National Strategy for Financial Inclusion in the United States

Fostering Financial Access, Resilience, and Well-Being for All

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I. Executive Summary

The ability to fully and beneficially participate in the financial system is a foundation for household financial resilience, well-being, and the opportunity to build wealth. While the United States has a robust financial infrastructure, the financial system does not work well for all consumers. There are significant disparities in how different populations interact with and benefit from financial products and services, particularly members of underserved communities, including people with lower incomes and wealth, people of color, and those in rural areas. These disparities contribute to persistent inequities in broader economic measures. Improving inclusion in the financial system is critical to fostering financial resilience and well-being and addressing wealth inequality.

This report outlines the inaugural National Strategy for Financial Inclusion in the United States developed by the U.S. Department of the Treasury (Treasury). The Strategy is intended to facilitate consumers' ability to access and use safe financial products and services that enable the building of financial resilience and well-being; and to promote an inclusive financial system that works to reduce rather than compound disparities.[1]

The Strategy is anchored on five core objectives, each with specific, actionable recommendations to guide stakeholders in the public, private, and nonprofit sectors in making meaningful progress to improve financial inclusion.

Objective 1: Promote Access to Transaction Accounts that Meet Consumer Needs

A transaction account at an insured depository institution provides a secure, convenient, and affordable way for consumers to store, send, and receive money. To tackle the persistent issue of unbanked households, government can be a primary mover in reducing the number of unbanked consumers by leveraging government-to-consumer payments to encourage transaction account openings. The private sector also has a role in promoting access to transaction accounts, and financial institutions should expand the availability of affordable and tailored accounts that meet the needs of underserved communities, such as Bank On accounts, and should evaluate their internal policies to identify opportunities to improve access for underserved communities. Government should continue to promote instant payments, make investments in mobile and broadband infrastructure, and work with community partners to further expand access to digital and in-person banking.

Objective 2: Increase Access to Safe and Affordable Credit

To address significant disparities in the availability and cost of credit, financial institutions, consumer reporting agencies, and government agencies should collaborate to integrate consumer-permissioned alternative data into credit scoring and credit underwriting models, which can open safer and more affordable credit opportunities for those who currently have no credit history or limited credit history. Additionally, expanding Special Purpose Credit Programs can help reach underserved communities to promote fair distribution of credit.[2] Lastly, lenders should consider ways to improve financial products' structures, such as through forbearance, to support consumer financial resilience, particularly for those who experience financial shocks. By improving access to credit and products' default structures, consumers can use these financial products to better withstand financial emergencies and make investments, improving their financial resilience and well-being.

Objective 3: Expand Equitable Access to Savings and Investments

Government should take steps to improve consumers' ability to save for retirement by providing incentives for saving and expanding access to retirement saving accounts. Employers should offer tools that facilitate emergency savings, which help employees manage short-term financial shocks without jeopardizing their long-term retirement goals. Additionally, employers should design retirement and savings benefits to equitably support employee financial health and provide financial education to promote employees' saving and investing.

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1 In this report, fair and safe means products and services that are not unfair, deceptive, or abusive, including by not being offered in a discriminatory or predatory manner.

2 Special Purpose Credit Programs are credit assistance programs authorized in fair lending laws to target "economically disadvantaged" people, among other things. *See* 15 U.S. Code § 1691(c).

Objective 4: Improve the Inclusivity of Financial Products and Services Provided or Backed by the Government

Government should design and deliver public financial products and services in ways that enhance inclusion. Government should research the extent to which financial products, services, and programs advance financial inclusion and equity, and identify and implement opportunities to innovate in existing or new products and programs. Additionally, the government should ensure that financial products and services are delivered in an inclusive, accessible manner with minimal fees and easy opportunities for application and use of benefits.

Objective 5: Foster Trust in the Financial System by Protecting Consumers from Illegal and Predatory Practices

To protect consumers from predatory practices and build trust in the financial system, regulators must rigorously enforce consumer protection and fair lending laws to ensure that financial products and services are developed and offered in a safe, transparent, and fair manner.

II. Introduction

Financial inclusion starts with equitable access to a range of financial products and services that are fair, safe, and useful in meeting individuals' and households' financial needs and goals, and also encompasses access to clear and trustworthy information that supports informed financial decision-making.[3] To be inclusive, financial products and services must be both accessible and beneficial, with features that equitably facilitate consumers' ability to improve their financial resilience and well-being over time.[4] For example, products with features that benefit consumers may include certain types of low-fee transaction accounts and automatic enrollment retirement accounts.

Most American consumers have access to basic financial services. However, there are significant and persistent disparities in how well the U.S. financial system functions for different communities, including people with lower incomes and wealth, people of color, and those in rural areas.[5] These disparities are reflected in persistent gaps in broader economic measures. Recent trends in the financial system, including the expansion of digital financial services, pose both opportunities and risks for narrowing disparities in access, use, and benefits from financial products, services, and information.

The Joint Explanatory Statement accompanying Division E of the Consolidated Appropriations Act of 2023 charged Treasury with developing a National Strategy for Financial Inclusion to broaden access to financial services among underserved communities and improve the ability of such communities to use and benefit from financial tools and services.[6] This Strategy furthers the priorities of the Biden-Harris Administration to advance equity for historically underserved people and communities and target resources and investments to mitigate place- and race-based inequities.[7]

Box 1. Treasury and Financial Inclusion

As a steward of the U.S. economic and financial systems, Treasury promotes financial inclusion through its operational and policy duties and responsibilities, including the administration of large-scale programs and initiatives that provide accessible financial products and services to the American public.

Treasury disburses 87 percent of federal payments and manages the financial infrastructure that ensures timely and secure delivery of funds to the American public.[8] Treasury offers the Direct Express prepaid debit card, which allows individuals, including unbanked individuals, to access their federal benefit payments electronically. Direct Express is the largest prepaid debit card program serving federal benefit recipients, with over 3.8 million active cardholders.[9] As central administrator of the federal tax system, Treasury, through the Internal Revenue Service, processes tax returns, distributes refunds, and educates consumers about their tax obligations and rights. The Direct File service, made permanent after a successful pilot, saves taxpayers time and money while ensuring they receive the tax credits they are entitled to, thereby improving access to essential financial resources. Further, as an early adopter of the Federal Reserve's FedNow instant payment service, Treasury enables faster and more efficient payments through real-time fund transfers between different institutions, promoting competition and innovation in the payments landscape.

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3 Specific markets, such as housing, student loans, and small business finance, are relevant to financial inclusion but not the primary focus of this Strategy.

4 While Treasury is not advancing a novel definition of "financial inclusion," Treasury's understanding of the term is consistent with predominant interpretations. Treasury recognizes that there are numerous definitions of financial inclusion, and that policies to enhance financial inclusion are influenced by the unique socioeconomic, cultural, and regulatory context in which the term is used. *See* World Bank Group, "Financial Inclusion," accessed August 26, 2024, https://www.worldbank.org/en/topic/financialinclusion/overview; United Nations Secretary-General's Special Advocate for Inclusive Finance for Development, "Financial Inclusion," accessed August 26, 2024, at https://www.unsgsa.org/financial-inclusion.

5 Additionally, Treasury recognizes that other communities, including but not limited to older adults, people with disabilities, justice-involved individuals, immigrants, refugees, and LGBTQ+ people are more likely to be underserved by the financial system.

6 *See* U.S. Congress, Joint Explanatory Statement for Financial Services and General Government Appropriations Bill, 2023, 117th Congress, https://www.congress.gov/117/cprt/HPRT50347/CPRT-117HPRT50347.pdf. *See* Consolidated Appropriations Act of 2023, Pub. L. No. 117-328.

7 Exec. Order No. 13985, 86 Fed. Reg. 7009 (January 25, 2021).

8 Treasury Financial Experience, "Disbursing," accessed August 30, 2024, at https://tfx.treasury.gov/disbursing.

9 Bureau of the Fiscal Service, "Bureau of the Fiscal Service Seeks Financial Agent Proposals to Support the Direct Express Program," The Federal Reserve Treasury Services (December 2023), https://www.frbservices.org/news/communications/020224-treasury-fasp-direct-express-program.

Treasury also administers capital access programs that channel credit, capital, and consumer financial services to communities that have been underserved by the mainstream financial system. The Community Development Financial Institutions Fund (CDFI Fund) provides financial assistance and technical support to community development financial institutions (CDFIs) across the United States, supporting them in expanding economic opportunity to historically underserved and low-income communities. The CDFI Fund's Small Dollar Loan Program, for example, provides capital to CDFIs to expand consumer access to mainstream financial institutions and provide alternatives to high-cost small dollar loans. Treasury also provides capital to support small businesses and entrepreneurship through the State Small Business Credit Initiative (SSBCI) and other programs.[10]

In addition to these efforts, Treasury cultivates financial inclusion by developing and promoting research and policies that support the financial well-being of American consumers. Recent Treasury efforts related to consumer and household financial activities include a report on household financial impacts of climate change, and a series of publications on consumer activities and risks related to digital assets.[11]

In 2022, Treasury established the Treasury Advisory Committee on Racial Equity (TACRE) to address economic disparities within the domestic economy that disproportionately affect underserved communities. To date, TACRE members have provided over 40 recommendations to help advance racial equity.[12] In addition, in its 2025 Greenbook, Treasury included the first-ever addendum examining the effects of FY2025 revenue proposals on racial wealth inequality.[13]

Treasury also organizes the work of the Financial Literacy and Education Commission (FLEC), a 24-member interagency group that coordinates federal resources and programs to improve Americans' financial knowledge, skills, and decision-making.[14] Further, Treasury participates in international efforts to increase financial inclusion globally, including the G20 Global Partnership for Financial Inclusion and efforts at the Financial Action Task Force to revise the standards to further enable and promote financial inclusion.

III. A Framework for Financial Inclusion

Financial inclusion represents a continuum that includes financial access, which leads to financial resilience and ultimately financial well-being, including opportunities to build wealth.[15]

Financial access is an important precondition for individuals to achieve financial resilience and well-being. Many individuals begin the journey to financial well-being by opening a transaction account—such as a checking account at a bank or a share account at a credit union—which enables them to better manage their daily finances, including storing funds and processing payments. Transaction accounts often facilitate consumers' access to other financial products and services that individuals can use to improve their financial resilience and well-being. For example, maintaining a transaction account can facilitate access to and use of government payments, credit, savings, and investment products that help consumers weather financial emergencies and plan for long-term financial goals.

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10 The State Small Business Credit Initiative (SSBCI) and the Coronavirus State and Local Fiscal Recovery Fund (SLFRF) were both authorized through the American Rescue Plan Act of 2021. *See* American Rescue Plan Act of 2021, Pub. L. No. 117-2, 135 Stat. 4.

11 Treasury, Crypto-Assets: Implications for Consumers, Investors, and Businesses (September 2022), https://home.treasury.gov/system/files/136/CryptoAsset_EO5.pdf; Treasury, The Impact of Climate Change On American Household Finances (October 2023), https://home.treasury.gov/system/files/136/Climate_Change_Household_Finances.pdf.

12 Treasury, Technical Progress Report to the Treasury Advisory Committee on Racial Equity (TACRE) (April 2024), https://home.treasury.gov/system/files/306/24-TRP-TACRE-508-ready-Apr25-2024.pdf.

13 *See* Treasury, "U.S. Department of the Treasury Outlines Tax Proposals to Reduce the Deficit, Lower Costs for Working Families, and Ensure the Wealthy and Large Corporations Pay their Fair Share" (March 2024), https://home.treasury.gov/news/press-releases/jy2169; Treasury, Advancing Equity through Tax Reform: Effects of the Administration's Fiscal Year 2025 Revenue Proposals on Racial Wealth Inequality (March 2024), https://home.treasury.gov/policy-issues/tax-policy/revenue-proposals.

14 Treasury, "Financial Literacy and Education Commission," accessed September 16, 2024, https://home.treasury.gov/policy-issues/consumer-policy/financial-literacy-and-education-commission.

15 This financial inclusion continuum is influenced by the Consumer Financial Protection Bureau (CFPB)'s financial well-being scale. *See* CFPB, Financial Wellbeing in America (September 2017), https://files.consumerfinance.gov/f/documents/201709_cfpb_financial-wellbeing-in-America.pdf.

However, financial access alone is not enough for consumers to progress towards financial resilience and well-being. Financial products and services must have beneficial features, such as being safe, affordable, and useful in meeting consumers' needs and preferences. Furthermore, access to financial information and trust in the financial system significantly influence consumers' financial decision-making, choices, and ability to access and use financial products and services.

Many factors affect the extent to which the financial system is effective at promoting financial inclusion, including the policy environment, dynamism of the consumer financial marketplace, technological innovation, and the macroeconomic environment. Further, though participation in the financial system can help to facilitate financial resilience, well-being, and wealth-building, financial products and services are far from the sole determinants of these outcomes. An individual or household's complete financial profile—income, expenses, savings, borrowing, assets, liabilities, and net worth—impacts their progression along the continuum. Efforts to improve household financial resilience and well-being necessarily involve other areas of policy, including labor market policy, community development, and anti-poverty efforts, which relate to but are not the focus of this Strategy.

Disparities in different communities' ability to access financial products and services and use them to build financial resilience and well-being contribute to persistent disparities in broader economic measures. These patterns are described in Box 2, "Financial Exclusion and the Racial Wealth Gap," many of which stem from historic and ongoing discrimination.

Figure 1: The Financial Inclusion Continuum

This Strategy includes objectives and recommendations designed to facilitate progress along the spectrum of the financial inclusion continuum, with a specific focus on expanding access to financial services and products that serve to benefit consumers over time.

Box 2. Financial Exclusion and the Racial Wealth Gap

Financial well-being and wealth vary significantly between different households. White households hold much more wealth than Black and Hispanic families. In 2022, the median wealth among white families was $285,000, six times the wealth of the median Black family ($44,900) and five times the wealth of the median Hispanic family ($61,600).[16] Data indicate that in the years following the COVID-19 pandemic median household wealth has increased for all racial and ethnic groups. However, the racial wealth gap has continued to widen.[17] Disparities in homeownership rates and home values between different groups contribute significantly to the racial wealth gap. In 2024, the homeownership rate was 45 percent for Black households and 49 percent for Hispanic households, compared to 74 percent for white households.[18] In addition, home values in predominantly minority neighborhoods have been shown to be appraised at lower values than comparable homes in majority-white neighborhoods.[19] Differences in stock or business equity between Black and white Americans have contributed to the widening of the racial wealth gap.[20] Further, Black and Hispanic consumers are more likely to be "credit invisible" or "unscorable" by traditional credit models because of the information currently collected in the consumer reporting system.[21] Because wealth is an essential buffer against economic shocks and a foundational component of asset-building, lower wealth levels result in lower financial resilience and decreased financial well-being over time.

Exclusion from participation in the financial system and decades of disinvestment in communities of color have contributed to persistently lower financial resilience and disproportionately fewer wealth-building opportunities, particularly for Black and Hispanic households.[22] For example, recent generations of Black people and other communities of color have been subject to redlining practices designed to prevent people of color from accessing mortgages.[23] Despite more robust fair lending laws, disparities in access to safe and affordable financial products continue to persist. Further, Black communities and other communities of color may be more likely to be targeted with predatory or low-quality financial products, as was the case with subprime mortgage lending ahead of the 2008 financial crisis.[24] Today, members of these communities remain less likely to own homes or have a mortgage compared to white communities.

