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ABOUT THE ASPEN INSTITUTE FINANCIAL SECURITY PROGRAM

The Aspen Institute Financial Security Program's (Aspen FSP) mission is to illuminate and solve the most critical financial challenges facing American households and to make financial security for all a top national priority. We aim for nothing less than a more inclusive economy with reduced wealth inequality and shared prosperity. We believe that transformational change requires innovation, trust, leadership, and entrepreneurial thinking. Aspen FSP galvanizes a diverse set of leaders across the public, private, and nonprofit sectors to solve the most critical financial challenges. We do this through deep, deliberate private and public dialogues and by elevating evidence-based research and solutions that will strengthen the financial health and security of financially vulnerable Americans. To learn more, visit **AspenFSP.org**, join our mailing list at **http://bit.ly/fspnewsletter**, and follow **@AspenFSP** on Twitter.

Executive Summary

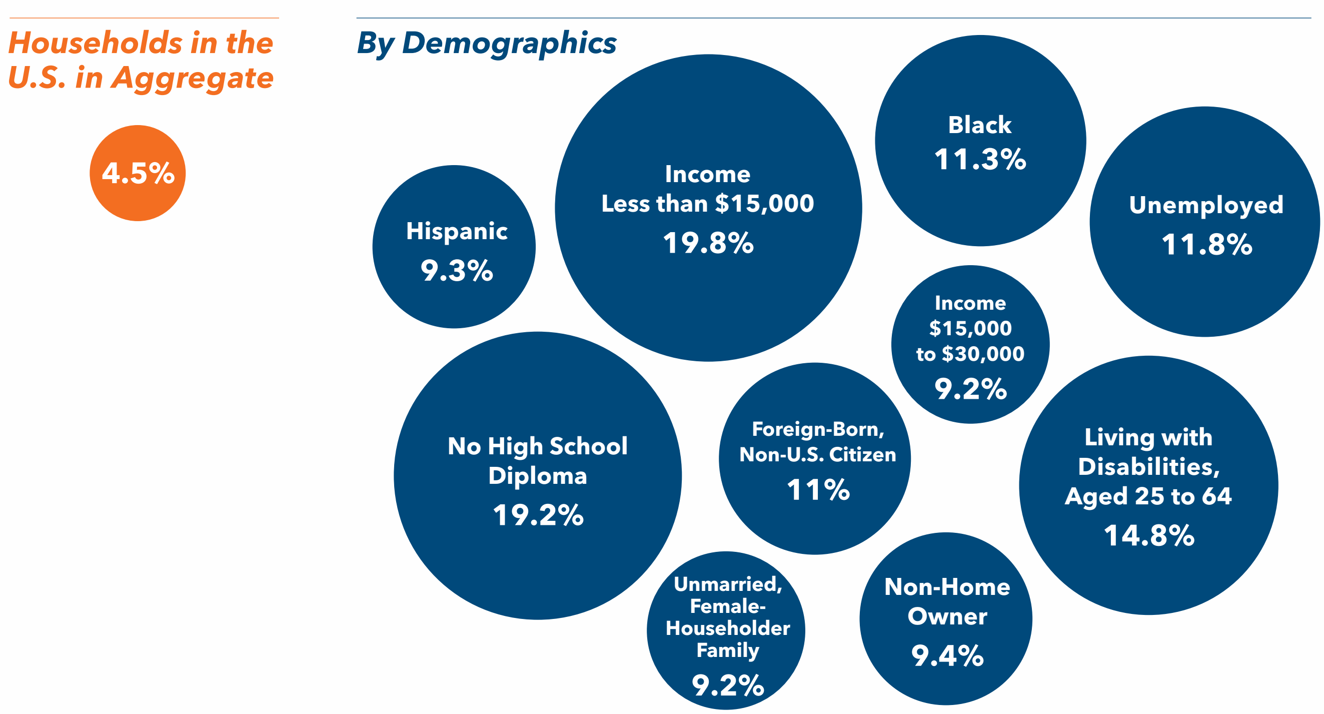
The United States financial system is not effectively serving everyone. A structurally inclusive financial system provides all people with the ability to access, utilize, and reap the benefits of a full suite of financial services that facilitate stability, resilience, and long-term financial security.[1] Unfortunately, the U.S. financial system currently fails to meet this definition. In 2021, nearly 1 in 5 households in the U.S.—approximately 24.6 million households—were either entirely disconnected from mainstream financial services or, despite having an account with a bank or credit union, still turned to costly alternatives to get the financial services they needed.[2]

While 4.5 percent of all households in the U.S.—approximately 5.9 million households—did not have an account at a bank or credit union in 2021, certain groups are unbanked at a much higher rate. Black households, Hispanic households, households with working-age adults living with disabilities, households with less education, and households with low income were among the groups even more unlikely to own an account.[3] Historically, Indigenous people have also faced significant barriers to banking access.

WHAT'S IN THIS PAPER

U.S. Households Do Not Have Equitable Access to Bank Accounts

Share of households without a bank or credit union account, by demographics



***Source:** Kutzbach, Mark, Joyce Northwood, and Jeffrey Weinstein. "2021 FDIC National Survey of Unbanked and Underbanked Households."*

To better understand the context and current state of financial inclusion in the U.S. banking system, the Aspen Institute Financial Security Program (Aspen FSP) conducted research and detailed interviews with more than 20 leaders from advocacy and civil rights organizations, mission-oriented financial service providers, and research institutions. This report zeroes in on access to basic banking as the price of entry to the current U.S. financial system. Without basic banking products, people are locked out of other related systems, such as credit and financing, insurance, and savings. **This research reveals that despite a spate of promising inclusive practices, persistent barriers continue to undermine financial inclusion at scale**.

Barrier 1

Most mainstream banking products are not currently designed to meet the functional money management needs of economically vulnerable consumers.

Barrier 2

Widespread market practices present significant obstacles to banking access and utilization for economically vulnerable consumers.

ACCESS BARRIERS

2.1: Regulatory requirements to verify customers' ID and address can exclude some consumers.

2.2: When consumer data shows past struggles with financial products—whether correct or not—on-ramps back into the system can be difficult to find or navigate.

UTILIZATION BARRIERS

2.3: Digital access and comfort with technology are essential to remote banking.

2.4: Branch hours and physical distances to bank branches, particularly in rural areas, are barriers to obtain in-person banking services.

2.5: Making cash deposits can be costly.

2.6: Some banks aren't equipped with bank tellers who have the cultural competency to effectively interact with customers or who are fluent in other languages.

2.7: Some major banks have consumer-friendly, entry-level accounts and products; however, interview participants reported a lack of customer awareness of these accounts.

This report identifies how financial service providers and practitioners interested in improving financial inclusion are implementing inclusive practices to counteract these barriers and reach marginalized people and communities. **Product innovations, technological advances, and participatory design have helped make incremental progress toward ensuring economically vulnerable people have access to more and better financial services. On their own, however, we believe these types of institutional practices will be insufficient to universally overcome these barriers.** Further research is required to understand how policies and regulations are impacting the ability for financial institutions (of all types) to scale these inclusive practices, both positively and negatively. Identifying systemic solutions is a critical next step to sustainably and equitably connecting people to critical financial systems.

The causes of financial exclusion are complex, rooted in multiple places throughout our financial system and the many other systems incorporated within it and related to it. It will require coordinated efforts between the public and private sectors to ensure solutions are systems-wide, not only led by individual institutions. That is why Aspen FSP has joined with stakeholders from across the industry and advocacy community to call for a **National Financial Inclusion Strategy**, one that is co-created by a mix of government representatives, private sector actors, representatives of underserved communities, and nonprofit leaders. This comprehensive strategy will identify the outcomes an inclusive financial system should deliver for people in the United States, as well as a prioritized set of actions this group can address to affect key barriers to financial inclusion—the kinds of barriers we highlight in this research. **While the next generation of financial systems in the United States is currently being developed through emerging technology and innovative product development, a coordinated national strategy can ensure it will also be structurally inclusive.**

A New Vision for Financial Inclusion

Fifteen years after the Great Recession and after decades of efforts to expand access to foundational financial services in the United States, the Aspen Institute Financial Security Program (Aspen FSP) takes stock of how successfully these efforts have removed the systemic barriers to financial inclusion. Although banking access gaps in the United States have narrowed over time, in 2021, nearly 1 in 5 households in the U.S.—approximately 24.6 million households—were either entirely disconnected from mainstream financial services or, despite having an account with a bank or credit union, still turned to costly alternatives to get the financial services they needed.[4] Because of exclusionary practices and policies embedded in our current financial systems, millions of people—disproportionately Black, Indigenous, and people of color (BIPOC), those living in rural communities, and families with lower incomes—continue to be left, or even pushed, out of the systems that have provided other consumers with safe and affordable tools to manage money, invest in the future, and build generational wealth.

