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RE: FR Doc. 2023-28263 (Request for Information on Financial Inclusion)

The African American Alliance of CDFI CEOs (the Alliance) is pleased to submit comments regarding the development of a national strategy for financial inclusion. The Alliance is a national membership-based organization with a mission to empower Black communities by promoting economic stability, wellbeing, and wealth. Leveraging a network of 78 Black-led Community Development Financial Institutions (CDFIs), the Alliance is working towards establishing power and promoting equal economic opportunity for Black individuals, families, and communities across all 50 states.

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A. Defining Financial Inclusion

A.1.a. How do you or your organization define financial inclusion? Some definitions of financial inclusion include considerations of access, safety, usefulness, appropriateness, and affordability of financial products and services, among others. What are the key elements of your definition and why do you include them?

Financial inclusion, as defined by the Alliance, embodies a strategic and systemic commitment to ensuring that Black communities have equitable access to a comprehensive suite of financial services. This includes banking, credit, investment, and insurance products that are critical for economic participation, mobility, prosperity, and the ability to build wealth. This definition is supported by the idea that access to financial services should not only be universal but also affordable and specifically tailored to meet the distinctive needs and circumstances of Black individuals and businesses.

Central to this vision is the principle of equitable access, which calls for the removal of barriers that have historically prevented Black communities from fully participating in the financial system. This goes beyond mere access to include the empowerment of these communities through education, information, and resources that enable informed financial decisions. The emphasis on financial literacy programs is designed to address the unique challenges and

opportunities faced by Black communities, acknowledging the vital role of knowledge in fostering economic empowerment.

The customization of financial products and services to the specific needs of Black communities is another cornerstone of this approach. By designing financial solutions that are culturally relevant and sensitive to the socioeconomic contexts and historical financial practices of these communities, the Alliance advocates for a financial ecosystem that is inclusive by design. This involves a deep understanding of the diversity within Black communities and a commitment to offering products and services that genuinely meet their needs.

Furthermore, the Alliance underscores the importance of systemic change and advocacy as a means to address and dismantle the inequalities entrenched within the financial system. This commitment extends to promoting policies, practices, and investments that support Black-led Community Development Financial Institutions (CDFIs) and the communities they serve, advocating for a redistribution of capital and resources that prioritizes these entities. This strategic focus on systemic change is crucial for addressing the root causes of financial exclusion and inequality.

Lastly, the concept of financial inclusion championed by the Alliance encompasses a vision for sustainability and long-term prosperity for Black communities. This perspective recognizes that true financial inclusion is not just about immediate access but ensuring that financial services and support mechanisms are conduits for long-term wealth building and intergenerational wealth transfer. It is about creating a sustainable model of growth that benefits not just the current generation but future generations as well.

In conclusion, the African American Alliance of CDFI CEOs envisions financial inclusion as a holistic and action-oriented framework aimed at rectifying historical injustices and paving the way for a future where Black communities can flourish. This vision calls for a transformative approach to financial services—one that sees these services as tools for empowerment, equity, and shared prosperity. It represents a commitment to ensuring that Black individuals and businesses are provided with the necessary support and resources to achieve success, thereby contributing to the broader goal of economic equity and inclusion.

A.1.b. Some topics related to financial inclusion include financial health, financial well-being, financial capability, and financial resilience. Do any of these or other related topics relate to or influence your definition of financial inclusion, and if so, why?

The concepts of financial health, financial well-being, financial capability, and financial resilience define the Alliance's understanding and execution of financial inclusion strategies for the upliftment of Black communities. Financial health is perceived as a vital aspect of financial inclusion, signifying more than just the possession of financial assets. It involves the overall condition of an individual's or a community's financial dynamics, including effective savings practices, debt management, and cash flow optimization. Financial health serves as an indicator of economic stability and the capacity to fulfill both present and future financial commitments while sustaining a lifestyle that aligns with one's needs and goals. For Black communities, the

journey towards achieving financial health entails navigating and dismantling systemic obstacles to wealth accumulation, such as discriminatory lending practices and prevalent income disparities. Our commitment to enhancing financial health is manifested through efforts to improve access to equitable credit options, savings programs, and opportunities for wealth generation.

Closely linked to financial health is the notion of financial well-being, which reflects the overall quality of one's financial life, marked by financial satisfaction and the absence of stress related to financial matters. It encompasses the ability to manage day-to-day finances, absorb financial shocks, achieve personal financial goals, and possess the financial freedom to make life choices that foster happiness and contentment. Structural inequities and historical barriers to financial markets and products have traditionally impeded Black communities' attainment of financial well-being. Our interpretation of financial inclusion inherently advocates for the establishment of conditions conducive to the financial well-being of all individuals, recognizing it as an essential human right.

Furthermore, financial capability is identified as a critical component of financial inclusion, representing the amalgamation of knowledge, skills, and access needed to make informed financial decisions and effectively utilize financial services. It is fundamental for navigating the financial landscape, managing financial risks, and seizing financial opportunities, including saving, investing, and debt management. Enhancing the financial capability of Black individuals and communities is paramount to our mission. This entails not only the provision of financial education and advisory services but also ensuring that financial products and services are designed to be comprehensible and beneficial to those historically marginalized.

