The Clearing House

February 20, 2024

Via electronic submission

Department of the Treasury
Office of Consumer Policy
1500 Pennsylvania Ave. NW
Washington, DC 20220

Re: Request for Information on Financial Inclusion (TREAS-DO-2023-0014)

Ladies and Gentlemen:

The Clearing House Association L.L.C. ("The Clearing House" or "TCH")[1] appreciates the opportunity to provide comments in response to the Department of the Treasury's request for information on financial inclusion (the "RFI").[2] Treasury invites public input through the RFI to inform its development of a national strategy for financial inclusion pursuant to the mandate it was given in the Financial Services and General Government Appropriations Act of 2023 (the "FSGG").[3] The FSGG states that the strategy should "establish national objectives for financial inclusion, set benchmarks for measuring progress, and offer recommendations for how public policy, government programs, financial products and services, technology , and other tools and infrastructure can advance financial inclusion."[4] The Clearing House has a long history of working to improve financial inclusion efforts and, joined by other financial services trades, issued an extensive research paper on the topic in May of 2021 which we commend to you.[5]

The Clearing House commends Treasury for focusing attention on this issue. Financial inclusion is an important shared goal of the private sector and the government and, as is more fully detailed in this letter, each has a particular role to play in addressing the barriers to financial inclusion. Those barriers are complex and multi-faceted. They include insufficient income, mistrust of financial institutions, privacy concerns, concerns over fees, lack of access to broadband internet services, and inability to

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[1] The Clearing House Association L.L.C., the country's oldest banking trade association, is a nonpartisan organization that provides informed advocacy and thought leadership on critical payments-related issues. Its sister company, The Clearing House Payments Company L.L.C., owns and operates core payments system infrastructure in the U.S., clearing and settling more than $2 trillion each day. *See*,The Clearing House's web page at www.theclearinghouse.org.

[2] Request for Information on Financial Inclusion, 88 Fed. Reg. 88,702 (December 22, 2023).

[3] U.S. Congress, Joint Explanatory Statement for Financial Services and General Government Appropriations Bill, 223, 117th Congress, available at: https://www.congress.gov/117/cprt/HPRT50347/CPRT-117HPRT50347.pdf.

[4] *Id.*

[5] The Clearing House, *Delivering Financial Products and Services to the Unbanked and Underbanked in the United States – Challenges and Opportunities* (May 2021), available at: https://www.theclearinghouse.org/payment-systems/Articles/2021/05/051821_Addressing_Unbanked_Underbanked. The Clearing House was joined in publication of the paper by the American Bankers Association, Consumer Bankers Association, Credit Union National Association, Mid-Size Bank Coalition of America, and National Bankers Association.

satisfy legal requirements at account opening. A "one size fits all" approach is therefore unlikely to work given the need to address multiple factors. Instead, targeted approaches are needed with the government focusing on those things it is best positioned to address (e.g., access to broadband, addressing identity) and the private sector addressing those things it is best positioned to address (e.g., concerns over cost and predictability of fees).

Both the government and the private sector have been working diligently on the issue of financial inclusion for some time and have achieved substantial progress, though more work is needed, particularly to increase financial inclusion among minority, lower-income, disabled and single mother communities. Based on the FDIC's most recent survey of unbanked households, a key measure of financial inclusion, an estimated 4.5 percent of U.S. households were "unbanked" in 2021, meaning that no one in the household had a checking or savings account at a bank or credit union.[6] Importantly, the proportion of U.S. households that were unbanked in 2021—4.5 percent—was the lowest since the survey began in 2009.[7] Unbanked rates in 2021 however varied considerably across the U.S. population. While generally declining over time, unbanked rates were higher than the national average among lower-income households, less-educated households, Black households, Hispanic households, working-age households with a disability, and single-mother households.[8] Encouragingly, however, recent declines in unbanked rates were particularly sharp for Black, Hispanic, American Indian or Alaska Native households. Specifically, 11.3 percent of Black households were unbanked in 2021, down from 13.8 percent in 2019, and 16.8 percent in 2017. For Hispanic households, 9.3 percent were unbanked in 2021, down from 12.2 percent in 2019 and 14.4 percent in 2017. Among American Indian or Alaska Native households, 6.9 percent were unbanked in 2021, down from 15.3 percent in 2019 and 18.0 percent in 2017.[9]

