

FINANCIAL INCLUSION

Financial inclusion is a key driver of social mobility—the concept that in America, children who work hard can do better than their parents. Financial inclusion benefits individuals, families and society by allowing those who do not have relationships with banks to access financial services. Providing non-bank forms of payments services, credit access and insurance, allows people to manage their finances, save for the future, and plan for and meet emergencies. Critically, credit access also allows the building of a credit record and can lead borrowers towards cheaper credit and access to mainstream financial services.

According to the FDIC 7.7 percent (1 in 13) of households in the United States were unbanked in 2013. This proportion represented nearly 9.6 million households. A further 20.0 percent of U.S. households (24.8 million) were underbanked, meaning that they had a bank account but also used alternative financial services outside of the banking system.

The costs to individuals and the economy of financial *exclusion* are significant. They include additional costs (e.g. for check cashing or payday lending); lost productivity and diminished quality of life in managing things like bill payments, which may require hours to take a bus across town and wait in line to make a payment in cash; exclusion from the digital economy, where access to electronic payments is typically a necessity and a general loss of dignity as a result of being excluded from the mainstream.

Non-bank providers of financial services such as the members of AFSA, level the playing field for unbanked or underbanked individuals and families, by providing safe and affordable access to credit through mortgages, prepaid cards, installment loans and vehicle finance.

AFSA'S POSITION

AFSA strongly supports financial inclusion through the safe and affordable products and services made available by its members. Specific ways in which AFSA members help to drive financial inclusion are extensive. Access to subprime mortgage credit allows home ownership, long considered one of the best ways to reap social and financial benefits, providing a generally cheaper alternative to renting which builds equity and wealth over time.

In many parts of the USA, particularly rural areas, vehicle ownership is a necessity, rather than a luxury. Subprime auto-finance enables people to widen the geographic area in which they are available to work and reduces dependence on erratic and often expensive public transport.

Traditional installment loans provide a safe and affordable form of small dollar credit for the unbanked, allowing them to cope with emergencies and take advantage of opportunities such as sales, protecting them from the predations of online, payday and black-market lenders

Prepaid cards put electronic payments in the hands of unbanked individuals and families, providing a safe and convenient way to make and receive payments and allowing bills to be paid and purchases to be made online or over the telephone.

AFSA believes that by providing financial services for those that need them, and by reporting loan performance to credit bureaus, its members help drive the economic empowerment of individuals and families, moving them closer to the financial mainstream and catalyzing social mobility.