Financial resilience, or the capacity to recover from financial setbacks, is increasingly crucial in an era characterized by frequent economic disturbances. This concept holds particular significance for Black communities, which often encounter heightened levels of economic instability and insecurity. Our focus on financial resilience involves advocating for protective measures and support systems that aid in the recovery from financial challenges, as well as promoting access to diverse income streams and emergency savings solutions.

Each of these concepts informs our comprehensive view of financial inclusion as not just access to financial services but as ensuring that Black communities have the tools, resources, and systems in place to achieve economic stability, growth, and resilience. By integrating these concepts into our definition of financial inclusion, we aim to address the multifaceted nature of financial exclusion and to champion strategies that lead to meaningful and lasting economic empowerment for Black communities.

A.1.c. Given the multiple elements and terms associated with financial inclusion, is there an alternative term that you believe should be used instead of financial inclusion?

Relative to the advancement of economic equity for Black communities, the terminology employed plays a crucial role in defining objectives and shaping strategies around economic empowerment. After considering the various elements of the concept of financial inclusion –

financial health, well-being, capability, and resilience – the Alliance believes that the term "financial inclusion" may not entirely capture our goals and objectives for Black communities. Instead, we believe that the term "Financial Empowerment" is a more apt descriptor of our goals for financial inclusion.

We recommend adoption of this term in lieu of financial inclusion for many reasons. First, it underscores a holistic strategy that recognizes the interconnectivity and mutual reinforcement of access, education, resilience, and well-being, which highlights the importance of integrating various components of financial empowerment to achieve substantial outcomes. Second, the emphasis on empowerment reflects a commitment to providing Black communities with not only the necessary tools but also the autonomy to make financial decisions that align with their unique needs and aspirations. It signifies an intention to enable individuals to actively participate in shaping their financial futures. Third, the term captures the necessity for systemic transformation to foster a truly inclusive and equitable financial environment. It reflects an understanding that achieving financial empowerment requires a broad-based approach that addresses systemic barriers and leverages opportunities for wealth-building and economic mobility. The community-centric nature of this term also prioritizes the collective power of financial success, supporting the view that financial empowerment is a shared pursuit. Finally, the term represents an adaptable system that evolves to meet the changing needs and circumstances of the communities it serves. It implies a commitment to innovation in the design of financial products, the delivery of services, and the formulation of policies that cater to the diverse needs of Black communities.

While the term "financial inclusion" has played a significant role in expanding the conversation around access to financial services, "financial empowerment" more accurately captures our dedication to not only enhancing access but also ensuring that the financial system is designed and operates in a manner that genuinely empowers Black communities. It aligns with our vision of an equitable financial system that actively contributes to the economic prosperity and resilience of Black individuals and communities, fostering a foundation for sustained economic growth and the generation of wealth. This term better reflects our commitment to creating a financial environment that is not only accessible but also empowering, highlighting our aspiration towards systemic change and the holistic upliftment of communities.

A.2. What do you consider to be in and out of scope for efforts to promote financial inclusion?

The Alliance's mission is pivotal in outlining a comprehensive framework that delineates the essential components for promoting financial inclusion, focusing on enhancing the financial capacity of Black-led Community Development Financial Institutions (CDFIs), ensuring equitable access to financial tools, and advocating for systemic changes to eliminate financial disparities.

Central to our mission is the commitment to strengthening Black-led CDFIs, recognizing these institutions' critical role in driving economic mobility and prosperity within Black communities. Efforts are concentrated on securing sustainable funding, enhancing human capital, and upgrading technical infrastructure, thereby enabling these CDFIs to serve as effective conduits for community-focused financial services. Additionally, the customization of financial products

and services to meet the unique needs of Black communities is paramount. This entails designing or adapting affordable credit, savings products, and investment opportunities that are accessible and relevant, prioritizing the elimination of barriers such as high fees or stringent eligibility criteria that disproportionately affect Black individuals and businesses. Furthermore, policy advocacy is central to our approach, emphasizing the need for regulatory reforms to ensure fair lending practices and promote policies that support the growth and sustainability of Black-led CDFIs. Advocacy efforts are aimed at challenging practices that contribute to financial exclusion and wealth disparities, underscoring the necessity for systemic changes to foster an equitable financial ecosystem.

Conversely, initiatives that do not directly address the specific challenges faced by Black communities are considered out of scope. This includes generic financial solutions that overlook the historical, socio-economic, and cultural factors influencing financial behavior and access within these communities. Similarly, short-term interventions lacking systemic impact and strategies that ignore the digital divide and technological barriers are deemed outside the scope of promoting sustainable financial inclusion.

The Alliance also acknowledges the importance of broadening the scope of financial inclusion efforts to include adjacent subjects such as financial education and literacy, entrepreneurship and business support, and addressing structural inequities. Empowering Black communities with relevant financial education, supporting Black entrepreneurs and businesses, and tackling broader socio-economic factors are integral to achieving financial empowerment and economic justice.

The Alliance's strategic approach to promoting financial inclusion is rooted in a deep understanding of the unique challenges faced by Black communities. Our efforts are geared towards creating an environment where financial empowerment and economic justice are not only envisioned but actively pursued and realized for Black communities, highlighting the pivotal role of targeted strategies, advocacy, and community-focused initiatives in bridging financial gaps and fostering economic prosperity.

