



Delivering Financial Products and Services to the Unbanked and Underbanked in the United States - Challenges and Opportunities

May 2021



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Preface

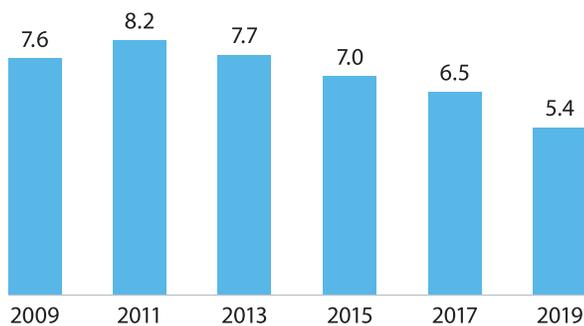
Financial inclusion and access to bank accounts and services are an important shared goal of the private, nonprofit, and government sectors. Bank accounts enable households to participate in mainstream financial activities, such as receiving and making payments and paying bills. They also help households establish credit, qualify for loans, and build wealth. Bank accounts also allow individuals to expeditiously receive government benefit payments, such as economic impact payments made by the federal government during the pandemic. Having access to products and services offered by banks also allows households to avoid more costly alternative financial products and services. While having a bank account is not a cure-all for wealth inequality, it is most certainly a foundational element of a more inclusive economy. Thus, understanding why households are unbanked or underbanked is critical for legislators and policymakers seeking to promote financial inclusion and improve the financial wellbeing of U.S. households.

This paper seeks to (i) identify the chief reasons why approximately 6% of U.S. households do not have a bank account (the “unbanked”) and many U.S. households use alternative financial products or services (the “underbanked”) (collectively referred to herein as “the unbanked/underbanked challenge”); (ii) highlight specific actions taken by policymakers and different types of organizations, including banks, to design products and services that address the unbanked/underbanked challenge; (iii) evaluate proposals designed to address the unbanked/underbanked challenge, including recent legislative proposals; and (iv) identify factors that should be taken into account in developing public policy intended to address the unbanked/underbanked challenge.

Executive Summary

The percentage of unbanked U.S. households has steadily declined over the past decade, falling from a high of 8.2% in 2011 to 5.4% in 2019 (see the FDIC figure below), and comparatively fewer households are without bank accounts than without health insurance, or a dentist. And yet, while significant progress has been made, a substantial number of U.S. households still do not have a bank account, and numerous households and individuals that are bank customers nonetheless utilize costly alternative financial products or services. In particular, the percentage of Black, Hispanic, American Indian or Alaska Native, and working-age disabled households that are unbanked, although generally declining in recent surveys, remains much higher than the national average (see *infra* p. 8). Banking unbanked households and reducing utilization of costly non-bank products and services represent a significant and important opportunity for the further advancement of financial inclusion in the U.S., and a vital step toward ensuring the financial wellbeing of all U.S. households.

National (U.S.) Estimated Household Unbanked Rate by Year



Percentage of U.S. households that are unbanked. Source: Federal Deposit Insurance Corporation, "How America Banks: Household Use of Banking and Financial Services [-] 2019 FDIC Survey," pp. 1-2 & 13. Note, however, that unbanked rates are higher for Black households, Hispanic households, American Indian or Alaska Native, and working-age disabled households (13.8, 12.2, 16.3 and 16.2 percent in 2019, respectively).

To assist legislators and policymakers seeking to address the unbanked/underbanked challenge, bank the unbanked, and reduce utilization of costly alternative financial products and services, and to help inform policy debates focused on increasing access to financial products and services in general,

this paper seeks to provide essential background information on the unbanked and users of alternative financial products and services. In particular, it highlights the multitude of factors that appear to be correlated with higher incidences of unbanked status or use of alternative financial products and services. The causes of an individual being unbanked or underbanked are varied and complex, with cited factors as diverse as insufficient income to open an account, lack of trust in financial institutions, privacy concerns, concerns over the cost and predictability of fees, and the inability to satisfy legal requirements such as anti-money laundering and fraud screening. This suggests that "one-size-fits-all" approaches to addressing the unbanked and underbanked population are likely to be less successful in advancing financial inclusion than targeted approaches that seek to address the individual, underlying reasons why certain individuals and households remain outside of the banking system.

To that end, this paper also examines products and programs already available in the marketplace that *have* successfully banked the unbanked and sustainably *reduced* utilization of alternative financial products and services. Insights gleaned from the success of these products and programs support the conclusions reached in this paper. Specifically, a review of these products and programs supports the notion that careful structuring of a product or program is essential to its long-term success and suggests that tailored initiatives, focused on the specific underlying reasons why households are unbanked or use alternative financial services, are likely to be significantly more successful than proposals that ignore these key underlying factors. For example, programs designed around simple, low- and no-cost account products have achieved significant success by pairing simple and understandable products with messaging and financial education that addresses known concerns and helps overcome the initial apprehensions that some individuals and households experience with respect to banks and banking. Importantly, collaborative approaches in which banks partner with local and municipal governmental actors, as well as community organizations, appear to be effective at reaching certain groups and overcoming the distrust that some individuals and households have of certain public or private organizations.

It is in this context, that this paper also reviews recent legislative proposals for services (e.g., FedAccounts, Digital Dollar Wallets, Public Banks, and Postal Banking) that are aimed at addressing the unbanked/underbanked challenge and suggests that they fail to sufficiently consider the root causes of the problem and some significant downside

risks, such as the weakening of banks' deposit base. Most importantly, an analysis of these proposals indicates that there is no reason to believe they would be more successful than other, less costly, alternatives and further suggests that public policy initiatives focused on improving the U.S. digital infrastructure may be far more impactful. Moreover, to be successful, any program to reach the unbanked must provide a pathway beyond introductory accounts that allows consumers to transition into the full array of mainstream banking products and services.

Ultimately, policy intended to advance financial inclusion and improve the financial wellbeing of U.S. households should be informed by past experiences, including those relating to federal-government-provided financial products, and should seek to avoid significant unintended consequences.

For all of these reasons, which are more fully explored in the body of this paper, The Clearing House, the American Bankers Association, the Consumer Bankers Association, the Credit Union National Association, the Mid-Sized Bank Coalition of America, and the National Bankers Association make the following recommendations:

1. Public policymakers 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, policymakers 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.
2. 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). For example, the new

monthly tax credits included in the American Rescue Plan passed in March 2021 present an opportunity to promote the adoption of bank accounts through the IRS Get My Payments portal.

3. 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.
4. The banking industry should continue its efforts to reduce the percentage of unbanked households by embracing approaches with a proven track record of success. Two programs, the FDIC's Model Safe Account Pilot (no longer active) and the Bank On initiative, have achieved significant advances in addressing the unbanked/underbanked challenge. The Bank On initiative, which promotes basic, low-cost bank accounts, shows 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/underbanked challenge.
5. Government spending in support of the unbanked/underbanked should be conducted on a scale that yields a reasonable expectation that the expenditures will be impactful. Critically, Congress should 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 or underbanked 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 and underbanked.
6. Public policymakers should examine the factors that contributed to the sharp decline in the unbanked rate for Black and Hispanic households from 2015 to 2019 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 and Hispanic households sharply declined from 2015 to 2019, the proportion of unbanked Black, Hispanic, and American Indian or Alaska Native households is higher than the national average. The factors that contributed to the particularly sharp decline in the unbanked rate for Black and Hispanic households from 2015 to 2019 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.

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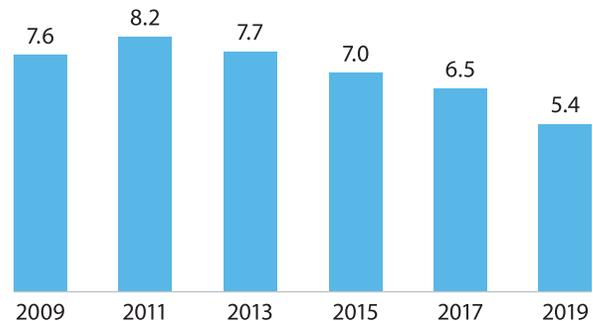
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Introduction

Today, a significant number of U.S. households do not have a checking, savings, or money market account (the “unbanked”). Unbanked households make up an estimated 5.4% to 6% of all U.S. households. Unbanked rates are higher, however, for Black, Hispanic, American Indian/Alaska Native, and working-age disabled households (13.8, 12.2, 16.3 and 16.2 percent in 2019, respectively), although steady progress has been made over the last decade in banking the unbanked, including Black and Hispanic households in particular.¹ The status of these households is important because bank accounts enable households to participate in mainstream financial activities, such as receiving and making payments, paying bills, and receiving government benefit payments, and can allow households to avoid more costly alternative financial products and services. Having a bank account and access to credit provide other significant benefits as well. For example, individuals with traditional transactional accounts generally have higher levels of savings than their counterparts,² individuals with access to credit and a robust suite of financial products and services tend to be better prepared to weather financial shocks,³ and possession of a bank account facilitates expeditious receipt of financial

assistance from the government—an area of intense focus during the COVID-19 pandemic as policymakers seek to transfer aid funds to households as quickly and safely as possible.⁴

National (U.S.) Estimated Household Unbanked Rate by Year



Percentage of U.S. households that are unbanked. Source: Federal Deposit Insurance Corporation, “How America Banks: Household Use of Banking and Financial Services [-] 2019 FDIC Survey,” p. 1.

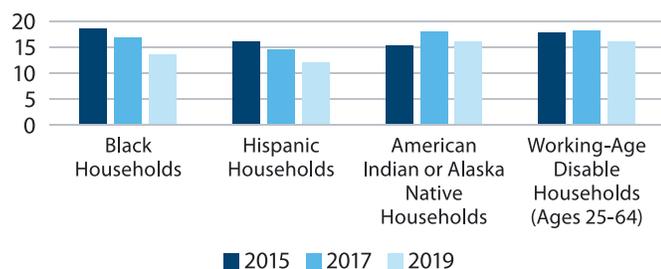
¹ Compare Federal Deposit Insurance Corporation, “How America Banks: Household Use of Banking and Financial Services [-] 2019 FDIC Survey,” pp. 1-2 & 13 (available at: <http://www.fdic.gov/analysis/household-survey/2019report.pdf> (accessed Oct. 19, 2020)) (also noting that with respect to Black and Hispanic households, recent declines in the unbanked rate have been “particularly sharp”); with 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), available at: <https://www.federalreserve.gov/publications/2019-economic-well-being-of-us-households-in-2018-banking-and-credit.htm> and The Board of Governors of the Federal Reserve System, “Report on the Economic Well-Being of U.S. Households in 2019, Featuring Supplemental Data from April 2020” (May 2020), at p. 27 (available at: <https://www.federalreserve.gov/publications/files/2019-report-economic-well-being-us-households-202005.pdf> (accessed Oct. 19, 2020)) (estimating that 6% of U.S. households are unbanked). 5.4% of U.S. households equates to approximately 7.1 million households.

² Elizabeth Breitbach and William B. Walstad, “Financial Literacy and Banking: Findings and Implications for Economic Education” (Dec. 22, 2013), p. 1. See also Michael S. Barr, “Banking the Poor,” 21 *Yale J. on Reg.* 134-41 (2004) (finding significant costs to being unbanked and reduced savings among the unbanked).

³ See “Report on the Economic Well-Being of U.S. Households in 2018-2019,” *supra* note 1 (noting that individuals with access to credit are better prepared to weather financial shocks); and Board of Governors of the Federal Reserve System, “Perspectives from Main Street: Bank Branch Access in Rural Communities” (Nov. 2012) (available at: <https://www.federalreserve.gov/publications/files/bank-branch-access-in-rural-communities.pdf> (accessed Oct. 14, 2020)), p. 19 (noting that access “to a robust suite of financial services is critical for families and businesses so they can . . . build a cushion of wealth that can provide stability and support economic opportunity and mobility over the long term.”).

⁴ See Esther George, “Pondering Payments: Challenges of Reaching All Americans,” Federal Reserve Bank of Kansas City Policy Perspectives (June 2020), pp. 1-2 (noting that the majority of benefit payments are deposited directly into households’ accounts, and that making payment to individuals and households without accounts presents a particular challenge). See also Lisa Guzman and Renee Ryberg, “The Majority of Low-Income Hispanic and Black Households Have Little-to-no Bank Access, Complicating Access to COVID Relief Funds” National Research Center on Hispanic Children & Families (June 11, 2020) (available at: <https://www.hispanicresearchcenter.org/research-resources/the-majority-of-low-income-hispanic-and-black-households-have-little-to-no-bank-access-complicating-access-to-covid-relief-funds/> (accessed Dec. 30, 2020)) (noting that Americans households without bank accounts, which are disproportionately low-income Black and Hispanic, experienced additional challenges with respect to pandemic-related government aid distribution and access).

Unbanked Rate Among Black, Hispanic, American Indian or Alaska Native, and Working-Age Disabled Household (2015-2019)



Source: Federal Deposit Insurance Corporation, “How America Banks: Household Use of Banking and Financial Services [-] 2019 FDIC Survey,” p. 13.

Regulated financial institutions of all kinds—including credit unions, community banks, and both state- and federally-chartered organizations—play an important role in the financial mainstreaming of individuals and households as providers of reliable checking, savings, and money market accounts,⁵ as well as products and services that are generally less costly than those provided by alternative service providers, including financial technology companies (“fintechs”).⁶ In addition, banks, both on their own and through partnerships, have historically done much to address the unbanked/underbanked challenge (see Sections II(a), II(b), II(d), and II(e)) and are well-equipped to further advance financial inclusion and improve the financial wellbeing of U.S. individuals and households.

The Clearing House, the American Bankers Association, the Consumer Bankers Association, the Credit Union National Association, the Mid-Sized Bank Coalition of America, and the National Bankers Association are publishing this paper to

⁵ See Lorie Konish, “This Start-Up Promised Higher Interest Rates on Savings. Now Customers Are Struggling To Get Their Money Back,” CNBC (Oct. 28, 2020) (available at: <https://www.cnbc.com/2020/10/28/beam-promised-higher-interest-rates-now-customers-want-their-money-back.html>) (accessed Oct. 28, 2020)) (noting that a fintech startup that promoted itself as a “mobile,” “high-interest” bank account, but that is not a bank, is having trouble honoring customers’ demands to withdraw money).

⁶ See Karen Mills and Brayden McCarthy, “How Banks Can Compete Against an Army of Fintech Startups,” Harvard Business Review (April 26, 2017) (available at: <https://hbr.org/2017/04/how-banks-can-compete-against-an-army-of-fintech-startups>) (accessed Oct. 27, 2020) (concluding that banks have certain cost advantages); see also Alex Graham, “Fintech and Banks: How Can the Banking Industry Respond to the Threat of Disruption?” Total Finance (2018) (available at: <https://www.toptal.com/finance/investment-banking-free-lancer/fintech-and-banks>) (accessed Dec. 29, 2020)) (identifying banks’ cost of payment and settlement services as comparative advantages over fintech firms).

foster a better understanding of the unbanked/underbanked challenge and its complexities. Section I of this paper examines the current state of the unbanked/underbanked challenge in the U.S., including the underlying reasons why households are unbanked, or make use of alternative financial products and services. Section II highlights specific product offerings and initiatives designed to address the unbanked/underbanked challenge, and looks at which efforts have been successful at improving bank account penetration or reducing utilization of alternative financial products and services. Section III looks at recent proposals designed in whole, or in part, to address the unbanked/underbanked challenge, and evaluates whether these solutions are sufficiently tailored to the challenge (or one of its constituent pieces) so as to be likely to make an incremental difference. Section IV identifies factors that should be taken into account in developing public policy that can effectively address the unbanked/underbanked challenge.

I. Unbanked and Underbanked Households in the United States

The independent statistical significance of different factors as predictors of household banking status means that policymakers may find it difficult to use a single, targeted approach to bringing the remaining unbanked households into the banking system.

a. Who is Unbanked?

“Unbanked” individuals/households are defined by the absence of a bank account relationship. In addition, unbanked individuals/households are “more likely to have low income, less education, or be in a racial or ethnic minority group....”⁷ Of these factors, income appears to be the most significant predictor of a household’s unbanked status. The Board of Governors of the Federal Reserve System (the “Board”) has found that “[o]ne percent of [households] with incomes over \$40,000 are unbanked....”⁸ However, having a low household income does not necessarily mean that a household is likely to be unbanked. A researcher at Harvard who looked for linkages between households’ unbanked status and other factors found that income is a strong predictor of unbanked status, but so are other factors.⁹ The Harvard

⁷ Report on the Economic Well-Being of U.S. Households in 2018-2019,” *supra* note 1.

⁸ *Id.*

⁹ Christopher Berry, “To Bank or Not to Bank[;] A Survey of Low-Income Households,” Joint Center for Housing Studies, Harvard University (Feb. 2004), p. 4.

study concluded that “only three variables emerge as significant predictors in [] models [that determine the probability of a households’ unbanked status]: education, income, and the number of children.”¹⁰ In one of the most recent in-depth studies of the characteristics of unbanked households, researchers from the Federal Reserve Bank of Kansas City found that “[w]hile low-income households have a higher probability of being unbanked on average ... the probability of being unbanked varies substantially within this group ... [and] multiple socioeconomic factors—such as education, age, race, and employment status—as well as technological factors[—] contribute to a low-income household’s probability of being unbanked.”¹¹ The Kansas City researchers found that income, education, race, and employment status are, to varying degrees, strong statistical predictors of whether a household is unbanked, while numerous other factors, such as citizenship, disability, language, and mobile phone ownership,¹² were found to be moderate predictors.¹³ Although the precise number of variables predicting unbanked status is uncertain, the independent statistical significance of different factors as predictors of the banking status of individuals/households means that legislators and policymakers may find it difficult to use a single, targeted approach to bringing remaining unbanked individuals/households into the banking system.

b. What Does “Underbanked” Mean and Who is Underbanked?

Although there is no single, commonly accepted definition of underbanked, the term broadly refers to individuals that use an alternative (i.e., outside the banking system) product or service. Given the tremendous growth in the use of fintech services by those who have traditionally been considered “banked,” use of the “underbanked” classification is

becoming increasingly vague and ill-suited for policy development purposes.

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 Federal Deposit Insurance Corporation’s (“FDIC”) survey, and “during [the year]” in the case of the Board);¹⁴ and while “alternative” generally signifies “outside of the banking system,”¹⁵ there is no single, commonly-accepted definition of the phrase “alternative financial product or service.”¹⁶ Thus, estimates of “underbanked” households can vary substantially, depending on which products and services are being measured. According to the Board’s most recent estimate, 16 percent of U.S. adults are underbanked; whereas, according to the FDIC, 18.7 percent of U.S. households (24.2 million U.S. households comprised of an estimated 48.9 million adults and 15.4 million children) were underbanked in 2017¹⁷ (the FDIC, in its latest study of unbanked households and use of banking and financial services by households, removed the word “underbanked” from the survey title).¹⁸ Use of different sets of products and services to define and apply the term “underbanked” also means that the term can be

¹⁰ *Id.*

¹¹ Fumiko Hayashi and Sabrina Minhas, “Who Are the Unbanked? Characteristics Beyond Income,” Federal Reserve Bank of Kansas City research paper (2018), pp. 55-56.

¹² *Id.* at p. 66. (Contrary to the beliefs of many policymakers that the unbanked are users of smartphones, and, consequently, that mobile phone-based banking is a prime channel through which the unbanked might become banked, the Kansas City researchers found that there is a “relatively weak[] relationship between mobile phone ownership and banking status for low-income households[,] suggest[ing] that promoting mobile phone ownership may not be the most effective path to promoting banking services.”) This is consistent with findings from the Pew Research Center (see *infra* note 227).

¹³ *Id.* at pp. 60-61, and 66.

¹⁴ Federal Deposit Insurance Corporation, “2017 FDIC National Survey of Unbanked and Underbanked Households,” pp. 1 & 12-13 (available at: https://economicinclusion.gov/downloads/2017_FDIC_Unbanked_HH_Survey_Report.pdf (accessed Oct. 27, 2020)); “Report on the Economic Well-Being of U.S. Households in 2019, Featuring Supplemental Data from April 2020,” *supra* note 1, p. 27.

¹⁵ “2017 FDIC National Survey of Unbanked and Underbanked Households,” *supra* note 14, pp. 1 & 12-13.

¹⁶ For example, the FDIC uses a broader definition of “alternative financial products and services” than the Board does. The FDIC includes in its definition “money orders, check cashing, international remittances, payday loans, refund anticipation loans, rent-to-own services, pawn shop loans, or auto title loans” (see “2017 FDIC National Survey of Unbanked and Underbanked Households,” *supra* note 14, p. 1) whereas the Board includes “money order[s], check cashing service[s], pawn shop loan[s], auto title loan[s], payday loan[s], paycheck advance[s], [and] tax refund advance[s]” (see “Report on the Economic Well-Being of U.S. Households in 2019, Featuring Supplemental Data from April 2020,” *supra* note 1, p. 27).

¹⁷ “Report on the Economic Well-Being of U.S. Households in 2019, Featuring Supplemental Data from April 2020,” *supra* note 1, p. 27 & “2017 FDIC National Survey of Unbanked and Underbanked Households,” *supra* note 14, p. 17.

¹⁸ See “How America Banks: Household Use of Banking and Financial Services [-] 2019 FDIC Survey,” *supra* note 1. (The FDIC simply stated that “[t]he new survey name describes the content of the survey, which asks a nationally representative sample of U.S. households about their use of banking and financial services”).

applied with significantly different results.¹⁹ For example, if Venmo were to be characterized as an “alternative financial product or service,” then a household would be an underbanked household if it used Venmo. As a researcher from the University of Pennsylvania put it in a recent book examining the relationship between U.S. households and banks, and the explosion of alternative financial services from, in part, innovation in the consumer financial services sector, “[r]ight now we’re all underbanked.”²⁰ While this may seem a broad and sweeping assertion, it illustrates distinct challenges that underlie the use of the term “underbanked”: (i) many different types of individuals use financial products and services that can be characterized as “alternative,” and for different reasons (something that this paper will address in section I(d)); and (ii) the tremendous growth of fintechs focused on consumer financial services has resulted in a proliferation of products and services offered by non-banks, which makes a traditional demarcation of “alternative financial service provider” more challenging to use as a yardstick. To illustrate just how important classifications can be, if a single product nonbank money orders—which includes money orders obtained from the post office—was reclassified as a non-alternative payment method in the FDIC survey, approximately one in four underbanked households would no longer be classified as underbanked with respect to the bills those households pay in a given month, and the overall underbanked population could drop by as much as one half in a survey panel.²¹

To better understand who the underbanked are and how they use nonbank products, the FDIC has divided “alternative financial services” into transaction-based products and credit-based products, or “transaction AFS”/“nonbank financial transaction services” (money orders, check cashing, and international remittances) and “credit AFS”/“nonbank credit” (payday loans, refund anticipation loans, rent-to-own services, pawn shop loans, and auto title loans).²² In part, these classifications recognize something that financial service providers and banks are keenly aware of: product and service usage often correspond to specific household needs (e.g., making payments, borrowing, or savings/wealth-building) and specific individuals’/households’ needs change over time.²³ The FDIC finds that use of alternative (or nonbank) financial services is most common among lower-income households, less-educated households, younger households, Black households, Hispanic households, American Indian or Alaska Native households, working-age disabled households, and households with volatile income. Moreover, the FDIC notes that use of nonbank transaction services (AFS) is much more common than use of nonbank credit (AFS) (transaction AFS were used about four times as often as credit AFS (48.0 percent versus 12.3 percent) in the 2017 survey).²⁴ The Board has similarly found that “[t]he vast majority (89 percent) of people using alternative financial services use transaction services such as purchasing a money order or cashing a check at a place other than a bank.”²⁵ While these and other studies of the underbanked shed some light on those households that use alternative financial products and services at

¹⁹ See Neil Weinberg, “Banks Can Do Well Doing Right by Underbanked,” *American Banker* (June 24, 2013), available at: <https://www.americanbanker.com/opinion/ditch-the-word-underbanked-its-confusing-and-misleading>, accessed Sept. 25, 2020 (noting that the definition of “underbanked” varies and that the FDIC has changed its definition of “underbanked” over time, and observing that if nonbank money orders were excluded from the 2011 survey, then the percentage of households that would be considered “underbanked” would fall from 20.1% to 10.4%). (Note: the FDIC fully acknowledges that it has used different definitions of “underbanked” in different of its surveys. In its 2012 report, the FDIC notes that changes to what is counted as an “alternative financial service” and “changes to the questions regarding the time frames during which households used AFS make it impossible to directly compare underbanked estimates across years.” (“2011 FDIC National Survey of Unbanked and Underbanked Households,” p. 5, footnote 7.))

