

July 21, 2021

The Honorable Ed Perlmutter  
Chairman  
U.S. House Subcommittee on Consumer Protection  
and Financial Institutions  
Washington, D.C. 20515

The Honorable Blaine Luetkemeyer  
Ranking Member  
U.S. House Subcommittee on Consumer Protection  
and Financial Institutions  
Washington, D.C., 20515

Dear Chairman Perlmutter and Ranking Member Luetkemeyer:

On behalf of the American Financial Services Association (AFSA),<sup>1</sup> I am writing today in advance of your hearing, “Banking the Unbanked: Exploring Private and Public Efforts to Expand Access to the Financial System.”

Access to financial services is a cornerstone of the American way of life. In the United States, a competitive and robust consumer marketplace allows families and individuals to access financial services and credit products to meet their household needs. While many communities and neighborhoods absorbed an extraordinary shock last year during the COVID-19 pandemic, AFSA’s members continued to improve the lives of millions and ensure quality credit products are readily accessible and affordable. AFSA’s members offer traditional installment loans, vehicle financing, credit cards, and mortgage loans.

Traditional installment loans are fixed-rate, fully amortizing small-dollar loans repaid in substantial equal monthly payments. They have been one of the safest and most affordable forms of consumer credit in America for over a century. Today, installment lenders continue to serve consumers of all economic backgrounds, including under-banked consumers – particularly those in small towns – by offering personal loans through branches in their communities.

Similarly, vehicle finance companies help increase levels of financial inclusion and mobility. Vehicle ownership can increase the number of jobs available to an individual and ensure that once a good-paying job has been secured, an individual is more likely to keep his/her job.

Towards the end of 2020, 63% of Americans had been living paycheck to paycheck since Covid hit,<sup>2</sup> and a third of U.S. adults said they were having difficulty covering everyday costs such as food, rent or car payments.<sup>3</sup> Today, 66 million adults (28% of all adults in the United States) reported it was somewhat or very difficult for their household to cover usual expenses in the past seven days, according to data collected this past June.<sup>4</sup>

For customers like these, and many others who require access to credit to meet emergency needs, traditional installment loans can serve as a lifeline, allowing for the purchase of a new refrigerator, emergency auto repairs, or recovery from weather-related events. This is especially true for consumers who might be unbanked, underbanked, or have impaired credit histories.

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<sup>1</sup> Founded in 1916, AFSA is the national trade association for the consumer credit industry, protecting access to credit and consumer choice. AFSA members provide consumers with many kinds of credit, including direct and indirect vehicle financing, traditional installment loans, mortgages, payment cards, and retail sales finance.

<sup>2</sup> CNBC, [63% of Americans have been living paycheck to paycheck since Covid hit](#) (December 2020)

<sup>3</sup> NPR, [Paycheck-To-Paycheck Nation: Why Even Americans With Higher Income Struggle With Bills](#) (December 2020)

<sup>4</sup> Center on Budget and Policy Priorities, [COVID Hardship Watch](#) (July 2021)

According to a 2019 survey by the FDIC, 7.1 million households are unbanked, meaning they do not have a checking or savings account.<sup>5</sup> In that survey, individuals cited several reasons for not having a banking account, including 49% who said they “don’t have enough money to meet minimum balance requirements” and 20% who indicated, “banks do not offer needed products and services.”

For decades, AFSA’s members have been responsible for reviewing a borrower’s ability to repay, verify application elements, have robust compliance processes, and check and report to credit bureaus to ensure our customers are in the best possible position financially.

Last year, over 13 million individuals held a traditional installment loan. These “plain vanilla” loans with transparent, easy-to-understand terms, due dates, and payment amounts can serve as an entry point into the financial system for those who otherwise might be left out entirely. Sixty-five percent of personal loans to consumers with non-prime credit scores (below 650 FICO score) in 2020 were made by consumer finance companies. This is more than double the number of loans issued to these borrowers by credit unions (22%) and banks (13%). The same data showed that 42% of prime customers (above 650 FICO score) receiving personal loans in 2020 also choose to use a consumer finance company product.

There are currently several proposals by Congress that include options for expanding banking services. One such proposal would allow the United States Postal Service (USPS) the authority to offer small-dollar loans to consumers. AFSA is strongly opposed to Congress proceeding in this direction. The USPS is not equipped to provide consumers the high-quality financial products nor the consumer protections offered by consumer finance companies. However, AFSA encourages Congress to promote fair and transparent access of credit for consumers through competitive markets.

Increasing participation in the financial system is critical to keeping individuals from poverty and instability. As the Subcommittee on Consumer Protection and Financial Institutions discusses several banking related proposals, AFSA and our members are proud to highlight how its members have supported customers’ access to the financial system for over 100 years.

Thank you again for your hard work during this Congress. AFSA appreciates your attention to these important issues. If you have any questions or require additional information, please do not hesitate to contact me.

Sincerely,



Celia Winslow

Senior Vice President  
American Financial Services Association

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<sup>5</sup> FDIC, [How America Banks: Household Use of Banking and Financial Services](#), 2019 FDIC Survey, (2019)