Office of Inspector General

FDIC Efforts to Increase Consumer Participation in the Insured Banking System

September 2023 EVAL-23-003

Evaluation Report

Audits, Evaluations, and Cyber

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NOTICE

Pursuant to Pub. L. 117-263, section 5274, non-governmental organizations and business entities identified in this report have the opportunity to submit a written response for the purpose of clarifying or providing additional context to any specific reference. Comments must be submitted to comments@fdicoig.gov within 30 days of the report publication date as reflected on our public website. Any comments will be appended to this report and posted on our public website. We request that submissions be Section 508 compliant and free from any proprietary or otherwise sensitive information.

Office of Inspector General

Executive Summary

FDIC Efforts to Increase Consumer Participation in the Insured Banking System

In October 2022, the Federal Deposit Insurance Corporation (FDIC) issued results from the *2021 FDIC National Survey of Unbanked and Underbanked Households* (2021 Household Survey). The 2021 Household Survey found that an estimated 4.5 percent of United States (U.S.) households were unbanked—meaning no one in the household had a checking or savings account at a bank or credit union. Further, the 2021 Household Survey found that an estimated 14.1 percent of U.S. households were underbanked—meaning someone in the household had a bank account, but they also used nonbank products or services, such as money orders, check cashing, international remittances, rent-to-own services or payday, pawn shop, tax refund anticipation, or auto title loans, "that are disproportionately used by unbanked households to meet their financial needs." According to the Financial Health Network's *FinHealth Spend Report 2023: U.S. Household Spending on Financial Services Amid Historical Inflation and an Uncertain Economy* (June 2023), U.S. households are estimated to have spent over $25 billion annually on these nonbank products and services from 2020 through 2022.

The World Bank notes that access to a bank account is "a first step toward broader financial inclusion since a transaction account allows people to store money, and send and receive payments." In addition, bank accounts allow previously excluded and underserved populations to receive other financial products. The FDIC advises that access to safe, affordable, and sustainable insured transaction and savings accounts, along with quality financial education, improves consumers' ability to safely save, build assets, and create wealth. According to the FDIC, safe and affordable savings and credit solutions from insured depository institutions can improve household financial stability and resilience.

The FDIC defines economic inclusion as the general population's ability to participate in all aspects of a nation's economy, to include access to safe, affordable financial products and services. The FDIC has identified economic inclusion as a major strategic challenge for the Agency and has outlined the objectives, goals, means, and strategies it will pursue to address this challenge in its 2022-2026 Strategic Plan (December 2021) and its 2021, 2022, and 2023 Annual Performance Plans. Key performance plan activities include promoting economic inclusion and access to responsible financial services through supervisory, research, policy, and consumer/community affairs initiatives.

The FDIC's Division of Depositor and Consumer Protection (DCP) leads the FDIC's economic inclusion efforts. DCP's mission includes promoting economic inclusion by helping to build and strengthen positive connections between insured financial institutions and consumers, depositors, small businesses, and communities. DCP published its Economic Inclusion Strategic Plan (EISP) (June 2019) to guide its efforts and pursuit of strategies to promote and expand economic inclusion. This plan outlines the goals, strategies, and measures for the FDIC's economic inclusion work. From 2020 to 2023, the FDIC identified an FDIC Performance Goal to increase participation in the insured banking system through the implementation of the FDIC EISP.

Our evaluation objective was to determine whether the FDIC developed and implemented an effective strategic plan to increase the participation of unbanked and underbanked consumers in the insured banking system.

Results

The FDIC developed an EISP with the stated goal to "promote[] the widespread availability and effective use of affordable, and sustainable products and services from insured depository institutions that help consumers and entrepreneurs meet their financial goals." The plan aligned with several strategic planning best practices as it included a high-level narrative describing the agency, mission, vision, problems to be addressed, as well as strategic goals and objectives and why they were selected. However, opportunities exist to strengthen the effectiveness of future EISPs by incorporating additional strategic planning best practices into the strategic planning process. These additional best practices include (1) performing a comprehensive assessment of the landscape, (2) identifying strategies and developing outcome-based performance measures to assess progress towards desired goals, and (3) identifying resources needed to achieve desired goals and risks that could affect achievement of goals.

The stated goal of the EISP generally supports the FDIC Performance Goal of increasing consumer participation in the insured banking system. However, the FDIC can strengthen connections between the annual FDIC Performance Goal and the EISP by ensuring that the expressed intent of annual goals related to DCP's economic inclusion efforts matches the goals and objectives articulated in the EISP.

The FDIC can also take steps to improve the implementation of future EISPs by aligning internal resources to achieve program objectives and measuring the outcomes of its economic inclusion efforts. Additionally, the FDIC's Enterprise Risk Management risk mitigation strategies to address economic inclusion efforts could more clearly address risks related to implementing strategic objectives, effective controls, and responsive programs to promote economic inclusion. Collectively, these actions would help management make the best use of Agency resources, ensure accountability, monitor progress, and make its strategic plan more effective in promoting economic inclusion.

Recommendations

This report contains 14 recommendations intended to improve the development and implementation of future FDIC EISPs. Specifically, we recommend that the FDIC develop and implement formal policy and guidance for the formulation of future EISPs, leveraging strategic planning best practices. We recommend that the FDIC resume obtaining bank survey data or implement another mechanism, to gain the perspectives of banks and incorporate this information in the Agency's future EISP efforts. We recommend that the FDIC develop and implement consistent assessment and progress reporting for all EISP goals and objectives, and ensure that the expressed intent of annual FDIC Performance Goals related to economic inclusion matches the goals and objectives articulated in the EISP. We recommend that the FDIC track internal staffing costs and identify whether the FDIC needs to reallocate resources for economic inclusion initiatives to meet EISP goals and objectives. We also recommend that the FDIC ensure risk mitigation strategies identified for the economic inclusion-related Enterprise Risk Management Risk Inventory item clearly address and effectively reduce risks related to implementing strategic objectives, effective controls, and responsive programs to promote economic inclusion.

The FDIC concurred with all 14 recommendations and proposed corrective actions that were sufficient to address the intent of the recommendations. Therefore, we consider these recommendations to be resolved and open pending completion of the corrective actions. The FDIC plans to complete all corrective actions by December 30, 2024.

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The Federal Deposit Insurance Corporation (FDIC) reported in its *2021 FDIC National Survey of Unbanked and Underbanked Households* (2021 Household Survey) that about 5.9 million United States (U.S.) households were unbanked, and about 18.7 million U.S. households were underbanked.[1] According to Forbes, it is important to understand the costs of living without access to traditional banking and how living without full access to the banking system can prevent the unbanked and underbanked from building wealth.[2] For example, Forbes reported that being unbanked can be inconvenient and costly in that unbanked Americans are forced to pay high fees for everyday financial services like check cashing and money orders, which can cost anywhere from a few dollars to well over $10 to cash a check and up to $2 or more per money order. According to Forbes, for a dual-income household receiving biweekly paychecks and paying at least two monthly bills with a money order, this could add up to over $150 in fees each year. The Financial Health Network reported that in 2022, U.S. households spent an estimated $27.5 billion on nonbank products and service fees such as non-bank check cashing; international remittances; money orders; refund anticipation checks and loans; rent-to-own services; and pawn, payday, and title loans.[3] This was an increase of over $2 billion from the estimated $25.2 billion and $25.4 billion spent by U.S. households on these nonbank products and services in 2021 and 2020, respectively.

There are vast disparities in the participation in the banking system and total fees paid by certain groups. For example, unbanked rates were higher

[1] Unbanked households are those that did not have a checking or savings account at a bank or credit union. Underbanked households are those that had a bank account, but also used one of the following nonbank transaction or credit product or services in the past 12 months to meet their financial needs: money orders, check cashing, or international remittances (i.e., nonbank transaction), or rent-to-own services or payday, pawn shop, tax refund anticipation, or auto title loans (i.e., nonbank credit).
[2] Forbes Advisor, *The Costs Of Being Unbanked Or Underbanked* (December 2022). https://www.forbes.com/advisor/banking/costs-of-being-unbanked-or-underbanked/.
[3] Financial Health Network, *FinHealth Spend Report 2023: U.S. Household Spending on Financial Services Amid Historical Inflation and an Uncertain Economy* (June 2023).

among lower-income households, less-educated households, Black households, and Hispanic households. Specifically, the FDIC's 2021 Household Survey reported that the unbanked rate was 11.3 percent for Black households and 9.3 percent for Hispanic households compared to only 2.1 percent for White households. The Financial Health Network estimated that in 2022 on average, Black households spent 7 percent and Latinx households spent 5 percent of their annual household incomes on financial services interest and fees, versus 3 percent for White households.[4] The Financial Health Network also reported that financially vulnerable households, those that struggle with most or all areas of their financial lives, spent an estimated 14 percent of their income on interest and fees alone.

According to the FDIC, consumers are best-served when they are matched with products and services that meet their needs. The FDIC also reports on its website that, "[a]ccess to safe, affordable, and sustainable insured transaction and savings accounts, along with quality financial education, improves consumers' ability to save, build assets, and create wealth."[5] Accordingly, the FDIC has committed to expanding economic inclusion in the financial mainstream by ensuring that all Americans have access to affordable and sustainable products and services from insured depository institutions. The FDIC's efforts to expand economic inclusion encompass the Agency's programs and personnel who aim to broaden and deepen the connections between insured depository institutions and the families, businesses, and communities they serve, particularly focusing on the unbanked and underbanked. Furthermore, the FDIC has identified increasing participation in the insured banking system through the implementation of the discretionary FDIC Economic Inclusion Strategic Plan (EISP)[6] as an FDIC Performance Goal (FPG).

The FDIC's Consumer and Community Affairs Branch within the Division of Depositor and Consumer Protection (DCP) has the primary responsibility for promoting economic inclusion. The branch promotes confidence in the

[4] The Financial Health Network report analyzed fees and interest incurred for transaction and deposit services and credit services. This report categorized respondents who identified as Spanish, Hispanic, or Latino as Latinx.
[5] https://www.fdic.gov/resources/consumers/economic-inclusion/index.html.
[6] We consider the Economic Inclusion Strategic Plan to be a discretionary strategic plan as it was developed separately from the Agency-level strategic plan required by the Government Performance and Results Act of 1993 (GPRA) and the GPRA Modernization Act of 2010 (GPRAMA).

banking system by providing educational information on consumer protection and deposit insurance coverage issues, assisting the public with complaints and inquiries, and promoting equal access to effective and responsible banking services and products. This work is guided by DCP's EISP initially published in 2014 and last updated in 2019.

Our objective was to determine whether the FDIC developed and implemented an effective strategic plan to increase the participation of unbanked and underbanked consumers in the insured banking system.

We conducted this evaluation in accordance with the Council of the Inspectors General on Integrity and Efficiency's *Quality Standards for Inspection and Evaluation*. Appendix 1 of this report includes additional details about our objectives, scope, and methodology; Appendix 2 contains a summary of the FDIC's 2019 EISP goals, strategies, and metrics; Appendix 3 contains a list of strategic planning best practices; Appendix 4 contains a list of acronyms and abbreviations; Appendix 5 contains the FDIC's comments on this report; and Appendix 6 provides a summary of the FDIC's corrective actions.

BACKGROUND

The FDIC's mission is to maintain stability and public confidence in the nation's financial system by insuring deposits, examining and supervising financial institutions for safety and soundness and consumer protection, making large and complex financial institutions resolvable, and managing receiverships. The FDIC Board of Directors approved the creation of DCP in August 2010 to provide increased focus to the FDIC's compliance examination, enforcement, and outreach program and to complement, and work closely with, the Consumer Financial Protection Bureau (CFPB).[7] The FDIC Bylaws state that the Director of DCP shall also "supervise the Corporation's efforts to promote economic inclusion and participation in the

[7] The CFPB was established in 2010 under Title X of the Dodd-Frank Wall Street Reform and Consumer Protection Act to ensure that the federal consumer financial laws are enforced consistently so that consumers may access markets for financial products, and that the markets are fair, transparent, and competitive. 12 U.S.C. § 5511 (2010). Among other things, the CFPB, with respect to consumer financial products and services, ensures consumers are provided with timely and understandable information to make responsible decisions about financial transactions and are protected from unfair, deceptive, or abuse acts and practices.

banking system; conduct consumer financial research and analyses, including the unbanked and underbanked survey; develop educational resources and publications for the general public, depositors, consumers, and insured institutions; manage the Corporation's consumer and community affairs program; and manage consumer and depositor inquiries and complaints."

One of DCP's primary goals is to promote economic inclusion by helping to build and strengthen positive connections between insured financial institutions and consumers, depositors, small businesses.[8] DCP's Consumer and Community Affairs and Policy and Research Branches provide consumer education and develop policy, respectively, focusing on consumer protection and addressing issues associated with the unbanked and underbanked. As of 2022, the Policy and Research Branch began conducting the FDIC's National Survey of Unbanked and Underbanked Households (Household Survey) which helps to inform the FDIC in its work. The overarching goal of DCP's work in this area, to promote economic inclusion, is guided by DPC's EISP. As noted herein, strategic planning best practices, can be applied to DCP's EISP.

DCP's Consumer and Community Affairs Branch

DCP's Consumer and Community Affairs Branch includes three sections that are responsible for promoting economic inclusion – Community Affairs, Strategic Partnerships and Program Development, and Consumer Financial Education.[9] The branch is comprised of approximately 27 staff in the FDIC headquarters office and 40 staff in FDIC regional and field offices. The Consumer and Community Affairs Branch had a total budget of about $29 million in 2022, comprised primarily of the salaries and compensation of staff. Of this total amount, approximately $21 million relates to the costs

[8] DCP's stated mission is to promote public confidence in the nation's financial system by: (1) supervising insured financial institutions to ensure they treat consumers and depositors fairly and operate in compliance with federal consumer protection, anti-discrimination, and community reinvestment laws; and (2) promoting economic inclusion by helping to build and strengthen positive connections between insured financial institutions and consumers, depositors, small businesses, and communities. DCP is comprised of four branches: Administrative Management and Operations, Consumer and Community Affairs, Compliance and Community Reinvestment Act Examinations, and Policy and Research.
[9] Effective April 2023, DCP restructured the Consumer and Community Affairs Branch and merged its Outreach and Program Development and Consumer Affairs Sections into a new Consumer Financial Education section.

associated with the three sections responsible for promoting economic inclusion listed above.

Community Affairs staff work directly with local banks, community organizations, and state and local governments to encourage financial institutions to invest in and meet the credit needs of the communities they serve. This section also works with the FDIC's Alliances for Economic Inclusion (AEI)[10] and organizes and conducts various outreach events designed to foster economic inclusion. Community Affairs staff use the Community Affairs Reporting and Events System (CARES) to plan, monitor, and track outcomes of economic inclusion-related outreach events, activities, and speaking engagements.

Strategic Partnerships and Program Development staff are responsible for designing and developing programs, initiatives, and strategic partnerships that advance the FDIC's economic inclusion and community development goals at the national level, including the #GetBanked public awareness campaign. The section promotes awareness of federal programs available to help depository institutions expand access to affordable mortgages through the FDIC's Affordable Mortgage Lending Center.[11] It also leverages a national partnership with the Small Business Administration to promote awareness of Small Business Administration loan programs.