²⁰ Lisa Servon, “The Unbanking of America,” Houghton Mifflin Harcourt (2018), p. XIX (introduction).

²¹ See “2017 FDIC National Survey of Unbanked and Underbanked Households,” *supra* note 1, p. 14 (noting that about one quarter of all underbanked households use nonbank money orders to pay their bills in a typical month, about as many as use cash for the same purpose); and “Banks Can Do Well Doing Right by Underbanked,” *supra* note 19 (observing that if nonbank money orders were excluded from the 2011 FDIC survey, then the percentage of households that would be considered “underbanked” would fall from 20.1% to 10.4%).

²² See “2017 FDIC National Survey of Unbanked and Underbanked Households,” *supra* note 14, p. 8, footnote 11; and “How America Banks: Household Use of Banking and Financial Services [-] 2019 FDIC Survey,” *supra* note 1, at pp. 8-9 & 35-36.

²³ See, for example, Russell Cooper and Guozhong Zhy, “Household Finance Over the Life-Cycle: What Does Education Contribute?,” National Bureau of Economic Research Working Paper (Nov. 2014) (looking at the importance of education level to household financial decision making and applying a life-cycle model to understanding why households make certain financial decisions) (available at: https://www.nber.org/system/files/working_papers/w20684/w20684.pdf (accessed Nov. 27, 2020)).

²⁴ See “How America Banks: Household Use of Banking and Financial Services [-] 2019 FDIC Survey,” *supra* note 1, at pp. 36-42; and “2017 FDIC National Survey of Unbanked and Underbanked Households,” *supra* note 14, p. 8.

²⁵ “Report on the Economic Well-Being of U.S. Households in 2018-2019,” *supra* note 1, p. 8.

a particular point in time,²⁶ the lack of a commonly-accepted definition of the term “underbanked” and the emergence of fintechs as major providers of alternative financial products and services further underscore the problems associated with developing policy based on the vague term “underbanked.” Researchers from the Federal Reserve Bank of Boston have found that “[t]he payment behavior of the underbanked is [more] similar to that of the fully banked.”²⁷ Thus, policymakers addressing the use of a particular alternative product or service would do better to ask about, and target, the use of those specific products and services, rather than to label individuals and households “underbanked” simply as a result of their use of such products and services. Perhaps this is why the FDIC, in its latest study of unbanked households and the use of banking and financial services by households, removed the word “underbanked” from the survey title;²⁸ or perhaps it is due to negative connotations sometimes associated with the term.²⁹

²⁶ Contemporaneous work by researchers at George Washington University found that “on average, individuals using alternative financial services have low income levels, are non-Caucasian, are divorced or separated, and have children” and that “as many as one-third of the young (aged 18-34) have used high-cost borrowing methods in the five years prior to the survey.” (See Annamaria Lusardi and Carlo de Bassa Scheresberg, “Financial Literacy and High-Cost Borrowing in the United States,” George Washington University Global Financial Literacy Excellent Center (Jan. 31, 2013), p. 21.)

²⁷ Allison Cole and Claire Greene, “Financial Inclusion and Consumer Payment Choice,” Federal Reserve Bank of Boston Research Data Reports No. 16-5 (Oct. 17, 2016), p. 1.

²⁸ See “How America Banks: Household Use of Banking and Financial Services [-] 2019 FDIC Survey,” *supra* note 1. (The FDIC simply stated that “[t]he new survey name describes the content of the survey, which asks a nationally representative sample of U.S. households about their use of banking and financial services”).

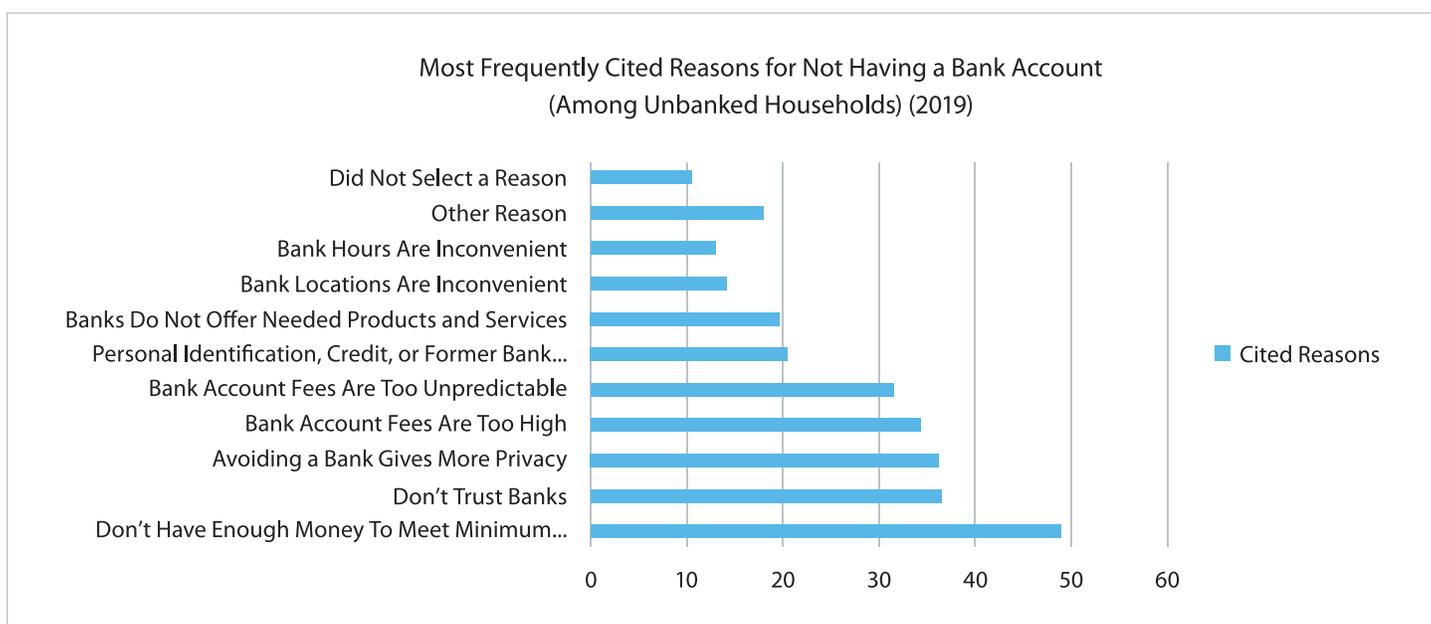
²⁹ See, for example, Jim Marous, “Rethinking the Potential of the Underbanked Segment,” The Financial Brand (July 28, 2014) (noting that the term “underbanked” comes with a stigma attached to it, and quoting a representative from a financial services research and consulting firm as saying that there is the sense of an unbanked “epidemic plaguing the nation” (quoting Aite Senior Analyst Ron Shelvin)). See also Javelin Strategy & Research, “Underbanked and Unbanked Americans Prefer Alternative Financial Products and ‘High-Touch’ Too,” press release (June 4, 2014) (available at: <https://www.javelinstrategy.com/press-release/underbanked-and-unbanked-americans-prefer-alternative-financial-products-and-high>) (accessed Feb. 17, 2021) (noting that the term “underbanked” may have negative connotations associated with it).

c. Why Are Households Unbanked?

The causes of an individual being unbanked or underbanked are varied and complex, with cited factors as diverse as insufficient income to open an account, lack of trust in financial institutions, privacy concerns, concerns over the cost and predictability of fees, and the inability to satisfy legal requirements such as anti-money laundering and fraud screening. These factors suggest that addressing the unbanked and underbanked population as a whole may be less successful than targeted approaches that seek to address the specific, underlying reasons why certain groups of individuals or households remain outside the banking system.

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. The FDIC notes that “about half of unbanked households [(48.9 percent)] cited ‘Don’t have enough money to meet minimum balance requirements’ as a reason for not having an account—the most cited reason ... and also the most cited *main* reason for not having an account.”³⁰ After concerns about having insufficient funds to open an account, the next most frequently cited reasons as to why households choose to be unbanked are: trust (36.3 percent), privacy concerns (36.0 percent), the cost of bank fees (the concern that fees would be too high) (34.2 percent), and the predictability of bank fees (31.3 percent).³¹ Looking not just at the frequency of the cited reasons, but also at what consumers reported to be the main reason they are unbanked, the FDIC notes that the most cited main reason for not having an account was “Don’t have enough money to meet minimum balance requirements” (29.0 percent), followed by “Don’t trust banks” (16.1 percent).³²



Source: Federal Deposit Insurance Corporation, “How America Banks: Household Use of Banking and Financial Services [-] 2019 FDIC Survey,” p. 17.

³⁰ “How America Banks: Household Use of Banking and Financial Services [-] 2019 FDIC Survey,” *supra* note 1, p. 3. See also “2017 FDIC National Survey of Unbanked and Underbanked Households,” *supra* note 14, p. 4 (noting that a majority of respondents reported not having enough money to keep in an account as the main reason for being unbanked) (note: the 2019 survey changed the question language from “Because you do not have enough money to keep in an account” to “Because you don’t have enough money to meet minimum balance requirements”).

³¹ See “How America Banks: Household Use of Banking and Financial Services [-] 2019 FDIC Survey,” *supra* note 1, at p. 17.

³² *Id.* at pp. 17-18. See also Dan Kadlec, “Why Millennials Would Choose a Root Canal Over Listening to a Banker,” Time Magazine Online (March 28, 2014) (available at: <https://time.com/40909/why-millennials-would-choose-a-root-canal-over-listening-to-a-banker/>) (accessed Oct. 5, 2020) (noting that 71% of millennials would prefer to go to the dentist than to interact with a bank, suggesting a foundational level of dislike or distrust of banks).

Another study of the unbanked— one that was commissioned in connection with the Cities For Financial Empowerment Fund’s Bank On initiative³³— found that “[t]hose who are unbanked don’t respond strongly to long-term, aspirational goals; they first need to be engaged on the ways in which a bank account can help them where they currently are to establish a strong financial foundation, such as building savings, decreasing debt, and building an emergency fund.”³⁴ The Bank On research found that tailored messaging can increase interest in bank accounts, and, in particular, interest in opening a bank account, in spite of negative feelings about banks and weak long-term-goal-setting responses, particularly when the tailored messaging focuses on specific, tangible benefits and features.³⁵ These findings suggest that, although many unbanked individuals may view banks unfavorably (at least initially), certain messages can overcome these apprehensions. Indeed, the Bank On study observed that “[u]nbanked people reported statistically significant increases in favorability towards banks, interest in learning more about opening a bank account, and intent to open an account after seeing or hearing messages about the benefits of transactional accounts.”³⁶ The ability of targeted education to influence whether individuals have banks accounts is something that researchers from the Departments of Economics at the University of South Carolina and University of Nebraska have also studied. In a 2013 study, these researchers examined multiple variables as they relate to households’ banking status and concluded that “targeting education based on the reason a household has a low level of banking participation[,]” rather than targeting financial education to specific life events, “may be the most beneficial way to ensure [that households] are making a decision that will bring them towards their

highest level of financial wellbeing.”³⁷

Another reason why numerous individuals and households are unbanked is because they do not possess the necessary identifying information or documentation required to open a bank account.³⁸ Individuals without verifiable identification, such as a driver’s license or passport, often find it challenging or costly to obtain such documentation.³⁹ 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, will result in certain information being shared with government officials;⁴⁰ some unbanked individuals do not have a fixed physical address that can be used to satisfy address requirements for account opening;⁴¹ 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.⁴² Still other unbanked individuals without identifying documents are below or entering the age of majority

³³ The Bank On initiative is a nationwide program of more than 90 local coalitions working together so that everyone in the U.S. has access to a safe and affordable bank account; a growing number of the nation’s regulated financial institutions support the Bank On initiative through coalition activity and offering certified accounts. For more information about the Bank On initiative, see: <https://joinbankon.org/> (accessed Sept. 28, 2020).

³⁴ “Making the Case for Banking Access[,] Talking to Unbanked People about Bank Accounts,” Report on Research Commissioned in Connection with the Bank On initiative (Oct. 2019), p. 4 (available at: <https://cfefund.org/wp-content/uploads/2019/11/Making-the-Case-for-Banking-Access-Brief-Oct-2019.pdf> (accessed Oct. 27, 2020)).

³⁵ *Id.*

³⁶ *Id.*

³⁷ “Financial Literacy and Banking: Findings and Implications for Economic Education,” *supra* note 2, at p. 1.

³⁸ See Vanessa Sumo, “Bringing in the Unbanked,” Federal Reserve Bank of Richmond (Winter 2007) (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).

³⁹ See Matthew Davie, “How lack of identification is blocking financial inclusion around the world,” Kiva blog (2020) (noting that around the world, including in the U.S., the costs and challenges of obtaining verifiable identification are contributing to unbanked rates).

⁴⁰ See “Bringing in the Unbanked,” *supra* note 38.

⁴¹ See Rupert Jones, “Why a bank account can be key to beginning a new life after prison,” *The Guardian* (Aug. 23, 2020) (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).

⁴² 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 (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) (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).

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.⁴³

In other instances, unbanked individuals and households appear to provide the required identification information but are unable to open an account because they do not pass initial screenings that banks perform to satisfy legal and other requirements, such as screenings for anti-money laundering and fraud.⁴⁴ According to information obtained by the National Consumer Law Center, as many as 2.3 million bank account applicants are rejected in a single year based on consumer reporting agency account screening reports produced by a frequently-used bank service provider;⁴⁵ and according to data gathered by Harvard researchers in 2005, “18 percent [of unbanked survey respondents] indicate they have histories that would prevent them from qualifying for an account [at a bank].”⁴⁶ In many instances, historical information that prevents individuals or households from opening accounts or accessing financial services includes negative credit history information related to the individual or household, or the absence of historical credit information

about the individual/household;⁴⁷ and in other instances government-maintained information intended to prevent financial crime may also be preventing the legitimate opening of bank accounts in some instances. This phenomenon has led The Brookings Institution (“Brookings”) staff to estimate 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.⁴⁸ 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.”⁴⁹

Still another group of households appears to be unbanked because they are unreachable, which can be due to a variety of reasons and factors. For example, some households/individuals are unreachable because they want to be disconnected from mainstream systems or want to be unknown to the banking system due to a belief that they will be afforded greater privacy by avoiding banks;⁵⁰ some individuals want to remain unbanked to avoid potential garnishment for taxes or child-support owed;⁵¹ some individuals are unreachable

⁴³ 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).

⁴⁴ See Aaron Klein, “How to Fix the COVID Stimulus Payment Problem: Accounts, Information, and Infrastructure,” Brookings Institution Op-Ed (Aug. 19, 2020) (available at: <https://www.brookings.edu/opinions/how-to-fix-the-covid-stimulus-payment-problem-accounts-information-and-infrastructure/> (accessed Oct. 27, 2020)) (concluding that anti-money laundering and fraud screening is one of the two top reasons why American households do not have bank accounts (the other being not having enough money)).

⁴⁵ See Chi Chi Wu, “Account Screening Consumer Reporting Agencies[,] A Banking Access Perspective,” National Consumer Law Center, p. 6 (citing information provided by Andera, a bank service provider that performs screenings of prospective customers) (available at: <https://www.nclc.org/images/pdf/pr-reports/Account-Screening-CRA-Agencies-Banking-Access101915.pdf> (accessed Sept. 28, 2020)).

⁴⁶ Rebecca M. Blank, “Public Policies to Alter the Use of Alternative Financial Services Among Low-Income [H]ouseholds” University of Michigan and Brookings Institution (March 2008), p. 1 (citing data collected by Christopher Berry (see note 12)).

⁴⁷ See Sarah Stookey, “Financial Services Segregation: Improving Access to Financial Services for Recent Latino Immigrants,” Inter-American Development Bank, p. 16 (2006) (noting the importance of credit history information to establishing a relationship with financial institutions); see also Paul Randall, “Banking the Unbanked,” *International Banker* (Oct. 24, 2018) (noting that traditional credit risk management methods screen out a large pool of unbanked individuals due to a lack of information about those individuals).

⁴⁸ See Brian Katulis and Aaron Klein, “Want your next stimulus check faster?” (July 27, 2020) (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.”).

⁴⁹ *Id.*

⁵⁰ See “2017 FDIC National Survey of Unbanked and Underbanked Households,” *supra* note 14, p. 24 (noting that 28.2 percent of respondents cited privacy as a reason for avoiding banks and having a banking relationship). See also Consumer Financial Protection Bureau, “Taskforce on Federal Consumer Financial Law Report” (Jan. 2021), Vol. I, p. 527 (noting that some individuals choose to remain out of the financial mainstream due to a variety of reasons, including “negative subjective views of many financial providers either shaped by a general sense of distrust or negative personal experiences with certain providers that have soured them”).

⁵¹ See John Caskey, “Reaching Out To The Unbanked,” Swarthmore College Works, p. 150 (2005) (available at: <https://works.swarthmore.edu/fac-economics/238>) (noting that the desire to keep financial records private and to not have a formal relationship with a financial institution can arise from a desire to shield savings from a former spouse pursuing child-support payments).

due to homelessness;⁵² and other unbanked households are in underserved banking markets (sometimes referred to as “banking deserts”)⁵³ that lack access to the internet.⁵⁴ The Federal Reserve Bank of Kansas City researchers who looked into factors contributing to households 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.”⁵⁵ Additionally, individuals living in banking deserts and who do not have at-home access to the internet⁵⁶ 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,⁵⁷ which risks the exclusion of these individuals and households from financial inclusion initiatives premised on an internet-based solution.⁵⁸ Further, in the Southern U.S., which has the highest rate of unbanked households in the country, access to the internet may have been made worse during the pandemic by the shuttering of libraries and restaurants—places where people had previously accessed free Wi-Fi.⁵⁹ Indeed 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

⁵² See U.S. Government Accountability Office (“GAO”) Report “Exam[in]g key actions the federal government has taken to address the COVID-19 pandemic and evolving lessons learned relevant to the nation’s response” (June 25, 2020), p. 220 (noting that the “IRS recognized it would have challenges reaching individuals without bank accounts (unbanked), who are homeless, who have limited or no internet access, or who have limited English proficiency” when distributing pandemic-related stimulus payments); and Andy Newman, “No Address, No ID, and Struggling to Get Their Stimulus Checks,” *The New York Times* (April 5, 2021) (available at: <https://www.nytimes.com/2021/04/05/nyregion/homeless-stimulus-check.html>) (noting that the homeless and individuals living in extreme poverty may lack identification and access to systems that would enable them to receive stimulus payments).

⁵³ See Donald P. Morgan, Maxim L. Pinkovinsky, and Bryan Yang, “Banking Deserts, Branch Closings, and Soft Information” Federal Reserve Bank of New York Liberty Street Economics blog (March 7, 2016) (available at: <https://libertystreeteconomics.newyorkfed.org/2016/03/banking-deserts-branch-closings-and-soft-information.html#.Vt5LhtBYG53> (accessed Sept. 29, 2020)) (noting that between the financial crisis and the writing of the post, nearly 5,000 U.S. bank branches were closed, creating “banking deserts” (an area with no banks or branches)). *But see* “To Bank or Not to Bank[.] A Survey of Low-Income Households,” *supra* note 9 (finding that “[o]nly a trivial fraction of respondents said they did not have a bank account because banks were not conveniently located” but that “location does influence where consumers conduct [certain alternative financial services business]”); Hugo Dante, Veronica Carrion & Tyler Mondres, “The Real Story on Bank Branch Closures,” *ABA Banking Journal* (April 6, 2021) (available at: <https://bankingjournal.aba.com/2021/04/the-real-story-on-bank-branch-closures/>) (noting that “[a]lmost all banking deserts are found in extremely rural areas with low population densities” and that banking deserts are “80 percent white and mostly upper- or middle-income”); and Consumer Financial Protection Bureau, “Data Point: The Geography of Credit Invisibility” (Sept. 2018), pp. 18-19 (finding that “there appears to be little relationship between distance to the nearest branch and credit invisibility” and that “similar patterns were observed for each relative income level”) (available at: https://files.consumerfinance.gov/f/documents/bcfp_data-point_the-geography-of-credit-invisibility.pdf (accessed Jan. 12, 2021)).

⁵⁴ See “Who Are the Unbanked? Characteristics Beyond Income,” *supra* note 11, at p. 55 (noting that, “[o]f the technological factors we examine, we find that low income households without internet access have a much higher probability of being unbanked than those with internet access” and arguing that “policymakers who promote banking among the unbanked may want to design policies that target low-income households without internet access rather than all low-income households broadly”); and Stephanie Walden, “Covid-19 Highlights Digital Divide And Its Impact On Banking,” *Forbes* July 21, 2020 (available at: <https://www.forbes.com/advisor/banking/digital-divide-and-its-impact-on-banking/> (accessed Sept. 29, 2020)) (noting that although many fintechs provide products and services that might appeal to Americans, access to the internet is the first step toward resolving the unbanked/underbanked challenge).

⁵⁵ “Who Are the Unbanked? Characteristics Beyond Income,” *supra* note 11, at pp. 56 & 66-67.

⁵⁶ 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/> (accessed Nov. 30, 2020)).

⁵⁷ 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> (accessed Oct. 9, 2020)); 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> (accessed Oct. 9, 2020)) (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”).

⁵⁸ 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> (accessed Jan. 12, 2021)).

⁵⁹ See Olivia Paschal, “Pandemic closures complicate life for the unbanked,” *Facing South* (April 3, 2020) (available at: <https://www.facingsouth.org/2020/04/pandemic-closures-complicate-life-unbanked> (accessed Oct. 9, 2020)) (noting that many “Southerners will be left behind by online services because they lack the ability to pay” and the low rates of broadband access in the South is “compounded by the closures of libraries and fast-food restaurants where many people could previously access Wi-Fi. . .”).

families has the potential to increase the number of individuals with a bank account by 10%;⁶⁰ and additional benefits, such as greater equity and inclusion for low-income and underserved families, may flow from such policies as well.⁶¹

No single reason accounts for why households are unbanked.⁶² 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. Certainly, some targeted approaches, such as messaging about the benefits of transactional accounts, are likely to be easier than others, such as reorienting anti-money-laundering laws to be more conducive to account openings in certain situations. Section II of this paper examines initiatives undertaken to promote financial inclusion and discourage the utilization of high-cost, non-bank financial products and services.

d. Why do Households Use Alternative Financial Products and Services?

The reasons individuals use alternative financial products and services include a preference for nonbank providers in certain circumstances, convenience factors, affinities for specific devices and applications, misunderstanding of key aspects of bank products or services, fitness of particular products or services to a particular need, and lack of access to other options.

Like the myriad reasons why individuals and households do not have bank accounts, individuals and households have numerous reasons for using alternative financial products and services. Although, as Federal Reserve Board researchers have noted, they can be difficult

to pinpoint,⁶³ these reasons include a preference for nonbank providers in certain instances, convenience factors, affinities for specific devices and applications, misunderstandings of key aspects of bank accounts or bank products and services, challenges in managing an account, fitness of a particular product or service to a specific need in an individual's or household's financial services life-cycle, and lack of access to other options.

In its most recent review of the economic well-being of U.S. households, the Board found that many individuals "who used alternative financial services (around one in five adults) may have needed *or preferred* to conduct certain financial transactions through providers other than traditional banks and credit unions."⁶⁴ The reasons why consumers might prefer alternative products and services, particularly when those products and services are more expensive than alternatives provided by banks and credit unions (of all sizes), including both state- and federally-chartered organizations, is something that has keenly interested researchers for some time. After all, credit unions and community development financial institution banks ("CDFI banks") are nonprofit institutions. And credit unions and CDFI banks, like other depository institutions, frequently offer products and services that are tailored to unbanked and underbanked households, including prepaid cards, low-/no-cost check cashing, payday alternative loans, credit builder loans, and micro loans.⁶⁵

One explanation for why individuals and households might prefer alternative financial services is that the fees associated with them, although often higher with respect to individual items or transactions, can seem more predictable to some users, particularly those who are not experienced with banks and bank accounts. When a professor at the University of Pennsylvania went

⁶⁰ 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> (accessed Sept. 29, 2020)).

⁶¹ 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).

⁶² For example, the Board's survey finds that another factor—interactions with the legal system and unpaid legal expenses—is correlated with households' banked status. The Board notes that "carrying debt from legal expenses correlates with less access to credit and banking products[,] with "[f]ewer than half of those whose family[']s had unpaid legal debts [reporting being] fully banked" and "[f]our in 10 of those in this group [being] underbanked. . . ." ("Report on the Economic Well-Being of U.S. Households in 2019, Featuring Supplemental Data from April 2020," *supra* note 1, p. 10.)