Barriers to wealth-building opportunities coupled with different starting points in wealth have compounded over time. Understanding the origins and compounding consequences of the persistent wealth gap across race and ethnicity, and the ways that the financial system has contributed to that gap, is key to devising financial inclusion strategies tailored to the circumstances and needs of historically marginalized and underserved communities and ultimately closing the wealth gap.

16 Board of Governors of the Federal Reserve System (FRB), Changes in U.S. Family Finances from 2019 to 2022 Evidence from the Survey of Consumer Finances (October 2023), 12, https://www.federalreserve.gov/publications/files/scf23.pdf.

17 Aditya Aladangady et al., "Greater Wealth, Greater Uncertainty: Changes in Racial Inequality in the Survey of Consumer Finances," FEDS Notes, FRB (October 2023), https://www.federalreserve.gov/econres/notes/feds-notes/greater-wealth-greater-uncertainty-changes-in-racial-inequality-in-the-survey-of-consumer-finances-20231018.html.

18 U.S. Census Bureau, "Quarterly Residential Vacancies and Homeownership, Second Quarter 2024," accessed July 30, 2024, https://www.census.gov/housing/hvs/files/currenthvspress.pdf.

19 Jonathan Rothwell and Andre M. Perry, How Racial Bias in Appraisals Affects the Devaluation of Homes in Majority-Black Neighborhoods, The Brookings Institution (December 2022), https://www.brookings.edu/articles/how-racial-bias-in-appraisals-affects-the-devaluation-of-homes-in-majority-black-neighborhoods/.

20 Ellora Derenoncourt et al., "Wealth of Two Nations: The U.S. Racial Wealth Gap, 1860–2020" The Quarterly Journal of Economics 139, no. 2 (May 2024): 693–750, https://doi.org/10.1093/qje/qjad044.

21 Kenneth P. Brevoort et al., "Data Point: Credit Invisibles," The CFPB Office of Research, CFPB (May 2015), http://files.consumerfinance.gov/f/201505_cfpb_data-point-credit-invisibles.pdf.

22 Amalie Zinn et al., "Building Trust in the Financial System Is Key to Closing the Racial Wealth Gap," Urban Wire, Urban Institute (June 2023), https://www.urban.org/urban-wire/building-trust-financial-system-key-closing-racial-wealth-gap.

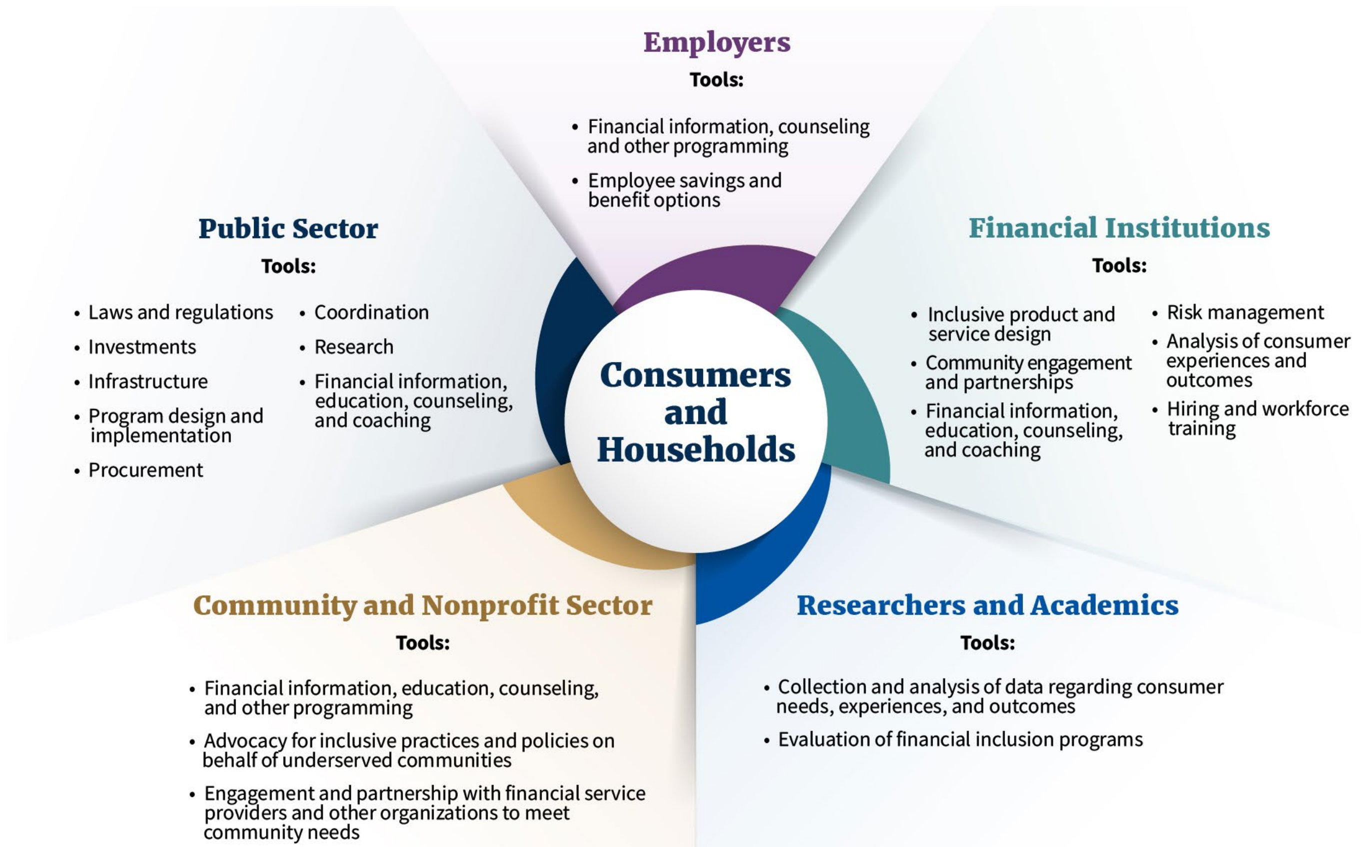
23 Daniel Aaronson et al., "New Data on Thousands of U.S. Neighborhoods Shows Direct Impact of Redlining from 1930 to Today," Economic Mobility Project, Federal Reserve Bank of Chicago (February 2022), https://www.chicagofed.org/research/content-areas/mobility/policy-brief-redlining.

24 Jacob W. Faber, "Racial Dynamics of Subprime Mortgage Lending at the Peak," Housing Policy Debate 23, no.2 (April 2013), https://doi.org/10.1080/10511482.2013.771788.

Actors Responsible for Financial Inclusion

Due to the diverse factors that influence household finances and the financial system, increasing financial access, resilience, and well-being and wealth requires a collective approach that leverages the specific roles and capacities of the public, private, community and nonprofit sectors, as well as researchers (Figure 2). Each of these actors has a distinct role to play in advancing financial inclusion.[25]

Figure 2: Actors Responsible for Financial Inclusion and Select Tools



Each of these actors can promote financial inclusion through the adoption of design processes, including robust community and stakeholder engagement, to improve the inclusionary impact of products, programs and policies, build trust with underserved communities, and challenge exclusionary dynamics in the financial system. The objectives and recommendations in this Strategy leverage the tools available to each of these actors to improve financial inclusion, individually and through collaboration. Over time, consistent engagement and partnership between community-based organizations or local leaders and other actors in the public and private sectors, can enhance financial inclusion by building community trust and facilitating the design and delivery of products that fit community needs.

25 Financial institutions are defined here to include bank and nonbank service providers, including those that primarily serve underserved consumers or communities, such as Community Development Financial Institutions and Minority Depository Institutions. Nonbank financial institutions may provide financial services but do not have bank, thrift, or credit union charters. They may affiliate with entities that do, and sometimes their lack of such charters may be less than clear to consumers.

IV. Priority Financial Inclusion Objectives and Recommendations

The Strategy includes five priority objectives and related recommendations that identify actionable and impactful opportunities for individual actors and multisectoral collaboration to improve financial inclusion.

Listening to the Public

Treasury developed this Strategy with the goal of maximizing its value and accessibility to stakeholders across the public, private and nonprofit sectors. Treasury gathered information through internal research and extensive external engagement with experts, community leaders, and industry as well as other federal agencies. In total, Treasury held over 30 convenings, met with over 130 organizations, and received over 1,100 pages of public commentary through a public Request for Information.[26] This Strategy also draws on findings and recommendations from previous Treasury work, including previous reports from the President's Advisory Council on Financial Capability and President's Advisory Council on Financial Capability for Young Americans.[27]

1. Promote Access to Transaction Accounts that Meet Consumer Needs

American consumers should have reliable access to transaction accounts to safely manage their financial transactions and savings.

A transaction account at an insured depository institution provides a secure, convenient, and typically affordable way for consumers to store, send, and receive money.[28] Transaction accounts build relationships between consumers and financial institutions that can facilitate access to other financial services, including credit. Expanding access to transaction accounts helps consumers manage their finances efficiently and securely, fostering financial resilience and well-being.

The most recent 2021 Federal Deposit Insurance Corporation (FDIC) National Survey of Unbanked and Underbanked Households found that an estimated 4.5 percent, or 5.9 million, of U.S. households were "unbanked" meaning that no one in the household had a checking or savings account at a bank or credit union.[29] Rates of bank account ownership vary significantly by household demographic characteristics such as race, income, gender, and disability status. Per FDIC survey data, while only 2.1 percent of white households lacked a bank account in 2021, 11.3 percent of Black households, 6.9 percent of American Indian or Alaska Native households, and 9.3 percent of Hispanic households lacked an account.[30] For working-age households with a disability, the share of households without a bank account was 14.8 percent in 2021, much higher than the 3.7 percent share for working-age households without a disability.[31]

Households may face a variety of barriers to bank account ownership, including challenges in opening and maintaining an account, as well as minimum balance requirements and bank fee schedules, which can be difficult to understand. Other aspects of bank accounts can also pose barriers to financial inclusion. For example, a lack of real-time payment capabilities can be problematic for consumers with tight cash flows who do not have the financial resources to wait for delayed settlement times and, as a result, may incur penalties and late payment fees. Disparities in bank account ownership between different groups reflect not only the relationship between household income and bank account use, but also the impact of historic exclusion, community distrust and population-specific barriers, including institutional risk management practices, access to bank branch locations, access to broadband and digital technology, and language access.

26 *See* Treasury, Request for Information on Financial Inclusion, 88 Fed. Reg. 88702 (December 2023).

27 President's Advisory Council on Financial Capability, "Final Report" (January 2013), https://www.nefe.org/_images/partnerships/PACFC%20final%20report%20Feb%2019%202013.pdf; Treasury, "President's Financial Capability Council Completes Work, Issues Final Report" (June 2015), https://home.treasury.gov/news/press-releases/jl0099.

28 CFPB, "What Is the Difference between a Checking Account, a Demand Deposit Account, and a NOW (Negotiable Order of Withdrawal) Account?" (May 2023), https://www.consumerfinance.gov/ask-cfpb/what-is-the-difference-between-a-checking-account-a-demand-deposit-account-and-a-now-account-en-953/.

29 FDIC, 2021 FDIC National Survey of Unbanked and Underbanked Households (July 2023), 75, https://www.fdic.gov/analysis/household-survey/2021report.pdf.

30 Ibid, 76.

31 Ibid, 76.

Recommendations to further objective 1

1.1. Policymakers should leverage government payments as opportunities to help consumers open transaction accounts.

Having a source of incoming funds is an important catalyst for becoming banked.[32] Occasions such as when a consumer starts a new job, gets a tax refund, or receives a government payment, are ideal times (particularly for unbanked individuals) to open transaction accounts.

This approach to increasing financial inclusion was used to increase bank account ownership during the COVID-19 pandemic. When the federal government authorized Economic Impact Payments to households, consumers without bank account information on file with the Internal Revenue Service, including some of the most economically vulnerable, had to wait for the arrival of a paper check rather than a faster and more secure direct deposit. To reduce these frictions in the future and help to ensure that consumers have a secure way to store and manage their payments, the FDIC collaborated with the Cities for Financial Empowerment Fund's Bank On program, banking industry partners, and the IRS to help consumers enroll in free and low-cost transaction accounts.[33] Data from the FDIC suggest that these efforts were successful. Close to half (44.8 percent) of all recently banked households that received a government benefit payment, accounting for about 1.9 million households, cited the payment as a contributing factor in opening their account.[34]

To build on these successes, Treasury is committed to collaborating with federal, state, local, and Tribal governments, as well as with the Financial Literacy and Education Commission, to identify where government can leverage government payments as opportunities to help consumers open accounts. For example, government agencies could incorporate banking access initiatives into reentry programs for formerly incarcerated individuals using commissary account balances and other funds that they could deposit into a transaction account in advance of reentry. Other sources of payments that government agencies could use to help consumers open bank accounts include the Federal Emergency Management Agency (FEMA)'s issuance of assistance programs following disaster declarations; Treasury's Bureau of the Fiscal Service issuance of Old Age, Survivors, and Disability Insurance (OASDI) and Supplemental Social Security Income payments, or refundable tax credits such as the Child Tax Credit on behalf of the respective agency; and the U.S. Department of Health and Human Services (HHS)'s Office of Refugee Resettlement (ORR) Refugee Cash Assistance and Voluntary Agencies Matching Grants.

To leverage these touchpoints, government agencies could provide consumers with information about building financial capability, including information about the benefits of FDIC deposit insurance and key features to look for when selecting an account; develop or explore public-partnerships with financial institutions or community organizations that directly serve consumers receiving federal payments; or explore other steps to enhance access to bank accounts for government payees.

1.2. Financial institutions should improve the accessibility and inclusivity of their transaction account products.

Enhancing the accessibility and inclusivity of transaction accounts can lead to increased account opening and usage, fostering longer-term trust in the financial system and improving financial inclusion. To promote these goals, financial institutions should prioritize offering transaction accounts with features that promote inclusion, such as affordability, security, and language accessibility. Government, nonprofit, and private sector actors should continue

32 FDIC, 2021 FDIC National Survey of Unbanked and Underbanked Households, 81.

33 Chairman of the FDIC Martin J. Gruenberg, "Remarks by Chairman Martin J. Gruenberg at the Cities for Financial Empowerment Fund 2023 Bank On National Conference," accessed August 21, 2024, https://www.fdic.gov/news/speeches/2023/spmay2323.html.

34 FDIC, 2021 FDIC National Survey of Unbanked and Underbanked Households, 7.

to collaborate on the Bank On initiative, a national effort to encourage banks and credit unions to offer transaction accounts in an effort to eliminate barriers that have traditionally discouraged individuals from opening bank accounts, such as high fees, overdraft charges, and minimum balance requirements.[35]

Alongside offering affordable accounts, financial institutions should increase the accessibility and inclusivity of transaction accounts by addressing the needs of diverse communities. For example, financial institutions that are not already doing so should explore ways of establishing and maintaining relationships with customers with limited English proficiency through strategies such as bilingual frontline staff, interpretation services, and multilingual written materials. To better serve the diverse needs of consumers such as members of Hispanic and Asian American and Native Hawaiian/Pacific Islander (AANHPI) communities, financial institutions should consider partnering with community-based organizations who can provide translation services and cultural context, fostering trust and empowering consumers to make informed financial decisions. In addition, for individuals seeking assistance in account management, features such as read-only access, which enables trusted third parties to monitor accounts, could significantly improve their experience engaging with the financial system and prevent financial exploitation.

