

Good afternoon, my name is Veatrice Farrell. Thank you for the opportunity to participate in a process that impacts the everyday lives of citizens of this country. I own a company that assists business owners obtain financing, and increase their revenue by expanding their product offerings. My career began as a commercial lender at a large regional bank in Michigan. I've worked in non profits and within municipal organizations and have counseled individuals seeking to own homes and start businesses.

Topic: Access to Banking Services for the Unbanked and Underbanked

My understanding of CRA laws is that they were first enacted to address an inherent inconsistency in the banking industry. Financial institutions would accept deposits from individuals but not lend to the communities that provided those deposits. Denying access to qualified individuals to purchase homes and expand businesses did not allow the community to build wealth as those individuals never had the opportunity to own assets that could be passed to future generations.

As the federal government seeks to revise CRA rules, it is important, in my opinion, to determine if these revised regulations are to *punish* unconscionable behavior by financial institutions or to *encourage* behavior in financial institutions that benefit the target audience of CRA regulations. I would hope the basis of the revised regulation is to *encourage* the development of products and services that assist the unbanked and underbanked rather than punish the unconscionable behavior by financial institutions that required CRA regulations initially.

I've reviewed the FDIC Survey of Banks' Efforts to Serve the Unbanked and Unbanked and the FDIC Survey of Unbanked and Underbanked Households. The FDIC should be commended for these surveys as they provide unfiltered information as to the population targeted by these regulations. I've reviewed the comments submitted regarding the proposed templates for Safe, Low-Cost Transactional and Basic Savings Accounts and was a member of the virtual audience during the FDIC Committee on Economic Inclusion held June 24, 2010

The elephant in the room is check cashing organizations and payday lenders. We live in a market driven economy and as much as some would criticize the services and related fees of these service providers, the unfortunate fact remains that if there was no demand for their product, check cashers and payday lenders would not exist. There continues to be a significant segment of the population that make the decision to utilize the services provided by check cashers and payday lenders because they deem them more convenient and accessible than those of traditional financial institutions.

The primary goal of financial institutions is to generate a profit to ensure a healthy return on investment for their stockholders. As such, a majority of the products and target markets of most banks are geared toward those segments that provide the highest return on investment. While some would criticize the profit motive of financial institutions, we must remember one path to wealth accumulation is the appreciation of assets, which may include bank stocks!

Federal banking institutions are heavily regulated institutions. Often times this leads them to make decisions that satisfy a governmental regulation but have a long term negative impact on the community. I've worked at a financial institution that once opened a branch in an "underserved" community and when it received a passing grade on their next CRA exam, closed the branch. Another example of a bank following the letter of CRA regulation but not the spirit are the unintended consequences in a community when a large national bank opens its own certified development company. This large bank affiliated CDC builds large community based projects. Smaller, community based CDC's no longer have access to bank employees as potential board members or to banks financial resources for grass roots projects. Instead of building community capacity, CRA projects are built but the capacity of the real assets of a community, its people, aren't expanded.

Is the federal government trying to drive consumers from check cashers and payday lenders by forcing financial institutions to provide these services? I am not a fan of check cashers, payday lenders or quite frankly banks, but a reluctant consumer of both industries. With all due respect to the regulators in this room and all others charged with the responsibility of rewriting this regulation, I hope everyone is of the realization that there are limits to your authority and that the government cannot legislate behavior. The federal government can't force people to use banks, no matter how attractive the product. If the federal government is unhappy with check cashers and payday lenders then mandate some type of state or federal regulation of these industries and make it easy for consumers to report violations.

It is my belief that the federal governments' role in assisting the unbanked and underbanked be limited to encouraging and rewarding the behavior of financial institutions that serve the unbanked and underbanked communities and punishing behavior that is abusive to those consumers. A review of the FDIC's survey of banks' efforts to serve the unbanked and underbanked revealed that there are financial institutions that have developed products and services that are profitable to banks and meet the needs of unbanked and underbanked consumers. If providing safe and basic transactional accounts for unbanked and underbanked are not included as part of CRA examinations, please consider their inclusion.

Federal regulators, stop allowing financial institutions right of offset if you want to encourage unbanked and underbanked consumers to use financial institutions and make it easier to lodge complaints against abusive behavior and ensure that the complaints are reviewed during a financial institutions CRA examination.

In closing, regulate the industries (check cashers and payday lenders) that underbanked and unbaked consumers use, reward financial institutions that provide products and services to the unbanked and underbanked during their CRA reviews, eliminate the right of offset enjoyed by financial institutions and make it easier to file complaints about the abusive behavior of banks toward its unbanked and underbanked customers.