November 14, 2011

Louisa Quittman
Office of Financial Education and Financial Access
U.S. Department of the Treasury
1500 Pennsylvania Ave., N.W.
Washington, D.C. 20220
ofe@treasury.gov

RE: Comments on "Financial Access Activities," 76 FR 56499

Dear Ms. Quittman:

On behalf of the Asset Building Policy Network (ABPN), we are pleased to respond to the September 13, 2011, Department of Treasury Office of Financial Education and Financial Access' (OFEFA) request for comments on implementing section 1204 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the Act).

<u>About the Asset Building Policy Network</u>

ABPN is a newly-formed coalition of national civil rights, financial services, community and economic development, and consumer advocacy organizations. The members of ABPN share a common interest in 1) coordinating savings and asset building policy and advocacy efforts; 2) developing a shared communications agenda and strategy; and 3) building the capacity of ABPN members and their affiliates to better promote savings and asset building. Its founding member organizations include:

- Center for American Progress
- Citigroup Inc.
- Corporation for Enterprise Development (CFED)
- The Leadership Conference on Civil and Human Rights
- National Association for Latino Community Asset Builders (NALCAB)
- National Coalition for Asian Pacific American Community Development (National CAPACD)
- National Council of La Raza (NCLR)
- National Urban League (NUL)
- PolicyLink

The communities represented by ABPN currently find themselves in a period of economic and political uncertainty that most Americans have never experienced in their lifetimes. After a downturn that has lasted several years, our economy is still showing limited signs of recovery, and communities of color have been hit especially hard. According to a recent report by the Pew Research Center, the wealth gap has expanded in recent years to the point where the median wealth of white households is now 20 times that of black households and 18 times that of Hispanic households.[1] And according to the Center for Responsible Lending, the foreclosure crisis has resulted in losses of $194 billion in the African-American community and $177 billion in the Latino community.[2]

For these reasons, the members of ABPN believe that policies to promote asset development and financial inclusion are as important today as they have ever been. We are pleased to provide the following initial comments below on implementing section 1204 of the Act, and we look forward to working with OFEFA as it moves forward. The comments are reflective of the ABPN as a body and not necessarily the position of each individual member.

Program Focus

Question (1)(a) of the September 13 request for comment asks "what types of program initiatives should the Treasury promote to enable low- and moderate-income individuals to establish accounts in federally-insured depository institutions."

We recognize that increasing access to federally-insured bank accounts is not an end in and of itself, but rather that a bank account is an important tool for consumers in the financial services market place and is crucial for consumers to minimize check cashing fees as well as a range of high cost and, possibly, predatory financial services. We also recognize that bank account fees can be costly for consumers who are not well informed or whose financial services needs are not well matched with the type of account and fee structure provided.

Promoting programs to enable low- and moderate-income individuals to establish accounts in federally-insured depository institutions should take place in the context of a broader effort to provide consumer financial education and credit building. Further, these efforts will be most beneficial when integrated with other consumer education and asset building strategies, such as volunteer income tax preparation services supported by the IRS, fair housing/ fair lending counseling supported by US HUD's Office of Fair Housing and Equal Opportunity and Individual Development Accounts supported by the US HHS's Office of Community Services.

Any federal effort to advance financial education and promote accounts in federally-insured depository institutions should be explicitly driven by data on what target demographics and communities are least effectively integrated into the US financial system. This will result in a clear focus on low-income people, communities of color and immigrants. As such, any effort to provide financial education or market bank accounts should be culturally and linguistically tailored to the target population in order to be most effective. Translation and other efforts to make consumer financial education accessible to minority and Limited English Proficient communities should be provided as a part of any such federal program.

We would particularly like to express our support for the "Bank On" program. It has been successful and deserves continued support. Since the program was founded in San Francisco in 2006, Bank On

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[1] Paul Taylor, Richard Fry and Rakesh Kochhar, "Wealth Gaps Rise to Record Highs Between Whites, Blacks, Hispanics," Pew Research Center, July 26, 2011, at http://www.pewsocialtrends.org/2011/07/26/wealth-gaps-rise-to-record-highs-between-whites-blacks-hispanics/.

[2] Debbie Gruenstein Bocian, Wei Li, and Keith S. Ernst, "Foreclosures by Race and Ethnicity: The Demographics of a Crisis," Center for Responsible Lending, June 18, 2010, at http://www.responsiblelending.org/mortgage-lending/research-analysis/foreclosures-by-race-and-ethnicity.pdf

has formed local public/private partnerships throughout the country that are aimed at reducing barriers to banking and increasing access to the financial mainstream. Recently, Bank On launched a redesigned version of its website, JoinBankOn.org, to make it easier for communities nationwide to obtain the resources and guidance they need to start up their own local Bank On programs.