The private sector in collaboration with local and municipal governments and community organizations has had remarkable success in increasing the number of banked households through the Bank On initiative and other efforts to provide no-cost / low-cost accounts. The initiative's goal is to ensure that everyone has access to a safe and affordable bank or credit union account.[10] The Bank On initiative and other no-cost / low-cost account offerings successfully address concerns over cost and predictability of fees by certifying or directly providing bank account offerings that meet certain criteria. Coupled with simple, targeted messaging and collaborative approaches that pair banks with local and municipal government actors as well as community organizations, the Bank On program and other initiatives address a host of issues that cause individuals to be unbanked, such as distrust of financial institutions, perceptions regarding insufficient income and concerns over cost and fees. The ongoing success of the Bank On initiative should merit substantial consideration as Treasury considers potential strategies to advance financial inclusion.

The RFI is divided into four sections: Defining Financial Inclusion, Barriers to Financial Inclusion, Measuring Financial Inclusion, and Actions to Promote Financial Inclusion. The issues raised in each section are addressed below.

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[6] Federal Deposit Insurance Corporation, *2021 FDIC National Survey of Unbanked and Underbanked Households,* available at: https://www.fdic.gov/analysis/household-survey/2021report.pdf, ("FDIC Survey") p. 1.
[7] *Id.*
[8] *Id.* at pp. 1-2.
[9] *Id.* at p. 15.
[10] More information regarding the Bank On initiative is available at: https://joinbankon.org/ .

I. Defining Financial Inclusion

The RFI suggests a potentially broad approach to defining financial inclusion to potentially include considerations of access, safety, usefulness, appropriateness, and affordability of financial products and services, as well as financial health, financial well-being, financial capability, and financial resilience.[11] While each of these considerations is important, defining financial inclusion too broadly may make progress difficult to measure and could weaken efforts to target barriers to financial inclusion in meaningful ways.

The Clearing House believes that financial inclusion efforts are best served by an approach that focuses on bank account access and individuals that are "unbanked." While other considerations and other financial services are important, access to bank accounts is a foundational element to a more inclusive economy. Bank accounts are essential to most of the activities that lead to financial well-being, including receiving and paying bills, establishing credit, qualifying for loans, building wealth, and receiving government benefits. In addition, focusing on bank account access is both measurable and actionable with the ability to compare results to readily available historical data.[12]

Conversely, The Clearing House does not believe that measuring the "underbanked" is particularly useful in addressing financial inclusion. The term "underbanked," as it is generally defined, means someone who has used an "alternative" financial product or service within a certain period of time in advance of the assessment (the past 12 months in the case of the FDIC Survey).[13] The explosion of nonbank financial products and services, the complexities of consumer preference for various products and services, and lack of a consistent definition of the term "underbanked" however, make the use of the term underbanked to measure financial inclusion particularly difficult. The Federal Reserve, for example, has moved away from the use of the term underbanked in its Report on the Economic Well-Being of U.S. Households.[14] For the above reasons, an approach that focuses more singularly on the unbanked is preferable.