Financial institutions may also have opportunities to enhance financial inclusion, consistent with applicable regulations, through their account opening and closing policies and customer communication protocols.[36] Account origination policies at some institutions, including restrictive methods used for verifying customer identity, can limit access to accounts for certain consumers. For example, institutions that require applicants to have a state-issued ID, such as a driver's license, may exclude consumers who find it difficult to access or maintain a state-issued ID but who may have access to other documents or means of verifying identity that are compliant with regulatory requirements. Consumers particularly impacted by such policies can include victims of crime and domestic violence survivors, those experiencing homelessness, individuals involved with the justice system, immigrants and refugees, or transgender and nonbinary consumers. Some financial institutions offer additional pathways for identity verification by accepting municipal ID, consular ID, student ID, identity attestation letters, or other methods, which may be more effective at serving those consumers. Digital identification tools may also have the potential to be used in a manner that advances financial inclusion by facilitating customer account opening in compliance with customer identity verification requirements.[37] These tools include the development and implementation of secure, privacy-preserving, consent-based digital identity solutions, such as state mobile drivers' licenses and other government-issued digital identity credentials with appropriate assurance levels.

35 Developed by the Cities for Financial Empowerment (CFE) Fund in consultation with bank regulatory agencies, these standards set core requirements for costs, terms, customer service, and functionality, which they certify as 'Bank On' accounts. Financial institutions have significantly increased the number of Bank On certified accounts offered and opened in recent years and should continue these efforts. *See* Cities for Financial Empowerment, "Bank On National Account Standards (2023-2024)," accessed August 26, 2024, https://joinbankon.org/wp-content/uploads/2020/10/Bank-On-National-Account-Standards-2021-2022.pdf; and Violeta Gutkowski and Lisa Locke, "Bank On National Data Hub: Findings from 2022," Federal Reserve Bank of St. Louis (November 2023), https://www.stlouisfed.org/community-development/bank-on-national-data-hub/bank-on-report-2022.

36 Financial institutions should establish internal policies and practices for account origination and closure, including the methods they use for verifying customer identity, the information they share with customers in the event they decline to open an account or decide to close an existing account, and how they manage appeals or other forms of consumer recourse. Institutions are responsible for ensuring that these policies and their financial service offerings comply with applicable requirements, including anti-money laundering / countering the financing of terrorism, safety and soundness, and consumer protection statutes and regulations, among others.

37 While digital identity solutions have the potential to reduce frauds and scams, some types of digital identity solutions could exclude particular individuals or communities, potentially making it more difficult for them to access financial services, among other things. For more information on digital identity solutions, *see* Treasury, "Managing Artificial Intelligence-Specific Cybersecurity Risks in the Financial Services Sector," (March 2024), 38-39, https://home.treasury.gov/system/files/136/Managing-Artificial-Intelligence-Specific-Cybersecurity-Risks-In-The-Financial-Services-Sector.pdf; and Treasury, "National Strategy for Combatting Terrorist and other Illicit Financing," (May 2024), 36-39, https://home.treasury.gov/system/files/136/2024-Illicit-Finance-Strategy.pdf.

Financial institutions should review their account opening and closing policies, including their customer identification and verification requirements,[38] to ensure they are appropriately risk-based and do not unnecessarily limit access to financial services for underserved communities.[39] Additionally, financial institutions should review their customer communication protocols and consider opportunities to increase customer support related to account denials or closures in a manner that is compliant with applicable laws and regulations.[40] For example, some consumers may need guidance and support gathering appropriate identification documentation to qualify for a bank account.

Treasury has received input from several groups regarding instances when financial institutions have not opened accounts or have terminated relationships with members of their community, potentially based on an inappropriate assessment of risk, or in other words, may have "de-risked" them.[41] These communities include Muslim and Arab Americans and justice-involved individuals.[42] De-risking practices can harm financial inclusion—as well as undermine anti-money laundering/countering of the financing of terrorism safeguards—by preventing segments of the population from opening or maintaining bank accounts or accessing other financial products in the regulated financial sector. These practices can also cause customers significant inconvenience and expense, including loss of access to funds necessary for day-to-day expenses or bills, interrupted business or personal transactions, and lack of access to necessary financial services. Federal agencies should continue to monitor and study potential de-risking practices, as well as maintain robust enforcement of relevant consumer protections. These agencies should also monitor how digital technologies develop to better identify consumers and study the impact on account opening and financial inclusion.

1.3. Policymakers should continue to promote instant payments. Financial institutions should consider providing instant payments to speed up settlement times for consumers.

Faster access to funds can help reduce reliance on costly alternatives, such as payday loans and overdrafts, and empower consumers by giving them more control over their cash flow. The government should continue to foster financial inclusion by promoting instant payments initiatives, including through strategic investments in public payments infrastructure. The FedNow Service, a real-time payment service launched by the Federal Reserve in July 2023, is designed to enable instant payment processing for financial institutions across the United States. Through the financial institutions participating in FedNow, individuals and businesses can send and receive money within seconds around the clock, seven days a week.[43]

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38 *See*, e.g., 31 CFR 1020.220 (Customer Identification Program Requirements for Banks) and 31 CFR 1010.230 (Beneficial Ownership Requirements for Legal Entity Customers).

39 In July 2022, Treasury's Financial Crimes Enforcement Network (FinCEN), along with the Federal banking agencies and National Credit Union Administration (NCUA), issued a Joint Statement on the Risk-Based Approach to Assessing Customer Relationships and Conducting Customer Due Diligence, which stated that banks in compliance with BSA requirements are not prohibited or discouraged from providing banking services to customers of any specific class or type. *See* FRB, FDIC, FinCEN, NCUA, OCC, Joint Statement on the Risk-Based Approach to Assessing Customer Relationships and Conducting Customer Due Diligence (July 2022), https://www.fincen.gov/sites/default/files/2022-07/Joint%20Statement%20on%20the%20Risk%20Based%20Approach%20to%20Assessing%20Customer%20Relationships%20and%20Conducting%20CDD%20FINAL.pdf. The joint statement emphasizes that no customer type presents a single level of uniform risk, or a particular risk profile for money laundering, terrorist financing, or other illicit financial activity. The Statement reinforces that banks must apply a risk-based approach to customer due diligence (CDD), including when developing the risk profiles of their customers. It specifically indicated that banks must adopt appropriate risk-based procedures for conducting ongoing CDD that, among other things, enable banks to: (i) understand the nature and purpose of customer relationships for the purpose of developing a customer risk profile, and (ii) conduct ongoing monitoring to identify and report suspicious transactions and, on a risk basis, to maintain and update customer information. Financial institutions should review their customer acceptance policies to make sure that they manage customer relationships and mitigate risks based on customer relationships, rather than decline to provide banking services to entire categories of customers. The Statement further noted that, as a general matter, FinCEN, the Federal banking agencies, and NCUA do not direct banks to open, close, or maintain specific accounts.

40 For example, financial institutions must comply with Suspicious Activity Reports (SARs) confidentiality requirements. *See* 31 U.S. Code 5318(g); 31 CFR 1020.320(e); FIN-2010-A014, Maintaining the Confidentiality of Suspicious Activity Reports (November 2010), https://www.fincen.gov/resources/advisories/fincen-advisory-fin-2010-a014.

41 De-risking is the practice of financial institutions acting indiscriminately "to terminate, fail to initiate, or restrict business relationships with a customer or category of customers, rather than managing the risk associated with that relationship consistent with risk-based supervisory or regulatory requirements." *See* Treasury, AMLA The Department of the Treasury's De-Risking Strategy (April 2023), https://home.treasury.gov/system/files/136/Treasury_AMLA_23_508.pdf, 1. Numerous factors may lead to de-risking, including drivers such as profitability, reputational risk, lower risk appetites of banks, regulatory burdens or unclear expectations. *See* definition from the Anti-Money Laundering Act of 2020, Pub. L. No. 116–283, Div. F, Title LXII, Sec. 6215(c)(1).

42 *See*, e.g., Treasury, "Financial Literacy and Education Commission (FLEC) Public Meeting: MINUTES," (April 2024), https://home.treasury.gov/policy-issues/consumer-policy/financial-literacy-and-education-commission/previous-meetings/financial-literacy-and-education-commission-meeting-april-10-2024; Treasury, "Treasury Convenes Discussion on Addressing Barriers in Financial Services for Justice-Impacted Communities," Readout (January 2024), https://home.treasury.gov/news/press-releases/jy2089; Launch Good, Comment Letter on Request for Information on Financial Inclusion (February 2024), https://www.regulations.gov/comment/TREAS-DO-2023-0014-0029; Prop Prep Properties LLC DBA Lightning Electric, Comment Letter on Request for Information on Financial Inclusion (February 2024), https://www.regulations.gov/comment/TREAS-DO-2023-0014-0027; Citizens State Bank, Comment Letter on Request for Information on Financial Inclusion (February 2024), https://www.regulations.gov/comment/TREAS-DO-2023-0014-0011.

43 FRB, "Additional Questions and Answers," FedNow® Services (May 2024), https://www.federalreserve.gov/paymentsystems/fednow-additional-questions-and-answers.htm.

Treasury has taken a proactive role in supporting federal agencies and customers by identifying and deploying emerging technologies and capabilities. As an early adopter of the FedNow Service, Treasury is committed to promoting the use of instant payments and will continue to identify critical use cases where faster access to funds is essential.

In addition to federal initiatives, financial institutions should consider offering instant payments to consumers. The launch of the FedNow Service creates new opportunities for financial institutions to innovate and compete in instant payment services, complementing the existing private sector payments network operated by The Clearing House (TCH), which has already partnered with employers to provide instant access to wages via Real Time Payments (RTP™) network.

1.4. Policymakers should develop and implement strategies for reaching communities with limited access to in-person banking services and those that rely heavily on cash.

Government should make investments in infrastructure that enables individuals in areas with limited in-person banking services to access financial products and services. Reliable internet services can connect consumers to digital financial products and services such as mobile banking apps and online financial platforms. Despite recent increases in broadband access, many Americans still lack home connectivity, particularly individuals with lower incomes, individuals in some rural areas, older adults, and communities of color.[44] Programs like those established through the American Rescue Plan Act and Bipartisan Infrastructure Law could increase access to digital financial products and services through investments in broadband infrastructure. For example, the Broadband Equity Access and Deployment program allocates $42.45 billion to State, Territory, and Tribal governments for high-speed internet deployment.[45]

Government and financial services providers should also consider ways to creatively provide financial services for consumers with limited access to in-person services, those lacking mobile or internet access, or consumers for whom banking in-person is preferable. While expanding digital access to financial products and services can be an effective strategy for broadening access, certain services, such as depositing and withdrawing cash, frequently still require physical access. Lack of access to physical branches can create significant challenges for households with lower-incomes, individuals living in rural areas, and individuals with disabilities, who may also rely heavily on cash transactions or other in-person services.[46]

For example, some banks are reaching rural communities through mobile bank branch programs. These programs enable banks to serve hard-to-reach populations, such as rural Amish and Mennonite communities, in person by using mobile "bank buses."[47] These efforts can help to build trust by fostering personal relationships and providing institutions greater understanding of the communities they serve.

Policymakers and researchers should continue to study the growth and causes of banking deserts, including bank consolidation, and develop effective strategies that ensure sustained community access to financial services.[48] Government should also study opportunities to leverage public or community infrastructure to maintain or expand access to in-person services for these communities, including through partnerships with community-based organizations and financial institutions.

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44 Daniela Mejia, "Computer and Internet Usage in the United States: 2021," American Community Survey Reports, U.S. Census Bureau (June 2024), https://www2.census.gov/library/publications/2024/demo/acs-56.pdf.

45 The White House, "Fact Sheet: Biden-Harris Administration Announces Over $40 Billion to Connect Everyone in America to Affordable, Reliable, High-Speed Internet" (June 2023), https://www.whitehouse.gov/briefing-room/statements-releases/2023/06/26/fact-sheet-biden-harris-administration-announces-over-40-billion-to-connect-everyone-in-america-to-affordable-reliable-high-speed-internet/.

46 Berhan Bayeh, Emily Cubides, and Shaun O'Brien, "2024 Findings from the Diary of Consumer Payment Choice," The Federal Reserve Financial Services, FRB (2024), https://www.frbservices.org/binaries/content/assets/crsocms/news/research/2024-diary-of-consumer-payment-choice.pdf; Oz Shy, "Cashless stores and cash users," Journal of Policy Modeling 43-3 (2021), https://doi.org/10.1016/j.jpolmod.2021.02.001.

47 Alaina Barca and Crystal Flynn, "When 'Mobile' Means Buses or a Horse and Buggy: Innovative Solutions to Banking Deserts," Fed Communities (January 2024), https://fedcommunities.org/innovative-solutions-banking-deserts/.

48 For more information on consumer financial market competition, bank consolidation, and other recent trends, *see* Treasury, "Assessing the Impact of New Entrant Non-Bank Firms on Competition in Consumer Finance Markets," (November 2022), https://home.treasury.gov/system/files/136/Assessing-the-Impact-of-New-Entrant-Nonbank-Firms.pdf.

Box 3. Financial Inclusion in Tribal and Native Communities

Most Tribal lands have few brick-and-mortar financial institutions and Tribal communities face significant challenges accessing digital financial services due to persistent gaps in access to electricity or broadband.[49]

Additionally, complex legal and other federal policies contribute to barriers to accessing capital on Tribal lands. Tribal leaders have reported that some financial institutions have a limited understanding of sovereign immunity, Tribal jurisdiction, and land held in trust, contributing to hesitancy to offer services, such as insurance or mortgage and credit products to Native communities. According to Tribal community leaders, financial institutions have at times asked Tribal governments to waive sovereignty when applying for a product or service, a request that undermines the political authority and rights of Tribal governments and Tribal citizens. This has contributed to a significant barrier to credit and potentially wealth-building opportunities.

Tribal members who apply for a mortgage on a reservation are more likely to have a higher-priced loan than borrowers outside of a reservation, and these higher-priced loans have average interest rates of nearly two percentage points higher than other nearby loans.[50] Native American banks, credit unions, and CDFIs have stepped in to fill gaps in banking services and lending as well as financial education. Native CDFIs, in particular, provide specialized education and services to strengthen Tribal economies.

Treasury has worked with other agencies to deploy historic support to Indian Country, including through the American Rescue Plan Act (ARP) and the Inflation Reduction Act (IRA). This support includes $20 billion in State and Local Fiscal Recovery Funds awarded to 579 Tribal governments, which represents the largest-ever single infusion of federal funding into Indian Country.[51] The ARP has also allocated $500 million to Tribes under Treasury's State Small Business Credit Initiative (SSBCI) – part of the largest and most expansive one-time investment for Tribal governments for small business financing in the history of the nation.[52] The IRA also established a new credit delivery mechanism that enables Tribal governments to take advantage of clean energy tax credits for the first time. In addition, Treasury made an unprecedented $234 million investment in Native-serving and Native-owned CDFIs as well as Native-majority shareholder depository institutions through the Emergency Capital Investment Program.[53] As this historic capital has become available, there are still opportunities to improve financial infrastructure and the availability of appropriate products and services in Indian Country.

2. Increase Access to Safe and Affordable Credit

Americans should be able to be fairly and accurately evaluated for credit products they can use to manage financial needs and acquire wealth-building assets.

