Independent Women's Forum®

— TOP TAKEAWAYS —

Protecting Lending Services for Unbanked, Low-Income Americans

INFLATION AND REGULATION HARM UNBANKED AMERICANS

- Unbanked and underbanked Americans are left vulnerable amid record inflation and financial regulatory policies that restrict access to non-traditional banking services.
- While most Americans use banks for their monetary needs, the Financial Deposit Insurance Corporation estimated that 5.4 percent of U.S. households (about 7.1 million) were unbanked in 2019.
- Non-Asian minorities, low-income households, less-educated households, young households, and households with disabled members are more likely than others to be unbanked, according to the FDIC. Barriers to accessing other financial resources impact these groups the most.

UNBANKED AMERICANS RELY ON ALTERNATIVE FINANCIAL SERVICES

- Unbanked households most often turn to services other than those offered by banks due to a lack of funds to maintain minimum balance requirements.
- Common products used by unbanked households include check protection services, prepaid creditor debit cards, and short-term installment loans.
- Although alternative financial services are sometimes criticized, people rely on them in a high-tech economy where otherwise they would depend on underground avenues like the black market.

POLICYMAKERS SHOULD SUPPORT CONSUMER CHOICE

- Instituting a national interest rate cap would prevent low-income Americans from accessing loans to pay the bills for necessities like water and electricity.
- By limiting the choices of unbanked Americans, policymakers leave consumers with fewer options and potentially force them into riskier and costlier alternatives.
- Policymakers should pursue reforms such as supporting community banks, giving consumers the ability to choose which services suit their present needs.

Click HERE to read the full policy focus and learn more about protecting lending services for unbanked, low-income Americans.