II. Barriers to Financial Inclusion

When the FDIC asks households why they do not have a bank account, responses are numerous and varied. Of the reasons households provide, the most frequently cited, perennially and by a wide margin, is not having enough money to open an account or not having enough money to meet minimum balance requirements. Not having "enough money to meet minimum balance requirements" was the most cited reason by unbanked households for not having an account in 2021.[15] Importantly, however, the proportion of unbanked households that cited this reason as the main reason for not having an

[11] 88 Fed. Reg. at 88,704.
[12] *See, e.g.,* FDIC Survey.
[13] FDIC Survey at p. 7.
[14] *Compare,* The Board of Governors of the Federal Reserve System, "Report on the Economic Well-Being of U.S. Households in 2018-2019" (June 5, 2019) (which includes references to the "underbanked"), available at: https://www.federalreserve.gov/publications/2019-economic-well-being-of-us-households-in-2018-banking-and-credit.htm, with The Board of Governors of the Federal Reserve System, "Report on the Economic Well-Being of U.S. Households in 2022 (May 2023) (which does not include references to the "underbanked"), available at: https://www.federalreserve.gov/publications/files/2022-report-economic-well-being-us-households-202305.pdf
[15] FDIC Survey at p. 2.

account decreased significantly between 2019 (29.0 percent) and 2021 (21.7 percent), suggesting that progress is being made in addressing this concern.[16]

A lack of trust in banks was the second-most cited main reason for not having an account in 2021, and privacy concerns was the third-most cited main reason.[17] Other reasons include "bank account fees are too high," "bank account fees are too unpredictable," "banks do not offer needed products and services," "bank locations are inconvenient," "problems with past banking or credit history," and "don't have personal identification required to open a bank account."[18]

The private sector has endeavored to address many of the concerns around minimum balance requirements, predictability of fees, and trust in financial institutions through the Bank On initiative and other no-cost / low-cost account offerings.[19] Participating organizations that offer these accounts through the Bank On initiative must meet guidelines known as the "Bank on National Account Standards,"[20] under which the account must, among other requirements, be a transaction account at a bank, be accessible through use of a payment instrument (a debit or prepaid card), have a minimum opening balance of $25 or less, have limited monthly maintenance fees, and no overdraft or dormancy/inactivity fees.[21] In addition, the Bank on National Account Standards contain "strongly recommended features," which include account screenings that deny customers only for past incidences of actual fraud, acceptance of alternative (municipal and consular IDs) for account opening, permitting remote account opening, allowing free transfers between a savings account and the transaction account, immediate availability of certain deposits and funds transfers, and reasonably priced money orders and remittances.[22] Accounts that meet these criteria are referred to as "certified accounts," and, according to the National Consumer Law Center, the certification standards "provide a clear template for safe, low-cost deposit accounts focused on [low- and moderate-income ('LMI')] consumers" and ensure that accounts: (i) are "accessible to LMI consumer through small opening balances"; (ii) "[h]ave low fees that are sustainable for LMI consumer"; (iii) "[h]ave no overdraft or [insufficient funds] fees that can trip up LMI consumers;" (iv) "[p]rovide full branch and customer service access, ensuring that LMI consumer are treated like real customers"; and (v) "[h]ave full functionality, with a variety of check substitutes that give LMI consumers the ability to pay rent and make other payments beyond the use of a card."[23]

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[16] *Id.*
[17] *Id.*
[18] *Id.* at p. 3.
[19] See, The Clearing House, *Delivering Financial Products and Services to the Unbanked and Underbanked in the United States – Challenges and Opportunities* (May 2021), *Appendix A; A Sampling of No- and Low-Cost Accounts in the US* (providing a substantial list of no-cost and low-cost accounts available in the U.S.), available at https://www.theclearinghouse.org/payment-systems/Articles/2021/05/051821_Addressing_Unbanked_Underbanked,
[20] "Bank On National Account Standards (2023-2024)," available at: https://joinbankon.org/wp-content/uploads/2020/10/Bank-On-National-Account-Standards-2021-2022.pdf.
[21] *Id.*
[22] *Id.*
[23] *See,* Letter from National Consumer Law Center to Ann E. Misback, Secretary, Board of Governors of the Federal Reserve System, p. 2 (Feb. 16, 2021), available at: https://www.nclc.org/images/pdf/rulemaking/Comments_CRA_ANPR.pdf (encouraging the Federal Reserve to bolster the Community Reinvestment Act and to use the Bank On national account standards as a "metric that will ensure that [ ] accounts actually meet the needs of LMI consumers"). *See also* Michael Best, Chi Chi Wu & Lauren Saunders, "2021 Tax Season[,] Higher Costs for Vulnerable Taxpayers During the COVID Economic Crisis" National Consumer Law Center Report, p. 5 (Feb. 2021) available at:

Through the Bank On initiative and other low-cost / no cost account offerings the private sector has made significant contributions toward banking the unbanked by pairing a simple, low-cost account blueprint with carefully-crafted messaging about specific benefits and features of bank accounts that highlights their utility.[24] The messaging accompanying Bank On-certified accounts appears to have been particularly successful at addressing unbanked individuals'/households' concerns, and increasing interest in bank accounts by generating curiosity about the utility of bank accounts.[25] The Bank On model also seems to have found success through the use of a collaborative, coalition model that captures benefits associated with each of the coalition members, such as goodwill and trust associated with governmental entity-members or private participant-members, such as banks.[26] The success of the Bank On program has led the ABA to call for the model to be more widely deployed and for banks across the nation to offer Bank On-certified accounts.[27]

While the private sector has had substantial success in addressing some concerns through the Bank On initiative and other programs, some barriers to financial inclusion are uniquely in the realm of the public sector. This includes addressing the needs of individuals that cannot provide necessary identification and individuals that do not have access to broadband internet services. Numerous individuals and households are unbanked because they do not possess the necessary identifying information or documentation required to open a bank account.[28] Individuals without verifiable identification, such as a driver's license or passport, often find it challenging or costly to obtain such documentation.[29] In addition, some unbanked individuals, such as undocumented immigrants, may fear that obtaining a form of identification necessary to open an account, or the opening of an account itself,

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https://www.nclc.org/images/pdf/taxes/Rpt_2021_Tax_Time.pdf (accessed Feb. 23, 2021) (recommending Bank On certified accounts in the context of direct deposits of regular tax refunds, and for use for direct deposits of any future stimulus payments).

[24] More information on the Bank On Initiative is available at: https://joinbankon.org/about/.

[25] "About Bank On" (available at: https://joinbankon.org/about/ and "Bank On National Account Standards (2019-2020)," available at: https://2wvkof1mfraz2etgea1p8kiy-wpengine.netdna-ssl.com/wp-content/uploads/2018/12/BankOn_Standards_2019-2020.pdf.

[26] *Id.*

[27] American Bankers Association, "ABA Urges America's Banks to Offer Bank On-Certified Accounts" (Oct. 19, 2020), p. 1, available at: https://www.aba.com/about-us/press-room/press-releases/ABA-Urges-Americas-Banks-to-Offer-Bank-On-Certified-Accounts (encouraging every bank in the country to consider offering Bank On-certified accounts).

[28] *See* Vanessa Sumo, "Bringing in the Unbanked," Federal Reserve Bank of Richmond (Winter 2007), available at: https://fraser.stlouisfed.org/title/econ-focus-federal-reserve-bank-richmond-3941/winter-2007-476936/bringing-unbanked-504060 (noting that lack of documentation is a frequently cited reason for why immigrants lack information necessary to open accounts and that undocumented immigrants often fear banks will share their information with immigration officials). New forms of government-approved identification may help certain individuals and households without identifying information to be able to obtain an official document or verifiable record establishing those individuals'/households' identities. For example, alternative means of identification, such as through biometric information, or through individual's voice or digital footprints, offer the possibility of a means of identification that does not rely on the traditional name, address, date of birth, or identification number (such as social security number).

