



FDIC Announces Tech Sprint To Help Unbanked

🔗 technology business customers

Summary: The FDIC's technology lab, FDITECH, recently announced its launch of a tech sprint to provide the right tools for community financial institutions to engage with the unbanked. We give you an update on this project, along with the current costs for the unbanked and the opportunities for institutions that can connect with them.

With the Summer Olympics in Japan starting in a few days, we thought it would be interesting to learn some trivia on track and field. The word "sprint" was first used to describe fast running in 1862. Thomas Burke of the US won the sprint of the 100m dash in 12 seconds in the first modern Olympics of 1896. In the last 100Ys, the 100m record has been whittled down by 0.1 seconds every decade.

Sprints can be tiring if training is not comprehensive. But, the Federal Deposit Insurance Corporation (FDIC) is ready for its "tech sprint" through FDITECH, bringing millions of [unbanked](#) citizens into the banking fold.

In June 2021, the FDIC's technology lab, [FDITECH](#), [launched a tech sprint](#) (or last mile in the project "marathon") to provide the right tools to help community financial institutions (CFIs) connect with the US households lacking a banking relationship. As part of this program, the FDITECH technology lab will be challenging fintechs, banks, and other developers to create new means to *"meet the needs of unbanked individuals and households."*

Growing number of tools to reach unbanked. Indeed, this last mile of reaching unbanked US households is seen as the most challenging. The FDIC is [asking financial institutions to consider the following question](#) when they submit proposals for new ways to identify or engage the unbanked — *"Which data, tools, and other resources could help community banks meet the needs of the unbanked in a cost-effective manner, and how might the impact of this work be measured?"* The FDIC is not expecting one perfect answer to this question. But, rather, it is hoping for various ideas and approaches.

Some considerations for the companies submitting proposals include:

- *How might community banks be able to leverage identification and authentication services to streamline the onboarding and account creation process?*
- *How might user-centered design and/or publicly-available datasets help community banks better understand the unbanked in their geographic market and illustrate the customer journey for a household to get and stay banked?*
- *To what extent can any of these approaches be feasibly implemented by community banks?*

FDITECH is currently registering companies as they submit applications with proposals on how they might offer banking to the unbanked. The deadline is today, July 20th at 5 pm ET. More information is expected once all proposals have been collected and reviewed. But, the effects of this program on the unbanked and CFIs could be impactful.

Current costs for the unbanked. The FDIC reports that [approximately 7MM households \(5.4%\) remain unbanked](#) as of its most recent 2019 study. Without any accounts within the financial system, this consumer

segment relies on check-cashing services and payday lenders. This can [cost each family up to almost \\$500 annually](#) in fees and equates to \$3.5B each year in total. The unbanked state that the main reason for not having an account at a financial institution is that they don't have enough money, likely not realizing how much they are spending on financial services elsewhere.

Opportunities for CFIs. These are potential new customers for CFIs. With an account at your institution along with some financial education, they could better understand how to budget and save for financial success. This could lead to loan opportunities down the road and long-term loyalty from an underserved population.

However, as one CFI SVP notes, *"If people are unbanked, they're not going to just come to us. We've got to meet people where they are."*

There are several ways to help the unbanked. The FDITECH's tech sprint is an important one, as the right tools and approaches are developed to engage with this population. We look forward to the coming results.

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ECONOMY & RATES

Rates As Of: 07/20/2021 07:48AM (GMT-0700)

Treasury	Yields	MTD Chg	YTD Chg
3M	0.05	0.00	-0.04
6M	0.06	0.00	-0.03
1Y	0.07	0.00	-0.04
2Y	0.21	-0.04	0.09
5Y	0.69	-0.20	0.33
10Y	1.20	-0.28	0.28
30Y	1.85	-0.24	0.20
FF Market	FF Disc		IORB
0.10	0.25		0.15
SOFR	Prime		ORER
0.05	3.25		0.08

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