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UNBANKED AND CREDIT INVISIBLE: BUILDING FINANCIAL INCLUSION FOR AMERICA'S UNDERSERVED POPULATIONS

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THURSDAY, MARCH 17, 2022

U.S. SENATE,
SPECIAL COMMITTEE ON AGING,
Washington, DC.

The Committee met, pursuant to notice, at 9:31 a.m., via Webex and in Room 562, Dirksen Senate Office Building, Hon. Robert P. Casey, Jr., Chairman of the Committee, presiding.

Present: Senators Casey, Gillibrand, Blumenthal, Rosen, Tim Scott, Braun, and Rick Scott.

OPENING STATEMENT OF SENATOR ROBERT P. CASEY, JR., CHAIRMAN

The CHAIRMAN. Good morning. The hearing will come to order.

Today, we examine barriers that prevent our Nation's seniors and people with disabilities from being banked, from establishing credit and building wealth. Seniors and people with disabilities need a bank account to safely deposit their paychecks and Social Security benefits. Yet, millions of Americans, including 1.1 million older adults and 1.7 million people with disabilities, are unbanked. In my home State of Pennsylvania, there are 235,000 Pennsylvanians without a bank account. Similarly, millions of Americans are credit invisible, meaning they do not have a credit history or they have what we call a "thin file."

Many of these families live paycheck to paycheck or benefits check to benefits check, because they are excluded from our mainstream financial system, they pay high fees for financial services such as cashing a check. They often rely upon expensive alternative services to pay their bills, and they are exposed to abusive lenders and even fraud.

To address these challenges, I have introduced legislation that will provide all Americans, including those who are underserved, with opportunities to build wealth. This includes the Young American Savers Act, Senate Bill 2206, that would provide children under the age of 18 with a savings account, putting them on a path to a stronger economic future.

It also includes the Achieving a Better Life Experience Act, known as the ABLE Act, which was signed into law back in 2014. ABLE accounts make it possible for a person who acquires their disability prior to the age of 26 to save without risking loss of their Federal disability benefits.

Along with Senator Moran, I am working to extend access to these vital ABLE accounts through the bipartisan ABLE Age Adjustment Act. That is Senate Bill 331. This important bill would allow those who acquire their disability prior to the age of 46 to save for their futures.

While we all need to help Americans find opportunities to save, we also must ensure they have the information they need, the information to make good financial decisions. This is why today, along with Ranking Member Scott, I am releasing this booklet. Here is the title of it if you cannot see it from a distance, Building Financial Literacy: Information and Resources for People with Disabilities. This booklet is something I am proud to introduce with the Ranking Member today. It is intended to help people with disabilities to become banked, to build credit, to manage debt, and to deal with other common financial issues.

Still, there are other perils in our financial system. This includes unscrupulous con artists who seek to steal seniors' hard-earned savings. Congress took an important step forward in that fight last week with the passage of the Stop Senior Scams Act. I want to thank Ranking Member Scott and Senators Kelly and Moran for their partnership on this legislation. It became part of the spending bill, the omnibus bill, that passed last week. This effort, by virtue of this bill, will provide businesses with new tools to prevent seniors from being scammed, but there is more work to do.

As we will hear today, millions of Americans, millions of seniors and people with disabilities, remain stranded on the sidelines of our Nation's financial system. We have a responsibility to right this wrong. I look forward to hearing more from our witnesses.

Now I will turn to our Ranking Member, Senator Scott.

OPENING STATEMENT OF SENATOR TIM SCOTT, RANKING MEMBER

Senator TIM SCOTT. Thank you, Mr. Chairman. Thank you for proving to the University of South Carolina health policy students that many things in America, and certainly in the Senate, continue to happen on a bipartisan fashion.

There is no doubt that when you are not in Washington, DC.—and too often you hear through the screens in your homes or in your dormitories how polarizing or divisive Republicans and Democrats are in the United States and in the Congress. This Committee, particularly, consistently acts in bipartisan ways so as to serve Americans, not Red States or Blue States, not Republicans or Democrats, but we literally spend a lot of time working together to provide solutions to the concerns that everyday Americans are suffering through. I appreciate your leadership in a bipartisan fashion and certainly thank you for holding the hearing that we are having today.

Nearly 40 million Americans, 40 million Americans, are credit invisible, meaning they have no or little credit history. Credit-invisible Americans have a hard time getting approved for loans or finding a place to stay. A lack of credit can even impact your ability to get a job. Yes, 39 states, including South Carolina and Pennsylvania, allow employers to deny applicants a job based on their credit history.

For the majority of families, having a bank account, you would think of that as just a given. 5.4 percent of our fellow Americans are without a bank account. In South Carolina, 41 percent of households making under $30,000 have limited or no ties to the banking system—18.3 percent of people with disabilities and 5 percent of individuals who are 55 years of age or older are unbanked. Almost 17 percent of African Americans are unbanked.

Thirty-one-plus percent of unbanked earn less than $15,000 a year. Think about that, less than $15,000 a year—20.8 percent of unbanked folks do not have a high school diploma. Unfortunately, it is truly expensive to live in poverty or to be poor in America.

Homeless individuals have a particularly difficult time opening a bank account. I have heard stories from social workers who are trying to help South Carolinians who are homeless find a bank account, trying to get the relationship that is so important, unable to do so because they lack an address. In other cases, a homeless individual may lack proper identification to comply with the rules of opening up an account.

Credit-invisible Americans are less likely to be in a position to save for their future, to save a rainy day fund, or to save for their retirement. People who are credit invisible do not usually have bank accounts. They rely on cashier's checks, payday lenders, or pawn shops for their financial needs.

Let me say that in a different way. When you are using alternatives to our banking system, the fees associated with those alternatives can add up to about $40,000 over a lifetime. Now think about $40,000 worth of fees, not interest, just fees to get the loans that you need. Those fees, for someone making under $15,000 a year over a lifetime, which is 15 times 40 years of working, $600,000, that is nearly 7 percent of your income, lifetime income, going to fees.

That is why innovation and creativity in the space of the credit invisible is so incredibly important and one of the reasons why we highlight the work that we see in Columbia, South Carolina, from Optus Bank. They have tried to help with this very important issue. They believe that all people should have access to the American dream, not just those born into the right circumstances or on the right side of the tracks. This bank offers a checking account with no minimum account balance, no fees, even as little as $100 in an account.

Another way that we have to continue to work toward making sure that the credit invisible become visible is by introducing legislation that I have with Joe Manchin, the bipartisan Credit Access and Inclusion Act, in order to help more Americans obtain and keep credit history. It allows landlords, telecom companies, and utility providers to report on-time payments to the three major credit bureaus. This common-sense piece of legislation will help millions of Americans who do not have traditional credit histories but have demonstrated they have creditworthy behavior, which will help them lower their interest rates while keeping more of their hard-earned dollars.

A second bill I introduced with Senator Cortez Masto, the Expanding Access to Lending Options, gives credit unions more flexibility in the types of loans that they can offer to find a way to help those who desperately need assistance.

Chairman, once again, thank you for holding today's hearing and to the University of South Carolina, "Go Cocks."

The CHAIRMAN. We do welcome the students here from the University of South Carolina. I am little concerned that at least three individuals do not have a seat, but maybe we can remedy that.

Senator TIM SCOTT. Maybe we will allow them to sit there and testify before the hearing today. I know those three students are ready. I can look at their faces and tell that they are ready to walk out the door, too. Thank you all for coming.

The CHAIRMAN. If they are ready to testify, I hope the rules provide that, but—well, thanks very much.

I also want to acknowledge Senator Rick Scott who has joined us online. We are going to be having members join us in person or virtually today. So we are grateful for their presence on a busy day when Senators are moving between hearings and meetings and then later in the day some votes.

Let us start with our witness introductions. Our first witness is Lori Trawinski. Lori is the Director of Finance and Employment at the AARP Public Policy Institute. She has her Ph.D. in Economics and Finance from Catholic University and is a certified financial planner. She is an expert in mortgage lending, consumer debt, and financial reform.

Dr. Trawinski, thank you for being here with us.

Now I will turn to Ranking Member Scott to introduce our next witness.

Senator TIM SCOTT. Thank you, Mr. Chairman. I would like to introduce Stephen Gilchrist. Stephen's focus on financial inclusion is critical. He understands the importance of this issue, and he thrives because he loves and has passion for making sure that people have access to opportunity.

Mr. Gilchrist comes from Columbia, South Carolina. He serves as the Chairman and the CEO of the South Carolina African American Chamber of Commerce. The Chamber focuses on the significant needs of both large and small minority-owned businesses. His experience leading the South Carolina African American Chamber and as a local small business owner himself gives him a unique insight on the needs of the unbanked and the credit invisible. He is a member of Mastercard's Master Your Card Corporate Advisory Board, which works to address concerns of the unbanked.

Mr. Gilchrist works for his community in many ways: Minister of music at St. Matthew's United Methodist Church—now I know why he never asks me to sing in public—and Good Hope Wesley United Methodist Church in Camden, South Carolina, formerly served as Chairman of the Planning and Zoning Commission in Richland County. In 2020, Mr. Gilchrist was appointed to serve on the United States Commission on Civil Rights.

Under his leadership, the South Carolina African American Chamber has worked with its members to reduce barriers for minority and majority businesses alike to engage with the financial systems. In his testimony, we will hear Mr. Gilchrist talk about the challenges of minority businesses who are unbanked and the role financial technology companies have played in helping unbanked businesses thrive. We look forward to his testimony.

The CHAIRMAN. Thank you, Ranking Member Scott. Our third witness is Kai Stinchcombe. Kai is the co-founder and CEO of True Link Financial. Kai was inspired to develop the company and its services after Ruth, his grandmother, was scammed, and the services are designed to encourage continued independence while also putting in place financial protections, so we want to thank Mr. Stinchcombe for sharing your expertise with us today.

Our fourth witness is Shelley Jaspering. Shelley is a disability advocate from the State of Iowa. She experienced an accident that severed her spinal cord when she was just 28 years old and has used a wheelchair ever since that time. As a person with a disability, Shelley understands the need for access to financial services and the challenges to saving.

Thank you, Shelley, for being with us today and sharing your story with the Committee.

We will start with our first witness. Dr. Trawinski, you may share your statement.

STATEMENT OF LORI TRAWINSKI, Ph.D., DIRECTOR OF FINANCE AND EMPLOYMENT, AARP PUBLIC POLICY INSTITUTE, ALEXANDRIA, VIRGINIA

Dr. TRAWINSKI. Thank you. Chairman Casey, Ranking Member Scott, and members of the Committee, thank you for the opportunity to testify on behalf of AARP, our 38 million members, and all older adults nationwide. I am Lori Trawinski, Director of Finance and Employment at the AARP Public Policy Institute.