To address this reality, the U.S. must intentionally build the next generation of financial systems to be structurally inclusive. A structurally inclusive financial system provides all people with the ability to access, utilize, and reap the benefits of a full suite of financial services that facilitate stability, resilience, and long-term financial security.[5] Achieving this goal will require both designing financial systems with historically underserved consumers at the center as primary users, and broadening the set of financial systems traditionally considered in "financial inclusion" conversations and initiatives. In addition to basic transaction accounts, everyone in the U.S. also needs short- and medium-term savings tools, timely delivery of payments from work and government, and access to fairly priced credit with reasonable terms. We also need places to effectively grow retirement savings and other financial investments, and sufficient insurance to protect from life's inevitable ups and downs.[6] This broader vision for financial inclusion would allow everyone in the U.S. to leverage high-quality, affordable financial services to best support their financial security.

> **A structurally inclusive financial system provides all people with the ability to access, utilize, and reap the benefits of a full suite of financial services that facilitate stability, resilience, and long-term financial security.**

> **Inclusive financial systems represent critical infrastructure for the national economy, facilitating commerce, economic growth, and financial stability and security for all individuals, businesses, and communities. As such, a more inclusive system—a fairer system—is a healthier financial system.**

Building truly inclusive financial systems requires action and coordination from a wide-ranging coalition of stakeholders, including private sector financial service providers, public-sector entities (including financial services regulators and government actors providing financial services), nonprofit and social-sector organizations (e.g., community-based organizations, researchers, advocates, and philanthropy), phone and internet providers, and leaders from other sectors and systems. For example, as finance has become increasingly tech-enabled and digital, the breadth of actors involved in providing financial services has grown to encompass consumer data companies, technology companies, their regulators, and other actors in the digital economy.[7] Inclusive financial systems represent critical infrastructure for the national economy, facilitating commerce, economic growth, and financial stability and security for all individuals, businesses, and communities.[8] As such, a more inclusive system—a fairer system—is a healthier financial system.[9]

To better understand the history and current state of financial inclusion in the U.S. banking system, Aspen FSP conducted research and detailed interviews with more than 20 leaders from advocacy and civil rights organizations, mission-oriented financial service providers, and research institutions (see text box). While we believe in the importance of expanding our definition of financial inclusion beyond access to basic transaction accounts, as you'll see in our research, this is a critical point of entry to the U.S. financial system. Transaction accounts are necessary to open and use most other financial products—like a payment or fintech app, investment account, or loan. We focused our conversations with these experts on access to and use of these transaction accounts. This report summarizes insights from these professional expert interviews and draws from Aspen FSP's years of work understanding people's lived financial experiences to analyze the extent to which historically underserved individuals have access to transaction accounts. We highlight their perspectives on persistent barriers to these essential products and, where possible, present promising examples of the ways institutions are working to address and overcome these barriers. This report articulates a vision for a more person-centered financial system that ensures all people in our country can access and use financial services to better manage their money, overcome financial shocks, and build generational wealth. We hope these lessons can inform the efforts of leaders—in financial services, technology, advocacy, civil rights, and philanthropy, along with investors and policymakers—as they shape the future of the U.S. financial system.

Wells Fargo's National Unbanked Task Force

Included in the set of professional expert interviews were members of Wells Fargo's National Unbanked Task Force, a group of leaders with perspectives on bringing more people into the banking system–including Black and African American, Hispanic and Latinx, and Native American and Alaska Native families. Representatives include leaders from Hope Enterprise Corporation, LULAC (League of United Latin American Citizens), NAACP (National Association for the Advancement of Colored People), NAFOA, NBA (National Bankers Association), NCRC (National Community Reinvestment Coalition), NCAI (National Congress of American Indians), National Urban League, and UnidosUS.[10]

Why Financial Inclusion Matters

An inclusive financial system provides the tools and services people need to manage their money in accordance with their financial goals. When these tools and services are safe, affordable, and allow people to advance their ability to save, transact, and build assets, people are enabled to invest in themselves and their communities.[11] An inclusive financial system is foundational both to personal financial security and the economic well-being of our communities. However, the reality is that today's financial systems in the United States do not yet equitably serve people in this way.

Promoting financial inclusion can directly impact individuals and communities; it is also in our long-term national interest. A 2019 analysis by McKinsey estimated that the United States' real GDP could be 4 percent to 6 percent higher if we created a more inclusive financial system to remove racial and other systemic disparities.[12] Research from the International Monetary Fund also shows a 2 to 3 percentage point GDP growth difference over the long term between financially inclusive countries and their less inclusive peers.[13]

While our definition of an inclusive financial system reflects the importance of a full range of financial services, this report zeroes in on access to basic banking as the price of entry to the current U.S. financial system. Without basic banking products, people are locked out of other related systems, such as credit and financing, insurance, and savings. The costs and consequences of not having a bank account include:

- Difficulty receiving and using earnings and government payments;
- Limited access to the convenience brought by innovative technology, including fintech and digital payments;
- Higher cost to conduct transactions and access credit;
- Higher risk of loss, theft, or damage when funds are kept in cash;
- Inability to accumulate and grow savings with interest; and
- Lack of access to longer-term wealth-building opportunities, such as investing or homeownership, and protective insurance.

Defining an Inclusive Financial System

An inclusive financial system provides everyone the ability to access, utilize, and reap the benefits of a full suite of financial services that facilitate stability, resilience, and long-term financial security. These range from payments to short- term and long-term savings vehicles, credit, investments, retirement accounts, and insurance. This relies on a well-functioning system of interrelated stakeholders–in the public, private, and social sectors–providing consumers with safe, affordable, and useful financial products and services, protecting them from bad actors, and providing educational tools and resources consumers can use to make informed financial choices.

Without a bank account, a person's ability to make efficient payments or access affordable credit and financing may be severely limited. They might miss out on the opportunity to start a business, or they might not have the resources to bounce back from a financial shock.[14] As one of the professional expert interviewees, Terri Friedline, noted in a prior publication: "Bank accounts are necessary for full participation in the 21st century economy. It is nearly impossible in today's society to buy groceries, pay the phone bill, rent a car, or apply for a job or college without using a basic financial product such as a bank or transaction account. These activities pervade our everyday lives and they are increasingly difficult to navigate without basic financial products or services."[15] Ensuring access to banking and full economic participation are essential components of financial inclusion.

... this report zeroes in on access to basic banking as the price of entry to the current U.S. financial system. Without basic banking products, people are locked out of other related systems, such as credit and financing, insurance, and savings.

Public Benefits and Financial Inclusion

The design and delivery of our public benefits have the potential to advance—or hinder—financial inclusion. Financial systems are often the intermediary facilitating public benefits from governments to people. Inclusive financial systems are necessary to ensure the optimal performance of government benefit programs and promote financial security for recipients. Yet, barriers to access and fines and fees can undermine the value of benefits. According to the Federal Reserve Bank of St. Louis, people who do not have bank accounts spend between 2.5 percent and 3 percent of a government benefits check to cash them.[16]

The COVID-19 pandemic showed that exclusionary financial systems can be even more problematic in moments of crisis. According to the Government Accountability Office, non-filers (i.e., people who are not required to file tax returns), first-time tax filers, mixed immigrant status families, people without access to bank accounts, individuals with limited internet access, and people experiencing homelessness were among those likely to have trouble receiving Economic Impact Payments (EIPs) and the expanded Child Tax Credit (CTC) payments in a timely manner.[17] Additionally, it is estimated that EIP recipients paid $66 million in check cashing fees.[18]

Government programs can be designed to promote inclusion, such as by making delivery easy and seamless for the recipient through the use of direct deposit, and encouraging people to be connected to the financial system.[19] New data from the FDIC show that about 1 in 3 households that recently opened a bank account said that receiving a government benefit payment—such as unemployment insurance or EIPs—contributed to their decision to open an account.[20]

A Holistic Approach to Financial Inclusion

To date, banking inclusion efforts have focused mainly on getting people access to transaction accounts and credit and financing, with less attention on whether or how people use those accounts—or whether those accounts better their financial lives. The industry has also stopped short of considering a more holistic definition of financial inclusion—which includes other critical financial products and systems, such as insurance, short-term savings, and investments. As a result, access gaps to these other critical financial services remain wide, and people across the U.S. continue to struggle with many aspects of their finances. And while access to a full suite of financial products and services is a foundational step to financial inclusion, access alone does not meaningfully contribute to people's financial security, well-being, and health.[21]

Inclusive financial products and services must be:

1. **Accessible** to everyone, including historically excluded households;
2. **Useful**, performing the functions people need, in a helpful way so individuals can utilize and maintain these services; and
3. **Beneficial**, such that these systems facilitate financial stability, security, and wealth building.