A.2.a. Which financial products and services should consumers be able to access in order to be considered financially included? Please provide specific examples. Are there particular qualities that are important for these products and services to have?

The Alliance believes that for financial inclusion to be meaningful, it must provide consumers with access to a wide array of financial products and services that are tailored to the unique realities of their lives. This access is foundational to creating a more inclusive and equitable financial system, with CDFIs playing a critical role.

A primary component of financial inclusion is the availability of transaction accounts, which enable the safe storage of funds and management of daily financial transactions. These accounts should feature no monthly maintenance fees, no minimum balance requirements, and support for direct deposits, alongside overdraft protection options that do not impose burdensome fees. The integration of fintech innovations, such as mobile banking platforms, enhances accessibility and convenience for consumers, offering services like mobile check deposits and access to fee-free

ATM networks. Additionally, affordable credit options, including low-interest personal loans and credit-builder loans are necessary for consumers looking to build or repair their credit scores and/or access necessary funds. Emphasizing responsible lending practices and full transparency regarding the cost of borrowing, these credit options, along with community-focused lending solutions such as microloans and peer-to-peer lending platforms, play a crucial role in supporting small business owners and entrepreneurs, thereby fostering community investment. Access to savings and investment products, such as micro-investment platforms and retirement plans with low starting balances and automatic contribution options, also allow for long-term savings and wealth building, which are crucial for individuals in low-wage jobs. Further, digital financial services, including mobile money platforms, are transforming access to financial services for individuals without traditional bank accounts. Ensuring the security of these platforms and promoting initiatives to enhance digital literacy are needed to enable effective and safe consumer engagement with digital financial services. Finally, access to customized financial education and advisory services is vital in empowering consumers to make informed financial decisions, highlighting the importance of fostering a knowledgeable engagement with the financial system.

That said, for financial products and services to be truly inclusive, they must be accessible and affordable, ensuring that low-income consumers are not excluded due to cost. Transparency about costs, risks, and terms is crucial for building trust and confidence among consumers. Financial services must actively seek to address and rectify historical inequities, allowing for customization to meet the diverse needs of consumers. Additionally, in the digital age, securing consumer data and financial assets, alongside ensuring privacy protections, is paramount for maintaining consumer trust. The Alliance believes that financial inclusion extends beyond mere access to financial services; it encompasses providing meaningful, tailored financial solutions that resonate with the challenges and aspirations of underserved communities.

A.2.b. Which consumer financial activities are relevant when considering how to advance financial inclusion? For example, do you consider accessing tax benefits you may be eligible for, sending peer-to-peer payments, or transacting in cash relevant? Do you consider activities like saving for retirement, investing, purchasing a home, or starting or growing a business relevant to financial inclusion? Are there consumer financial activities that are not relevant?

The Alliance believes that understanding and accessing tax benefits, such as the Earned Income Tax Credit (EITC) and Child Tax Credit (CTC), represent significant opportunities for African Americans and underserved communities. We believe that a lack of awareness and access to high quality, free tax preparation services as key barriers preventing individuals from claiming eligible benefits. Initiatives designed to increase awareness and streamline the process for accessing tax benefits are crucial, as they can provide essential financial relief, reduce poverty, and enable savings, investment, or entrepreneurial pursuits.

The transition towards digital financial services, including peer-to-peer (P2P) payment systems, is also an opportunity to advance financial inclusion. The adoption of digital platforms can offer more accessible and convenient ways for historically underserved communities to manage finances, facilitating easier transaction processes and financial management. However, the Alliance acknowledges the digital divide as a significant challenge and advocates for initiatives

that promote the adoption of digital financial services while ensuring their accessibility, usability, and security for all individuals, irrespective of their geographic or socio-economic status.

Furthermore, the Alliance views homeownership¹ and entrepreneurship as essential pathways to wealth building and economic empowerment. Addressing barriers to mortgage finance and business loans, including discriminatory lending practices and the challenge of securing collateral, is vital. CDFIs play a critical role in providing access to fair lending, support programs, and targeted financial products and services, which are instrumental in enabling individuals to purchase homes and start or grow businesses. Financial inclusion efforts encompass providing the necessary capital, financial education, and support services to ensure success in these efforts.

The Alliance believes retirement planning and long-term investing are important, but often overlooked, activities for financial health and stability. Making retirement savings accounts and investment opportunities accessible and understandable is crucial for long-term financial security. Democratizing access to these opportunities allows individuals to participate in the broader economy and enhance their financial well-being. Efforts to eliminate barriers to participation in retirement and investment programs are imperative for true financial inclusion.

While acknowledging the breadth of financial activities, the Alliance also recognizes that certain high-risk investments or speculative trading practices may not directly contribute to the financial inclusion objectives for African American and underserved communities. The focus remains on foundational financial activities that provide stability, security, and opportunities for economic growth and advancement.

***A.2.c. What is the relationship between financial inclusion and financial security?
Between financial inclusion and building wealth?***

By enabling individuals to engage with the financial system in a meaningful way, financial inclusion lays the foundation for enhanced financial stability and resilience. It introduces mechanisms that allow for effective savings, thereby creating a safety net that cushions individuals and families against economic uncertainties and shocks. This aspect of financial inclusion is critical for maintaining long-term financial planning and stability amidst the inevitable fluctuations of life's circumstances. Furthermore, the provision of affordable credit through financial inclusion helps facilitate significant life investments such as education, healthcare, housing, and business ventures. These investments are essential for personal development and economic growth, supporting sustained economic stability and prosperity. By democratizing access to credit, financial inclusion opens up avenues for individuals and entrepreneurs to pursue opportunities that catalyze economic activity and innovation, contributing to the overall economic development of a society.