Today's hearing is about people and the issues they face when they are unbanked and when they are credit invisible and have no access to affordable credit. It is about the importance of building financial inclusion for America's underserved populations.

Think about these words, "unbanked" and "invisible."

Unbanked—many of us might not know what it feels like to be unbanked. Did you ever forget your wallet and phone and then realize you have no money or credit cards or debit cards with you? You are standing at the cash register, a cart full of groceries, and there is a huge line behind you, and what do you do?

You are left there with not many choices. You have to figure out a way to pay for your food. You might look at the guy next to you, the loan shark there. He might be willing to lend you some money, but he will charge you 150 percent interest, and then he might follow you home or to your office until you pay him back.

That is what it feels like to be unbanked. For someone without access to a savings or checking account, it feels like that every day, all the time.

Invisible—have you ever been in a meeting and no one even notices you are there? Everyone else got to ask a question, but when you raised your hand, no one saw you. You felt invisible.

To be credit invisible means that the credit rating agencies do not see you, and that means when you go to borrow money or try to get a credit card, you will be denied. It is like you do not exist.

That is the story of financial inclusion in America. Some people have access to the mainstream banking system while others do not.

In 2019, the FDIC found that 7.1 million American household were unbanked and approximately 3.1 million of those were headed by someone age 50 and older. People with disabilities are more likely to be unbanked than people who do not have a disability. There are also significant differences in unbanked rates based on race and ethnicity, with White and Asian households less likely to be unbanked than other groups. Differences were also observed by residence location, with urban households and rural households having higher unbanked rates than those in suburbia.

Some of these differences can partly be attributed to decreases in access to brick-and-mortar banks. The National Community Reinvestment Coalition found that more than 4,000 bank branches closed between March 2020 and December 2021. Branch locations are important not just for individual consumers but also for small businesses within the community.

Another factor that affects access to bank accounts is broadband internet access, and for many rural communities, high-speed internet access is still not available, and for other households, broadband internet access is simply not affordable.

One reason some households are unbanked is cost. Many consumers said they do not have enough money to meet minimum balance requirements and that high fees are unaffordable.

Access to credit is another part of financial inclusion. CFPB research found that 26 million people were credit invisible and an additional 19 million were found to be credit unscorable, leaving both groups without access to low-cost products. When people have no credit score or a low credit score, it can affect them not only when trying to obtain credit but also when seeking employment, rental housing, buying auto or homeowner's insurance, obtaining cell phone service, and accessing utilities without a deposit.

Financial inclusion also requires protections for all consumers, particularly people with diminished capacity and other vulnerable consumers who are targets of financial exploitation. More information and data can be found in my written statement.

Thank you for the opportunity to testify and share AARP's views on these important issues. We look forward to working with you to ensure that all consumers, especially older consumers and people with disabilities, are included in our financial system and have access to high-quality financial products that are safe, readily accessible, and affordable. I will be happy to answer any questions.

The CHAIRMAN. Dr. Trawinski, thank you very much for your testimony.

We will turn next to Mr. Gilchrist. You may begin your statement.

STATEMENT OF STEPHEN GILCHRIST, CHAIRMAN AND CEO, SOUTH CAROLINA AFRICAN AMERICAN CHAMBER OF COMMERCE, COLUMBIA, SOUTH CAROLINA

Mr. GILCHRIST. Thank you, Mr. Chairman, and good morning, Senators. Chairman Casey, I want to thank you and my great Senator from South Carolina, Senator Tim Scott, for allowing me to make a few comments here today.

As you know, the pandemic has been hard on a lot of Americans, particularly those that were vulnerable before the virus. For example, our elderly and those with preexisting conditions, and our small and minority-owned businesses, just to name a few, have seen incredible setbacks due to this disease. In fact, prior to the pandemic's onslaught, Mr. Chairman, I had the privilege of representing over 15,000 African American chamber members in my beloved State of South Carolina. As I sit here today, I can report that we have lost nearly 40 percent, 40 percent, of those businesses.

As this Committee attempts to address ways in which to help the unbanked and underbanked in our country, it is important to remember that many of these individuals are business owners. At the onset of the pandemic, our chamber had to think creatively about how we could help our members in a very fast-changing environment. Stay-at-home measures were put in place, and person-to-person business transactions became even more remote. Many of our members were not part of the traditional banking experience, and conversely, consumers began to rapidly use digital services for their goods and services, and these rapidly changing environments are hard for anyone but particularly our most fragile and vulnerable entities.

Our Chamber was very fortunate to have a relationship with Mastercard. We know it as a credit card company, but the company's vice president, during a visit to South Carolina, described Mastercard as a technology company.

We were very interested in this concept, Mr. Chairman, particular as technology was and is revolutionizing the way we do and transact business. We believed then, as we do now, that it is essential to aid these small businesses with tools and resources necessary to navigate through these remarkably challenging times. We have learned how electronic payment technology can be a valuable tool for addressing needs of the unbanked and underbanked, and according to research done by the FDIC and Mastercard, evidence shows that large populations throughout the rural South need better access to financial tools for financial stability and upward mobility.

While we need to expand the concept of creditworthiness, we also need to continue to bring those outside the mainstream banking system into the financial mainstream, so there are two key tactics, Mr. Chairman, that will be critical to this work, we believe.

First, we believe it is important to work with fintech companies to connect unbanked and underbanked individuals with emerging technologies that can supply low-cost financial services for working people.

Second, we believe that developing tailored financial products and services for individuals on the economic margins, to include seniors, people with disabilities, and other vulnerable adults, is critically important. We must also seek to utilize products and services that require low minimum balances and carry low or no fees. For small and rural businesses in America, accepting more electronic payments can help expand revenue, with online purchasing improving cash-flow and streamlining accounting.

The Chamber's goal is simple. It is to develop strategies to help ensure that not only business owners, but low-to moderate-income residents, can keep more of their hard-earned money. This was an essential element increasing the standard of living for hundreds and thousands of residents, particularly in the South and in rural communities all across our country.

Mr. Chairman, I am going to conclude my remarks by saying that the pandemic has been something our country has not experienced in most of our lifetimes, but we are all blessed to still be here. In South Carolina, we did lose a lot of businesses, but we did not lose the very thing that makes our country great, which is our entrepreneurs.

I want to thank you and this Committee for your time and attention to this matter today. Thank you, Mr. Chairman and members of the Committee.

The CHAIRMAN. Well, Mr. Gilchrist, thank you for your statement and thanks for your witness, your presence today as a witness.

We will turn next to our third witness, Mr. Stinchcombe. You may begin.

STATEMENT OF KAI STINCHCOMBE, CEO, TRUE LINK FINANCIAL, HEALDSBURG, CALIFORNIA

Mr. STINCHCOMBE. Chairman Casey, Ranking Member Scott, members of the Committee, thank you for inviting me to provide testimony on an issue that is very near to my heart.

My story begins with my grandmother, Ruth Heimer. She was born in 1921 in Rensselaer, Indiana. She worked as a missionary and taught music at the church school. She died of Alzheimer's 2 years ago at age 98.

Over this journey, her ability to make financial decisions decayed. Inherently, with Alzheimer's, if you are unable to form new memories, you are unable to budget. If you cannot remember what you did this morning, you have no recollection of having spent money, and so your budget always seems full.

For my grandmother, this took the form of runaway charitable giving. Historically, she had donated $10 a few times a month to help feed hungry children or support injured veterans. Now that she had Alzheimer's, when she received solicitations for money by mail or by phone, she would always donate, often multiple times per day.

With her runaway spending, the bank said she would have to close her bank account. The experience of memory loss is already heartbreaking. With the loss of financial independence layered on top, it is devastating. Taking away her bank account would mean she could no longer go to the movies, shop for her own groceries and cook her own food, go out for ice cream or pizza.

What she needed was a new way to bank, invest, and pay for things that would enable another person, my mom in this case, to support her decisionmaking. With my mom in the loop, she would be able to continue to buy groceries, go to the movies, go out with her friends, but not make repeated charitable contributions.

This insight was the spark for my company, True Link. Ten years later, we have helped 200,000 families through moments like these. We expanded our work to those with special needs, recovering from addiction, managing mental health challenges, and people with other types of disabilities. We also support around 8,000 care professionals who help these demographic groups in managing their finances. We have enabled about a billion dollars of safe purchases, and our investment arm manages about a billion dollars of assets.

Every single person deserves access to high-quality banking services regardless of their age, disability, income, or wealth. In the course of providing our service, we learned the story of the dad who can continue to have coffee with his Army buddies once a week as he has done for 40 years, about a young woman whose parents never expected her to be able to make a purchase on her own, about a mom whose son had spent all his money on drugs and was sleeping in his car, but she could still help him buy gas so at least he would not be cold that winter. We learned that just like there is no person who can make 100 percent of decisions entirely on their own there is no person who should have zero percent input into the decisions that govern their life, and we learned that independence is not needing no help; it is having access to the help you need.

Reflecting on these 10 years since the company was founded, we have come to better understand the size and scope of the problem and the opportunity available in addressing it. The total population of family caregivers is 44 million, about 1 in 3 households. These customers come from every walk of society, rich and poor. One in three small business owners, for example, is helping an aging parent manage their finances.

It is a problem that the private sector should be eager to solve. Why then is this population still so underserved? Much of it is awareness of the category, the opportunity, and the solution, but we also need government to give permission to the private sector.

From a financial services perspective, legal competence is binary. Either someone is legally competent or they are not. If competent, they are responsible for everything that happens in their account. In contrast, if you are judged not to be competent, you may not be allowed to write a check or sign a credit card receipt, and in either case, the financial services industry has washed their hands. We need both permission and encouragement from the regulators to see those areas in between zero percent and 100 percent.

Similarly, we need to think about who steps in when a person needs support, how to address the role of the caregiver. One very helpful thing was a safe harbor for enabling a bank to bring in a trusted caregiver in cases of suspected elder abuse through the interagency guidance, the CFPB Advisory and ultimately the Senior Safe Act. We need to expand these safe harbors. When a bank is working with a trusted caregiver, they know they will be punished if they trust the wrong person but they will never be rewarded for trusting the right person. A public policy of understanding the role of family and professional caregivers and supporting banks who get caregivers involved is very needed, and with those observations, I will wrap up. Thank you for your time and your attention to this very important issue that profoundly affects the lives of millions.