Consumer Financial Education staff provide consumers with resources and products through outreach and publications including social media, online content, publications, webinars, podcasts, videos, and more. The section also develops and disseminates financial education tools for children and adults to banks, teachers, parents, emerging small businesses, and non-profit training organizations, to include the FDIC's Money Smart financial education

[10] In 2022, the FDIC supported 11 AEIs throughout the nation. AEIs are coalitions of financial institutions, and consumer, faith-based, community, and government organizations that support the goal of promoting the widespread availability and use of safe, affordable, and sustainable financial products from banks that help people achieve financial stability and build wealth.

[11] The FDIC's Affordable Mortgage Lending Center is designed as a resource for community banks to help them compare a variety of current affordable mortgage programs and to identify the next steps if they seek to expand or initiate affordable mortgage lending. https://www.fdic.gov/resources/bankers/affordable-mortgage-lending-center/index.html.

product suite.[12] The section also supports pilot programs and the Money Smart Alliance to expand financial capability and inclusion.[13]

DCP's Policy and Research Branch

DCP's Policy and Research Branch is responsible for conducting consumer financial research and analyses, including the FDIC's Household Survey.[14] The FDIC, in partnership with the U.S. Census Bureau, has surveyed households every 2 years since 2009 to, among other things, measure household participation in the insured banking system, identify reasons why households are not banked, and analyze demographic characteristics of households. The FDIC maintains a searchable database of its Household Survey data.[15] Data is available for each Household Survey conducted since 2009 and is available for review nationally, by region, by state, and for selected Metropolitan Statistical Areas (MSA).[16]

Unbanked and Underbanked Households

In the 2021 Household Survey, the FDIC defined 'unbanked' as no one in a household having a checking or savings account at a bank or credit union. In the same survey, the FDIC defined 'underbanked' as a banked household that used at least one nonbank transaction or credit product or service in the past 12 months. The nonbank transaction or credit products or services used by these unbanked and underbanked households included money orders,

[12] The FDIC began its Money Smart financial education program in 2001 to help people of all ages enhance their financial skills and create positive banking relationships. In 2021, the FDIC developed "How Money Smart Are You?" which consists of 14 self-paced interactive learning games covering different financial topics.

[13] The Money Smart Alliance consists of organizations such as financial institutions, non-profit organizations, and educational institutions that agree to use or promote the Money Smart curriculum by teaching Money Smart or teaching others to teach it. Members also provide feedback on successful uses of the program to the FDIC.

[14] In February 2022, the FDIC revised its Bylaws to reassign this responsibility from the Division of Insurance and Research to DCP. The FDIC's household survey was named the *FDIC National Survey of Unbanked and Underbanked Households* from 2009 through 2017 and in 2021. In 2019, the survey was renamed *How America Banks: Household Use of Banking and Financial Services*.

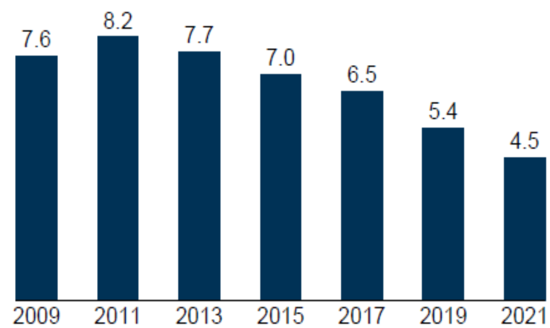
[15] https://household-survey.fdic.gov/custom-data.

[16] MSA delineations are established by the OMB based on U.S. Census Bureau data. MSAs are composed of one or more full counties or county equivalents with at least one urbanized area of 50,000 or more population, plus adjacent territory that has a high degree of social and economic integration with the core as measured by commuting ties.

check cashing, international remittances, rent-to-own services, payday loans, pawn shop loans, tax refund anticipation loans, and auto title loans.

Unbanked. Based on the 2021 Household Survey results, the FDIC estimated the unbanked rate to be 4.5 percent or 5.9 million U.S. households, the lowest national estimate since the survey began in 2009, as shown in Figure 1. Between 2019 and 2021 (during the COVID-19 pandemic), the unbanked rate fell 0.9 percentage points, corresponding to an increase of about 1.2 million banked households. The 2021 Household Survey noted that receipt of a government payment such as unemployment benefits or a pandemic stimulus payment contributed to some households opening a bank account during this timeframe.

Figure 1: FDIC National Estimates of Unbanked Household Rates, 2009-2021 (Percent)



Source: *2021 FDIC National Survey of Unbanked and Underbanked Households.*

Consistent with previous Household Surveys, unbanked rates across the population varied considerably. Unbanked rates were higher among lower-income households, less-educated households, Black households, Hispanic households, working-age households with a disability, and single-mother households. For example, the unbanked rate was 11.3 percent for Black households and 9.3 percent for Hispanic households compared to only 2.1 percent for White households.[17] According to the FDIC, the main reasons unbanked households cited for not having a bank account in 2021 were that the household (1) did not have enough money to meet minimum balance requirements, (2) did not trust banks, and (3) felt avoiding a bank provided more privacy.

[17] Similar to the 2021 FDIC Household Survey, the Federal Reserve Board's *Economic Well-Being of U.S. Households in 2021* (May 2022) reported that 6 percent of all adults did not have a bank account and this rate was highest among Black and Hispanic adults at 13 percent and 11 percent respectively.

Underbanked. In addition to the unbanked households, the FDIC estimated that 14.1 percent, or 18.7 million households, were underbanked in 2021.[18] Consistent with previous Household Surveys, underbanked rates in 2021 varied considerably across the U.S. population. Underbanked rates were higher among households with less than $15,000 in income; households with no high school diploma; households aged 24 or younger; and Black, Hispanic, or American Indian or Alaska Native households. About one in four Black, Hispanic, or American Indian or Alaska Native households were underbanked, compared with about one in ten White households. These households were less likely to have a credit card and more likely to have both bank and nonbank personal loans than fully banked households.

Economic Inclusion

According to the FDIC, "[t]he idea of economic inclusion is providing opportunities to access safe and affordable insured bank accounts to all individuals, and paving the way to save, build assets, and maintain financial stability."[19] A first step toward economic inclusion, according to the FDIC, is ownership of a transaction account. The FDIC has identified several benefits related to owning an FDIC-insured bank account to include the financial safety of deposit insurance, protection against error and fraud, avoidance of check cashing fees, proof of payment, and ability to pay bills electronically. Further, households with an account at an insured depository institution can receive and store funds securely, are protected against unauthorized transactions in those accounts, and can take advantage of convenient and secure opportunities to save, build credit, and borrow to acquire assets like cars and homes. According to the FDIC, unbanked individuals face the risk of losing their money through theft, fire, flood, or loss and miss out on the speed and convenience of using direct deposit. In addition, underbanked individuals could pay excessive fees for nonbank products and services.

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[18] FDIC's definition of underbanked has varied from survey to survey, preventing the comparison of underbanked results over time. Additionally, the FDIC did not define 'underbanked' or refer to this term in its *2019 How America Banks: Household Use of Banking and Financial Services*. Nevertheless, the 2019 survey discusses household use of nonbank financial transaction services, such as nonbank money orders, check cashing, and remittances, bill payment services, and use of website or app to send or receive money inside the U.S.

[19] The FDIC's FDIC Consumer News – Economic Inclusion, https://www.fdic.gov/resources/consumers/consumer-news/2022-03.html (March 2022).

The FDIC's Economic Inclusion Goals

As stated in the EISP, "[t]he FDIC is committed to expanding economic inclusion in the financial mainstream by ensuring that all Americans have access to affordable and sustainable products and services from insured depository institutions."[20] Further, the FDIC's EISP has the stated goal to "**promote**[] the widespread availability and effective use of affordable, and sustainable products and services from insured depository institutions that help consumers and entrepreneurs meet their financial goals." In addition, each year the FDIC develops FPGs to focus the Agency's attention on fulfilling its core mission responsibilities and highest priority initiatives. The FPGs identify activities and initiatives to be undertaken to accomplish the identified goals. From 2021 through 2023, one of the FDIC's FPGs was to **"[i]ncrease** participation in the insured banking system through the implementation of the FDIC Economic Inclusion Strategic Plan."[21] While the goal of the EISP generally supports the FPG, we noted that the expressed intent of each differs.

The FDIC's Economic Inclusion Strategic Plan

DCP's mission includes promoting economic inclusion by helping to build and strengthen positive connections between insured financial institutions and consumers, depositors, small businesses, and communities. Although there is no requirement to do so, DCP recognized the need to guide its efforts to promote and expand economic inclusion through the development and pursuit of strategies and initiatives published in its EISP. According to DCP officials, the EISP was developed in part to address problems and trends identified in the FDIC's Household Surveys, connect banks with communities in need, and establish FDIC priorities for economic inclusion.

[20] While achieving 100 percent household participation in the insured banking system may not be feasible given the differing circumstances of each American household, the FDIC has ongoing initiatives intended to support broad participation in the insured banking system.
[21] This FPG language changed slightly from the 2020 FPG of "[i]ncrease participation by consumers, including the unbanked and underbanked, in the insured banking system through the implementation of the FDIC Economic Inclusion Strategic Plan."

The EISP outlines the goals, strategies, and measures[22] for the FDIC's economic inclusion work in five areas of opportunity as shown in Figure 2: Small Business, Mortgage Credit, Consumer Credit, Insured Deposits, and Financial Education.

In June 2019, the FDIC published an updated EISP, which identified goals, strategies, and measures for the following five strategic opportunity areas:[23]

Figure 2: FDIC's Five Economic Inclusion Opportunity Areas

Source: FDIC EISP (2019).

(1) Support financial education and capability;
(2) Promote affordable insured transaction and savings accounts;
(3) Increase consumer access to sustainable credit;
(4) Encourage responsible options for affordable mortgage credit; and
(5) Strengthen access to financial services for small businesses.

However, the EISP does not include increasing participation in the insured banking system as one of its goals.

Strategic Planning Best Practices

The Government Accountability Office (GAO) has reported that strategic planning practices required at the Federal agency level under Government Performance and Results Act of 1993 (GPRA) and associated Office of Management and Budget (OMB) guidance for developing Agency-wide strategic plans can serve as leading practices for planning at lower levels within agencies such as individual divisions, programs, or initiatives.[24]

[22] The FDIC's EISP uses the terms 'metrics' and 'measures' interchangeably. For the purposes of this report we use the term 'measures.'
[23] See Appendix 2 for a table from the June 2019 EISP summarizing the goals, strategies, and measures, or metrics, by opportunity area.
[24] GAO Report, *Environmental Justice: Federal Efforts Need Better Planning, Coordination, and Methods to Assess Progress* (GAO-19-543) (September 2019), and GAO Report, *Environmental Justice: EPA Needs to Take Additional Actions to Help Ensure Effective Implementation* (GAO-12-77) (October 2011).

Collectively, this guidance, along with the GAO identified practices, provide a set of leading practices in Federal strategic planning.

GPRA established strategic planning, performance planning, and performance reporting for agencies to communicate progress in achieving their missions, and requires, among other things, that Federal agencies develop long-term strategic plans. The GPRA Modernization Act of 2010 (GPRAMA) modernized the Federal Government's performance management framework, emphasizing the use and analysis of goals and measures to improve outcomes.

OMB Circular A-11, Part 6, The Federal Performance Framework for Improving Program and Service Delivery,[25] provides detailed guidance to agencies implementing requirements under GPRAMA, the Program Management Improvement Accountability Act,[26] the Foundations for Evidence-Based Policymaking Act of 2018,[27] and other initiatives and efforts critical to improving organizational performance and program service delivery, including agency strategic planning, annual performance planning, and performance reporting.[28] OMB Circular A-11 Part 6 states that strategic planning is a valuable tool for communicating to agency managers, employees, delivery partners, suppliers, Congress, and the public a vision for the future. It also states that an agency should use its strategic goals and objectives to align resources and guide decision-making to accomplish priorities to improve outcomes.[29]

In addition to the leading practices identified by the GAO, the Performance Improvement Council and the United Nations have also identified guidance

[25] OMB Circular A-11, Preparation, Submission, and Execution of the Budget (Rev. 2022).
[26] Enacted in December 2016 as Public Law 114-264, the Program Management Improvement Accountability Act requires the development of practices and standards for effective program management to include implementing program management policies and strategies for enhancing the role of program and project managers at agencies.
[27] Enacted in January 2019 as Public Law 115-435, the Foundations for Evidence-Based Policymaking Act of 2018 advances data and evidence-building functions in the Federal government by statutorily mandating Federal evidence-building activities, open government data, confidential information protection, and statistical efficiency.
[28] The FDIC has concluded that OMB Circular A-11 applies to the FDIC to the extent A-11 implements requirements of the GPRA to include A-11 provisions that relate to: (1) the Five Year Strategic Plan, (2) the Annual Performance Plan, and (3) the Annual Report on Program Performance.
[29] OMB Circular A-11 Part 6, Section 230.2 (Rev. 2022).

and best practices for strategic planning and implementation.[30] Strategic planning best practices include defining a mission, vision, and desired outcomes; assessing the landscape through internal and external input gathering; identifying activities and outcome-based performance measures to assess progress toward achievement of goals; and identifying resources needed to achieve desired goals and risks that could affect achievement of goals. See Appendix 3 for a list of strategic planning best practices that we identified from the GAO and other organizations.

EVALUATION RESULTS

We found that the FDIC developed an EISP that aligned with several strategic planning best practices. However, opportunities exist to improve the effectiveness of future EISPs by incorporating additional strategic planning best practices into the strategic planning process. Best practices for developing a strategic plan include performing a comprehensive assessment of the landscape; identifying strategies and developing outcome-based performance measures to assess progress towards desired goals; and identifying resources needed to achieve desired goals and risks that could affect achievement of goals. These best practices were not incorporated into the EISP because the FDIC lacks formal policy and guidance for discretionary strategic plans. As a result, the FDIC is missing opportunities to identify and understand evolving and innovative issues, challenges, and trends to better shape its strategic goals, objectives, and measures to achieve maximum impact.

We note that the FDIC is taking steps to address these strategic planning best practices in its next EISP. In February 2023, the FDIC awarded a contract to update its EISP to reflect applicable government standards and leading practices. The contract includes requirements for an assessment of the landscape, identification of strategies to achieve EISP goals, and the development of outcome-based measures. According to the contract deliverable schedule, the final EISP is to be delivered in September 2023.

[30] The Performance Improvement Council is a government-wide body that supports cross-agency collaboration and best practice sharing. The Council was established under Executive Order 13450 in 2007 and codified in law under GPRAMA. 31 U.S.C. § 1124. The United Nations is another organization with published strategic planning guidance and best practices.