¹ Due to historic patterns of discrimination and exclusion in housing opportunities the racial homeownership gap remains acute. Over three-quarters of white households are homeowners while less than half (49%) of Black households are homeowners.

The connection between financial inclusion and building wealth is also important. Financial inclusion not only provides the tools necessary for managing daily finances but also offers pathways for investment and asset accumulation. Through homeownership, entrepreneurship, and participation in financial markets, individuals are afforded opportunities to generate and sustain wealth. This process of asset accumulation is vital for wealth creation, benefitting not only the individuals directly involved but also their communities and future generations by contributing to a cycle of economic empowerment and advancement.

B. Barriers to Financial Inclusion

B.1. Are there features of the existing financial system (for example, pricing strategies, fees, penalties, underwriting methods and standards, uses of consumer data, technological systems or constraints, institutional protocols related to fraud or risk management, or other features) that limit or create inequalities in the ability of consumers and communities to access, use, and benefit from financial products and services? Which features are the most limiting, and for whom? Please provide specific examples.

In the current financial landscape of the United States, the disparities in access to and utility of financial products and services are systemic and deeply ingrained in the operational framework and historical evolution of the financial system. These disparities significantly affect communities of color, particularly Black communities, through various structural aspects such as pricing strategies, fee structures, underwriting practices, the use of consumer data, technological barriers, and institutional risk management protocols. Such elements, whether in isolation or in combination, act as operational mechanisms that disproportionately disadvantage minority communities, serving more as barriers to access than mere procedures.

Pricing strategies and fee structures within financial institutions disproportionately impact lower-income and minority communities. Overdraft fees, which place a substantial burden on individuals living paycheck to paycheck, notably affect Black households, acting as a regressive tax on those least able to afford it. Similarly, the mechanisms determining mortgage interest rates and insurance premiums, which often incorporate credit history and geographical location, perpetuate financial inequalities. These practices result in higher costs for residents of economically disadvantaged areas, disproportionately affecting Black communities. Further, the reliance on traditional underwriting methods, which focus heavily on credit scores and employment history, fails to account fully for an individual's financial reliability. This approach tends to marginalize those with unconventional financial histories, such as "gig economy" workers or individuals previously excluded from the financial system. The systemic biases embedded within credit scoring models, which penalize consumers for insufficient credit history or medical debts, further limit access for Black communities, reinforcing historical economic segregation and discrimination. Also, the utilization of consumer data allows for the tailoring of financial products and services. However, this customization risks veering into discrimination when algorithms employ data points correlated with race, gender, or socioeconomic status, leading to a form of indirect discrimination known as "digital redlining." This practice maintains barriers to access under the guise of neutral, algorithmic decision-making.

The Alliance believes that technological advancements in banking and fintech could enhance financial inclusion. Yet, the digital divide ensures that these benefits are not uniformly accessible. Lack of infrastructure, digital literacy, or financial resources can prevent Black communities, especially those in rural or impoverished urban areas, from accessing digital financial services, presenting a modern form of financial service redlining. To that end, risk management protocols are essential for the integrity of financial transactions. Nevertheless, when these systems disproportionately identify transactions in minority communities as suspicious, it results in increased scrutiny, service delays, and a pervasive mistrust between consumers and financial institutions. This effect, whether intentional or unintentional, deters marginalized communities from engaging with the financial system.

The Alliance believes that the way forward involves identifying, analyzing, and overcoming these systemic barriers while advocating for and implementing more equitable models that emphasize access, equity, and community empowerment.

B.2. What is the role of other factors such as broadband access, mobile or digital proficiency, language access, individuals' broader economic circumstances, or availability of unbiased information about products and services in financial inclusion? Please provide specific examples, including which community or communities might face resulting impacts.

The Alliance believes it is important to address the relationship of technology, language, socioeconomic status, and access to information as it relates to individuals' engagement with financial services. These factors, together with geographical location, education level, and cultural barriers, create a nuanced landscape that either facilitates or restricts access to financial tools and services.

The integration of technology into the financial ecosystem, characterized by broadband access and digital literacy, plays a pivotal role in today's context. The digital divide—a gap in access to internet and digital services—affects rural, Indigenous, and low-income urban communities disproportionately, hindering their participation in the digital financial marketplace. This divide extends beyond mere connectivity to encompass digital literacy, which involves the competencies required to effectively utilize online financial platforms, comprehend digital tools, and protect personal information in the digital realm. While the proliferation of digital financial services has the potential to enhance accessibility, it also risks sidelining those who lack technological proficiency or access, with BIPOC and elderly populations often finding themselves at a disadvantage. Furthermore, socioeconomic status, encompassing factors such as income level, employment stability, and financial education, significantly influences an individual's ability to access and engage with financial services. The realities of those working in the gig economy or experiencing fluctuating incomes underscore the disconnect between traditional financial offerings and the lived experiences of many Americans. High fees, minimum balance requirements, and barriers to credit access often drive marginalized communities toward alternative financial services, which can be predatory. Also, the availability of unbiased, comprehensive information about financial products and services is crucial for financial empowerment. Communities often lacking in financial education resources are frequently targeted by biased marketing, deprived of the independent advice necessary for making informed