Access to affordable and safe short-term credit can allow consumers to cope with unforeseen financial emergencies, such as medical expenses, car repairs, or home repairs. This access can help consumers maintain financial stability by accessing financial resources during difficult financial shocks. Access to longer-term credit can also help consumers make investments that can facilitate longer-term wealth-building opportunities, such as housing and business assets, and can be an important predicate to developing future wealth.

49 Miriam Jorgensen and Randall Akee, "Access to Capital and Credit in Native Communities: A Data Review," Native Nations Institute, University of Arizona (2017), https://nnigovernance.arizona.edu/sites/nnigovernance.arizona.edu/files/2022-09/Accessing_Capital_and_Credit_in_Native_Communities__A_Data_Review.pdf.

50 Laura Cattaneo and Donna Feir, "The Higher Price of Mortgage Financing for Native Americans," Working Paper No. 1906, The Center for Indian Country Development, Federal Reserve Bank of Minneapolis (September 2019), https://www.minneapolisfed.org/research/cicd-working-paper-series/201906-the-higher-price-of-mortgage-financing-for-native-americans.

51 Treasury, "Press Release: U.S. Department of the Treasury Report Highlights How Pandemic Response Funds Stabilized Housing Markets in Indian Country and Kept Native Families in their Homes" (December 2023), https://home.treasury.gov/news/press-releases/jy1959.

52 Ibid.

53 Secretary of the Treasury Janet L. Yellen, "Virtual Remarks by Secretary of the Treasury Janet L. Yellen at the National Center for American Indian Enterprise Development Reservation Economic Summit," press release (March 2024), https://home.treasury.gov/news/press-releases/jy2177/.

Access to credit is high in the U.S. relative to other nations, and data from the Federal Reserve indicate that in 2023, just over two-thirds of adults who applied for any type of credit were approved for the amount they requested.[54] However, notable gaps in credit access exist, particularly among individuals with lower incomes, Black and Hispanic adults, individuals living in rural areas, and individuals with disabilities, which can drive up the cost of credit for those communities and make them vulnerable to predatory or unsafe credit products.[55]

One barrier to accessing credit is the fact that financial institutions are not able to accurately evaluate many American consumers for credit products that are suitable for them. Millions of American consumers do not have enough information at the nationwide consumer reporting agencies to generate a credit score[56] either because they are not in the nationwide consumer reporting agency data ("credit invisible"), or because they have a "thin file" and do not have enough information to create a credit score ("unscorable").[57] Consumers with limited credit histories are more likely to be racial or ethnic minorities, young, and living in lower-income or rural neighborhoods.[58] Most young adults transition into the consumer reporting system in their early twenties.[59] However, young adults in lower-income neighborhoods tend to make the transition to credit visibility at older ages than those from higher-income neighborhoods.[60] Credit invisibility is also more common in areas where fewer households have high speed internet.[61] In addition, consumers in lower-income neighborhoods are more likely than consumers in higher-income neighborhoods to acquire a credit record from non-loan items, such as third-party collection accounts or public records.[62] As credit history from other countries generally does not transfer to the U.S. system, recent immigrants may also have trouble entering the credit system.[63]

These credit invisible and unscorable consumers may face challenges accessing consumer credit products and be pushed toward more expensive products because creditors cannot as easily underwrite them for credit. The credit scoring system aims to provide a standard, scalable indicator of consumer creditworthiness, but certain features of consumer reporting – for example, the inclusion of mortgage payments but generally not rental payment history – can limit the ability of groups such as lower-income and lower-wealth Americans to be fairly evaluated even when they may have other evidence of creditworthiness. New analytical developments, such as artificial intelligence and machine learning models, may have the potential to more accurately assess creditworthiness and increase access to credit for consumers.[64] However, these technologies could also potentially exacerbate financial inclusion disparities, such as by perpetuating discriminatory outcomes or by creating new privacy risks, and will require further scrutiny.[65]

54 FRB, Report on the Economic Wellbeing of U.S. Households in 2023 (May 2024), 39-43, https://www.federalreserve.gov/publications/files/2023-report-economic-wellbeing-us-households-202405.pdf.

55 Ibid; Kenneth P. Brevoort et al., Data Point: The Geography of Credit Invisibility, The Bureau of Consumer Financial Protection's Office of Research (September 2018), https://files.consumerfinance.gov/f/documents/bcfp_data-point_the-geography-of-credit-invisibility.pdf.

56 The nationwide consumer reporting agencies aggregate debt repayment history and other consumer information into a consumer report. Most financial services providers use these consumer reports, and often, credit scores derived from these reports, for credit underwriting – to assess repayment risk and price credit for a consumer.

57 Kenneth P. Brevoort et al., Data Point: Credit Invisibles, The CFPB Office of Research (May 2015), 4, http://files.consumerfinance.gov/f/201505_cfpb_data-point-credit-invisibles.pdf.

58 Brevoort et al. Data Point: Credit Invisibles, 6; and Kenneth P. Brevoort et al., Data Point: The Geography of Credit Invisibility; The CFPB Office of Research (September 2018), 11, https://files.consumerfinance.gov/f/documents/bcfp_data-point_the-geography-of-credit-invisibility.pdf.

59 Brevoort et al., Data Point: Credit Invisibles, 13.

60 Ibid, 18.

61 Brevoort et al., Data Point: The Geography of Credit Invisibility, 19-20.

62 Kenneth P. Brevoort and Michelle Kambara, CFPB Data Point: Becoming Credit Visible, The CFPB Office of Research (June 2017), 5, https://files.consumerfinance.gov/f/documents/BecomingCreditVisible_Data_Point_Final.pdf.

63 Emily S. Gerson, "5 Ways Immigrants Can Build Credit in the United States," Experian (October 2021), https://www.experian.com/blogs/ask-experian/how-can-immigrants-build-credit/.

64 Other analytical developments, such as trended models, may also help better identify these consumers with low credit scores but improving financial situations. *See*, e.g., Eric Rosenblatt, "Trended Credit Data Improves DU Risk Assessment and Supports Access to Mortgage Credit," Fannie Mae (March 2016), https://www.fanniemae.com/research-and-insights/perspectives/trended-credit-data-improves-du-risk-assessment-and-supports-access-mortgage-credit.

65 Treasury has published a Request for Information seeking public comment on the uses of artificial intelligence (AI) in the financial services sector and the opportunities and risks presented by developments and applications of AI within the sector. *See* Treasury, Request for Information on Uses, Opportunities, and Risks of Artificial Intelligence in the Financial Services Sector, 89 FR 50048 (June 2024).

Recommendations to further objective 2

2.1. Financial institutions, consumer reporting agencies, and policymakers should leverage consumer-permissioned alternative data to underwrite more consumers for affordable credit.

Financial institutions, consumer reporting agencies, and government agencies should consider opportunities to use consumer-permissioned information that does not appear in credit reports, such as bank account cash flow history and rent, telecom, and utility payment history, to better evaluate consumer risk and price credit more accurately.[66] This information could be incorporated in consumer reports to inform a consumer's credit score or used by lenders directly to underwrite a loan.[67] Consumer permission should be required to include new information sources in credit underwriting and consumer reports, ensuring transparency and reducing consumer privacy concerns.

To increase financial inclusion, alternative data underwriting and scoring efforts should be focused on credit invisible and unscorable consumers who could benefit the most from establishing a more robust credit history. Other consumers may also benefit, including those with a late payment history or other negative information in the consumer reporting system that lowers their score. Because past due payments and other negative events appear on credit reports for a period of years, some of these consumers may have improved their financial situation and could present lower current credit risk than their consumer report suggests. Supplementing consumer credit reports with additional information could provide a more accurate portrait of consumers' current credit risk.

The Consumer Financial Protection Bureau (CFPB)'s new regulation implementing section 1033 of the Dodd-Frank Act on personal financial data rights is an important step in establishing personal data rights and clarifying standards for consumer-authorized access to financial data.[68] In addition to allowing for more accurate and inclusive credit underwriting, increased consumer-authorized data sharing could expand financial inclusion and benefit consumers by making switching financial institutions easier and facilitating the development of new or improved financial products.

Financial institutions should consider opportunities to incorporate cash flow or other consumer-permissioned alternative data into credit underwriting. Following interagency guidance from the federal banking regulators on alternative data in credit underwriting,[69] small-dollar lending,[70] and third-party relationships,[71] more banks have started to offer small-dollar loans to consumers, generally using bank account cash flow information to underwrite in a safe and sound manner.[72] For consumers without a credit score, these loans can be more affordable than alternative credit products, such as a payday or pawnshop loan, rent-to-own service, or other alternative financial credit products, and therefore more supportive of short-term financial stability.[73]

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66 Alternative data generally refers to information not typically found in the data repositories of the nationwide consumer reporting agencies and used in credit reports to calculate a credit score. While this objective of the report focuses on "alternative" data, expanding credit underwriting data with more "traditional" data, such as payment history on credit obligations, can benefit consumers as well. For example, more furnishing of credit card information could help consumers. *See*, e.g., CFPB, "Payment Amount Furnishing & Consumer Reporting," Quarterly Consumer Credit Trends (November 2020), https://files.consumerfinance.gov/f/documents/cfpb_quarterly-consumer-credit-trends_report_2020-11.pdf; John McNamara, "CFPB tells Credit Card CEOs: Practice of Suppressing Payment Data has Potential for Consumer Harm" (May 2022), https://www.consumerfinance.gov/about-us/blog/cfpb-tells-credit-card-ceos-practice-of-suppressing-payment-data-has-potential-for-consumer-harm/.

67 Alternative data can present new risks as well. For example, alternative data may be incorrect or present privacy, data security, or fair lending concerns. In an effort to address such concerns, some consumer reporting agencies and lenders currently use alternative data only when consumers choose to participate (i.e., consumer-permissioned data), and as a "second look" option to give lenders an expanded view on a loan application that would otherwise be declined.

68 *See*, e.g., CFPB, CFPB Finalizes Personal Financial Data Rights Rule to Boost Competition, Protect Privacy, and Give Families More Choice in Financial Services (October 2024), https://www.consumerfinance.gov/about-us/newsroom/cfpb-finalizes-personal-financial-data-rights-rule-to-boost-competition-protect-privacy-and-give-families-more-choice-in-financial-services/.

69 FRB, CFPB, FDIC, NCUA, OCC, Interagency Statement on the Use of Alternative Data in Credit Underwriting, accessed July 31, 2024, https://files.consumerfinance.gov/f/documents/cfpb_interagency-statement_alternative-data.pdf.

70 FRB, FDIC, NCUA, OCC, Interagency Lending Principles for Offering Responsible Small-Dollar Loans, accessed October 17, 2024, https://www.fdic.gov/sites/default/files/2024-03/pr20061a.pdf.

71 FRB, FDIC, OCC, Interagency Guidance on Third-Party Relationships: Risk Management, accessed October 17, 2024, https://www.federalreserve.gov/supervisionreg/srletters/SR2304a1.pdf.

72 OCC's Project REACh alternative credit assessment workstream has collaborated with its regulated banks on alternative credit assessment methods using permissioned deposit account data. *See* OCC, "Alternative Credit Assessment Workstream," accessed September 12, 2024, https://www.occ.treas.gov/topics/consumers-and-communities/project-reach/alternative-credit-assessment-workstream.html. As part of the OCC's Project REACh, national banks have extended credit to more than 100,000 customers who were previously credit invisible. *See* OCC, "OCC Launches Project REACh 2.0," news release (May 2024), https://www.occ.treas.gov/news-issuances/news-releases/2024/nr-occ-2024-55.html.

73 Small-dollar bank lending can also help build a credit history at the nationwide consumer reporting agencies if loan performance is reported.

Federal government agencies should examine their authorities and evaluate opportunities to make program changes, provide regulatory guidance, or take other actions to encourage credit underwriting with additional consumer data. For example, the Federal Housing Finance Agency (FHFA) has worked with Fannie Mae and Freddie Mac to incorporate a cash flow assessment feature in their automated credit underwriting processes.[74] This feature allows some consumers to potentially be eligible for mortgage loans by providing more information about their financial situation. In this way, these underwriting changes enable more borrowers to access mortgage finance in a safe and sound manner.

2.2. Financial institutions should expand their use of Special Purpose Credit Programs as a vehicle to reach underserved communities.

Special purpose credit programs (SPCPs) were authorized in fair lending laws to allow for the development of credit assistance programs that benefit an "economically disadvantaged class of persons" or other related groups who may otherwise be denied credit or receive it on less favorable terms.[75] In recent years, federal agencies have published guidance to clarify how lenders can use SPCPs to reach underserved consumers, which can help to promote financial inclusion.[76]

This guidance from federal regulators successfully encouraged many creditors to develop SPCPs to reach underserved consumers. For example, Fannie Mae ("Home Ready First"), Freddie Mac ("BorrowerSmart Access"), and others[77] created SPCPs in response to this guidance. Many banks have also announced SPCPs since this guidance was published.[78] Industry and community organizations have developed resources for lenders that want to create SPCPs.[79] Financial institutions should leverage SPCPs to increase access to credit for underserved consumers. Likewise, industry and community organizations should consider how they can help financial institutions better take advantage of SPCPs to increase financial inclusion in their community.

2.3. Financial institutions and policymakers should improve financial products' default structures for consumers who experience hardship.

The federal government, lenders, and other stakeholders should promote product structures that help consumers mitigate financial shocks.

74 For examples from Fannie Mae (FNMA) and Freddie Mac, respectively, *see* FNMA, "Fannie Mae Introduces Enhancements to Help Expand Homeownership Opportunities for Underserved Borrowers" (December 2022), https://www.fanniemae.com/newsroom/fannie-mae-news/enhancements-help-expand-homeownership-opportunities-underserved-borrowers; Freddie Mac, "Freddie Mac Announces Underwriting Innovation to Help Lenders Qualify More Borrowers for a Mortgage" (October 2022), https://freddiemac.gcs-web.com/news-releases/news-release-details/freddie-mac-announces-underwriting-innovation-help-lenders. While cash flow assessments can include payments of rent or other bills, FNMA has also introduced other ways to consider rental payment history in its risk assessment processes as well. *See*, e.g., FHFA, "FHFA Announces Inclusion of Rental Payment History in Fannie Mae's Underwriting Process" (August 2021), https://www.fhfa.gov/news/news-release/fhfa-announces-inclusion-of-rental-payment-history-in-fannie-maes-underwriting-process; FNMA "Qualify More Homebuyers: By considering rent payments," accessed September 23, 2024, https://singlefamily.fanniemae.com/applications-technology/desktop-underwriter-desktop-originator/positive-rent-payments.

75 15 U.S. Code § 1691(c).

76 *See*, e.g., U.S. Department of Housing and Urban Development (HUD), Office of General Counsel Guidance on the Fair Housing Act's Treatment of Certain Special Purpose Credit Programs That Are Designed and Implemented in Compliance with the Equal Credit Opportunity Act and Regulation (December 2021), https://www.hud.gov/sites/dfiles/GC/documents/Special_Purpose_Credit_Program_OGC_guidance_12-6-2021.pdf; FHFA, FHFA Acting Director Sandra L. Thompson's Statement on Special Purpose Credit Programs as a Remedy for Disparities in Access to Homeownership (December 2021), https://www.fhfa.gov/news/statement/fhfa-acting-director-sandra-l.-thompsons-statement-on-special-purpose-credit-programs-as-a-remedy; FRB, FDIC, NCUA, OCC, CFPB, HUD, U.S. Department of Justice, FHFA, Interagency Statement on Special Purpose Credit Programs Under the Equal Credit Opportunity Act and Regulation B (February 2022), https://files.consumerfinance.gov/f/documents/cfpb_spcp_interagency-statement_2022-02.pdf.