> **... while access to a full suite of financial products and services is a foundational step to financial inclusion, access alone does not meaningfully contribute to people's financial security, well-being, and health.**

Three Conditions Must be Met for True Financial Inclusion

3. Beneficial — Inclusive financial products and services must facilitate financial stability, security, and wealth building.

2. Useful — Inclusive financial products and services must perform the functions people need, in a helpful way so individuals can utilize and maintain these services.

1. Accessible — Inclusive financial products and services must be accessible to everyone, including historically excluded households.

Together, these three conditions allow people to engage with, utilize, and reap the benefits of high-quality, safe, and affordable financial tools and services in ways that help them build both short-term stability and long-term financial security.[22]

> **"Banking is a part of the journey, not the destination."**
>
> *– Wole Coaxum, MoCaFi*

As we laid out above, we believe financial inclusion must be holistic, but currently, the basic transaction account is the price of entry into the U.S. financial system. In conducting the research and interviews for this report, it became increasingly clear that despite many years of technological advances, product innovation, and efforts to bring in more people, millions of families still face financial exclusion. These realities point to the need for solutions to be more comprehensive in scope and to address the systems that are hindering private sector actors from delivering products that better meet more consumers' needs. Solving for exclusion will require a systemic lens to examine how leaders across the country interested in improving inclusion can together make changes that result in structurally inclusive financial systems.

Defining the Terms Used to Describe Race and Ethnicity in this Report

In federal data, people indigenous to the North American continent are referred to as American Indian or Alaska Natives (AI/AN), though Native Hawaiians are counted as Pacific Islanders. In other research, Native American is a frequently used term, and throughout this report we use it interchangeably with AI/AN. Similarly, we use multiple terms to refer to Latinx people and households. When citing statistics and official government data, we conform to the source data terminology (often "Hispanic" or "Latino"). When discussing this demographic more generally, we use the gender neutral "Latinx."

State of Financial Inclusion: Consumer Perspective

The U.S. banking system excludes millions of people

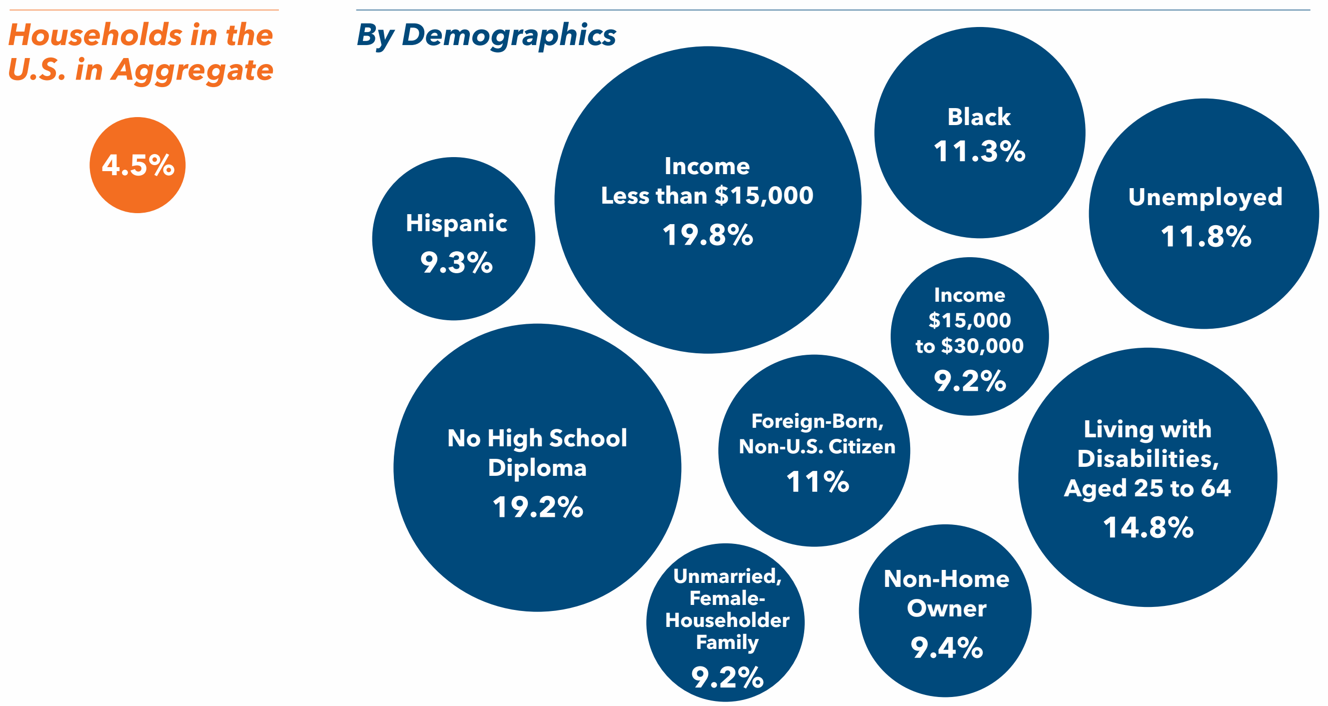
A structurally inclusive financial system provides all people with the ability to access, utilize, and reap the benefits of a full suite of financial services that facilitate stability, resilience, and long-term financial security. The U.S. financial system currently fails to meet this definition. **In 2021, nearly 1 in 5 households in the U.S.—approximately 24.6 million households—were either entirely disconnected from mainstream financial services or, despite having an account with a bank or credit union, still turned to costly alternatives to get the financial services they needed.**[23]

Economically vulnerable households are more likely to be excluded

An estimated 4.5 percent of households in the U.S.—approximately 5.9 million households—did not have an account at a bank or credit union in 2021.[24] Black households, Hispanic households, and households with working-age adults living with disabilities, households with less education, and households with low income were among the groups even more unlikely to own an account.[25] Historically, Indigenous people have also faced significant barriers to banking access.[i]

U.S. Households Do Not Have Equitable Access to Bank Accounts

Share of households without a bank or credit union account, by demographics



Source: *Kutzbach, Mark, Joyce Northwood, and Jeffrey Weinstein. "2021 FDIC National Survey of Unbanked and Underbanked Households."*

i In 2021, the FDIC found that 6.9 percent of American Indian or Alaska Native (AIAN) households were disconnected from bank accounts. This is a sharp decline in the percentage of AIAN households from 2019 and 2017, when 16.3 percent and 18 percent, respectively, were disconnected from accounts. This finding was also based on a limited sample size. Although we hope that these data mark a positive trend for households being able to access bank accounts, future data will show whether this is a sustained, positive trend. As other data show, many households transition in and out of bank ownership over time.

Many mainstream financial institutions offer banking products that are too expensive, too risky, and out-of-reach for the most financially vulnerable households

FDIC data reveal the reasons why people say they do not have a bank account, the most common of which include a lack of sufficient funds to meet the minimum balance requirements, privacy concerns, distrust of banks, and high or unpredictable bank account fees.[26] Research commissioned by the Cities for Financial Empowerment Fund (CFE Fund) revealed that safety and security concerns about the potential for fraud, identity theft, and aggressive fees also kept people—especially Spanish speakers and rural residents—from wanting a bank account.[27]

Nearly half of those without bank accounts in 2021 were previously banked, which illustrates that households may transition in and out of bank account ownership over time.[28]

Nearly half of those without bank accounts in 2021 were previously banked, which illustrates that households may transition in and out of bank account ownership over time.