Question (1)(b) asks how the Treasury should "evaluate whether an account in a federally insured depository institution is 'appropriate' to meet the financial needs of low- and moderate-income individuals," and "what account features and terms are 'reasonable' to meet the financial needs" of the individuals we are trying to help.

Extensive research and anecdotal evidence by ABPN members has uncovered several key priorities that should be taken into account when evaluating any program: 1) range of services and features, 2) low fees, and 3) transparency. Many un- and under-banked individuals have had negative experiences with complicated fees and other costs associated with having a bank account, causing them to turn instead to "easier" check-cashing, payday lending, and other non-bank services even though they are more expensive, possibly more deceptive, and do not promote long-term asset building.

In order to ensure success, financial access programs must ensure that un- and under-banked people have access to a wide range of products that meet their individual needs, such as check-cashing and writing, money orders, international and domestic remittances, safe pre-paid cards, small-dollar loans, and other services. Any fees associated with these services must be clearly stated. For example, programs could include certain features described below:

- <u>Decreasing the opening balance deposit requirement</u> for a transactional account from $10-25 to $5-10 and/or offering direct deposit as a requirement for account opening. Because LMI consumers often live paycheck-to-paycheck, any type of fee, including opening balance requirements, monthly minimum balance requirements, or monthly fees, can be an immediate barrier for many of these individuals. Promising practices from the Bank On Cities Campaign have shown that a lower fee is important to ensure that the lowest-income individuals can gain access to basic accounts.

- Similarly, it is important to provide <u>a consistent definition of what constitutes a "low fee"</u> account (monthly maintenance fee/service charge and checking account linked to savings or line of credit to cover overdrafts listed as being provided as "low fee"). Ideally "low fee" would entail a charge of no more than $10 per month for maintaining the account and linking the account to other accounts.[3] Providing recommendations and suggestions for a fee structure for accounts for LMI consumers would provide flexibility and guidance to individual financial institutions in developing affordable products.

- Additional features or services that can serve the varied needs of underserved populations are important features to include in a model product. Low- to moderate-income individuals benefit from <u>multiple financial products and services</u> (in addition to a simple transactional account), just as other financial consumers do. Providing access to additional products, such as money orders, remittances, prepaid cards and online bill pay, not only helps meet their

[3] See, e.g., Pamela Chan, "Beyond Barriers: Designing Attractive Savings Accounts for Lower-Income Consumers," New America Foundation, Nov. 2011, at http://assets.newamerica.net/sites/newamerica.net/files/policydocs/chan_beyondbarriers_workingpaper_1.pdf.

unique financial service needs, but also provides more robust opportunities for this population to build and protect their assets. Several Bank On programs have been able to offer products like these at more accessible rates, such as Bank On Newark's free money order included in the program's baseline product.

- Statements – Support multiple options for receiving account statements inclusive of paper statements and e-statements. Allow consumers who opt in for paper statements to choose to receive a single statement (e.g., annual statements) or ongoing paper statements. Account information should be presented in a clear and easy to understand manner One should be able to check balance and transaction history online and via IVR. Transaction records should be available for up to 120 days.

- Budgeting – Offer online or mobile budgeting and personal financial management tools. Illustrate spending behavior through visual graphs. Offer tools for comparing prices of goods for purchase.

- Savings –Offer an interest rate (or other incentive for holding funds) on the savings account. For the applicable prepaid cards, an institution might offer automatic transfer capability to a savings bucket with incentives and structures to promote successful usage.

- Credit Building – Offer customers the option to have transaction history contribute to building a credit history that can be used for potential credit offerings or reported to credit bureaus.

General Comments

Question (2) asks for overall guidance on how the Treasury can "encourage activities that enable low- and moderate-income individuals to establish one or more accounts in a federally insured depository institution and . . . improve access to the provision of such accounts." It also asks for other ways "for the Treasury to consider helping individuals obtain access to accounts with appropriate consumer protections and federal deposit insurance," and "to support innovative approaches to the delivery of financial education and counseling."

Many strong curricula and models for providing financial education exist. To achieve meaningful scale, there is a pressing need to invest in the community-based infrastructure (including non-profits and schools) to deliver unbiased financial education. A competitive funding program like the CDFI Fund's Financial Education and Counseling Program is the sort of program that is needed to drive both scale and innovation.

The Treasury should emphasize programs that create a national platform, helping to ensure that 1) substantially similar products and services can be offered across many markets, 2) the types and features of financial products are broad enough to encompass the needs of large consumer segments, 3) the programs are more likely to be sustainable, 4) greater transparency is achieved, and 5) national reporting standards can be more easily produced.

Conclusion

Thank you for the opportunity to comment on OFEFA's activities under section 1204 of the Act. If you have any questions, please feel free to contact Rob Randhava, Senior Counsel at The Leadership Conference, at (202) 466-6058.

Sincerely,

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