77 *See*, e.g., the Federal Home Loan Banks of Boston ("Lift Up Homeownership"), Indianapolis ("HomeBoost Down Payment Assistance Program"), and Pittsburgh ("First Front Door Keys to Equity").

78 *See*, e.g., Bank of America "Bank of America Introduces Community Affordable Loan Solution™ to Expand Homeownership Opportunities in Black/African American and Hispanic-Latino Communities"(August 2022), https://newsroom.bankofamerica.com/content/newsroom/press-releases/2022/08/bank-of-america-introduces-community-affordable-loan-solution--t.html; JPMorgan Chase, "Chase Takes Nationwide Action to Expand Credit Access For Small Businesses Through Special Purpose Credit Program in Historically Underserved Areas" (October 2022), https://media.chase.com/news/chase-takes-nationwide-action-to-expand-credit-access-for-small-businesses-through-special-purpose-credit-program-in-historically-underserved-areas.

79 *See*, e.g., Home Ownership Council of America, "Community Lending Initiatives in Mortgage Banking = CLIMB: CLIMB with HCA," accessed September 23, 2024, https://homeownershipcouncil.org/climb-with-hca; National Fair Housing Alliance and Mortgage Bankers Association, "Narrowing the Racial Wealth and Homeownership Gaps in America," Special Purpose Credit Programs, accessed September 23, 2024, https://spcptoolkit.com/; American Bankers Association, "Special Purpose Credit Programs for Small Businesses," accessed September 23, 2024, https://www.aba.com/banking-topics/commercial-banking/small-business/special-purpose-credit-programs.

For example, during the COVID-19 pandemic, loan forbearance provided consumers with financial relief by allowing them to suspend making payments during a period of disruption and recover quickly after that disruption receded without being reported as delinquent to the consumer reporting agencies.[80] Research suggests that loan forbearance programs helped many consumers avoid default and foreclosure during the pandemic.[81] These outcomes not only benefited consumers but also benefited lenders who could avoid the cost of default or foreclosure on their loans. Forbearance during natural disaster events has also been used to provide temporary relief to impacted individuals.[82]

Given the success of these loan forbearance programs during the COVID-19 pandemic in helping struggling consumers quickly recover from the financial shock, some lenders have chosen to incorporate these practices into their general policies for short-term hardships.[83] Additional lenders in consumer financial markets should also consider their experience with loan forbearance during the COVID-19 pandemic or natural disasters and consider changes to their general policies for consumers experiencing short-term hardship.

Box 4. Investing in Community Providers of Financial Services in Underserved Communities

Community organizations and institutions providing financial services play a key role in facilitating financial inclusion for underserved communities, building wealth within underserved communities, and ensuring that leaders from those communities—and the experiences and interests that they represent—have an active and powerful voice within the financial system.

Community providers of financial services include CDFIs, Minority Depository Institutions (MDIs), community-based nonprofit organizations, and local mission-driven financial services providers, including those that provide financial education, coaching, or credit and housing counseling. These organizations, often owned or led by leaders who are members of the communities they serve, leverage federal, private sector, and philanthropic capital to effectively invest in or support the economic potential of communities currently underserved by other parts of the financial system. For example, one research report suggests that MDIs often specialize in same-race mortgage lending and significantly increase minority access to credit without increasing default rates.[84]

Community providers of financial services are a crucial part of fostering an inclusive financial system. Currently, there are 1,469 CDFIs serving urban, rural, and Native communities in all 50 states, the District of Columbia, Guam, and Puerto Rico.[85] In fiscal year 2023, the CDFI Fund awarded more than $2 billion in awards, allocated $10 billion in New Markets Tax Credits, and guaranteed $300 million in bonds, to successfully leverage billions in private sector investment.[86]

80 Loan forbearance agreements allow borrowers to reduce or suspend payments for a short period of time, providing extended time for consumers to become current on their payments. These agreements do not forgive unpaid loan payments. Instead, borrowers must repay the amounts owed, and they often enter into agreements that allow for repayment over an extended period of time.

81 Laurie Goodman and Jun Zhu, Improvements in the Loss Mitigation Toolkit Can Allow for Enhanced Access to Credit, Urban Institute (April 2024), https://www.urban.org/sites/default/files/2024-04/Improvements_in_the_Loss_Mitigation_Toolkit.pdf; Susan Cherry et al., Government and Private Household Debt Relief during COVID-19, Brookings Institution (September 2021), https://www.brookings.edu/wp-content/uploads/2021/09/15985-BPEA-BPEA-FA21_WEB_Cherry-et-al.pdf.

82 Daniel Banko-Ferran and Judith Ricks, "Natural Disasters and Credit Reporting," Quarterly Consumer Credit Trends, CFPB (November 2018), https://files.consumerfinance.gov/f/documents/bcfp_quarterly-consumer-credit-trends_report_2018-11_natural-disaster-reporting.pdf

83 For example, FHFA and FHA have issued policies expanding existing loss mitigation solutions and services flexibilities, such as loan forbearance, that incorporate lessons learned from the pandemic to assist impacted borrowers and mitigate the incidence of foreclosures. *See* FHFA, "FHFA Announces Enhanced Payment Deferral Policies for Borrowers Facing Financial Hardship," (September 2023), https://www.fhfa.gov/news/news-release/fhfa-announces-enhanced-payment-deferral-policies-for-borrowers-facing-financial-hardship; HUD, "Federal Housing Administration Expands Assistance Options for Borrowers Struggling to Make Mortgage Payments," HUD Public Affairs, HUD No. 23-023 (January 30, 2023), https://www.hud.gov/press/press_releases_media_advisories/hud_no_23_023.

84 Agustin Hurtado and Jung Sakong, "The Effect of Minority Bank Ownership on Minority Credit," George J. Stigler Center for the Study of the Economy & the State, University of Chicago Booth School of Business, Working Paper No. 325 (November 2023), https://doi.org/10.2139/ssrn.4590142.

85 Figure is current as of September 30, 2023. *See* CDFI Fund, Annual Report: FY2023, Treasury (May, 2024), 9, https://www.cdfifund.gov/sites/cdfi/files/2024-05/CDFI_Fund_FY_2023_Annual_Report_FINAL_508c.pdf.

86 Ibid, 5.

The CDFI Fund, a federal investment program that certifies and provides capital to eligible institutions, and legislation such as the Community Reinvestment Act (CRA), which requires banks to engage in community development activities, are key sources of capital for CDFIs and other community financial institutions.[87] Since the COVID-19 pandemic, the federal government has deployed tens of billions of dollars in partnership with CDFIs and MDIs through various programs.[88] The CDFI Fund has also released new certification rules to continue to ensure that these institutions benefit underserved communities.[89] Treasury is gathering demographic data on these programs and is currently in the beginning stages of a multi-year evaluation of its COVID-19 pandemic relief programs for CDFIs and MDIs.[90] This study has the potential to inform industry-wide performance benchmarks for program funding in the community development finance space, as well as inform the development of future policies and programs for CDFIs and MDIs at Treasury.[91]

Some private sector institutions have offered additional support for community and mission-driven providers. For example, the Economic Opportunity Coalition (EOC), a group of corporations and foundations committed to making investments in underserved communities coordinated with the Biden-Harris Administration to increase access to affordable capital in communities of color.[92] In addition, through the Office of the Comptroller of the Currency (OCC)'s Project REACh, over two dozen banks have pledged to support MDIs with financial support and technical assistance.[93]

Treasury encourages the public and private sectors to continue to expand financial opportunity in under-resourced communities through investment in community financial institutions. Community financial institutions may also be well-positioned to share best practices about reaching underserved consumers in their communities.

3. Expand Equitable Access to Savings and Investments

All Americans deserve to age with dignity and financial security, supported by access to financial products and services that enable savings and investing to build financial resilience and long-term financial well-being and wealth.

Emergency savings are a key means of weathering unexpected expenses or income disruptions. Retirement planning tools and products allow individuals to grow wealth over time by taking advantage of compound interest and tax advantages. In addition to these tools, investment and financial planning advice is important to ensure consumers can effectively navigate the increasingly complex investment landscape and work towards long-term financial security through wealth-building.[94]

A significant number of American consumers lack sufficient assets to weather even moderate shocks. According to the Federal Reserve's Survey of Household Economics and Decisionmaking (SHED), in 2023, over a third of adults reported

87 The Community Reinvestment Act (CRA) requires regulated financial institutions "to demonstrate that their deposit facilities serve the convenience and needs of the communities in which they are chartered to do business," and "the convenience and needs of communities include the need for credit services as well as deposit services." The CRA also provides that "regulated financial institutions have continuing and affirmative obligations to help meet the credit needs of the local communities in which they are chartered." The purpose of the law is "to require each appropriate federal financial supervisory agency to use its authority when examining financial institutions, to encourage such institutions to help meet the credit needs of the local communities in which they are chartered consistent with the safe and sound operation of such institutions." 12 U.S. Code § 2901. In addition, some states also have these types of laws as well. *See* CFPB, "State Community Reinvestment Acts: Summary of State Laws," Industry and Markets (November 2023), https://www.consumerfinance.gov/data-research/research-reports/state-community-reinvestment-acts-summary-of-state-laws/.

88 Assistant Secretary for Financial Institutions Graham Steele, "Community Finance Policy," Treasury (December 2022), https://home.treasury.gov/news/featured-stories/community-finance-policy.

89 CDFI Fund, "CDFI Fund Releases Final Revised CDFI Certification Application," Treasury (December 2023), https://www.cdfifund.gov/news/553.

90 CDFIs receiving federal financial assistance from the CDFI Fund may collect demographic information on the individuals the CDFI serves. *See* CFPB, Statement on Collection of Demographic Information by Community Development Financial Institutions (June 2019), https://www.consumerfinance.gov/compliance/supervisory-guidance/statement-collection-demographic-information-community-development-financial-institutions/.

91 For more information on Treasury's activities relating to CDFIs and MDIs, *see* Treasury, 2024 Racial Equity Progress Report (2024), 12-13, https://home.treasury.gov/system/files/306/24-Racial-Equity-Progress-Report-FINAL-update-508.pdf.

92 Economic Opportunity Coalition, "Economic Opportunity Coalition," accessed October 15, 2024, https://www.economicopportunitycoalition.org/.

93 Office of the Comptroller of the Currency (OCC), "Pledge to Strengthen Minority Depository Institutions," Project Reach: Roundtable for Economic Access and Change, accessed July 29, 2024, https://www.occ.gov/news-issuances/news-releases/2020/nr-occ-2020-166a.pdf.

94 For example, in defined contribution retirement plans, which have become increasingly prevalent in recent years, employees are responsible for managing their own retirement savings and make complex financial decisions regarding their contributions and investment choices.

they would struggle to pay an unexpected $400 expense entirely with cash or its equivalent.[95] Further, 46 percent of all adults reported that they did not have emergency savings to cover 3 months of expenses.[96] Research indicates that even modest amounts of savings correlate with greater housing stability, ability to pay utilities, avoidance of high-cost debt traps, and overall financial resilience.[97] Challenges meeting shorter-term needs also hinder an individual's ability to save for retirement and achieve other longer-term goals.

Disparities also exist in access to and benefit from financial products and services that facilitate long-term financial resilience and wealth accumulation.[98] Research suggests that access to and participation in a retirement benefit plan varies based on occupation and income. As of March 2023, 73 percent of the total civilian workforce had access to, and 56 percent participated in, a retirement benefit plan at work.[99] However, of the lowest quartile of workers by wage, less than half (49 percent) had access to and only 28 percent participated in such a plan.[100] Employer vesting and matching practices can vary significantly, with consequences for employee retirement security and wealth. Research suggests that the top 20 percent of earners receive 44 percent of employer contributions, and the bottom 20 percent of earners receive 6 percent of employer contributions.[101]

Beyond access challenges, there are disparities in how different groups are able to benefit from retirement savings incentives. For example, Black and Hispanic workers contribute less to employer-sponsored retirement plans, predominantly as a function of lower income, and receive lower matching contributions. White households generally have retirement account balances that are two times that of householders of other races and have median income that is about 1.7 times of households of all other races.[102] Black and Hispanic workers are also more likely than white workers to make early withdrawals from retirement savings accounts, which results in a loss of compound interest and often causes these workers to incur additional tax.[103] In particular, lower-income households generally change employers more than high-income households and are twice as likely to withdraw all the money from their workplace retirement account at job separation than high-income households.[104]

Recommendations to further objective 3

3.1. Policymakers should promote and implement strategies that help consumers equitably build retirement savings.

Policymakers, in coordination with the private sector and other stakeholders, should improve equitable access to tax-advantaged retirement accounts and support underserved households in saving for retirement. A key means of promoting retirement security is through federal implementation of the SECURE 2.0 Act.[105] The law requires new 401(k) and 403(b) plans to automatically enroll and increase contributions annually for participants, expands access to workplace retirement plans for certain workers, allows for de minimis incentives to employees who for the first time contribute to a workplace retirement plan, and allows employers to match employee contributions based on student loan payments. The law also created a new Saver's Match, which allows certain lower-income individuals to receive matching contributions of up to $1,000 from the federal government directly to a participating workplace retirement

95 FRB, Report on the Economic Wellbeing of U.S. Households in 2023, 32.

96 Ibid, 33.

97 SaverLife, "Savings: A Little Can Make a Big Difference," accessed August 23, 2024, https://about.saverlife.org/research-posts/finra; Signe-Mary McKernan et al., Thriving Residents, Thriving Cities: Family Financial Security Matters for Cities, Urban Institute (April 2016), https://www.urban.org/sites/default/files/publication/79776/2000747-thriving-residents-thriving-cities-family-financial-security-matters-for-cities_0.pdf.

98 Generally, middle- and higher-income households must save and invest to maintain pre-retirement income levels during retirement. For many lower-income Americans, Social Security represents the majority or entirety of their retirement income.

99 Bureau of Labor Statistics, "73 Percent of Civilian Workers Had Access to Retirement Benefits in 2023," TED: Economics Daily (September 2023), https://www.bls.gov/opub/ted/2023/73-percent-of-civilian-workers-had-access-to-retirement-benefits-in-2023.htm.

100 Ibid.

101 Fiona Greig et al., "Are Employers Optimizing their 401(k) Match?," Tobin Center for Economic Policy, Yale University (2024), https://tobin.yale.edu/sites/default/files/202408/Are%20Employers%20Optimizing%20Their%20401%28k%29%20Match%3F%20Tobin%20Center%20Policy%20Brief_0.pdf.

102 U.S. Government Accountability Office (GAO), Older Workers: Retirement Account Disparities Have Increased by Income and Persisted by Race Over Time (July 2023), https://www.gao.gov/assets/gao-23-105342.pdf.

103 GAO, Retirement Savings: Additional Data and Analysis Could Provide Insights Into Early Withdrawals (March 2019), 15, https://www.gao.gov/assets/gao-19-179.pdf.

104 GAO, Older Workers: Retirement Account Disparities Have Increased by Income and Persisted by Race Over Time (July 2023).