financial decisions. This information asymmetry not only deters engagement with financial services but also leaves vulnerable populations exposed to exploitative practices. Finally, Moreover, geographical disparities, varying education levels, and systemic biases embedded within financial algorithms intensify the challenge of accessing financial services. Practices such as redlining and subtle forms of financial exclusion based on geographic data analysis further alienate residents of certain neighborhoods. Educational initiatives that fail to cater to the diverse financial literacy levels across communities do not effectively bridge the knowledge gap.

The Alliance believes that a comprehensive and inclusive strategy is needed to address these challenges. This strategy should leverage technology to broaden access while also respecting diversity and promoting socioeconomic advancement, with a goal of creating an inclusive financial ecosystem that recognizes the diverse realities of all communities, ensuring that financial tools and education are accessible, pertinent, and empowering for everyone, irrespective of their background or circumstances.

B.3. What barriers do underserved communities in particular experience in accessing, using, and benefiting from financial products and services? (a) If relevant, what are the community-specific barriers faced by members of your community or the communities you serve or represent in relation to accessing or building credit, accessing or using savings and investment tools (including those that facilitate retirement security), managing financial risk, acquiring assets, or other financial activities? Please provide specific examples.

Underserved communities encounter many challenges in accessing, utilizing, and benefiting from financial products and services. The Alliance believes these challenges are deeply entrenched in historical, systemic, and institutional biases and bring to the light the fight of communities striving for economic participation and wealth-building within a system that frequently appears to be stacked against them.

Systemic and institutional discrimination remains a significant barrier within the financial ecosystem. Practices like redlining and credit discrimination, which deny individuals or offer them unfavorable financial products based on race or geographic location, severely restrict opportunities for credit building and asset acquisition, particularly in African American communities. This form of discrimination is further exacerbated by economic conditions typical of many underserved groups, such as fluctuating incomes and participation in the informal economy, which are often viewed unfavorably by traditional financial institutions. An example is the persistent impact of historical redlining on African American communities, which affects homeownership rates and the capacity to accumulate real estate wealth. Further, rural areas contend with "banking deserts," where the consolidation of banking services has resulted in limited access to physical bank branches.

Addressing these challenges requires approach that tackles the systemic and institutional biases as well as the technological, cultural, and socioeconomic factors contributing to financial exclusion. This includes the development of alternative credit models, the enhancement of digital infrastructure and literacy initiatives, the provision of financial education, and the promotion of community-based financial institutions, like Black-led CDFIs, designed to meet the specific

needs of these communities. Through these concerted efforts, the Alliance believes that a financial system that is genuinely inclusive and equitable is achievable.

C. Measuring Financial Inclusion

C.1. What are key indicators that can be used to measure and track financial inclusion? If possible, please provide specific examples of existing data sources.

A fundamental aspect of financial inclusion is the proportion of adults with an active bank account, as bank account ownership is a primary indicator of one's integration into the financial system. The Global Findex Database, administered by the World Bank, is a valuable data source in this regard, offering comprehensive insights into how adults save, borrow, make payments, and manage risks globally. This indicator is crucial for assessing the basic level of financial inclusion among individuals in Black communities. Additionally, the availability of affordable credit is paramount for Black individuals and businesses, enabling them to pursue economic opportunities and build wealth. The Small Business Credit Survey (SBCS), conducted by the Federal Reserve, highlights the disparities in credit access and terms, providing a clear picture of the financial barriers faced by minority-owned businesses. This data is useful in understanding the credit landscape and identifying areas for intervention to ensure equitable access to financial services. Further, the extent to which individuals engage with digital financial services also plays a major role in financial inclusion. The FDIC's National Survey of Unbanked and Underbanked Households reveals important trends in the use of digital banking and payment methods, showing the digital divide that may exist in underserved communities. This insight into digital financial services penetration is essential for crafting strategies that leverage technology to enhance financial inclusion. Additionally, financial health metrics such as savings rates, debt-to-income ratios, and the adequacy of emergency funds offer a more nuanced view of an individual's financial well-being. The Consumer Financial Protection Bureau (CFPB) conducts research and surveys that assess financial health, providing a comprehensive understanding of the challenges and opportunities in achieving financial well-being beyond mere access to financial products.

Moreover, investment in community development, particularly the level of financial capital directed towards Black-led CDFIs and the projects they support, is another critical indicator of financial inclusion. Data from the CDFI Fund, managed by the U.S. Department of the Treasury, tracks allocations and awards to CDFIs, offering a direct measure of the investment in initiatives aimed at community development and economic empowerment. Lastly, economic mobility indices, including measures of income growth over generations and access to wealth-building opportunities, are essential for evaluating the long-term outcomes of financial inclusion efforts. The Opportunity Insights project provides granular data on economic mobility, allowing for the assessment of whether financial inclusion initiatives are translating into tangible improvements in the economic prosperity of Black communities.

