



February 20, 2024

Natalia Li
Director, Office of Consumer Policy
Department of the Treasury

RE: Request for Information – Financial Inclusion (Docket No. TREAS-DO-2023-0014)

Dear Ms. Li,

On behalf of NeighborWorks America (statutorily the Neighborhood Reinvestment Corporation) I want to thank you and the Department of Treasury (“Treasury”) for engaging the public and seeking out the expertise of industry and community stakeholders in your development of a national financial inclusion strategy. Please note that these comments were developed in consultation with members of the NeighborWorks network but have not been submitted to or approved by NeighborWorks America’s Board. They reflect the view of NeighborWorks America management and do not necessarily represent the views of its Board members, either collectively or as individuals.

NeighborWorks America (NeighborWorks) is a Congressionally chartered nonprofit organization established in 1978. NeighborWorks America supports a network of nearly 250 nonprofit housing and community development organizations, which provide on-the-ground service to families and communities in every state, the District of Columbia, Puerto Rico, and on Native lands. These organizations develop service-enriched rental housing to address affordable housing needs, spearhead community stabilization and engagement activities to revitalize neighborhoods affected by economic downturn or natural disasters, and work to rebuild pathways to improved credit, savings, and sustainable homeownership for low- to moderate-income families and families of color. Financial capability is a core component of this work, and in FY 2023 NeighborWorks organizations provided 11,600 customers with financial capability services.

Financial inclusion is paramount to the success of both communities and households, and NeighborWorks encourages Treasury to maintain this dual focus when constructing a comprehensive national strategy. As noted by Congress in instructing Treasury to undertake this process, access to financial services among underserved communities must be broadened in such a way as to improve the ability of these communities to not only use, but also specifically benefit from, financial tools and services. The modern financial service landscape is highly technical and interdependent, so inclusion must be considered through a systems lens.

Answers to selected questions from the RFI follow.

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?

All consumers, regardless of income, should have unfettered access to a range of safe financial products and services. Financial inclusion must include meaningful, enabled choice, wherein consumers have access to a complement of options that can meet their needs, including for credit building and improvement, savings, home purchase, entrepreneurship, wealth building, and more.

Products with flexible and consumer-friendly terms are key to financial inclusion. Gateway products like secured credit cards and loans are essential as credit-building products, helping customers establish or improve their credit profile and unlock other types of financial products. Consumers should also have easy access to low-risk savings products like money market accounts and certificates of deposit, with terms that benefit the consumer.

Financial inclusion must focus on access, ensuring equitable opportunity to participate in financial products and services. Particularly in underserved communities, many products and services are not readily available. Access must also include protections against predatory products and terms, helping consumers to safeguard themselves against products or services that would harm their financial well-being.

In marginalized communities where consumers and their neighbors, family members, and friends may have been excluded from mainstream financial services or preyed upon by unscrupulous actors, a source of trustworthy financial information is critical. Trained financial coaches help consumers set and achieve their financial goals. When they work with a financial coach, consumers take charge of their financial lives with an unbiased coach helping them understand their options and make behavior changes that stick. Using a consumer-driven, nonjudgmental approach to finances, coaches help people control their futures and chart a path to build wealth, which is particularly influential for people who did not grow up with models of healthy, stable financial behaviors because their communities were systemically excluded from economic opportunities.

(B)(3) What barriers do underserved communities in particular experience in accessing, using, and benefiting from financial products and services?

Underwriting – For many low-income consumers, their past financial circumstances continue to have negative impact on their current access to products and services, or the terms upon which they are offered. Low-income consumers are much less able to absorb financial shocks like a dip in income or an emergency expense. These shocks can have long-lasting negative impacts on credit ratings. Increased access to tailored second-chance products with reasonable terms can help create inclusive opportunities for consumers who have overcome a financial challenge and regained stability.

Emerging categories of data for underwriting, such as cashflow or utility or rent payments, would benefit from standardization and consumer education and choice. These new data should be easier for lenders to use, and consumers should be informed when their data is being used to impact the cost of their financial services.

Language – Language can be a serious barrier to access, either when products and services are offered only in English for Limited English Proficiency consumers or when the terminology used is overly complex. Providing appropriate translation to access products, and using plain, consistent language to explain terms and conditions allows consumers to make informed choices and builds trust between communities and financial institutions. Delivering services in languages preferred by the communities served is another way of building trusting relationships and lowering barriers to access financial services and products.

Awareness – In many cases, lower-income communities have weaker ties to mainstream financial institutions. To bridge these gaps, these institutions need to engage in direct and intentional marketing to make potential consumers aware of the products and services that are available. Building deep relationships with local community development organizations to understand the community and its needs can help make consumers aware of safe, affordable financial products and help financial institutions identify opportunities to better serve the community. Financial coaches who are often employed by such community organizations have rich insights about consumers financial behaviors, and can help bridge gaps between consumer needs and mainstream product and service offerings.