People that previously—but no longer—held bank accounts cited not having enough money to meet minimum balance requirements and their distrust of banks as two of the main reasons that they did not have a bank account.[29] Similarly, the CFE Fund found that the most common reasons individuals that previously had bank accounts said they had closed their accounts was because of fees—including overdraft and minimum balance fees—or the loss of direct deposit from work.[30]

Affordability, Privacy Concerns, and Distrust Top Why People Say The Don't Have Bank Accounts

Reasons people say they don't have a bank account

Source: *Kutzbach, Mark, Joyce Northwood, and Jeffrey Weinstein. "2021 FDIC National Survey of Unbanked and Underbanked Households."*

Mainstream financial services are significantly more expensive for financially vulnerable consumers than their more financially secure peers

Having access to a bank account does not guarantee that people are equally or well-served by mainstream financial systems. In 2021, nearly half of households with bank accounts reported paying fees for their bank accounts, but these fees were not evenly distributed.[31]

Bank Account Fees Are Not Evenly Distributed Among Households

Households with a Bank Account

49% PAID SOME TYPE OF FEE FOR THEIR BANK ACCOUNT

AVERAGE BANK ACCOUNT FEES IN 2021

Financially Vulnerable Households Paid $182

Financially Healthy Households Paid $11

Source: *Elaine Golden, Hannah Gdalman, Meghan Greene, Necati Celik. "FinHealth Spend Report 2022: What U.S. Households Spent on Financial Services During COVID-19."*

Many people with bank accounts still operate outside of mainstream financial systems to meet one or more of their money management needs

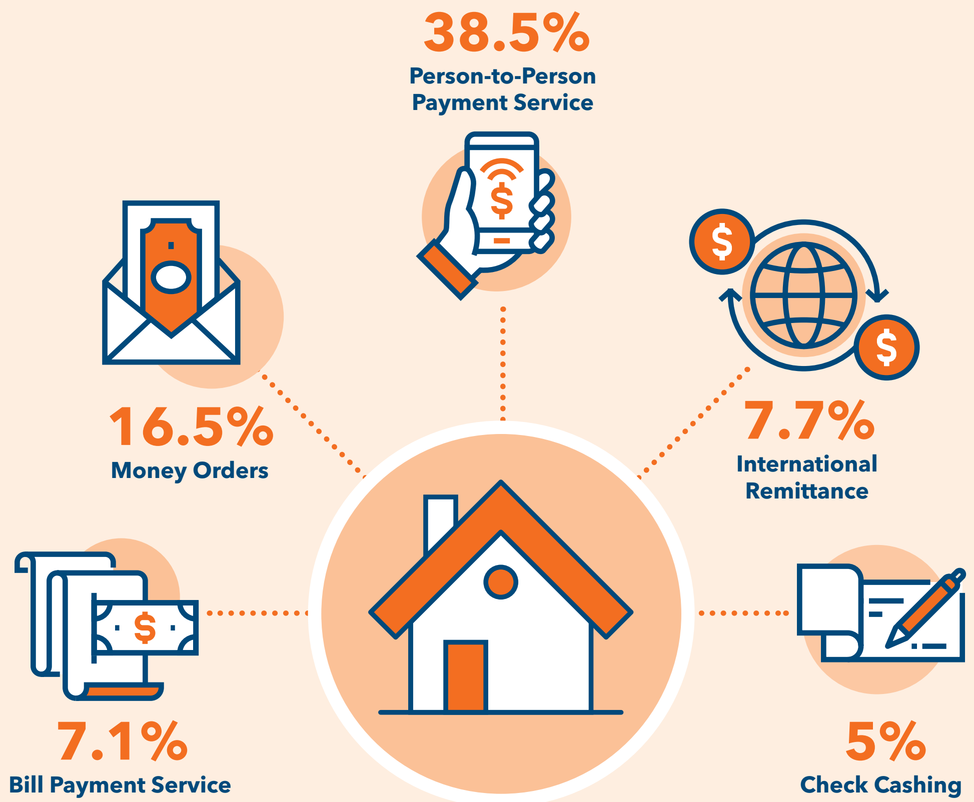
In 2021, an estimated 14.1 percent of households in the U.S., approximately 18.7 million households, had a bank account but also used alternative financial services in the past 12 months—such as check cashing services, money orders, international remittances, payday loans, or auto title loans.[32] Some households are more likely to have bank accounts but turn to alternative services, including more than 1 in 4 American Indian or Alaska Native households and foreign-born, non-U.S. citizen households.

Demand for these alternative financial products suggests that banks and credit unions are not meeting these households' needs for affordable and effective ways to transact, make payments, and send money; to get fast access to their own funds; or to access short-term, relatively small-dollar credit. The data also show that despite some household segments having low instances of being completely disconnected from bank accounts, many continue to seek out alternative services. For instance, despite fewer than 3 percent of Asian households having no connection to a bank account, more than 16 percent of Asian households have accounts but continue to seek out alternative financial services.

In 2019, households with bank accounts that were not satisfied with their primary bank were 1.5 times more likely to use money orders, check cashing, or bill payment services compared with households with bank accounts that were satisfied with their primary bank.[33]

Families Supplement Bank Offerings with Non-bank Transaction Services to Meet Their Financial Needs

Use of non-bank transaction services by households not satisfied with their primary bank [34]



Source: *Kutzbach, Mark, et al. "How America Banks: Household Use of Banking and Financial Services."*

Together, these data demonstrate that the current U.S. banking system is not accessible, affordable, or useful to all people, nor meeting all the financial services needs of even those who do hold bank or credit union accounts.

According to the Professional Experts: Barriers and Opportunities

In interviews conducted between February and August 2022, more than 20 leaders from advocacy and civil rights organizations, mission-oriented financial service providers, and research institutions shared their perspectives on the drivers of financial exclusion, the strengths and weaknesses of prior and current financial inclusion efforts, and strategies for bridging gaps between financially excluded individuals and communities and financial systems in the U.S. Their perspectives are based on their work with—and in service of—historically excluded communities.

Across the interviews, professional experts discussed the differential and harmful treatment of economically vulnerable and BIPOC people and communities, as well as the disinvestment in, and wealth extraction from, many low-income communities. As a result, many people do not trust some or all financial institutions, and trust continues to decline. Some of the professional expert interviewees warned that trust may never be won back with some individuals. For instance, a profound deterioration of trust happened during the 2008 recession, when many families lost their homes, and with it, their wealth.

> **"Everyone knows or is someone that has had a bad experience."**
>
> ***– Cy Richardson, National Urban League***

At the root of distrust is an extensive record of discriminatory treatment and deep disparities in banking and lending costs. Specific practices and government policies that have contributed to the history of financial exclusion in the United States include: redlining, loan steering, racial covenants, appraisal practices, and subprime lending targeted at communities of color and lower-income communities.[35] While some of these exclusionary policies are no longer in practice, their legacies persist, continuing to produce negative impacts over generations.[36]

Moreover, other policies and practices serve as mechanisms for further financial exclusion:

- Research examining fees for entry-level checking accounts at primarily small and community banks has shown that banks charge higher fees to open and maintain accounts in communities of color compared with white neighborhoods and that the cost of banking varies due to residential segregation.[37]
- Past research has explored how discretion is used to charge overdraft fees to people on a case-by-case basis, meaning that a person could have a different experience based on the teller or branch manager that they interact with on a particular day.[38]
- Secret shopper studies have revealed that Black and Hispanic customers applying for loans receive different information from bankers than white customers.[39]
- For Native Americans, particularly those living on tribal lands, resources and opportunities for home ownership are limited. Data from the Home Mortgage Disclosure Act (HMDA) indicate that only 0.6 percent of HMDA loans in 2015 went to Native American borrowers.[40]

Unequal experiences with financial systems and disparate costs further erode people's trust of these systems. Some potential customers may decide not to apply for needed loans or to be banked at all due to fear of disparate treatment and discrimination, confusion around fees, and worries about cost.[41]

Distrust in the financial system is the starting point for our analysis of the barriers to financial inclusion, based on our summary of insights learned in the professional expert interviews. Here, we outline the barriers to financial inclusion—which echo the consumer perspective detailed in the previous section—and reflect on the ways that the current financial system does not align with people's preferences, needs, and financial realities. We also highlight inclusive practices that address those barriers and provide opportunity to rebuild trust among potential customers and communities. It is through the ongoing use of inclusive practices at scale by financial service providers that the industry can begin to rebuild trust among members of BIPOC and economically vulnerable people and communities.