The CHAIRMAN. Thank you, Mr. Stinchcombe, for your testimony and your presence with us today.

We will turn next to our fourth and final witness, Ms. Jaspering.

STATEMENT OF SHELLEY JASPERING, DISABILITY ADVOCATE, AMES, IOWA

Ms. JASPERING. Good morning, Chairman Casey, Ranking Member Scott, and members of the Senate Special Committee on Aging. Thank you for the opportunity to speak today.

My name is Shelley Jaspering. I live in Ames, Iowa. I am 44 years old and work part-time as a pricing assistance at Wheatsfield Cooperative. In 2003, I was hired full-time at Wheatsfield, which luckily gave me benefits including an IRA and short-term disability insurance. In 2005, I had an accidental fall which resulted in my quadriplegia. I was unable to return to work until the spring of 2006 to work part-time in the office because I was no longer able to do the physical labor necessary for my previous job.

Seven years ago, I moved into my adapted home built by Habitat for Humanity. My mortgage is more affordable than rent in the college town I live in.

My parents assisted me with money to purchase a 2007 accessible van recently, which is my fourth used van. We buy older vans to keep me out of debt, but they typically require more repairs and upkeep.

I cannot currently save money for emergency situations due to asset limitations which I have to follow in order to keep my Medicaid waiver which pays for my homecare. I use a hometown bank for my checking account, and they also manage my mortgage. They allow me to pay on the tenth of the month to ensure my SSDI check has been deposited even though this is technically considered late according to the bank's mortgage policy. Being in a smaller community, I believe the bank is more understanding about the physical restrictions I have and they work with me to ensure I do not receive late fees, because the asset limit rules are complicated, I do not always fully understand them.

To be safe, I do not have a savings account or credit cards. I turn to my parents for financial assistance when a big bill occurs, but they are in the seventies and will not always be available for this help with paperwork or funds.

There is so much I do not feel confident in understanding about my fiscal situation. I worry about the details I might miss, which might cause me to lose my Medicaid waiver which is the only way I can contribute to life. My SSDI would not be enough to fully pay for my bills and mortgage. So I am very privileged to be able to work part-time.

With the rising cost of basic needs, finances cause stress. For instance, when there is a three-paycheck month, it causes me to have to have to manage and cut my hours so I do not earn too much money and risk having benefits cut. This is an inconvenience to my employer to accommodate me, which causes tasks at work to go unfinished.

Along with the general cost-of-living expenses, I have disability needs I pay for as well. I recently found a need for a power wheelchair, and since Medicare would not cover the cost of a power chair at this time, I found a reasonably priced used chair that would fit my size. I paid out of pocket and could not afford a maintenance contract. The arm rests on the chair broke almost immediately because I use them as a way to transfer in and out of the chair.

Those arm rests will cost me $500 to get a set that will accommodate my needs and not break easily. These additional costs add up fast, and Medicare can only help every 5 years for a new chair.

My message here is that disability is expensive and there are barriers to earning enough money to cover those expenses. Most important to me is that I need to manage finances in such a way that I dare not lose my homecare support. Without homecare, I could not do a basic morning routine that everyone has to do to get up to go to work. Then I would lose my job, my home, and be more dependent on State and Federal assistance programs or, even worse, be put in a care facility.

I have always lived with anxiety, and after adding disability into my life 16 years ago, being dependent on others causes more stress. The greatest fear I have is losing my homecare, which would take away my life.

I am from a frugal family and was taught to save for emergencies. Unlike my friend who was born with her disability, mine was something that nobody could prepare for. In preparing for her disabled life as an adult, her parents set up an IRA which would eventually pay for her homecare after losing her ability to work as she aged. This preparation kept her from using Medicaid and other assistance programs for many years.

For someone like me, who acquired the disability later in life, it can be difficult to find financial resources and information to manage this new life. One thing that would help me is an ABLE account. I urge Congress to pass the ABLE Age Adjustment Act. I cannot open an ABLE account because I became disabled at the age of 28, 2 years after the age limit. If I could save for the future, for repairs to the van, for repairs to my house, for repairs to the wheelchair, I would not have to live in fear. The $2,000 asset limit to keep my disability benefits means that I am stuck financially and will always live on the edge.

In addition to the requirements of Medicaid, SSI, SSDI, vocational rehab and State programs are overwhelming. We need understandable information on how to manage our benefits and earnings. We need to locate trusted people that we can count on to walk us through the financial stages in life.

Finally, I ask that the monthly earnings limit be increased so that people with disabilities can work as much as they want and need to. I have worked for my current employer for 18 years. In the next few months, I will have the opportunity to get a promotion. For anyone, that would be a good thing, but for me that means anxiety and fear. If I am paid too much, I could lose my benefits and then I could not work.

Thank you for your time and consideration on helping the disability and aging community to improve their financial situation. Financial improvements will have many benefits, including improving the mental and physical well-being of people with disabilities and our independence.

The CHAIRMAN. Ms. Jaspering, thanks for your testimony today, and we thank all of our witnesses.

I will start with you for my first question, and then I will turn to Ranking Member Scott. One thing we know about people with disabilities in terms of the challenges they face is they have significantly less savings than Americans who do not have a disability. The National Disability Institute reports that people with disabilities are twice as likely to be unbanked and 20 percent less likely to have a savings account than their peers who are nondisabled. One of the reasons for not having a savings account is because the risk of losing disability benefits if a person has more than $2,000 in assets, as you just made reference to in your statement.

In 2014, we passed the ABLE Act, which made it possible for people with disabilities to open tax-advantaged accounts, savings accounts, and save up to not $2,000 but $100,000 without risking losing those benefits. That option is only open to people who have acquired their disability before the age of 26. So we are trying to get that age 26 level up to 46.

My question for you is: If an ABLE account were available to you, can you tell us what you would be able to do with that account, number one, and number two, why it is important to make ABLE accounts available to people who have acquired their disability after the age of 26?

Ms. JASPERING. I think raising the age limit would be amazing. There are so many things that I have wanted to save for in the past 8 years. I could have saved a lot of money if I would have been disabled earlier. Having this power wheelchair that I need fixed; I need a different cushion. I need a shower chair that fits my size. These specialty equipment things are not always covered or covered in a timely manner for me to prevent sores and live the life that I want to live.

I did not plan for this disability, and I want to live as normal as possible. I always wanted to be a business owner, so I could hire people to assist me in selling things at the farmer's market, with anything I might need to get up daily. There are so many opportunities if I was allowed to save money like I did before.

The CHAIRMAN. Well, that is why we are grateful you bring your personal story to these issues, and we learn so much more about the policy by hearing your own personal story as someone who has lived in kind of both worlds, the world of not having a disability and the world of living with one, so we should pass the ABLE Age Adjustment Act.

I want to turn next to Mr. Stinchcombe and in particular make note of the fact that you have indicated that people who are underserved in our financial system are often targets, targets of scams and are targeted for acts of fraud. Last week, I mentioned earlier, the Senate and the House passed the spending bill, which included the Stop Senior Scams Act, and the President signed the overall bill into law. Now that act, the Stop Senior Scams Act, is law, and again, I want to thank our Ranking Member for his help on that legislation.

The law will bring together a committee, including representatives of Federal agencies, number one. Number two, the retail sector. Number three, consumer advocacy organizations, and number four, financial services representatives from financial services as well as others. That committee will identify educational materials for retailers, financial services, and wire transfer companies to prevent scams that affect seniors.

In essence, what we are trying to do is work to train folks in those businesses that deal with seniors all the time and are better trained to spot evidence of fraud, or some indicator of fraud, so folks can intervene and maybe ask a couple more questions before someone makes a decision.

Mr. Stinchcombe, as an expert working in the field, what advice would you have for this committee that would be formed pursuant to the legislation as they begin their work?

Mr. STINCHCOMBE. Yes, thanks for the question. I think that the thing that I would highlight is that something that is a scam for one person may be an intended purchase for a different person, and so you know, even beyond memory loss, there are so many different challenges that can affect your purchasing decisions as you age. Loss of vision might mean that a mail solicitation that looks like it has handwriting on it seems like it is handwriting; that handwriting font seems like a personal appeal. Loss of hearing can make telemarketing calls confusing. Changing in cognition make a person naturally more trusting as they age.

I would say that in many cases I think that it is helpful to train people, but I think in many other cases these companies know exactly what they are doing. If you look at the scripts for telemarketing calls, it will mislead somebody deliberately into believing that they have donated in the past to that organization, that the organization is different than what it purports to be, and folks are hiding behind the fine print on that.

I think that extending the Do Not Call List to charities and political organizations can be lifesaving for somebody who is in a situation of memory loss. Right now, they are exempt from that.

I think that there is also just enforcement actions around sweepstakes, around TV shopping and shipping and handling, you know, where you buy four garden gnomes for the price of one and you have a nonrefundable $35 shipping and handling fee on each of them, and that is, you know, a surprise to somebody who might not have the income to support that.

The CHAIRMAN. Thank you very much. I know I am over time, but I will turn to Ranking Member Scott.

Senator TIM SCOTT. Thank you, Mr. Chairman. Your questions should not have a time limit, honestly. The importance of this topic really is such that we need to invest as much time as possible in getting experts and people who have been impacted negatively by the challenges that we face in the unbanked and credit-invisible lanes of life, bringing it to the surface so that more people around the country understand and appreciate the challenges that Americans are struggling through, so thank you for your questions, and I found them to be illuminating and important.

The question is for you, Mr. Gilchrist. An estimated 7.1 million U.S. households are unbanked. Likewise, approximately 40 million Americans are credit invisible; 3.5 million households are headed by someone age 50 or older without a checking or savings account; 16.2 percent of working-age disabled households are unbanked. From your experience, can you explain why people, especially in underserved communities, might be unbanked or lack access to credit?

[No audible response.]

Senator TIM SCOTT. Mr. Gilchrist, if you could take yourself off mute, it will be helpful.

Mr. GILCHRIST. Sorry about that, Senator.

Senator TIM SCOTT. That is OK.

Mr. GILCHRIST. Thank you so much for the question. You know, one of the things that we have learned in our State, in South Carolina, is that there has been a historical distrust of the traditional financial institutions. You know, Senator, I will say this in jest, we have people, believe it or not, that still trust more to put their money in a mattress or bury it in the backyard than to trust a bank with it. The hesitancy and the reluctancy of trusting the traditional system has been a historical thing, and we have learned that from our members.

The lack of access to a traditional bank has also been a huge issue in a State like South Carolina, where 65 percent of the State is rural. In many of those areas of our State, people have very limited access to a traditional financial institution, and so as a consequence of that, it has prevented and—created an opportunity for people not to be able to do the traditional banking as some would often consider.