C.1.(a) What are appropriate quantitative and qualitative measures of financial inclusion? For example, this could include the share of households that own a credit card or transaction account, or consumers' beliefs about how well financial products and services fit their needs.

Quantitatively, the measurement of financial inclusion begins with assessing the ownership of financial products among households. This includes basic yet essential services such as transaction accounts, savings accounts, and credit cards. National surveys, notably the FDIC's National Survey of Unbanked and Underbanked Households, serve as a source for this data, offering insights into the foundational level of financial system access. Furthermore, the availability of credit plays a crucial role in facilitating economic mobility and prosperity. By examining metrics like the number of approved loans, rejection rates for loan applications, and average interest rates across different demographics, stakeholders can gauge the accessibility and affordability of credit. These insights are useful in identifying disparities and opportunities for intervention.

Additionally, metrics such as transaction frequency, savings volume, and credit product utilization rates are critical for evaluating active engagement with the financial system. Such engagement is indicative of the ability of financial services to support wealth building and financial stability among users. The penetration of digital financial services complements this analysis, with data on the adoption and usage of mobile banking, online transactions, and digital payment methods shedding light on the evolving landscape of financial inclusion. Additionally, quantitative indicators like savings rates, debt-to-income ratios, emergency fund adequacy, and credit scores provide a direct measure of individuals' and communities' financial health and resilience, reflecting the tangible impact of financial inclusion on economic well-being.

Qualitative measures offer depth to the narrative of financial inclusion by capturing consumers' experiences, perceptions, and the subjective value derived from financial products and services. Consumer satisfaction and trust, gathered from surveys and focus groups, reveal the perceived quality of financial services and the degree of trust in financial institutions. Similarly, feedback on the fit and usability of financial products highlights whether services meet the actual needs of consumers, encompassing ease of use, relevance to financial goals, and adaptability. Understanding the barriers to access and usage, through qualitative research, uncovers the unique challenges faced by individuals, including cultural factors, historical distrust, and perceived complexity.

The Alliance believes that by integrating quantitative and qualitative measures of financial inclusion, we can learn more about the scope of access and usage as well as the depth of consumer experiences and impacts, which can be used to help policymakers, financial institutions, and community organizations to identify gaps, measure progress, and tailor interventions to the multifaceted nature of financial inclusion.

C.1.(b) What are appropriate individual and/or system-level measures of financial inclusion? For example, this could include the share of consumers' total payments made electronically, or consumers' average savings balances. More broadly, this could include metrics related to availability, affordability, utilization or benefit of financial products and services, such as the number of bank branches available in a certain area, average transaction costs, rates of utilization for a given product or service, or consumer outcomes related to product or service use.

At the individual level, the measurement of financial inclusion should focus on the direct engagement between consumers and financial products or services. This includes examining the proportion of total payments made electronically, which reflects the degree of adoption of digital financial solutions among consumers. Additionally, evaluating average savings balances across different demographics can offer insights into the financial resilience of individuals, indicating their ability to weather financial shocks and save for future needs. Other useful measures include the diversity of financial products held by consumers, their credit scores, and the frequency of financial transactions. These metrics collectively provide a detailed picture of financial behaviors and needs at the individual level, illuminating pathways to enhance financial inclusion and stability.

System-level measures allow for an assessment of the structural and environmental factors influencing financial inclusion. The availability of financial services, as indicated by the density of bank branches per capita in various regions, highlights the physical accessibility of financial institutions. Meanwhile, the average transaction costs associated with accessing financial services could shed light on their affordability and the economic barriers that may deter engagement. Utilization rates for specific financial products or services are critical for understanding how well these offerings align with the needs and preferences of the target populations. Furthermore, analyzing consumer outcomes related to the use of financial products or services enables stakeholders to gauge the real-world benefits and impacts of financial inclusion initiatives, assessing not only usage but also the contribution of these services to improving financial well-being.

Integrating individual and system-level metrics is essential for identifying both the achievements and challenges associated with financial inclusion, enabling targeted interventions that address gaps at both the personal and systemic levels. For example, disparities in the physical and digital accessibility of financial services may call for policy or private sector initiatives aimed at enhancing infrastructure, whereas insights from individual-level data could inform the development of financial education programs designed to provide consumers with the knowledge to navigate the financial system effectively.

C.1.(c) Are there any intermediate benchmarks or indicators that should be tracked to measure overall progress toward financial inclusion?

The Alliance believes that intermediate benchmarks and indicators are important for measuring progress, identifying areas in need of improvement, and ensuring that the goal of accessible and beneficial financial systems for all, especially underserved communities, is being pursued effectively. One key area of focus is the rate at which new financial accounts are being opened, particularly among populations that have historically been underserved by the financial sector. This metric serves as a barometer for the success of outreach and education efforts and the appeal and accessibility of financial products tailored to these communities. Additionally, the expansion of digital financial services, especially in underrepresented rural and low-income urban areas, is another critical benchmark. As digital finance becomes increasingly integral to accessing a broad array of financial services, tracking the growth of digital infrastructure and adoption rates of digital banking and payment solutions can offer valuable feedback on strides towards digital inclusivity. Furthermore, improved financial literacy among target demographics

is essential, as it equips individuals with the necessary knowledge and skills to make informed financial decisions. Monitoring progress in financial literacy levels can help evaluate the effectiveness of educational programs and highlight areas where knowledge gaps persist. Another important benchmark is the reduction in the numbers of unbanked and underbanked individuals, which directly measures the success of initiatives aimed at widening access to basic financial services and products and is an indication that more individuals are able to participate in the financial system. Finally, the affordability of financial services, evidenced by changes in the cost of accessing and utilizing financial accounts and services, is crucial. Reducing these costs can eliminate significant barriers to financial inclusion, encouraging broader use of financial services among underserved groups.