Barriers to Financial Inclusion

Barrier 1

Most mainstream banking products are not currently designed to meet the functional money management needs of economically vulnerable consumers.

Barrier 2

Widespread market practices present significant obstacles to banking access and utilization for economically vulnerable consumers.

ACCESS BARRIERS

2.1: Regulatory requirements to verify customers' ID and address can exclude some consumers.

2.2: When consumer data shows past struggles with financial products—whether correct or not—on-ramps back into the system can be difficult to find or navigate.

UTILIZATION BARRIERS

2.3: Digital access and comfort with technology are essential to remote banking.

2.4: Branch hours and physical distances to bank branches, particularly in rural areas, are barriers to obtain in-person banking services.

2.5: Making cash deposits can be costly.

2.6: Some banks aren't equipped with bank tellers who have the cultural competency to effectively interact with customers or who are fluent in other languages.

2.7: Some major banks have consumer-friendly, entry-level accounts and products; however, interview participants reported a lack of customer awareness of these accounts.

It bears stating that none of the high-level barriers described in this section were unknown even a decade ago—they are some of the same issues that led advocates and experts to begin concerted efforts to connect people to bank accounts.

It is notable, however, that people continue to grapple with these structural barriers today despite several institutions developing inclusive practices that help address them. It will take additional systems-level solutions that engage with actors throughout the financial system to create the inclusive system we hope to see.

Barrier #1

Most mainstream banking products are not currently designed to meet the functional money management needs of economically vulnerable consumers.

Even when people want and have the ability to access certain financial systems, they may not find products and services that are relevant to their financial lives and goals. Products and services may have design flaws that make participation more difficult, risky, or not feasible for some. For instance, transaction accounts with requirements such as minimum balances, automatic monthly contributions, or restrictions on the number of withdrawals are not inclusive of marginalized groups. This is especially true for households without routinely positive cash flow, who may have to transact more frequently or who have less money that can be tied up in a minimum balance.[42] These customers are also impacted by the practice of banks typically holding deposited funds for a period of time to prevent against fraud or returned payments. If a person urgently needs to cash a check at their bank, all of the funds may not be immediately available for use, which leaves their cash flow needs unmet.

Many mainstream financial products have been designed for the needs of the mass market, and typically meet the money management needs of people with financial cushions and steady incomes. However, people without routinely positive cash flow may have different needs not currently met by the available products and tools. As a result, they may have to use these tools in suboptimal ways. For example, while some customers may find the liquidity offered by overdraft protection to be an important tool to meet their short-term financial needs, for many, the ensuing fees have harmed their financial well-being.

> "For too long, too many banks have profited from those who can least afford to pay, charging excessive fees that can trap consumers in a debt cycle or force them to leave the financial mainstream completely. Your bank should contribute to your overall financial stability and health, not strip wealth from your account with excessive fees.... There is simply no reason for high-cost overdraft fees to exist."
>
> *– Leigh Phillips, president and CEO of SaverLife and former chair of the CFPB Consumer Advisory Board.*[43]

Interview participants emphasized that it is critical that people feel as though they are the primary, intended user of a given financial product or service, not just a secondary or unwelcome user. Rather than always having to jump over hurdles to get what you need and possibly running into rejection, **Nicole Elam, President and CEO of the National Bankers Association, summarized, "a dignified financial system means I get a 'yes' instead of a 'no.'"** This approach to inclusion gives individuals choice, which offers respect and builds trust.

> **"One of the bottom lines for us is we want to make sure that the people we serve, which are particularly low-income immigrant communities of color, feel like they're the primary users of the financial system."**
>
> *– Rocio Rodarte, Mission Asset Fund*

Without appropriate offerings that align with a person's circumstances and preferences, the leaders we spoke with said their constituencies feel as though these systems were not designed for them and are less likely to engage with them as a result. This is consistent with the data in the prior section that show that despite having bank accounts, households that are not satisfied with their primary banks are more likely to supplement their bank's offerings with alternative financial services.[44]

Inclusive Practice: Some financial service providers are doing work to intentionally reach marginalized people, and design products and tools for their financial needs and realities. This involves ensuring that programs reflect people's preferences and lived experiences and do not create additional barriers to entry as a result of their demographics or circumstances, such as their working hours and the level and frequency of their pay. Furthermore, some providers trying to serve historically excluded people are directly including their target customers in the design process and aim to eventually co-create and co-design products and services with them. This design approach ideally leads to deeper customer engagement with high-quality, safe, and affordable products that build financial well-being.

Inclusive Practice: To improve relationships with the community being served and the quality of offerings, some financial institutions regularly conduct community listening sessions to hear the goals and needs outlined by community residents. In addition, these financial institutions intentionally capture customer feedback, incorporate those lessons into their offerings, and communicate back changes that are being made as a result of what they heard. Many aspects of the typical banking experience can be enhanced to promote inclusion and to make all feel welcome and dignified.

- **Example:** HOPE (Hope Enterprise Corporation, Hope Credit Union, and Hope Policy Institute) serves communities across five states in the Deep South. Their staff works with key anchor organizations including historically Black colleges and universities, churches, and municipalities to help connect residents to needed services. In addition, HOPE hosts community meetings to receive real-time feedback and understand the particular nuances, aspirations, and needs in that community. The lessons from these meetings inform product and service offerings, and provide fodder for policy and advocacy work.

Inclusive Practice: Some financial service providers intentionally include target customers in participatory design processes. This involves ensuring that products reflect people's needs, preferences, and lived experiences and do not create additional barriers to entry due to their demographics or circumstances—such as their working hours and the level and frequency of their pay. Furthermore, some providers aim to eventually co-create and co-design products and services with target customers directly involved, especially marginalized and historically excluded people. This inclusive design approach ideally leads to deeper customer engagement with high-quality, safe, and affordable products that build financial well-being.

Barrier #2

Widespread market practices present significant obstacles to banking access and utilization for economically vulnerable consumers.

Individuals attempting to enter and participate in the financial ecosystem in the U.S. must contend with barriers to access (2.1-2.2) and utilization (2.3-2.7).

ACCESS BARRIERS

In order to be inclusive, financial systems must first be accessible to everyone, including historically marginalized communities. Our research shows that current market practices today create two major barriers to entry into the financial system for economically vulnerable consumers in the U.S.

2.1 Regulatory requirements to verify customers' ID and address can exclude some consumers.

Without a U.S. government-issued ID or a permanent address, it is much more difficult to access banking and other financial services. Financial institutions are required by law to establish the identity of customers through Know Your Customer (KYC), Anti-Money Laundering (AML), and Combatting the Financing of Terrorism compliance. As part of these regulations, potential banking clients must prove their identity and address. Paired with the unique difficulties associated with obtaining a government-issued identification in the United States, these requirements can be a barrier to individuals trying to open an entry-level account without an ID, such as a driver's license or a passport, or for those individuals without a permanent address. This has a disproportionate impact upon specific populations including: immigrants and refugees of all races, people with very low incomes, people experiencing homelessness, the formerly incarcerated, communities of color, youth, and the elderly.

Identification Requirements

A primary challenge associated with obtaining a U.S. government-issued ID is a person's proximity to an ID-issuing office. These offices typically have limited business hours, with some open only two days a week or fewer. For over 10 million adults[45] in the United States, the closest state ID-issuing office open more than two days a week is more than 10 miles away from their homes, requiring a vehicle or other means to get there.[46] Moreover, the costs associated with obtaining documentation to apply for an ID can place a burden on households with low income[47] or those with little wiggle room between income and expenses.

Some financial service providers indicate that they will accept alternative forms of identification, such as Individual Taxpayer Identification Numbers (ITINs)[48], consular IDs, or non-US passports. However, research has shown—and interview participants echoed—-that these policies are not always put into practice. Some financial institutions have internal policies not to accept alternative IDs and some only accommodate alternative IDs alongside a U.S. government-issued ID. There are also instances where an institution's policies may allow alternative IDs, but frontline staff may not be aware of this option.[49]

Identity verification is a barrier in communities across the United States:

- Up to 25 percent of African American citizens of voting age lack a government-issued photo ID.[50]
- Several interview participants shared that IDs issued by tribal governments may not be recognized by bank tellers, leading to Native Americans getting turned away from services and resulting in unwelcoming and unpleasant customer experiences.

