today and want you to know that I am looking forward to seeing real and viable programs and solutions emerging from this conference.

Thank you.

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