⁶³ Economists from the Federal Reserve set out, in 2012, to look at who uses alternative financial services and why they use them, found that when they "look[ed] at the reasons why consumer use [alternative financial services] products, no clear patterns of reasoning emerge." (See Gross, Hogarth, Manohar, and Gallegos, "Who Uses Alternative Financial Services, and Why?" Consumer Interests Annual, Vol. 58, 2012 (available at: <https://www.consumerinterests.org/assets/docs/CIA/CIA2012/2012-57%20who%20uses%20alternative%20financial%20services%20and%20why.pdf> (accessed Oct. 2, 2020)).

⁶⁴ "Report on the Economic Well-Being of U.S. Households in 2019, Featuring Supplemental Data from April 2020" (May 2020), *supra* note 1, p. 27 (italics added for emphasis).

⁶⁵ There are over 5,000 credit unions in the U.S. that serve 120 million members. Everyone in the U.S. is eligible to join a credit union, and the branch networks of credit unions are generally expanding, including in areas identified as banking deserts, according to information provided by the Credit Union National Association, Inc. (on file with The Clearing House).

undercover as an employee at check-cashing companies and payday lenders, she found that many check-cashing customers “preferred to pay predictable flat fees they understand, rather than incur unexpected charges” and fees levied by banks.⁶⁶

Indeed, users of some alternative financial products and services consistently report high levels of satisfaction. Such is the case with payday loans and rent-to-own products, where researchers have repeatedly found a wide majority of users are satisfied with these financial products, often in spite of high costs.⁶⁷

Some underbanked households and individuals also seem to prefer certain alternative financial products and services, or providers of such products and services, because of convenience.⁶⁸ Researchers have found that, among payday loan recipients who also considered a bank loan, a significant number of recipients report the convenient locations of payday loan providers as an important factor in their decision to use a non-bank provider.⁶⁹ Likewise, FDIC researchers found that underbanked and underserved households prefer

financial products, services, and providers that they view as “convenient”;⁷⁰ and according to findings from The Pew Charitable Trusts (“Pew”), prepaid cardholders, who use alternative financial services more frequently than American households in general, and many of whom have bank accounts, choose to use non-bank bill-paying services because they find them to be more convenient than alternatives provided by banks.⁷¹ Similarly, a 2004 Harvard study that examined the use of check cashers found that geographic location “influences where consumers conduct their check cashing business.”⁷² (Interestingly, the same Harvard researcher found that “[o]nly a trivial fraction of respondents said they did not have a bank account because banks were not conveniently located.”)⁷³

Affinity for specific devices—such as the affinity that many people have for their mobile phones (and, by extension, mobile phone-based applications)—may also influence individuals’ choices of financial products and services (and whether to use alternative products and services). FDIC researchers studying mobile device and smartphone penetration among the underbanked, and the relationship between mobile banking and traditional banking, have found that “[a]n overwhelming majority of [underserved consumers studied in the survey] seek a sense of control in managing their finances and prefer products and services that enable them to achieve this feeling.”⁷⁴ The FDIC estimates that 75.5% of underbanked households had access to a smartphone in 2015.⁷⁵ The FDIC has also found that “[m]obile banking is perceived

⁶⁶ See Lisa J. Servon, “Why Do the Unbanked Use Alternative Financial Services?” Federal Reserve Bank of Philadelphia Cascade article, No. 84 (2014) (concluding that even if the price of a single transaction of service is more expensive at an alternative financial service provider than a bank, many customers struggle with minimum required balances and overdraft fees and therefore feel the pricing is more predictable).

⁶⁷ See Gregory Ellihhausen, “An Analysis of Consumers’ Use of Payday Loans,” Financial Services Research Program, Monograph No. 41 (January 2009), pp. 41-42 & 63-64 (finding high levels of satisfaction with use of payday lending products, and use of payday loans as a rational form of short-term financing) (available at: <http://citeseerx.ist.psu.edu/viewdoc/download?doi=10.1.1.554.4055&rep=rep1&type=pdf> (accessed Oct. 5, 2020)); James Lacko, Signe-Mary McKernan, and Manoj Hastak, “Customer Experience with Rent-to-Own Transactions,” *Journal of Public Policy and Marketing*, pp. 126-38 (finding that 75 percent of rent-to-own customers are satisfied with their experience); and Signe-Mary McKernan, Caroline Ratcliffe, and Daniel Kuehn, “Prohibitions, Price Caps, and Disclosures: A Look at State Policies and Alternative Financial Product Use,” Urban Institute (Nov. 2010) (available at: <https://www.urban.org/sites/default/files/publication/27176/412306-Prohibitions-Price-Caps-and-Disclosures-A-Look-at-State-Policies-and-Alternative-Financial-Product-Use.PDF> (accessed Oct. 5, 2020)), p. 6 (finding a majority of payday and rent-to-own customers are satisfied with the products they have obtained).

⁶⁸ Edward L. Rubin, “The Lifeline Banking Controversy: Putting Deregulation to Work for the Low-Income Consumer,” *Ind. L.J.* Vol. 67, Issue 2 (Winter 1992), p. 227 (noting that alternative payment services may be high in price, but offer advantages that compensate for the additional cost, and, principal among these, is convenience).

⁶⁹ See “Public Policies to Alter the Use of Alternative Financial Services Among Low-Income [H]ouseholds” *supra* note 46, p. 1. See also “An Analysis of Consumers’ Use of Payday Loans,” *supra* note 67, at pp. 39-41 (noting that “[c]onvenience was an important reason for choosing payday loans over other sources of credit”). But see “Data Point: The Geography of Credit Invisibility,” *supra* note 53, at pp. 18-19 (finding that “there appears to be little relationship between distance to the nearest branch and credit invisibility” and that “similar patterns were observed for each relative income level”).

⁷⁰ See Susan Burhouse, Benjamin Navarro and Yazmin Osaka, “Opportunities for Mobile Financial Services to Engage Underserved Customers,” FDIC Qualitative Research Findings report (May 25, 2016) (available at: https://www.fdic.gov/consumers/community/mobile/mfs_qualitative_research_report.pdf (accessed Sept. 29, 2020)), pp. 1, 3 & 7. See also Jelena McWilliams, “FDIC Chairman McWilliams: The Future of Banking,” Prepared Remarks (Oct. 1, 2019) (noting that “[c]onsumers expect convenience and a 24/7 connection to their financial services providers. . .”).

⁷¹ Nick Bourke, Alex Horowitz & Walter Lake, “Why Americans Use Prepaid Cards[,] A Survey of Cardholders’ Motivations and Views,” A Report from The Pew Charitable Trusts (Feb. 2014), pp. 9-10 (noting that prepaid card cardholders that use bill-paying services “may use these services to expedite payment because they do not have other methods to pay a bill or because they find it more convenient”).

⁷² “To Bank or Not to Bank[.]; A Survey of Low-Income Households,” *supra* note 9, p. 16.

⁷³ *Id.*

⁷⁴ “Opportunities for Mobile Financial Services to Engage Underserved Customers,” *supra* note 70, at pp. 6, 7 & 21.

⁷⁵ *Id.*

to better meet customer needs in some [] [] areas [viewed as] weak[]” by the underserved (including the underbanked).⁷⁶ These findings led FDIC staff to conclude that “[mobile financial services] can encourage the sustainability of banking relationships for the underserved.”⁷⁷

Unlike affinities for specific devices like smartphones, affinities for specific means of payment, or payment instruments, seem less pronounced. In the Federal Reserve’s 2019 Survey of Consumer Payment Choice, Fed researchers found that “[e]ight percent of consumers [surveyed] did not [have] any of the payment instruments [commonly] linked to a bank account” (these include paper checks, debit cards, online banking bill payments, and payments made using a bank routing number and account number) and among these consumers there were “various combinations of cash, money orders, and prepaid card[s] [used].”⁷⁸ Thus, while connections and emotions may play a role in consumers’ choice of financial products and services, and payment instruments,⁷⁹ connections may be most pronounced with respect to certain devices, applications, or providers. Individual and household behavior may also change over time, as they assess different tools and options in light of their needs and factors associated with the point in time in their

financial life-cycle (e.g., education).⁸⁰

Another reason why underbanked individuals and households may choose alternative financial products and services is because they lack financial knowledge and do not understand key features of bank products and services or find alternative service providers easier to understand than banks.⁸¹ A Federal Reserve Bank of Kansas City study of unbanked and underbanked consumers in the Tenth Federal Reserve District concluded that “[c]onsumer misunderstanding and misinformation about bank services and products is a significant barrier [to greater financial inclusion].”⁸² The study, which involved the convening of over 24 focus groups in Kansas City, Denver, Oklahoma City, and Omaha, found that “the complexity of managing account records and the difficulty in understanding account rules and procedures often played a significant role in the problems that respondents related having with bank accounts [and bank products and services.]”⁸³ A majority of respondents in the Federal Reserve Bank of Kansas City’s study noted that, in comparison to banks, “retailers are often easier to use for basic transactional services such as cashing checks and buying money orders.”⁸⁴ Researchers from Kansas State University and the University of Georgia similarly observed that individuals with “low objective knowledge” of financial products and services but “high subjective knowledge” (meaning those who think they know a lot about financial products and services, but do not) “are significantly more likely to report use of AFS [after controlling for other factors].”⁸⁵ The researchers concluded that the evidence supports the notion that “a significant portion of borrowers [who use alternative financial products/services] might be making decisions that are less than optimal[] based[.]

⁷⁶ *Id.*

⁷⁷ *Id.* at pp. 21, 26-27 & 29. In addition to affinities for specific devices, affinities for specific services may also play a role in selection. The same University of Pennsylvania professor who went undercover to learn about the people who use check cashers and payday lenders has found that the individual utility of specific transactional products and services, such as Venmo and certain peer-to-peer lending products, appears to be driving usage of certain alternative financial products/services, particularly among millennials. (See Lisa Servon, “The Unbanking of America,” *supra* note 20, pp. 112-113; see also Lisa J. Servon and Antonietta Castro-Cosio, “Reframing the Debate About Financial Inclusion: Evidence from and Up Close View of Alternative Financial Services,” draft paper prepared for the Federal Reserve’s Economic Mobility Conference (March 5, 2015), at p. 36 (concluding that use of alternative financial services is often a logical but more expensive choice made by consumers who are seeking specific utility) (available at: <https://www.stlouisfed.org/~media/files/pdfs/community%20development/econ%20mobility/sessions/servonpaper508.pdf> (accessed Oct. 5, 2020)).

⁷⁸ Kevin Foster, Claire Greene, and Joanna Stavins, “The 2019 Survey of Consumer Payment Choice: Summary Results” (2020), p. 7 (available at: <https://www.frbatlanta.org/~media/documents/banking/consumer-payments/survey-of-consumer-payment-choice/2019/2019-survey-of-consumer-payment-choice.pdf> (accessed Oct. 1, 2020)).

⁷⁹ See “The Lifeline Banking Controversy: Putting Deregulation to Work for the Low-Income Consumer,” *supra* note 68, pp. 227-228 (noting that “low-income consumers [may] use alternative, higher-cost payment mechanisms for emotional reasons” and that “[t]here is a certain amount of evidence that support[s] [this] supposition[]”).

⁸⁰ See “Household Finance Over the Life-Cycle: What Does Education Contribute?,” *supra* note 23.

⁸¹ Complicated bank disclosures are often the product of significant, complex regulation which, if not applicable to alternative financial services providers, may be creating an uneven playing field when it comes to product understandability.

⁸² Federal Reserve Bank of Kansas City, “A Study of the Unbanked & Underbanked Consumer in the Tenth Federal Reserve District” (May 2010), p. 7.

⁸³ *Id.*

⁸⁴ *Id.* at pp. 7-8.

⁸⁵ Robb, Babiarz, Woodyard and Seay, “Bounded Rationality and Use of Alternative Financial Services,” *Journal of Consumer Affairs* (Summer 2015), Vol. 49, No. 2, pp. 430-431.

possibly[,] on a lack of information or an insufficient understanding of products, costs, and alternatives[].”⁸⁶ Earlier work from researchers at George Washington University found that “financial literacy is strikingly low among [alternative financial products/services] users; the large majority lack knowledge of basic financial concepts at the basis of financial decision making.”⁸⁷

Still another reason why individuals and households may choose alternative financial products and services is difficulty accessing banking services. The Housing Assistance Council, a national nonprofit focused on the welfare of rural communities, analyzed FDIC data and found that “[a]pproximately 275 rural counties have one or no banks, or only small asset banks.”⁸⁸ The Board found that from 2012 to 2017, just over 40 percent of rural counties lost bank branches, and 89 percent of counties that were “deeply affected” by bank branch closures were rural counties.⁸⁹ (The Board defined a county as “deeply affected” if it had 10 or fewer branches in 2012 and lost at least 50% of those branches by 2017.⁹⁰) However, the American Bankers Association (“ABA”) has found that from 2013 to 2020 94 percent of branch closures were in urban or suburban census tracts, 76 percent of branch closures were in middle- and upper-income census tracts, and 5 percent of branch closures were in low-income census tracts, 0.5 percent of which were in rural locations, indicating that branch closures are significantly less likely to leave vulnerable communities without bank branches.⁹¹ Additionally, recent analysis from the ABA finds that most Americans are within commuting distance of a wide selection of bank branches, with the average American living within commuting distance of 25 branch

locations.⁹² The ABA also finds that, even in circumstances where communities are highly rural to the point of meeting the qualification for bank deserts, the vast majority of these communities are upper- and middle-income, and exhibit similar levels of financial product usage to other comparable rural communities.⁹³

For households in rural locations, as well as areas with high rates of unbanked and underbanked individuals,⁹⁴ internet access plays a critical role in delivering financial services offerings. Seeking to understand the impact of bank branch closures on individuals and households, the Federal Reserve Board conducted “listening sessions” in communities around the country.⁹⁵ A key takeaway from these sessions was that “technology helps mitigate potential harm, but cannot meet all needs and is not currently a viable option in all communities”; and another key takeaway was that “nonbank financial service providers are filling critical gaps, but are not meeting all needs or are doing so at a higher cost to the consumer.”⁹⁶ The Board noted that, with respect to internet access and internet-based products and services, “participants in several listening sessions highlighted that they ... are meeting most of their needs online via internet and mobile banking,” but “[o]ther participants highlighted the fact that broad-band internet and cellular phone service is not sufficient, reliable, or affordable enough in the communities to allow for a substitution to online banking,” and “certain customers, particularly older adults, lack the digital literacy needed to use online or mobile technologies as a substitute to in-person access.”⁹⁷

⁸⁶ *Id.* at p. 430.

⁸⁷ “Financial Literacy and High-Cost Borrowing in the United States,” *supra* note 26, pp. 21-22.

⁸⁸ The Housing Assistance Council, “Many Rural Communities are Severely Underbanked” (available at: <http://www.ruralhome.org/whats-new/mn-whats-new/139-cat-whats-new-general/1627-many-rural-communities-are-severely-underbanked> (accessed Oct. 14, 2020)).

⁸⁹ “Perspectives from Main Street: Bank Branch Access in Rural Communities,” *supra* note 3, at pp. 3-4.

⁹⁰ *Id.*

⁹¹ Hugo Dante, “Don’t Confuse Branch Closures with Fewer Banking Services,” ABA Banking Journal (Aug. 9, 2019) (available at: <https://bankingjournal.aba.com/2019/08/dont-confuse-branch-closures-with-fewer-banking-services/>).

⁹² See “The Real Story on Bank Branch Closures,” *supra* note 53.

⁹³ *Id.*

⁹⁴ In 2011, Prosperity Now and its partners looked at unbanked and underbanked households by census tract, in every city/place and county in the country and found that while “[t]he rate of unbanked and underbanked households varies significantly by location” many cities with high unbanked rates also have high underbanked rates. For example, in Starr County, Texas, which was, at that time, the most unbanked county according to the Prosperity Now data, 32.7% of households were unbanked and 28.2% were underbanked; and in Miami and Detroit, cities which, at that time, had approximately 1 in 5 unbanked households, “an additional 21.3% of households [were] underbanked [in Miami] and in Detroit [] an additional 29.3% of households [were] underbanked.” (Prosperity Now, “The Most Unbanked Places in America” (Dec. 14, 2011) (available at: <https://prosperitynow.org/blog/most-unbanked-places-america> (Accessed Oct. 9, 2020)).

⁹⁵ “Perspectives from Main Street: Bank Branch Access in Rural Communities,” *supra* note 3, at pp. 1 & 11-17.

⁹⁶ *Id.* at pp. 12 & 13 (internal capitalization from section headings omitted).

⁹⁷ *Id.* at p. 12.

The research and listening sessions led the Board to conclude that “the pace of [] shifts in [consumptive] behavior [concerning financial products and services] is not consistent among population subsegments or across financial service products, and the data and research appear to indicate that particular consumers and small businesses are likely to be disproportionately harmed by changes in bank branch availability.”⁹⁸ One example of such disproportionate impact appears to be certain rural areas lacking reliable internet access and cellular phone service. For this reason, as greater investment is made in developing internet and cellular infrastructure in rural areas, digital banking channels may prove a promising avenue for expanding banking access.

Yet another reason why underbanked individuals and households may choose certain non-bank financial products and services is the level of comfort associated with the environment in which the products and services are provided. The University of Pennsylvania professor who found that the predictability of certain alternative financial products and services fees can play a role in product/service selection also found that there was a strong customer service component.⁹⁹ She found that consumers who chose a particular alternative product or service often felt respected and enjoyed a rapport with the providers of these products/services.¹⁰⁰ The way customers are treated, which has a direct bearing on how customers feel about providers of financial products and services, and whether minority and non-minority customers are treated equally,¹⁰¹ is something that

secret shopping initiatives,¹⁰² as well as diversity, equity, and inclusion efforts related to financial products and services,¹⁰³ have sought to measure and improve.

Like the unbanked, individuals and households are underbanked for a variety of reasons. Factors associated with consumers’ use of individual alternative financial products and services, or their providers—factors such as predictability, convenience, utility, fitness of a particular product or service to a specific need in their financial life-cycle, and form factor appeal—appear to play an integral role in alternative financial products/service selection. This suggests that policies meant to address the underbanked would benefit from being narrowly tailored and from focusing on whether a particular alternative financial product or service fits an individual’s or household’s need at a point in time. Other research suggests that underbanked status can be linked to a lack of financial knowledge and misunderstandings about foundational bank products and services. Public policy intended to reduce reliance on costly alternative financial services tied to these factors might therefore benefit from promoting financial literacy and education,¹⁰⁴ and from providing regulatory safe harbors to enable banks to expand access to bank products and services

⁹⁸ *Id.* at p. 19.

⁹⁹ See “Why Do the Unbanked Use Alternative Financial Services?” *supra* note 66 (noting that the hours and locations of check cashers are convenient, the customer service is excellent, and customers frequently described check cashers as providing “service” and “respect”).

¹⁰⁰ *Id.*

¹⁰¹ See, for example, Emily Flitter, “Banking While Black: How Cashing a Check Can Be a Minefield,” *The New York Times* (June 18, 2020) (available at: <https://www.nytimes.com/2020/06/18/business/banks-black-customers-racism.html>); and Faith Karimi, “A 911 Call, a racial slur, a refusal to cash a check. This is what it’s like for some Black bank customers,” *CNN* (July 2, 2020) (available at: <https://www.cnn.com/2020/07/02/us/banking-while-black-racism-trnd/index.html>) (noting negative experiences of people of color and minorities with banks).

¹⁰² See, for example, National Community Reinvestment Coalition, “Racial and Gender Mystery Shopping For Entrepreneurial Loans: Preliminary Overview” (2020) (available at: <https://ncrc.org/wp-content/uploads/2020/02/NCRC-Mystery-Shopping-Race-and-Gen-der-v8.pdf>) (looking at the treatment of minority and non-minority applicants for small business loans); and Consultative Group to Assist the Poor, “Mystery Shopping for Financial Services,” A Technical Guide (Oct. 2015) (available at: <https://www.cgap.org/sites/default/files/Technical-Guide-Mystery-Shopping-for-Financial-Services-Oct-2015.pdf>) (providing an overview of policy areas that might benefit from mystery shopping). See also Chris Arnold, “Mystery Shoppers’ Help U.S. Regulators Fight Racial Discrimination At Banks,” *NPR news* (Aug. 26, 2016) (noting that the CFPB uses mystery shopping to help determine whether financial service providers are engaging in discrimination).

¹⁰³ See, for example, the American Bankers Association’s Diversity, Equity & Inclusion initiative, which seeks to “help[] banks of all sizes build diverse, equitable and inclusive workplaces that best represent the communities they serve.” “Diversity, Equity & Inclusion” (available at: <https://www.aba.com/banking-topics/operations/diversity-equity-inclusion> (accessed March 30, 2021)).

¹⁰⁴ Although reducing utilization of alternative and high-cost financial products and services is not an explicitly stated goal of The Financial Literacy and Education Commission (a group of 22 federal government entities/agencies working together for greater financial empowerment), increasing and enhancing financial literacy is. In 2015, the Commission released a report titled “Strategy for Assuring Financial Empowerment (SAFE) Report,” pp. 6-7 & 12-15 (available here: <https://www.treasury.gov/resource-center/financial-education/Documents/2015%20SAFE%20Report.pdf> (accessed Oct. 6, 2020)), in which it notes that there is “[e]vidence suggest[ing] that hands-on learning, such as opening a bank or credit union account in a child’s name, may be an effective way to teach them about financial capability and to help them develop sound financial habits,” leading to future successes, and that educational programs that are paired with account offerings have shown positive results.

for customers with limited English proficiency by, for example, providing certain translation services and marketing products in Spanish and other non-English languages.¹⁰⁵ (According to the U.S. Census Bureau, 67.8 million people in the U.S. above the age of 5 speak a language other than English at home, and 37.6 percent of these individuals are classified as “limited English proficient” or “LEP” consumers (meaning an individual who has a limited ability to read, write, or understand English)).¹⁰⁶ Still other research suggests that insufficient access to bank products and services, and reliance on certain alternative providers’ products and services, is prevalent in rural areas that lack reliable access to the internet and cell phone service. Thus, public policy targeting underbanked individuals in these areas would likely benefit from focusing on making reliable and affordable internet access available to individuals and households and ensuring that these individuals and households possess sufficient digital literacy to be able to take advantage of these tools.¹⁰⁷ Indeed a broad range of benefits, including benefits that engender greater inclusion and equity for low-income and underserved communities, are likely to flow from policies that support greater internet access, as well as digital literacy and

skills development.¹⁰⁸ Further, approaches to reducing utilization of high-cost alternative financial products and services should account for the fact that use of these services is often tied to specific individual or household needs, such as payments, borrowing, or savings, and that these needs can change over time. Thus, a policy that is designed to emphasize one solution over another may find that individuals on the cusp of a life-cycle change will exhibit a behavioral change irrespective of policy. Overall, while no one-size-fits-all approach is likely to reduce overall reliance on more costly alternative financial products and services, approaches tailored to address specific alternative financial products and services and that take into account underlying reasons for their use can be successful.

II. Addressing the Unbanked/Underbanked Challenge through Product Offerings, Financial Education, and Inclusion Initiatives

Public-private partnerships that advance targeted financial education and include messaging on ways in which a bank account can meet an individual’s current needs have been shown to be among the most successful ways to ensure decision-making that leads to increased financial wellbeing. Education and messaging have been particularly effective when coupled with two programs, the FDIC’s Model Safe Account Pilot (no longer active) and the Bank On initiative, which have achieved significant advances in banking the unbanked. These initiatives, which promote basic, low-cost bank accounts, show enormous promise in addressing the needs of the unbanked.

a. Private Sector Offerings of No- and Low-Cost Accounts

Although some policymakers have alleged that no- or low-cost bank accounts are unavailable and that, therefore, banks are to blame for the number

¹⁰⁵ Compliance risks and uncertainty related to providing limited-English-proficient customers with non-English product marketing, explanations, and disclosures can limit the extent to which banks provide non-English-language product- and service-related information that might help a significant number of customers to better understand bank-provided products and services. To help address this, and to “encourage financial institutions to better serve consumers with limited English proficiency,” the Consumer Financial Protection Bureau in January published a statement that provides banks with principles and guidelines intended “to assist financial institutions in complying with [legal requirements].” (See “Statement Regarding the Provision of Financial Products and Services to Consumers with Limited English Proficiency,” 86 Fed. Reg. 6,306 (Jan. 21, 2021).) The CFPB’s recent Statement on serving limited-English-proficient consumers is a step in the right direction, but banks need clearer safe harbors to pilot translations and other services for these consumers. Additional efforts by regulators to encourage responsible translation and multi-lingual services by banks could make a meaningful impact on the unbanked/underbanked challenge.