- Interview participants from Latinx-serving organizations noted that identification requirements can serve as a particular challenge for young people in mixed-status households. For instance, teens with undocumented parents or guardians who lack a government-issued ID may be unable to open a bank account until the age of 18.
- The mismatch between the legal working age[51] and the legal banking age can also limit which youth workers can access mainstream financial services. As a result, working youth may rely on high-cost or other alternative systems to cash their paychecks, and may not transition out of those services, even when they come of age.[52]
- Traveling to a distant ID-issuing office can be a particular challenge to the elderly, people living with disabilities, and those in rural areas who do not have a reliable form of transportation. For example, people living in rural areas in Texas may have to travel up to 170 miles just to reach their nearest ID-issuing office.[53]

Financial Security and the LGBTQ+ Community

Previous research has found that lesbian, gay, bisexual, transgender, and queer (LGBTQ+)[ii] people worried more about their finances and felt less prepared for retirement compared with the general population, and that fewer LGBTQ people owned basic banking products or an employer-sponsored retirement account than non-LGBTQ people.[54,55] Similarly, the national Financial Health Pulse Survey found fewer LGBTQ+[iii] individuals were financially healthy compared with non-LGBTQ+ people. LGBTQ+ individuals were also more likely to be systematically excluded from needed economic resources and experienced financial challenges as a result.[56] These financial challenges include the ability to pay for rent, food, and necessary healthcare-related expenses.[57]

Transgender and non-binary people can face particular barriers to accessing financial services due to many financial institutions not recognizing people by their chosen name, which may not match their legal name. This can put their physical safety and security at risk, and can make people feel unwelcomed. In a survey, 32 percent of respondents who presented an ID that did not match their name or gender reported verbal harassment, denial of services or being asked to leave, or being assaulted or attacked.[58] Legal name changes take time and money, and young people may not be able to go through the process until a certain age or in some cases, without their parents' permission. Additional steps are needed to update gender markers on formal identification such as obtaining documentation from a healthcare provider. Although a handful of banks allow people to use their chosen name on their credit or debit cards, they often must first use their legal name to apply for an account. These customers must also inform credit bureaus of their chosen name, to ensure their credit profile is not lost or severed, and that their credit scores aren't negatively impacted.

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ii The "+" recognizes non-straight, non-cisgender identities. For more information, see https://www.glaad.org/reference/terms and https://www.hrc.org/resources/glossary-of-terms.

iii For the purposes of the Financial Health Pulse, LGBTQ+ refers to people who identify as nonbinary, gender-nonconforming, genderqueer, transgender, homosexual, gay, lesbian, bisexual, pansexual, queer, asexual, or some other gender or sexual identity.

Address Requirements

Financial institutions adhering to regulations must include permanent address requirements as part of customer identity verification. This requirement presents a barrier for people with temporary or seasonal employment, people experiencing homelessness or unstable housing, and those with a limited address history available or without a permanent address—including survivors of domestic violence and people that were formerly incarcerated. Although interviewees suggested that people experiencing homelessness may be able to use the address of a homeless shelter or certain municipal addresses, they also indicated that there are some rules about how many accounts can be opened under a single address, which limits how many individuals can make use of that option.

DM Traylor, a person currently experiencing homeless, recounts her experience interacting with the banking system, "For one thing, banks are picky about the kind of address they'll take. They typically want a residential address and tend not to take a P.O. box for certain things. You may have no mailing address at all, or only a P.O. box, or you may be relying upon an address with a homeless services center. These last two may be rejected if you try to update your address online."[59]

Inclusive Practice: Some financial service providers are revisiting, and where possible expanding, which forms of IDs they accept. Staff at these institutions must then be adequately trained to accept alternate forms of IDs such as IDs issued by tribal governments, consular or embassy IDs, and ITINs. Interviewees urged that there needs to be consistency around bank ID acceptance policies—so the same options are available to all customers, regardless of location or which staff member they're engaging with—and individuals should be made to feel welcome and comfortable regardless of what form of ID they are using. One interviewee encouraged financial institutions to proactively work with their regulators on how to balance their compliance obligations while being inclusive in their business practices.

- **Example:** The Juntos Avanzamos ("Together We Advance") designation is given to credit unions committed to serving Hispanic and immigrant communities. In order to best meet the needs of their customers, these credit unions have bilingual staff and leadership, serve individuals regardless of immigration status, have expanded the forms of ID they accept to include matricula consular or other non-U.S. government IDs, and do not require a Social Security number to open an account. There are 128 Juntos Avanzamos credit unions, serving 9.7 million people in 28 states, Puerto Rico, and Washington, D.C.[60]

Inclusive Practice: Some cities and counties are offering municipal IDs to better serve the elderly, people experiencing homelessness, foster youth and youth generally, undocumented immigrants, and others who may struggle to get and maintain a government-issued ID.[61]

- **Example:** New York City provides residents with free photo IDs (IDNYC), which can then be used to open bank accounts.[62] New York City is working with community-based organizations to make IDNYC cards available to all city residents, including individuals that are undocumented, experiencing homelessness, and others who may struggle to obtain a government-issued ID.

Inclusive Practice: Banks, credit unions, and other financial service providers can explore ways to allow people to use their chosen names on their bank accounts and credit and debit cards. This action will increase inclusion for transgender and non-binary people as well as immigrants and others who may have changed or Westernized their names.

- **Example:** In 2019, Mastercard began its "True Name" initiative, which allows customers to use their chosen name on their credit and debit cards. Citi, BMO Harris Bank, and Republic Bank have adopted True Name for several of their products.[63]

Inclusive Practice: Some banks, credit unions, and other financial service providers have found ways to serve individuals without a permanent address, such as by using the address of homeless shelters or working with municipalities to obtain city addresses that can be used as personal addresses. For example, Latino Community Credit Union works with potential members that do not have a way to prove a permanent address, such as by having a roommate sign a letter stating that the potential member does indeed live with them.

2.2 When consumer data shows past struggles with financial products—whether correct or not—on-ramps back into the system can be difficult to find or navigate.

ChexSystems and Early Warning Systems are both consumer reporting agencies that collect and report information on people's checking and savings account activity to other financial institutions. Records of account closures and inquiries stay in each agency's files for at least five years.[64] There are a variety of reasons that people may have flawed banking histories, including illness, divorce, surviving domestic violence, struggles with addiction, serious mental illness, previous incarceration or current or previous homelessness.[65] Additionally, people with volatile incomes or holding high or harmful debt—student loan debt, state, local government, and court fines and fees, and out-of-pocket healthcare expenses and medical debt—are likely to struggle with managing their cash flow and finances, generally.[66] In a study, only 13 percent of bank representatives indicated that their bank offered second-chance accounts that charge little to no fees for individuals with a negative banking history—making it difficult for consumers that need these accounts to find a way back into banking.[67]

The San Francisco Office of Financial Empowerment (OFE) conducted an examination of ChexSystems and found "systemic issues in both ChexSystems' design and implementation, resulting in significant confusion and unfairness and ultimately undue exclusion for low-income consumers, and in particular Black consumers." According to the study, many individuals with ChexSystems records aren't aware of the record or the reason behind the record and "it is nearly impossible for a consumer to resolve a ChexSystems record via a dispute." Because banks have discretion in how they report and categorize account closures, this creates unequal treatment and outcomes.[68]

One interview participant even mentioned how it is becoming common practice for fintech neobanks to conduct additional customer vetting that may include credit screening. Credit checks can be a significant exclusionary barrier for individuals with a damaged or limited credit history.

Inclusive Practice: People with flawed banking histories, debt, damaged credit, and those flagged by ChexSystems or the Early Warning System should have on-ramps back into mainstream financial services, rather than only being eligible for high-cost alternatives. Some financial institutions offer second-chance or entry-level accounts that do not incorporate this kind of customer screening. Such accounts usually have guardrails in place, such as no overdraft protection, that make this kind of screening irrelevant.

UTILIZATION BARRIERS

Current market practices present five barriers that make it difficult for economically vulnerable consumers in the United States to use and maintain critical financial products and services. These barriers to utilization can deter engagement, undermine the customer experience, and ultimately hold people back from advancing their financial goals.