105 Division T of the Consolidated Appropriations Act, 2023, known as the SECURE 2.0 Act of 2022, Pub. L. No. 117-328, 136 Stat. 4459

plan or to an Individual Retirement Account (IRA).[106] Research suggests that the Saver's Match has the potential to significantly increase the ability of millions of Americans to retire securely.[107] Alongside policymakers, plan sponsors, employers, and other stakeholders should take advantage of opportunities in the SECURE 2.0 Act to promote retirement security, including acceptance of Saver's Match contributions, for their plan members and employees, to promote retirement security for all participants and employees.

Treasury is committed to collaborating with government agencies and stakeholders from other sectors to successfully implement the SECURE 2.0 Act. Treasury is working on multiple guidance projects related to the SECURE 2.0 Act, including guidance on emergency savings and on student loan payment matching.[108] Treasury is also working to administer the Saver's Match, which will go into effect in 2027, and released a notice requesting comments on certain aspects of the Saver's Match.[109] Treasury is tasked with promoting the Saver's Match to increase public awareness of the matching contribution in different languages, and providing a report to Congress summarizing the anticipated promotional efforts.[110] Treasury will prioritize outreach to eligible taxpayers so they are aware and can take advantage of the match.

Other levels of government can also play a vital role in supporting retirement savings. Many states have taken steps to create auto-enrollment IRA programs. In most of these states, workers are opted-into a state IRA program that facilitates automated payroll deductions if their employer does not have a retirement program. A recent research study suggests that state retirement programs may increase the number of employers who choose to make retirement plans available to their workers and may increase the number of workers who choose to participate in employer-sponsored programs, meaning that state programs increase access and use of retirement plans both directly and indirectly through their impact on the actions of employers.[111] States without IRA programs should consider establishing retirement savings programs for workers without access to employer-sponsored retirement benefits.

3.2. Employers should offer and promote inclusive emergency and retirement savings plans and provide relevant financial educational resources and coaching.

Employers have a significant ability to impact their employees' current and future financial resilience and well-being, including through their insurance, retirement, and other benefit options. Employers in all sectors should evaluate their suite of benefits to identify opportunities to improve their employees' ability to build emergency and retirement savings. This includes evaluating retirement plans to identify whether they can design vesting and employer contribution policies to be more inclusive. For example, employers could raise the level of non-matching employer contributions that are made regardless of employees' ability to contribute or use dollar caps for employer matches.[112]

Employers who are not subject to the new automatic enrollment requirement in SECURE 2.0 Act should nonetheless consider auto-enrolling participants into workplace retirement accounts. Research suggests that auto enrollment is the most significant policy change that affects plan participation rates of lower-paid employees, and Black and Hispanic employees.[113] Employers should also study existing employees who are not currently enrolled in the employer's retirement plan to better understand why these employees are not participating.

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106 Individuals may be eligible for the new Saver's Match starting with the 2027 tax year. Plan sponsors or custodians will be allowed but not required to accept Saver's Match funds directly into employee accounts.

107 Craig Copeland, "Changes in Retirement Security from SECURE 1.0 and 2.0: Evidence From EBRI's Retirement Security Projection Model," EBRI Issue Brief, Employee Benefit Research Institute (July 2024), "https://www.ebri.org/publications/research-publications/issue-briefs/content/changes-in-retirement-security-from-secure-1.0-and-2.0--evidence-from-ebri-s-retirement-security-projection-model.

108 Notice 2024-22, I.R. 2024-11; Notice 2024-63, I.R. 2024-217.

109 Notice 2024-65, I.R.B. 2024–39, 633.

110 SECURE 2.0 Act, Sec. 104.

111 Adam Bloomfield et al., "How Do Firms Respond to State Retirement Plan Mandates?" Working Paper Series, National Bureau of Economic Research (June 2023), https://doi.org/10.3386/w31398.

112 Fiona Greig et al., "Are Employers Optimizing Their 401(k) Match?".

113 Remy Samuels, "Auto-Enrollment Significantly Drives Equity in Retirement Savings," Data and Research, Plansponsor (July 2024), https://www.plansponsor.com/auto-enrollment-significantly-drives-equity-in-retirement-savings/.

Employers should also facilitate access to emergency savings accounts that can help employees build financial resilience and protect future retirement income.[114] The SECURE 2.0 Act allows employers to automatically enroll workers in sidecar emergency savings accounts linked to their 401(k)s known as "pension-linked emergency savings accounts," and expands workers' ability to make limited penalty-free withdrawals for emergency expenses.[115] Employers should also consider other ways to support employees' needs for emergency savings, such as explicitly authorizing the limited penalty-free distributions for emergency personal or family expenses provided for in the SECURE 2.0 Act.[116]

Employers are also well-positioned to provide unbiased financial advice and education for their employees. Financial literacy has a positive effect on retirement readiness and retirees' satisfaction with their financial situation during retirement.[117] By offering evidence-based financial wellness programs or financial planning services that educate employees about retirement planning, investment basics, and the importance of starting to save early, employers can empower their workforce to make informed decisions and build sufficient savings for the future.

Finally, it is critical to enhance the protection of investors through regulation. To that end, Treasury is supportive of the U.S. Department of Labor's "Retirement Security Rule." The rule requires investment advice providers to meet a professional standard of care when making recommendations (give prudent advice), reduces retirement investor exposure to conflicted advice that may erode investment returns, and adopts protective conflict-mitigation requirements.[118] By seeking to ensure that investment advice is aligned with the best interests of investors, this rule promotes financial security and trust in the investment industry.

4. Improve the Inclusivity of Financial Products and Services Provided or Backed by the Government

Federal, state, local, and Tribal governments provide financial products and services that meaningfully impact Americans' income, financial resilience, and financial well-being and wealth. These include income support and entitlement programs, tax credits, and federally-backed credit products like certain loans and mortgages, as well as the payment channels government uses to disburse credits and payments. These types of financial products and services, provided or backed by the government, which are used by millions of American consumers, should be designed and delivered in a manner that enhances inclusion.

Many consumers do not access and participate in the public programs they are entitled to or qualify for, and some programs are not funded sufficiently to be able to serve all eligible Americans. Additionally, some taxpayers do not claim tax credits for which they are eligible. Research estimates that participation rates among those who qualify for benefits range from 75 percent or more for entitlements including health care coverage and Earned Income Tax Credits, but from 15 to 20 percent for discretionary programs such as subsidies for child care to support employment and home energy assistance.[119]

114 Some research suggests that a significant portion of the retirement gap between Black and Hispanic Americans and white Americans is explained by the disproportionate likelihood of Black and Hispanic Americans making early withdrawals from their retirement accounts in order to meet short-term liquidity needs, which other workers may be able to meet by relying on emergency savings or family. *See* Christine Buck, et al., "How Americans Withstand Financial Hardships" (September 2023), https://institutional.vanguard.com/insights-and-research/report/how-americans-withstand-financial-hardships.html.

115 IRS, IRS Provides Initial Guidance to Employers Setting up Emergency Savings Accounts for Their Employees (January 2024), https://www.irs.gov/newsroom/irs-provides-initial-guidance-to-employers-setting-up-emergency-savings-accounts-for-their-employees. Note that employers are also currently permitted to offer "out of plan" emergency savings accounts for employees, which are not linked to retirement accounts.

116 Notice 2024-55, 2024-28 I.R.B. 28. SECURE 2.0 adds new exceptions to the 10 percent additional tax for early distributions from applicable eligible retirement plans for certain distributions, including those related to emergencies, domestic violence situations, or family expenses. While individuals can claim these tax exceptions through the normal filing process, regardless of whether employers choose to explicitly authorize them, plan sponsors who explicitly authorize such withdrawals reduce administrative burden for claimants and may increase awareness of such authorized withdrawals among potential claimants. Whether or not such a withdrawal is authorized through a plan sponsor also has consequences for repayment.

117 Paul Yokoboski et al. "Financial Literacy, Longevity Literacy, and Retirement Readiness: 2022 TIAA Institute-GLEC Personal Finance Index, TIAA institute and GFLEC Global Financial Literacy Excellence Center (2022), https://www.tiaa.org/content/dam/tiaa/institute/pdf/insights-report/2023-01/longevity_literacy_financial_literacy_and_retirement_readiness.pdf.

118 89 FR 32122 (September 2024).

119 Suzanne Macartney and Robin Ghertner, "Participation in the U.S. Social Safety Net: Coverage of Low-Income Families, 2018," U.S. Department of Health and Human Services (November 2021), https://aspe.hhs.gov/reports/participation-us-social-safety-net-coverage-low-income-families-2018.

Government agencies may be missing opportunities to more effectively and inclusively foster financial well-being for underserved Americans through innovations in program and product design and delivery. Key access challenges for consumers include the time, effort, and costs associated with completing complex forms, gathering necessary documentation, and navigating administrative processes. Often, these administrative burdens are not one-time hurdles but ongoing challenges. In addition, many government financial products and services are designed with specific requirements and features that can create access barriers. Government agencies may not effectively communicate that programs and credits are available. Delivery mechanisms for government products and services can also impose costs on recipients. For example, fees associated with prepaid payment cards can erode the value of recipients' benefits. Further, the cost of filing taxes and claiming tax credits can be steep; the average taxpayer spends $270 to file their taxes each year.[120]

Recommendations to further objective 4

4.1. Government should ensure that the financial products and services it provides are designed in a manner that advances financial inclusion, and identify and implement opportunities to innovate.

The programs, products, and services that government provides should be designed to promote financial inclusion. Many government products or programs are intended to improve inclusion or meet a need for a particular population. For example, federal student loans are designed to be available to borrowers without significant credit history but may not be appropriate in all circumstances, making it essential to consider both the short- and long-term impacts on a borrower. Mortgage loans insured by the Federal Housing Administration allow lower-wealth and lower-income borrowers to provide a significantly lower initial down payment.[121] Key design features of government products or programs, including eligibility standards, refundability (for tax credits), and levels of subsidies or benefits offered, are intended to improve their accessibility. Improving inclusiveness in the design of government financial products can help to ensure that all citizens, regardless of their economic status or background, have equitable access to financial resources and opportunities.

Agencies should measure the extent to which products and programs are successfully improving financial outcomes for consumers and evaluate opportunities to expand on existing successes or refine design for greater impact. For example, asset limits in public programs may discourage individuals from accumulating savings and assets, which are critical for long-term financial well-being. Policymakers should consider reviewing asset limits for income support programs to ensure they do not inadvertently penalize beneficiaries who are striving for financial stability.

A promising example of evidence-based innovation in program design is the Small Business Administration (SBA)'s final rule to change the requirements for criminal background reviews for its small business loans to help expand access to its loan programs for people with certain criminal history records.[122] Due to challenges finding employment, many justice-involved individuals choose to start their own businesses as they re-enter society.[123] Research suggests that criminal history does not negatively impact qualified individuals from paying back their loans.[124] As a result, this program change reduces unnecessary barriers for justice-involved individuals to small business loans. This SBA rule not only enables these individuals to more effectively pursue entrepreneurship, but also supports their reentry and reduces the risk of future involvement in the criminal justice system.

In addition to improving existing programs, government should also evaluate opportunities to enhance inclusion through the development of new products, programs, and services. Federal policymakers should also seek to learn

120 Internal Revenue Service, "1040 (and 1040-SR) Instructions," (2023), 108, https://www.irs.gov/pub/irs-pdf/i1040gi.pdf.

121 Like student loans, mortgages can be beneficial for consumers, but their appropriateness depends on an individual's financial situation and long-term goals. Nevertheless, financial products such as these should be designed to foster financial inclusion.

122 89 FR 34094 (May 2024).

123 Jiwon Hwang and Damon J. Phillips, "Entrepreneurship as a Response to Labor Market Discrimination for Formerly Incarcerated People," Proceedings 2020, no.1, Academy of Management (July 2020), https://doi.org/10.5465/AMBPP.2020.205; and Shawn D. Bushway et al., The Prevalence of Criminal Records Among Small Business Owners, RAND Corporation (June 2021), https://www.rand.org/pubs/research_briefs/RBA1295-1.html.

124 CFPB, Justice-Involved Individuals and the Consumer Financial Marketplace (January 2022), 33-34, https://files.consumerfinance.gov/f/documents/cfpb_jic_report_2022-01.pdf.

from other public sector entities, or innovators in the private or nonprofit sector that seeks to advance financial inclusion. For example, 39 states have launched some form of a child savings or trust account, typically seeded with public or philanthropic funds, to expand access to the financial system, build financial capability, and facilitate the accumulation of savings.[125] Because financial inclusion is heavily influenced by how early individuals begin saving, investing, and building a credit history, federal policymakers should study how this or other efforts impact future financial inclusion and well-being for beneficiaries and consider potential changes to federal policies.

4.2. Government should deliver financial products and services in an inclusive manner that fosters households' financial resilience and well-being.

Government should seek to ensure that financial products, services, and benefits are delivered in an inclusive manner, which involves prioritizing accessibility and consumer protection. This not only improves consumers' overall experience but also fosters trust and confidence in government programs, ultimately maximizing their impact on the communities they serve.

Government initiatives like Direct File have demonstrated promising early success in delivering financially inclusive services and serve as models for further enhancing government-to-consumer services. Direct File is intended to provide consumers with access to a user-friendly, no-cost tax filing system with strong privacy and security measures. The Internal Revenue Service (IRS) launched Direct File as a pilot program during the 2024 filing season. The pilot saw over 140,000 taxpayers across 12 pilot states claim over $90 million in tax refunds and report $35 million in tax balances due, while also saving an estimated $5.9 million in tax preparation costs.[126] The Direct File pilot received overwhelmingly positive reviews, with 90 percent of surveyed users ranking it as "Excellent" or "Above Average," and 86 percent stating their trust in the IRS increased after using it.[127] The IRS has announced Direct File will be a permanent option for filing federal tax returns starting in the 2025 tax season and is exploring ways to expand Direct File as well as other opportunities for improvement.[128]

Opportunities to enhance financial inclusion and improve the delivery of government financial products and services may arise when government selects vendors or engages with other third parties to provide financial products and services. For example, in the Bureau of the Fiscal Service's current competitive selection process to identify a financial agent to administer the Direct Express prepaid card program, the Bureau's solicitation emphasizes the significance of innovation to advance electronic payment capabilities, low fees, and improving customer service and the overall customer experience.

Federal and state agencies should work together to ensure that program administrators have appropriate information and resources for selecting vendors for government financial products and services that are designed inclusively and with consumer protection features that comply with applicable regulatory requirements. In the context of government benefit cards, guidance from the U.S. Department of Labor on state unemployment insurance cards provides a template for selecting products that are safe and affordable for consumers, provide a range of options for receiving payments, and are designed to mitigate fraud.[129] The guidance is intended to minimize fees on these cards by discouraging state-vendor revenue sharing, and promotes consumer choice in payment methods.[130] Federal agencies should look for further opportunities to foster collaboration between government agencies at different levels to share and promote promising practices.

125 Prosperity Now, A Landmark Moment for the Movement: The State of the Children's Savings Field 2023 (2023), https://prosperitynow.org/sites/default/files/resources/CSA-SOTF-2023-A-Landmark%20Moment%20for%20the%20Movement_Final_web.pdf.

126 IRS, "Direct File Pilot Officially Closes after More than 140,000 Taxpayers Successfully Use Direct e-Filing System in 12 States, Including Integration with 4 State Tax Systems" (April 2024), https://www.irs.gov/newsroom/direct-file-pilot-officially-closes-after-more-than-140000-taxpayers-successfully-use-direct-e-filing-system-in-12-states-including-integration-with-4-state-tax-systems.