[29] *See* Matthew Davie, "How lack of identification is blocking financial inclusion around the world," Kiva blog (2019), available at: https://www.kiva.org/blog/how-lack-of-identity-is-blocking-financial-inclusion-around-the-world (accessed February 13, 2024) (noting that around the world, including in the U.S., the costs and challenges of obtaining verifiable identification are contributing to unbanked rates).

will result in certain information being shared with government officials;[30] some unbanked individuals do not have a fixed physical address that can be used to satisfy address requirements for account opening;[31] and some unbanked individuals, such as human trafficking victims, have lost their identity or had their identity seriously compromised and find it difficult to regain control of their identity.[32] Still other unbanked individuals without identifying documents are below or entering the age of majority and may face challenges with establishing new or independent identification credentials sufficient to open a bank account. Low-income, working, young adults, for example, may struggle to establish accounts independent from a parent, or to show proof of emancipation.[33]

In related instances, anti-money laundering laws may prevent individuals with identification from gaining access to bank accounts. Brookings Institution ("Brookings") staff have estimated that as many as 25-30 percent of those without bank accounts may be on lists, such as anti-money laundering watch lists, that prevent account opening outright or make it extremely difficult to open an account.[34] Brookings has called on the federal government to take action to improve the information available to banks when making account-opening determinations, and to better "tailor[ ] AML regulation to catch bad actors without unfairly excluding innocent people from the banking system."[35] These issues are uniquely addressable by the government.

Reliable Internet access is also an issue that is uniquely within the government's purview. The Federal Reserve Bank of Kansas City researchers who looked into factors contributing to households

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[30] *See* "Bringing in the Unbanked," *supra* note 28.

[31] *See* Rupert Jones, "Why a bank account can be key to beginning a new life after prison," The Guardian (Aug. 23, 2020), available at: https://www.theguardian.com/money/2020/aug/23/why-a-bank-account-can-be-key-to-beginning-a-new-life-after-prison (accessed February 13, 2024) (noting that the absence of a fixed address can make it difficult for individuals to open bank accounts and of one bank offering a service that opens accounts for unbanked individuals without fixed addresses who are accompanied by case workers or shelter staff at the time of account opening).

[32] *See* "On-Ramps, Intersections, and Exit Routes: A Roadmap for Systems and Industries to Prevent and Disrupt Human Trafficking," Polaris Project (2018), pp. 23-24 & 28, available at: https://polarisproject.org/on-ramps-intersections-and-exit-routes/ (noting that traffickers' names are often listed on victims' accounts and that traffickers often control accounts established using victims' identifications), *and* "Financial Services for Victims & Survivors," Polaris Project (2021), available at: https://polarisproject.org/human-trafficking-and-the-financial-services-industry/ (noting that the identities of human trafficking victims are often severely compromised and that it can be difficult for individuals to open bank accounts and rebuild credit).

[33] *See* Vernon Loke, Margaret Libby, and Laura Choi, "Increasing Financial Capability among Economically Vulnerable Youth: MY Path Pilot and Year Two Updates," Federal Reserve Bank of San Francisco Working Paper, pp. 13, 17 & 19 (Dec. 2013), available at: https://mypathus.org/wp-content/uploads/2018/09/Increasing-Financial-Capability-among-Economically-Vulnerable-Youth.pdf (observing challenges faced by low-income youths seeking to open bank accounts and ways to resolve some of these challenges), *and* "Creating Youth-Friendly Accounts," MyPath's National Youth Banking Standards (Oct. 2018), available at: https://mypathus.org/wp-content/uploads/2019/01/MyPath-NYBS-2018.pdf (describing the types of challenges that face low-income, working youths and the types of identification that should be used for account opening).

[34] *See* Brian Katulis and Aaron Klein, "How to fix the Covid stimulus payment problem: Accounts, information, and infrastructure" (August 19. 2020), available at: https://www.brookings.edu/articles/how-to-fix-the-covid-stimulus-payment-problem-accounts-information-and-infrastructure/ (noting that "as many as 25 to 30 percent of those without bank accounts may be on the 'do not bank' list" and "the FDIC's own survey indicated that over 15 percent of unbanked households had accounts involuntarily closed or refused due to credit or identification issues, setting a lower bound for the share of unbanked as a direct result of the 'do not bank' list.").

