

ALTERNATIVE ID CARDS AND FINANCIAL SERVICES

- Alternative identification (ID) cards have been issued by state, county and municipal jurisdictions in recent years in an effort to provide a valid photo ID option for certain community members, including undocumented immigrants, the homeless, foster youth, the elderly, and others who might have difficulty obtaining and retaining other official government-issued ID.
- Alternative ID cards come in many forms and can be issued at the state, county and municipal levels. They range from photo ID cards intended only for use as a form of driving license, to city ID cards that are intended to be used in much of the same way as a standard drivers' license or state-issued ID card.
- What the different types of alternative ID cards have in common is that the proof of identity submitted to the issuer upon application is not as stringent as for a state-issued drivers' license or ID card, which conforms to federally-mandated guidelines and generally requires an applicant to provide their Social Security number. Cities issuing their own identification cards also do not have to consider the immigration or criminal status of an applicant before doing so.
- The primary purpose of most forms of these alternative ID cards is commonly stated as to enable the holders to access locations and services that require a photo ID, allowing parents to enter their child's school buildings, for example, or individuals to access city government buildings, some hospitals, or other locations that require a visitor to provide photo ID.
- A secondary stated aim in some jurisdictions where these cards have been adopted is to equip individuals with the proof of identity required by financial institutions to open an account. This is despite the fact that these cards are not recognized by state or federal government, and cannot be used as licenses to drive (other than the specialized form of alternative ID created *solely* for driving purposes) or to purchase tobacco, alcohol or firearms.
- Financial institutions are wary of the risk that they would bear if they are required to accept these types of ID cards as a primary guarantee of identity because these ID cards lack stringent issuance rules, are not tied to a Social Security Number (SSN) or Tax Identification Number (TIN), do not take into account the criminal background or immigrant status of an applicant, and could be used with relative ease by criminals, fraudsters or even terrorists.
- Financial institutions are not obligated under state or federal law to accept these ID cards as a primary proof of identity. In addition to satisfying customer identification program (CIP) protocols, financial institutions must be permitted to layer on discretion

underpinned by each bank's individual risk assessments and review of the requirements under state and federal law.

- Financial institutions take their responsibility to protect accounts from fraud and money laundering very seriously. In recent years, some have been required to pay hundreds of millions of dollars in fines to settle investigations that found they had failed to adequately prevent money tainted by terrorism or illegal drugs from flowing through their branches. Requiring financial institutions to accept alternative ID cards as a primary form of identification in place of more official and rigorously-guarded types of ID would expose them to fraud, regulatory retribution, and enormous reputational risk.
- The proliferation of alternative ID cards over the last decade has been significant and has added an additional challenge for financial institutions—with multiple issuers that have different application requirements, how can the financial institution determine which is safe and which is not?
- Financial institutions are committed to financial inclusion and increasing the number of individuals who use (and pay for) their services. Nevertheless, the risk associated with accepting municipal ID cards as a primary means of identification is too great for financial institutions to bear, especially given the fact that regulators have given no reassurances that the cards can be used to satisfy money laundering law requirements.
- AFSA supports financial inclusion and the development of products that may help drive it. Many financial institutions offer products that are intended to serve underserved populations and help their journey to the financial mainstream, through traditional installment loans, network-branded prepaid cards, vehicle finance, mortgage options, and more.