127 IRS, "Direct File Officially Opens in 12 Pilot States Following Positive Early Reviews; Eligible Taxpayers Can File Online Directly with the IRS for Free" (March 2024), https://www.irs.gov/newsroom/direct-file-officially-opens-in-12-pilot-states-following-positive-early-reviews-eligible-taxpayers-can-file-online-directly-with-the-irs-for-free.

128 IRS, "IRS Makes Direct File a Permanent Option to File Federal Tax Returns; Expanded Access for More Taxpayers Planned for the 2025 Filing Season" (May 2024), https://www.irs.gov/newsroom/irs-makes-direct-file-a-permanent-option-to-file-federal-tax-returns-expanded-access-for-more-taxpayers-planned-for-the-2025-filing-season.

129 U.S. Department of Labor, Unemployment Insurance Program Letter 34-09, Change 1 (May 2024), https://www.dol.gov/agencies/eta/advisories/uipl-34-09-change-1.

130 Consumers cannot be required to have an account at a specific financial institution in order to receive a government benefit. *See* CFPB, "Compliance Bulletin on the Electronic Fund Transfer Act's Compulsory Use Prohibition and Government Benefit Accounts," CFPB Bulletin 2022-02 (February 2022), https://www.consumerfinance.gov/compliance/supervisory-guidance/cfpb-bulletin-2022-02-compliance-bulletin-electronic-fund-transfer-acts-compulsory-use-prohibition-and-government-benefit-accounts/.

4.3. Government should research and implement strategies to streamline application and re-enrollment processes.

Government agencies should take steps to simplify and streamline the processes by which individuals apply for or access government programs and payments.[131] Similarly, optimizing the renewal processes for ongoing public programs and benefits is crucial to prevent service interruptions for eligible recipients. Enhancing the efficiency of program application processes can also decrease administrative costs for federal and state governments, thereby maximizing the impact of public resources.[132] Collectively, these improvements foster better access to programs that support households' financial resilience and well-being.

One approach that enables programs to jointly verify applicant information is to enhance technology systems to enable secure data sharing, thereby reducing the need for applicants to submit the same documentation multiple times. Further, data matching against authoritative sources like tax records can help identify and facilitate targeted outreach to likely eligible individuals who are not currently enrolled. Pilot programs related to data sharing are currently underway. For example, the U.S. Digital Service is working with the U.S. Department of Health and Human Services (HHS), the U.S. Department of Agriculture (USDA), and Treasury to pilot technology improvements to the public benefits income verification process, with the goal of reducing the administrative burden on applicants and government and expanding electronic verifications to cover a broader segment of earners.[133]

Government agencies should look for opportunities to enroll consumers in programs they may qualify for at existing consumer touchpoints. For example, Social Security Administration offices, in addition to their primary set of services, often serve as a gateway to other government programs by providing information and referrals to individuals who may qualify.[134] This broader service approach helps ensure that individuals and families in need can access a comprehensive array of support services and participate in different programs. Government agencies should look for further opportunities to offer such services. Other examples include the automatic enrollment features of the USDA Food and Nutrition Service's new summer grocery benefit program for kids, SUN Bucks (Summer EBT). School-age children of families already enrolled in programs like Supplemental Nutrition Assistance Program (SNAP) and Temporary Assistance for Needy Families (TANF) will automatically be enrolled in SUN Bucks if the program is available in their locality.[135]

5. Foster Trust in the Financial System by Protecting Consumers from Illegal and Predatory Practices

All Americans deserve to be able to engage in the financial system with the expectation that they will be protected from illegal and predatory practices.

Some consumers distrust the financial system or choose not to use financial products and services because of harm they or their communities have experienced, such as discriminatory lending practices, targeting for predatory products, or hidden or opaque fees. Some consumers excluded from the financial system—for example, those from minority or low-income communities—may be targeted with predatory and illegal financial products and experience financial harm. As more consumers gain access to the mainstream financial system, it is important to ensure that they are protected from financial products and services that may harm their financial well-being, including through

131 At the same time, streamlined application processes should safeguard government programs against identity theft and fraud through appropriate applicant identity verification and beneficiary authentication processes to support accurate and equitable eligibility determinations. Treasury's 2024 National Money Laundering Risk Assessment has documented the growth in fraud in the U.S., including fraud related to government benefits. *See* Treasury, 2024 National Money Laundering Risk Assessment (February 2024), https://home.treasury.gov/system/files/136/2024-National-Money-Laundering-Risk-Assessment.pdf.

132 Gabby Headrick et al., "Integration and Coordination across Public Benefit Programs: Insights from State and Local Government Leaders in the United States," Preventive Medicine Reports (December 2022), 31, https://doi.org/10.1016/j.pmedr.2022.102077.

133 General Services Administration, "Facing a Financial Shock," accessed August 26, 2024, https://www.performance.gov/cx/life-experiences/facing-a-financial-shock/.

134 Social Security Administration, "Supplemental Nutrition Assistance Program (SNAP) Facts," publication No. 05-10101, (December 2022), https://www.ssa.gov/pubs/EN-05-10101.pdf; and Dawn Bystry, "Save Time Applying for SNAP and SSI," Social Security Administration (October 2021), https://blog.ssa.gov/save-time-applying-for-snap-and-ssi/.

135 U.S. Department of Agriculture, "SUN Bucks (Summer EBT)" (August 2024), https://www.fns.usda.gov/summer/sunbucks.

discriminatory or illegal practices. Strong legal and regulatory oversight is crucial for ensuring that financial products and services are accessible and safe for consumers, foster trust, and that consumers can use to their benefit. A marketplace that features clear product structures, consumer disclosures, and robust enforcement of market-wide regulations—including fair lending regulations—can facilitate consumer choice, drive down costs, and promote beneficial features, thereby increasing financial inclusion.

Recommendation to further objective 5

5.1. Regulators should exercise all existing authority to protect consumers from predatory and illegal activities.

Some underserved consumers choose financial products and services from nonbank financial institutions.[136] New nonbank providers of digital services, including new products, such as buy now, pay later (BNPL) and earned or early wage access (EWA), have proliferated in recent years. In general, consumer protection laws can apply to banks and nonbanks, depending on the entity and practices engaged in, when they are offering consumers financial products. Regulators should exercise all existing authority to ensure that banks and nonbanks comply with laws and regulations that protect consumers. Treasury encourages the CFPB, the Federal Trade Commission (FTC), and the banking regulators to continue addressing both bank and nonbank consumer financial products and services under their jurisdiction in an effort to ensure consumer protection. As applicable, the CFPB and other government regulators should prioritize supervision and enforcement of fair lending and consumer protection laws as banks and nonbanks integrate new technologies into their products and services. These actions should include oversight of artificial intelligence (AI) or machine learning models, and the deployment of other new technologies, to prevent algorithmic bias, privacy incursions, or other discriminatory outcomes.[137]

In addition, excessive or non-transparent penalty fees may discourage some consumers from using financial products and services.[138] Some consumers describe how the cost of overdraft fees may lead to bank account closures or cause some consumers to avoid opening a bank account in the first place.[139] Back-end fees, such as overdraft and late fees, may be charged more frequently to economically vulnerable consumers, potentially discouraging their use of financial products.[140] These fees charged after a consumer has chosen the product may be less subject to competitive pricing processes, and even when disclosed may not be apparent to consumers when they are evaluating product options. The CFPB and other government regulators should continue their efforts to reduce back-end fees to ensure product costs are clear to consumers.[141] In addition, financial institutions should review their product terms to reduce back-end fees. Increased public and regulatory scrutiny on overdraft practices has led several larger banks to lower or reduce overdraft fees in recent years.[142] As of 2023, overdraft and non-sufficient funds (NSF) fee revenue was down over 50 percent from pre-pandemic levels, and larger banks have mostly eliminated NSF fees.[143]

136 Nonbank financial institutions may or may not be fully subject to financial consumer protection requirements in the manner of banks and credit unions, depending on their activities.

137 In September 2023, the CFPB published guidance on AI underwriting models and certain legal requirements in fair lending laws. *See* CFPB, "CFPB Issues Guidance on Credit Denials by Lenders Using Artificial Intelligence" (September 2023), https://www.consumerfinance.gov/about-us/newsroom/cfpb-issues-guidance-on-credit-denials-by-lenders-using-artificial-intelligence/.

138 These types of fees are also known as junk fees. *See* CFPB, "Junk Fees," accessed August 29, 2024, https://www.consumerfinance.gov/rules-policy/junk-fees/.

139 Joe Valenti, "Overdraft Fees Can Price People out of Banking," CFPB (March 2022), https://www.consumerfinance.gov/about-us/blog/overdraft-fees-can-price-people-out-of-banking/; CFPB, "Data Spotlight: Consumer Experiences with Overdraft Programs," accessed August 29, 2024, https://www.consumerfinance.gov/data-research/research-reports/data-spotlight-consumer-experiences-with-overdraft-programs/full-report/.

140 *See*, e.g., CFPB, "Credit Card Late Fees" (March 2022), https://files.consumerfinance.gov/f/documents/cfpb_credit-card-late-fees_report_2022-03.pdf.

141 *See*, e.g., Overdraft Lending: Very Large Financial Institutions, 89 FR 13852 (Proposed February 23, 2024) (to be codified at 12 CFR Parts 1005 and 1026); Fees for Instantaneously Declined Transactions, 12 CFR 1042 (Proposed January 31, 2023) (to be codified at 12 CFR Part 1042); and Credit Card Penalty Fees (Regulation Z), 12 CFR Part 1026 (2024).

142 Pew Charitable Trusts, America's Largest Banks Make Major Overdraft Changes that Will Help Consumers (February 2022), https://www.pewtrusts.org/en/research-and-analysis/articles/2022/02/08/americas-largest-banks-make-major-overdraft-changes-that-will-help-consumers.

143 *See* Offices of Markets and Consumer Populations, "Overdraft/NSF Revenue in 2023 down More than 50% versus Pre-Pandemic Levels, Saving Consumers over $6 Billion Annually," Data Spotlight, CFPB (April 2024), https://www.consumerfinance.gov/data-research/research-reports/data-spotlight-overdraft-nsf-revenue-in-2023-down-more-than-50-versus-pre-pandemic-levels-saving-consumers-over-6-billion-annually/; and Offices of Consumer Populations, "Vast Majority of NSF Fees Have Been Eliminated, Saving Consumers Nearly $2 Billion Annually," Data Spotlight, CFPB (October 2023), https://www.consumerfinance.gov/data-research/research-reports/vast-majority-of-nsf-fees-have-been-eliminated-saving-consumers-nearly-2-billion-annually/.

V. Improving Financial Inclusion Through Education and Information

Access to unbiased, clear, and relevant financial information, including plain-language product disclosures, information about consumer rights and recourse options, and educational resources, equips consumers to make informed financial decisions in line with their life circumstances, experiences, and goals. A study on the state of financial literacy among U.S. adults found a positive relationship between financial literacy and financial well-being indicators, including the ability to make ends meet, manage debt, and have emergency savings.[144] This is consistent with other research findings indicating that financial literacy positively affects consumer confidence, financial behaviors, and ultimately overall well-being.[145] Likewise, tax literacy is also important to informed financial decision-making, as a lack of basic tax knowledge can be costly to taxpayers who are unable to engage in effective tax planning, benefit from tax credits or deductions, and avoid penalties associated with noncompliance.

Policymakers, financial institutions, educators, employers, community organizations, and researchers have important roles in the development, delivery, and measurement of efforts to provide financial information and education to consumers, including tax education, in a manner that supports informed decision-making. The interagency Financial Literacy and Education Commission has identified multiple best practices for financial educators.[146] These practices include ensuring that financial education materials are accessible to diverse communities[147] and offered in plain language,[148] timing the delivery of financial information to when it is of most use to consumers, leveraging tailored approaches, like financial coaching[149] or the delivery of customized information on digital platforms,[150] and scalable ones, such as curricula deployable in multiple settings, as appropriate, and integrating financial information and education into academic content starting at an early age.

Financial institutions should evaluate their marketing materials, product disclosures, and existing financial education resources or programs to ensure consistency with these best practices. Frontline staff can be a key channel for transmitting financial information, as can partnerships with high quality specialized financial education providers and existing well-regarded resources and curricula.[151]

Larger-scale efforts that embed financial education in schools have the potential to reach a large population. Some research suggests that developmentally appropriate financial education, taught as early as possible, can have a long-lasting impact on young people.[152] The number of states requiring students to take a personal finance course to graduate from high school has increased from 8 states in 2020 to 26 states in 2024.[153] Financial educators and service providers should consider partnerships with schools and universities to integrate financial education into core subjects like math, social studies, and business as a fundamental part of the curriculum.

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144 Paul Yakoboski, Annamaria Lusardi, and Andrea Hasler, "How financial literacy varies among U.S. adults," The 2022 TIAA Institute-GFLEC Personal Finance Index (April 2022), https://www.tiaa.org/content/dam/tiaa/institute/pdf/research-report/2022-04/tiaa-institute-gflec-2022-personal-finance-p-fin-index-ti-yakoboski-april-2022.pdf.

145 Muhammad Sajid et al., "Financial literacy, confidence and well-being: The mediating role of financial behavior," Journal of Business Research, 182, (2024) https://doi.org/10.1016/j.jbusres.2024.114791.

146 U.S. Financial Literacy and Education Commission (FLEC), U.S. National Strategy for Financial Literacy 2020 (2020), https://home.treasury.gov/system/files/136/US-National-Strategy-Financial-Literacy-2020.pdf.

147 The use of electronic and information technology that is accessible to people with disabilities as defined in Section 508 of the Rehabilitation Act, 29 U.S. Code § 798.

148 General Services Administration, "Plainlanguage.gov," accessed August 23, 2024, www.plainlanguage.gov.

149 An evaluation of two financial coaching programs showed that "financial coaching positively affected savings deposits and balances, total debt, utilization rates, delinquencies, credit score, and financial stress and satisfaction." *See* Brett Theodos et al., "Client Led Coaching: A Random Assignment Evaluation of the Impacts of Financial Coaching Programs," Journal of Economic Behavior and Organization, 155, (2018): 140-158, https://doi.org/10.1016/j.jebo.2018.08.019.

150 Resources developed and provided by federal government agencies must comply with Title VI of the Civil Rights Act of 1964 (42 U.S. Code § 2000d et seq.). *See* U.S. Department of Health and Human Services, Title VI of the Civil Rights Act of 1964; Policy Guidance on the Prohibition Against National Origin Discrimination As It Affects Persons With Limited English Proficiency, 65 FR 52762 (August 2000); the Presidential Order 13166 of August 11, 2000, *see* Title VI of the Civil Rights Act of 1964; Policy Guidance on the Prohibition Against National Origin Discrimination As It Affects Persons With Limited English Proficiency, 65 FR 52762 (August 2000); Exec. Order No. 13166, 65 FR 50121 (August 11, 2000).