The FDIC's EISP has the stated goal to "promote[] the widespread availability and effective use of affordable, and sustainable products and services from insured depository institutions that help consumers and entrepreneurs meet their financial goals." From 2021 through 2023, the FDIC adopted an FPG to "increase participation in the insured banking system through the implementation of the FDIC Economic Inclusion Strategic Plan." While the goal of the EISP generally supports the annual FPG, the FDIC can strengthen connections between the annual FPG and the EISP by ensuring that the expressed intent of annual goals related to DCP's economic inclusion efforts matches the goals and objectives articulated in the EISP.

We also found that although the EISP was designed to promote numerous economic inclusion-related programs to consumers, the EISP did not include measures related to increasing consumer participation in the insured banking system. According to senior FDIC officials, it is unable to use changes in unbanked and underbanked rates to measure the impact its efforts have had on increasing participation in the banking system because many complex factors outside of the Agency's control influence those rates. These factors include "changes in the socioeconomic circumstances of U.S. households . . . particularly increases in income and educational attainment" as identified in the 2021 FDIC Household Survey. Furthermore, senior FDIC officials stated it would be difficult to attempt to identify the Agency's specific influence on those factors. Nevertheless, the GAO also reported that the performance measures included in the EISP were task-oriented and did not assess the efforts to facilitate consumers' access to banking services.[31] The GAO recommended the FDIC develop and implement outcome-oriented performance measures that reflect leading practices, including demonstrating results, measuring outcomes, and providing useful information for decision-making. This recommendation remained open as of September 2023.

We also found that the FDIC could take steps to improve the implementation of future EISPs by aligning internal resources to achieve program objectives and by measuring the outcomes of its economic inclusion efforts. Because the FDIC does not clearly track or tie its human capital resources to specific economic inclusion initiatives and programs, the FDIC cannot ensure it is

[31] GAO Report, *Banking Services: Regulators Have Taken Actions to Increase Access, but Measurement of Actions' Effectiveness Could be Improved* (GAO-22-104468) (February 2022).

allocating resources in an effective or efficient manner to achieve its EISP goals. Additionally, we found that FDIC's risk mitigation strategies identified for the economic inclusion-related Enterprise Risk Management (ERM) Risk Inventory item could more clearly address risks related to implementing strategic objectives, effective controls, and responsive programs to promote economic inclusion.

Collectively, the best practices for developing and implementing the EISP would help management make the best use of Agency resources, ensure accountability, monitor progress, and adjust its strategic plan as needed. In turn, this would help to ensure the Agency is successfully promoting economic inclusion and increasing consumer participation in the insured banking system.

Opportunities Exist to Improve the Development of Future FDIC EISPs

We identified guidance for developing strategic plans under GPRA and GPRAMA in OMB Circular A-11. While this strategic planning guidance is required at the Federal Department or Agency level, the guidance aligned with best practices offered by the GAO for planning at lower levels within agencies, as well as best practices offered by the Performance Improvement Council, and other organizations. Therefore, we used the identified guidance and best practices as criteria to evaluate the contents of the FDIC's discretionary EISP.[32] As shown in Table 1 below, we found the FDIC's EISP generally aligned with best practices for defining a mission, vision, and desired goals, but did not fully align with best practices for assessing the landscape, identifying strategies and developing outcome-based performance measures to assess progress towards desired goals, and identifying resources needed to achieve desired goals and risks that could affect the achievement of goals.

[32] See Appendix 3 for a listing of strategic planning best practices identified by the GAO and other organizations used in this evaluation.

Table 1: Extent to Which the FDIC's EISP Aligned with Strategic Planning Best Practices

Strategic Planning Best Practices	Extent of Alignment[1]
Define the mission, vision, and desired goals.	✓
Perform an assessment of the landscape through external and internal input gathering. Include in the plan a description of: • Key internal and external stakeholder coordination and collaboration efforts, and • The inputs gathered and how they were incorporated in the development of the plan's goals, objectives, and strategies.	O
Identify strategies that will lead to desired goals and develop outcome-based performance measures to assess progress towards desired goals.	O
Identify resources needed to achieve desired goals and risks that could affect the achievement of goals.	–

Source: OIG analysis of FDIC's 2019 EISP to strategic planning development and implementation best practices promulgated by OMB Circular A-11 Part 6, Section 210.19; GAO Report, *Environmental Justice: EPA Needs to Take Additional Actions to Help Ensure Effective Implementation* (GAO-12-77) (October 2011); Performance Improvement Council Goal Playbook (2022); and United Nations Strategic Planning Guide for Managers (2015).
Legend: ✓ Full Alignment | O Partial Alignment | – No Alignment
[1] FDIC's EISP uses terms that differ from those in the identified best practices. We consider the EISP's priority objectives, supporting strategies, and metrics to be equivalent to OMB's and the GAO's definitions of strategic goals, strategic objectives, and measures, respectively. According to OMB Circular A-11 Part 6, Section 200.22, Definitions: strategic goals articulate a clear statement of what the agency wants to achieve to advance its mission and address national problems, needs, challenges, and opportunities; and strategic objectives reflect the outcome or management impact the agency is trying to achieve. According to the GAO, performance measures allow an agency to track the progress it is making toward its mission and goals.

The FDIC's EISP Generally Aligned with Several Strategic Planning Best Practices

We found that the FDIC's 2019 EISP was generally developed in alignment with strategic planning best practices for defining the mission, vision, and desired goals. The EISP includes a high-level narrative describing how FDIC's economic inclusion initiatives are integral to the Agency's mission of maintaining stability and public confidence in the nation's financial system. Specifically, the EISP states the FDIC's economic inclusion strategy, which is categorized into five areas of opportunity, is intended to promote the widespread availability and effective use of affordable and sustainable products and services from insured depository institutions that help consumers and entrepreneurs meet their financial goals.

The EISP also identifies a distinct vision and desired goals for each of the five opportunity areas.[33] Additionally, the EISP included relevant background information on the underlying reasons or problems being addressed by the goals identified for each opportunity area.

The FDIC's EISP Did Not Fully Align with Three Strategic Planning Best Practices

We found that the FDIC did not follow or only partially followed strategic planning best practices to develop its EISP related to: (1) performing a comprehensive assessment of the landscape, (2) identifying strategies and developing outcome-based performance measures to assess progress towards desired goals, or (3) identifying resources needed to achieve desired goals and risks that could affect achievement of goals.

Performing a Comprehensive Assessment of the Landscape

Assessing the landscape through external and internal input gathering includes various research activities, such as environmental scans, surveys, and coordination and collaboration activities with various internal and external stakeholders. Best practices also suggest including in the strategic plan a description of the inputs gathered from internal and external stakeholders and a description of stakeholder responsibilities and the nature of their contributions to the strategic objectives and goals.

Environmental Scan. According to Performance.gov, the first step of any strategic planning process is to conduct research, by way of an environmental scan, to identify and monitor factors that may impact the long-term direction of an agency.[34] The United Nations Strategic Planning Guide for Managers (2015), states "[t]he first step in strategic planning is to gather the information needed to understand and identify the issues, challenges and trends that will shape and affect a department, office, mission, or [program] strategy." The result of such input gathering is commonly thought of as external

[33] The five opportunity areas are Small Business, Mortgage Credit, Consumer Credit, Insured Deposits, and Financial Education. See Appendix 2 for a summary table of the EISP's vision and goals identified for each opportunity area.
[34] Performance.gov, *How to Strategic Plan in 7 Steps,* https://www.performance.gov/blog/strategic-plan-7-steps/. Performance.gov fulfills statutory requirements for a public website promoting transparency of Federal Government Programs required by GPRAMA. 31 U.S.C. § 1122.

environmental scanning and the methods for collecting external information depend on the context of the work of the unit and who it is intended to serve. According to the United Nations Strategic Planning Guide for Managers, after looking outward, the next step is to look inward to understand the issues facing an entity that may affect the strategy. This can include an analysis of strengths, weaknesses, opportunities, and threats, which summarizes the viewpoints of internal stakeholders obtained through leadership and staff surveys.

DCP developed an informal process document outlining the major steps for developing its first EISP in 2013. This informal process document considered many best practices for strategic development by including items such as:

- Understanding the economic inclusion landscape by assembling data and information from internal and external resources, including a contractor-performed environmental scan;[35]
- Considering FDIC resources and roles, such as human capital;
- Defining key strategic goals and objectives;
- Developing detailed means and measures; and
- Developing a comprehensive written document.

In addition to using an external consultant's scan of the strategies and initiatives of leading institutions in the field of economic inclusion, the initial EISP was developed using input received from structured interviews of FDIC leadership and feedback from Advisory Committee for Economic Inclusion members.

However, DCP did not follow this informal process document to update the EISP published in 2019. We found the EISP does not indicate that a comprehensive environmental scan was conducted. Further, the EISP does not include a description of key internal and external stakeholder coordination

[35] Key elements of the environmental scan included summaries of existing FDIC research, including the 2011 FDIC Household Survey, and external research, such as the Federal Reserve's 2010 Survey of Consumer Finances, the Consumer Financial Protection Board's 2012 white paper on pay day and deposit lending, and analysis of 2012 Home Mortgage Disclosure Act data performed by the Urban Institute in 2013. Key objectives of the contracted environmental scan were to identify 10-20 institutions outside of the federal government and financial institutions pursuing economic inclusion strategies and initiatives; to provide overviews of each institutions' economic inclusion strategies, initiatives, priorities, and capacity; and to highlight the strengths and challenges in the field of economic inclusion.

and collaboration efforts or how inputs gathered were incorporated into the development of the plan's goals, objectives, and strategies. Instead of assembling data and information from external resources or performing an environmental scan, per their informal process document, DCP updated the initial EISP primarily using internal resources, including the review of DCP's outreach activity data;[36] gathering and analyzing input from working group interviews of internal FDIC stakeholders; and assessing internal strengths, weaknesses, and accomplishments.

By not performing a comprehensive environmental scan to include identifying and obtaining external stakeholder coordination and collaboration efforts, inputs, and contributions in the EISP, the FDIC is missing opportunities to obtain external perspectives that could influence their strategies, objectives, and goals. One method available to the FDIC for gathering external inputs related to the economic inclusion landscape is to survey banks on efforts to bring underbanked household into the conventional banking system.

Survey Data from Banks. The FDIC has not obtained valuable external survey data from banks, as intended under Section 7 of the Federal Deposit Insurance Reform Conforming Amendments Act of 2005 (Reform Act)[37] since 2011. This data could be used to influence its strategic planning efforts.

The Reform Act calls for the FDIC to "conduct a biannual survey 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 (hereafter in this section referred to as the 'unbanked') into the conventional finance system."

The Reform Act also states that "[i]n conducting the survey, the Corporation shall take the following factors and questions into account:

A. To what extent do insured depository institutions promote financial education and financial literacy outreach?

[36] Outreach activity data included information obtained from DCP's CARES, a system used to plan, track, and report results of economic inclusion-related outreach events, activities, and speaking engagements. Outreach activity data in CARES includes event name, location, date, audience, and sponsors.
[37] Public Law 109-173, codified at 12 U.S.C. § 1831z, "Bi-annual FDIC survey and report on encouraging use of depository institutions by the unbanked."

B. Which financial education efforts appear to be the most effective in bringing ‘unbanked’ individuals and families into the conventional finance system?

C. What efforts are insured institutions making at converting ‘unbanked’ money order, wire transfer, and international remittance customers into conventional account holders?

D. What cultural, language, and identification issues as well as transaction costs appear to most prevent ‘unbanked’ individuals from establishing conventional accounts?

E. What is a fair estimate of the size and worth of the ‘unbanked’ market in the United States?”

The unbanked provision in the Reform Act was intended to highlight the most effective efforts in expanding the banking system to every American family. The Congressman that introduced the Reform Act in the House for vote, noted that it was his “. . . hope and expectation that all major depository institutions will look at unbanked minority families as a business opportunity and aggressively attempt to include them in the conventional finance system.” The Congressman also stated that “a relationship to a mainstream financial institution has long-term positive economic and financial effects on families and the communities where they reside, fostering their greater integration into the United States economy. The best defense against predatory financing is education and a bank account.”

FDIC Bank and Household Survey Content and Frequency

Historically, according to FDIC officials, the Agency viewed the completion of a Bank Survey and Household Survey every 2 years as necessary to address the factors identified by the Reform Act.[38] In its letters transmitting the

[38] According to a May 2008 Federal Register Notice, the FDIC intended to conduct two complementary surveys to satisfy the Congressional mandate. One was a survey of FDIC-insured banks on their efforts to serve unbanked and underbanked populations. The other was a survey of U.S. households to estimate the size and worth of the unbanked and underbanked markets and identify the factors that inhibit their participation in the mainstream banking system. FDIC Notice, 73 Fed. Reg. 28824 (May 19, 2008).

Household Survey and Bank Survey results to Congress,[39] the FDIC stated the Agency undertook the surveys "as part of its efforts to comply with Section 7 of the Federal Deposit Insurance Reform Conforming Amendments Act of 2005 (Reform Act) and to address a gap in reliable data on these topics." The transmittal letters also stated that "[o]ur hope is that these survey results will help better inform policymakers and the banking industry about who is unbanked and underbanked in the United States and thereby achieve the goal of ensuring access to basic, safe, and affordable bank services by all Americans."

In 2008 and 2011, the FDIC conducted surveys of banks' efforts to serve unbanked and underbanked consumers.[40] The bank surveys were designed to focus 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. Both bank surveys had three cited objectives:

1) Identify and quantify the extent to which insured depositories outreach, serve, and meet the banking needs of the unbanked and underbanked;

2) Identify challenges affecting the ability of insured depository institutions to serve the unbanked and underbanked; and

3) Identify innovative efforts or strategies depositories use to serve the unbanked and underbanked.

The FDIC's approach for Household Surveys included surveying households to quantify the number of unbanked and underbanked households,[41] their demographic characteristics, and their reasons for being unbanked and

[39] FDIC's 2011, 2013, 2017, and 2019 Household Survey and 2011 Bank Survey results transmittal letters.

[40] The 2008 survey, "*Banks' Efforts to Serve the Unbanked and Underbanked"* (December 2008) was conducted by a consultant on behalf of the FDIC. The survey results were summarized in an Executive Summary prepared by the FDIC, *"FDIC Survey Of Bank's Efforts to Serve the Unbanked and Underbanked: Executive Summary of Findings and Recommendations"* (February 2009). For the 2011 survey, "*2011 FDIC Survey of Banks' Efforts to Serve the Unbanked and Underbanked*" (December 2012), the FDIC retained a firm to help administer the survey of banks. The firm collected the survey results and reported findings which did not have bank-identifier information to the FDIC.

[41] The FDIC reported on unbanked and underbanked households in its *FDIC National Survey of Unbanked and Underbanked Households* from 2009 through 2017 and in 2021. In 2019, the survey was renamed the *FDIC Survey of Household Use of Banking and Financial Services* and did not identify underbanked household rates.

underbanked. The FDIC has conducted the Household Survey every 2 years since 2009, most recently conducting a Household Survey in 2021.

However, as shown in Table 2, we found the FDIC's first two Bank Surveys and Household Surveys conducted between 2008 and 2011 did not fully address the five Reform Act questions.