2.3 Digital access and comfort with technology are essential to remote banking.

While the increased digitization of financial products and services may help connect some people to financial systems, between 14.5 million and 42 million people across the U.S. lack access to broadband internet service.[69] Moreover, data from the U.S. Census Bureau underscore that even when internet connections are available, service can be unaffordable, especially for households with low income, rural households, and households of color.[70] In 2021, the Pew Research Center found that 15 percent of adults in the U.S. had internet access at home via their smartphone only, meaning that outside of their phone, they did not have broadband service.[71]

Professional experts from American Indian and Alaska Native-serving organizations raised these issues as persistent challenges for some communities. Data from the U.S. Census Bureau found that 67 percent of Native Americans have an internet subscription, compared with 82 percent of those that do not identify as American Indian or Alaska Native (AI/AN). Just over half of AI/AN people living on tribal lands own a computer and have high-speed internet service.[72]

Hispanic households, Black households, rural households, older households, households with less education, and households with less income are also less likely to have broadband internet at home.[73] In 2019, the FDIC found that households that do not own a bank account are less likely to have access to smartphones and home internet access than their counterparts with bank accounts, and the rates were lowest for rural residents compared with urban and suburban residents.[74, 75]

Inclusive Practice: Funders and philanthropists supporting financial inclusion efforts can also strategically invest in promoting digital access within communities. Moreover, policymakers can support broadband infrastructure investment and ensure the affordability of broadband access.[76]

- **Example:** In 2022, the Biden Administration announced the Affordable Connectivity Program which will provide a discount of $30 a month from the internet bill of eligible households. This will also include a one-time discount of $100 toward purchasing a laptop, desktop computer, or tablet.[77]

2.4 Branch hours and physical distances to bank branches, particularly in rural areas, are barriers to obtain in-person banking services.

Interview participants recognized that many of the communities they serve still need brick-and-mortar banks. For instance, in 2021, around a quarter of households with incomes of $30,000 or less and households living outside of a metropolitan area went to a physical branch as their primary mode of accessing their bank account.[78] Research prior to the pandemic showed that people living in rural communities were twice as likely to visit a bank branch than their urban and suburban counterparts.[79] Despite the demand for in-person services, 7,500 brick-and-mortar bank branches in the U.S. closed between 2017 and 2021, one-third of which were in communities that are majority people of color or residents with low- to moderate-income.[80]

A consequence of these bank closures in rural areas is that customers are required to travel further to reach a physical bank branch. In some counties, people without access to a consistent form of transportation could spend as many as 40 minutes in total just to get to and from their nearest bank branch.[81] Additionally, people living on tribal reservations may have to travel more than 60 miles to visit the closest brick-and-mortar bank or ATM.[82]

A lack of access to reliable public transportation was raised by multiple interview participants as a barrier for historically excluded groups to be able to fully utilize financial services. This is particularly true for the elderly and for those living in rural areas, who may struggle to reach branches, or for whom branches are inaccessible.

In areas with limited brick-and-mortar bank branches, such as in low-income communities, there are often more alternative financial service providers—like check cashers, payday loan providers, and pawnshops—than mainstream financial service offerings.[83] Many alternative financial service providers make themselves more accessible by setting up hours of operation that extend beyond typical banking hours, which typically overlap with people's regular work schedule.[84] However, these alternative financial service providers can be expensive and employ predatory practices.[85]

Inclusive Practice: Some financial institutions offer mobile banking units that bring banking services to individuals that may not have an easy-to-reach local branch, the ability to travel to a branch, or the technology and skills needed to access services from home.

- **Example:** Stepping Stones Community Federal Credit Union, a Community Development Financial Institution and Minority Depository Institution in Wilmington, Delaware, utilizes a van to reach their customers across Wilmington. Customers can conduct their day-to-day transactions, open accounts, and be issued an instant ATM card.[86] Similarly, the Bronx Financial Access Coalition and the Lower East Side People's Federal Credit Union partnered together to launch the People's Mobile Branch Van in response to an increase in bank closures during the pandemic.[87] The People's Mobile Branch Van is serving South

Bronx neighborhoods, where nearly 1 in 4 households do not have bank accounts.[88] Resources offered include checking and savings accounts, credit-builder loans, help with ITIN applications, and fee-free ATM use.

2.5 Making cash deposits can be costly.

Although there is a shift away from cash to digital payments in the U.S.,[89] recent surveys show that cash payments still account for about 20 percent of all payments.[90] People who do not own bank accounts are far more likely to rely on cash payments, using cash for 60 percent of their payments in 2020, compared with 19 percent for individuals with bank accounts.[91] People who are primarily paid in cash, like many undocumented workers, are particularly reliant on cash payments.

Converting cash to digital payments can be costly. For individuals trying to put cash into a bank account or onto a prepaid card, they may incur cash deposit fees or reload fees, respectively. Only some providers offer these services for free, and their locations and hours of operation are often limited.

In addition to cost, interviewees emphasized that it may be generally difficult for people to jump from cash to digital payments. There can be an element of distrust or discomfort for people who are accustomed to seeing and handling their cash. Interview participants also mentioned that recent immigrants may be wary of participating in formal financial systems after living through inflation or political and social unrest in their home countries. They might prefer transacting in cash because they have experienced a banking collapse or lost their savings, or come from a country where affordable credit was unavailable or uncommon.

Inclusive Practice: Financial service providers are partnering with ATM networks and larger banks to ensure that customers, especially those that primarily operate in cash, can make ATM withdrawals for free or with minimal costs. Similarly, some financial institutions and financial service providers are expanding the places people can deposit cash and checks for free through convenience stores or other retail locations in communities, which can be especially impactful when there isn't a bank branch conveniently located. In tandem with offering affordable options for withdrawing and depositing cash, some financial institutions ease the transition to banking by also offering coaching and resources to support new banking customers who are primarily accustomed to transacting in cash.

- **Example:** Fintech financial services platform MoCaFi offers no-fee cash withdrawals at any AllPoint Network ATM or any Wells Fargo ATM. MoCaFi also offers no-fee cash depositing at VanillaDirect retailers, including CVS, Dollar General, Family Dollar, Rite-Aid, and Walgreens.[92]

2.6 Some banks aren't equipped with bank tellers who have the cultural competency to effectively interact with customers or who are fluent in other languages.

Banking products and services are not always culturally relevant to all underserved groups. A lack of cultural competence and sensitivity at the institutional level can create an intimidating and unwelcoming experience. Many of the professional experts addressed how this can lead to customers feeling like secondary users at a banking institution or within these systems.

Interview participants from institutions which serve Native American and Alaska Native communities noted that the lack of Native Americans working in banks—particularly in banks located near or around Tribal lands—results in a lack of banks' understanding of the rules, regulations, and customs on these lands. Moreover, without cultural competence, outreach and inclusion efforts carried out by large institutions can be out of touch or misaligned with the true financial needs of the communities they are trying to serve. Rico Frias of NAFOA recalled his own experience navigating a banking institution as a Native American. He said it "took two phone calls and three bank visits" to get his business license. "The bank kept asking for more stuff. That didn't feel like an equal process."

Understanding the banking system can be difficult as it is, and a language barrier only exacerbates this issue. For customers whose first language is not English, finding staff members who can speak a common language and explain product and service offerings is critical, as are having a phone app and written materials available in multiple languages. It is also important for institutions to make other content available in multiple languages, and wherever possible to have the content translated by real speakers of the language rather than automated translations, which can be inaccurate.

> **"I want to invest in places that want to invest in me, invest in my community."**
>
> *– Rico Frias, NAFOA*

Inclusive Practice: Many financial institutions are recognizing the need to prioritize diversity across their staff—at several levels of the organization, from tellers and branch managers to executive levels and board members—and among their supply chain partners. Some institutions are also intentionally hiring from within the communities they wish to serve. Community members on-staff are critically important to help incorporate cultural understanding within an institution and can help foster trust with customers. Interview participants also emphasized that offering services and written materials in multiple languages made services more accessible and easier to utilize for people who speak languages other than English or for whom English is not their first language. Moreover, having multilingual staff members and hiring native speakers to produce translations can have a powerful impact making customers feel welcome.