For those of us who are, as I heard in the comments earlier, you know, very—we know that there are banking institutions in our community, and we are comfortable with that. In many communities, where you have the rural nature like we have in South Carolina, that just does not seem to exist. In some places, they could potentially be 30 to 60 miles away, and so we found that that has been a huge barrier to the number of people, or the high rate of people, in rural America that has not been able to create that type of relationship with a banking institution.

Senator TIM SCOTT. Mr. Gilchrist, you touch on a very important topic that I have a question for you on. This relates to fintech companies and the role that they can play in helping to bridge the gap in some of the communities that desperately need it. As you know, the American dream is oftentimes seen as synonymous with homeownership, and unfortunately, many families struggle to get approved for a mortgage.

The more we see the research the more we understand that the research has shown that in many underserved zip codes financial technology firms, that we call fintech, are more likely to approve a mortgage application than traditional banks. Now could you talk about the critical role, as you just alluded to, of fintech companies that they provide in underserved communities as it relates to accessing credit and perhaps even achieving the American dream of homeownership?

Mr. GILCHRIST. No, absolutely, Senator. Thank you for that question as well. You know, the reality of it is technology has become the new banking tool. Fintech companies have been extraordinarily instrumental in being able to evaluate people's creditworthiness in different ways, in some ways to streamline the financial process so that folk can at least find some way, some credible way, of being qualified to purchase a home, to start a business, or what have you, and we have seen that there is so much interest in that.

Back to my earlier point about the whole issue of the unbanked, you know, we see so many of our businesses within South Carolina, small businesses in particular, who have used things like a payment technology as a way to ensure that they can build some type of track record so that when they are wanting to go and apply for a bank loan or a car loan or a small business loan then the fintech companies have been much more engaged in helping those folk to actually achieve those opportunities, and so we have seen a lot of progress in that. Obviously, we have a long way to go in fully seeing the progress in that space, but what we do recognize is that it is one that is emerging and it is an opportunity for many of these folk to find that opportunity for the American dream, particularly in owning a home.

Senator TIM SCOTT. I certainly have more questions for you, and I know that I am out of time and it is time for the Chairman to ask questions, but I will come back with you.

The CHAIRMAN. Take as much time as you need.

Mr. GILCHRIST. Thank you, Senator.

Senator TIM SCOTT. Well, let me, Stephen, while I have you here—

Mr. GILCHRIST. Yes, sir.

Senator TIM SCOTT. The Chairman is being gracious with my time, and I appreciate it. Likely will not pay him back ever in the future for this graciousness, but I will certainly consider it seriously.

You know, you talk about oftentimes we hear stories about the food deserts, so places where you live, whether in rural America or the inner city areas, where the cost of doing business seems to have ushered in this concept of food deserts, where there are no grocery stores nearby, and it seems like in rural America a third of the counties around the country are a banking desert, where there is no local brick-and-mortar location.

I know that you are the head of the South Carolina African American Chamber of Commerce, and the fact of the matter is that the good news in South Carolina is we are one big South Carolina family and because of that we care about all South Carolinians no matter what your title is and no matter what you do. So I cannot imagine that the folks in Abbeville or McClellanville or Anderson County, all parts of rural parts of South Carolina, they too are suffering through the challenges.

It does not matter whether you are Black or White. The fact of the matter is if you do not have a financial institution, a brick-and-mortar, some place near your house, you may have suffered through this same challenge of being in a place where you are in a banking desert. The impact that we are seeing reverberates in rural America, but certainly in rural South Carolina, where there are not too many banking locations.

Can you talk about the importance of us just continuing to work in the direction of fintech companies and making sure that people have access to credit, especially when they are creditworthy and having a relationship with a financial institution is a really important part of that engagement?

Mr. GILCHRIST. No, Senator, you are absolutely correct, and you know, one of the things that we often talk about in the Chamber, banking institutions at one point were part of the community. You know, we often talk about community banking and those types of things, but it is very difficult for that to be a reality when they do not exist in certain communities.

We learned this when the pandemic—in the beginning of the pandemic and there were so many small businesses that, you know, closed due to the fact that they could not operate, and so many of them applied for the resources that the Federal Government had available all but to find out that because many of them did not have relationships with banking institutions that it made it more difficult for these folk to actually access the revenue like they wanted to.

The reality of it is, you are right. I mean, it creates a vacuum and a banking desert all across our country. The opportunities again for fintech companies to come in and help fulfill that void, and at the same time, at the same time, educate communities on financial literacy and the things that they need to do in order to be prepared, in order to access loans, access credit, all of those things is so critically important.

I appreciate the work that you have done on your bill to look at evaluating credit in very different ways because that is certainly—you and Senator Manchin. That is certainly one of the things that is certainly needed among communities, where there needs to be a redefining of what we believe credit is and more specifically how that relates to our banking industries and the role that fintech companies can play in helping with that network.

Senator TIM SCOTT. Thank you, sir.

The CHAIRMAN. I want to thank Ranking Member Scott.

We are joined by Senator Braun. As I mentioned earlier, we have Senators that are moving between hearings and other engagement today. We are happy to see Senator Braun who is earlier than we thought he would be, so that never happens around here. We are grateful.

Senator BRAUN. Thank you, Mr. Chairman. Maybe that is because I come so recently from the private sector, where being on time, you had to basically do it, so if you did not do that with your customers or your suppliers, it generally was not a good relationship long-term.

Interesting conversation here today because my business that I started and ran for nearly 37 years, and 3 of my 4 kids do it now, my only business partner was a community bank. We were so small for so long. That was the only place that you could, you know, ask for credit, especially in growing your business. Not on the personal side, but I think a lot of this, you know, is intertwined not only on personal credit but credit for small business entrepreneurs.

You know, I see it in that connection I still have with that world as being an industry that still has a decent amount of options. However, when you are talking about credit deserts, you are talking about the new economy which is going to be more digital all the time.

I think what I am mostly interested in—and the question would be for Mr. Gilchrist. Is there enough critical mass out there currently that can grow into the markets that are underserved? Does it need to be coaxed in a way from the Federal Government, which generally is always a double-edged sword because sometimes it is stifling, not enabling?

What is your opinion in terms of taking a snapshot of the banking industry currently? Are they getting the cues? Do they have the incentives to serve these markets that in many cases are underserved?

Mr. GILCHRIST. Senator, thank you so much for that question. As I think about that, it just reminds me about the efforts of Dodd-Frank and more specifically what many of us believe, meaning small businesses across the country believe, that it took away the ability for community banks to do exactly what you were describing earlier, and that is to have a relationship. The concern then becomes whether or not compliance has replaced community and how overbearing has that been.

We have a study committee of our Chamber that looked at this issue several years ago and more specifically as it relates to minority businesses and those that were seeking to try to access capital to grow their businesses all but to find out that those regulatory constraints that were, you know, under the auspices of some of the efforts of Dodd-Frank were really challenging for many of our small businesses, and so it gave the banks then another tool to not lend in many ways and to be more reserved in their ability to do so.

We certainly believe that there is an opportunity, Senator, for us to be able to have a conversation about how do we really encourage community banking again and use companies like fintechs and others that recognize the work in that space to be able to help encourage that. Certainly, policy is important to do that, and just as we, you know, have policy to encourage the banks to be mindful of how we can be too aggressive with Dodd-Frank, I think we can also begin to look at policies that can also limit, unleash some of those restrictions so that people can have the type of relationship with the banking institutions as you described earlier.

Senator BRAUN. Well, I think that is a good response, and I think it makes sense.

I do want to make the point that there is a difference between anyone entering the credit system, you know, when they need that first loan, whether it is business or personal—that is one issue.

My observation is there is still plenty of infrastructure out there even though the industry has gotten more concentrated, and we got to make sure—I think before we try to unleash anything new from the Federal Government, with sometimes the unintended consequences, we need to look carefully to see if we need to maybe loosen up on some stuff that was not well aimed, you know, kind of had unintended consequences. I know for a fact—you mentioned regulations—there are a lot of fees that have come along with Dodd-Frank that community banks have to contend with that they never had before.

I guess my point would be we need to first look at what we can do within the system, enable the fintech arena which is new, fledgling, and try not to pile on anymore regulations that would actually be unintended in terms of the consequence and actually thwart the process.

Thank you.

Mr. GILCHRIST. Thank you.

The CHAIRMAN. Thank you, Senator Braun.

I will turn next to another round of questions for me as we await some more Senators in the next 15 minutes or so. I want to start with Dr. Trawinski.

We have all heard the phrase "digital divide." We have heard that over and over again, especially in the context of high-speed internet or, I should say, the lack of access to high-speed internet. It obviously has a huge effect in communities that are more rural or small town communities. It obviously also affects older Americans and people with disabilities in a very disproportionate fashion.

There is also a continuing failure really to deal with this until the recent infrastructure legislation, which I think will provide us some resources that we have never really had before to hit this problem pretty hard.

In Pennsylvania, we have got 67 counties, but more than 70 percent of them are rural counties, so we have a lot of places where there is lack of high-speed internet.

One thing we found out during the pandemic was what was thought to be a predominantly, at least by way of region, predominantly a rural problem was in fact a problem within cities, even cities that were considered well connected. You had a lot of kids trying to do their homework in cities and could not do it for various reasons. Part of it was connectivity in their neighborhood; part of it was not having the resources to have the technology they needed, so you had kids, you know, sitting in a parking lot in a McDonald's trying to get connected to do their homework, so this is a rural problem. It is an urban problem. It is a small-town problem, but it is obviously a problem for individual Americans who might have a disability or are seniors.

The infrastructure legislation helped, but—I would start with Dr. Trawinski on this—how can internet access improve financial inclusion among older adults and people with disabilities?

Dr. TRAWINSKI. Thank you, Chairman, for the question. This is a really important question because it affects millions of people. As someone who recently visited Bedford County, Pennsylvania, I am aware that there are some issues with internet access there. My mother comes from Bedford County, and I visit there often, so thank you.

There are three key things that we need to address to improve outcomes for people in terms of gaining access to the internet, and you talked about one. Right? It is the idea that many rural communities and many urban communities do not have this access, so that is number one.

Number two, is the affordability issue, and you also mentioned that. The Affordable Connectivity Program is key, and I think, you know, we are in agreement it is likely to help many more people than any existing programs that we have.

There is a third area that we have not really touched upon yet this morning, and that is the idea that digital literacy and training people how to use the technology is really, really important, and for older adults, many of whom may not have a lot of experience using various technologies, they may face an even higher barrier to using technology, especially for transactions.