D. Actions To Promote Financial Inclusion

D.1. Please describe examples of existing programs, initiatives, products, or services successful in promoting financial inclusion. Why were these effective and what are promising practices or other lessons learned?

A prime example of an initiative that has demonstrated remarkable effectiveness in advancing financial inclusion is the Expanding Black Business Credit (EBBC) initiative. This initiative has strategically focused on mobilizing deposits into Black-led banks and credit unions, directly addressing the systemic barriers that have historically limited access to capital for Black entrepreneurs. The effectiveness of EBBC can be attributed to its targeted investment approach and its reliance on the strengths of community-based financial institutions. This underscores a vital lesson: that addressing financial exclusion requires targeted, community-focused solutions that leverage local knowledge and infrastructure to meet the specific needs of underserved populations.

To that end, the Alliance believes a community-centric approach is paramount, recognizing that the most effective solutions are those designed with a deep understanding of the diverse needs of different communities. Furthermore, the success of these initiatives highlights the importance of partnerships between traditional financial institutions, community organizations, and fintech companies in amplifying the impact of financial inclusion efforts. Lastly, innovation in product design and service delivery is essential for making financial services more relevant and accessible to underserved populations. We believe our collective experience and insights show the potential for a restructured financial ecosystem that not only includes but prioritizes the prosperity and wealth-building of the most marginalized among us, ensuring that financial inclusion becomes a reality for all Americans.

D.2. What should be done to improve financial inclusion for underserved communities? (a) How can initiatives to promote financial inclusion be tailored to address the unique needs and preferences of underserved communities, and how can the financial system build trust among consumers who have been excluded? Please provide specific examples.

The Alliance believes that a commitment to financial literacy and education is absolutely necessary to improve financial inclusion. These programs should be designed to be accessible

and impactful, incorporating culturally relevant examples and integrated into the curriculums of schools within underserved areas. This early intervention can lay a critical foundation for financial stability that endures into the future. Equally important is the development and dissemination of financial products and services crafted to meet the specific needs of underserved communities. This involves the creation of banking solutions that are both affordable and accessible, such as low-fee or no-fee accounts, microloans with equitable interest rates, and credit-building products designed for those with limited or no credit history. CDFIs and Black-led banks have been at the forefront of providing these services, which extend beyond just banking to include financial counseling, support for small businesses, and microloans essential for community empowerment. Another important element is the building of trust among consumers, particularly those who have historically been marginalized or exploited by the financial system. This trust can be built through ensuring transparency in all financial transactions and products, with institutions making concerted efforts to communicate clearly about fees, interest rates, and the risks associated with financial products. Furthermore, forging partnerships with local organizations, leaders, and advocates can strengthen community ties, creating financial solutions that resonate with the specific needs and preferences of the community. Regulatory and policy interventions also play a role in advancing financial inclusion. Enforcing anti-discrimination laws in lending and credit, supporting the growth of CDFIs and minority depository institutions (MDIs), and incentivizing traditional banks to better serve underserved communities are essential measures. Moreover, policies that foster innovation while protecting consumers from predatory practices are critical for building a more inclusive financial ecosystem.

D.3. What can be done to enable responsible, equitable innovation in financial products and services that enhances financial inclusion while ensuring robust consumer protections, including privacy and data security? For example, could novel data sources, data analytic techniques or algorithms be leveraged to promote access to financial products while ensuring privacy protections and safeguarding consumer data? (a) What are examples of innovative financial products, services, and strategies that have enhanced individuals' ability to access, use, and benefit from these offerings? (b) What can be done (in financial institution practice, policy, regulation, or otherwise) to ensure that efforts to promote financial inclusion, or products marketed as inclusionary do not result in or perpetuate discrimination?

The Alliance believes that integration of privacy-by-design principles throughout the development of new financial products and services is essential. By embedding privacy and data protection considerations at every development stage, we can ensure the safeguarding of consumer information using encrypted data and secure processing methods. This not only protects consumer data but also enables the responsible use of advanced analytics to extend credit, reduce risks, and tailor financial services to the specific needs of individuals. Additionally, the utilization of alternative data in credit scoring has opened up new avenues for individuals without traditional credit histories or with thin credit files to access loans.

The Alliance also believes several measures are imperative to ensure that innovations in financial products and services authentically advance financial inclusion without inadvertently leading to or reinforcing discrimination. For example, enhancing regulatory oversight is crucial to ensure

compliance with existing consumer protection laws and regulations, including conducting thorough bias testing in algorithms and establishing transparent criteria for credit decisions to eliminate discriminatory practices. Moreover, it's important for institutions developing these products to adopt inclusive design and development processes that reflect the diverse needs of underserved populations from the beginning. Guidelines and best practices can facilitate this approach, emphasizing accessibility, usability, and fairness. Further, collaboration among regulators, financial institutions, consumer advocacy groups, and other stakeholders is important in developing standards and frameworks that encourage responsible innovation while addressing privacy, data security, and equitable access risks. Finally, a dedicated effort to monitor and assess the impact of these financial innovations on inclusion and consumer protection over time is necessary. This should involve gathering data and feedback from users to guide policy, regulation, and the future design of financial products.

