Testimony of Michael B. Griffin
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Good morning and thank you for the opportunity to testify today about Access to Financial Services. My name is Michael Griffin and I serve as the Senior Vice President for our Community Development Banking department. In my current role I am responsible for the bank's CRA compliance program and Asset Management of our Community Development Investments. In this position I have been involved in development and implementation of Key's significant outreach to the unbanked and underbanked. We have been privileged to work with some of the other organization and individuals on the panel as we have pioneered this effort.

Over the past six years Key's KeyBank Plus program has rolled out in 230 branches across 9 of our districts throughout the Midwest, Northeast, Rocky Mountains and Northwest. Through this program we provide many basic banking services, including check cashing for non-depository clients and financial literacy to encourage clients to explore all of their options as they choose how to manage there finances. Since its inception we have enrolled 38,000 clients and cashed $130 million worth of checks with

minimal losses. Key initially pursued this course in response to the need identified by the 25% of our branches that are located in LMI areas. We recognized that these branches were not primarily in competition with other bank branches, but rather they were competing with nontraditional financial service providers.

In 2004 we initiated our check cashing for non-depository clients at a rate lower than the surrounding check cashing companies. We did not do this with the intent of becoming a major long term check casher, but more with an eye to removing one of the hurdles we had identified for clients to develop a relationship with a bank. The twin hurdles we had identified were clients distrust of banks and there confusion with or distrust of the pricing of the primary product offered by entry level clients, a checking account. If we could offer a product that the clients knew and priced it similar to their current provider we hoped to get them to at least cross the threshold of the bank and over time recognize that the staff reflected who there were and were people from their neighborhood who wanted to serve them. Over time through financial literacy opportunities we hoped they would learn of the other opportunities available to them for managing their finances.

Since its inception the KeyBank Plus program has grown to offer a variety of affordable services target to the underbanked consumer including

a card based checking account that does not allow overdraft, a small overdraft line of credit for clients who don't qualify for our mass market line, free money orders. We offer additional services with many more in development.

I offer all of this information, not just to highlight the good work that we have done, but draw attention to how all of this work gets credit in the CRA exam. As we all know the service test is 25% of the grade when it comes to the CRA exam. In addition there is a generally accepted guideline that 80% of the service test is based on branch placement compared to the demographics of the MSA. This means that all of the addition items, beyond branch placement, that might provide credit under the service test make up only 5% of the overall exam. 5% for board service, financial literacy efforts, loan modification programs, development of products serving unbanked and underbanked and all other community development services combined. Given the cost and staff focus it takes to develop any new product in the current regulatory environment it is hard to justify this effort by its weight in the CRA Exam.

In order to ensure that these Community Development Services receive the credit they deserve a new method must be devised to give them more weight. Whether this is part of a new Community Development test,

separate from the current three tests of lending, investment and service or it is an explicit recognition in the existing Service test that these activities will be given more weight, something needs to be changed.

While Key sees these activities as important to attracting this segment of the market and serving our communities, given the marginal profitability from these combined activities it makes them difficult to justify solely from a cost benefit point of view. As the regulators continue efforts to incentivize certain activities such as loan modifications and small short term loan products they are piling more and more into a part of the exam that is already bursting at the seams.

To truly incentivize these activities some reworking of the service test will be needed.

Thank you.