¹⁰⁶ See U.S. Census Bureau, “American Community Survey[,] Characteristics of People by Language Spoken at Home” (2019) (available at: <https://data.census.gov/cedsci/table?q=S1603&tid=ACST1Y2019.S1603>).

¹⁰⁷ Internet access, including affordable internet access in rural locations, and digital equity was an area of focus for Congress in the recent (116th) session, and will continue to be an area of focus in the 117th session. See, for example, “Accessible, Affordable Internet for All Act” (draft) (Rep. Clyburn) (H.R. 7302) (available at: <https://www.congress.gov/bill/116th-congress/house-bill/7302>); and Matthew Christian, “Jim Clyburn to reintroduce broadband expansion bill,” SCNOW (Feb. 14, 2021) (available at: https://scnow.com/news/local/jim-clyburn-to-reintroduce-broadband-expansion-bill/article_8c2a5f98-6d6a-11eb-a327-ff6a30f6f3ca.html) (accessed March 8, 2021).

¹⁰⁸ See Letter from forty-seven community organizations, civil rights organizations, broadband providers, and non-profit organizations to Congressional Chairwomen, Chairmen, and Ranking Members, *supra* note 61, pp. 2 & 3.

of unbanked households,¹⁰⁹ there exists today an abundance of no- and low-cost account options offered by U.S. banks.¹¹⁰ The fact that these accounts are, in fact, widely available, despite the costs associated with opening and maintaining demand deposit accounts (“DDAs”),¹¹¹ suggests that banks genuinely consider banking the unbanked, and reducing the costs of financial services to U.S. households and individuals, as significant priorities and have developed strategies such as special pricing and underwriting to meet these opportunities. Additionally, by focusing on the long-term value of these relationships, banks are able to accept shorter-term, lower profitability associated with offering no- and low-cost accounts.

b. Partnership Offerings: the Federal Deposit Insurance Corporation’s Model Safe Accounts Pilot & the Bank On Initiative

In addition to private sector offerings, partnerships have arisen between public organizations, the nonprofit sector, and banks to address the unbanked/underbanked challenge by offering low- or no-cost transactional accounts to consumers.¹¹² Two programs, in particular, have achieved meaningful advances in banking the unbanked: the Federal Deposit Insurance Corporation’s (“FDIC”) Model Safe Accounts Pilot and the Bank On

Initiative (although, of these two programs, only the Bank On Initiative is still active). Although these initiatives were not the first partnerships seeking to provide banking access to low- and moderate-income individuals and underrepresented groups without bank accounts,¹¹³ they have achieved significant advancements in the design of basic, low-cost bank accounts and of programs that demonstrate that such accounts can be both attractive to the unbanked and viable for banks.

In 2011, the Federal Deposit Insurance Corporation (“FDIC”) launched the Model Safe Accounts Pilot. As the FDIC describes it, “the pilot was a case study designed to evaluate the feasibility of financial institutions offering safe, low-cost transactional and savings accounts” that are tailored to “the needs of underserved consumers.”¹¹⁴ “Safe Accounts,” defined as “checkless, card-based electronic accounts that allow withdrawals only through automated teller machines, point-of-sale terminals, automated clearinghouse preauthorizations, and other automated means,” included transaction accounts and savings accounts that were designed around a predetermined set of characteristics.¹¹⁵ These characteristics were set forth in the “FDIC Model Safe Accounts Template,” or simply the “Template,” and included a maximum opening balance of \$10-25 for transaction accounts and \$5 for savings accounts, minimum monthly balances of \$1 for transaction accounts and \$5 for savings accounts, free check cashing if drawn on an insured institution and reasonable and proportional to the cost if not drawn on an insured institution, as well as additional required terms and conditions, such as auxiliary services (including free financial education).¹¹⁶

¹⁰⁹ See, for example, Senate Committee on Banking, Housing, and Urban Affairs remote hearing, titled: “The Digitization of Money and Payments” (June 30, 2020) (during which Senator Cortez Masto noted that nothing is being done to solve the problem that many Americans are un- or underbanked”); and House Financial Services Financial Technology Task Force hearing, titled “Inclusive Banking During a Pandemic: Using FedAccounts and Digital Tools to Improve Delivery of Stimulus Payments” (June 11, 2020) (during which Congressman Lynch noted that “long-standing inequities and deficiencies in our banking system” have given rise to many Americans having no bank account). See also Pascrell-Kaptur Postal Banking Amendment Press Release (July 30, 2020) (available at: <https://pascrell.house.gov/news/documentsingle.aspx?DocumentID=4407> (accessed Oct. 27, 2020)) (noting that “[w]ith over 30 million unbanked and underbanked Americans, it is clear the free market banking sector has left too many working families behind, especially communities of color” and “[w]ith a branch in every rural and urban ZIP code and trusted by all Americans, the Postal Service must provide a financial lifeline to those in need.”)

¹¹⁰ See Appendix A: A Sampling of No- and Low-Cost Accounts in the U.S., providing a representative look at some of the no- and low-cost accounts currently available.

¹¹¹ Generally the cost of opening an account is estimated to be between \$165 and \$175 for a DDA opened in a branch, \$175 for a DDA opened by using a call center, and \$50-\$60 for a DDA opened online/digitally. (Based on information from a major banking industry consulting company that is on file with The Clearing House).

¹¹² Public-private partnerships have also arisen to address small business lending, such as Massachusetts’ Small Business Banking Program, and similar programs in Maryland and Oregon, but these programs are outside of the scope of this paper, which addresses non-business use of bank accounts and alternative financial products and services.

¹¹³ See, for example, U.S. Department of the Treasury, “Findings from the First Accounts Program,” Treasury Report (Jan. 2009) (available at: https://www.treasury.gov/press-center/financial-education/Documents/ExecutiveSummary_FirstAccounts_1-9-09.pdf) (detailing an initiative by the U.S. Treasury Department to “increase access to financial services among low- and moderate-income individuals without bank accounts”); and U.S. Department of the Treasury, “Treasury’s First Accounts Program Brings Thousands Into Financial Mainstream,” Treasury Press Release (Jan. 6, 2009) (noting that over 37,000 savings and checking accounts were opened in connection with the First Accounts Program).

¹¹⁴ Federal Deposit Insurance Corporation, “FDIC Model Safe Accounts Pilot,” available at: <https://www.fdic.gov/consumers/template/> (accessed Oct. 6, 2020); and Federal Deposit Insurance Corporation, “Model Safe Accounts Pilot Final Report” (April 2012) (available at: <https://www.fdic.gov/consumers/template/SafeAccountsFinalReport.pdf> (accessed Oct. 6, 2020)).

¹¹⁵ “Model Safe Accounts Pilot Final Report,” *supra* note 114, at p. 1.

¹¹⁶ *Id.* at p. 10.

These accounts were offered by nine financial institutions,¹¹⁷ and, even though the banks employed different approaches to signing up new accounts,¹¹⁸ the participating banks collectively found the basic Safe Account product to be viable.¹¹⁹ At the end of the one-year pilot period, 95 percent of savings accounts opened through the program remained open and 80 percent of transaction accounts remained open.¹²⁰ The FDIC staff responsible for the pilot program ultimately concluded that “opportunities exist for financial institutions to offer safe, low-cost transaction and savings accounts to underserved and [low- to moderate-income] consumers.”¹²¹ Although the FDIC no longer operates the Model Safe Accounts Pilot, the FDIC still seeks to connect unbanked and underbanked individuals to banks that provide low- and no-cost accounts through its Get Banked/#GetBanked! program.¹²²

The Bank On Initiative (“Bank On”), a successful, coalition-based collaboration between municipal governments, the Cities for Financial Empowerment Fund,¹²³ and banks to improve the financial wellbeing of U.S. households, helps ensure that “safe and appropriate . . . low-cost transactional products” (bank accounts) are provided to unbanked and underbanked individuals through, in part, the promulgation of account standards and

certification of accounts.¹²⁴ Currently, over 70 financial institutions offer Bank On accounts through more than 28,000 branches; several hundred banks are exploring certification; and close to 90 coalitions are operating in 34 states and in the District of Columbia.¹²⁵ “Inspired by the [FDIC’s] Model Safe Accounts Template,” the Bank On initiative is designed around the “basic transaction account,” which it sees as “an important first step [toward] establishing a mainstream banking relationship” and as a means for unbanked and underbanked individuals to save on costs and obtain “stabilizing benefits,” like asset building and safety (a safe place to deposit money).¹²⁶ Participating organizations that offer these accounts must meet guidelines known as the “Bank on National Account Standards,”¹²⁷ 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.¹²⁸ 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.¹²⁹ 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)

¹¹⁷ FDIC Model Safe Accounts Pilots Banks included Bath Savings Institution, Citibank, Cross County Savings Bank, First State Bank, ING Direct (subsequently acquired by Capital One), Pinnacle Bank, South Central Bank, and Webster Five Cents Savings Bank (see <https://www.fdic.gov/consumers/template/banks.html> (accessed Oct. 6, 2020)); and “Model Safe Accounts Pilot Final Report,” *supra* note 114, at pp. 3 & 13.

¹¹⁸ Participating banks used a “partnership model, re-entrant model, new entrant model, cross-selling model, [and] Internet model” for Safe Account acquisitions. The use by participating banks of different models led the FDIC to conclude that “the FDIC Model Safe Accounts Template is flexible enough to be used in a wide variety of circumstances.” (See “Model Safe Accounts Pilot Final Report,” *supra* note 114, at pp. 1, 3 & 6-8.)

¹¹⁹ Participating banks opened more than 3,500 Safe Account during the pilot and found that the accounts “performed on par with or better than other transaction and savings accounts.” (“Model Safe Accounts Pilot Final Report,” *supra* note 114, at p. 3.)

¹²⁰ “Model Safe Accounts Pilot Final Report,” *supra* note 114, at pp. 1 & 3.

¹²¹ *Id.* at p. 13.

¹²² See Federal Deposit Insurance Corporation, “There’s a Better Way! [#GetBanked!]” (April 5, 2021) (available at: <https://www.fdic.gov/getbanked/index.html>).

¹²³ The Cities for Financial Empowerment Fund is a 501(c)3 “focus[ed] on designing, embedding and replicating financial empowerment initiatives within the fabric of local government.” (See <https://cfefund.org/about/> (accessed Oct. 6, 2020)).

¹²⁴ More information on the Bank On Initiative is available at: <https://joinbankon.org/about/> (accessed Oct. 6, 2020).

¹²⁵ *Id.*

¹²⁶ “About Bank On” (available at: <https://joinbankon.org/about/> (accessed Oct. 6, 2020)).

¹²⁷ “Bank On National Account Standards (2019-2020),” available here: https://2wvkof1m-fraz2etgea1p8kiy-wpengine.netdna-ssl.com/wp-content/uploads/2018/12/BankOn_Standards_2019-2020.pdf (accessed Oct. 6, 2020).

¹²⁸ See *supra* notes 124 & 126; and “Bank on National Account Standards (2019-2020),” *supra* note 127.

¹²⁹ “Bank On National Account Standards (2019-2020),” *supra* note 127.

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.”¹³⁰

The Bank On program has achieved remarkable success. In 2018, based on information from 10 participating institutions, nearly 800,000 Bank On-certified accounts were opened, of which 75% were opened by new customers of the participating bank.¹³¹ The Federal Reserve Bank of St. Louis, which, in 2019, partnered with the Bank On initiative to establish the Bank on National Data Hub, or “BOND Hub” for short, makes program information available based on state, metropolitan statistical area, or zip code,¹³² and, as of the writing of this paper, almost four-and-a-half million Bank On-certified accounts have been opened—a tremendous achievement. The 2019 data, which is not yet available, are expected to show similarly robust demand for Bank On-certified accounts.¹³³ Additionally, the popularity of Bank On-certified products with a wide range of customers (including millennials), the sustainability of the account structure (a fair monthly fee is permitted and

accounts generate significant debit revenue), the ability of certified accounts to attract new-to-bank customers (banks report that over 75% of Bank On certified account customers are new to the bank), and active marketing of Bank On-certified accounts by banks (in contrast to accounts like second chance accounts)¹³⁴ all solidify the foundation for Bank On’s continued success.

Overall, the FDIC’s Model Safe Accounts Pilot showed that banks could financially and operationally produce a low-cost, simple account free from overdraft fees, and the Bank On initiative put these operational principles into practice on a wide scale. The success of the Bank On initiative demonstrates that the banking industry is capable of making a significant difference with respect to financial inclusion and banking the unbanked once there is consensus around a blueprint for a sustainable single account standard, and that partnerships between public organizations and banks can meaningfully facilitate program development. Additionally, pairing simple account offerings with messaging that emphasizes the cost savings and stability that come from participation in mainstream banking systems appears to help overcome the initial reluctance and concerns that some individuals and households have with banks and banking. Moreover, utilization of a collaborative model appears to engender trust with prospective participants.

Looking ahead, the Bank On program may have room to grow as it benefits from increased bank engagement. In October 2020, Rob Nichols, president and CEO of the ABA, called on every bank in the country to consider offering Bank On-certified accounts.¹³⁵ Nichols, during remarks at an ABA banking convention, noted that “[d]espite a strong and intensely competitive financial services industry, we know that millions of Americans - and families of color in particular - remain outside the mainstream banking system and are missing the economic opportunities that comes from having a bank account,” and Nichols argued that by “offering Bank On-

¹³⁰ 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 (accessed Feb. 23, 2021)) (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: 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).

¹³¹ See “About Bank On,” *supra* note 126; and “The Bank On National Data Hub: Findings from the First Year” (available at: https://www.stlouisfed.org/~media/files/pdfs/community-development/bank-on/2019_bankon_report_final.pdf?la=en (accessed Oct. 14, 2020)).

¹³² See <https://www.stlouisfed.org/community-development/data-tools/bank-on-national-data-hub> (accessed Oct. 15, 2020).

¹³³ Based on conversations between The Clearing House staff and Cities for Financial Empowerment Fund staff. See also “Bank on Findings at a Glance,” available at: https://www.stlouisfed.org/~media/Files/PDFs/Community-Development/Bank-On/2019_BankOn_findings_at_a_glance.pdf?la=en (accessed Oct. 15, 2020) (noting that as of the end of 2018 3.4 million Bank On accounts had been opened). The 2019 report, titled “The Bank On National Data Hub: Findings from the First Year,” is based on data from 2018 (the first full program year after the pilot year) and the BOND Hub shows the 2018 data presently.

¹³⁴ Second chance accounts are bank accounts offered to individuals with adverse history, such as account closure, history of unpaid fees, and/or excessive overdrafts. See Ben Gran and Daphne Foreman, “Second Chance Banking: Making A Fresh Start,” *Forbes* (Aug. 20, 2020) (available at: <https://www.forbes.com/advisor/banking/second-chance-banking-making-a-fresh-start/>) (detailing how second chance banking works and how it benefits unbanked and underbanked consumers).

¹³⁵ American Bankers Association, “ABA Urges America’s Banks to Offer Bank-On Certified Accounts” (Oct. 19, 2020) (available at: <https://www.aba.com/about-us/press-room/press-releases/aba-urges-americas-banks-to-offer-bank-on-certified-accounts> (accessed Nov. 30, 2020)).

certified accounts ... America's banks can open doors of opportunity to new and returning customers...."¹³⁶

As part of that same initiative, the ABA worked to secure commitments from the nation's core service providers, who provide the technological backbone for thousands of community banks and credit unions, to ease friction for banks looking to revise or create Bank On-certified accounts. Since that announcement, interest in Bank On-certified accounts has more than quadrupled.

c. Basic Bank Accounts

In the 1980s, changes in banking and, in particular, the elimination of deposit rate ceilings, led consumer advocates to argue that bank accounts and banking services would become prohibitively expensive for some individuals and households and would exacerbate the unbanked/underbanked challenge.¹³⁷ A number of states¹³⁸ responded by enacting some form of legislation designed to require commercial banks to offer low-cost transactional accounts to consumers, and other states considered, but did not enact, such statutes.¹³⁹ In 1985, the Office of the Comptroller of the Currency recommended that federally-chartered banks make low-cost banking available to their customers.¹⁴⁰ The Federal Reserve Board followed suit, in September of 1986, asking its supervised banks to offer low-cost accounts and services to their low- and moderate-income customers.¹⁴¹

Although structured in different ways, state basic banking laws generally require state-chartered banks to offer some form of low-cost transactional account. For example, New York requires state-chartered banks

to offer consumer transaction accounts (known as "basic banking accounts") that have a \$25-or-less initial deposit requirement, a minimum account balance of \$.01, eight-or-more free withdrawal transactions per cycle (depending on the age of the account holder), and limited fees and charges (e.g., maintenance charges of no more than \$3.00 per periodic cycle); and Massachusetts requires state-chartered banks to provide service-charge-free savings and checking accounts to customers over 65 and under 18.¹⁴²

In spite of the similarities between legislated basic bank accounts and both the FDIC's Model Safe Accounts and Bank On's certified accounts, legislated basic bank accounts do not appear to have been particularly successful.¹⁴³ The number of unbanked households within certain sub-segments has even increased in the wake of such laws, according to a Yale economist.¹⁴⁴ One explanation for the lack of success of these laws is that the unbanked and underbanked individuals and households that were the intended beneficiaries of these accounts are not particularly price-sensitive. Federal Reserve Bank of New York researchers that studied individuals' and households' sensitivity to legislated basic bank accounts in New York concluded that certain underbanked consumers are "generally not very sensitive to small price changes" and, "even if costs are reduced, many of the unbanked appear to be unresponsive to

¹³⁶ *Id.* quoting Rob Nichols.

¹³⁷ Glenn Canner and Ellen Maland, "Basic Banking," Federal Reserve Bulletin, Vol. 70 (April 1987), pp. 255-69.

¹³⁸ Including Illinois, Massachusetts, Minnesota, New Jersey, New York, Pennsylvania, Rhode Island and Vermont (See Doyle, Lopez & Saldenberg, "How Effective Is Lifeline Banking in Assisting the 'Unbanked'?" Federal Reserve Bank of New York Current Issues in Economics and Finance, Vol. 4, No. 6 (June 1998), p. 1 (available at: https://www.newyorkfed.org/research/current_issues/ci4-6.html (accessed Oct. 16, 2020))).

¹³⁹ See "How Effective Is Lifeline Banking in Assisting the 'Unbanked'?" *supra* note 138, p. 1 (evaluating the successfulness of lifeline banking laws); and "The Lifeline Banking Controversy: Putting Deregulation to Work for the Low-Income Consumer," *supra* note 68, pp. 216-217.

¹⁴⁰ "Fed Backs 'Lifeline' Bank Programs," Special to The New York Times (Sept. 11, 1986) (available at: <https://www.nytimes.com/1986/09/11/business/fed-backs-lifeline-bank-programs.html> (accessed Oct. 16, 2020)).

¹⁴¹ *Id.*

¹⁴² New York Banking Law, Art. 2, § 14-F and N.Y. Comp. Codes R. & Regs. Tit. 3, 9.3 (1995); and Mass. Ann. Laws ch. 167D, § 2, respectively. See also NY Attorney General, "Basic Banking" (available at: <https://ag.ny.gov/consumer-frauds/basic-banking>); and Mass.gov, "Savings and checking accounts" (available at: <https://www.mass.gov/service-details/savings-and-checking-accounts>). Minnesota previously required its state-chartered banks to offer customers with annual family incomes below the federal poverty guidelines or who receive public assistance an account with no initial or periodic fees, six free checks, and six free ATM transactions per month; and Illinois required state-chartered banks to offer customers over the age of 65 accounts that allowed for 10 free checks per month and did not require initial account-opening deposits exceeding \$100. (See Minn. Stat. Ann. §§ 46.044 & 48.512; and Ill. Ann. Stat. ch. 17, § 504, respectively.)

¹⁴³ See Ebonya Washington, "The Impact of Banking and Fringe Banking Regulation on the Number of Unbanked Americans," J. Human Resources, Board of Regents of the University of Wisconsin System (2006), pp. 123-125 & 132-133 (noting that legislated basic banking increased the number of unbanked White households in a statistically significant way, and that, in general, "adoption of [basic bank account] legislation [in certain jurisdictions] is associated with an increase in the fraction of unbanked households [the following year]," but that this effect is statistically insignificant; and concluding, overall, that "[basic bank account] legislation seems ineffective at connecting the average low-income person to an account, [but that] there is evidence that the legislation leads to a small decrease ... in the fraction of low-income minority households without an account.").

¹⁴⁴ *Id.*

such price changes.¹⁴⁵ In addition, marketplaces change. The prevalence of no- and low-cost accounts in the marketplace today, and the availability of partnership-based accounts, such as Bank On-certified accounts, likely weaken an important foundational aspect of legislated basic bank accounts: the cost of these accounts relative to other accounts in the marketplace.¹⁴⁶

d. Other Bank-Provided Products and Services

Several other bank-provided products and services have also been particularly effective at addressing the unbanked/underbanked challenge. For example, bank-issued, general-purpose reloadable prepaid cards (which allow individuals/households to load funds into accounts associated with the card and to then use the card at automated teller machines and merchants in a manner similar to a debit card that is linked to a traditional checking account), provide users with access to the utility of a transactional payment instrument without having to open a traditional transactional account.¹⁴⁷ General-purpose reloadable prepaid card accounts can also provide cardholders with a means of receiving payroll, tax refunds, or government payments, and provide

consumers with the ability to pay bills and shop online, to deposit checks remotely, and to control spending.¹⁴⁸ (Note: for purposes of this section, general-purpose reloadable prepaid cards are highlighted regardless of whether the specific product meets the Bank On National Account Standards, although some banks' reloadable prepaid cards and prepaid card accounts do serve as their Bank On-certified accounts.)

Prepaid card usage, including usage of general-purpose reloadable prepaid cards in particular, has grown dramatically over the last decade, with general-purpose reloadable prepaid cards becoming popular among unbanked households in particular. According to the most recent Federal Reserve Payments Study, there were 13.8 billion prepaid debit card payments (including general-purpose prepaid debit card payments, private-label prepaid debit card payments, and prepaid EBT (electronic benefit transfer) card payments) in the U.S. in 2018, accounting for \$0.35 trillion in value.¹⁴⁹ General-purpose prepaid card payments, a sub-segment of all prepaid debit card payments, made up 43.7 percent of all prepaid card payments in 2018, representing an increase of 37.9 percent from the Federal Reserve's 2015 assessment.¹⁵⁰ Pew, which, similar to the Federal Reserve has observed that prepaid card usage is generally increasing at a fast pace, has found that a large segment of prepaid card users—unbanked prepaid cardholders—use prepaid cards like traditional checking accounts by regularly checking balances, reloading cards, receiving direct deposits onto cards, and registering their cards at a higher rate than their banked counterparts.¹⁵¹ After conducting a nationally representative telephone survey of general-purpose reloadable prepaid cardholders, Pew estimates that 23 million adults regularly use prepaid cards, and notes that “[u]nbanked prepaid card users tend to have lower incomes than banked users,” and that users, especially unbanked users, make use of prepaid

¹⁴⁵ Doyle, Lopez & Saldenberg, “How Effective Is Lifeline Banking in Assisting the ‘Unbanked?’” Federal Reserve Bank of New York Current Issues in Economics and Finance, Vol. 4, No. 6 (June 1998), p. 3 & 5 (available at: https://www.newyorkfed.org/research/current_issues/ci4-6.html) (accessed Oct. 16, 2020)).

¹⁴⁶ At the time of enactment of basic banking laws, basic banking accounts (sometimes referred to as lifeline accounts) were seen as a way of providing unbanked and underbanked consumers with transactional accounts at a rate lower than the prevailing market rate (see “The Lifeline Banking Controversy: Putting Deregulation to Work for the Low-Income Consumer,” *supra* note 68, p. 1).