Inclusive Practice: To promote inclusion efforts within specific communities, some larger financial institutions are partnering with local, mission-driven organizations. Local and smaller mission-oriented financial institutions and nonprofits often have fewer resources, but deeper relationships, trust, and cultural competence within their communities. Large financial institutions can support existing on-the-ground efforts by investing in community development lenders—including Community Development Financial Institutions, Minority Depository Institutions (banks and credit unions), and Community Development Credit Unions—and other mission-driven community-based organizations. This assistance and support must be provided with the capacity and capabilities of these organizations in mind. Larger banks and credit unions should couple financial investments with capacity building, technical assistance, and technological infrastructure, training, and adoption. Interviewees emphasized that these should be long-term investments, moving away from one-year grants to five- to 10-year investments to allow for more strategic planning and sustainable program development.[93]

> **"If banks are really interested in this type of inclusion, really opening doors to everyone, they have to work with nonprofits, local governments, including tribal governments, and with the folks that deal on the ground in some financial capacity with the people in the community."**
>
> *– Karen Edwards, ONAC*

2.7 Some major banks have consumer-friendly, entry-level accounts and products; however, interview participants reported a lack of customer awareness of these accounts.

The Cities for Financial Empowerment Fund leads Bank On, a national effort to ensure everyone has access to a safe and affordable transaction account. The Bank On National Account Standards address a range of account features that act as a barrier to becoming banked, such as minimum balance requirements and low-balance fees.[94] These standards provide partnering financial institutions with a baseline for creating more inclusive and affordable products and services.

Bank On-certified accounts are now broadly available, with over 300 certified accounts at more than 46,000 bank and credit union branch locations.[95] As of 2020, over 3.8 million Bank On accounts were open and active.[96] Despite significant growth and usage of Bank On accounts, some experts acknowledged that there is still limited awareness about these products by consumers and even branch staff. Some interviewees speculate that Bank On-certified accounts are not heavily promoted by institutions because they are not "money makers."

These accounts must be accessible to those who would otherwise continue to use alternative financial services. Successfully signing up and switching people into Bank On certified accounts or other entry-level or second-chance accounts sometimes requires a one-on-one, in-person process, something that is out of reach for those living far from bank branches or who are unable to travel to one.

Inclusive Practice: By offering appropriate, low-fee accessible accounts, banks and other financial institutions can encourage more people to engage or reengage with—and stay connected to—mainstream financial services. Not only should these products be available, but they should be actively advertised and promoted. Interview participants also emphasized that investing in long-term banking relationships with customers should be valued above short-term profits.

Opportunities for Further Research

Based on our research and the interviews we conducted with professional experts, Aspen FSP identified data gaps, open questions, and topics that should be investigated to shed more light on financial inclusion-related issues.

First, there is an essential need for better disaggregated data that can illuminate the current state of financial inclusion across various demographic characteristics and provide benchmarks to measure progress or the lack thereof. Often, government-led studies and surveys do not disaggregate racial and ethnic groups beyond white, Black, Hispanic, and "other." However, even when other major racial groups are included—such as American Indian or Alaska Natives and Asian and Pacific Islanders—these groups may be under-sampled, and there may be large margins of error or other issues related to data validity and statistical significance.[97] Moreover, even within these groupings, better disaggregation is necessary to understand the experiences of subgroups within these diverse populations. More nuanced data around race and ethnicity is needed to create better, targeted solutions that can improve financial inclusion based on what a particular population is experiencing.

Second, the barriers identified in this report warrant a deep analysis of potential policy and regulatory solutions that would lead to a better understanding of how the policy and regulatory landscape impacts the business models, product decisions, and user experiences that underpin these inclusive practices. Such an analysis will help to identify how financial inclusion and financial security can be expanded, while maintaining the safety and security of our financial systems.

In addition, there are also a number of open topics and questions that must be critically explored by other researchers and market leaders to help advance financial inclusion efforts in the United States. These include inquiry into the following:

1. **Consumer priorities, preferences, and choices**
    - How do people string together different financial tools and services (including alternative financial services) to serve their needs?
    - What are consumer preferences and attitudes toward Minority Depository Institutions, Community Development Financial Institutions, and credit unions (including Community Development Credit Unions)?
    - How did the pandemic impact people's preferences to banking in-person at a branch versus accessing these services online or in some other way?
2. **Newly banked customers**
    - What drives sign-up and initial uptake for these individuals?
    - Upon opening an account, what is their experience with utilizing and maintaining their account?
    - What additional products and services do they need to achieve financial security?
3. **The connection between government-to-person payments and financial inclusion**
    - How do economically vulnerable consumers engage with and experience banking and transaction products when accessing government payments and other benefits?
    - What are the opportunities to leverage government-to-person systems to boost financial inclusion?

4. **The effect and impact of banking regulatory and compliance measures, like Anti-Money Laundering and Know Your Customer rule**s
    - What is the impact of our current system of identity verification on financial inclusion?
    - How do AML and KYC rules impact historically excluded populations' ability to access financial services in a dignified manner?
    - What is the role and impact of digital identity solutions and emerging technologies on advancing financial inclusion and risk mitigation?

5. **Current and potential business models for financial institutions**
    - Are business models for mainstream financial institutions set up to support a more inclusive financial system? Under what conditions and for which consumers are they best positioned to serve?
    - What are the business sustainability challenges in serving historically excluded or underserved consumers?
    - Are there ways that the current business models could change to better support financial inclusion?
    - What are the opportunities and challenges for public banking and subsidized banking in the United States?

6. **Technology opportunities**
    - What are the prospects and limits of consumer-facing fintech, like neobanks, in reaching historically excluded or underserved consumers?
    - How can back-office technology innovations improve the inclusivity of our financial system?
    - What is the balance between data sharing and privacy considerations that both maintains safety and security for individuals and protects against exploitation?

Research that helps answer these questions would be an investment in an inclusive financial system, one that has been informed by the needs and preferences of people, especially those that have been historically excluded or underserved.

Conclusion

When individuals have access to and are able to utilize a full suite of financial products and tools that are risk-appropriate, affordable, and align with their own goals, they can build their financial resiliency and security. Structurally inclusive financial systems enable people to build short- and long-term savings, make transactions easily and quickly, access fairly priced financing, and leverage insurance to protect against life's inevitable ups and downs. When people are excluded from these systems, they are less likely to move forward on their financial goals or to engage in the economy generally, which can lead to detrimental consequences to their well-being.

Millions of people in the U.S. today struggle to access, utilize, and benefit from a full suite of financial products and services. These impacts are felt at the household and community level. In short, more work is needed to create truly inclusive financial systems that provide people with the tools and services they need to achieve financial security.

The barriers described in this paper are not novel or new. Instead, they represent the same systemic issues that financial inclusion advocates and experts in the U.S. have been grappling with for decades as they work to sustainably connect families to financial systems. The continued, ongoing need to address these barriers demonstrates that these barriers are deeply entrenched and require persistent effort to address and overcome them. It may also be the case that to connect all individuals, especially those that are historically excluded, to the banking and financial systems—in a way that is safe, affordable, and respectful—is costly and unsustainable for many mainstream financial institutions. Moreover, mainstream financial institutions may not be designed or incentivized to serve these individuals on their own. That is not to say that banks and other financial service providers cannot do anything now to improve their reach; rather, this report outlines a number of concrete examples of institutions that have taken action to incrementally improve product design and customer experience and encourage inclusion. In addition to examining ways to promote inclusivity from their own vantage point, market actors truly interested in promoting financial inclusion should also support a concerted effort to identify and advocate for systemic solutions that create an enabling policy and regulatory environment and sustainable business models that promote financial inclusion.

The causes of financial exclusion are complex, rooted in multiple places throughout our financial system. It will require coordinated efforts between the public and private sectors to ensure solutions are systems-wide, not only led by individual institutions. Because of the complex, interrelated pieces that make up the financial infrastructure in the U.S. today, Aspen FSP has joined with stakeholders from across the industry and advocacy community to call for a national financial inclusion strategy, one that is co-created by a mix of government representatives, private sector actors, representatives of underserved communities, and nonprofit leaders. This comprehensive strategy will identify the outcomes an inclusive financial system should deliver for people in the United States, as well as a prioritized set of actions this group can address to affect key barriers to financial inclusion—the kinds of barriers we highlight in this research. While the next generation of financial solutions in the United States is currently being developed through emerging technology and innovative product development, a coordinated national strategy can ensure it will also be structurally inclusive.

Read the call for establishing a **National Financial Inclusion Strategy** to deliver better financial outcomes for all people.

Endnotes

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