U.S. Financial-Inclusion Policy

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Impact Assessment

- Treasury financial-inclusion policy could have a dramatic impact on federal subsidies, bank regulation, CRA implementation, CFPB regulation/supervision, and federal housing policy.
- Or, it could be simply another report.

Overview

As required by law, the U.S. Treasury is working to set policy enhancing financial inclusion. While it seeks recommendations for new policies in areas ranging from predatory lending to technological innovation and new federal programs, it is unclear how actionable its findings will prove and if federal policymakers then implement those possible under current law. However, Treasury policy will clearly not provide an overall endorsement for new technology as advocates may hope; the conclusions on which policy will be based point to technology's potential benefits, but also numerous risks to vulnerable households and communities.

Impact

Treasury was directed under its appropriations statute for fiscal 2023 to craft a national strategy to improve financial inclusion. The law stipulates that this strategy is to address how best to bring under-served persons and communities into the financial system, but it mandates no action beyond strategy development that might then include actionable recommendations. Treasury does state in this RFI that it is seeking actionable recommendations, but the Biden Administration's ability in fact to act is uncertain given the 2024 election and, even if President Biden retains the White House, the significant personnel shifts likely at the Treasury Department.

That said, recommendations in response to this report may spur government agencies to act or give the next Congress proposals for statutory change. Institutions looking for ways to enhance their own financial-inclusion efforts may also find useful suggestions in comment letters or the financial strategy, with comments sure also to include efforts to portray financial-entity efforts to enhance financial inclusion and advocacy-group demands that these be heightened and made more enforceable if not by Treasury, then by the CFPB or other agencies more inclined to intervene.

The RFI also notes the challenges of defining "financial inclusion," stating that it is usually associated with ensuring access to core financial services by low-income, low-wealth, female, and minority communities as well as the disabled, immigrants, and those with limited English proficiency. However, the RFI points out that inclusion may also encompass financial education, consumer protection, payment-system speed, household financial resilience, and other objectives that may be differently interpreted based on socioeconomic, cultural, and regulatory context. The RFI does not offer a Treasury definition from which commenters may proceed, but does ask for comments on what one might be.

The RFI also acknowledges that many new fintech or similar products might enhance inclusion as advocates often represent. That said, Treasury points out that some of the products are also predatory or otherwise high-risk for vulnerable consumers. It thus takes a guarded approach to innovation, urging financial institutions to be mindful of possible risks to their customers.

What's Next

This RFI was released on December 22, with comments due by February 20.

Analysis

Questions on which comment is expressly sought include:

- how best to define financial inclusion;
- what is out of scope for financial-inclusion efforts (e.g., accessing tax benefits, P2P payments, etc.);
- the relationship between financial inclusion and financial security;
- barriers to financial inclusion (e.g., current pricing or underwriting strategies, consumer-data use, fraud protocols, technology);
- the role of other factors (e.g., broadband access, digital or English proficiency, absence of "unbiased" information);
- under-served community barriers to financial services;
- how best to measure financial inclusion (e.g., branch location, transaction outcome);
- inclusion actions. For example, Treasury solicits views on how best to promote "responsible, equitable" innovation through new data sources or algorithms. Treasury also asks what might be done to improve financial-institution policy or practice;
- inclusion priorities; and
- the best approach to crafting a national financial-inclusion strategy.