AARP has a number of programs designed to help with that. We have the OATS program, which is a program designed to connect older people with training programs to teach them the latest digital technology. We also have another program through the AARP Foundation and Chase that is designed to help with the same issue but has specific training modules about financial access and technology, and another important part of that program involves providing information to fintech innovators on some of the things that they should think about when designing fintech solutions for older people.

Finally, we need to do a better job of educating people about frauds and scams. Through the AARP BankSafe program, we are currently training frontline workers in financial institutions to recognize signs of fraud before the money leaves the account, and that is key. It is preventing the fraud from happening in the first place, so that is—you know, all of these things are important, and I think, you know, there will be more people using financial technology in the future and we all have a role to play in keeping people safe while they do that.

The CHAIRMAN. Doctor, thanks very much, and I think the point you made about that training in digital literacy is going to be important as we move forward. It is one thing to build a better system, a better system of providing high-speed internet. It is another thing to make sure that folks have the training that they need, so that is something we will have to bear in mind.

Ranking Member Scott, I turn to you.

Senator TIM SCOTT. Thank you, Mr. Chairman. Certainly very, very helpful testimonies this morning. Thank you all for being a part of the solution as you are the ones oftentimes facing the challenges and the problems.

Ms. Jaspering, thank you for your compelling testimony, your recommendations on legislative solutions to some of the things that you have faced in the real world of your experience, and that has been quite helpful for me. I would love to ask you a question after I give a short statement.

Certainly, due to rising compliance costs and mergers, the number of community banks fell by somewhere around 30 percent from 2012 to 2019. Today, more than a third—as I said to Mr. Gilchrist, more than a third of rural America do not have local banks, brick-and-mortar. You cannot walk into your bank. You cannot have access to your local bank. Personal relationships with local community banks is vital, and for so many reasons the access that you get from your local bank is critically important.

Frankly, as I was listening to your testimony, you reinforced that very important point that it is your relationship with your local bank that helps you avoid unnecessary fees, whether it is late fees or banking fees, and that really important relationship that you have with your local bank cannot be overestimated, but I would certainly love for you to talk to me for a few minutes about the importance of that relationship and how as you talked about levels of anxiety that relationship brings that anxiety down and allows you to plan for as much as you possibly can.

Ms. JASPERING. Yes, thank you. Well, being a local, I have joined boards and other committees and met a lot of people, and because of my accident—it was in a small town. People tend to know who you are.

This has been helpful because I know the person who manages my mortgage, and when I get a letter in the mail that says, oh, your mortgage is late and I call him, he is like, it is not a big deal. That is an automatic letter. We send that to everyone because mortgages are due at the beginning of the month.

Due to the fact that Social Security Disability pays on the 3d, I had originally set it up to pay on the 10th, and he said, that is not a problem at all. Do not even worry about it. We will not charge you the late fees.

Before my accident, I had a small credit card through them with a $500 limit, and that had helped me with some emergency things, but I do not have that currently because I just want to make sure I stay out of debt, and so my parents have been able to help me out, so just having that community aspect has helped me to have a little less stress; that is for sure.

Senator TIM SCOTT. Yes, ma'am. Well, thank you for that answer, Ms. Jaspering.

One final question before my time perhaps runs out. This time I may come back around to you. You talked about the importance of overcoming some of the struggles because of your accident. You noted the struggle of finding a parking spot in your hometown because other drivers do not realize they need to leave space for the operation of your wheelchair lift. This makes running your errands, like going to your local bank that is quite cooperative, that much more difficult.

The good news, in part, may be the evolution of financial technology and the ability to use things like mobile banking and peer-to-peer payment services, whether that is Venmo or whatever the latest, greatest way of being able to use technology to make your payments or to do things that might make your life a little easier and more flexible. Can you just talk about the importance of how some of the things that many may take for granted may actually make your life a little more easy?

Ms. JASPERING. Definitely. I definitely use online banking, and Venmo helps me when a friend helps me out and I can just Venmo her.

Senator TIM SCOTT. Awesome.

Ms. JASPERING. When she pumps my gas for me and I just Venmo her the money to cover that.

As far as people in Generation X, we are learning. We are still learning the technology, so it is interesting and risky to some to use that, but for me, technology is very important, definitely, because to have that easy access because I—dealing with parking, yes, you hit the note right there.

Senator TIM SCOTT. Yes, ma'am.

Ms. JASPERING. I do not like that at all.

Senator TIM SCOTT. Well, thank you for sharing your story and your life with us for the last hour or so. We really appreciate your insight.

Chairman?

The CHAIRMAN. Thank you, Ranking Member Scott.

Ms. Jaspering, I think we will stay with you for this question, if you do not mind. I guess it is not every day that we get a witness from Iowa, so we are staying with her.

You mentioned your parents have been a great source of financial advice and support for you, and we know that, unfortunately, studies show that people with disabilities tend to score lower on measures of financial literacy and have lower confidence in their financial literacy skills than the rest of the population, and the basic reason for that is that many people with disabilities lack a trusted resource, trusted resources, I should say, of help on financial matters.

I mentioned earlier the booklet that Ranking Member Scott and I produced entitled Building Financial Literacy: Information and Resources for People with Disabilities. If you go through the book, it highlights a couple of areas of focus.

At the beginning, the first area is on building credit, and it is kind of a recitation of the problem but then tips and considerations to take advantage of, whether it is getting started and how you build credit or improving credit scores. The second topic we talk about is managing debt, and again, it has tips in there for how to manage debt. The third is building savings through the ABLE accounts that I mentioned earlier, by virtue of that legislation. The next area is navigating benefits, enrolling, using, and maintaining eligibility for public benefits, whether it is Medicaid or SSI or SNAP. The next area is finding affordable and accessible housing, which is obviously a huge issue for so many Americans including those with disabilities. At the very end of the booklet, there is a picture of Senator Scott and I when we were much younger. You need to look at that.

Senator TIM SCOTT. Nothing wrong with a glamour shot, Mr. Chairman. You remember Glamour Shots.

The CHAIRMAN. Ah, the glamour shot, but we obviously prepared this book, and our staffs worked hard on it, to provide more information for greater financial literacy for people with disabilities, so that is a long predicate to my question, but, Ms. Jaspering, from your perspective, how important is it for people with disabilities to have resources, whether it is a resource like this, a printed material, but also access to someone to help them with their personal finances and maybe outlining some options for them?

Ms. JASPERING. That is very important. I am glad that you have been working so hard on that because it has been a stress to my family to figure out how to manage when I need government assistance. Nobody in my family has ever needed that, so we—understanding how to manage your taxes and, like I said, I wanted to own a business and being able to—it is overwhelming to understand all the details in every program, and I do not want to lose any necessary benefits, like homecare, to be able to live.

Having a hub for that information is great, and trusted people that have learned what works for everybody and how to manage that is very important because when you have an accident and you ask the social workers they do not always know where to lead you to, the most appropriate information, and there might be people that have been working and had 401(k)'s. There might be people that are just very low-income and they need to know how they can have an affordable apartment to live in so that they stay out of facilities.

The CHAIRMAN. Well, that is a set of challenges for anyone, but thank you for sharing that from your personal perspective.

Ranking Member Scott, I will turn back to you as we await several of our colleagues.

Senator TIM SCOTT. Well, let me just say, Mr. Chairman, that one of the things I would suggest that is sometimes overlooked are the little things that we do to provide as much as information as possible about resources that are available through the government. I am not sure that we, as a Congress or as a Senate, do enough work to educate and inform the public on the multiple streams that are available through the government and building financial literacy. The booklet, pamphlet that you and put together, is an important part of trying to help people understand the resources that are available.

As a guy who grew up in poverty and in a single-parent household, homeownership is something that was so elusive for my family for it felt like forever. My grandparents did not buy their first home until my grandfather was in his 60's almost, about 61 or 62, and so the page 15 in our little pamphlet talks about finding affordable and accessible housing, and I think about the comments that we have heard this morning, and it just reinforces not just simply having a house but having good accessibility when you have housing. That means for those with disabilities that the framework may be different, and that is such an important part.

Listening to the testimony—in a former life, I served on a board at Habitat for Humanity, and to hear the work that they are doing in Iowa is really important for all of us to remember the importance of it, but this booklet can provide helpful hints and tips about that information.

Mr. Chairman, I would say that another resource that we oftentimes do not hear a lot about is the resource of our offices. I know that my offices around South Carolina—and I am sure the same is true about your offices around Pennsylvania—is a place where people who need help understanding the quagmire pit that seems to be the Federal Government at times can actually be a place for help, and I would encourage those folks who are paying attention and need help from those of us who serve in public office to perhaps take a look at our offices. I know that my office has handled thousands upon thousands of disability cases, and I know that yours has done the same as well.

I do think that we should make sure that the public understand and appreciate that important component that we can play beyond passing legislation. We have an absolute apparatus for the sole purpose of helping South Carolinians find help if the government, the Federal Government, should be a part of that solution or needs to be a part of that solution, and we take great pride in the number of cases that we spend a lot of time working upon.

With that said, I will turn back to Mr. Gilchrist of South Carolina to talk through a really important issue, the Credit Access and Inclusion Act.

Mr. Gilchrist, research shows that reporting alternative payment data like utility or cell phone bills, rent payments when you are renting, to credit agencies will help more Americans be able to access affordable credit. It will lead to over a 20 percent increase in prime credit for those earning less than $20,000 per year and a 15 percent increase to prime credit for those earning between $20,000 and $30,000 a year. That is one of the reasons why I introduced the Credit Access and Inclusion Act with Senator Manchin. That would make it easier for credit agencies to use this alternative data.

The good news, Mr. Gilchrist, is, as I have had conversations with the three major reporting agencies, two of the three of those agencies have embraced the legislation before its passage and started making the type of changes that will help transform the experience, i.e., lower interest rates, and that means more money of yours that you get to keep. Could you explain how this bill, from your perspective working with so many businesses, might help not only those businesses but as the business owners age, become seniors, help those seniors achieve the dreams and goals that they aspire?

Mr. GILCHRIST. Well, thank you, Senator, for the question and thank you also for the legislation. We think it is monumental legislation, particularly in South Carolina, that can help people all across our country, and you know, one of the things that we discussed here in South Carolina regarding that legislation was how important it was to have balance, to be able to have balance in an evaluation of folk creditworthiness in a very different way.