Table 2: FDIC's Bank and Household Survey Coverage of Reform Act Questions

Reform Act Question	2008 Bank Survey	2009 Household Survey	2011 Bank Survey	2011 Household Survey
To what extent do insured depository institutions promote financial education and financial literacy outreach?	Yes	No	Yes	No
Which financial education efforts appear to be the most effective in bringing unbanked individuals and families into the conventional finance system?	Yes	No	Yes	No
What efforts are insured institutions making at converting unbanked money order, wire transfer, and international remittance customers into conventional account holders?	Yes	No	Yes	No
What cultural, language, and identification issues as well as transaction costs appear to prevent unbanked individuals from establishing conventional accounts?	Yes	Yes	Yes	Yes
What is a fair estimate of the size and worth of the unbanked market in the United States?	No	Partially Addressed	No	Partially Addressed

Source: OIG analysis of *Banks' Efforts to Serve the Unbanked and Underbanked* (Study conducted on behalf of the FDIC) (December 2008), *2011 FDIC Survey of Banks' Efforts to Serve the Unbanked and Underbanked* (December 2012), *FDIC National Survey of Unbanked and Underbanked Households* (December 2009), and 2011 *FDIC National Survey of Unbanked and Underbanked Households* (September 2012).

After 2011, the FDIC shifted away from conducting a Bank Survey every 2 years to conducting more infrequent qualitative research involving banks to supplement the FDIC's Household Survey. The FDIC launched two qualitative research projects in 2015 and published the results in 2016. In the first, the FDIC conducted consumer research to understand better the economic inclusion potential of mobile financial services.[42] In the second, the FDIC initiated interviews with bankers and other stakeholders to understand better the programs, products, and strategies that banks were finding useful for attracting and retaining unbanked households as customers.[43] These studies identified strategies that banks could consider using to enhance efforts to serve underserved communities, such as adopting strategies to build or increase consumer trust, nurturing longer-term relationships with community partners, and using technology to increase efficiencies. The FDIC has not conducted and has no immediate plans to conduct any further qualitative research of banks related to banks' efforts to bring the unbanked into the conventional financial system.

We also found that FDIC's three most recent Household Surveys conducted in 2017, 2019, and 2021 addressed the Reform Act question related to identifying issues that appear to prevent unbanked individuals from establishing accounts and partially addressed the Reform Act question related to estimating the size and worth of the 'unbanked' market in the U.S. All surveys estimated the size of the unbanked market, but none identified the estimated worth of the market. Instead, each survey identified household income levels. The remaining Reform Act questions were not addressed. Table 3 describes the coverage of the five Reform Act questions in the FDIC's Household Surveys from 2017-2021.

[42] FDIC, *Opportunities for Mobile Financial Services to Engage Underserved Consumers: Qualitative Research Findings* (May 2016).
[43] FDIC, *Bank Efforts to Serve Unbanked and Underbanked Consumers: Qualitative Research* (May 2016).

Table 3: FDIC's Household Survey Coverage of Reform Act Questions

Reform Act Question	2017 Household Survey	2019 Household Survey	2021 Household Survey
To what extent do insured depository institutions promote financial education and financial literacy outreach?	No	No	No
Which financial education efforts appear to be the most effective in bringing unbanked individuals and families into the conventional finance system?	No	No	No
What efforts are insured institutions making at converting unbanked money order, wire transfer, and international remittance customers into conventional account holders?	No	No	No
What cultural, language, and identification issues as well as transaction costs appear to prevent unbanked individuals from establishing conventional accounts?	Yes	Yes	Yes
What is a fair estimate of the size and worth of the unbanked market in the United States?	Partially Addressed	Partially Addressed	Partially Addressed

Source: OIG analysis of *2017 FDIC National Survey of Unbanked and Underbanked Households* (October 2018), *How America Banks: Household Use of Banking and Financial Services, 2019 FDIC Survey* (October 2020), and *2021 FDIC National Survey of Unbanked and Underbanked Households* (October 2022).

Stakeholder Coordination and Collaboration. Another component of assessing the landscape is to coordinate and collaborate with internal and external stakeholders. According to the GAO, successful organizations coordinate and collaborate with stakeholders in the development of mission, goals, and objectives to help ensure the highest priorities are targeted.[44] Additionally, OMB Circular A-11 states that strategic plans should include a description of collaboration efforts and stakeholder responsibilities, and the nature of their expected contribution towards strategic objectives.[45] According to the Performance Improvement Council, identifying stakeholders that are delivering programs and services related to an agency's goals, can help coordinate efforts to achieve maximum impact.

[44] GAO Report, *Environmental Justice: EPA Needs to Take Additional Actions to Help Ensure Effective Implementation* (GAO-12-77) (October 2011).
[45] While the strategic planning guidance detailed in OMB Circular A-11 does not apply to discretionary strategic plans like the EISP, the guidance aligned with best practices offered by GAO for planning at lower levels within agencies, as well as best practices offered by the Performance Improvement Council, and other organizations.

We found the EISP does not contain specific details regarding the involvement of external or internal stakeholders in the development of the plan or the nature of stakeholders' expected contributions toward the EISP's strategic objectives as suggested by strategic planning best practices. Instead, the FDIC's EISP includes general statements that the FDIC collaborates with various external stakeholders, including Federal, state, and local governments; financial institutions; trade groups; non-profit organizations; and small business partner networks to promote the five opportunity areas. The EISP also states other FDIC divisions will promote and collaborate on small business-related economic inclusion efforts, but the specific internal stakeholder divisions are not identified.

Despite the lack of coordination and collaboration details in the EISP, we found the FDIC routinely coordinated and collaborated with external stakeholders to implement the EISP strategies. In addition, FDIC officials informed us that various coordination and collaboration efforts with external stakeholders to implement the EISP are being performed on a continuous basis. According to FDIC senior officials, Community Affairs coordinates and collaborates with a broad range of external organizations to conduct economic inclusion events through which the FDIC seeks insights, lessons learned, and input to strengthen the Community Affairs program.

FDIC senior officials also stated that Community Affairs has routine and established business practices to keep abreast of the community affairs approaches and priorities of similarly focused organizations. FDIC senior officials further stated DCP coordinated with similarly-focused organizations in implementing the EISP, and in 2021 about 40 percent of all outreach activities were conducted in coordination with one or more external entities. Nevertheless, it is important for the Agency to describe coordination and collaboration efforts with external and internal stakeholders, as well as the inputs obtained, in an EISP to ensure trends and issues are identified against which to align priorities for maximum impact.

Missed Opportunities. According to the GAO, both the internal and external environments are important considerations, but neither can be viewed independently of the other.[46] Assessing the external environment is important

[46] GAO Report, *Executive Guide: Effectively Implementing the Government Performance and Results Act* (GAO/GGD-96-118) (June 1996).

because external forces beyond the agency's control that fail can affect the agency's chances for success. Additionally, performing a comprehensive assessment of the economic inclusion landscape can assist in identifying and understanding evolving and innovative issues, challenges, and trends to better shape strategic planning efforts.

The economic inclusion landscape has evolved greatly since the FDIC last performed a comprehensive environmental scan in 2013, to include advances in technology, such as the wide availability and use of digital assets and mobile banking and non-banking products. Other developments include changes in the economic environment due to the pandemic, as well as new requirements for the government to advance equity. For example, several recent Executive Orders have been issued that call on the Federal government to pursue approaches to advance equity and to expand economic opportunity for specific underserved communities.[47] Although the Executive Orders are not binding on the FDIC, they contain important aspects that could influence the FDIC's economic inclusion efforts. For example, the Executive Orders include policy goals to ensure underserved communities can access resources for financial success, such as in the areas of financial education and small business development.

In addition, the Executive Orders call for, among other things, the identification and promotion of evidence-based best practices that can provide the underserved communities with access to support services that will improve economic opportunities, and encouraging and developing Federal partnerships with public, private, philanthropic, and nonprofit entities to promote and improve underserved communities' access to economic opportunities.

[47] Executive Order 13985, *Advancing Racial Equity and Support for Underserved Communities Through the Federal Government* (January 20, 2021); Executive Order 14031, *Advancing Equity, Justice, and Opportunity for Asian Americans, Native Hawaiians, and Pacific Islanders* (May 28, 2021); Executive Order 14045, *White House Initiative on Advancing Educational Equity, Excellence, and Economic Opportunity for Hispanics* (September 13, 2021); Executive Order 14049, *White House Initiative on Advancing Educational Equity, Excellence, and Economic Opportunity for Native Americans and Strengthening Tribal Colleges and Universities* (October 11, 2021); Executive Order 14050, *White House Initiative on Advancing Educational Equity, Excellence, and Economic Opportunity for Black Americans* (October 19, 2021).

Additionally, by not surveying banks, the FDIC is missing opportunities to identify efforts undertaken by banks to address the top reasons consumers cited for being unbanked, including (1) not having enough money to meet minimum balance requirements, (2) privacy and trust concerns, (3) banks not offering needed services and products, and (4) high and unpredictable bank account fees.[48] The FDIC is also missing opportunities to assess whether and how banks are using information technology and expected technology developments to target unbanked and underbanked communities to increase participation in the banking system.

Further, the results of bank surveys could help inform all aspects of the FDIC's planning and implementation of the EISP, including the refinement of priority areas (areas of opportunity), goals, objectives, measures, and monitoring aspects, as well as internal resource allocation. Also, these survey results could better inform policymakers and the banking industry about who is unbanked and underbanked in the U.S. and help the FDIC achieve its goal of ensuring access to basic, safe, and affordable bank services by all Americans. Additionally, by not clearly identifying stakeholder coordination and collaboration efforts, inputs, and contributions in the EISP, the FDIC is missing opportunities to ensure its economic inclusion efforts are coordinated in a way to ensure goals and objectives are targeted to achieve maximum impact.

We note that the FDIC is taking steps to assess the economic inclusion landscape as part of its current efforts to update the EISP. On February 22, 2023, the FDIC executed a contract to develop another updated, multi-year EISP that requires the contractor to perform an environmental scan of internal and external stakeholders, including FDIC leaders and leading community development organizations, to gain insights that will inform the draft EISP.

Recommendations:

We recommend that the Director, DCP:

1. In developing future Economic Inclusion Strategic Plans, perform an environmental scan of the current economic inclusion landscape. The

[48] *2021 FDIC National Survey of Unbanked and Underbanked Households* (October 2022) identified the top reasons consumers cited for being unbanked.

environmental scan should include external resources, such as national partners and banks, to identify and understand trends in banking services and technology solutions that may affect the FDIC's economic inclusion goals.

2. Resume the Bank survey, or implement another mechanism, to obtain the perspectives of banks, including bank efforts to address primary reasons cited by households for being unbanked, and data related to the Federal Deposit Insurance Reform Conforming Amendments Act of 2005 questions. Data obtained should be leveraged to inform the development of the FDIC's future economic inclusion strategic planning efforts.

3. Identify and describe internal and external stakeholder coordination and collaboration efforts, including inputs, responsibilities, and expected contributions in the FDIC's future Economic Inclusion Strategic Plans.

4. Review Executive Orders related to advancing equity and improving economic opportunities in specific communities to identify and consider best practices that can be incorporated into the FDIC's future economic inclusion strategic planning efforts.

Identifying Strategies and Developing Outcome-based Performance Measures to Assess Progress Towards Desired Goals

According to the Performance Improvement Council, after defining desired goals and assessing the landscape, one of the next steps in the strategic planning process is to identify strategies and effective approaches to achieve goals. According to the United Nations, these activities should be able to produce clear and measurable impact on the goals to which they are aligned.

The GAO states that developing performance measures allows an agency to track progress it is making toward its mission and goals.[49] The Performance Improvement Council also states that choosing milestones, measures, and targets logically linked to goals will help the agency track progress towards meeting the goals of the strategic plan, and provide information on which to

[49] GAO Report, *Environmental Justice: EPA Needs to Take Additional Actions to Help Ensure Effective Implementation* (GAO-12-77) (October 2011).

base organizational and management decisions, to include making changes to how a goal is being delivered.[50]

Strategies. The FDIC's EISP identifies specific strategies to achieve the goals for each area of opportunity.[51] The strategies generally relate to the identified goals. For example, strategies for the Small Business opportunity area included developing content for a Small Business Resource Center[52] to increase the use of small business products and services as well as innovating and testing new ideas, such as the digitization of the small business loan origination process, to expand reach through partnerships and technology. These strategies generally relate to the identified goals of supporting the community bank role in small business financing and strengthening connections between financial institutions and local resources. Additionally, strategies for the Financial Education opportunity area include ensuring Money Smart is technologically relevant and developing an implementation toolbox to help organizations prepare and organize Money Smart training. These strategies generally relate to the identified goals of maintaining relevant and responsive Money Smart materials and to regularly improve and build awareness of Money Smart resources.

However, we noted that it was unclear how the strategies in the Insured Deposits opportunity area would achieve the goal of "develop a shared national goal and strategy for unbanked and underbanked consumers to have access to, and use of, affordable insured accounts and develop healthy banking relationship." The strategies identified to achieve this goal included educating, informing, and collaborating with stakeholders to promote access to and use of insured accounts; convening meetings with bankers and other stakeholders to foster connections; and conducting research on the characteristics and needs of unbanked and underbanked consumers, to include the FDIC's Household Surveys. Neither the strategies, nor the EISP

[50] Performance Improvement Council Goal Playbook (2022). https://assets.performance.gov/pic-resources/Goal%20Playbook.pdf.
[51] See Appendix 2 for a table from the June 2019 EISP summarizing the goals, strategies, and measures, or metrics, by opportunity area.
[52] The FDIC's Small Business Topics website contains links to various small business resources, including the FDIC's Money Smart for Small Business. https://www.fdic.gov/resources/consumers/small-business-topics/index.html

itself provide additional context for the 'shared national goal and strategy' or the stakeholders the FDIC will share this national goal with.

Measures. The FDIC's EISP contains measures for each opportunity area that are generally output-related and do not clearly indicate the intended outcome, or desired result, or the timeframes for completion that would allow the FDIC to assess progress in meeting its goals.[53] Many measures are task-oriented such as tracking membership, documenting results, producing reports, updating guidance, and measuring the use of resources. For example, one measure for the Financial Education opportunity area was to "track membership in the Money Smart Alliance." Another measure for the Insured Deposits opportunity area was to "document results of outreach events and activities that promote awareness of deposit insurance."

The GAO also reported that the performance measures included in the EISP and the FDIC's annual performance measures were task-oriented and did not assess the efforts to facilitate consumers' access to banking services.[54] The GAO recommended the FDIC develop and implement outcome-oriented performance measures for its strategic objective of ensuring access to safe and affordable bank services that reflect leading practices, including demonstrating results, measuring outcomes, and providing useful information for decision-making. This recommendation remained open as of September 2023.