¹⁴⁷ See, for example, the Truist (formerly BB&T) prepaid card product (information available at: <https://www.bbt.com/banking/prepaid-cards/prepaid-debit-card-pricing.html?ReferalSource=EB>), the PNC SmartAccess Prepaid Visa Card (information available at: <https://www.pnc.com/en/personal-banking/banking/debit-and-prepaid-cards/pnc-smartaccess-prepaid-visa-card.html>), the Regions Now Card (information available at: <https://www.regions.com/personal-banking/debit-gift-cards/now-card>), the TD Connect Reloadable Prepaid Card (information available at: <https://www.tdbank.com/prepaid-cards/tdconnect/>), and Financial Partners Credit Union, “Financial Partners Credit Union Adds New Products to Help Angelenos Build Banking and Credit History” (July 29, 2020) (available at: <https://fpcu.org/financial-partners-credit-union-adds-new-products-to-help-angelenos-build-banking-and-credit-history>) (detailing general-purpose reloadable prepaid cards that provide consumers with the ability to pay bills online, shop online, and control spending). See also Claire Green and Oz Shy, “How Are U.S. Consumers Using General Purpose Reloadable Prepaid Cards? Are They Being Used as Substitutes for Checking Accounts?” Federal Reserve Bank of Boston Research Data Report No. 15-3 (2015), p. 16 (available at: <https://www.bostonfed.org/publications/research-data-report/2015/how-are-us-consumers-using-general-purpose-reloadable-prepaid-cards-are-they-being-used-as-substitutes-for-checking-accounts.aspx>) (noting the individuals/households without checking accounts may be using general-purposes reloadable prepaid cards to obtain transactional account services).

¹⁴⁸ See, for example, Visa, “Discover the advantages of prepaid” (2021) (available at: <https://usa.visa.com/pay-with-visa/cards/prepaid-cards/all-purpose-reloadable.html>) (describing some of the available features and benefits of bank-issued prepaid cards).

¹⁴⁹ The 2019 Federal Reserve Payments Study (available at: <https://www.federalreserve.gov/paymentsystems/fr-payments-study.htm> (accessed Nov. 27, 2020)).

¹⁵⁰ *Id.*

¹⁵¹ The Pew Charitable Trusts, “Banking on Prepaid,” p. 1 (June 2015) (available at: <https://www.pewtrusts.org/-/media/assets/2015/06/bankingonprepaidreport.pdf> (accessed Nov. 27, 2020)). According to Pew, from 2012 to 2014, use of prepaid cards increased by more than 50 percent.

cards as a budgeting tool.¹⁵²

While direct deposit of government benefits into a bank account is an important goal, bank-issued prepaid cards have also played an important part in the distribution of government benefits.¹⁵³ This includes nearly 4 million initial economic impact payments that were recently distributed via prepaid cards.¹⁵⁴ Notably, the bank-issued prepaid cards that were used to distribute economic impact payments are not reloadable and therefore are distinguishable in this regard from general-purpose reloadable prepaid cards that can serve as transactional accounts. Nevertheless, increased usage of bank-issued government benefit prepaid cards represents an important step toward introducing a mainstream payment instrument (a payment card) to many unbanked/underbanked individuals/households. And, generally speaking, the benefit program enrollment process presents a significant opportunity to engage unbanked and underbanked individuals/households in the use of bank-provided products and services and to engender greater financial inclusion for these individuals/households going forward.¹⁵⁵

In addition to bank-issued prepaid cards, bank-provided check-cashing services that compete directly with check-cashing services offered by alternative financial service providers have played an important role in addressing

the unbanked/underbanked challenge by offering a low-cost, mainstream financial services option to households and individuals that use higher-cost alternative financial services.¹⁵⁶ Bank-provided check-cashing services, which often do not require that an account be opened at the check-cashing bank, accommodate checks of different and high-dollar amounts,¹⁵⁷ and provide up-front, clear disclosures as well (a challenge observed by the Consumer Financial Protection Bureau with respect to some non-bank providers).¹⁵⁸ Of the more than 5,000 credit unions that served approximately 120 million credit union members in the U.S. in 2020, 4,080 offered no-cost

¹⁵² *Id.* at pp. 1-2.

¹⁵³ Increasing use of prepaid cards for benefit distribution has drawn attention to the fee structures of such programs. While generally low-cost, some program fees, such as fees for accessing customer service, balance inquiry fees, overdraft fees, and other fees, have been observed. *See, for example*, Lauren Saunders, National Consumer Law Center, and Gail Hillebrand, Consumers Union, “Public Benefits and Wages on Prepaid Cards: Protecting Against Hidden Fees and Identity Theft,” Presentation to the National Consumer Rights and Litigation Conference (Nov. 2010) (available at: https://www.nclc.org/images/pdf/banking_and_payment_systems/public-benefits-wages-prepaid-cards.pdf) (describing the features of various government benefit programs that use prepaid cards, including some with high fees).

¹⁵⁴ *See* U.S. Department of the Treasury, “Treasury is Delivering Millions of Economic Impact Payments by Prepaid Debit Card” (May 18, 2020) (available at: <https://home.treasury.gov/news/press-releases/sm1012> (accessed Dec. 30, 2020)); and Internal Revenue Service, “An Economic Impact Payment can come on a prepaid debit card” (June 12, 2020) (available at: <https://www.irs.gov/newsroom/an-economic-impact-payment-can-come-on-a-prepaid-debit-card> (accessed Dec. 30, 2020)).

¹⁵⁵ *See* American Bankers Association, “White House Official: Direct Payments Raise Stakes for Unbanked,” ABA Banking Journal (March 17, 2021) (available at: <https://bankingjournal.aba.com/2021/03/white-house-official-direct-payments-raise-stakes-for-unbanked/>) (detailing comments provided by White House official Cedric Richmond about the importance of banking the unbanked and the opportunity that child tax credit advance payments may present toward achieving this goal).

¹⁵⁶ Check-cashing fees can range widely, with check cashing outlet fees as high as 15% (of the face value of the check) to cash a personal check (8.77% average), and 5% to cash a pay check (2.52% average) or government-issued benefit check (2.44% average), not including membership fees, according to the Consumer Federation of America (*see* Jean Ann Fox & Patrick Woodall, “Cashed Out: Consumers Pay Steep Premium to ‘Bank’ at Check Cashing Outlets,” Consumer Federation of America, pp. 5-7 (Nov. 2006) (available at: https://consumerfed.org/pdfs/CFA_2006_Check_Cashing_Study111506.pdf (accessed Dec. 30, 2020)); *see also* Consumer Federation of America “Check Cashers Charge High Rates to Cash Checks, Lend Money” (Aug. 21, 1997) (available at: https://consumerfed.org/press_release/high-cost-of-check-cashers/#:~:text=8%25%20to%206%25,%2448%20to%20%24360%20a%20year (accessed Dec. 30, 2020)) (providing price figures based on a survey of check cashers)).

¹⁵⁷ *See, for example*, Regions Bank Check Cashing Service (information available at: <https://www.regions.com/personal-banking/now-banking-and-cash-solutions/check-cashing> (accessed Dec. 30, 2020)) (no account at Regions Bank is required; there is no charge for cashing Regions Bank checks under \$25, and fees of between 1% and 4% for cashing checks and 5% for cashing money orders); Citibank, for example, provides free non-customer check cashing for under-\$5,000 checks drawn on a Citibank account and non-Citibank checks under \$500 (*see* Sonya Bateman, “Citibank Check Cashing FAQ” (Nov. 17, 2020) (available at: https://firstquarterfinance.com/citibank-check-cashing-faq-where-can-i-cash-a-citibank-check/#-footnote_0_35731 (accessed Dec. 20, 2020))); and KeyBank, for example, charges a fee of 1% for payroll and government checks of \$5,000 or less (*see* KeyBank, “Check Cashing Made Easy” (available at: https://www.key.com/pdf/CheckCashFlyer_CNY.pdf (accessed Dec. 30, 2020)); and “KeyBank Plus Check Cashing Now Available at 18 Buffalo-area Branches” Niagara Frontier Publications (Jan. 2, 2018) (noting that KeyBank Plus check cashing is available to individuals without accounts, competes with higher-cost check cashers, and estimating that the program has saved customers millions in check cashing fees)). The availability of low- and no-cost check cashing to non-bank customers may require identifying information to be provided to the bank in order to limit fraud and financial crime however, and, due to some of the personal- and identification-related informational limitations challenges many unbanked individuals face, unbanked individuals may be unable to provide necessary information to use these services.

¹⁵⁸ *See, for example*, Consumer Financial Protection Bureau, “CFPB Takes Action Against Check Cashing and Payday Lending Company for Tricking and Trapping Customers” (May 11, 2016) (available at: <https://www.consumerfinance.gov/about-us/newsroom/cfpb-takes-action-against-check-cashing-and-payday-lending-company-tricking-and-trapping-consumers/> (accessed Dec. 30, 2020)) (finding that one non-bank check cashing provider had deceived customers about their fees and failed to follow customer direction for cancellations); and Consumer Financial Protection Bureau, “Bureau of Consumer Financial Protection Settles with Cash Express” (Oct. 14, 2018) (available at: <https://www.consumerfinance.gov/about-us/newsroom/bureau-consumer-financial-protection-settles-cash-express/> (accessed Dec. 30, 2020)) (finding that a non-bank provider had misled customers and improperly seized money from check-cashing transactions).

check-cashing services to customers (with 95.9 percent of U.S. credit union members having had access to no-cost check cashing in 2020).¹⁵⁹

Finally, low-cost bank-provided loan products, including payday alternative loans, credit builder loans, micro loans, deposit-secured credit card lending, and Individual Taxpayer Identification Number loans, which compete with products offered by non-bank providers and help consumers avoid shadow banking, have also played an important role in addressing the unbanked/underbanked challenge.¹⁶⁰ Pew estimates that additional small installment loan and line of credit offerings from banks could save U.S. consumers millions, if not billions, of dollars annually.¹⁶¹ Additionally, these products frequently provide an entry point to banking and a pathway to mainstream bank products and services by enabling individuals/households to establish historical information and to develop familiarity with bank-provided products/services.¹⁶² A significant majority of banks (73%) that responded to a 2015 ABA survey on small-dollar lending reported making small dollar loans in 2014 as part of an established lending program of the bank and/or as an “accommodation” to serve a customer who requested a

loan, with nearly half of the banks (49%) that responded to the survey reporting small dollar lending in 2014 as an “accommodation” to serve a customer(s) requesting a loan.¹⁶³ And of the more than 5,000 credit unions that served approximately 120 million credit union members in the U.S. in 2020, 43.7 percent offer deposit-secured credit cards, 29.5 percent offer credit builder loans, and 18.7 offer micro consumer loans, reaching, respectively, 71.2, 52.6, and 47.1 percent of U.S. credit union members.¹⁶⁴

e. Financial Education and Inclusion Initiatives

Growing evidence suggests that financial education, and the financial literacy that results from these initiatives, positively influence household financial decision making,¹⁶⁵ and, with respect to banking status, financial education has been shown to help individuals understand the importance and value of bank accounts and to facilitate account opening and ongoing use.¹⁶⁶ Financial education may also influence household use of alternative financial products and services, although

¹⁵⁹ Based on call report information analyzed by the National Credit Union Association, Inc. (on file with The Clearing House).

¹⁶⁰ See Bachelder, et al., “Banks’ Efforts to Serve the Unbanked and Underbanked[,] for The Federal Deposit Insurance Corporation,” Final Report (Dec. 2008), p. 16 (providing an overview of some of the credit products that are offered to the unbanked and underbanked). See also U.S. Bank’s Simple Loan product (information available at: <https://www.usbank.com/loans-credit-lines/personal-loans-and-lines-of-credit/simple-loan.html>) (allowing customers to borrow up to \$1,000 for a flat fee of \$12 (with automatic payments) or \$15 (with manual payments) for each \$100 borrowed; customers may apply anytime, online, with real-time decisions on applications, and quick access to loan funds); and Bank of America’s Balance Assist product (information available at: <https://newsroom.bankofamerica.com/press-releases/bank-america-introduces-balance-assist-revolutionary-new-short-term-low-cost-loan>) (allowing customers to borrow up to \$500 for a \$5 flat fee regardless of amount borrowed; customers complete applications online and, if approved, have access to loan funds within minutes).

¹⁶¹ See Pew, “Standards Needed for Safe Small Installment Loans From Banks, Credit Unions” (Feb. 15, 2018) (available at: <https://www.pewtrusts.org/en/research-and-analysis/issue-briefs/2018/02/standards-needed-for-safe-small-installment-loans-from-banks-credit-unions>) (noting that Americans currently spend \$30 billion dollars annually to borrow small amounts of money from non-bank providers and that an increase in bank-provided safe loan products could benefit millions of U.S. households).

¹⁶² See National Community Investment Fund, “From the Margins to the Mainstream: A Guide to Building Products and Strategies for Underbanked Markets” (2008), pp. 8.2-8.5 (noting that certain credit and lending products can provide a pathway to the mainstream for unbanked customers); and Congressional Research Service, “Financial Inclusion and Credit Access Policy Issues” (Oct. 2019) (available at: <https://fas.org/sgp/crs/misc/R45979.pdf>), p. 11 (noting that information related to repayment of simple loan products can provide an onramp to the credit reporting system and to other bank products and services.)

¹⁶³ American Bankers Association, “Small Dollar Lending Survey” (2015) (available at: <https://www.aba.com/-/media/documents/reports-and-surveys/aba-smalldollarlending-survey2015.pdf>).

¹⁶⁴ *Id.*

¹⁶⁵ See Annamaria Lusardi and Olivia S. Mitchell, “The Economic Importance of Financial Literacy: Theory and Evidence,” *J. Econ. Lit.*, Vol. 52, No. 1 (March 2014), at pp. 26-17 & 29-30 (author manuscript available at: <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC5450829/pdf/nihms857731.pdf> (accessed Feb. 17, 2021)) (noting that there is evidence that financial education improves household financial decision making and that additional research in this area is merited). See also Peter Walker, “People in Economics [a Profile of Olivia S. Mitchell],” International Monetary Fund Finance & Development, p. 45 (March 2020) (available at: <https://www.imf.org/external/pubs/ft/fandd/2020/03/pdf/profile-of-wharton-economist-olivia-mitchell-on-pension-research.pdf> (accessed Feb. 18, 2021)) (detailing Mitchell’s work and noting that “financial literacy matters enormously for financial decision making”).

¹⁶⁶ See “Strategy for Assuring Financial Empowerment (SAFE) Report,” *supra* note 104, at pp. 12-15. See also FDIC, “Banking on Financial Education,” *FDIC Quarterly*, Vol. 1, No 2, pp. 33-35 (2007) (available at: <https://www.fdic.gov/bank/analytical/quarterly/2007-vol1-2/banking-financial-edu.pdf> (accessed Feb. 17, 2021)) (noting that FDIC research has shown that “financial education does change attitudes and behaviors and can result in enhanced financial literacy and improved creditworthiness,” as well as formal banking relationships); FDIC, “Money Smart - A Financial Education Program” (2021) (available at: <https://www.fdic.gov/consumers/consumer/moneysmart/index.html> (accessed Feb. 17, 2021)); and Federal Reserve Bank of Chicago, “Lessons Learned: Community & Economic Development Cash Studies” (Oct. 2006) (available at: <https://www.chicagofed.org/-/media/others/re-gion/cedric/finance-general-education/key-bank-plus-leslie-report-doc.doc> (accessed Feb. 18, 2021)) (detailing a KeyBank financial education program and the link between financial education and account opening).

there appears to be less evidence on this point.¹⁶⁷ Banks, as providers of financial education, play a vital role in addressing the unbanked/underbanked challenge.¹⁶⁸ (For example, approximately 55 percent of the nation's credit unions offered some form of financial education to members in 2020, approximately 41-42 percent offered some form of financial education or financial counseling, and 26 percent offered financial literacy workshops; consequently, approximately 90, 77-83, and 71 percent of U.S. credit union members had access to these services, respectively, in 2020.)¹⁶⁹ Equally important is bank support for organizations that are exploring the nexus between financial education, innovation, and financial inclusion.¹⁷⁰ For example, the Financial Health Network (the successor organization to the Center for Financial Services Innovation), which seeks to improve the financial health of Americans through research, education, and partnerships, is supported by banks that share the Financial Health Network's goals and help

the organization by providing aid and non-financial support, such as review of ideas and initiatives.¹⁷¹ The Financial Health Network's Financial Solutions Lab, which is funded by banks, and seeks to "cultivate, support, and scale innovative ideas that advance the financial health of low- to moderate-income (LMI) individuals and historically underserved communities," has worked with participating companies to serve over 4.5 million consumers predominantly from low- and moderate-income families and to act as an important catalyst for household financial health improvement.¹⁷² Similarly, the Cities for Financial Empowerment Fund's Summer Jobs Connect program, which is also supported by banks, and is now in its seventh year, pairs summer employment opportunities with financial education and select, basic bank products to offer an on-ramp to mainstream financial products and services.¹⁷³

III. Evaluating Other Proposed Solutions

To the extent that FedAccounts and Digital Dollar Wallets are being proposed as a means to address the unbanked/underbanked opportunity, if adopted, they would be unlikely to have any meaningful impact. Given the existing abundance of no- and low-cost accounts, FedAccounts and Digital Dollar Wallets would be unlikely to meaningfully lower prices for consumers. Further, the proposals do not appear to address the fundamental issues that lead individuals to be unbanked and could, in addition, lead to significant unintended consequences, such as deposit outflows from the banking system in times of stress. Similarly, an expansion of postal banking would be (1) unlikely to have a significant impact, (2) extremely expensive to implement, and (3) unlikely to attract significant market share, in light of relatively light customer traffic at postal facilities.

¹⁶⁷ See "Financial Literacy and Banking: Findings and Implications for Economic Education," *supra* note 2, at p. 23; and "Bounded Rationality and Use of Alternative Financial Services," *supra* note 85, at pp. 431-433. See also Rebecca M. Blank, "Public Policies to Alter Use of Alternative Financial Services Among Low-Income Households," University of Michigan and Brookings Institute (March 2008), pp. 10-11 & 14 (noting that additional work is necessary to better understand the impact of financial education on the use of alternative financial services).

¹⁶⁸ For example, Wells Fargo's Hands on Banking financial education program recorded more than 1.7 million participants last year, and JPMorgan Chase has partnered with Girls Inc. to provide a financial education program at 1,400 sites in 400 cities around the country. (See "Hands on Banking" (available at: <https://handsonbanking.org/> and <https://youth.handson-banking.org/about-us/> (accessed Feb. 17, 2021)) (noting that Wells Fargo's Hands on Banking program, which has been available since 2003, and which is available in multiple languages, recorded more than 1.7 million participants last year; and that Wells Fargo has adapted the program for use by K-12 students as part of the introduction of Hands on Banking for Youth); and J.P.Morgan, "Girls Inc. and JPMorgan Chase to Reach 20,000 Girls through National Program Promoting Financial Health" press release (March 22, 2019) (available at: <https://www.jpmorgan.com/news/girls-inc-and-jpmorganchase-to-reach-20000-girls-through-national-program-promoting-financial-health> (accessed Feb. 17, 2020)).

¹⁶⁹ Based on call report information analyzed by the National Credit Union Association, Inc. (on file with The Clearing House).

¹⁷⁰ For example, JPMorgan Chase, with support from Prudential Financial, has helped fund and support the Financial Health Network's Financial Solutions Lab, and Citi, through the Citi Foundation, has partnered with the Cities for Financial Empowerment fund to bring together access to financial products, financial education, and career skills in 21 cities across the U.S. as part of the Summer Jobs Connect program. (See Financial Health Network, "Financial Solutions Lab" (2020) (available at: <https://finhealthnetwork.org/programs-and-events/the-financial-solutions-lab/> (accessed Dec. 30, 2020)); and "The Citi Foundation and Cities for Financial Empowerment Fund to Provide Summer Job Opportunities, Financial Education, and Banking Access for 21 Cities," press release (June 15, 2020) (available at: <https://www.prnewswire.com/news-releases/the-citi-foundation-and-cities-for-financial-empowerment-fund-to-provide-summer-job-opportunities-financial-education-and-banking-access-for-21-cities-301076917.html> (accessed Feb. 17, 2021)).

¹⁷¹ See Financial Health Network, "About" (2020) (available at: <https://finhealthnetwork.org/about/> (accessed Dec. 30, 2020)).

¹⁷² See "Financial Solutions Lab," *supra* note 170. See also Financial Solutions Lab, "Insights from the Financial Solutions Lab, 2014-2019" (Sept. 2019) (available at: <https://s3.amazonaws.com/cfsi-innovation-files-2018/wp-content/uploads/2019/09/18182533/FHN-Fin-LabInsightsReport-Final.pdf> (accessed Feb. 18, 2021)).

¹⁷³ See Cities for Financial Empowerment Fund, "Summer Jobs Connect Youth Account Priorities" (2021) (available at: <https://cfe fund.org/summer-jobs-connect-youth-account-priorities/> (accessed Feb. 18, 2021)); and Cities for Financial Empowerment Fund, "Summer Jobs Connect" (2021) (available at: <https://cfe fund.org/project/summer-jobs-connect/> (accessed Feb. 18, 2021)).

a. Consumer Accounts at the Federal Reserve (“FedAccounts” & Digital Dollar Wallets at Federal Reserve Banks)

One proposed solution to the unbanked/underbanked challenge that has garnered some recent attention is the establishment of retail consumer accounts provided by the Federal Reserve. In a 2018 paper, law professors from Vanderbilt Law School and the University Of California Hastings College Of Law, together with a co-author, argued that all U.S. citizens and residents should be eligible to open bank accounts at the Federal Reserve called “FedAccounts.”¹⁷⁴ Under the FedAccount proposal, accounts “would offer all of the functionality of ordinary bank accounts with the exception of overdraft coverage, and “would come with debit cards for point-of-sale payments and ATM access.”¹⁷⁵ In addition, FedAccounts would support direct deposit and online bill payments, would have no fees or minimum balances, would pay interest, would be real-time-payment-system compatible, and would be available over the internet and through an application designed for use on smartphones.¹⁷⁶ The authors of the paper argue that FedAccounts would “mitigate or outright solve” the unbanked/underbanked challenge, and would also provide additional benefits, such as providing a conduit for faster payments in the U.S.¹⁷⁷

Proposals to create FedAccounts and Digital Dollar Wallets at Reserve Banks, which have found support

among some policy advocates,¹⁷⁸ have been advanced by some lawmakers in Congress and by some Presidential candidates.¹⁷⁹ In the recent 116th Congress, several bills were introduced calling for the Federal Reserve System to establish and maintain a form of digital wallet (referred to as “digital dollar wallets,” “pass-through digital dollar wallets,” or “digital dollar account wallets”/“FedAccounts”) that would be made available to U.S. citizens, legal U.S. residents, and U.S.-domiciled businesses.¹⁸⁰

Ignoring for the moment that FedAccounts and Digital Dollar Wallets represent new and very different activities for the Federal Reserve (to date, the Federal Reserve has almost exclusively served only banks),¹⁸¹ and that none of the current proposals address the immense cost to the government of setting up or running what would be the largest retail banking operation in the United States,¹⁸² FedAccounts and Digital Dollar Wallets will need

¹⁷⁴ See, for example, “FedAccounts Would Provide Economic Relief—and Inclusion—in the Short and Long Term,” Roosevelt Institute (Apr. 22, 2020) (available at: <https://rooseveltinstitute.org/publications/fedaccounts-would-provide-economic-relief-and-inclusion-in-the-short-and-long-term/>) (accessed Oct. 16, 2020).

¹⁷⁹ These include bills from Senator Brown, Representative Waters, and Representative Tlaib (S. 3571, H.R. 6321, and H.R. 6553, 116th Cong., 2nd Sess. (2020), respectively), as well as a proposal from then-Presidential Candidate Joe Biden (see “Biden-Sanders Unity Task Force Recommendations” (July 2020), p. 18 (calling for a system of accounts for households at the Federal Reserve)).

¹⁸⁰ S. 3571, H.R. 6321, and H.R. 6553, 116th Cong., 2nd Sess. (2020).

¹⁸¹ Some have argued that the Postal Savings Program was just such a program, but this is not, in fact, correct, as the Postal Service operated more like a deposit broker under the Postal Savings Program than a bank (see *infra* section III(c)). And while the Federal Reserve Act (“FRA”) provides for a number of services to be offered to depository institutions (defined to include “any insured bank as defined in Section 3 of the Federal Deposit Insurance Act or any bank which is eligible to make application to become an insured bank under Section 5 of such Act,” as well as any mutual savings bank, savings bank, insured credit union, Federal Home Loan Bank, or savings association, as defined under certain laws), the FRA does not provide for banking services to be offered directly to the public (see §§ 11A(c) (2), 13(1), 16(13), 16(14), 19(b)(1)(A) and 19(c) of the FRA; and 12 U.S.C. § 221, 12 U.S.C. § 226, 12 U.S.C. § 248a, 12 U.S.C. § 248-1, 12 U.S.C. § 342 and 12 U.S.C. § 360).