[35] *Id.*

being unbanked found that "low-income households without internet access have a much higher probability of being unbanked than those with internet access" (internet access was, they found, among the top six factors with the strongest predictors of whether a household would be unbanked), and that there is a "relatively weak[ ] relationship between mobile phone ownership and banking status for low-income households."[36] Additionally, individuals living in banking deserts and who do not have at-home access to the internet[37] may also not have reliable cellular network coverage, or may be cautious about data usage such that they would be reluctant to use smartphone data on banking applications,[38] which risks the exclusion of these individuals and households from financial inclusion initiatives premised on an internet-based solution.[39] This suggests that a significant number of unbanked households may benefit most from policies designed around increasing internet access and developing digital literacy and skills. According to research conducted on behalf of the American Banker, "giving Internet access to isolated families has the potential to increase the number of individuals with a bank account by 10%;"[40] and additional benefits, such as greater equity and inclusion for low-income and underserved families, may flow from such policies as well.[41]

No single reason accounts for why households are unbanked. Thus, addressing the unbanked population as a monolith may be less successful than targeted approaches that seek to address the specific, underlying reasons why certain groups of individuals or households remain outside of the banking system.

[36] Fumiko Hayashi and Sabrina Minhas, "Who Are the Unbanked? Characteristics Beyond Income," Federal Reserve Bank of Kansas City research paper (2018), at pp. 56 & 66-67, available at: https://www.kansascityfed.org/research/economic-review/2q18-hayashiminhas-who-are-unbanked/.

[37] According to The Pew Charitable Trusts, the digital gap between rural and nonrural Americans persists, with one-third of rural Americans lacking access to a broadband internet connection at home. Andrew Perrin, "Digital Gap Between Rural and Nonrural America Persists" Pew Research Center (May 31, 2019), available at: https://www.pewresearch.org/fact-tank/2019/05/31/digital-gap-between-rural-and-nonrural-america-persists/.

[38] *See* "5 things you probably didn't know about unbanked people," TraXion (Jul. 26, 2018), available at: https://medium.com/traxion-tech/5-things-you-probably-didnt-know-about-unbanked-people-8d8f4e0d95f5 *and* Alyssa Atkins, "Universal Internet Access Could Improve Opportunities for Unbanked and Underbanked People" (Sept. 28, 2020), available at: https://www.tfcu.coop/home/2020/09/28/universal-internet-access-could-improve-opportunities-for-unbanked-and-underbanked-people-to-fully-participate-in-the-financial-system (quoting Alejandro Yu, a TFCU employee, who notes that individuals in banking deserts without Internet "might have internet on their phone, but it's not unlimited, so they're really cautious about what services or apps they use").

[39] *See* Lael Brainard, "FinTech and the Search of Full Stack Financial Inclusion," speech given at the FinTech, Financial Inclusion conference hosted by the Federal Reserve Bank of Boston and the Aspen Institute Financial Security Program (Oct. 17, 2018) (noting that "[w]hile financial inclusion may hold great promise, a lot of work is needed to ensure it will be able to reach communities that lack infrastructure for digital service delivery" and that "[t]he Federal Reserve, and other federal banking agencies, view access to technology as increasingly essential to households and small businesses in underserved low- and moderate-income communities"), available at: https://www.federalreserve.gov/newsevents/speech/brainard20181017a.htm.

[40] Nathaniel Karp and Boyd Nash-Stacey, "What Will Solve [The] Unbanked Problem? Internet Access" American Banker BankThink (April 14, 2016), available at: https://www.americanbanker.com/opinion/what-will-solve-unbanked-problem-internet-access/

[41] *See* Letter from forty-seven community organizations, civil rights organizations, broadband providers, and non-profit organizations to Congressional Chairwomen, Chairmen, and Ranking Members (April 6, 2021) (encouraging Congress to address the digital divide and adopt policies that engender greater digital equity and inclusion) (on file with TCH).