Assessing and Reporting Progress. Although suggested by best practices, the EISP does not reference how the FDIC will assess and report on progress towards achieving its goals and objectives. We noted that the FDIC did not prepare a consolidated assessment of its progress in achieving its EISP goals. Instead, according to DCP officials, the execution of the EISP is tracked through several means, one being the quarterly reporting of specific FPGs.[55]

[53] See Appendix 2 for a table from the June 2019 EISP summarizing the goals, strategies, and measures, or metrics, by opportunity area.
[54] The GAO also reported that the FDIC lacked outcome-oriented measures to assess performance towards its strategic goals related to ensuring access to financial services. GAO Report, *Banking Services: Regulators Have Taken Actions to Increase Access, but Measurement of Actions' Effectiveness Could be Improved* (GAO-22-104468) (February 2022).
[55] As discussed in the Background section of this report, we noted that while the goal of the EISP generally supports the FPG, we noted that the expressed intent of each differs.

According to DCP officials, the Consumer and Community Affairs Branch submits updates on the progress made to achieve the FPGs aligned to the EISP opportunity areas on a quarterly basis, or when applicable. For example, DCP included in its 2021 quarterly FPG reporting the efforts to continue to modernize and promote the Money Smart curriculum to support the EISP. This occurred because one of the FPGs was similar to an EISP goal of regularly improving and building awareness of Money Smart resources for consumers. However, of the five EISP opportunity areas (Small Business, Mortgage Credit, Consumer Credit, Insured Deposits, and Financial Education) Consumer Credit had not had an FPG since 2018 and Mortgage Credit did not have an FPG in 2019 or 2020. Therefore, FPGs are not consistently used to assess progress on all EISP opportunity areas.

The other means cited by DCP officials for tracking the execution of the EISP are monthly Community Affairs activity reports. These reports highlighted progress made on economic inclusion-related initiatives and summarized monthly outreach events in terms of number and type of events held during the month. However, the monthly reports did not consistently contain progress reporting for all EISP opportunity area goals. As a result, the FDIC did not have a comprehensive assessment of progress towards meeting EISP goals and objectives. Further, the lack of consistent progress reporting indicates weaknesses in DCP's ability to determine whether EISP goals are being achieved.

Developing Outcome-based Performance Measures Can Provide Valuable Program Insights

Developing outcome-based performance measures would allow the FDIC to better assess the effectiveness and efficiency of economic inclusion-related initiatives, ensure accountability for results, and identify potential improvements. Currently, the FDIC does not have the mechanisms in place to determine to what extent its economic inclusion efforts contributed to the overall decline in the unbanked rate reported in the FDIC’s 2021 Household Survey. According to DCP officials, the Agency cannot make this determination because there are multiple factors that impact unbanked rates that fall outside of the FDIC's control.[56] For example, some reasons cited in the FDIC's 2021 Household Survey for the decline in the unbanked rate included "changes in the socioeconomic circumstances of U.S. households . . . particularly increases in income and educational attainment" and the receipt of a government benefit payment (such as pandemic relief payment). However, it is unclear if these households will sustain the bank accounts opened in response to the pandemic. Further, FDIC officials stated they are not planning to consider households' sustainment of bank accounts opened during the 2020-2021 time period in its future Household Surveys.[57]

Developing and implementing[58] outcome-based performance measures would help the FDIC gauge whether the EISP and its economic inclusion-related initiatives are effective in achieving future economic inclusion-related goals and objectives. We are not offering a recommendation related to developing outcome-oriented performance measures as this would be duplicative of the GAO's open recommendation to the FDIC.[59]

Recommendations

We recommend that the Director, DCP:

5. Clearly identify and describe strategies to achieve the desired goals in the FDIC's future Economic Inclusion Strategic Plans.

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[56] DCP officials also stated it would be difficult to identify the extent that the FDIC's economic inclusion efforts contributed to the overall decline in underbanked and unbanked rates through econometric modeling due to the vast number of variables and associated data limitations that would need to be taken into account.
[57] According to DCP officials, the forthcoming Household Survey will not include questions regarding the sustainment of bank accounts for a variety of reasons, including that consumers may not accurately recall the timing of account openings 3 years after the event occurred, and the Agency will not be able to directly observe the banking status of respondents from its 2021 Household Survey due to the nature of the survey design.
[58] We discuss implementation in more detail in this report's finding, *The FDIC Could Improve Implementation of its EISP by Aligning Resources to Achieve Program Objectives and Measuring Outcomes*.
[59] GAO Report, *Banking Services: Regulators Have Taken Actions to Increase Access, but Measurement of Actions' Effectiveness Could be Improved* (GAO-22-104468) (February 2022) recommended the FDIC develop and implement outcome-oriented performance measures for its strategic objective of ensuring access to safe and affordable bank services that reflect leading practices, including demonstrating results, measuring outcomes, and providing useful information for decision-making.

6. Develop and implement consistent assessment and progress reporting for all Economic Inclusion Strategic Plan goals and objectives, and ensure that the expressed intent of annual FDIC Performance Goals related to economic inclusion matches the goals and objectives articulated in the Economic Inclusion Strategic Plan.

Identifying Resources Needed to Achieve Desired Goals and Risks that Could Affect Achievement of Goals

The EISP did not clearly identify resources needed to achieve its economic inclusion goals and did not identify key internal risks or management challenges that could affect the achievement of those goals.

Identify Resources. OMB states that effective strategies should include a description of how programs and program activities, human capital, technology, and other resources that are critical to mission delivery are organized in a manner to achieve outcomes.[60] The GAO also states that a leading practice is to identify and describe resources needed to achieve goals.[61] Further, the Performance Improvement Council suggests developing a resource directory, including staffing and funding. This directory would help identify resource gaps and options for alternative resourcing.

The EISP identifies Community Affairs, with staff in Washington, D.C. and each FDIC region, as the principal organization within the FDIC that develops and implements pilot programs, campaigns, alliances, and other initiatives designed to support engagement by banks and to promote financial education among consumers who are unbanked and underbanked. The EISP states that Community Affairs promotes access to banking services across the country by: providing information and technical assistance to banks; convening stakeholders to explore resources and promising practices and innovations; developing and disseminating financial education tools; and supporting pilot programs and alliances. However, the EISP did not include information on the allocation of resources needed to carry out the goals and strategies identified for each opportunity area. The EISP also did not mention the need for contracted resources to assist in carrying out economic inclusion

[60] OMB Circular A-11, Part 6, Section 210.19, Section 4.3 (Strategies for Objectives), and Section 230.9.
[61] GAO Report, *Environmental Justice: EPA Needs to Take Additional Actions to Help Ensure Effective Implementation* (GAO-12-77) (October 2011).

efforts although the FDIC used contractors to help develop its Money Smart educational products and #GetBanked public awareness campaign.

Without a clear understanding of the resources needed, the FDIC cannot ensure that its current staffing and funding resources are sufficient to carry out and meet its economic inclusion goals and strategies. For example, senior DCP officials stated that staff turnover and vacancies over the past several years affected decisions regarding its economic inclusion-related program goals and operations. In addition, a project lead position for one economic inclusion opportunity area was vacant for over one year, which negatively affected DCP's ability to identify and track progress through specific FPGs. Also, the retirement of a community affairs staff member was a contributing factor in inactivating an AEI. Finally, DCP's June 2023 organization chart showed 7 of 46 regional community affairs positions were vacant, adversely affecting the FDIC's ability to achieve its economic inclusion goals.

We discuss inefficiencies regarding the FDIC's implementation of its EISP, including the alignment of resources to achieve objectives and measure outcomes in this report's finding, *The FDIC Could Improve Implementation of its EISP by Aligning Resources to Achieve Program Objectives and Measuring Outcomes*.

Identify Risk. According to OMB, because a strategic plan focuses on long-term objectives, agencies should consider risks and how they change over time during formulation of the plan. Considering ERM in the early stages of the strategic planning process will ensure that the agency's management of risk is appropriately aligned with the organization's overall mission, objectives and priorities.[62] OMB states that when developing effective strategies to achieve strategic goals and objectives, agencies should identify and incorporate key external or environmental factors, including risks that could significantly affect the achievement of its objectives, distinguishing those beyond its control and those it seeks to influence. The GAO also states that a leading practice is to define strategies that address management challenges that threaten an agency's ability to meet its long-term strategic goals. Further, the United Nations Strategic Planning Guide for Managers suggests identifying strategic risks that could hamper the execution of the strategy,

[62] OMB Circular A-11, Part 6, Section 230.1.

including internal environmental risks in the context of funding, human capital, service quality, and timeliness.

The EISP discusses several external and environmental factors that may affect the goals and strategies to include the role and impact of technology on economic inclusion; household characteristics, such as variable incomes and expenses; and industry trends. However, the EISP does not discuss internal risks such as those related to funding and human capital resource needs that could adversely affect the Agency's mission delivery and ability to achieve its goals and objectives. We discuss deficiencies in the effectiveness of the FDIC's implementation of ERM activities in this report's finding, *The FDIC Could Enhance Its Economic Inclusion-Related Risk Mitigation Strategies*.

Lack of Formal Guidance for Discretionary Strategic Plans

The EISP's lack of alignment with key strategic planning best practices is due, in part, to the FDIC's lack of formal guidance to develop, design, and implement discretionary strategic plans. Furthermore, DCP did not follow its informal process document for internal EISP development when updating the EISP in 2019.

We note that the FDIC is taking steps to address some of the deficiencies we identified in this report. Specifically, in February 2023, the FDIC awarded a contract to develop the agency's forthcoming EISP to reflect applicable government standards, such as OMB A-11. In updating the EISP, the contractor will conduct an environmental scan to identify best practices to generate outcome-focused measures, update the EISP areas of opportunity, develop objectives and strategies to meet the objectives in the EISP, and develop reporting that enables leaders to review progress towards achieving objectives. According to the contract deliverable schedule, the final EISP is to be delivered in September 2023.

Recommendations:

We recommend that the Director of DCP:

7. Coordinate with the Division of Finance to develop and implement formal policy and guidance for the formulation of discretionary strategic plans that

are consistent with strategic planning best practices from the Office of Management and Budget, the Government Accountability Office, and other organizations identified in this report.

8. Align the Economic Inclusion Strategic Plan with the policy and guidance developed in response to Recommendation 7.

The FDIC Could Improve Implementation of Its EISP by Aligning Resources to Achieve Program Objectives and Measuring Outcomes

The FDIC could improve implementation of its EISP by aligning resources to achieve program objectives and measuring the outcomes of economic inclusion efforts. For example, we found that DCP officials could not readily identify human capital costs associated with specific economic inclusion programs and initiatives throughout the U.S. We also found the FDIC could not determine to what extent its economic inclusion efforts contributed to increased participation in the insured banking system. In addition, we found the FDIC did not always focus economic inclusion efforts in areas with high unbanked or underbanked household rates and that FDIC outreach products had limited language availability. Finally, we identified data reliability issues with reports created out of CARES. These deficiencies occurred, in part, because DCP does not use a tracking system for tying its resources to individual initiatives. In addition, DCP has not conducted a review of AEIs since 2015. Further, the FDIC never acted upon a recommendation from its 2015 review to transition out of two AEIs. As a result, the FDIC cannot ensure it is allocating resources to its economic inclusion-related activities efficiently, effectively, or with accountability to achieve the Agency's goals.

OMB Circular A-11, Part 6, Section 270.8 identifies a set of common, principle-based government-wide program management standards that agencies can apply to programs to ensure they produce their desired outcomes and effectively contribute towards the achievement of the agency's mission and strategic goals and objectives, as required by the Program Management Improvement Accountability Act. OMB Circular A-11, Part 6, Section 230.9 states that effective strategies to achieve strategic goals and objectives should create a coherence of effort, including the alignment of budgetary resources.

Identifying Costs

The FDIC did not adequately align the resources needed to implement its economic inclusion activities or track costs associated with these activities. The FDIC's WebTA data did not identify internal staff resources spent on economic inclusion-related efforts. This data did not show where the approximately 60 Consumer and Community Affairs Branch employees performed their work or what specific EISP opportunity areas the employees worked on. DCP's Consumer and Community Affairs staff hours data from WebTA did not have enough detail to identify the hours charged by staff on specific economic-inclusion related activities. For example, based on our review of 2021 WebTA data, we found that DCP Consumer and Community Affairs staff charged 123,619 hours during 2021 to the Outreach and Education program code.[63] Of those hours, staff charged 1,705 hours to the AEI project code[64] and 2,591 hours to the Money Smart project code. However, staff did not input a project code for the remaining 119,261 hours. The FDIC did not use an alternative tracking system for tying economic inclusion strategic planning resources to individual initiatives. The GAO's *Standards for Internal Control in the Federal Government* state that management should use quality information to achieve the entity's objectives.[65] Quality information is defined as appropriate, current, complete, accurate, accessible, and timely.[66] Without complete information on time allocation, the FDIC lacks assurance it is allocating resources in a manner that will best allow it to achieve its economic inclusion objectives.

Allocating Resources to Initiatives

The FDIC has a variety of economic inclusion initiatives, but does not have assurance on the degree to which these initiatives are leading to increased consumer participation in the banking system to meet its FPG. FDIC initiatives include its Money Smart educational curriculum, #GetBanked

[63] This program code encompasses all outreach and education efforts undertaken by the FDIC including outreach and education to consumers, financial institutions, regulators and international constituents. This includes outreach and education on issues relating to deposit insurance, financial literacy, consumer protection laws, and financial industry or economic trends and analysis.
[64] Project codes are more specific than program codes and are used for FDIC initiatives and major projects.
[65] *Standards for Internal Control in the Federal Government,* (GAO-14-704G) (September 2014), Section 13.01.
[66] GAO-14-704G, Section 13.05.

webpage and public awareness campaign, AEIs, and community outreach events. The lack of assurance is due to FDIC not developing performance measures for these initiatives that tie directly to economic inclusion outcomes such as opening a bank account or improving credit scores. Instead, the FDIC often uses measures such as tracking organizational membership, evaluating curriculum, changes in website traffic, number of events, and number of event participants. Thus, the FDIC does not have assurance that it is allocating its resources to the initiatives that are having the greatest impact on improving economic inclusion.

The Money Smart educational curriculum contains materials on opening a bank account and building credit. The 2019 EISP has performance measures relating to Money Smart such as tracking organizational membership, evaluating curriculum, and highlighting promising practices for curriculum use through success stories. However, these measures do not show the extent to which Money Smart is contributing to increased participation in the insured banking system. The FDIC performed a longitudinal study[67] of Money Smart for Young Adults in 2014 that showed the program had a positive impact on participants' knowledge and understanding but did not find evidence it impacted financial behavior. However, the FDIC has not conducted a longitudinal study since then and has introduced new Money Smart products since its last study. We note that the FDIC appears to be taking steps to measure the extent to which its Money Smart products are contributing to increased consumer participation in the insured banking system by establishing a 2023 FPG to conduct and report results of an evaluation of its most recent Money Smart product, the "*How Money Smart Are You?*" interactive game.