Delivery – Rural communities and Native lands are often banking deserts with few or no brick-and-mortar institutions present. In many places, traditional banks are not present, leaving payday lenders and others offering predatory services as the only option for addressing immediate needs. In the absence of physical bank branches, online service can fill some gaps, but digital divide issues persist, particularly for marginalized communities. Whether it's lacking access to devices and broadband or simply not having the facility to navigate online, low-income communities, and particularly seniors, are often left without meaningful access to services.

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?

Through decades of service in communities, NeighborWorks has deep experience with developing programming and services that meaningfully address the needs of underserved communities. In general, these services are most successful when they meet needs identified by the community, are delivered through trusted partners, and are flexibly tailored to meet participants where they are. Examples of effective programs and services offered by NeighborWorks network organizations include:

- Financial coaching
- Rent reporting for credit building
- Matched savings
- Free tax preparation in partnership with VITA
- ITIN products
- Credit cards backed by savings accounts
- Specialized lending done by CDFIs (e.g., a partnership in Minneapolis, MN offers [small credit builder loans](#) with no interest charged and a franchised model of payday lending alternatives through [Community Loan Centers](#))
- Financial education classes
- Connecting financial education and coaching with utility and rent assistance through local programs.

D(2)(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.

Redressing histories of exclusion and discrimination requires deep, focused work through intentional outreach and relationship building. Financial institutions must demonstrate their sincerity through authentic engagement to understand potential customers and their needs. Some effective strategies to develop trust and build relationships include:

- Partner with organizations and institutions that already have the community's trust;
- Begin engagement by listening and understanding the needs of the community;
- Maintain a physical presence, either through a physical outlet or by being visible at community events;
- Engage in the preferred language of the community;
- Demonstrate that the available products and services that actually benefit LMI communities;
- Acknowledge that representation matters and ensure that staff reflect the communities served;
- Commit to clear, simple language for communication and
- Share success stories, particularly through testimonials from successful clients.

D(2)(c), what would you or your organization need (for example, information, resources, policies, regulatory actions, etc.) to be able to better meet the financial needs of underserved communities? Please provide specific examples.

Like with many other efforts requiring deep work with communities, relationship-building work needs to be adequately and patiently resourced. Financial coaching as an industry would benefit from professionalization, and from recognition as a stable foundation that helps consumers at every point on the financial spectrum navigate changing economic conditions and opportunities to achieve their individual financial goals. The [National Industry Standards for Financial Capability](#) offer a strong starting point for professionalization. Similar efforts have borne fruit for the housing counseling field, and additional support and resources to continue to add capacity for high quality financial capability counseling and coaching would tremendously benefit financial inclusion.

At the systems level, there is significant opportunity to align and connect between organizations working n the ground and existing programs that complement financial coaching, such as HUD’s Family Self-Sufficiency (FSS) program which provides a package of supports and incentives, and the IRS’ Volunteer Income Tax Assistance (VITA) program. Other federal systems that can be leveraged for greater inclusion are the Federal Home Loan Banks, where more outreach could get additional bank members to participate in targeted programs like matching funds for downpayment assistance. Transparency around the Community Reinvestment Act performance of banks and federal facilitation of additional opportunities for community partnership could also be an opportunity for significant financial inclusion.

Additional efforts could include more consistent and available [matched savings](#) and Individual Development Account (IDA) programs from banks, products that are highly sought after but difficult to locate. Community development organizations regularly share tips and program design suggestions about matched savings programs, which they then have to request from bank partners. More banks offering matched savings programs which community development organizations could incorporate into their financial capability efforts would reduce program planning time and friction for nonprofits.

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?

Erring on the side of consumer choice and control is a key element of protecting consumer privacy. Making it easy for consumers to opt-in to allowing more of their data to be used, but leaving the final decision in their hands, helps consumers know which of their activities are being monitored and where their information is being stored. In cases where algorithms are correlated with race or ethnicity, consumers should have low-friction pathways to using alternative criteria outside of big data to gain access to the same financial products.

D(3)(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 discriminatory or predatory practices?

SPCPs are a critical tool for expanding access in an intentional and defined manner. SPCPs are critical to expanding inclusion, but care must be taken to ensure that they offer terms and conditions equivalent to those of mainstream products. It is essential that these tools are not used to create a parallel but segregated financial services landscape.

D(4)(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.

Serious progress on financial inclusion will require partnerships between financial institutions and community organizations. These partnerships will leverage the expertise and relationships of community organizations with the capacity and resources of financial institutions to develop products and services that address underserved consumers' needs, support the availability and professionalization of financial coaches, and expand the delivery channels for financial products and services.

We look forward to continuing to partner with you, the financial sector, the NeighborWorks network, and other community stakeholders as we work towards a collective future where all Americans enjoy meaningful, beneficial access to an inclusive and safe financial system.

Sincerely,



Marietta Rodriguez
President & CEO
NeighborWorks America