¹⁸² Although standing up a nationwide system of accounts in the U.S. and linking the system to various existing banking and payments rails is not precisely comparable to establishing a new payment system, researchers from the Federal Reserve Bank of Boston have estimated the maximum cost of building and maintaining a faster payment system (a real-time payment system) in the U.K. at \$1.23 billion (see Greene, Rysman, Schuh and Shy, “Costs and Benefits of Building Faster Payment Systems: The U.K. Experience and Implications for the United States” Federal Reserve Bank of Boston Current Policy Perspectives No. 14-5, p. 33 (2014) (available at: <https://www.bostonfed.org/publications/current-policy-perspectives/2014/costs-and-benefits-of-building-faster-payment-systems-the-uk-experience-and-implications-for-the-united-states.aspx>) (accessed Dec. 30, 2020)). With a significantly larger footprint than the U.K., establishing FedAccounts and/or Federal Reserve Digital Dollar Wallets would bring substantial costs that would need to be borne at the outset and also recovered by the Federal Reserve in accordance with the Monetary Control Act of 1980.

¹⁷⁴ See Morgan Ricks, John Crawford & Lev Menand, “Central Banking for All: A Public Option for Bank Accounts,” The Great Democracy Initiative (June 2018), p. 2 (available at: <https://greatdemocracyinitiative.org/wp-content/uploads/2018/06/FedAccountsGDI.pdf>) (accessed Oct. 16, 2020); and Morgan Ricks, John Crawford & Lev Menand, “FedAccounts: Digital Dollars” Geo. Wash. L. Rev. (April 2020) (available at: https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3192162) (accessed Dec. 30, 2020)). See also Nicholas Gruen, “Why Central Banks Should Offer Bank Accounts to Everyone,” Economics (Dec. 16, 2016) (available at: <https://economics.com/central-banks-for-everyone-nicholas-gruen/>) (accessed Oct. 19, 2020)) (making the case for disruption of retail accounts by wholesale providers (central banks, in this case)); and Nartin Sandhu, “Visa Glitch Shows It Is High Time for Digital Cash,” Financial Times (June 5, 2018) (available at: <https://www.businesslive.co.za/ft/opinion/columnists/2018-06-05-the-ft-column-visa-glitch-shows-it-is-high-time-for-digital-cash/>) (accessed Oct. 19, 2019)) (arguing for central banks to issue digital currency directly to consumers).

¹⁷⁵ “Central Banking for All: A Public Option for Bank Accounts,” *supra* note 174, at pp. 1-2.

¹⁷⁶ *Id.*

¹⁷⁷ *Id.* at pp. 3-6.

to present an attractive value proposition to consumers (e.g., a reduction in the price of transactional and payment services) in order to succeed.¹⁸³ FedAccounts and Digital Dollar Wallets are likely to struggle on this front. First, FedAccounts would potentially be indistinguishable from Bank On-certified accounts, which could limit the effectiveness of FedAccounts. Second, the abundance of no- and low-cost accounts means that FedAccounts and Digital Dollar Wallets are unlikely to be able to meaningfully lower prices for many prospective consumers. Third, it is unclear whether FedAccounts would be able to compete on the notion that the Fed is a more secure and trustworthy holder of consumer deposits than commercial banks (this is something that the Fed Account proposal has highlighted),¹⁸⁴ but the research does not indicate that lack of confidence in the security of commercial bank deposits is a significant factor driving unbanked/underbanked behavior. Fourth, the unbanked and underbanked that would be targeted by the FedAccounts and Digital Dollar Wallet proposals may also not be as responsive to price changes as policymakers anticipate.¹⁸⁵ Thus, FedAccounts and Digital Dollar Wallets may not attract consumers, even if the terms and conditions of the accounts are beneficial to them. Fifth, standing up FedAccounts would require the Federal Reserve to engage in new and very different activities. By law, the Federal Reserve cannot hold individual bank accounts (the Federal Reserve itself notes that the “Reserve Banks provide financial services to banks and governmental entities only” and that “[i]ndividuals cannot, by law, have accounts at the Federal Reserve”).¹⁸⁶ Thus, the FedAccount proposal would require changes to federal law, including the Federal Reserve Act. Creating a consumer banking system

at the Federal Reserve would also require numerous policies and procedures to be established similar to those that exist at commercial banks and contribute to the unbanked challenge. For example, the Federal Reserve would need to establish customer-identification (“know-your-customer”), anti-money-laundering, risk-management, and financial reporting procedures, and would be relying on the same sources of information used in the private sector for its decision-making. Perhaps this is why Federal Reserve Chair Powell, when asked during recent testimony before the Senate Banking Committee in March about whether the Federal Reserve is equipped to offer retail and commercial bank accounts, responded: “No. And of course we’re not permitted under current law and that’s never been our role ... It would be a quite dramatic change in our role in the economy and one that I think should require very careful thought.”¹⁸⁷

In addition, FedAccounts and Digital Dollar Wallets do not address several of the key reasons why individuals and households are unbanked and underbanked in the first place. For example, there is no logical reason why consumers who do not trust banks, or who are concerned with the privacy implications of sharing information with anyone else, whether it be a commercial or governmental entity, would trust the Federal Reserve. The academic architects of the FedAccount proposal even note that “trust in governmental institutions is low,” and, although they see the FedAccount offering as a means of increasing trust in government, they do not address the impact that distrust or privacy concerns might have on demand for FedAccounts.¹⁸⁸ Moreover, the limited retail footprint of the Federal Reserve banks (there are 12 main Reserve Bank buildings and 24 additional satellite offices or “branches”) is unlikely to appeal to unbanked

¹⁸³ See “How Effective Is Lifeline Banking in Assisting the ‘Unbanked?’” *supra* note 139, at p. 2 (arguing that “two conditions must be met for [basic-account-based] banking legislation to provide the unbanked with greater access to the payments system: the legislation must reduce the price of payments services, and consumers must be sensitive to this price change).

¹⁸⁴ See “FedAccounts: Digital Dollars,” *supra* note 174, pp. 3, 6 & 14 (noting that FedAccounts provide the added security of being nondefaultable and that there “would be no possibility of default on balances of any size” in a FedAccount system).

¹⁸⁵ See “How Effective Is Lifeline Banking in Assisting the ‘Unbanked?’” *supra* note 139, at pp. 3 & 5 (finding this to be the case with respect to basic bank accounts).

¹⁸⁶ See Board of Governors of the Federal Reserve System, “Does the Federal Reserve maintain accounts for individuals? Can individuals use such accounts to pay bills and get money?” Federal Reserve FAQs (Aug. 15, 2019) (available at: <https://www.federalreserve.gov/faqs/does-the-federal-reserve-maintain-accounts-for-individuals-can-individuals-use-such-accounts-to-pay-bills-and-get-money.htm>).

¹⁸⁷ See Recorded testimony by Jerome H. Powell, Chair, Board of Governors of the Federal Reserve System, before the Senate Banking Committee (March 24, 2021) (available here: <https://www.banking.senate.gov/hearings/03/17/2021/the-quarterly-cares-act-report-to-congress>). See also Recorded testimony by Jerome H. Powell, Chair, Board of Governors of the Federal Reserve System, before the Committee on Financial Services, U.S. House of Representatives (Feb. 24, 2021) (available here: <https://financialservices.house.gov/calendar/eventsingle.aspx?EventID=407168>) (prepared statement available here: <https://financialservices.house.gov/uploadedfiles/hhrq-117-ba00-wstate-powellj-20210224.pdf>) (in which Chair Powell, when asked during testimony to the House Financial Services Committee in February about how the Federal Reserve can address the unbanked and underbanked challenge and the adverse impact of the pandemic on the unbanked and underbanked, responded that the Federal Reserve should address these challenges through community engagement, financial education, fair lending policies, and monetary policy (support for a strong recovery).

¹⁸⁸ “Central Banking for All: A Public Option for Bank Accounts,” *supra* note 174, p. 5.

and underbanked individuals and households that prize convenience or view convenience-related factors as important, something the FedAccounts academic architects attempt to resolve by linking FedAccounts to another potential solution, Postal Banking (see *infra* section III(c)). Additionally, the creation of a system of FedAccounts or Digital Dollar Wallets at Reserve Bank would do nothing to address the problem of individuals failing to pass initial screenings associated with anti-money-laundering or fraud factors.¹⁸⁹ Finally, FedAccounts and Digital Dollar Wallets would do nothing to address unreliable internet access, which would also be a factor in these accounts in the same way as it is for bank accounts.

b. Digital Dollar Wallets at Private Institutions

Bills in both houses of Congress would require private institutions to offer specific products to the public by requiring that any bank that is a “member bank” of the Federal Reserve System “open and maintain pass-through digital dollar wallets for all persons ... who elect to deposit funds into [such] wallets.”¹⁹⁰ Proposals requiring Digital Dollar Wallets to be offered and maintained by private institutions are, in essence, federal basic banking laws clothed differently.¹⁹¹ And, similar to the mandated features provided in certain state basic banking laws, bills requiring Digital Dollar Wallets to be offered by private institutions would mandate that specific terms and conditions (e.g., no account fees, no minimum balances, and interest payments in certain instances) be made available to users of this form of Digital Dollar Wallet.¹⁹²

Like legislated basic bank accounts, Digital Dollar Wallets required to be offered by private institutions would have to present unbanked and underbanked individuals and

households an attractive value proposition, and, by the same token, those individuals who are targeted would have to be sensitive to the value proposition presented.¹⁹³ Digital Dollar Wallets at private institutions would likely struggle to differentiate themselves from existing private bank offerings, or could be subsumed into them, and while there is some demand for simple, low-cost accounts offered by private banks, private Digital Dollar Wallets would have to compete with existing offerings like Bank On-certified accounts. As with federal Digital Dollar Wallets, the abundance of no- and low-cost accounts in the marketplace today means that Digital Dollar Wallets at private institutions would be unlikely to meaningfully lower prices for many prospective consumers. Second, the unbanked and underbanked that would be targeted with these Digital Dollar Wallets may—similar to unbanked individuals targeted with legislated basic bank accounts—not be as responsive to price changes as policymakers anticipate, or, if there were responsiveness (as there has been strong demand for Bank On-certified accounts, for example), private Digital Dollar Wallets would have to compete with numerous other offerings.¹⁹⁴ Finally, mandating that private institutions offer Digital Dollar Wallets would not address several of the key reasons why certain groups of individuals and households are unbanked and underbanked in the first place (see sections II(c) & II(d), above), such as: a lack of trust in banks; privacy concerns; an inability to satisfy initial screenings associated with anti-terrorism, anti-money-laundering initiatives, or fraud risks; the baseline preferences that some individuals have for certain alternative financial products and services; or the lack of access that many unbanked and underbanked individuals and households have to the internet or technology (a prerequisite to use of a Digital Dollar Wallet in the first place).

c. Postal Banking

Another proposal to address the unbanked/underbanked challenge is to authorize the U.S. Postal Service to offer a much broader suite of financial products and services

¹⁸⁹ See *id.* at pp. 7-8. A system of FedAccounts, even if linked to a complimentary Postal Banking system, would require the Federal Reserve to develop know-your-customer and customer onboard procedures, debit/ATM cards, consumer-facing applications and online banking portals to support services, retail customer service call centers (capable of providing Reg.-E type support), and accounting infrastructure that can support the accounts, for example.

¹⁹⁰ S. 3571 & H.R. 6321, 116th Cong., 2nd Sess., at §§ 3(a)(1) and 101(c)(1)(A), respectively.

¹⁹¹ Congress considered enacting a federal basic banking law in the mid-1980s, but ultimately federal basic banking never passed. See, for example, H.R. 2661, 99th Cong., 1st Sess., 131 Cong. Rec. 10,058 (1985); and H.R. 2011, 99th Cong., 1st Sess. 131 Cong. Rec. 7611 (1985) (calling for every federally-insured depository institution to offer no-minimum-balance accounts with low fees).

¹⁹² S. 3571, H.R. 6321 & H.R. 6553, 116th Cong., 2nd Sess., at §§ 3(b)(1), 101(c)(2)(B)/101(e)(3) & 3(i)(1)(D), respectively.

¹⁹³ See “How Effective Is Lifeline Banking in Assisting the ‘Unbanked?’” *supra* note 139, at p. 2 (arguing that “two conditions must be met for [basic] banking legislation to provide the unbanked with greater access to the payments system: the legislation must reduce the price of payments services, and consumers must be sensitive to this price change).

¹⁹⁴ See “How Effective Is Lifeline Banking in Assisting the ‘Unbanked?’” *supra* note 139, at pp. 3 & 5 (finding this to be the case with respect to legislated basic accounts).

directly to consumers.¹⁹⁵ Under the basic, proposed Postal Banking regime, the U.S. Postal Service would offer small credit products (i.e., small-dollar loans), check cashing, prepaid cards, and fee-free ATMs—a package of products and services called “simple banking services”—in addition to its current offerings (money orders and international money transfers).¹⁹⁶ Generally, Postal Banking proposals are grounded in the notion that the Postal Service could offer financial products and services at a lower cost than many alternative financial service providers do today. However, these proposals do not address the creation of Postal deposit accounts (something the Postal Banking Act supplements), and therefore do not address banking of the unbanked.¹⁹⁷

The Postal Service itself has studied the feasibility of expanding its financial services offerings, concluding that it is “well-suited” to providing financial services to

the underserved through partnerships with banks,¹⁹⁸ and reasoning that “when you consider that 59 percent of post offices are located in ZIP Codes that have only one bank or none at all ... developing non-bank financial services would not only meet a market need, but also fulfill a public purpose.”¹⁹⁹

Postal Banking is a concept that some legislators have also found appealing. The leading Postal Banking bill, the “Postal Banking Act,” which is built upon the Postal Banking proposal described above,²⁰⁰ would give the Postal Service broad authority to provide “basic financial services,” including “low-cost, small-dollar loans, not to exceed \$500 at a time, or \$1,000 from 1 year of the issuance of the initial loan,”²⁰¹ “small dollar lending servicing,” “small checking accounts and interest-bearing savings accounts,” “transactional services, including debit cards, automated teller machines, online checking accounts, check cashing services, automatic bill-pay, mobile banking, “remittance services,” and “such other basic financial services as the Postal Service determines

¹⁹⁵ Mehrsa Baradaran, “It’s Time for Postal Banking,” 127 Harv. L. Rev. F. 165 (2014) (available at: https://harvardlawreview.org/2014/02/its-time-for-postal-banking/#_ftn7) (accessed Oct. 19, 2020); and Mehrsa Baradaran, “Postal Banking’s Public Benefits,” American Affairs (Aug. 20, 2018) (available at: https://digitalcommons.law.uga.edu/cgi/viewcontent.cgi?article=2198&context=fac_artchop) (accessed Oct. 19, 2020). (Note also that the FedAccount proposal “propose[s] enlisting the physical plant and personnel of the U.S. Postal Service to interface with the public on behalf of FedAccount” and calls for “Fed ATMs [to be] installed at post office locations, and possibly [for] [] postal clerks [to also be trained to] [] handle cash deposits and withdrawals as well as check deposits. . . .” (See “Central Banking for All: A Public Option for Bank Accounts,” *supra* note 174, p. 3.))

¹⁹⁶ See “It’s Time for Postal Banking,” *supra* note 195, pp. 170-172 (articulating a plan in which small-dollar lending and transactional products/services are central); “Postal Banking’s Public Benefits,” *supra* note 195, pp. 4 & 7 (noting that the basic idea of Postal Banking includes deposit-taking and small lending, and calling for “simple banking services” to be provided by the Postal Service); and Office of Inspector General, United States Postal Service, “Providing Non-Bank Financial Services for the Underserved,” USPS White Paper (Jan. 27, 2014), p. ii & 9-14 (available at: https://www.uspsig.gov/sites/default/files/document-library-files/2015/rarc-wp-14-007_0.pdf) (accessed Oct. 19, 2020)) (identifying reloadable prepaid cards, new ways of transferring money both domestically and internationally, and small loans as products/services the Postal Service could make available).

¹⁹⁷ See “It’s Time for Postal Banking,” *supra* note 195, pp. 170-172 (arguing that postal banking will “bank the unbanked,” and that accounts may be available, but providing no details about Postal deposit accounts beyond historical notes on a now-defunct postal savings program that utilized banks to hold deposits collected at post offices); “Postal Banking’s Public Benefits,” *supra* note 195, pp. 4 & 7 (mentioning consumer deposits only as a possible source of capital for small-dollar loans); and “Providing Non-Bank Financial Services for the Underserved,” *supra* note 196, pp. 11-12 (detailing a savings feature that could be offered via a partnership with a bank). (See *infra* section III(c) for information on Postal Service-facilitated savings programs, and the Postal Savings Program, which are sometimes mentioned in connection with Postal Banking.)

¹⁹⁸ See “Providing Non-Bank Financial Services for the Underserved,” *supra* note 196 at pp. 11-12; and United States Postal Service, “Filling the Gap: The Postal Service and the Financially Underserved” (Jan. 29, 2014) (available at: <https://www.uspsig.gov/blog/filling-gap-postal-service-and-financially-underserved>) (accessed Oct. 19, 2019)) (noting that the Postal Service is “well-suited” to providing financial services to the underserved through partnerships with banks, and that products the Postal Service might offer include: payment services, reloadable prepaid cards, options for mobile transactions, and access to small loans).

¹⁹⁹ “Filling the Gap: The Postal Service and the Financially Underserved,” *supra* note 198. See also Office of Inspector General, United States Postal Service, “The Road Ahead for Postal Financial Services,” RARC-WP-10-011 (May 21, 2015), pp. 1-2 & 16 (available at: https://www.uspsig.gov/sites/default/files/document-library-files/2015/rarc-wp-15-011_0.pdf) (accessed Oct. 19, 2020)) (estimating that the USPS could generate \$1.1 billion annually from the sale of financial products and services, after a 5-year period of improving existing services and standing up new ones).

²⁰⁰ See “Postal Banking’s Public Benefits,” *supra* note 195, p. 4 (noting that Senators Elizabeth Warren, Kirsten Gillibrand, and Bernie Sanders have championed Mehrsa Baradaran’s 2013 Postal Banking proposal and that Baradaran helped draft 2017/2018 legislation proposed by Senator Gillibrand); and Joe Pinsker, “Bernie Sanders’s Highly Sensible Plan to Turn Post Offices Into Banks,” The Atlantic (Oct. 20, 2015) (noting Congressional support for Postal Banking in 2014 and 2015).

²⁰¹ Banks provide access to low-cost, small-dollar loans today. Bank of America’s Balance Assist product, for example, permits borrowers to access a \$500 credit line, in increments of \$100, for a \$5 flat fee, regardless of the amount borrowed. See “Bank of America Introduces Balance Assist, a Revolutionary New Short-Term, Low-Cost Loan,” Bank of America Press Release (Oct. 8, 2020) and Lisa Rowan, “New Small-Dollar Loans From Bank Of America Offer Alternative To Expensive Payday Loans,” Forbes (Oct. 14, 2020) (available at: <https://www.forbes.com/sites/advisor/2020/10/14/new-small-dollar-loans-from-bank-of-america-offer-alternative-to-expensive-payday-loans/#5bb4588c2306>) (accessed Oct. 27, 2020)).

appropriate in the public interest[.]”²⁰² The Postal Banking Act, however, further expands on the basic Postal Banking proposals by envisioning the creation of Postal deposit accounts as well, in the form of Postal Service savings accounts that would offer interest rates that are “at least 100 percent of the Federal Deposit Insurance Corporation’s weekly national rate on nonjumbo savings accounts[.]”²⁰³ Similar to FedAccount and government digital-dollar wallet proposals, Postal Banking proposals generally do not address the immense cost to the government of setting up or running a Postal Banking system.²⁰⁴

Although Postal Banking has garnered attention, and the footprint of post offices nationwide has led some to see Postal Banking as an attractive means for reaching individuals and households in rural locations, the potential benefits of Postal Banking would likely be considerably less significant than proponents believe. First, research has shown that demand for existing postal service-provided financial products is not generally driven by geographic availability, even in rural areas not served by private banks, which suggest that Postal Banking would not be effective at providing financial services in rural locations, even those locations in which there are few or no banks.²⁰⁵ In fact, the importance of physical access to financial inclusion status may be a less important factor than is often portrayed, or may be important for certain alternative financial products and services, such as check cashing, but not for banking status and credit. In 2018, the Consumer Financial Protection Bureau (“CFPB”) studied consumer access to credit and found that there is “little relationship between distance to the nearest branch and the incidence of credit invisibility” (consumers who do not have a credit record maintained by one of the three nationwide consumer credit reporting agencies), a pattern which

the CFPB observed at all income levels.²⁰⁶ Second, Postal Banking would be very expensive to build and operate. A recent Government Accountability Office (“GAO”) review of proposed, expanded non-postal products and services that might be offered by Postal Service retail facilities (which includes financial products and services) concluded that there is “low potential for [the USPS to attract] a significant market share” and that fully accounting for costs, including operational costs in particular, would significantly reduce possible revenue from Postal Banking.²⁰⁷ This conclusion is consistent with a 2010 GAO finding that, “even if [the USPS] could enter nonpostal areas, such as banking or selling consumer goods, its opportunities would be limited by its high operating costs and the relatively light customer traffic of post offices compared with commercial retailers.”²⁰⁸ The GAO also observed that the USPS has itself concluded that “the possibility of building a sizable presence in ... banking ... is currently not viable because of its net losses, high wage and benefit costs, and limited access to cash to support necessary investment.”²⁰⁹ Third, demand for postal deposit accounts would appear, based on research, to follow simple deposit allocation models.²¹⁰ Thus, individuals are likely to place deposits with the Postal Service if they have a relatively higher level of confidence in the Postal Service than in private banks, or if relative interest rates are higher. By mandating the payment of interest at rates 100 percent of the Federal Deposit Insurance Corporation’s weekly national rate on non-jumbo savings accounts, Congress would not only be providing the public with a new option but would also attempt to influence a choice point in consumers’

²⁰² S. _____, 116th Cong., 2nd Sess. (2020), at § 2(a)(3).

²⁰³ S. _____, *supra* note 202, at § 2(a)(10). *See also* “Biden-Sanders Unity Task Force Recommendations” (July 2020), p. 74 (supporting postal banking as a means of providing access to financial services to Americans and serving the unbanked).

²⁰⁴ *See supra* note 182.

²⁰⁵ Patricia Hagan Kuwayama, “Postal Banking in the United States and Japan: A Comparative Analysis,” Columbia University Monetary and Economic Studies (May 2000), pp. 75 & 78-81 (available at: <https://www.imes.boj.or.jp/research/papers/english/me18-1-3.pdf> (accessed Oct. 19, 2020)) (noting that “geographic availability of depository services provided to areas not served by private banks . . . has not proved to be [a] major source of demand for postal savings”).

²⁰⁶ “Data Point: The Geography of Credit Invisibility,” *supra* note 53, at pp. 18-19. *See also* “To Bank or Not to Bank[.] A Survey of Low-Income Households,” *supra* note 9, p. 4 (examining use of check cashers and bank accounts and finding that location “influences where consumers conduct their check cashing business” but that “[o]nly a trivial fraction of respondents said they did not have a bank account because banks were not conveniently located”).

²⁰⁷ Government Accountability Office, “U.S. Postal Service[.] Expanding Nonpostal Products and Services at Retail Facilities Could Result in Benefits by May Have Limited Viability” (March 2020), pp. 30-31 (available at: <https://www.gao.gov/assets/710/705230.pdf> (accessed Oct. 19, 2020)).

²⁰⁸ Government Accountability Office, “U.S. Postal Service[.] Strategies and Options to Facilitate Progress toward Financial Viability” (April 2010), p. 43 (available at: <https://www.gao.gov/assets/310/303027.pdf> (accessed Nov. 25, 2020)).