The FDIC developed a #GetBanked webpage and held two public awareness campaigns in selected MSAs during 2021 and 2022.[68] To measure the success of the public awareness campaigns, DCP officials indicated they used website traffic to the #GetBanked webpage and changes in the

[67] FDIC, *Longitudinal Evaluation of the Money Smart for Young Adults Financial Education Program* (October 2014). A longitudinal study surveys Money Smart participants a year after they complete Money Smart to see if Money Smart affected financial understanding, knowledge, and behavior.
[68] The FDIC targeted two metropolitan statistical areas (MSA), Atlanta, Georgia, and Houston, Texas, during phase one of its #GetBanked public awareness campaign in 2021. The FDIC targeted three MSAs, Dallas, Texas, Detroit, Michigan, and Los Angeles, California, during phase two of its #GetBanked public awareness campaign in 2022.

unbanked rate in the targeted cities as measured by the Household Survey. Although website visits increased in the targeted cities, it does not necessarily mean the visitor actually opened a bank account. As shown in Table 4, the unbanked rates for the Atlanta, Georgia and Houston, Texas MSAs decreased at a greater percentage than the decrease in the nationwide unbanked rate from the 2019 to the 2021 Household Survey.

Table 4: Changes in the Unbanked Rate for Cities Targeted in 2021 #GetBanked Public Awareness Campaign

MSA	2019 Unbanked Rate	2021 Unbanked Rate	Percentage Decrease from 2019 to 2021
Atlanta, Georgia	5.0%	2.4%	52.0%
Houston, Texas	10.4%	8.1%	22.1%
Nationwide	5.4%	4.5%	16.7%

Source: OIG analysis of MSA level data from *How America Banks: Household Use of Banking and Financial Services*, *2019 FDIC Survey* (October 2020) and *2021 FDIC National Survey of Unbanked and Underbanked Households* (October 2022).

Although the decreases for these MSAs were greater than the nationwide decrease, other socioeconomic factors in those MSAs such as job growth may have also influenced the decreases. The FDIC will not know the extent of changes in the unbanked rates for MSAs targeted in the 2022 campaign until obtaining results from the 2023 Household Survey.

The FDIC launched its AEI initiative in 2007. A consultant performed the last external review of the AEI program in 2012 and provided recommendations on how the AEI program might improve economic inclusion among unbanked and underbanked populations by strengthening local AEIs, increasing administrative support for local AEI operations, and linking local AEIs and FDIC resources for economic inclusion. The FDIC last completed a comprehensive review on the future of the AEI initiative in June 2015. Although the 2019 EISP does not list any specific performance measures for the AEIs, it contains a strategy to leverage the AEI partnerships across the nation as a tool to promote access to affordable insured accounts, credit building, and credit repair. In addition to the AEIs, the FDIC conducts community outreach events throughout the nation. To measure impact for the AEIs and local outreach events, the FDIC tracks the number of events and number of event participants. However, these output measures do not clearly demonstrate whether the events are effective or impactful in promoting economic inclusion. Without measures that demonstrate the impact of each economic inclusion initiative, the FDIC lacks assurance that it is efficiently allocating the proper level of resources to the initiatives that are having the most impact.

Targeting Initiatives

The FDIC did not always target its economic inclusion initiatives to areas with high unbanked or underbanked household rates. Table 5 below shows that the FDIC strategically placed some of its AEIs in MSAs or states, such as Houston, Texas, Louisiana, and Mississippi, that had unbanked rates above the nationwide average of 5.4 percent and 4.5 percent, respectively, as reported in the FDIC's 2019 and 2021 Household Surveys. However, the FDIC also placed AEIs in Austin, Texas; Boston, Massachusetts; and West Virginia which had unbanked rates below the national average. Therefore, the FDIC has opportunities to improve AEI resource allocation.

Table 5: 2019 and 2021 Unbanked and Underbanked Rates for AEI Locations

AEI Location	2019 Unbanked Rate	2019 Underbanked Rate[1]	2021 Unbanked Rate	2021 Underbanked Rate
Alabama[2]	7.6	20.5	4.7	13.3
Austin, Texas	0.7	14.0	0.8	16.2
Boston, Massachusetts	3.6	12.8	2.1	9.3
Houston, Texas	10.4	24.9	8.1	17.4
Kansas City, Missouri	5.8	15.1	6,4	14.0
Los Angeles, California	7.1	15.3	4.2	16.1
Louisiana[2]	11.4	25.5	8.1	20.2
Southeast Michigan[3]	8.8	18.8	7.6	12.9
Milwaukee, Wisconsin	5.9	7.1	1.5	9.9
Mississippi[2]	12.8	27.1	11.1	21.4
West Virginia[2]	4.7	17.2	3.0	12.4
Nationwide	**5.4**	**17.2**	**4.5**	**14.1**

Source: OIG analysis of MSA level data from *How America Banks: Household Use of Banking and Financial Services*, *2019 FDIC Survey* (October 2020) and *2021 FDIC National Survey of Unbanked and Underbanked Households* (October 2022).

[1] The FDIC did not define underbanked in its 2019 Survey or specifically report underbanked rates. OIG calculated the 2019 Underbanked rate based on the proportion of households in each location that indicated use of non-bank check cashing, money order, or bill payment services within the past 12 months, as reported in the 2019 Survey.

[2] State level data is presented for the Alabama, Louisiana, Mississippi, and West Virginia AEIs.

[3] Detroit, Michigan, MSA data is presented for the Southeast Michigan AEI.

The FDIC does not have policies and procedures for when to form or dissolve an AEI. According to DCP senior officials, the FDIC selects AEI locations based on several factors such as local needs; the absence of other coalitions seeking to advance similar goals; and the presence and support of willing collaborators such as FDIC-supervised banks, non-profit community groups, and local government entities. The FDIC last completed a comprehensive review on the future of the AEI initiative in June 2015, about four years before the FDIC developed the current EISP. The review recommended that the FDIC transition out of the Austin, Texas and Boston, Massachusetts AEIs and redirect resources to underserved communities. However, the FDIC still supported these two AEIs in 2022. According to DCP senior officials, the FDIC provided the review recommendations to regional management for consideration as part of ongoing management of AEIs in their regions and as part of the annual business planning process. However, no regional manager proposed an exit strategy for their AEIs. The officials stated the FDIC will consider AEIs anew in light of DCP's current strategic planning effort.

DCP officials indicated that AEIs typically meet several times per year to convene stakeholders and discuss topics including account access, credit, housing, workforce development, and small business. However, our review of CARES[69] event data showed that two FDIC-supported AEIs, Kansas City, Missouri and Milwaukee, Wisconsin, had no events with AEI as the focus topic in their respective states for the period from January 1, 2021, through September 30, 2022.

In others instances, the FDIC did not create an AEI at all for MSAs with high unbanked and underbanked rates. For example, the FDIC has no local or state AEIs that cover the Memphis, Tennessee MSA. As shown in Table 6 below, this MSA had the second highest unbanked rate in both the 2019 and 2021 Household Surveys. As shown in Table 7 below, it also had the highest underbanked rate of all MSAs in both the 2019 and 2021 Household Surveys.

[69] CARES is a formal recordkeeping system of events and activities for DCP's Community Affairs. Executive management has access to reports produced from CARES that display the number of events, number of attendees, proportion of events related to each opportunity area, and a map of where the events took place in the U.S.

Table 6: MSAs With the Highest Unbanked Rates in the FDIC's 2019 and 2021 Household Surveys

MSA Location	2019 Unbanked Rate	MSA Location	2021 Unbanked Rate
Jackson, Mississippi	17.1	San Jose, California	13.2
Memphis, Tennessee	17.0	Memphis, Tennessee	9.4
Hartford, Connecticut	11.6	Jackson, Mississippi	9.1

Source: OIG analysis of MSA level data from *How America Banks: Household Use of Banking and Financial Services, 2019 FDIC Survey* (October 2020) and *2021 FDIC National Survey of Unbanked and Underbanked Households* (October 2022).

Table 7: MSAs With the Highest Underbanked Rates in the FDIC's 2019 and 2021 Household Surveys

MSA Location	2019 Underbanked Rate	MSA Location	2021 Underbanked Rate
Memphis, Tennessee	32.2	Memphis, Tennessee	31.2
Las Vegas, Nevada	27.1	Wichita, Kansas	26.7
Jackson, Mississippi	25.4	Miami, Florida	22.2

Source: OIG analysis of MSA level data from *How America Banks: Household Use of Banking and Financial Services, 2019 FDIC Survey* (October 2020) and *2021 FDIC National Survey of Unbanked and Underbanked Households* (October 2022).

Although the FDIC hosts other outreach events in addition to AEI events, the FDIC hosted a low proportion of these outreach events in Tennessee. CARES data showed the FDIC held 394 outreach events from January 1, 2021, through September 30, 2022. However, the FDIC targeted only two of these events in Tennessee.

Reallocating or adding FDIC resources to support AEIs in locations with the highest unbanked and underbanked rates would provide those households more opportunities to connect with local financial institutions, consumer, faith-based, community, and government institutions.

Product Language Availability

The FDIC's outreach products are also limited in language availability. One of the FDIC's key outreach initiatives to increase access to the banking system, its #GetBanked webpage, is only available in English and Spanish. The FDIC has a contract that provides for translation services of Money Smart products into different languages including Chinese, Haitian Creole, Hindi, Hmong, Korean, Russian, Spanish, Tagalog, and Vietnamese.[70] However, some of the FDIC's Money Smart educational products, including "How Money Smart Are You?" and Money Smart for Small Business, are only available in English and Spanish. Additionally, the FDIC's Money Smart for Adults educational curriculum is available in Korean, Vietnamese, English, and Spanish. In contrast, the CFPB's primary webpage (www.consumerfinance.gov) is available in eight languages based on CFPB's analysis of census data on the most commonly used languages in the U.S. The CFPB also uses a contract for written translation services and has an agreement with the Library of Congress to audit the CFPB web content translations into other languages.

The U.S. Census Bureau reported that Spanish was the most spoken non-English language in the U.S. After Spanish, the most common non-English languages spoken include Chinese, Arabic, French, Korean, Tagalog, or Vietnamese.[71] Translating the #GetBanked webpage's video, flyer, checklist for opening a bank account, and Money Smart educational curriculum into other languages would provide the FDIC increased outreach to unbanked or underbanked households in which English or Spanish is not the primary language.

CARES Data Reliability

During our evaluation, we also identified potential data reliability issues with reports on economic inclusion-related events. DCP enters economic inclusion-related business plan events into CARES to track and report data such as event name, location, date, audience, and sponsors. We downloaded the Community Affairs Operational Report on October 11, 2022, showing 394 total events from January 1, 2021, through September 30, 2022. We downloaded the same report with the same parameters on December 7, 2022, which showed 348 events. According to DCP, the discrepancy was due to an administrative change in the system filters. After correcting the filters, DCP ran another report on January 9, 2023, which identified 394 events. DCP senior officials also informed OIG that the 394 events do not include speaking engagements. However, the geographic map on the

[70] The contract specifies the contractor will only translate those documents the FDIC sends for translation.
[71] U.S. Census Bureau, *Language Use in the United States: 2019 American Community Survey Reports* (August 2022) https://www.census.gov/library/publications/2022/acs/acs-50.html.

CARES Operational Report, which identifies the number of events held in each state, includes the seven speaking engagements, for 401 total events. It is unclear why the speaking engagements are not included on the Community Affairs Operational Report but are represented on the geographical map on the CARES Operational Report.

DCP had no policies and procedures on how to run business reports from CARES. The discrepancies we identified lead to uncertainties with the completeness, accuracy, and repeatability of these reports. Reporting accuracy is crucial because DCP executive management uses CARES reports to measure progress in achieving economic inclusion-related activities identified in the EISP.

Recommendations

We recommend that the Director, DCP:

9. Develop or use an existing tracking system to measure internal staffing costs related to individual economic inclusion programs and initiatives.

10. Develop procedures governing when to form or dissolve an Alliance for Economic Inclusion and for monitoring Alliances for Economic Inclusion to ensure the FDIC aligns Alliances for Economic Inclusion to geographical areas with the highest consumer needs or other factors that contribute to the achievement of Economic Inclusion Strategic Plan goals and objectives.

11. Develop a mechanism to help identify whether the FDIC needs to reallocate resources for economic inclusion initiatives to meet Economic Inclusion Strategic Plan goals and objectives.

12. Conduct a feasibility study for expanding the language availability for FDIC economic inclusion outreach products.

13. Develop clear guidance on running business reports out of Community Affairs Reporting and Events System, including the use of filters.

The FDIC Could Enhance Its Economic Inclusion-related Risk Mitigation Strategies

The FDIC's ERM program seeks to identify, assess, and address risks that could adversely affect the Agency's ability to achieve its goals, objectives, and mission. According to the ERM program, each FDIC Division and Office is responsible for risk identification, assessment, escalation, management, monitoring, mitigation, and information sharing. We found that the FDIC's ERM risk mitigation strategies to address economic inclusion efforts could more clearly address risks related to implementing strategic objectives, effective controls, and responsive programs to promote economic inclusion. Inadequate risk mitigation could negatively impact the FDIC's ability to achieve its economic inclusion-related goals and objectives.

ERM and Internal Control

FDIC's Directive 4010.3, *Enterprise Risk Management and Internal Control Program* (October 2018) establishes policy, responsibilities, and key components for the FDIC's ERM Program. According to this Directive, the FDIC faces a variety of risks from both internal and external sources. The FDIC's ERM Program seeks to effectively identify, assess, and address risks (i.e. mitigated, transferred, avoided, or accepted) that could adversely affect the Agency's ability to achieve its goals, objectives, and mission. The Directive states that each FDIC Division and Office is responsible for identifying its key activities and determining what risks may threaten the FDIC's ability to achieve success. The Directive also states that each FDIC Division and Office retains first-line responsibility and ownership for risk identification, assessment, escalation, management, monitoring, mitigation, and information sharing.

The FDIC's Chief Risk Officer and Office of Risk Management and Internal Controls maintain a Risk Inventory to capture the enterprise risks identified by the FDIC's Divisions and Offices. FDIC Divisions and Offices have responsibility for keeping the Risk Inventory updated throughout the year, and for conducting an annual, agency-wide validation. The Risk Inventory informs the development of a prioritized list of the most significant risks facing the FDIC, known as the Risk Profile. The Risk Inventory is a comprehensive, detailed list of risks that could affect the FDIC's ability to meet its strategic objectives and is updated as new risks are identified or risks change. Attributes captured for each risk in the Risk Inventory include mitigation strategies, which are additional actions, beyond existing controls, that FDIC Divisions and Offices commit to implement to further reduce the residual risk.[72]

Economic Inclusion Risks

In August 2022, DCP added the following economic inclusion risk to the FDIC's Risk Inventory:

> "If DCP doesn't implement strategic objectives, effective controls and responsive programs that will help provide information and guidance needed to financial institutions, consumers, depositors, small businesses and communities to promote economic inclusion, then banks may be less accessible, fair and responsive than non-depository firms, and these groups will migrate their financial relationships and activity outside of regulated depository institutions, form negative associations of the banking system, and find, as they fail to benefit from a banking relationship, that their confidence and support for the banking system is eroded."

