

Statement for the Record
On Behalf of the
American Bankers Association
Before the
Subcommittee on Consumer Protection and Financial Institutions
Of the
Financial Services Committee

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Chairman Perlmutter, Ranking Member Luetkemeyer, and members of the subcommittee on Consumer Protection and Financial Institutions, the American Bankers Association (ABA) appreciates the opportunity to submit a statement for the record on the hearing titled *Banking the Unbanked: Exploring Private and Public Efforts to Expand Access to the Financial System*. ABA is the voice of the nation's \$22.5 trillion banking industry, which is composed of small, midsize, regional and large banks that together employ more than two million people.

Today's hearing is extremely important and timely. Sustainable economic opportunity requires a long-term banking relationship, but according to the most recent [FDIC data](#), 7.1 million Americans are unbanked. Notably, approximately 14% of Black households and 12% of Hispanic households did not have bank accounts in 2019, compared to white households, whose unbanked rate has dropped to below 3%. While these rates have declined to their lowest levels yet, as a nation and as an industry, we can do better.

We appreciate the opportunity to update the Subcommittee on ABA's efforts to reduce the number of unbanked in the country. While we and our members have multiple initiatives underway to expand access to banking services and reduce the

number of unbanked and underbanked in our country, we will limit this statement to our support for the Bank On movement, which we believe is making measurable progress in addressing this issue.

Bank On connects consumers to easy to use, low fee accounts. First inspired by the FDIC's Safe Account Pilot, the Bank On [National Account Standards](#) were created by the Cities for Financial Empowerment Fund ([CFE Fund](#)) and are widely endorsed by both consumer advocates and banking industry leaders. Bank On-certified accounts are designed to address the structural challenges facing unbanked households with features including low costs, online bill pay, no overdraft fees, and transaction capabilities, such as a debit or prepaid cards. The Bank On certification is an important, recognizable "seal of approval" that a customer will have access to an account that meets their needs.

ABA has always been supportive of the Bank On movement, but last year our leadership decided to dramatically expand our efforts in support of Bank On because we view the initiative as the single best opportunity to reduce the number of American households operating outside the financial mainstream. ABA President and CEO Rob Nichols launched our new campaign at our annual convention last October by encouraging all banks to join the Bank On movement. Together, ABA and the CFE Fund – working with the nation's core-service providers – are making it possible for banks of all sizes to offer low-cost, [Bank On-certified accounts](#) at branches across the country.

It is important to note that Bank On-certified accounts provide customers with much more than simple payment capabilities. Unlike payment cards offered by uninsured payments companies, which do not provide a path to a full banking relationship and lack the consumer protections that come with an FDIC-insured account, Bank On accounts offered by FDIC-insured banks are a critical step to consumers building a full banking relationship, which might grow to include a savings account, small business loan, mortgage credit, investment accounts, and so much more.

Being banked matters: as the government rushed to distribute millions of Economic Impact Payments during the COVID-19 pandemic, the FDIC, the IRS, Bank On and the ABA, among others, worked to promote awareness of such accounts so American taxpayers could receive their payments quickly and securely, and the FDIC has continued its efforts through its [#getbanked campaign](#).

Recurring Advanceable Child Tax Credit (ACTC) payments provide another ongoing opportunity to encourage unbanked individuals to find a bank account that meets their needs. On July 15, 2021 the U.S. Treasury disbursed approximately \$15 billion to families with nearly 60 million children – 85% of these payments hit families' bank accounts quickly and securely through direct deposit. We are encouraged that the IRS has posted a [prominent link](#) on the portal landing page to direct unbanked consumers to learn more about the benefits of being banked, including a link to the FDIC's [#getbanked landing page](#). According to early data, more than 360,000 ACTC recipients have added direct deposit information through the IRS' [ACTUP payment portal](#), allowing them to receive their payments via ACH.

