

## TITLE XII: Improving Access to Mainstream Financial Institutions

### Introduction

Title XII's stated purpose is "to encourage initiatives for financial products and services that are appropriate and accessible for . . . Americans who are not fully incorporated into the financial mainstream." **Sec. 1202 (p. 767)**. In order to accomplish this, Title XII increases the availability and ease of access to federally insured depository institutions and accounts among low- and moderate-income individuals. **Sec. 1204(a) (pp. 767-768)**. Further, it establishes low-cost, small loans for consumers who currently face only high cost options for such loans. **Sec. 1205 (p. 768)**. The title authorizes the Secretary to establish grant and demonstration programs to encourage the participation of depository institutions and community development institutions in these endeavors. **Sec. 1206 (pp. 768-769)**.

### A. Expanded Access to Mainstream Financial Institutions

The Secretary is authorized to establish a multiyear program of grants, cooperative agreements, financial agencies agreements and other undertakings with the purpose of enabling low- and moderate-income individuals to establish accounts in a federally insured depository institution and improving access to the provision of such accounts on reasonable terms for these individuals. **Sec. 1204(a) (pp.767-768)**.

Participation in these programs is limited to "eligible entities" which include: 501(c)(3) organizations; federally insured depository institutions; community development financial institutions; State, local or tribal government entities; and partnerships or joint ventures comprised of any of these institutions. **Sec. 1204(b) (p. 768)**.

Eligible entities participating in these these programs may provide products and services to low- and moderate-income persons, including small-dollar value loans and financial education and counseling relating to conducting transactions and managing accounts. **Sec. 1204(b) (p. 768)**.

### B. Low Cost Alternatives to Small-Dollar Loans

The Secretary is also authorized to establish multiyear demonstration programs to provide low-cost, small loans to consumers as an alternative to more costly small-dollar loans. **Sec. 1205(a) (p. 768)**.

Loans under this section must be made on terms and conditions and pursuant to lending practices that are reasonable for borrowers. Eligible entities must promote and take steps to ensure the provision of financial literacy education to each borrower provided with a loan pursuant to this section. **Sec. 1205(b) (p. 768)**.

### C. Grants to Establish Loan-Loss Reserve Funds

The Community Development Banking and Financial Institutions Act of 1994 (12 U.S.C. 4701 et seq.) is amended to direct the Community Development Financial Institutions Fund to

make grants to community development financial institutions and other depository institutions to enable them to establish a loan-loss reserve fund in order to defray the costs of a small-dollar loan program established or maintained by the institution. **Sec. 1206 (pp. 768-769).**

Community development financial institutions and other depository institutions are required to provide non-federal matching funds equal to 50% of the grant received. Grants received under this section may not be used to provide direct loans, but they may be used to help recapture a defaulted loan made under the small-dollar loan program and may be used to employ a fiscal agent for their normal service. **Sec. 1206 (p. 769).**

The Community Development Financial Institutions Fund must also make technical assistance grants to community development financial institutions and other depository institutions, which may be used for technology, staff support, and other costs associated with establishing a small-dollar loan program. **Sec. 1206 (p. 769).**

#### **D. Regulations**

The Secretary is authorized to issue regulations to implement and administer the grant programs and undertakings authorized by the title. Regulations issued under this section may classify, differentiate, adjust, or exempt any class of grant programs, undertakings, or eligible entities that in the judgment of the Secretary are necessary or proper to effectuate the purposes of, to prevent circumvention of, or to facilitate compliance with this title. **Sec. 1209 (p. 770).**

#### **E. Evaluation and Reports to Congress**

For each fiscal year in which a program or project is carried out under this title, the Secretary must submit a report to the Senate Committee on Banking, Housing, and Urban Affairs and the House of Representative Committee on Financial Services, describing the activities funded, amounts granted, and measurable results, as available. **Sec. 1210 (p. 770).**