

SUPPORTING STATEMENT A

National Survey on Banks' Efforts to Serve The Unbanked and Underbanked (new collection)

INTRODUCTION

The FDIC is requesting approval from the Office of Management and Budget (OMB) to collect data on the efforts of FDIC-insured depository institutions (commercial banks and savings institutions, referred to henceforth as “banks”) to meet the financial services needs of individuals who do not have an account at a bank or credit union (the “unbanked”) and of individuals who have a deposit account but also rely on alternative, non-bank financial service providers (such as check cashing firms or payday lenders) for transaction or credit services (the “underbanked”). The information collection effort consists of a questionnaire survey and a limited number of case studies. The questionnaire survey is designed to obtain information from a cross-section of banks regarding their efforts to meet the needs of the unbanked and underbanked and will solicit information on specific bank approaches and types of products offered and their effectiveness. The case studies are being conducted to identify innovative approaches employed by banks to serve unbanked and underbanked populations.

A. JUSTIFICATION

1. Circumstances and Need

This information collection is mandated by section 7 of the Federal Deposit Insurance Reform Conforming Amendments Act of 2005 (“Reform Act”) (Pub. L. 109-173) and compliments the FDIC’s other initiatives in the area of economic inclusion. The Reform Act requires the FDIC to conduct ongoing surveys “on efforts by insured depository institutions to bring those 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.” The Reform Act further requires that the FDIC consider the following factors in conducting the survey: (1) the extent to which insured depository institutions promote financial education and financial literacy outreach; (2) the financial education efforts that appear to be the most effective in bringing unbanked individuals and families into the conventional finance system; (3) the efforts of insured institutions to convert unbanked money order, wire transfer, and international remittance customers into conventional account holders; (4) the cultural, language and identification issues as well as transactions costs that appear to most prevent unbanked individuals from establishing accounts; and (5) an estimate of the size and worth of the unbanked market in the United States.

2. Use of Information Collected

The FDIC will use the information outlined below to produce a study on banks' efforts to serve the unbanked and underbanked populations in the U.S. These analyses will be included in biannual reports to Congress, as required by the Reform Act, and are intended to inform policy makers and guide future policy decisions with respect to the FDIC's economic inclusion initiatives and efforts of banks to serve the unbanked and underbanked.

To permit broad representation of banks' efforts to serve the unbanked and underbanked, the FDIC plans to gather information from 865 banks of various size classes and geographic locations. Additional interviews will be conducted among a limited number of banks to develop more in-depth case studies of innovative methods employed by banks to reach out to the unbanked and underbanked populations.

Participation in the information collection effort is voluntary for all banks participating in both the questionnaire survey and the case studies. No information about any specific bank or bank customers collected in the survey questionnaire will be disclosed to the public. Individual bank case studies will only be published for those banks that authorize the FDIC to publish such information.

3. Use of Technology to Reduce Burden

To minimize burden on respondents, the FDIC will use electronic data collection techniques, including the feasibility of web-based and electronic versions of the survey, wherever possible. All participating institutions will have a choice of completing the survey in hard copy or downloadable MS-Word versions.

4. Efforts to Identify Duplication

This collection of information about banks' efforts to serve the unbanked and underbanked populations has not been conducted on a large-scale basis. Moreover, the survey effort will reduce the amount of potentially duplicative information by utilizing bank asset data from call reports submitted by banks for June 30th, 2007. In addition, branch operating hours and locations in low and moderate income areas will be obtained from CRA reports which include that data.

5. Minimizing the Burden on Small Banks

To minimize burden on all respondent banks, the survey will be limited to approximately 290 minutes on average across all bank sizes, although FDIC expects smaller banks to require less time, approximately 251 minutes. The questionnaire survey effort will be administered using a standard survey format. Participating institutions will have a choice of completing the survey in hard copy or electronically via word processing software.

6. Consequences of Less Frequent Collection

This information collection will be conducted once every two years to comply with the legislative mandate.

7. Special Circumstances

Banks will receive the survey forms at least 45 days before due date; 14 day extensions will be granted as needed.

8. Consultation with Persons Outside the FDIC

The FDIC published a “first” *Federal Register* notice on August 17, 2007 (72 FR 46226). No comments were received in response.

Pursuant to the PRA, the FDIC will publish a second *Federal Register* notice advising the public that the collection has been submitted to OMB for review.

The FDIC also conducted a pilot test of the survey and obtained feedback from nine pilot test participants. Based on the feedback received, clarifications were made to the instructions and definitions and several questions were eliminated.

9. Payment or Gift to Respondents

No gifts will be given to respondents.

10. Confidentiality

All survey data from individual financial institutions, as well as the identities of the banks participating in the questionnaire survey effort, will remain confidential. Identities of banks and any bank-specific data gathered from banks voluntarily participating in the case studies will only be revealed with their permission. No personally identifiable information will be collected or published.

11. Information of a Sensitive Nature

The study will not request any personally identifiable information on individual bank customers, such as name, address, or account number.

12. Estimate of Annual Burden

Based on the results of the pilot test, the FDIC increased the burden estimate for the survey. The FDIC now anticipates that the survey will take 290 minutes on average. FDIC expects Tier 3 (small community banks) to take approximately 251 minutes to complete the survey and Tier 1 (large banks) to take approximately 510 minutes to complete the survey.

Survey questions: 865 respondents x 290 minutes per = 4,181 hours.

Case studies:

Exploratory interviews: 25 respondents x 1 hour = 25 hours.

In-depth interviews: 25 respondents x 3 hours = 75 hours.

Total case study burden: 100 hours

Total burden: 4,181 hours + 100 hours = 4,281 hours

13. Capital, Start-up, and Operating Costs

None.

14. Estimates of Annualized Cost to the Federal Government

The estimated cost to the FDIC is \$500,000.

15. Reason for Change in Burden

This is a new collection; therefore, the entire burden associated with this request is due to a program change.

16. Publication

It is the intent of the FDIC to publish only general findings of the study.

17. Exceptions to Expiration Date Display

None.

18. Exceptions to Certification

None.