ABA's Bank On Campaign

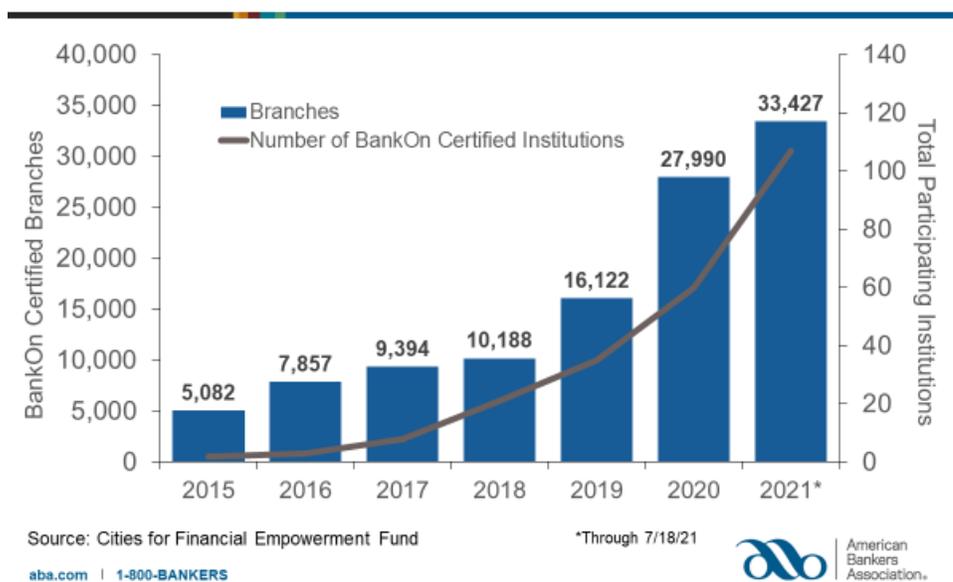
ABA's national campaign in support of Bank On has targeted both banks and consumers. Since Rob Nichols encouraged every bank in the country to offer a Bank On account last October, we have promoted our support for Bank On at dozens of virtual events; in podcasts and webinars; in paid social and digital media campaigns; and even at Washington Nationals games. We continue to highlight the growing number of banks offering Bank On-certified accounts across all of our member communication platforms, so bank leaders can see their peers participating in the program successfully.

Encouraging banks to offer at least one Bank On-certified account – and making it easy for them to do so – can have an impact at enormous scale. For community banks, that means working with one of the nation's core processing companies, which provide the operational backbone behind many banks. ABA received commitments from 20 core processing companies (including Fiserv, FIS, Jack Henry, and Finastra) to make it easier for community banks to develop and offer these accounts. While some banks are creating new accounts, many banks may already offer accounts that meet the Bank On standards but do not realize they qualify for certification. We have asked the core providers to help develop an inventory of such accounts so we can make banks aware of the ease with which they could certify and market Bank On-ready accounts.

We are making an impact. Since we launched our Bank On campaign in October 2020, *the number of Bank On-certified accounts has more than doubled* – with notable growth in participating banks under \$10 billion – and we see growing momentum toward

achieving nationwide scale.¹ With 108 Bank On-certified accounts available at 33,427 active branches across the United States (or more than 41% of active bank branches nationwide), 25 additional certified accounts are expected to go live by September, adding nearly 4,000 more branches. According to the FDIC, banks offering Bank On-certified accounts make up more than 51 percent of the US deposit market share. Beyond these figures, hundreds of banks have initiated contact with the CFE Fund to learn more about Bank On certification.