²⁰⁹ *Id.*

²¹⁰ “Postal Banking in the United States and Japan: A Comparative Analysis,” *supra* note 205, pp. 75-76.

decisions to allocate deposits. If Postal Banking were to follow a basic deposit allocation model, then no-worse-than-average interest-bearing postal savings accounts could attract deposits away from private banks, with some degree of pressure on the banking system likely to result. Something similar was observed when, for period of time from the mid-1930s to the 1950s, the Postal Savings Program offered interest rates that exceeded the rates offered by many private institutions.²¹¹ (Following the period of interest rate advantage, the Postal Savings Program fell out of favor and rapidly declined, due, in part, to abundantly available private alternatives.)²¹² Fourth, Postal Banking proposals assume the Postal Service would continue to be seen by the American public as a relatively trustworthy and stable organization that is capable of providing reliable services.²¹³ And fifth, Postal Banking would be limited in scope and therefore unable to provide a transition to additional products and services that would suit the needs of unbanked and underbanked individuals and households.

d. Public Banks

Another proposal that has gaining some traction in certain municipalities, communities, and states, is the formation of public banks. The concept of public banks, which, as the name implies, would use public funds to offer products and services traditionally provided by banks, and which could even offer consumer deposit accounts, is not new. European public banks date back to the early 1400s, with public banks appearing

in the United States in the 1800s.²¹⁴ Public banking legislation and proposals are being considered in several parts of the country, including in Philadelphia, San Francisco, Santa Fe, Seattle, California, Colorado, and New Jersey.²¹⁵ Proponents see public banking as a means of encouraging financial inclusion.²¹⁶ There are, however, significant risks.²¹⁷ One such risk is the costly failure of these institutions—something that occurred to many public banks in the 19th century (America’s first public bank, established in Vermont in 1806, failed, at an inflation-adjusted cost of over \$3 billion in today’s

²¹⁴ Mark A. Calabria, “Promises of Public Banks Don’t Match Reality,” The Cato Institute (March 5, 2015) (available at: <https://www.cato.org/publications/commentary/promises-public-banks-dont-match-reality>) (accessed Oct. 17, 2020).

²¹⁵ See City of Philadelphia, “Philadelphia Public Bank Feasibility Study” (Sept. 30, 2020) (available at: <https://www.phila.gov/2020-09-30-philadelphia-public-bank-feasibility-study-released/>); Ida Mojadad, “Proposed Legislation Sets Timeline for S.F. Public Bank (available at: <https://www.sfweekly.com/news/proposed-legislation-sets-timeline-for-s-f-public-bank/>) (see also <https://sftreasurer.org/sites/default/files/2019-08/1.%20Municipal%20Bank%20Report%20Executive%20Summary-03-01-19.pdf>); “Santa Fe Public Bank Task Force[,] Final Report to the Santa Fe City Council” (April 17, 2018) (available at: https://www.santafenm.gov/media/archive_center/PBTF_Final_Report.pdf); Memorandum from Mark E. Chaiken and Richard L.C. Virtue to Kelly Brennan, City Attorney, City of Santa Fe (Oct. 13, 2017) (available at: <https://www.publicbankinginstitute.org/wp-content/uploads/2019/09/Santa-Fe-City-Owned-Bank-Legal-Memo-2017.pdf>); “Public Bank Feasibility Study for the City of Seattle” (Oct. 2018) (available at: <http://coscouncilconn-wpengine.netdna-ssl.com/wp-content/uploads/2018/10/HR-A-Advisors-Public-Bank-Feasibility-Study.pdf>); Evan Weinberger, “California Breathes New Life Into Public Banking Movement,” Bloomberg New (Jan. 2, 2020) (available at: <http://coscouncilconn-wpengine.netdna-ssl.com/wp-content/uploads/2018/10/HR-A-Advisors-Public-Bank-Feasibility-Study.pdf>); Monica Vendituoli, “Does Colorado Need a Public Bank? Cannabis, Banking Industries Weigh In,” Denver Business Journal (Oct. 30, 2018) (available at: <https://www.bizjournals.com/denver/news/2018/10/30/colorado-public-bank.html>); and Mike Catalini, “N.J. Consider Setting up Nation’s Second Public Bank,” Associated Press (Nov. 13, 2019) (available at: <https://why.org/articles/nj-considers-setting-up-nations-second-public-bank/>), respectively (accessed Oct. 19).

²¹⁶ See Derek S. Green, “Yes: Fairer Loan Rates Will Lower the Barrier to Entry for Local Entrepreneurs,” Op-Ed from The Philadelphia Inquirer (Feb. 13, 2020) (available at: <https://www.inquirer.com/opinion/commentary/public-banks-philadelphia-new-jersey-california-20200213.html>) (accessed Oct. 17, 2020).

²¹⁷ Numerous studies on the viability of public banks support the conclusion that public banks are unnecessary, pose a significant risk to taxpayers, and would not provide an overall benefit to those they are intended to serve. (See, for example, “The Office of the State Treasurer’s Study of the Studies: A Comprehensive Review of State, Municipal, City, and Public Banking,” A Report From Washington State Treasurer Duane A. Davidson, pp. 4 & 11 (2018) (available at: <https://tre.wa.gov/wp-content/uploads/Public-Banking-Report-Study-of-the-Studies.pdf>) (noting that public banks pose risks, including unique supervisory risks, and can be susceptible to corruption and political influence); and “Report of the Commission to Study the Feasibility of Establishing a Bank Owned by the Commonwealth [of Massachusetts],” pp. 8-9 (Aug. 8, 2011) (available at: <https://www.politico.com/states/f/?id=0000015b-5330-d932-a97b-f3fc404f0001>) (concluding that a Massachusetts public bank would be costly and may provide limited benefits; and not recommending the legislature proceed with proposals for a public bank).)

²¹¹ *Id.* at pp. 82-83.

²¹² *Id.* at pp. 90-91.

²¹³ Historically, the Postal Service has been seen as one of the most trustworthy government agencies, if not the most trustworthy. (See Lydia Saad, “Postal Service Still Americans’ Favorite Federal Agency,” Gallup (available at: <https://news.gallup.com/poll/257510/postal-service-americans-favorite-federal-agency.aspx>) (accessed Oct. 28, 2020)). However, confidence in the Postal Service appears to have diminished recently. (See, for example, Nick Corasaniti, Michael D. Shear and Trip Gabriel, “Postal Crisis Has States Looking for Alternatives to Mail-In Ballots,” The New York Times (Aug. 17, 2020) (available at: <https://www.nytimes.com/2020/08/17/us/politics/postal-service-voting.html>) (accessed Oct. 28, 2020)) (noting that there is a crisis of confidence in the ability of the post office to deliver ballots); and Amy Gardner and Seung Min Kim, “State Officials Rush To Shore Up Confidence in Nov. 3 Election as Voters Express New Fears About Mail Voting,” The Washington Post (Aug. 16, 2020) (available at: https://www.washingtonpost.com/politics/state-officials-rush-to-shore-up-confidence-in-nov-3-election-as-voters-express-new-fears-about-mail-voting/2020/08/16/3d511144-df23-11ea-b205-ff838e15a9a6_story.html) (accessed Oct. 28, 2020)) (noting that many Americans are concerned about the reliability of Postal Service delivery of mail-in ballots)).

dollars).²¹⁸ Another risk concerns who would control the decision-making at these organizations, and whether they would be subject to political influence and corruption, something that has repeatedly plagued public banks.²¹⁹ In spite of these risks, there are two operating public banks in the U.S., the Bank of North Dakota, which opened its doors over 100 years ago, and the Bank of American Samoa, which opened in 2018 in response, in part, to concerns that residents of American Samoa might have no access to a physical bank branch.²²⁰

The public may also simply lose confidence or interest in public banks over time. Such was the case with the Postal Savings Program, a program that accepted savings deposits at post offices nationwide from 1911 to 1967.²²¹ Although the system was initially popular with immigrants from Europe (many of whom were preyed upon by “immigrant banks” with unscrupulous practices), program deposits peaked in 1947 and steadily declined from 1947 until 1967, when Congress ended the program.²²²

IV. Considerations for Addressing the Unbanked/ Underbanked Challenge

a. Efforts to Bank the Unbanked or Reduce Utilization of Costly Alternative Financial Products and Services Should Address Underlying Reasons Why Individuals and Households are Unbanked or Underbanked in the First Place, as well as Life-Cycle and Other Considerations

As this paper has highlighted, unbanked and underbanked individuals and households are diverse and there are myriad reasons for their unbanked or underbanked status. This heterogeneity makes a one-size-fits-all approach to solving the unbanked/ underbanked challenge unlikely to succeed. Policies and proposals designed to address the unbanked and underbanked would benefit from addressing—or incorporating strategies that address—specific, underlying, contributory causes, instead of broadly targeting the unbanked or underbanked.

For example, the Bank On initiative has made a significant contribution toward banking the unbanked by pairing a simple, low-cost account blueprint pioneered by the FDIC with carefully-crafted messaging about specific benefits and features of bank accounts that highlights the utility of bank accounts.²²³ 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.²²⁴ 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.²²⁵ 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.²²⁶

²¹⁸ See Rob Nichols, “No: Public Banks Are Expensive To Start and Vulnerable to Political Control,” Op-Ed from The Philadelphia Inquirer (Feb. 13, 2020) (available at: <https://www.inquirer.com/opinion/commentary/public-banks-philadelphia-new-jersey-california-20200213.html>) (accessed Oct. 17, 2020)). See also “Promises of Public Banks Don’t Match Reality,” *supra* note 214; and Federal Deposit Insurance Corporation, “FDIC Deposit Insurance Applications, Procedures Manual,” p. 8, fn. 20 (Dec. 2019) (available at: <https://www.fdic.gov/regulations/applications/depositinsurance/procmanual.pdf>) (noting that “[e]stablishment of publicly owned institutions is rare because they present concerns regarding the institution’s ability to operate independently of the political process; a potential lack of continuity in the institution’s policies, management, and oversight, which could result from changes in the governmental entity’s leadership; and the institution’s ability to raise capital). Note: neither the Bank of North Dakota nor the Bank of American Samoa is federally insured.

²¹⁹ See “Promises of Public Banks Don’t Match Reality,” *supra* note 214, and “No: Public Banks Are Expensive To Start and Vulnerable to Political Control,” *supra* note 218.

²²⁰ See Bank of North Dakota, <https://bnd.nd.gov/public/> (accessed Oct. 17, 2020); and Rob Blackwell, “American Samoa Finally Gets a Public Bank. And U.S. States Are Watching,” *American Banker* (April 30, 2018) (available at: <https://www.americanbanker.com/news/american-samoa-finally-gets-a-public-bank-and-us-states-are-watching>) (accessed Oct. 17, 2020)).

²²¹ The Postal Savings Program was a quasi-public bank, as funds gathered at post offices were forwarded on to be deposited at local, private banks under an arrangement that called for the banks to pay interest at a lower rate than the prevailing market rate at the time (except for a period in the 1940s when Postal Savings interest rates exceeded rates offered by private banks). (See “Postal Banking in the United States and Japan: A Comparative Analysis,” *supra* note 205, at pp. 77-78; and “Providing Non-Bank Financial Services for the Underserved,” *supra* note 196 at pp. 22-23.)

²²² See “Providing Non-Bank Financial Services for the Underserved,” *supra* note 196 at pp. 8 & 22-23.

²²³ See *supra* note 124 and Section II(b).

²²⁴ See *supra* notes 124, 126 and 127.

²²⁵ See *supra* note 124 and section II(b).

²²⁶ 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>) (accessed Oct. 20, 2020) (encouraging every bank in the country to consider offering Bank On-certified accounts).

As another example, alternative means of identification for unbanked individuals that do not have ready access to standard forms of identification are being evaluated. This includes assessing means of digital identification of individuals that may help address existing barriers to account opening for some.

Considering the suitability of specific policies and proposals to subgroups within unbanked and underbanked populations might also help improve their efficacy. For example, making FedAccounts available to consumers would do little, if anything, for those segments of the unbanked and underbanked populations that lack reliable access to the internet or smartphones with useable cellular service plans (keeping in mind the small footprint of the Federal Reserve’s physical locations); and low- and moderate-income and marginalized populations are the most likely to lack access to smartphones with unlimited data plans or broadband services²²⁷ and to rely on cash as a primary payment option. However, policy initiatives to ensure the availability and reliability of low-cost internet and cellular services could have a significant impact.

Similarly, initiatives designed to provide the underbanked with less-costly financial products and services often fail to address the high levels of satisfaction that certain groups of underbanked individuals routinely report with some products and services,²²⁸ or the suitability of specific products and services to a particular financial life-cycle need (e.g., payments, borrowing, or savings/wealth-building). In other words, it may not be enough to provide individuals/households cost improvements alone when seeking to influence usage of alternative financial products and services, and a lower-cost alternative may not be utilized if prospective users’ viewpoints or life-cycle needs are not taken into account. Giving consideration to the suitability of any proposed solution to subgroups within the target population is not only likely to improve efficacy, but it may help refine strategies to more comprehensively address specific challenges or, at the very least, might help keep expectations in line

with results likely to be achieved.

Further, the factors that contributed to the particularly sharp decline in the unbanked rate for Black and Hispanic households from 2015 to 2019 should be studied, as well as the successful practices of Minority Depository Institutions (“MDIs”) and Community Development Financial Institutions (“CDFIs”) for reaching financially underserved communities, in order to address disparity in household unbanked status by race/ethnicity (for example, the proportion of unbanked Black, Hispanic, and American Indian or Alaska Native households is higher than the national average). Asian Americans recorded the fastest population growth rate among all racial and ethnic groups in the U.S. between 2000 and 2019. The Asian population in the U.S. grew 81% during that span, from roughly 10.5 million to a record 18.9 million, according to a Pew Research Center analysis of U.S. Census Bureau population estimates, and, by 2060, the number of U.S. Asians is projected to rise to 35.8 million, more than triple their 2000 population. However, income inequality in the U.S. is now greatest among this group. In 2016, the latest year for which data are available, Asians near the top of their income distribution (the 90th percentile) had incomes 10.7 times greater than the incomes of Asians near the bottom of their income distribution (the 10th percentile). The 90/10 ratio among Asians was notably greater than among Blacks (9.8), whites (7.8) and Hispanics (7.8). MDIs and CDFIs play a vital role in serving traditionally underserved communities, including low- and moderate-income and minority communities; and MDIs and CDFIs are well-positioned to reach certain unbanked and underbanked populations. For example, the FDIC notes that “69 percent of the median African American MDI’s customers live in [low- and moderate-income] areas; 45 percent of the median Asian MDI’s customers reside in [low- and moderate-income] areas; and 30 percent of the median Hispanic MDI’s customers live in [low- and moderate-income] areas”; and that MDIs have high levels of connection in

²²⁷ See Monica Anderson and Madhumitha Kumar, “Digital Divide Persists Even as Lower-Income Americans Make Gains in Tech Adoption,” Pew Research Center (May 7, 2019) (available at: <https://www.pewresearch.org/fact-tank/2019/05/07/digital-divide-persists-even-as-lower-income-americans-make-gains-in-tech-adoption/>) (accessed Nov. 30, 2020) (noting that about 30 percent of adults with household incomes below \$30,000 do not own a smartphone and more than 40 percent do not have home broadband service).

²²⁸ *Supra* note 67.

the communities they serve.²²⁹

b. A Certain Level of Imprecision is Inevitable

Using the term “underbanked” will necessarily lead to imprecise policy decisions (and outcomes) because there is no commonly accepted group of products and services that constitutes “alternative financial services.” Even if there were such a group, a definition of “underbanked” that is based on this group would immediately become obsolete under the fast pace of developments in the financial products and services marketplace. The rapid rise of non-bank financial technology companies, for example, has resulted in a plethora of non-bank products and services used by individuals and households that occupy all stripes of the wealth spectrum. Consequently, the term “underbanked” is even more vague today than ever before. Policymakers seeking to reduce utilization of specific non-bank financial products and services should ask about, and target, the use of those specific products and services, rather than label individuals and households as “underbanked” solely as a result of their use of alternative financial products. And while products and services may be able to be characterized as “transactional” in nature, or as “credit-based,” as the FDIC does,²³⁰ the mere fact that someone has made use of a product or service made available by a non-bank should not define him or her as “underbanked.” Given the plethora of fintech products and services that are increasingly available being “underbanked” may not, from a policy standpoint, be detrimental.

Policies and proposals to address the unbanked/underbanked challenge will also be bounded in their efficacy by characteristics of some subgroups within unbanked and underbanked populations. Simply put, certain individuals, and a certain number of households, are likely to be unbanked or underbanked regardless

of how well designed a policy or proposal may be. For example, some individuals are unreachable, by choice, or due to other factors such as mental illness or homelessness; some individuals do not trust banks or the government, whether because of privacy or other concerns; some individuals are, rightly or wrongly, flagged as someone associated with a criminal enterprise or terror organization; and some individuals simply do not desire banks accounts or financial products or services.

c. Lessons Learned

Where legislated basic bank accounts appear to have fallen short, the FDIC’s Model Safe Accounts Pilot and the Bank On initiative that succeeded appear to have made a significant impact in helping to address the unbanked/underbanked challenge. In the FDIC’s October release of its 2019 survey of household banking use, the FDIC noted that “[n]early 95 percent of U.S. households (approximately 124 million households) were banked (i.e., had a bank or credit union account)” in 2019, and that “[t]his is the highest number and percentage of households with bank accounts since the survey was first conducted in 2009.”²³¹ If banks take up the ABA’s call to offer Bank On-certified accounts nationwide—and evidence suggests that is happening in growing numbers—then the number of unbanked and underbanked individuals and households may be reduced further still.²³² Any policy or proposal designed to address the unbanked/underbanked challenge should carefully review successful initiatives, like Bank On, for elements that might be borrowed or replicated, such as messaging about the utility of bank accounts alongside marketing and utilization of a collaborative approach that partners public and private organizations. Policies and proposals designed to address the unbanked/underbanked challenge might also achieve success with solutions premised upon pre-existing infrastructure (such as faster payment systems, or advances in customer service enabled by new technology) rather than by implementing costly system overhauls or

²²⁹ See Statement of Betty J. Rudolph, National Director, Minority and Community Development Banking, Federal Deposit Insurance Corporation to the U.S House of Representatives Subcommittee on Consumer Protection and Financial Institutions of the Committee on Financial Services (Nov. 20, 2019) (available at: <https://www.fdic.gov/news/speeches/spnov2019.html>). See also Testimony of Robert James II, Chairman of the National Bankers Association, to the House Financial Service Subcommittee on Consumer Protection and Financial Institutions, titled “Slipping through the Cracks: Policy Options to Help America’s Consumers during the Pandemic” (March 11, 2021) (available at: <https://docs.house.gov/Committee/Calendar/ByEvent.aspx?EventID=111302>) (noting the important roles of MDIs and CDFIs). U.S. Census Bureau information is available at: <https://www.census.gov/data/tables/time-series/demo/popest/2010s-state-detail.html>

²³⁰ See Federal Deposit Insurance Corporation, “Alternative Financial Services: A Primer,” FDIC Quarterly, Vol. 3, No. 1 (2009) (available at: <https://www.fdic.gov/bank/analytical/quarterly/2009-vol3-1/fdic140-quarterlyvol3no1-afs-final.pdf> (accessed Oct. 21, 2020)).

²³¹ See “How America Banks: Household Use of Banking and Financial Services,” *supra* note 1.

²³² See “ABA Urges America’s Banks to Offer Bank On-Certified Accounts,” *supra* note 226 (encouraging every bank in the country to consider offering Bank On-certified accounts); see also, “National (U.S.) Estimated Household Unbanked Rate by Year,” p. 2.

infrastructure builds.²³³

On the other side are lessons that can provide insight into how proposed solutions might take pathways different from those their architects anticipate. The Postal Savings Program, for example, demonstrates that an account-based program designed with the unbanked and underbanked in mind may not wind up attracting users based on convenience and geographic locations, even where the absence of retail bank branches creates an apparent advantage or need, but might instead result in a program that competes directly with the deposit-taking activities of private banks without offering any distinct advantage over those private options.²³⁴ Deposit outflows from government competition with private banks might also have a disproportionately detrimental effect on the funding costs of small and community banks. A Federal Reserve Bank of Minneapolis review of the effects of declining deposits on banks concluded that a “decline in cheaper insured deposits will likely raise costs for banks, especially community banks, which must rely on more expensive funding.”²³⁵

d. Significant Unintended Consequences May Arise From Policies or Proposals

Creation of federal-government-provided accounts, such as FedAccounts or federal Digital Dollar Wallets, or a mandate for private accounts, such as federal basic bank accounts or private Digital Dollar Wallets, could have significant unanticipated consequences. As was the case with the Postal Savings Program, a government account-based program that competed directly with private deposit-taking activities, and which appears to have followed a straightforward consumer deposit-allocation model, consumers evaluated their options for placing deposits based on relative security (whether deposits are safer with the federal government or with private actors) or relative price (whether the rate offered by the

government is higher than that which can be obtained in the private marketplace).²³⁶ Choices such as these can weaken the deposit base at banks and create friction with policy underlying our system of deposit insurance. Indeed, relative assessments about the security of the entity holding deposited funds, and advantages the central bank has over private actors, have led researchers from the Federal Reserve Bank of Philadelphia to conclude that a system in which depositors choose between FedAccounts and deposit accounts at private banks could result in deposits being attracted away from the commercial banking sector and in a concentration of deposits at the central bank.²³⁷

Looking not at the impact a proposal might have on existing systems, but at the structure of individual proposals themselves, incorporation of certain features into a program might also produce unanticipated consequences. For example, immediate funds availability generally makes a program susceptible to fraud. Thus, a FedAccount or federal Digital Dollar Wallet program that would make funds immediately available to users without the types of exceptions permitted to commercial banks under the Expedited Funds Availability Act would expose the government or program operator to the underlying fraud risks. The unanticipated effects of unbanked/underbanked proposals on the banking system are difficult to quantify, and unintended consequences of specific designs are determined by their own structure and the choices made by their architects. History tells us, however, that unintended consequences have arisen before and are likely to arise again if proposals are designed or implemented without policymakers giving due consideration to the broader impact that their proposals might have.

V. Conclusions

Financial inclusion and access to bank accounts and services are an important shared goal of the private sector, nonprofit organizations, and the government. Significant progress has been made over the last decade in banking the unbanked and reducing utilization of certain costly non-bank financial products and services. The FDIC reports the lowest number of unbanked

²³³ See “FinTech and the Search of Full Stack Financial Inclusion,” *supra* note 58 (arguing that sustainable financial inclusion and wellness might be attainable through innovations that leverage existing infrastructure, such as faster payment systems that enable individuals and households to access funds quicker and that smooth income volatility, and no- and low-cost basic bank accounts that enable households to transact and conveniently/easily access important information).

²³⁴ See “Postal Banking in the United States and Japan: A Comparative Analysis,” *supra* note 205, at pp. 76-91.

²³⁵ David Fetting and Ron J. Feldman, “Declining deposits . . . Is it all bad news?” Federal Reserve Bank of Minneapolis (July 1, 1998) (available at: <https://www.minneapolisfed.org/article/1998/declining-deposits-is-it-all-bad-news> (accessed Oct. 27, 2020)).

²³⁶ *Id.*

²³⁷ Jesus Fernandez-Villaverde, et al., “Central Bank Digital Currency: Central Banking for All?” Federal Reserve Bank of Philadelphia Working Paper 20-19 (June 2020), p. 27.

households, in 2019, since it began surveying in 2009.²³⁸ In large part, this progress appears attributable to the prevalence of no- and low-cost account offerings from private institutions and to strides made by partnerships aimed at banking the unbanked, such as the Bank On initiative. Nevertheless, a significant number of U.S. households are unbanked or fail to utilize less-costly, bank-provided financial products and services. In particular, the proportion of Black, Hispanic, American Indian or Alaska Native, and working-age disabled households that are unbanked, although also generally declining in recent surveys, remains much higher than the average. Banking unbanked households and reducing utilization of costly non-bank products and services represents a significant and important opportunity for the further advancement of financial inclusion in the U.S., and a vital step toward ensuring the financial wellbeing of all U.S. households. To assist with these efforts, this paper provides an overview of reasons why individuals and households are unbanked and underbanked, identification of aspects of past initiatives and current proposals that have made (or are likely to make) those initiatives and proposals effective, and an outline of factors that should be considered in the development of future policies and proposals meant to address the unbanked and underbanked.

Specifically, The Clearing House, the American Bankers Association, the Consumer Bankers Association, the Credit Union National Association, the Mid-Sized Bank Coalition of America, the National Bankers Association make the following recommendations:

1. Public policymakers 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, policymakers 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.

2. 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). For example, the new monthly tax credits included in the American Rescue Plan passed in March 2021 present an opportunity to promote the adoption of bank accounts through the IRS Get My Payments portal.
3. 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.
4. The banking industry should continue its efforts to reduce the percentage of unbanked households by embracing approaches with a proven track record of success. Two programs, the FDIC's Model Safe Account Pilot (no longer active) and the Bank On initiative, have achieved significant advances in addressing the unbanked/underbanked challenge. The Bank On initiative, which promotes basic, low-cost bank accounts, shows 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/underbanked challenge.
5. Government spending in support of the unbanked/underbanked should be conducted on a scale that yields a reasonable expectation that the expenditures will be impactful. Critically, Congress should prioritize efforts to extend broadband

²³⁸ "How America Banks: Household Use of Banking and Financial Services [-] 2019 FDIC Survey," *supra* note 1, p. 1.