This approach not only broadens access to financial products and services but also ensures that the advantages of innovation are equitably shared across society, furthering the objectives of financial inclusion and consumer protection.

D.4. What should be prioritized (in policy, regulation, practice or otherwise) in the effort to promote financial inclusion? (a) In your view, what are the most significant opportunities to advance financial inclusion both broadly and for underserved communities in particular? Please provide specific examples.

First and foremost, policy and regulation should emphasize the importance of enhancing access to banking and credit for underserved communities. This can be achieved through support and expansion of Black-led CDFIs and MDIs, which play critical roles in providing financial services to marginalized groups. For example, the creation of a fund or grant program aimed specifically at bolstering the lending capacity of Black-led CDFIs and MDIs could significantly increase their ability to serve underserved communities. Also, policies that encourage mainstream financial institutions to partner with CDFIs and MDIs can extend the reach of these vital services. Also, addressing and mitigating risks of financial exclusion, particularly those arising from bias or discrimination in lending and credit decisions, is essential. Implementing regulations that ensure transparency and fairness in the algorithms used for credit scoring and lending decisions is necessary to prevent these technologies from perpetuating inequality. Finally, the establishment of mechanisms for the continuous monitoring and evaluation of financial inclusion efforts is crucial for assessing their effectiveness and making necessary adjustments. A national task force dedicated to financial inclusion could play a key role in this process, tasked with collecting data, identifying best practices, and formulating policy recommendations to advance financial inclusion.

D.5. What roles should the public, private, and nonprofit sectors play in promoting financial inclusion?

The public sector, including federal, state, and local government entities, is foundational in setting the stage for financial inclusion through the creation of a conducive regulatory and policy framework. This sector's responsibilities extend to crafting and implementing policies aimed at encouraging financial institutions to meet the needs of underserved communities. Key initiatives

could encompass the modernization of banking regulations to ease access to financial services, the provision of incentives for banks and financial institutions to establish operations in economically disadvantaged areas, and support for the growth and operational scaling of Black-led CDFIs and MDIs.

The private sector, including banks, credit unions, and other financial service providers, also plays an important role in reaching financial inclusion goals. This sector's ability to drive innovation and offer customized financial products and services is pivotal in meeting the varied needs of underserved communities. By leveraging technological advancements, the private sector can develop accessible and user-friendly banking solutions, such as mobile banking apps, thereby mitigating physical and psychological barriers to banking access. Additionally, private financial institutions are in a position to adopt responsible lending practices, explore alternative credit scoring models that accommodate non-traditional credit information, and design financial products characterized by transparency and minimal fees. Collaboration between the private sector and Black-led CDFIs or MDIs further amplifies the reach and impact of financial services, extending them to marginalized population segments.

Nonprofits are instrumental in facilitating partnerships between the public and private sectors, ensuring that financial inclusion initiatives are committed to meeting the actual needs and preferences of the communities they are designed to serve. Additionally, nonprofits play a critical role in raising awareness about financial inclusion's significance and galvanizing community support for these initiatives.

The Alliance believes that collaboration is required to promote financial inclusion. Together, these sectors can address the systemic barriers to financial inclusion, develop inclusive financial products and services, and ensure that individuals and communities have the tools and resources they need to achieve financial stability and prosperity.

D.6. In your view, what should a national strategy for financial inclusion contain or aim to accomplish?

A national strategy for financial inclusion should serve as a roadmap, designed to systematically address the barriers that prevent individuals and communities from accessing and benefiting from the financial system. It should prioritize the establishment of a clear regulatory and policy framework that encourages the expansion of financial services to underserved populations. This includes modernizing existing banking and financial service regulations to accommodate and promote innovative delivery mechanisms. Additionally, the strategy should advocate for policies that incentivize financial institutions to serve lower-income communities and support the growth of Black-led CDFIs and MDIs, which play a crucial role in bridging the gap between mainstream financial services and marginalized groups. A national strategy should also focus on financial literacy and education, as a well-informed populace is empowered to make prudent financial decisions, manage risks effectively, and seize financial opportunities that arise. A national strategy should also encourage collaboration among traditional financial institutions, fintech companies, and community organizations can lead to the development of accessible, affordable, and relevant financial solutions designed to meet the unique needs of those currently outside the financial mainstream. Finally, the strategy should set clear benchmarks and goals that allow for

the monitoring of progress and the identification of areas requiring further intervention; this ensures that the strategy remains responsive to emerging challenges and opportunities, thereby sustaining its relevance and effectiveness over time.

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On behalf of the African American Alliance of CDFI CEOs, we thank you for the opportunity to provide input on the development of a national strategy on financial inclusion. Please do not hesitate to contact us for clarifying questions or comments.

Sincerely,

A handwritten signature in black ink, appearing to read "Lenwood V. Long, Sr.", written in a cursive style.

Lenwood V. Long, Sr.
CEO, African American Alliance of CDFI CEOs