Number of Bank On Certified Branches



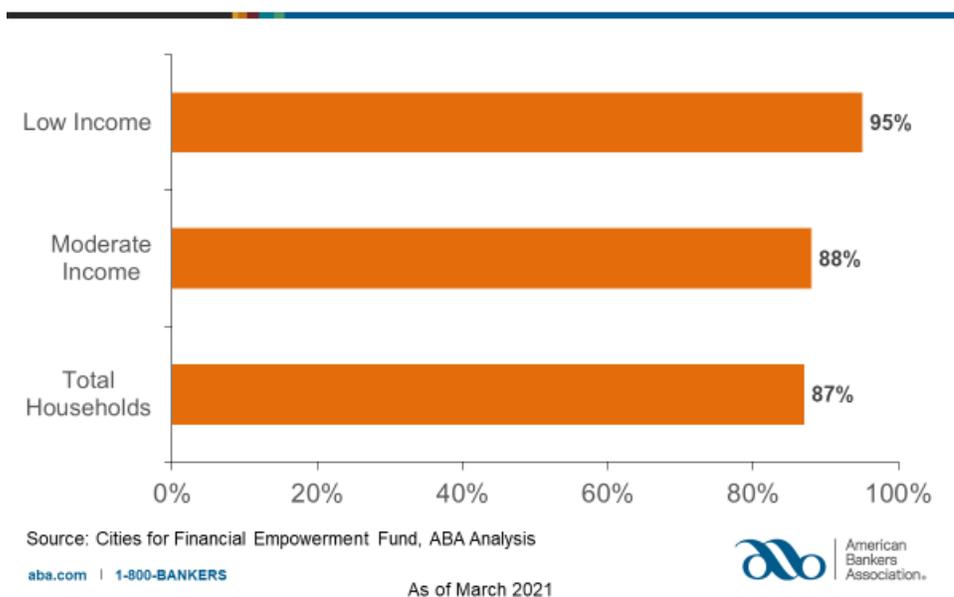
As of March 2021, Bank On-certified institutions were within commuting distance² of 95% of households living in low-income census tracts and 88% of households in

¹ 39 of the 47 institutions certified in 2021 are smaller than \$10 billion. This is particularly important for growth in rural markets, in which community banks tend to have a large presence.

² Defined as within 10 miles of the geographic center of rural or mixed census tracts and within a 2-mile radius of urban census tracts.

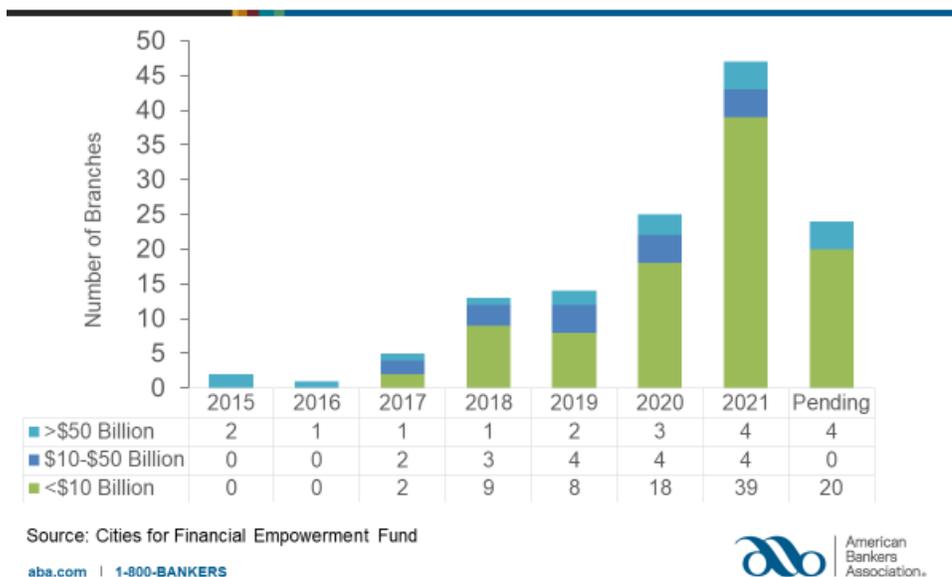
moderate-income tracts, representing more than 30 million of the approximately 33 million LMI households in the United States.

Share of Households Near Bank On Branches



Since ABA ran this analysis, 36 more institutions gained Bank On certifications representing more than 4,500 branches, demonstrating the rapid growth in physical access to low fee banking products for households.