The following four risk mitigation strategies were associated with the economic inclusion risk in the FDIC's Risk Inventory:

1) Publish the 2021 National Survey of Unbanked and Underbanked Households, and develop the questionnaire and complete other preparatory actions for the 2023 Household Survey.

2) Continue to monitor the impact of the pandemic and associated economic effects on the financial health of consumers and communities, and implement strategies to provide appropriate protections and support.

3) Develop a comprehensive and detailed overview of the landscape of financial well-being programs. Evaluate the availability of outcome-based

[72] Residual risk is the exposure remaining from an inherent risk after action has been taken to manage it. Inherent risk is the exposure arising from a specific risk before any action has been taken to manage it beyond normal operations.

measures that demonstrate the success of strategies to improve financial well-being (such as improved credit scores, increases in emergency savings, or reductions in debt burden). Develop a plan to publicly disseminate findings to enhance existing (and potentially future) programs.

4) Complete a public awareness campaign to motivate more unbanked individuals to establish sustainable banking relationships in at least three additional Metropolitan Statistical Areas using social media and digital ads.

As of February 2023, the FDIC reported the status of risk mitigation strategies 1, 2, and 4 as complete and that risk mitigation strategy 3 was on track. However, two of the four risk mitigation strategies do not appear to clearly address or effectively reduce the August 2022 economic inclusion risk in FDIC's Risk Inventory. These strategies relate to the risk of implementing strategic objectives, effective controls, and responsive programs that will help provide information and guidance needed to financial institutions, consumers, depositors, small businesses and communities to promote economic inclusion. The key aspects of this risk are implementing strategic objectives, effective controls, and responsive programs. To optimize effectiveness, these key aspects should occur prior to providing the needed information to stakeholders to promote economic inclusion.

For example, publishing results from a national survey and preparing for a future national survey may provide useful information, but the actions alone do not ensure needed information is provided to stakeholders to promote economic inclusion. Rather, implementing strategic objectives, effective controls, and responsive programs at the outset will help identify the economic inclusion information and guidance needed by stakeholders. Similarly, publishing results from a national survey and preparing for a future national survey, do not clearly address or reduce the risk of consumers leaving regulated depository institutions.

Evaluating the availability of outcome-based measures that demonstrate the success of strategies to improve financial well-being and developing a plan to publicly disseminate findings to enhance existing (and potentially future) programs does not mitigate the risk of not implementing responsive programs to promote economic inclusion. While developing a plan to disseminate findings is an important step for providing useful information to stakeholders, such a plan is dependent upon the evaluation of available outcome-based measures. The risk mitigation strategy provides no assurance that outcome-based measures would actually be implemented and used to improve program operations. Without adequately addressing identified economic inclusion-related risks, the FDIC's ability to achieve its goals and objectives could be negatively affected.

Recommendation

We recommend that the Director of DCP:

14. Ensure risk mitigation strategies identified for the economic inclusion-related Enterprise Risk Management Risk Inventory item clearly address and effectively reduce risks related to implementing strategic objectives, effective controls, and responsive programs to promote economic inclusion.

FDIC COMMENTS AND OIG EVALUATION

The FDIC's Director of DCP provided a written response to a draft of this report. The response is presented in its entirety in Appendix 5.

In its response, the FDIC concurred with all 14 report recommendations. The FDIC's proposed corrective actions were sufficient to address the intent of all recommendations, and the FDIC plans to complete corrective actions for these recommendations by December 30, 2024. We consider all 14 recommendations to be resolved.

All recommendations in this report will remain open until we confirm that corrective actions have been completed and the actions are responsive. A summary of the FDIC's corrective actions is contained in Appendix 6.

Objective

The objective of this evaluation was to determine whether the FDIC developed and implemented an effective strategic plan to increase the participation of unbanked and underbanked consumers in the insured banking system.

We conducted this evaluation from June 2022 through July 2023 in accordance with the Council of Inspectors General on Integrity and Efficiency *Quality Standards for Inspection and Evaluation* (issued December 2020).

Scope and Methodology

The scope of the evaluation included the FDIC's policies and procedures, roles and responsibilities, and activities related to developing and implementing the Agency's Economic Inclusion Strategic Plan (EISP).

To obtain an understanding of the FDIC's efforts to develop and implement its EISP, we interviewed FDIC officials from the Division of Depositor and Consumer Protection (DCP), including the DCP Director, the Deputy Director of DCP's Consumer and Community Affairs Branch, and officials from DCP's Policy and Research Branch and Administrative Management and Operations Branch. We also interviewed officials from FDIC's Division of Finance, Division of Insurance and Research, Office of Risk Management and Internal Controls, Office of Minority and Women Inclusion, and Office of Minority and Community Development Banking.

We researched and reviewed relevant FDIC policies, procedures, and guidance, including:

- FDIC Circular 4100.4, *Corporate Planning and Budget Process* (March 2007)
- FDIC Directive 4100.04, *Corporate Planning and Budget Processes* (November 2022);[73]
- FDIC Directive 4010.3, *Enterprise Risk Management and Internal Control Program* (October 2018);

[73] This Directive supersedes Circular 4100.4, *Corporate Planning and Budget Process* (March 2007).

- FDIC Office of Risk Management and Internal Controls, *Enterprise Risk Management Standard Operating Procedure* (May 2021);
- FDIC DCP formal and informal guidance:
    - Guidance and Procedures for Community Affairs Events and Activities (Effective April 10, 2019);
    - Community Affairs Reference Guide (June 2022);
    - Informal process document for developing an EISP; and
    - Informal guidance and instructions for developing business plans.

We identified strategic planning best practices through our review of the aforementioned FDIC policies, procedures, and guidance, and through the research and review of the following Federal Regulations, Federal Standards, reports, and guidance issued by other Federal agencies and organizations:[74]

- Office of Management and Budget Circular A-11, Preparation, Submission, and Execution of the Budget, Part 6 "The Federal Performance Framework for Improving Program and Service Delivery" (August 2022);
- Title 5 of U.S.C. § 105 "Executive Agency" (October 2022);
- Title 5 of U.S.C. § 306 "Agency Strategic Plans" (September 2022);
- Government Performance and Results Act of 1993 (GPRA) (August 1993);
- The GPRA Modernization Act of 2010 (January 2011);
- Program Management Improvement Accountability Act (December 2016);
- Foundations for Evidence-Based Policymaking Act of 2018 (January 2019);
- Government Accountability Office (GAO) reports:
    - GAO/GGD-96-118, *Executive Guide: Effectively Implementing the Government Performance and Results Act* (June 1996);
    - GAO-12-77, *Environmental Justice: EPA Needs to Take Additional Actions to Help Ensure Effective Implementation* (October 2011);

[74] See Appendix 3 for a list of best practices identified in the cited sources that were used for this evaluation.

    - GAO-12-1022, *Managing For Results: Key Considerations for Implementing Interagency Collaborative Mechanisms* (September 2012);
    - GAO-18-499, *Foreign Assistance: Better Guidance for Strategy Development Could Help Agencies Align their Efforts* (July 2018); and
    - GAO-19-543, *Environmental Justice: Federal Efforts Need Better Planning, Coordination, and Methods to Assess Progress* (September 2019)
- U.S. National Strategy for Financial Literacy (2020);
- The Performance Improvement Council's Goal Playbook (2022); and
- The United Nations Strategic Planning Guide for Managers (2015).

We interviewed Consumer Financial Protection Bureau officials to gain an understanding of the bureau's perspectives on economic inclusion and the actions the bureau is taking to promote or expand economic inclusion. We also interviewed Government Accountability Office officials to discuss the findings in their report, *Banking Services: Regulators Have Taken Actions to Increase Access, but Measurement of Actions' Effectiveness Could be Improved* (GAO-22-104468, February 2022) and the report's methodology as it relates to this evaluation.

To address our evaluation objective, we also performed the following procedures:

- Assessed the FDIC's EISP to determine if the agency's plan contained key strategic planning requirements and best practices.
- Assessed and reviewed how FDIC measures whether economic inclusion-related events and programs are achieving goals and increasing participation in the insured banking system, including a review of Community Affairs Reporting and Events System data, FDIC Performance Goal quarterly reports, and DCP's Community Affairs monthly reports.
- Compared FDIC economic inclusion outreach activities reported in the Community Affairs Reporting and Events System and FDIC staff resources to Household Survey data to determine if FDIC efforts and resources were focused on communities with the highest proportion of unbanked and underbanked.

- Assessed the FDIC’s Household, Bank Surveys, and Qualitative Bank Research published between 2008 and 2022 to determine if these documents addressed factors identified in Section 7 of Federal Deposit Insurance Reform Conforming Amendments Act of 2005, Public law 109-173 (February 2006).
- Obtained and reviewed DCP budget and time and attendance data to determine whether internal resources could be directly tied to specific economic inclusion programs and initiatives.
- Reviewed the FDIC’s Risk Inventory reports as of August 2022 and February 2023 to determine whether the FDIC adequately and clearly reflected risk mitigation strategies relevant to economic inclusion efforts.

Summary of FDIC's 2019 Economic Inclusion Strategic Plan Goals, Strategies, and Metrics by Opportunity Area

Economic Inclusion Opportunity Area	*Vision*	Strategic Goals / Priorities	Select Strategies	Metrics
1. Support Financial Education and Capability: Develop & promote free, high-quality financial education to strengthen consumer financial capability and sustainable banking relationships.	*Every bank views financial education as adding value to its financial products & services, offering it directly and/or through local partners.*	○ Maintain *Money Smart* program – fine tune content for low- and moderate-income & un(der)banked ○ Amplify awareness of Money Smart among consumers ○ Engage young people for maximum impact	• Collaborate with IDIs. Trades, gov't agencies, and nonprofits • Innovate & test new ideas to expand reach using technology • Research various methods of delivery to unbanked and underbanked	✓ Evaluate curriculum effectiveness ✓ Track *Money Smart* Alliance & Youth Banking Network membership ✓ Identify & share promising practices
2. Promote Affordable Insured Transaction & Savings Accounts: Promote availability, access & use of affordable insured transaction & savings accounts.	*All Americans have access to secure & affordable insured banking services; every bank offers affordable transaction and savings accounts.*	○ Develop shared national goal to increase percentage of banked Americans ○ Showcase successful initiatives that promote access ○ Expand public awareness of the value of deposit insurance	• Educate stakeholders about benefits of banking relationships • Innovate & test new ideas to promote access to banking using technology • Research unique characteristics of unbanked and underbanked	✓ Document results of target initiatives ✓ Develop baseline benchmarks using survey and track future progress ✓ Track outcomes of outreach & activities that promote deposit insurance and account access
3. Increase Consumer Access to Sustainable Credit: Increase consumer access to credit through resources that help build and sustain a strong credit history.	*Creditworthy consumers have fair access to affordable credit solutions and engage in responsible credit usage.*	○ Encourage banks to provide affordable small dollar loans ○ Showcase successful credit-building programs ○ Conduct & support bank outreach to credit 'invisibles'	• Educate insitutions, trades & others about credit building/repair • Innovate & test new ideas to expand access to credit • Research methods to build credit history	✓ Document technical assistance and outcomes ✓ Evaluate impact of local coalition efforts (eg. Alliances for Economic Inclusion) ✓ Track credit-building lessons learned
4. Encourage Responsible Options for Affordable Mortgage Credit: Encourage responsible affordable mortgage lending by banks & their partners.	*Every bank has the tools & strategies to make an informed decision about responsible mortgage lending to low- and moderate-income communities & consumers.*	○ Strengthen role of community banks in the affordable mortgage market ○ Amplify awareness of current programs ○ Highlight innovation	• Collaborate with stakeholders to promote online *Affordable Mortgage Lending Center* • Educate community banks about Community Reinvestment Act opportunities and partnerships	✓ Analyze and apply results of annual *Affordable Mortgage Lending Center* subscriber survey ✓ Conduct & evaluate effectiveness of outreach efforts ✓ Document community bank success stories
5. Strengthen Access to Financial Services for Small Businesses: Encourage financial institutions & their partners to prudently serve the financial needs of emerging entrepreneurs and small businesses.	*Equip every bank with tools & resources that support small business lending, including technical assistance, financial education, and* access to Community Development Financial Institutions.	○ Support community bank role in small business financing ○ Identify opportunities for increased lending via collaboration ○ Strengthen connections between financial institutions & local resources	• Educate banks via new Online Small Business Resource Center & Money Smart • Innovate & test new ideas to expand reach through partnerships and technology • Research to provide insights into credit opportunities	✓ Monitor community bank market share and SBA program participation ✓ Track *Money Smart* Small Business Alliance membership ✓ Measure use of relevant FDIC resources

Source: FDIC Economic Inclusion Strategic Plan (2019).

Appendix 3

Strategic Planning Best Practices and Sources

Strategic Planning Best Practices	OMB	GAO	Performance Improvement Council	United Nations
Assess the landscape through external and internal input gathering.	✓	✓	✓	✓
Identify and coordinate with key internal and external stakeholders, describing how stakeholder inputs are incorporated into the plan's objectives, goals, and strategies and how stakeholder responsibilities and nature of their contributions to strategic objectives and goals.	✓	✓	✓	✓
Define the mission and vision.	✓	✓	✓	✓
Identify desired outcomes and strategic goals and/or objectives.	✓	✓	✓	✓
Identify activities that will lead to desired outcomes and goals.	✓	✓	✓	✓
Develop and use outcome-based performance measures to assess progress.	✓	✓	✓	✓
Identify risks that could affect achievement of goals and objectives.	✓	✓	✓	✓
Identify needed resources that will lead to desired outcomes and goals.	✓	✓	✓	✓

Source: OIG analysis of strategic planning development and implementation best practices promulgated by OMB Circular A-11 Part 6, Section 210.19; GAO Report, *Environmental Justice: EPA Needs to Take Additional Actions to Help Ensure Effective Implementation* (GAO-12-77) (October 2011); Performance Improvement Council Goal Playbook (2022); and United Nations Strategic Planning Guide for Managers (2015).

Legend: ✓ The source identified this item.

Acronyms and Abbreviations

AEI	Alliance for Economic Inclusion
CARES	Community Affairs Reporting and Events System
CFPB	Consumer Financial Protection Bureau
DCP	Division of Depositor and Consumer Protection
EISP	Economic Inclusion Strategic Plan
ERM	Enterprise Risk Management
FDIC	Federal Deposit Insurance Corporation
FPG	FDIC Performance Goal
GAO	Government Accountability Office
GPRA	Government Performance and Results Act of 1993
GPRAMA	Government Performance and Results Act Modernization Act of 2010
Household Survey	FDIC National Survey of Unbanked and Underbanked Households
MSA	Metropolitan Statistical Area
OIG	Office of Inspector General
OMB	Office of Management and Budget
Reform Act	Federal Deposit Insurance Reform Conforming Amendments Act of 2005

Federal Deposit
Insurance Corporation

MEMO

TO: Terry L. Gibson
Assistant Inspector General for Audits, Evaluations and Cyber

FROM: Mark Pearce
Director, Depositor and Consumer Protection (DCP)

MARK PEARCE
Digitally signed by MARK PEARCE
Date: 2023.08.31 10:38:35 -04'00'

CC: Daniel H. Bendler, Deputy to the Chairman and Chief Operating Officer
E. Marshall Gentry, Chief Risk Officer

DATE: August 30, 2023

RE: Management Response to the Office of Inspector General's Report, Entitled FDIC Efforts to Increase Consumer Participation in the Insured Banking System (No. 2022-005)

Thank you for the opportunity to comment on the Office of Inspector General's (OIG) draft report, entitled FDIC Efforts to Increase Consumer Participation in the Insured Banking System (No. 2022-005).