You know, people pay their utility bills. They pay their rent. They pay their car notes. They pay—young people pay their cell phone bills, and so when they have some of these barriers that the traditional institutions of banking and lending put in place because of certain credit, whether that is because they are new to the credit market or they may not have had credit in a while and have not used it in a while, this type of legislation certainly helps to be able to bridge that gap and be able to expand the opportunity for those who may not even—who may not have had an opportunity to access credit, the ability to be able to do so.

We are very excited about that. I am encouraged to hear the credit rating agencies that have already expressed support for this piece of legislation. That is important, and we certainly stand ready to support this legislation and to enact it when the time comes, Senator, so again, thank you for your leadership on that.

Senator TIM SCOTT. Thank you, sir, very much for your answer. Mr. Chairman?

The CHAIRMAN. I turn next to Senator Blumenthal.

Senator BLUMENTHAL. Thank you, Mr. Chairman, and thanks for having this hearing. The unbanked or underbanked part of our population is really deprived of what has become an essential service, and access is critical no matter what someone's age is.

I have worked hard on this issue, along with a number of my colleagues, to pass legislation and encourage action among the private industry and government agencies. I recently introduced the Elder Abuse Protection Act of 2021 that builds on my 2017 Elder Abuse Prevention and Prosecution Act by establishing the Elder Justice Initiative as a permanent office within the Department of Justice because what we have found is that 40 percent of Connecticut households were struggling to make ends meet.

Having a bank account, maintaining good credit, and making timely debt payments is out of reach for them, and I think the Department of Justice can effectively enforce laws, or more effectively enforce them, so as to address this problem, but the COVID–19 pandemic has exacerbated and exposed inequalities in our society that highlight the importance of this issue.

I want to address this question to Dr. Trawinski. During your testimony, you mentioned personal savings is a pillar of financial security for older adults. I have co sponsored the American Opportunities Account Act, introduced by Senator Booker. It would provide children with a savings account at birth with annual contributions.

We have similar legislation in Connecticut, championed by our treasurer, Shawn Wooden, that has established a Connecticut Baby Bonds program, creating trusts for children born into poverty, whose births are covered by the state's Medicaid program. Let me ask you, how will this kind of Baby Bonds program lay a foundation for financial security among older Americans and people with disabilities?

Dr. TRAWINSKI. Thank you, Senator. I appreciate the question. There is no doubt that financial security will grow throughout a lifetime, and it is super important for it to start as early as possible.

I am in a unique situation, I think. I was a student in a public school in northern New Jersey in the early 1970's, and at that time we had "banking day" every Tuesday, and the local bank came in, and we signed up for savings accounts, and every Tuesday the banking lady would come in, collect envelopes. We would have a little money in there. She would take them to the bank. Two days later, she would come back. We would get to see our deposit, and we would get to watch it grow over time.

The idea of getting people used to savings at an early age, of using a banking system at an early age, is critical because we know that if you can save a little money and you face a financial emergency you can use that money to deal with it, and it helps keep you out of borrowing high-cost credit, so inclusion in the system is vital. Having access to a small pool of savings can make a world of difference over time, and we have actually studied this at AARP, and we have found that people who are able to maintain an emergency savings account will have better long-term financial security outcomes.

Senator BLUMENTHAL. I am struck by the early experience that you had, and I know that those small amounts can add up, but at the same time they are small amounts, and given the challenges of educational costs these days, wouldn't you agree that we need a Baby Bonds program that not only creates those trusts but also provides some money to go into it beyond what children may be able to afford in literally the nickels and dimes and maybe dollars that they are able to put into it?

Dr. TRAWINSKI. I think that what I can agree to is that it is an important issue and that we as an organization will be doing more work in this area, so for now, the best I can offer is it is certainly an important issue, and we are looking into it.

Senator BLUMENTHAL. Well, I do hope you will support it. Thank you.

Dr. TRAWINSKI. Thank you.

Senator BLUMENTHAL. Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Senator Blumenthal.

Dr. Trawinski, maybe we will stay with you for a question. You noted during your testimony that owning a bank account and having credit are important dimensions of financial inclusion. Having and building credit makes it possible for older adults and people with disabilities to both live their lives and to plan for the lives they want to lead. We know that credit visibility gives people flexibility to address financial emergencies or to save for financial goals, whether it is owning a home or something else, and also the flexibility to develop and maintain retirement resources.

We also know there are barriers faced by individuals and families opening bank accounts or entering the credit system or having access to financial services or products. These barriers, which are significant on their own, can be compounded by race or age or disability status.

Here is the question. How does having access to credit or having a credit score or a bank account or access to loans with fair interest, how do all those opportunities affect the autonomy of an older person or a person with a disability?

Dr. TRAWINSKI. Thank you, Chairman. It is important for people to have access to the credit system at older ages because we will often see people going into retirement years with a reduced level of income, and at those times, we also know that because of things like inflation, or rising costs for things like medical care or prescription drugs, we will see budgets are stretched and people have to turn to other mechanisms to fund their longevity.

Ideally, right, we want people to be able to choose how they live as they age, and for many people it means choosing to live independently in their own home, so if you are an older homeowner and you do not have a mortgage, you might be able to tap your home equity to get funds to be able to pay for home modifications so you can stay in your home, so that is an example where someone needs access to credit.

Another example is people will sometimes not have enough money to meet their monthly expenses, and unfortunately, we are seeing many people, particularly people ages 75-plus, turning to the use of credit cards to fund those interim purchases. What is happening for many people, though, is they are carrying balances and they are getting larger and larger over time and they are not able to pay those off, so those are a couple of situations where having access to credit can help people get through some tough times.

I also want to mention another situation we see pretty frequently, and this is a case where a husband may die suddenly and all of a sudden the wife is left to manage the family finances and she has never had to do that before.

I actually have a cousin whose husband passed away, and she had no credit history because they bought their house for cash, there was no mortgage, they did not use credit cards because they paid cash for everything they needed, and now all of a sudden, she is in her early 60's and she is trying to figure out how to navigate a financial system that she has no experience dealing with, so these are the issues that people face, and there is a lot more that all of us can do to try to help get people up to speed on what is happening in the world of finance. I think the booklet that you have created will do a lot of great things to help the disability community. I think we need to advance further educational tools for all people and really at all ages because financial inclusion should begin at an early age and continue throughout someone's lifetime.

The CHAIRMAN. Well, thanks very much, Doctor, for that.

Ranking Member Scott, I know we are awaiting one more Senator who will be our final questioner.

Senator TIM SCOTT. Yes, sir.

The CHAIRMAN. Should be any minute here.

Senator TIM SCOTT. The good news is, Mr. Chairman, this is such an important topic I would love to have another opportunity to ask a question.

The CHAIRMAN. Take as much time as you need.

Senator TIM SCOTT. Thank you, Mr. Chairman.

Dr. Trawinski, you have made a number of really important points. One I hope that we would see implemented throughout the country, State by State, city by city, county by county, where we have banking days. I will say—I will concede that I did not have a banking day when I was a youngster in school, but it does sound like something that gives new meaning to the concept of financial literacy at a much earlier age.

Much of the conversation that we are having today about being unbanked or credit invisible is something that could be perhaps eliminated or ended if we simply had something as simple as banking day, and I do want you to comment a little bit more about the importance of financial literacy or financial education early on because the miracle of compounding interest or the time value of money are terms and topics that we do not oftentimes hear discussed in any school, whether you are K–12 or college. Or, frankly, my nephew just graduated from medical school, did not receive financial literacy as a part of the curriculum in any of his advanced education or his basic education.

Would you, at least for a few seconds, talk to us about the importance of banking day and/or the importance of financial literacy starting as early as humanly possible, maybe when you are reading and writing for the first time?

Dr. TRAWINSKI. Thank you. You make an excellent point that it is important to look into the childhood years to build these financial behaviors, and the other—so we learn financial behavior by either doing them ourselves, as I did because I had a very special opportunity to bank as a young child—but the other way we learn about money is from our parents, and so that is another issue that people face. If you had parents who were savers, who had the ability to save, you observed a set of behaviors that you will then eventually model yourself, but if you had a family that struggled and maybe they did not participate in the banking system, you had a different set of experiences.

I would agree with you that, you know, starting early means building good behaviors early and, ideally, before high school, long before college, long before you take on that student loan debt and then you have to—you owe thousands and thousands of dollars, and then you have to figure out how you are going to pay it back. Absolutely start younger, and I think, you know, that is how we will change outcomes for many, many people.

Senator TIM SCOTT. Dr. Trawinski, you just made a comment that reminded me of someone who said it. It was not me first, but certainly OK to take the credit for it even though I do not deserve it. It is that "Habits are caught, not taught."

Listening to what you were talking about there with parents or experiences early in life, so often the habits that we form, it is not from what people teach us; it is from what we see, and our parents' behavior is how you embolden or reinforce this notion that what we oftentimes see in our homes is what we do ourselves, and we do those things unconsciously. Hence, the concept of "Habits are caught, not taught."

I will say that the importance of my question as it relates to financial literacy starting at an earlier age is the fact that, as I did a little research, sitting here listening to her speak, was that it appears that 40 percent of Americans, when they retire at age 65, depend solely on Social Security for their retirement income. Ma'am, I would love to hear your thoughts on financial literacy as relates to our seniors who are struggling, frankly, with an average Social Security income around $1,500 a month. How do we prevent that from being the case for the next wave of seniors coming into retirement?

Frankly, another stat that I heard, ma'am, was that somewhere around 40–44 percent of 60-year-olds have less than 1 year of annual income in their 401(k).

Dr. TRAWINSKI. Yes, thank you, Senator. You know, building savings over a lifetime can help people supplement the money they receive from Social Security, and Social Security is absolutely a critical program for so many people in our country, but the ability to save money is also a function of how much income you have.

One of the things we are seeing currently is very large increases in the amount of debt that older families are carrying. The more debt you carry the more you have to then pay each month to keep up with it. It is taking away money for other purposes and, unfortunately, in some cases, for things like food and prescription medications, so you know, if someone can save money from an early age and build savings throughout a lifetime and use 401(k) programs or work-and-save programs, any kind of retirement saving programs that are available to them, they will have a better chance of having a more secure retirement.

Senator TIM SCOTT. Mr. Chairman, I know I ran a little over time. Thank you for your indulgence there. It is an issue that I care a lot about and worked on in the Banking Committee.