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 or underbanked 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 and underbanked.

6. Public policymakers should examine the factors that contributed to the sharp decline in the unbanked rate for Black and Hispanic households from 2015 to 2019 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 and Hispanic households sharply declined from 2015 to 2019, the proportion of unbanked Black, Hispanic, and American Indian or Alaska Native households is higher than the national average. The factors that contributed to the particularly sharp decline in the unbanked rate for Black and Hispanic households from 2015 to 2019 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.

Appendix A: A Sampling of No- and Low-Cost Accounts in the U.S.

Bank Name	Account Product	Fees	Additional Terms & Conditions	Additional Information
Alliant Credit Union	High-Rate Checking Account	Courtesy pay fee of \$28 (per occurrence) and insufficient funds fee of \$25 (each).	No minimum balance required to open an account; and no monthly maintenance fees. Bears interest so long as accountholders are opted into e-statementing and there is at least one electronic deposit made to the account each month.	https://www.alliantcreditunion.org/bank/high-yield-checking-account#fees
Ally Bank	Ally Interest Checking Account	None of the following: <ul style="list-style-type: none"> • Monthly maintenance fee; • Standard or expedited ACH transfer fees; • Online statement copy fee; • Incoming wires; • Postage-paid deposit envelopes; • Official/cashier's check fee Fees for: <ul style="list-style-type: none"> • Returned deposit items (\$7.50) • Overdraft item pair or overdraft item returned (\$25) • Excessive transactions fee (\$10) • Expedited delivery (\$15) • Outgoing domestic wires (\$20) • Account research fee (\$25/hr) 	No minimum deposit; fee-free access to 43,000+ ATMs.	https://www.ally.com/bank/interest-checking-account/
Axos	Axos Bank Rewards Checking	No maintenance fees, overdraft fees, or insufficient funds fees.	\$50 minimum balance to open an account; unlimited domestic ATM fee reimbursements.	https://www.axosbank.com/Personal/Checking/Rewards-Checking
Bank of America	Advantage SafeBalance Banking Account (elsewhere referred to as a "Safe Balance Banking Account")	\$4.95 monthly fee (students under 24 are eligible for a waiver of this fee; and fee may be waived if enrolled in the Preferred Rewards program). No bank overdraft or insufficient fees. No ATM fees for deposits, withdrawals, transfers or balance inquiries at BofA ATMs.	No fee optional services include debit card, online banking, mobile and online bill pay, email and text alerts, and direct deposit. Overdraft services and check writing are not available.	https://www.bankofamerica.com/deposits/resources/safebalance-clarify-statement-go & https://www.bankofamerica.com/salesservices/deposits/resources/personal-schedule-fees/

Bank of the West	Any Deposit Checking	\$10 monthly service fee, which is waived if there is any deposit each statement cycle or if any account owner is under age 25.	No minimum amount to open; and monthly service fee waived for first two statement cycles for new accounts. Mobile banking; online and mobile banking and bill pay; and free use of any Bank of the West ATM.	https://www.bankofthewest.com/personal-banking/checking-accounts/any-deposit-checking.html
Bank5	High Interest Checking	\$1 per statement, per month fee for paper statements through the mail. No maintenance fees; free in-network ATMs and reimbursement of \$15 per statement cycle of out-of-network ATM fee costs; free transfers to external accounts.	\$10 minimum deposit to open an account; \$100 minimum balance required to earn interest.	https://www.bank5connect.com/Products/Checking
BBVA	BBVA Online Checking	Paper statement fee of \$3 per month. No monthly service fee; no ATM fees at more than 64,000 ATMs nationwide.	\$25 minimum deposit to open account; complimentary online banking, mobile banking, mobile deposit and bill pay.	https://www.bbvausa.com/checking-accounts/online-checking.html
BECU	BECU Checking	No monthly maintenance fee.	No minimum balance to open; access to 30,000+ surcharge free ATMs; free online banking and mobile banking; refunds of out-of-network ATM fees of up to \$3 per month; interest bearing.	https://www.becu.org/everyday-banking/Checking
Betterment Financial LLC/ Betterment (nbkc bank)	Betterment Checking	No overdraft fees; reimbursement of ATM fees and foreign transaction fees around the world; no monthly account fees, maintenance fees, or withdrawal fees.	No minimum balance.	https://www.betterment.com/resources/
Capital One	360 products (including 360 Checking Account (an online checking account))	Capital One 360 products include a number of cost-saving features: The 360 Checking product features no minimum amount to open an account, no minimum balance requirement, no monthly fees, and no fee for the first checkbook.	No ATM fees when using a Capital One or Allpoint ATM (currently 40,000+ locations nationwide); accounts earn interest regardless of balance; mobile banking; mobile deposits; and the 360 Checking product offers different options to manage overdrafts on the account, including an auto-decline option to prevent any overdrafts.	https://www.capitalone.com/bank/checking-accounts/online-checking-account/

Chase	Chase Secure Banking Account: Chase Secure Checking	\$4.95 monthly service fee. No Chase fee for money orders or cashier's checks.	Overdraft services, check writing, and wire transfers are not available.	https://www.chase.com/personal/secure-banking & https://www.chase.com/content/dam/chase-ux/documents/personal/checking/ABSF-en.pdf
Chime (The Bancorp Bank & Stride Bank, N.A.)	Chime Spending Account	No overdraft fees and no monthly fees, fee-free access to 38,000+ ATMs. Out-of-network ATM and cash withdrawal fees apply.	No minimum balance.	https://www.chime.com/
Citibank (Citi)	Access Account	\$10 monthly maintenance fee (waived for a \$1500+ combined average balance or other qualifying activities). Fee-free access to Citibank ATMs.	Electronic bill pay, no overdraft fees, access to online and mobile-phone-based banking.	https://online.citi.com/US/banking/checking/citi.action?ID=access-account
Citizens Bank	One Deposit Checking Account	\$9.99 monthly maintenance fee (waived with a single monthly deposit per statement period) Fee-free access to Citizens Bank ATMs.	No minimum account-opening deposit; no minimum balance; the monthly maintenance fee is waived with a single monthly deposit of any amount; access to Zelle, mobile-phone-based and internet banking. \$3 fee for use of non-Citizens ATMs; stop payment fee of \$35; \$0 account closing fee.	https://www.citizensbank.com/checking/one-deposit-checking-account.aspx & https://www.citizensbank.com/apps/personaldeposits/legal/ctz_One_Deposit_Checking_Guide.pdf
Diamond Lakes Federal Credit Union	On The Go Checking Accounts; and The Good Life Checking Account	Up to \$5 monthly service fee. Surcharge free ATM access.	\$5 minimum account-opening deposit; internet banking; online bill pay; free electronic statements; overdraft protection with linked accounts.	https://www.diamondlakesfcu.org/accounts.html

<p>Discover</p>	<p>Checking Account (“Cashback Debit online checking account”)</p>	<p>Touts no fees, “period.”</p> <p>Including no fees for:</p> <ul style="list-style-type: none"> • Monthly maintenance; • Withdrawals at over 60,000 ATMs nationwide; • Replacement debit card; • Standard checks; • Official bank check; • Online bill pay; • Expedited delivery for debit card replacement; • Expedited delivery for official bank checks; • Deposited item returned; • Stop payment order; • Insufficient funds; and • Account closure. 	<p>No minimum balance; no monthly fees; fee-free access to 60,000+ ATMs.</p>	<p>https://www.discover.com/online-banking/checking/</p>
<p>Empower Finance, Inc. (nbkc bank & Evolve Bank & Trust)</p>	<p>Flexible Checking Account & Automated Savings Account</p>	<p>No overdraft fees, no Empower-assessed foreign transaction fees.</p>	<p>No minimum account balance.</p> <p>Reimbursement of up to 3 ATM fees per month, with a maximum reimbursement of \$10 per ATM withdrawal.</p>	<p>https://empower.me/</p>
<p>Fifth Third Bank, N.A.</p>	<p>Express Banking</p>	<ul style="list-style-type: none"> • No monthly service fee • No minimum balance requirements • No overdraft fees • No fees at over 50,000 partner ATMs nationwide 	<ul style="list-style-type: none"> <input type="checkbox"/> Direct deposit available (no cost). <input type="checkbox"/> Requires cash deposits. Checks presented at a Fifth Third banking center or via Mobile Deposit can be cashed using our immediate funds solution. You can deposit that cash into your Express Banking account. Check cashing restrictions and fees will apply. 	<p>www.53.com/Express</p>
<p>First Internet Bank</p>	<p>Online Checking Accounts: Interest Checking & Free Checking</p>	<p>No monthly maintenance fee for Free Checking Account. Interest Checking Account has a \$10 monthly maintenance fee if the balance is below \$500 and provides rebate of up to \$10/month of ATM surcharges.</p>	<p>Free Checking Account requires \$25 balance to open; Interest Checking Account requires \$100 to open.</p> <p>Free “offerings” include: debit card, incoming wires, online and mobile bill pay, incoming ACH transfers, first order of checks, and electronic banking statement.</p>	<p>https://www.firstib.com/personal/bank/checking-debit/</p>

FNBO Direct (a division of First National Bank of Omaha)	Online Checking Account	<p>No monthly service fees; no FNBO-assessed ATM fees.</p> <p>Overdraft fee \$33 (per item; 4-per-day max); return item fee \$33 (per item; 4-per-day max); \$15 per outgoing wire transfer;</p>	<p>Free online banking, BillPay, account alerts, person-to-person payments with PopMoney, debit card fraud monitoring, incoming wires, stop payments, and access to over 2 million ATMs.</p> <p>\$1 minimum to open an account; \$1,000,000 maximum balance.</p> <p>Interest bearing (0.65% as of 8/4)</p> <p>Note: no paper checks are available with these accounts.</p>	<p>https://www.fnboirect.com/online-checking-account/</p> <p>&</p> <p>https://www.fnboirect.com/legal/online-checking-disclosure/index.html</p>
Independent Bank	Free Rewards Checking Account	<p>No monthly service charges or minimum balance requirements.</p>	<p>\$100 minimum deposit to open an account.</p> <p>Interest bearing (depends on balance).</p> <p>Free: online banking and bill pay, mobile banking and mobile deposit, electronic statements, debit card.</p> <p>\$20 refund of ATM fees per statement cycle.</p>	<p>https://www.independent-bank.com/personal/personal-checking/free-rewards-checking.html</p>
KeyBank	Hassle-Free Account (checking account)	<p>No minimum balance requirement (although a minimum opening deposit of \$10); no overdraft fees; no monthly service fee</p> <p>“Forget the fees No overdraft, monthly or minimum balance fees. That’s why we call it Hassle-Free.</p> <p>100% online account No checks to order, and every way to pay. Access your money with debit Mastercard®, in online and mobile banking and at KeyBank branches and ATMs.”</p>	<p>Checkless, online account with no monthly fees. Access to 1,400 KeyBank ATMs and 1,100 branches.</p>	<p>https://www.key.com/personal/checking/key-bank-hassle-free-account.jsp</p>
M&T Bank	EZChoice Checking	<p>No monthly maintenance charge; no fees for use of M&T Bank ATMs.</p>	<p>\$25 minimum deposit; direct deposit is available; access to M&T Online and Mobile Bill Pay; access to Zelle; debit card with custom card option; mobile deposit.</p>	<p>https://www3.mtb.com/personal-banking/checking/ezchoice-checking</p>
M&T Bank	MyWay Banking	<p>No monthly maintenance charge with one or more transactions each monthly service charge cycle (otherwise \$4.95); no overdraft fees</p>	<p>\$25 minimum deposit; checkless; online and mobile bill pay; Zelle; debit card with custom card option; mobile deposit; available for minors 13 to 17 (includes debit card) with parent or guardian as joint owner.</p>	<p>https://www3.mtb.com/personal-banking/checking/myway-banking</p>

<p>Navy Federal Credit Union</p>	<p>Free Easy Checking</p>	<p>No monthly service fee if average daily balance is \$1,500 or more; \$10 if average daily balance is below \$1,500.</p>	<p>No minimum balance; free access to NFCU ATMs, CO-OP Network ATMs and participating California Walgreens; up to \$10.00 in ATM fee rebates per statement period for out-of-network ATM usage.</p> <p>Requires direct deposit or at least 20 debit card transactions per statement period.</p>	<p>https://www.navyfederal.org/checking-savings/checking/easy-checking.html#CH11</p>
<p>PNC Bank</p>	<p>Foundation Checking</p>	<p>\$7 monthly service charge; no fees for use of PNC Bank ATMs.</p>	<p>\$25 minimum deposit; complimentary cashier's checks; direct deposit, check writing, and electronic bill payment services available; online banking and mobile-phone-based banking available; and text and email alerts are available.</p> <p>Customers are required to complete a financial education seminar course online or in-person prior to opening an account.</p> <p>An upgrade process transitions customers to mainstream checking products if certain criteria are met.</p>	<p>https://www.pnc.com/content/dam/pnc-com/pdf/personal/Checking/Foundation_Checking_Fees.pdf</p>
<p>PNC Bank</p>	<p>SmartAccess Reloadable Prepaid Card(s)</p>	<p>Monthly service charge of \$5; no fees for use of PNC Bank ATMs.</p>	<p>Funds may be added to card accounts via direct deposit, or by depositing cash at a PNC ATM, a PNC branch, or any Visa Readylink retail location; overdraft services and check writing are not available; cards can be used anywhere Visa-branded cards are accepted; cardholders can track balances and spending with the PNC SmartAccess mobile application or online, and can set up text and email alerts.</p>	<p>https://www.pnc.com/en/personal-banking/banking/debit-and-prepaid-cards/pnc-smartaccess-prepaid-visa-card.html</p>
<p>Regions Bank</p>	<p>LifeGreen Simple Checking</p>	<p>Monthly fee of \$5 with online statements and \$8 with paper statements (without check images).</p>	<p>Minimum opening deposit of \$50; free access to online banking; free standard delivery bill pay; mobile banking; unlimited check writing; and free access to more than 1,900 ATMs across the Regions 15-state service area (access to Regions Bank ATMs).</p>	<p>https://www.regions.com/personal-banking/open-checking-account-online/simple-checking-account</p>

Salem Five Direct (a division of Salem Five bank)	eOne Checking	No minimum balance required; and no Salem-Five-assessed ATM fees.	Minimum balance to open is \$100. Must be new-to-bank funds and customers that have applied online. Free: online bill pay, mobile checking deposit, first order of checks, Interest bearing. Reimbursement of foreign ATM fees up to \$15 per statement cycle.	https://www.salemfivedirect.com/#eonechecking
SchoolsFirst Federal Credit Union	Free Checking	No monthly fee.	\$25 minimum opening deposit (waived for school employees). No minimum balance requirements; unlimited check writing; fee-free use of 28,000+ ATMs; free electronic statements and notices.	https://www.schoolsfirstfcu.org/wps/portal
Self-Help Federal Credit Union	Access Checking & Personal Checking	\$5 monthly service fee, waived if average daily balance is above \$2500, monthly combined direct deposits are \$500 or more, or account holder is under 24 or older than 65.	Free online and mobile banking; free bill pay for 20 items per month (\$1 per item thereafter); mobile deposit; free starter box of checks (Personal Checking only); earns interest.	https://www.self-helpfcu.org/personal/accounts/checking-accounts
Schwab Bank	High Yield Investor Checking account	No service fees or account minimums, so long as linked to Schwab One® brokerage account; and no foreign transaction fees.	Unlimited ATM fee rebates worldwide	https://www.schwab.com/checking
Simple (BBVA USA)	Simple Online Checking Account	No minimum monthly balance and no fees for overdrafts, incoming wires, stop payment requests or dormant/closed accounts.	\$5 per book of checks	https://www.simple.com/online-banking/online-checking-accounts & https://www.simple.com/faq
State Employees' Credit Union	State Employees' Credit Union Checking Account	No minimum balance is required to open an account. Sufficient funds must be maintained to cover the \$1 monthly service fee.	\$1 monthly service fee. Overdraft Transfer Service is available to avoid overdraft charges. Direct deposit is available.	https://www.ncsecu.org/DepositAccounts/Checking.html
State Farm Bank	State Farm Bank Checking	No minimum opening balance, no monthly fees, and no ongoing balance requirements.	Foreign ATM-fee rebates of up to \$10 per statement cycle.	https://www.statefarm.com/finances/banking/checking-accounts

Suncoast Credit Union	Free Checking	No minimum balance and no monthly maintenance fees	No initial deposit is required; free online banking and mobile banking; free bill pay; free ATM access at Suncoast ATMs, Publix Presto ATMs, CO-OP Network ATMs, and additional in-network ATMs; free images of cleared checks; free electronic and combined account statements; direct deposit available.	https://www.suncoastcreditunion.com/personal/bank/checking
TD Bank	TD Simple Checking	No minimum daily balance requirement, \$5.99 monthly maintenance fee.	No fee at TD ATMs, no minimum opening deposit, free online banking and mobile banking, free bill pay	https://www.td.com/us/en/personal-banking/checking-accounts/simple/
	TD Essential Banking *Launching in 3Q2021	No minimum balance requirement, \$4.95 monthly maintenance fee. No fees for overdrafts.	No fee at TD ATMs, no minimum opening deposit, free online banking and mobile banking, free bill pay	*Launching in 3Q2021
TIAA Bank	TIAA Bank Yield Pledge Checking	No monthly account fee, no TIAA-assessed ATM fees, no overdraft transfer fee, and no replacement card fee. \$10 cashier's check fee, \$25 stop payment order fee, \$30 non-sufficient funds fee, and \$10 returned deposit item fee.	Required minimum opening balance of \$100; interest bearing; \$15 per month of foreign ATM-fee reimbursements for accounts below \$5,000 (unlimited above \$5K).	https://www.tiaabank.com/banking/interest-checking & https://www.tiaabank.com/media_library/tiaabank/shared/pdf/terms-yp-checking.pdf
Truist Bank	Back to Basics / Bright Banking	\$5 monthly maintenance fee; no minimum balance requirement; no direct deposit requirement; fee-free access to 2,400 BB&T ATMs.	\$50 minimum opening deposit; access to internet and mobile-phone-based banking; mobile check deposit capabilities available; Zelle available; and electronic bill pay available.	https://www.bbt.com/banking/checking/fundamentals-checking.html & https://www.bbt.com/banking/checking/featured-checking.html
Umpqua Bank	Umpqua Bank Embark Checking	No monthly maintenance fee.	\$25 minimum opening deposit; \$3 per month for paper statements (unless over 62 years old); \$10 in foreign ATM fee rebates per month if average monthly balance of \$2,500+.	https://www.umpquabank.com/personal-banking/checking/embark/
Union Bank / MUFG Union Bank, N.A.	Bank Freely Checking	N\$0 monthly service charge; no overdraft fees for overdrawn balances less than \$5.	Any amount greater than \$0 to open; no Union Bank fees for ATM access; mobile banking; online banking; online bill pay; and unlimited check writing.	https://www.unionbank.com/personal/checking-accounts/bank-freely

<p>U.S. Bank</p>	<p>Safe Debit Account</p>	<p>\$4.95 monthly maintenance fee.</p> <p>Visa debit card, online and mobile banking (including mobile check deposit), bill pay, and discounted money orders.</p>	<p>\$25 minimum opening deposit; no overdraft fees; free ATM transactions at U.S. Bank ATMs</p>	<p>https://www.usbank.com/bank-accounts/checking-accounts/checkless-checking.html</p> <p>&</p> <p>https://www.usbank.com/dam/documents/pdf/regions/safedebitsnapshot.pdf</p>
<p>USAA Bank</p>	<p>USAA Bank Classic Checking</p>	<p>No monthly service fee.</p> <p>Fee-free access to 60,000 USAA-preferred ATMs.</p> <p>No fees for ATM withdrawals 1-10, \$2 per withdrawal after that (except when made at USAA ATM).</p> <p>Returned deposit item fee of \$5 (per item); \$29 stop payment fee; non-sufficient funds fee of \$29; and overdraft fee of \$29.</p>	<p>No minimum balance, but \$25 required to open an account.</p> <p>Foreign ATM fees refunded up to \$15 per month.</p>	<p>https://www.usaa.com/inet/wc/no-fee-checking-main?akredirect=true</p> <p>&</p> <p>https://www.usaa.com/inet/wc/banking-secure-checking-service-fees-terms</p>
<p>Varo (Varo Money, Inc.) (The Bancorp Bank (but likely to change given charter))</p>	<p>Varo Bank Online Checking Account</p>	<p>No monthly fees, no transfer fees, and no overdraft fees.</p>	<p>Access to 55,000+ Allpoint® ATMs.</p>	<p>https://www.varomoney.com/online-checking-account/</p> <p>&</p> <p>https://www.varomoney.com/policies/addendum-to-varo-bank-account-agreement-terms-conditions-for-no-fee-overdraft-program/</p>
<p>Wells Fargo</p>	<p>Clear Access Banking</p>	<p>No minimum balance and no overdraft fees. Typical costs estimated to be \$5 per month (flat monthly fee of \$5; waived for account holders ages 13-24).</p>	<p>ATM access (13,000+ ATMs), bill pay and online transfers, mobile deposits, contactless-chip enabled access devices, and additional features available.</p>	<p>https://www.wellsfargo.com/checking/clear-access-banking</p>
<p>Bank On (Bank On certified accounts)</p>	<p>Certified accounts (include checking and savings accounts) (certified accounts are accounts that meet specified criteria (the Bank On National Account Standards)); available at 24,000+ branches</p>	<p>All Bank On certified accounts have low or no monthly fees.</p>	<p>Minimum opening deposit of \$25 or less; out-of-network ATM fee of \$2.50; generally, low fees; no fees for bill payments and transactions; no overdraft fees; and access to mobile-phone-based and internet banking.</p>	<p>https://joinbankon.org/accounts/</p> <p>Using New York and Philadelphia as examples:</p> <p>New York</p> <ul style="list-style-type: none"> • Bank of America • First New York Federal Credit Union <p>Philadelphia</p> <ul style="list-style-type: none"> • Bank of America (Safe Balance Banking Account) • Chase (Secure Banking Account) • KeyBank (Hassle-Free Account) • Wells Fargo (Clear Access Banking) • TD Bank (TD Essential Banking) – pre-certified -launching 3Q2021

Appendix B: Descriptions of the Organizations

About The Clearing House Association

The Clearing House Association is a nonpartisan advocacy organization that represents the interests of its member banks by developing and promoting policies to support a safe, sound, and competitive banking system that serves customers, communities, and economic growth. Learn more at www.theclearinghouse.org.

About American Bankers Association

The American Bankers Association is the voice of the nation's \$21.2 trillion banking industry, which is composed of small, regional, and large banks that together employ more than 2 million people, safeguard \$17 trillion in deposits, and extend nearly \$11 trillion in loans. Learn more at <https://clicktime.symantec.com/3Qah7Tcb6LrCDthbaUqgsM97Vc?u=www.aba.com>.

About Consumer Bankers Association

The Consumer Bankers Association represents America's leading retail banks. We promote policies to create a stronger industry and economy. Established in 1919, CBA's corporate member institutions account for 1.7 million jobs in America, extend roughly \$4 trillion in consumer loans and provide \$275 billion in small business loans annually.

About Credit Union National Association

The Credit Union National Association, Inc. (CUNA) is the largest trade association in the United States serving America's credit unions and the only national association representing the entire credit union movement. CUNA represents nearly 5,300 federal and state credit unions, which collectively serve more than 120 million members nationwide. CUNA's mission in part is to advocate for responsible regulation of credit unions to ensure market stability, while eliminating needless regulatory burden that interferes with the efficient and effective administration of financial services to credit union members.

About Mid-Sized Bank Coalition of America

The Mid-Size Bank Coalition of America (MBCA) is a distinct, singularly-focused "self-help" alliance representing the Nation's mid-size banks that has the direct involvement of each of its member banks' CEOs and most of their management committee members. Our members include over 95% of all banks with assets between approximately \$10 and \$100 billion. Coalition banks are a leading source of lending and investment on America's Main Streets serving millions of consumers, households, and businesses in communities throughout the country.

About National Bankers Association

Since its founding in 1927, the National Bankers Association has served as a voice for Black and other minority-owned banks. Now, with membership that includes Hispanic-American, Asian-American, Native-American, and women-owned banks, our reach extends across the country. We believe strongly in advocating for not only our member banks, but also the communities they serve. Our members help low and moderate-income communities, and they are committed to providing economic revitalization to families in those neighborhoods. Many of our member institutions have become banks of last resort for consumers and businesses who are underserved by traditional banks and financial service providers.