

February 20, 2024

The Honorable Janet L. Yellen
Secretary
Department of the Treasury
1500 Pennsylvania Avenue, NW
Washington, D.C. 20220

Re: 88 FR 88702: Request for Information on Financial Inclusion

Dear Secretary Yellen:

AFSA¹ appreciates the opportunity to be engaged in the Department of Treasury’s development of a national strategy for financial inclusion. We know that many U.S. consumers may find themselves unable to access savings or forms of credit – a credit card or a line of credit from a bank or credit union – that others access when necessary. Unfortunately, too many Americans find themselves needing access to responsible credit products when they encounter a financial shock. Every household has a unique financial situation and should have the ability to find the most affordable and transparent financial service best suited to address their needs.

I. Importance of Financial Literacy

As a prerequisite to developing a national strategy for financial inclusion, AFSA and its members suggest that the Treasury ensure that the plan begins with advancing and advocating for financial literacy. The RFI does not discuss financial literacy as a part of the process towards better financial inclusion. However, research suggests that many Americans have low financial literacy and are not knowledgeable about many financial concepts. In a 2018 survey, only 29% of respondents reported being offered financial education at a school, college, or workplace, and only about 20% reported participating in the programs.² Importantly, high financial literacy is correlated with increased likelihood of:

- on-time bill payment,
- taking on sustainable amounts of debt, and

¹ Founded in 1916, the American Financial Services Association (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 traditional installment loans, mortgages, direct and indirect vehicle financing, payment cards, and retail sales finance.

² *The State of U.S. Financial Capability: The 2018 National Financial Capability Study*, FINRA Investor Education Foundation, June 2019, p. 37, at https://www.usfinancialcapability.org/downloads/NFCS_2018_Report_Natl_Findings.pdf.

- planning for retirement.³

It is also correlated with the decreased likelihood of:

- carrying a balance,
- paying interest,
- being charged a late fee,
- or going over a credit card limit.⁴

The Treasury’s own “Financial Literacy and Education Commission” (FLEC) emphasized the importance of “informed” financial decisions in its mission statement.⁵ The FLEC’s annual reports to Congress highlight how agencies are engaging in robust discussions on “the new and emerging topics in financial literacy and education and implementing program activities in specific domains, including housing, student and youth education, retirement, military and veterans, consumer protections, and crypto-asset education to advance financial literacy and education”.⁶ AFSA’s response to this RFI similarly highlights members work in the financial literacy space, as it is so intertwined with financial inclusion.

II. Member Involvement in the Financial Literacy and Inclusion Space

AFSA member companies take the mission of financial literacy and inclusion very seriously, and have a number of programs in place to support those goals. The more education we can provide consumers, the better equipped they are to make wise financial decisions.

Installment Lender Financial Literacy and Inclusion

Installment lenders are highly focused on financial wellness. Companies offer copious amounts of educational resources on their websites, including information on credit scores, debt management, and budgeting. Many companies form community partnerships to develop programs that help borrowers with financial coaching, job seeking, and raising capital for small business opportunities. Members also partner with schools, to teach students the importance of managing credit and establishing positive financial habits.

Traditional installment loans provide credit to millions of individuals and families, often unbanked, underbanked, credit invisible, or with impaired credit histories, who need access to credit to meet an immediate need. Access to safe financial services products is a core tenet of financial inclusion. Unlike other forms of small-dollar credit, such as payday loans, installment

³ Breno Braga, Signe-Mary McKernan, and Hannah Hassani, Financial Knowledge and Past-Due Credit Card, Mortgage, and Student Loan Debt, Urban Institute, November 2019, pp. 1-2, Financial Knowledge and Past-Due Credit Card, Mortgage, and Student Loan Debt

⁴ Sam Allgood and William B. Walstad, “The Effects of Perceived and Actual Financial Knowledge on Credit Card Behavior,” Networks Financial Institute Working Paper No. 15, vol. 2011-WP-15 (July 2011); and Annamaria Lusardi and Peter Tufano, “Debt Literacy, Financial Experiences, and Overindebtedness,” Journal of Pension Economics and Finance, vol. 14, no. 4 (October 1, 2015), p. 334.