Bank On Certifications by Asset Class



In addition to branch banking, Bank On-certified accounts offer robust mobile and on-line services, with one pending institution operating entirely digitally. FDIC data shows that underrepresented groups are among the most rapid adopters of mobile banking, making this a promising avenue for outreach to unbanked populations.

ABA's [2021 Bank Access report](#), published May 25, 2021, provides an overview of how America's nearly 5,000 banks offer communities across the nation important products and services through, collectively, more than 83,000 branches and increasingly robust digital service channels. One clear takeaway is that technological innovation is rapidly transforming the way Americans want to access financial services. [According to the FDIC](#), even before the global health pandemic, more than a third (34%) of American households used mobile channels as their primary method of accessing bank accounts in 2019, up 18.4 percentage points from 2017. By requiring robust online and mobile capabilities, Bank On national standards ensure that consumers who

choose a Bank On account will have access to a full suite of capabilities that a growing share of American consumers say they value.

The Federal Reserve Bank of St. Louis' 2019 (latest) [Bank On National Data \(BOND\) Hub report](#), which examines data that predates the ABA's Bank On initiative, suggest that Bank On accounts are achieving key objectives. We would call the Subcommittee's attention to some key takeaways from the report, which demonstrate that such accounts meet consumer needs and are also sustainable for banks:

- The demand and use of Bank On accounts is strong and continues to grow.
- Account holders don't just open Bank On accounts and forget about them. They actively use many of the services provided by certified Bank On accounts
 - 75% of customers are digitally active
 - 74% make debit transactions
 - Although accounts do not have minimum balance requirements, monthly balances across all reported Bank On accounts average \$345 per account
- Bank On accounts grow the pie, with approximately 85% of Bank On account holders being "new to the bank."

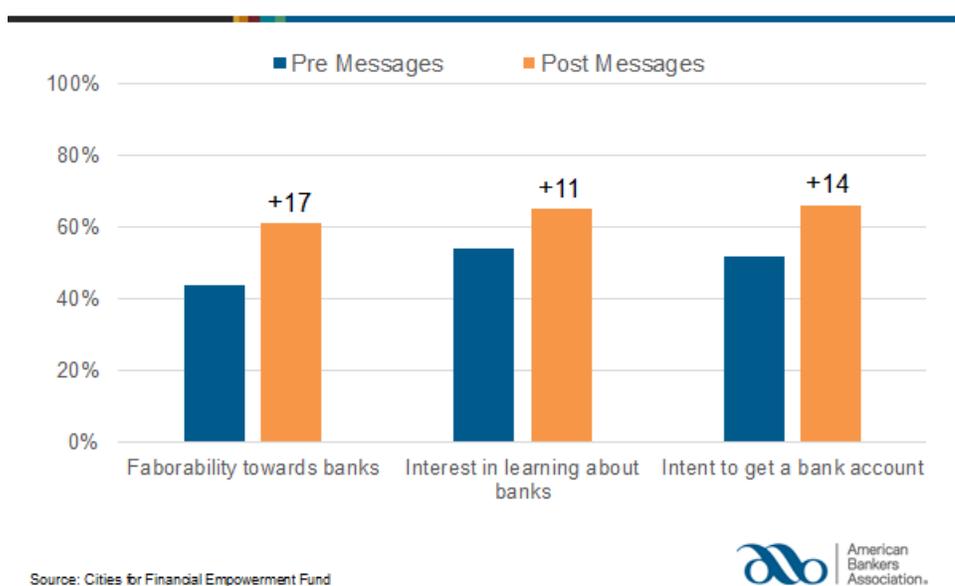
The data generated by the BOND Hub is a critical resource to policymakers, and the ABA will continue to encourage banks that offer Bank On accounts to participate in this important data project.

We are encouraged by the recent progress, but we know the availability of Bank On-certified accounts is just one piece of the puzzle.