We appreciated the opportunity to engage with the OIG and share our efforts to develop and implement economic inclusion initiatives across five economic inclusion opportunity areas identified in the FDIC's 2014 Economic Inclusion Strategic Plan and 2019 update. As noted in the report, the FDIC's Economic Inclusion Strategic Plan (EISP) utilized many of the best practices for strategic planning, and the OIG identified opportunities to strengthen the effectiveness of the EISP and its implementation. The observations and recommendations provided by the OIG will assist us as we finalize our new EISP, scheduled to be completed by year-end.

Management Response to the Recommendations

The OIG's report contains 14 recommendations intended to improve the development and implementation of future FDIC EISPs. FDIC management concurs with the recommendations. A summary of our planned corrective actions and associated milestones follows, recognizing that some planned activities involve resource allocation that may be affected by future events or other corporate priorities.

Recommendation 1

We recommend that the Director, DCP:

In developing future Economic Inclusion Strategic Plans, perform an environmental scan of the current economic inclusion landscape. The environmental scan should include external resources, such as national partners and banks, to identify and understand trends in banking services and technology solutions that may affect the FDIC's economic inclusion goals.

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Management Decision: Concur

Corrective Action: As noted in the OIG's report, during the time of the evaluation, DCP was undergoing a process to develop the 2024 EISP, which includes an environmental scan. DCP will leverage contractor support to conduct the scan of the current economic inclusion landscape, consisting of a scan of applicable research/literature and a summary of internal and external stakeholder interviews and listening sessions. The environmental scan will incorporate a wide range of insights, including national partners such as community-based organizations, bankers, and experts who have direct experience serving unbanked and underbanked communities. DCP will leverage the environmental scan to inform the approach for the FDIC's 2024 EISP as well as identify trends in banking services and technology solutions relevant to its economic inclusion goals. To ensure that environmental scans are developed for future iterations of EISPs, DCP will develop guidance (in alignment with Recommendations 5 and 7) which require this key step.

Estimated Completion Date: September 30, 2024

Recommendation 2

We recommend that the Director, DCP:

Resume the Bank survey, or implement another mechanism, to obtain the perspectives of banks, including bank efforts to address primary reasons cited by households for being unbanked, and data related to the Federal Insurance Reform Conforming Amendments Act of 2005 questions. Data obtained should be leveraged to inform the development of the FDIC's future economic inclusion strategic planning efforts.

Management Decision: Concur

Corrective Action: DCP will develop an implementation plan and identify resource requirements to (1) resume regular information collections from banks regarding banks' efforts to serve unbanked and underbanked households and (2) ensure that primary reasons cited by households for being unbanked and the factors and questions detailed in the Federal Insurance Reform Conforming Amendments Act of 2005 are considered while formulating objectives for information collection instruments used to this end. Results will be considered as part of the environmental scan conducted to support the development of future EISPs.

Estimated Completion Date: June 30, 2024

Recommendation 3

We recommend that the Director, DCP:

Identify and describe internal and external stakeholder coordination and collaboration efforts, including inputs, responsibilities, and expected contributions in the FDIC's future Economic Inclusion Strategic Plans.

Management Decision: Concur

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Corrective Action: DCP will incorporate a description of the role of external and internal stakeholders in the development of EISPs, including their expected input, responsibilities, and contributions to help the Corporation meet strategic objectives identified in the EISP. The FDIC will document this approach in guidance, consistent with Recommendation 7.

Estimated Completion Date: September 30, 2024

Recommendation 4

We recommend that the Director, DCP:

Review Executive Orders related to advancing equity and improving economic opportunities in specific communities to identify and consider best practices that can be incorporated into the FDIC's future economic inclusion strategic planning efforts.

Management Decision: Concur

Corrective Action: DCP will review Executive Orders (EOs) related to advancing equity and improving economic opportunities to identify best practices and consider incorporating them into FDIC's future EISP efforts.

DCP will review the EOs the OIG identified in its evaluation:

- EO 13985, *Advancing Racial Equity and Support for Underserved Communities Through the Federal Government* (January 20, 2021);
- EO 14031, *Advancing Equity, Justice, and Opportunity for Asian Americans, Native Hawaiians, and Pacific Islanders* (May 28, 2021);
- EO 14045, *White House Initiative on Advancing Educational Equity, Excellence, and Economic Opportunity for Hispanics* (September 13, 2021);
- EO 14049, *White House Initiative on Advancing Educational Equity, Excellence, and Economic Opportunity for Native Americans and Strengthening Tribal Colleges and Universities* (October 11, 2021);
- EO 14050, *White House Initiative on Advancing Educational Equity, Excellence, and Economic Opportunity for Black Americans* (October 19, 2021)

Estimated Completion Date: September 30, 2024

Recommendation 5

We recommend that the Director, DCP:

Clearly identify and describe strategies to achieve the desired goals in the FDIC's future Economic Inclusion Strategic Plans.

Management Decision: Concur

Corrective Action: DCP will clearly identify and describe strategies to achieve the goals identified in the FDIC's EISP. To maintain this approach, DCP will adhere to guidance for the

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development of discretionary Division-wide strategic plans, consistent with Recommendation 7.

Estimated Completion Date: September 30, 2024

Recommendation 6

We recommend that the Director, DCP:

Develop and implement consistent assessment and progress reporting for all Economic Inclusion Strategic Plan goals and objectives, and ensure that the expressed intent of annual FDIC Performance Goals related to economic inclusion matches the goals and objectives articulated in the Economic Inclusion Strategic Plan.

Management Decision: Concur

Corrective Action: DCP will designate a process for consistent assessment and progress reporting of goals and objectives connected to the EISP. Specifically, on a periodic basis, DCP leadership will review outcomes associated with its economic inclusion program and consider appropriate changes, taking into account conditions in the marketplace. Further, DCP will ensure that the expressed intent of annual FDIC Performance Goals related to economic inclusion matches the goals and objectives articulated in the EISP.

Estimated Completion Date: December 30, 2024

Recommendation 7

We recommend that the Director, DCP:

Coordinate with the Division of Finance to develop and implement formal policy and guidance for the formulation of discretionary strategic plans that are consistent with strategic planning practices from the Office of Management and Budget, the Government Accountability Office, and other organizations identified in this report.

Management Decision: Concur

Corrective Action: DCP has consulted with the Division of Finance, which has agreed to develop and issue formal guidance for the formulation of discretionary strategic plans, to be incorporated into Directive 4100.04 Corporate Planning and Budget Processes. This guidance will be consistent, as appropriate, with the strategic planning framework in the Government Performance and Results Act.

Estimated Completion Date: June 30, 2024

Recommendation 8

We recommend that the Director, DCP:

Align the Economic Inclusion Strategic Plan with the policy and guidance developed in response to Recommendation 7.

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Management Decision: Concur

Corrective Action: DCP will align the EISP guidance developed in response to Recommendation 7.

Estimated Completion Date: August 30, 2024

Recommendation 9

We recommend that the Director, DCP:

Develop or use an existing tracking system to measure internal staffing costs related to individual economic inclusion programs and initiatives.

Management Decision: Concur

Corrective Action: DCP will implement an approach to tracking and measuring internal staffing costs related to economic inclusion programs and initiatives relevant to Consumer and Community Affairs pursuant to the EISP.

Estimated Completion Date: October 31, 2024

Recommendation 10

We recommend that the Director, DCP:

Develop procedures governing when to form or dissolve an Alliance for Economic Inclusion and for monitoring Alliances for Economic Inclusion to ensure the FDIC aligns Alliances for Economic Inclusion to geographical areas with the highest consumer needs or other factors that contribute to the achievement of Economic Inclusion Strategic Plan goals and objectives.

Management Decision: Concur

Corrective Action: Consumer and Community Affairs will develop a resource guide that outlines criteria to inform the investment of resources in new Alliances for Economic Inclusion (AEIs). The resource guide will also take into account the challenges associated with terminating AEIs.

Estimated Completion Date: February 28, 2024

Recommendation 11

We recommend that the Director, DCP:

Develop a mechanism to help identify whether the FDIC needs to reallocate resources to economic inclusion initiatives to meet Economic Inclusion Strategic Plan goals and objectives.

Management Decision: Concur

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Corrective Action: On a periodic basis, the DCP leadership will review outcomes associated with its economic inclusion program and consider appropriate changes, taking into account conditions in the marketplace.

Estimated Completion Date: December 30, 2024

Recommendation 12

We recommend that the Director, DCP:

Conduct a feasibility study for expanding the language availability for FDIC economic inclusion outreach products.

Management Decision: Concur

Corrective Action: The FDIC is committed to providing persons with limited English proficiency with meaningful access to economic inclusion outreach products. DCP will develop a plan to evaluate the best approach to expand language availability for FDIC economic inclusion outreach products.

Estimated Completion Date: December 30, 2024

Recommendation 13

We recommend that the Director, DCP:

Develop clear guidance on running business reports out of Community Affairs Reporting and Event System, including the use of filters.

Management Decision: Concur

Corrective Action: DCP will develop a resource guide to facilitate consistent generation of business reports on community affairs events in the associated system of record for this data.

Estimated Completion Date: October 31, 2024

Recommendation 14

We recommend that the Director, DCP:

Ensure risk mitigation strategies identified for the economic inclusion-related Enterprise Risk Management Risk Inventory item clearly address and effectively reduce risks related to implementing strategic objectives, effective controls, and responsive programs to promote economic inclusion.

Management Decision: Concur

Corrective Action: DCP will review the enterprise risk inventory item relating to promoting economic inclusion to ensure that risk mitigation strategies are responsive.

Estimated Completion Date: June 30, 2024

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Appendix 6 Summary of FDIC Corrective Actions

This table presents management's response to the recommendations in the report and the status of the recommendations as of the date of report issuance.

Rec. No.	Corrective Action: Taken or Planned	Expected Completion Date	Monetary Benefits	Resolved:[a] Yes or No	Open or Closed[b]
1	DCP will leverage contractor support to conduct a scan of the current economic inclusion landscape, consisting of a scan of applicable research/literature and a summary of internal and external stakeholder interviews and listening sessions. The environmental scan will incorporate insights from national partners, bankers, and experts who have direct experience serving unbanked and underbanked communities. DCP will leverage the environmental scan to inform the approach for the FDIC's 2024 EISP as well as identify trends in banking services and technology solutions relevant to its economic inclusion goals. To ensure that environmental scans are developed for future iterations of EISPs, DCP will develop guidance, in alignment with Recommendations 5 and 7, which require this key step.	September 30, 2024	$0	Yes	Open
2	DCP will develop an implementation plan and identify resource requirements to (1) resume regular information collections from banks regarding banks' efforts to serve unbanked and underbanked households and (2) ensure that primary reasons cited by households for being unbanked and the factors and questions detailed in the Federal Deposit Insurance Reform Conforming Amendments Act of 2005 are considered while formulating objectives for the information collection instruments used to this end. Results will be considered as part of the environmental scan conducted to support the development of future EISPs.	June 30, 2024	$0	Yes	Open

3	DCP will incorporate a description of the role of external and internal stakeholders in the development of EISPs, including their expected input, responsibilities, and contributions to help the Corporation meet strategic objectives identified in the EISP. The FDIC will document this approach in guidance, consistent with Recommendation 7.	September 30, 2024	$0	Yes	Open
4	DCP will review Executive Orders, including those identified by the OIG in this evaluation, related to advancing equity and improving economic opportunities to identify best practices and consider incorporating them into future EISP efforts.	September 30, 2024	$0	Yes	Open
5	DCP will clearly identify and describe strategies to achieve the goals identified in the FDIC's EISP. To maintain this approach, DCP will adhere to guidance for the development of discretionary Division-wide strategic plans, consistent with Recommendation 7.	September 30, 2024	$0	Yes	Open
6	DCP will designate a process for consistent assessment and progress reporting of goals and objectives connected to the EISP. Specifically, on a periodic basis, DCP leadership will review outcomes associated with its economic inclusion program and consider appropriate changes, taking into account conditions in the marketplace. Further DCP will ensure that the expressed intent of annual FDIC Performance Goals related to economic inclusion matches the goals and objectives articulated in the EISP.	December 30, 2024	$0	Yes	Open
7	DCP has consulted with the Division of Finance, which has agreed to develop and issue formal guidance for the formulation of discretionary strategic plans, to be incorporated into Directive 4100.4, *Corporate Planning and Budget Processes*. This guidance will be consistent, as appropriate, with the strategic planning framework in the Government Performance and Results Act.	June 30, 2024	$0	Yes	Open
8	DCP will align the EISP [with] guidance developed in response to Recommendation 7.	August 30, 2024	$0	Yes	Open

9	DCP will implement an approach to track and measure internal staffing costs related to economic inclusion programs and initiatives relevant to Consumer and Community Affairs pursuant to the EISP.	October 31, 2024	$0	Yes	Open
10	Consumer and Community Affairs will develop a resource guide that outlines criteria to inform the investment of resources in new Alliances for Economic Inclusion. The resource guide will also take into account the challenges associated with terminating Alliances for Economic Inclusion.	February 28, 2024	$0	Yes	Open
11	DCP leadership will periodically review outcomes associated with its economic inclusion program and consider appropriate changes, taking into account conditions in the marketplace.	December 30, 2024	$0	Yes	Open
12	DCP will develop a plan to evaluate the best approach to expand language availability for FDIC economic inclusion outreach products.	December 30, 2024	$0	Yes	Open
13	DCP will develop a resource guide to facilitate consistent generation of business reports on community affairs events in the associated system of record for this data.	October 31, 2024	$0	Yes	Open
14	DCP will review the enterprise risk inventory item relating to promoting economic inclusion to ensure that the risk mitigation strategies are responsive.	June 30, 2024	$0	Yes	Open

[a] Recommendations are resolved when —

1. Management concurs with the recommendation, and the OIG agrees the planned corrective action is consistent with the recommendation.
2. Management does not concur or partially concurs with the recommendation, but the OIG agrees that the proposed corrective action meets the intent of the recommendation.
3. For recommendations that include monetary benefits, management agrees to the full amount of OIG monetary benefits or provides an alternative amount and the OIG agrees with that amount.

[b] Recommendations will be closed when the OIG confirms that corrective actions have been completed and are responsive.

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The OIG's mission is to prevent, deter, and detect waste, fraud, abuse, and misconduct in FDIC programs and operations; and to promote economy, efficiency, and effectiveness at the agency.

To report allegations of waste, fraud, abuse, or misconduct regarding FDIC programs, employees, contractors, or contracts, please contact us via our Hotline or call 1-800-964-FDIC.