I will say that these stats are old and they may not still be true, but I think they are relatively true. As a kid who came out of college and went into the financial services arena quickly thereafter, one of the lessons I learned early on was that: A 19-or 20-year-old starts savings about $100 a month. By the time they are 65, at a fairly high interest rate, they are a millionaire. The 40-year-old who starts saving $1,000 a month never gets there, so the time value of money is critical as it relates to the topic that we are talking about and understanding that as early as possible in life helps us bridge the gap. We talk about the importance of abundance versus scarcity as it relates to the people who are facing the challenges that we have, but if we could start with just a few dollars at a very young age, we do create tailwinds as opposed to the headwinds that happen when you are closer to my age and trying to figure this out.

I think this is a very important and timely topic that so many folks will benefit from as we continue the hearing.

The CHAIRMAN. The earlier the better?

Senator TIM SCOTT. Yes, sir.

The CHAIRMAN. Well, we are joined by our final questioner, Senator Rosen.

Senator ROSEN. Well, thank you, Chair Casey and, of course, Ranking Member Scott. I do agree with you; the earlier the better it is to start saving, and the more we help people do that the better everyone is.

Thank you to all the witnesses for being here today.

I really want to build on those questions that Ranking Member Scott talked about, improving financial literacy, particularly in our rural and underserved communities, because it is a critical part of increasing—financial literacy is critical to increasing access to banking and credit, ultimately growing personal wealth and, of course, improving communities when people have more to spend, and so I commend both the Chair and Ranking Member for shedding light on this important issue in a recent report and booklet that examines the financial literacy needs of older Americans with disabilities.

It is imperative we improve it in states like mine, in Nevada, where our rural communities and our communities of color are disproportionately unbanked or underbanked and less likely to be included in financial markets or represented by more traditional financial institutions.

Mr. Stinchcombe, as a former computer programmer and someone who took care of my aging parents and in-laws, I am curious to learn more about the innovative technology work done at True Link Financial to offer financial services customized for seniors, and can you discuss how your company is utilizing data-driven strategies to improve financial literacy, particularly among our underserved, our rural communities? We really need to get everybody connected to these kinds of services, using the technology we have available.

Mr. STINCHCOMBE. Thank you, Senator, for that question. I think that you are right to start with the connectivity question, that the more people are connected and the more they are fluent in demanding internet users the more they will expect their banks to do better and the more they will shop for alternatives, nationally, from other banks and from fintech companies, so I think that that is a really good place to start.

I think it is also there are questions about how the technology industry approaches aging in general, that often the entrepreneurs are thinking about more ways to order lunch at your desk and less about the extraordinarily large population of underserved seniors, and I think that that is a mistake. I think it is a missed opportunity, and I think that educating the business sector in general, and especially, you know, venture capital and funders, about how large this opportunity is—is going to be really important to addressing that gap.

Senator ROSEN. Well, I could not agree with you more. I was on the broadband infrastructure group that negotiated that $65 billion for broadband across the United States, so I think I might be interested to see some data mapping reports on how access to the internet and financial independence really link itself up. This is why we know we have to get broadband out to each home, every community, across America. Nothing could be more important, particularly for our rural communities and good broadband for our underserved.

Dr. Trawinski, I would like to go on to you and talk about retirement trends among workers of color. We know one third of Latino families, less than half of Black families in the U.S. currently have retirement account savings compared with roughly two-thirds of White families. In Nevada alone, Latinos make up nearly 30 percent of our population, and more than 10 percent of Nevada's residents are Black, so what can Congress do to help ensure that all workers, particularly workers of color in really diverse states like Nevada, have access to retirement accounts, and what lessons can we learn from your research that can be applied to my State of Nevada?

Dr. TRAWINSKI. Thank you, Senator. One of the things that we are doing at AARP is we are working on work-and-save programs. These are programs designed to allow small employers to offer a way for their employees to save because usually what you see are large employers may provide access to a 401(k) but small employers do not have that capability, so through the work-and-save advocacy that we are doing, we are trying to get more states involved in offering these plans that would help smaller employers have access to retirement savings, so that is one thing.

In terms of, you know, rural issues, you know, yes, access to banking, access to savings and retirement planning, access to resources can happen using the internet. We talked earlier in the hearing about, you know, broadband internet access, affordable internet access because that is another part of it, some people cannot afford it. We also talked about digital literacy training, and one thing that we did not talk about is access to affordable devices because in some cases people cannot even afford the devices they need to connect, so those are areas that, you know, we are working on, and then the other thing I would say, you know, for workers across the spectrum, Social Security continues to remain a very important pillar of support at older ages, and the importance of it cannot be understated.

Senator ROSEN. Thank you. I see, Mr. Chairman, my time is up. I appreciate all of you for being here today. Thank you.

The CHAIRMAN. Senator Rosen, thanks very much.

We will turn next to Senator Gillibrand.

Senator GILLIBRAND. Thank you, Mr. Chairman. Millions of Americans live in bank deserts, regions without immediate access to traditional banking facilities, and as you highlighted, 7.1 million American households are underbanked. My legislation, the Postal Banking Act, would reestablish postal banking to provide financial security to millions of Americans.

Dr. Trawinski, what impact would providing banking services at the U.S. Postal Service, as outlined in my legislation, have on underserved communities such as older adults and people with disabilities, and do you believe it would significantly and meaningfully expand financial inclusion?

Dr. TRAWINSKI. Thank you, Senator. You know, we have looked at this issue because, you know, we know that in the 1960's that there was banking available through post offices and then it stopped. It can be a way to get these services to more people.

What is critical, though, before we change things to allow that is to ensure that financial protections, consumer protections are in place to ensure that the postal workers are trained properly, and we also want to make sure that if it ends up being something where it is the use of prepaid cards—we have seen a lot of fraud and scam where people are tricked into using these cards or having their money stolen through the use of those cards, so the issue is we have to be careful, but I think, you know, it is a possibility of providing access to more people.

Senator GILLIBRAND. Mainstream financial institutions and predatory lenders are often taking advantage of the underbanked, as you mention, with high fees, interest rates that keep them in a cycle of poverty. Predatory financial services, such as prepaid debit cards, rent-to-own stores, overdraft fees often exploit the most vulnerable populations, including low-income individuals, rural communities, veterans and senior citizens, especially in times of economic crisis.

Dr. Trawinski, do you think that reestablishing bank services at the post offices is an effective means of combating predatory financial services toward seniors?

Dr. TRAWINSKI. I think that it is a possibility, so without understanding more about the way we would build in the protections, I am not able to answer, but I would be happy to get back to you. If you can provide more specific information, we will study it and let you know.

Senator GILLIBRAND. Mr. Stinchcombe, do you have a perspective on whether postal banking would be effective in stemming the tide of predatory lending and banking services and provide more opportunities for seniors and people with disabilities?

Mr. STINCHCOMBE. I am just personally so enthusiastic about things that give people more options. I think that especially in a digital age it is oversimplifying to say that people will find the best option, but I think that the more options people have and the more connectivity they have the better services they are going to be given.

Senator GILLIBRAND. Thank you very much.

Ms. Jaspering, a key component of inclusion in wealth building and long-term savings is the ability to have private funds that assist with maintaining health, independence, and quality of life. The

ABLE accounts do exactly that, and so I am grateful that we have supported the creation of those accounts.

I appreciate you sharing your experience. How would creating an ABLE account help you in maintaining health, independence, and quality of life?

Ms. JASPERING. Thank you. It would change my life. I would be able to save for emergencies or to be able to live my life like I lived before and to be able to purchase things that disability equipment that is not covered. Just, there is so many opportunities when you are allowed to save money.

The restrictions on not being allowed to save I find are ridiculous because I cannot live my life. I mean, I worry every day. Oh, do I have too much in my bank account? Did I work too many hours this month? I should not have to worry about that. You know, I should be able to save money like I was taught to growing up.

Senator GILLIBRAND. Yes, that makes sense. Well, thank you so much, and thank you, Mr. Chairman, for the opportunity.

The CHAIRMAN. Thank you, Senator Gillibrand.

Well, I want to thank all of our witnesses, and we are going to conclude the hearing. I want to thank in particular each witness for their testimony today and for the expertise and, in almost every instance, their personal story.

I want to thank Ranking Member Scott for hosting this hearing, and Ranking Member Scott will submit a statement for the record for the close of this hearing.

The CHAIRMAN. Today's hearing highlighted the importance of financial inclusion for people with disabilities and older adults. It affirmed that we should set up Americans for success in the earliest stages of their lives through children's savings accounts. For people with disabilities, we know that 26 percent of them live in poverty, and we learned that being banked and building credit are essential to building economic security.

As Ms. Jaspering's testimony shows, some people with disabilities are arbitrarily prevented from saving for their futures. We have to stop penalizing people for wanting to contribute to their own financial security, and the bipartisan ABLE Age Adjustment Act is a good step in that direction.

We also must ensure our Nation's seniors have access to quality financial services that help them maintain their independence and protect their money from those who engage in fraud, the fraud practitioners or fraudsters, the scam artists, the con artists, all of them.

I, again, want to thank Ranking Member Scott for suggesting this hearing topic, and I look forward to working with this Committee and working with him to address barriers that we heard about today.

Before we close, let me remind you about the availability of our new booklet, the one that I made reference to as did Ranking Member Scott, Building Financial Literacy: Information and Resources for People with Disabilities. This is available on the Aging Committee's website, which is Aging.Senate.gov. You can contact the Committee to get a copy of this.

If any Senators have additional questions for the witnesses or statements to be added for the record, the hearing record will be open for 7 days, until next Thursday, March 24th.

I want to thank everyone for participating today.

This concludes our hearing.

[Whereupon, at 11:23 a.m., the Committee was adjourned.]

APPENDIX

Prepared Witness Statements

TESTIMONY OF
LORI A. TRAWINSKI, PH.D., CFP®, CCDP/AP
ON BEHALF OF
AARP

BEFORE THE
U.S. SENATE SPECIAL COMMITTEE ON AGING
ON

"UNBANKED AND CREDIT INVISIBLE: BUILDING FINANCIAL INCLUSION FOR AMERICA'S UNDERSERVED POPULATIONS"

March 17, 2022
Washington, DC

For further information contact:
Bill Sweeney
AARP Government Affairs
202-434-3717

Chairman Casey, Ranking Member Scott, and Members of the Committee, thank you for the opportunity to testify on behalf of AARP on issues faced by people who are unbanked and those who are credit invisible, and about the importance of building financial inclusion for America's underserved populations. I am Lori Trawinski, Director of Finance and Employment at the AARP Public Policy Institute.

On behalf of our 38 million members, and all older Americans nationwide, I am pleased to share AARP's views on these important topics. For over 60 years, AARP has advocated for policies and programs designed to help older families achieve financial security as they age. While many Americans are benefitting from increased longevity as a result of advances in health care and safety, they are also facing the challenges of how to finance these additional years with the sources of income that are available: Social Security, personal savings (both retirement and other), and if they are fortunate, an employer-provided pension.