151 OCC, Community Development Fact Sheet: Financial Capability (March 2024), https://www.occ.gov/publications-and-resources/publications/community-affairs/community-developments-fact-sheets/pub-fact-sheet-financial-capability.pdf

152 A meta-analysis of 76 randomized experiments shows that financial education programs have, on average, positive causal treatment effects on financial knowledge and downstream financial behaviors. *See* Tim Kaiser et al., "Financial Education Matters: Testing the Effectiveness of Financial Education Across 76 Randomized Experiments," Insights: Financial Capability, FINRA Foundation (March 2022), https://www.finrafoundation.org/sites/finrafoundation/files/Financial-Education-Matters-Testing-Effectiveness-Financial-Education_1.pdf; Tim Kaiser and Annamaria Lusardi, "Financial Literacy and Financial Education: An Overview," Working Paper 32355, National Bureau of Economic Research (2024), https://doi.org/10.3386/w32355.

153 Next Gen Personal Finance, "Live U.S. Dashboard: Guarantee States," accessed July 30, 2024, https://www.ngpf.org/live-us-dashboard/.

Policymakers and financial educators should identify opportunities to integrate effective financial education into other programs where it would enhance consumer outcomes. For example, U.S. Department of Housing and Urban Development (HUD) administers the Family Self-Sufficiency (FSS) program, where participants receive a variety of services over up to seven years to help them obtain employment and move towards economic independence.[154] Participants have access to financial coaching, asset-building opportunities, homeownership counseling, and other services to prepare them for success.

Employers can be a trusted source of financial information for their employees and should evaluate the information they currently provide to employees who are making decisions about benefit options for consistency with the FLEC best practices. Employers should also evaluate other opportunities to provide information or educational opportunities to support employee financial health.

In addition to evaluating their materials and programming, organizations that provide financial information should evaluate the communication channels they use to reach consumers. Targeted advertising campaigns may be effective in certain media markets. Community leaders and organizations can be trusted intermediaries for the delivery of financial information and education to underserved communities. Many young consumers indicate that they seek financial information from social media platforms, suggesting that educators should consider leveraging those platforms for the delivery of financial information and educational resources. In addition, financial educators, financial institutions, and the government can consider hosting regional financial fairs and conducting workshops in libraries, community centers, and places of worship to provide information and resources to consumers on their financial rights and responsibilities.

Assessing the impact of financial education programs is a key part of supporting consumers in making effective financial decisions. Operators and funders of financial education programs should identify opportunities to assess the impact of their programs on consumer outcomes and should work with researchers to identify and test effective strategies for building consumer financial knowledge and capability.

Finally, financial education should equip consumers with tools to assert their rights, identify fraudulent activity, and seek help if they are in financial distress. Resources provided by the agencies, such as the FTC's Consumer.gov and the CFPB's consumer complaint database, offer vital information on how to manage financial questions and submit complaints about financial products and services.[155] Additionally, the FTC's website, ReportFraud.ftc.gov, prompts consumers through a set of questions to report frauds and scams, and provides a customized set of next steps the consumer should take based on the nature of the incident. Similarly, consumers who have had their identities compromised can consult IdentityTheft.gov, which guides consumers through the recovery process.

154 HUD, "Family Self-Sufficiency (FSS) Program," accessed July 30, 2024, https://www.hud.gov/program_offices/public_indian_housing/programs/hcv/fss.

155 *See* FTC, "The Latest in Consumer Advice, accessed October 15, 2024, https://consumer.ftc.gov/; and CFPB, "Submit a complaint about a financial product or service," accessed October 15, 2024, https://www.consumerfinance.gov/complaint/.

VI. Measurement

Objectives in this Strategy should be benchmarked to measure progress and determine whether financial inclusion is increasing over time. Some stakeholders during Treasury's outreach encouraged tracking of both access, usage, and benefits of financial services, as well as more holistic measures, such as financial well-being, financial resilience, or net worth.[156] For example, for objective #1, a key metric is the rate of bank account ownership;[157] for objective #2, key metrics include the number of consumers excluded from the nationwide credit reporting data or who lack a credit score.[158] The other objectives have similar benchmarks that can be tracked over time to measure financial inclusion.[159] For objective #5, to determine whether a consumer has benefited from access and use of financial services, tracking measures relating to financial resilience or financial well-being can be useful.

Federal government data sources are important in assessing the state of financial inclusion, including the FDIC's National Survey of Unbanked and Underbanked Households,[160] the Federal Reserve's Survey of Household Economics and Decisionmaking (SHED),[161] the Survey of Consumer Finances (SCF),[162] and the CFPB's Making Ends Meet survey.[163] These surveys collect information about households' objective financial situations (e.g., whether they have a bank account, their credit record and score, etc.) as well as subjective questions about how the household views their financial situation, for example, as measured by the CFPB's financial well-being scale.[164]

Federal agencies should consider improving the frequency of financial inclusion metrics and expanding government data collections to include more information on financial inclusion barriers. The SHED is annual, the FDIC's National Survey of Unbanked and Underbanked Households is conducted every other year, and the SCF is released every three years. The annual/biennial/triannual frequency of these surveys makes it difficult to see trends in financial inclusion and financial well-being during rapid economic changes, like the COVID-19 pandemic.[165] The CFPB should continue to conduct its Making Ends Meet survey annually and publish statistics gathered from it each year to help the public track how consumers are doing over time. In addition, federal government research should include more information on financial inclusion barriers. For example, researchers should consider publishing more information on the number of credit invisible and unscorable adult consumers and track this population over time.[166] In addition, if these data sources included more disaggregated demographic and regional information, it would improve researchers' ability to determine the extent to which the financial system is meeting consumers' needs and expectations among all demographic groups across the country.[167] Existing data sources are not necessarily designed to track local or regional disparities, in part due to sample size limitations.

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156 For example, Aspen Institute Financial Security Program, Comment Letter on Request for Information on Financial Inclusion (February 2024), https://www.regulations.gov/comment/TREAS-DO-2023-0014-0094; Urban Institute, Comment Letter on Request for Information on Financial Inclusion (February 2024), https://www.regulations.gov/comment/TREAS-DO-2023-0014-0088; and Pacific Community Ventures, Comment Letter on Request for Information on Financial Inclusion (February 2024), https://www.regulations.gov/comment/TREAS-DO-2023-0014-0013.

157 Other key metrics for objective #1 include: rates of use of alternative financial products and services like check cashing services or money orders, and the number of financial institutions offering free or low-cost transaction accounts.

158 Other key metrics for objective #2 include: whether households have access to traditional credit such as a credit card or bank personal loan, and whether consumers have been denied or approved for less credit than requested.

159 For objective #3, key metrics include: number of consumers with emergency and retirement savings, amount of emergency and retirement savings, and rates of access and participation in workplace retirement plans. For objective #4, key metrics include: uptake rates for public programs, tax credits, and payment systems, consumer complaints related to government payment cards, and evaluation of the impact of public programs on household financial well-being.

160 FDIC, "2021 FDIC National Survey of Unbanked and Underbanked Households," accessed October 23, 2024, https://www.fdic.gov/household-survey.

161 FRB, "Economic Well-Being of U.S. Households (SHED)," accessed October 23, 2024, https://www.federalreserve.gov/publications/report-economic-well-being-us-households.htm.

162 FRB, "Survey of Consumer Finances (SCF)," accessed September 12, 2024, https://www.federalreserve.gov/econres/scfindex.htm.

163 Scott Fulford et al., "Making Ends Meet in 2023: Insights from the Making Ends Meet Survey," Publication No. 2023-8, CFPB (December 2023), https://www.consumerfinance.gov/data-research/research-reports/making-ends-meet-in-2023-insights-from-the-making-ends-meet-survey/.

164 CFPB, "Measure and Score Financial Wellbeing," accessed September 12, 2024, https://www.consumerfinance.gov/consumer-tools/educator-tools/financial-wellbeing-resources/measure-and-score/.

165 During the COVID-19 pandemic, the Census Bureau introduced the Household Pulse survey to provide more current information about how households were faring. *See* U.S. Census Bureau, "Household Pulse Survey Data," accessed July 30, 2024, https://www.census.gov/programs-surveys/household-pulse-survey/data.html.

166 In the past, the CFPB has published research exploring this topic; however, little research has been published on this topic in recent years. The most recently published research is Brevoort et al., Data Point: The Geography of Credit Invisibility. The CFPB also published Brevoort, Grimm, and Kambara, Data Point: Credit Invisibles; and Brevoort and Kambara, CFPB Data Point: Becoming Credit Visible.

167 For example, the Office of Management and Budget (OMB) announced a new race and ethnicity category for Middle Eastern or North African (MENA) among other suggested changes for race and ethnicity classification. *See* OMB, "Revisions to OMB's Statistical Policy Directive No. 15: Standards for Maintaining, Collecting, and Presenting Federal Data on Race and Ethnicity, 89 FR 22182-22196 (March 2024), https://www.federalregister.gov/documents/2024/03/29/2024-06469/revisions-to-ombs-statistical-policy-directive-no-15-standards-for-maintaining-collecting-and.

Using these and other datasets, researchers, financial institutions, and government agencies should evaluate financial products and features, particularly new products and services, to see if they are harming or helping consumers. Researchers should evaluate whether specific financial products improve consumers' financial resilience and financial well-being, or if they encourage consumers to take on unsustainable debt or incur other potential harms. For example, the CFPB's financial well-being scale is a set of survey questions to track changes in an individual's financial well-being over time and measure the impact of a financial product or feature.[168] In addition, researchers can also use metrics relating to financial product access and supply, such as the number of consumers with bank accounts or credit volumes, to help to identify gaps and disparities in access and use of financial services. Financial institutions can also track their consumers' product use and signs of financial health using data they regularly collect to administer financial products, for example, using the OCC's financial health "vital signs."[169]

Some stakeholders argue that household financial health metrics should be measured regularly, like other macroeconomic indicators such as gross domestic product and the unemployment rate. Many use household income as a representation of financial health, even though other parts of a household's financial life are important as well, such as consumption, savings, assets, and borrowing. For this reason, some stakeholders during Treasury's outreach called for the federal government to develop a financial health metric that is regularly reported (for example, quarterly), which would measure inequalities between groups.[170] The metric could be tracked over time to observe how American consumers' financial health is evolving and to identify areas to target financial inclusion efforts. It could also be used to help determine whether a financial inclusion program is working well for consumers. Federal agencies should consider developing a frequently collected, "objective" measure of financial inclusion.

VII. Conclusion

All American consumers and households deserve the opportunity to fully and beneficially participate in our strong economy and robust financial system, as a foundation for financial resilience, well-being, and the opportunity to build intra- and intergenerational wealth.

This inaugural National Strategy for Financial Inclusion in the United States establishes a framework and set of priority objectives to facilitate consumers' ability to equitably access safe and useful financial services to meet their financial needs and achieve their financial goals, thereby promoting an inclusive financial system that works to reduce rather than compound disparities. The Strategy is an actionable roadmap for stakeholders—including policymakers, financial institutions, nonprofits, researchers, and community advocates—to work collaboratively towards a more inclusive financial system. As a foundational document, its objectives and recommendations are meant to be revisited and built upon over time to advance financial inclusion in the context of emerging trends and opportunities.

168 CFPB, "Measure and Score Financial Wellbeing," accessed September 12, 2024, https://www.consumerfinance.gov/consumer-tools/educator-tools/financial-wellbeing-resources/measure-and-score/.

169 These measures include positive cash flow, a liquidity buffer, and on-time payments or a prime credit score. *See* OCC, "How Banks Can Measure and Support Customer Financial Health Outcomes," Community Development Insights (June 2024), https://www.occ.gov/publications-and-resources/publications/community-affairs/community-developments-insights/ca-insights-jun-2024.html.

170 Jennifer Tescher and David Silberman, "Measuring the Financial Health of Americans," Brookings Institution (May 2021), https://www.brookings.edu/articles/measuring-the-financial-health-of-americans/.

VIII. Appendix

Objective	Recommendation	Example Initiatives
1. Promote Access to Transaction Accounts that Meet Consumer Needs	1.1 Policymakers should leverage government payments as opportunities to help consumers open transaction accounts.	Government should help consumers enroll in free and low-cost transaction accounts at time such as when a consumer receives a government payment.
	1.2 Financial institutions should improve the accessibility and inclusivity of their transaction account products.	Financial institutions should evaluate their internal policies to identify opportunities to improve access for underserved communities, and address access barriers through Bank On programs and other offerings.
	1.3 Policymakers should continue to promote instant payments. Financial institutions should consider providing instant payments to speed up settlement times for consumers.	Financial institutions should consider participating in FedNow and provide consumers faster access to funds.
	1.4 Policymakers should develop and implement strategies for reaching communities with limited access to in-person banking services and those that rely heavily on cash.	Government should make investments in infrastructure, such as broadband, that enables individuals in areas with limited in-person banking services to access financial products and services.
2. Increase Access to Safe and Affordable Credit	2.1 Financial institutions, consumer reporting agencies, and policymakers should leverage consumer-permissioned alternative data to underwrite more consumers for affordable credit.	Financial institutions, consumer reporting agencies, and government agencies should consider opportunities to use consumer-permissioned information that does not appear in credit reports, such as bank account cash flow history and payment history for bills like rent, telecom, and utilities, to better evaluate consumer risk and price credit more accurately, particularly for credit invisible and unscorable consumers.
	2.2 Financial institutions should expand their use of Special Purpose Credit Programs as a vehicle to reach underserved communities.	Using recent guidance from the federal government, lenders should develop Special Purpose Credit Programs to provide credit to underserved consumers and promote financial inclusion.
	2.3 Financial institutions and policymakers should improve financial products' structures for consumers who experience hardship.	Lenders in consumer financial markets should consider offering loan forbearance to consumers who are experiencing hardship, such as short-term job loss.

3. Expand Equitable Access to Savings and Investments	**3.1 Policymakers should promote and implement strategies that help consumers equitably build retirement savings.**	Policymakers, plan sponsors, employers and other stakeholders should take advantage of opportunities in the SECURE 2.0 Act to promote retirement security for their plan members and employees, including acceptance of Saver's Match contributions.
	3.2 Employers should offer and promote inclusive emergency and retirement savings plans and provide relevant financial educational resources and coaching.	Employers should offer emergency savings plans to employees, consistent with SECURE 2.0 Act.
4. Improve the Inclusivity of Financial Products and Services Provided or Backed by the Government	**4.1 Government should ensure that the financial products and services it provides are designed in a manner that advances financial inclusion and identify and implement opportunities to innovate in design.**	Agencies should measure the extent to which products and programs are successfully improving financial outcomes for consumers and evaluate opportunities to expand on existing successes or refine design for greater impact.
	4.2 Government should deliver financial products and services in an inclusive manner that fosters households' financial resilience and well-being.	Federal and state agencies should work together to ensure that program administrators have appropriate information and resources for selecting vendors for government financial products and services that are designed inclusively and with consumer protection features that comply with applicable regulatory requirements.
	4.3 Government should research and implement strategies to streamline application and re-enrollment processes.	Government agencies should look for opportunities to enroll or re-enroll consumers in programs they may qualify for at existing consumer touchpoints and should leverage technology systems to enable secure data sharing, thereby reducing the need for applicants to submit the same documentation multiple times.
5. Foster Trust in the Financial System by Protecting Consumers from Illegal and Predatory Practices	**5.1 Regulators should exercise all existing authority to protect consumers from predatory and illegal activities.**	Regulators should ensure that banks and nonbanks comply with laws and regulations that protect consumers, as applicable. This includes oversight of AI or machine learning models, and the deployment of other new technologies, to prevent algorithmic bias, privacy incursions, or other discriminatory outcomes.