III. Measuring Financial Inclusion

As noted above, The Clearing House believes that financial inclusion efforts are best served by an approach that focuses on bank account access. Such an approach has the benefits of being both measurable and actionable with historical data that is readily available to track progress.[42]

IV. Actions to Promote Financial Inclusion

Recognizing that the barriers to financial inclusion are varied and complex and best addressed by targeted initiatives, The Clearing House makes the following recommendations:

A. Public policy makers should focus on issues that the private sector cannot address and which contribute to the unbanked/underbanked challenge. Important connected issues, including issues that are preconditions to households establishing bank accounts, and issues of disparities of unbanked/underbanked status along racial lines, merit further study. For example, the degree to which verifiable identification is unavailable to certain individuals and inaccurate information related to financial crime prevention impedes the legitimate opening of bank accounts are factors that should be reviewed, perhaps by the Government Accountability Office. Additionally, policy makers and bank regulators and supervisors should facilitate the use of alternative means of identification for unbanked individuals who do not have ready access to standard forms of identification.

B. Government benefit programs enrolling benefit recipients in direct payment programs should encourage unbanked-benefit-recipient households to open basic, low-cost bank accounts. Encouraging the opening of accounts at key moments, such as during benefit program enrollment, helps build familiarity with bank accounts, ensures that households are able to receive benefit payments quickly and electronically, and may help address one of the top reasons why households say they do not have a bank account (not having enough money to open an account).

C. Public policy should encourage public-private partnerships to continue to innovate and meet the changing needs of households and individuals. Public-private partnerships, including coalition-based initiatives, should continue to advance targeted financial education and messaging on ways in which a bank account can meet an individual's current needs, which has been shown to be among the most successful ways to ensure decision-making that leads to increased financial wellbeing.

D. The banking industry should continue its efforts to reduce the percentage of unbanked households by embracing approaches with a proven track record of success. The Bank On initiative and other no-cost / low-cost account offerings have achieved significant advances in addressing the unbanked challenge. The Bank On initiative and similar initiatives, which promote basic, low-cost bank accounts, show enormous promise in addressing the needs of the unbanked and should be broadly embraced by the financial services industry as the most appropriate means of addressing the unbanked challenge.

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[42] See, e.g., FDIC Survey.

E. Government spending in support of the unbanked should be conducted on a scale that yields a reasonable expectation that the expenditures will be impactful. Critically, Congress should continue to prioritize efforts to extend broadband internet access to underserved areas. Banking and other essential services are increasingly digital in nature and households without internet access have a much higher probability of being unbanked than those with internet access, suggesting that a significant number of unbanked households may benefit most from policies designed around increasing internet access. Ensuring that broadband internet and cellular phone services are sufficient, reliable, and affordable in all areas of the country is a key component to providing access to bank products and services that meet the needs of the unbanked.

F. Public policy makers should examine the factors that contributed to the sharp decline in the unbanked rate for Black, Hispanic, American Indian or Alaska Native households from 2019 to 2021 and the underlying reasons for continued observed racial disparities (e.g., higher unbanked rates among certain households). While the overall number of unbanked households is declining steadily, and the number of unbanked Black, Hispanic American Indian or Alaska Native households sharply declined from 2019 to 2021, the proportion of unbanked Black, Hispanic, and American Indian or Alaska Native households remains higher than the national average. The factors that contributed to the particularly sharp decline in the unbanked rates from 2019 to 2021 should be studied, as well as the successful practices of Minority Depository Institutions and Community Development Financial Institutions for reaching financially underserved communities. Additionally, banks should be encouraged to market their products and services in Spanish and other non-English languages spoken throughout the U.S. through, for example, the development of clearer safe harbors allowing for the piloting of translations and other services for limited-English-proficient consumers.

V. Conclusion

Financial inclusion remains an important shared goal of the private and public sectors. Much progress has been made, though substantial work is left to be done. The Clearing House commends Treasury for its attention to this important issue and hopes that the ideas set forth in this letter and our 2021 whitepaper will be helpful as Treasury moves forward with the development of a national strategy to advance financial inclusion.

Respectfully submitted,

/s/

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