⁵ <https://home.treasury.gov/policy-issues/consumer-policy/financial-literacy-and-education-commission>

⁶ FLEC FY 2022 Strategy for Assuring Financial Empowerment (SAFE) Report.

<https://home.treasury.gov/system/files/231/FY2022-US-FLEC-Annual-Report-Congress.pdf>

loans are the best way for consumers to manage credit and build a positive payment history with the credit bureaus.

Vehicle Finance Lenders and Financial Literacy and Inclusion

AFSA vehicle finance companies provide significant support to and partnerships with financial education programs. One of these partnerships includes Junior Achievement, a nonprofit that teaches budgeting, shopping, and bill paying. Another includes a free financial literacy course through Khan Academy. Some companies have developed their own education programs which aim to teach consumers the basics of the car buying process before the consumer actually buys the car.

AFSA member companies include different types of vehicle finance companies. Captive finance companies of vehicle manufacturers that provide financing and leasing indirectly through dealers of new and pre-owned vehicles, bank subsidiaries that provide direct and indirect lending and independent auto finance companies that provide financing through franchise and/or independent dealers. Many of these companies provide credit-challenged and credit invisible Americans access to vehicles, allowing them to get to school or work. According to the U.S. Census Bureau, 69.7% of the American workforce uses a car to get to their job. Access to a vehicle can be crucial for financial well-being.

Banks and Financial Literacy and Inclusion

AFSA banking members are also working to improve the financial well-being of Americans. AFSA bank members will conduct free home ownership seminars to teach people about the process to home ownership and provide presentations about “saving for a rainy day” to local elementary schools. Other members offer mentoring programs and workshops to help determine financial goals, break these goals into achievable chunks, and make plans to align financial habits with values.

AFSA Education Foundation

Through its foundation, AFSA is committed to consumer credit education. The AFSA Education Foundation’s mission is to educate consumers of all ages on personal finance concepts and to help them realize the benefits of responsible money management and to understand the credit process. AFSAEF's MoneySKILL program has provided free online financial education to over 810,000 students.

MoneySKILL has evolved with the times and currently provides educators of all kinds (including parents) with a resource to create high quality, custom, web-based personal finance courses. The curriculum is geared toward middle school, high school, and college students and focuses on a broad range of money management fundamentals. MoneySKILL can be used as a standalone personal finance course or can be included as part of a course in economics, business, math, family and consumer sciences, or wherever personal finance is taught. In addition to being completely free (and ad-free) for all users, MoneySKILL is offered in English and Spanish, contains audio dictation options, and aligns with nationally recognized K-12 personal finance standards. Both the curriculum and its underlying technology infrastructure are updated regularly.

III. Action Suggestions

As the Department of the Treasury continues to examine how to develop a national strategy for financial inclusion, AFSA suggests developing clear rules of the road for new technologies that would help provide access to safe credit to new borrowers. As alternative data and machine learning continue to advance, the opportunity to use these technologies as risk assessors is stymied. We are asking that regulators provide specific guidance regarding the use of these technologies, including but not limited to specific explainability criteria. More advanced machine learning technology can be extremely predictive and opens opportunities to expand credit to all groups but do not have the level of explainability of traditional statistical models. This is where new opportunities lie, and will assist in the mission of financial inclusion.

Conclusion

Financial inclusion and literacy can be addressed in a myriad of different way, and both AFSA and its members are highly engaged in ensuring that there is a level playing field for unbanked or underbanked individuals and families by providing safe and affordable access to credit. By providing financial services for those that need them, and by reporting loan performance to credit bureaus, AFSA members can help to drive economic empowerment of individuals and families, moving them closer to the financial mainstream and catalyzing social mobility.

Thank you for your consideration of our comments. If you have any questions or would like to discuss this further, please do not hesitate to contact me at (202) 776-7300 or cwinslow@afsamail.org.

Sincerely,



Celia Winslow
Senior Vice President
American Financial Services Association