While Bank On accounts address many of the structural challenges facing unbanked households, focused messaging and outreach can help address what the

CFE Fund calls the motivational challenges to getting banked. Through focus groups and surveys to help home in on messages that resonate the most with unbanked populations in its 2019 [Making the Case for Banking Access](#) report, CFE Fund found that tailored messaging and education can help move the needle with unbanked households.

Impact of Targeted Messaging



Two-thirds of the focus group participants became interested in getting an account after learning how having a bank account can help them increase savings, pay down debt, and build emergency funds. After exposure to tailored messaging, the report found favorability towards banks increased 17 percentage points (pp), interest in learning about banks increased 11 pp, and intent to get a bank account increased 14 pp. America's banks are committed to working with government and nonprofit partners to encourage recipients to consider a Bank On-certified account at a bank in their community.

As we work to develop trust with unbanked consumers and increase consumer recognition of the Bank On name – and what it stands for – [local Bank On coalitions](#), which bring together government agencies, financial institutions and community organizations, are working to ensure that unbanked consumers understand that there is a place for them in the mainstream banking system. With over 90 coalitions nationwide and new coalitions being formed as the movement grows (North Carolina’s new Bank On Coalition is the latest example), these partnerships demonstrate what can be accomplished through collaboration to bring consumers into the financial mainstream. Colorado, for example, has two Bank On coalitions, one in Denver and the other in Boulder County. The Colorado Bankers Association is working to launch a targeted recruitment campaign among its members to increase participation in that important work.

Notably, the Bank On Denver coalition has distributed more than \$130,000 in financial assistance to Denverites negatively impacted by the COVID-19 pandemic via a Financial Empowerment with Personal Access to Capital Grant program, launched in October 2020. And Bank On Boulder County in June hosted a Behavioral Economics Symposium with the FDIC, providing an in-depth look at how members of the Boulder County community make financial decisions. Four individual panels discussed real-world dynamics that impact how people earn, spend, save, and protect their funds and highlighted some steps banking access stakeholders can take to support these efforts.

To complement our on-the-ground initiative, the ABA believes it is also important to add to the growing body of data-driven research that validates the path forward to decreasing the number of unbanked Americans. On May 18, 2021, ABA joined The

Clearing House, the Consumer Bankers Association, the Credit Union National Association, the Mid-Sized Bank Coalition of America, and the National Bankers Association in releasing a new report, [Delivering Financial Products and Services to the Unbanked and Underbanked in the United States – Challenges and Opportunities](#), which outlines the obstacles and viable solutions for improving financial inclusion, providing access to bank accounts to the unbanked population in the United States.

As noted in the joint [press release](#), the report concludes that instead of establishing a large, duplicative and potentially expensive banking infrastructure to create bank accounts through the Federal Reserve or the U.S. Postal Service (postal banking), there are more effective and less costly ways to make progress in reducing the number of unbanked consumers, including through addressing barriers such as verifiable identification and access to broadband, while at the same time increasing efforts to promote successful “ready now” solutions with proven track records, like Bank On.

Conclusion

Banks have built the foundation for Americans to have consistent, simple, and secure access to financial services. Today, bank branches are easily accessible to nearly all Americans and households can bank from anywhere via online or mobile channels. And yet, while the vast majority of Americans are already making use of these services, more than 7 million households remain outside the banking system without a deposit account. America’s banks believe everyone should have access to the banking system and the safety, convenience and other benefits that come with a bank account – and we are committed to continuing our efforts to build trust with unbanked consumers,

both directly and in partnership with trusted intermediaries. As CFE Fund's Bank On brand becomes increasingly visible and recognizable, together with a growing number of banks offering Bank On-certified accounts, we believe the number of unbanked consumers will continue to drop. As an industry, we will seek out new and innovative ways to reach those without access to traditional financial services. We would welcome the opportunity to work collaboratively with the Subcommittee or other community stakeholders. When safe, affordable, and accessible financial products and services are readily available, families, communities, and the economy can prosper.