Increasingly, personal savings is becoming a more important pillar of support for financial security at older ages. The ability to save throughout one's working life is vital to supporting additional years of retirement. Financial inclusion throughout one's life helps lead to better financial security at older ages. Financial security hinges on two important aspects of our financial lives: access to safe and affordable banking and access to credit. Banking access provides an opportunity to keep money safe, access it when needed, and to put some money aside for an emergency or for other long-term goals such as saving for a down payment on a house, for college, or for retirement.

Access to credit provides an opportunity to help a person smooth their income vs. consumption needs throughout their life, by helping them purchase items that they cannot pay for outright, such as a college education, a house, or a car. When people lack access to the mainstream banking system and credit, they end up paying more to conduct transactions and borrow money.

Financial Inclusion is Key for Stability and Long-term Financial Security

Financial inclusion means providing access to high-quality financial products to all people, regardless of age, race, ethnicity, gender, sexual orientation, geography, family status, ability level, or income. These financial products should meet an individual's needs in a range of areas, including banking transactions, payments, savings, credit (including credit cards, mortgages, auto loans, etc.), and insurance.

Access to mainstream banking products is key to achieving long-term financial security. When people have access to banks, they are more likely to save and develop financial behaviors that will help them manage their finances in economic downtimes. They will also pay less for banking services. Having a bank account can also provide a pathway to credit products offered by the bank or credit union.

Financial inclusion also requires protections for all consumers, particularly people with diminished capacity and other vulnerable consumers, who are often targets for financial exploitation and abuse. Increasing use of technology to conduct financial transactions allows access for more people, but the speed with which these transactions occur makes consumer protections more critical than ever.

When people lack access to banks, they often end up using alternative financial services--non-banks--that offer check cashing services, money orders, payday loans, auto title loans, and other products. Consumers pay higher costs for these services. In the case of payday and auto title loans, consumers typically pay triple-digit APRs and frequently find themselves trapped in a continuing spiral of high cost debt. Ironically, people with the lowest incomes, who cannot afford to pay higher prices, are the ones who end up paying the most for financial services.

People without bank accounts also face longer waiting times to receive their tax refunds or other payments, which are deposited electronically into bank accounts for those who have one.

Financial Access: Bank or Credit Union Accounts

Access to banking services is one part of financial inclusion. Approximately 7.1 million or 5.4 percent of U.S. households were unbanked, meaning they did not have a checking or savings account at a bank or credit union in 2019.[1] Approximately 3.1 million of those unbanked households were headed by someone age 50 or older. People with disabilities are more likely to be unbanked than people who do not have a disability. In 2019, among households headed by someone age 25 to 64, 16.2 percent of households with a disability were unbanked compared with 4.5 percent of households that did not have a disability. The Federal Deposit Insurance Corporation (FDIC) also found higher unbanked rates for households with lower incomes, volatile incomes, and less educational attainment. There were also significant differences by race and ethnicity: Black/African American households (13.8 percent), Hispanic households (12.2 percent), and American Indian or Alaska Native households (16.3 percent) had higher unbanked rates than White (2.5 percent) and Asian households (1.7 percent).

Differences were also observed based on the classification of household residence location, i.e., urban, suburban, or rural. Suburban households had the lowest unbanked rate at 3.7 percent, urban households the highest at 8.1 percent, and rural households at 6.2 percent. Some of these differences can be partly explained by decreases in access to brick and mortar bank branches.

Although younger households are more likely to be unbanked, among households headed by someone age 50 or older, 3.1 million households were unbanked in 2019. There are significant disparities among the 50+ unbanked population: 13 percent of African American/Black households and 11 percent of Hispanic households were unbanked, compared with only 2 percent of White and Asian households.[2]

Why are People Unbanked?

According to the FDIC, the top four reasons given for not having a checking or savings account are: not having enough money to meet minimum balance requirements; they do not trust banks; avoiding banks gives more privacy; and bank account fees are too high.

Efforts to help people gain access to mainline banking products have been ongoing for years. One example is the Cities for Financial Empowerment Fund, through its Bank On platform, that works directly with national and regional financial institutions to encourage widespread availability of safe, affordable bank and credit union accounts.[3] These accounts offer low or no

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[1] Federal Deposit Insurance Corporation (FDIC), How America Banks: Household Use of Banking and Financial Services, 2019 FDIC Survey, October 2020. 3https://www.fdic.gov/analysis/household-survey/2019report.pdf

[2] Joe Valenti, "Banking after COVID: Emerging Gaps in Financial Access," Blog, April 21, 2021, https://blog.aarp.org/banking-after-covid-emerging-gaps-in-financial-access

[3] Information about Bank On is available here: https://joinbankon.org/about/

minimum balances and free checking and savings accounts, among other benefits.[4] Primarily targeted to people with low incomes, these accounts seek to create a pathway to mainstream banking and to a better financial future.

Several major banks have recently announced that they are reducing or eliminating overdraft fees for many consumers, which typically carry triple-digit APRs that can be higher than even those of payday loans. These announcements followed the release of a report from the Consumer Financial Protection Bureau (CFPB) that found banks were earning two-thirds of their fee revenue from overdraft and non-sufficient funds fees.[5] It is expected that more consumers might seek to open bank accounts as a result of these fee reductions.

How do people conduct banking transactions?

There are other factors that affect whether someone may have a bank account. One is access to a bank branch. Nine percent (7,500) of all bank branch locations closed in the United States between 2017 and 2021, more than 4,000 of which closed since March 2020.[6] Branch locations are important not just for individual consumers, but also for small businesses located in the community.

The FDIC survey found that 77 percent of households headed by someone age 50 and older still relied on bank tellers for some transactions and consumers age 65 and older relied on bank tellers more often than other age groups. Nonetheless, older consumers increased their usage of computers, tablets, and mobile devices to conduct banking transactions from 2017 to 2019. The 2021 FDIC survey is likely to show a continuation of this trend, as many older consumers have had to adjust their banking methods as a result of the pandemic and surging bank branch closures.

Another factor that may affect access to a bank account is the availability and affordability of broadband internet access. The recently created Affordable Connectivity Program will help more low-income families pay for internet access. But for many rural communities, high-speed internet access is still not available. According to the Pew Research Center, 21 percent of adults age 50-64 and 36 percent of adults age 65+ did not have broadband internet service at home in 2021.[7]

Financial Access: Credit Products

Access to credit is another important part of financial inclusion. The ability to borrow money at a reasonable interest rate, with a reasonable term, allows people to buy things they need when they cannot afford to pay for the entire item in one payment. Likewise, access to a credit card can help people afford necessities, like prescription medications, food, or car repairs, if they do not have cash available to pay for these things. Unfortunately, not everyone has access to high-quality credit products that they can afford to repay.

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[4] https://joinbankon.org/wp-content/uploads/2020/10/Bank-On-National-Account-Standards-2021-2022.pdf
[5] https://files.consumerfinance.gov/f/documents/cfpb_overdraft-call_report_2021-12.pdf
[6] J. Edlebi, B.C. Mitchell, and J. Richardson, "The Great Consolidation of Banks and Acceleration of Branch Closures Across America," National Community Reinvestment Coalition, February 2022.
[7] https://www.pewresearch.org/internet/fact-sheet/internet-broadband/

People who have a low credit rating, people with no credit rating (credit invisible), people with a stale credit rating (no recent transactions), and people with thin credit files (where there is not enough history or credit transactions to generate a credit score) all lack access to low-cost credit products. When these consumers are rejected for mainstream credit products, they end up using high cost non-bank financial products, like payday loans, auto title loans, and rent-to-own services.

People who lack a credit score or who have a low credit score are affected not only when they try to obtain credit, but also when seeking employment, rental housing, or buying auto and homeowner's insurance, obtaining a cell phone, and accessing utilities without a deposit. The use of credit scores for non-credit purposes is controversial because credit scores are designed to assess creditworthiness, not risk of default in other contexts. There are large disparities in credit scores by race and ethnicity and by geographic area of the consumer.

Credit scores were designed to measure the likelihood that a borrower will become 90 days late on a credit obligation, not for other purposes.[8] Yet credit scores and their derivatives are frequently used in other contexts. Some employers use them as a screening tool when making hiring decisions. Landlords use them to evaluate prospective tenants. And insurance companies used them to determine whether to underwrite a policy and at what cost. For a consumer with no or a low credit score, the ripple effects can have an impact on many aspects of their lives and ultimately, their long-term financial success.

The FDIC found that consumers with low-incomes and less educational attainment are more likely to use high-cost nonbank credit products. Black/African American households (8.8 percent), Hispanic households (7.5 percent), American Indian or Alaska Native households (9.2 percent) used nonbank credit at more than double the rate of White households (3.6 percent) and more than triple the rate of Asian households (2.5 percent).

In rural communities, 6.3 percent of households used nonbank credit products, compared with 4.9 percent of urban households and 4.1 percent of suburban households.

Ten percent of households with a disability (age 25 to 64) used non-bank credit products compared with only 5 percent of households without a disability.

Not surprisingly, the same underserved populations that lack a checking or savings account are the same underserved populations that use high-cost credit products and end up paying more for basic financial transactions.

Who is credit invisible?

People who are credit invisible do not have a credit history with any of the nationwide credit reporting companies. In 2015, the CFPB found that 26 million people were credit invisible.[9] An additional 19 million people were found to be credit unscoreable: 9.9 million because their file was thin and they had insufficient credit history and another 9.6 million because they had stale files and lacked any recent credit history.

The CFPB found that consumers in low-income neighborhoods are more likely to be credit invisible and have unscoreable credit files. The same is true for Black/African American and

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[8] https://www.consumerfinance.gov/data-research/research-reports/data-point-credit-invisibles/

[9] https://www.consumerfinance.gov/data-research/research-reports/data-point-credit-invisibles/

Hispanic households. By age, younger consumers until about age 24 are largely credit invisible. After age 60, credit invisibility and unscoreable records increase with age, particularly for Black/African American consumers and Hispanic consumers, partly reflecting a lack of recent credit history. At ages 75 and older, nearly a quarter of Black/African American and Hispanic consumers were credit invisible, compared with 17 percent of White consumers.

Credit scores provide an important foundation for many consumer credit decisions. The higher the score, the lower the cost of credit for the borrower. Even when people have a strong credit file, errors in credit reports can sometimes trigger adverse credit decisions. It is important for consumers to obtain a copy and check their credit reports annually to ensure that all information is up-to-date and correct.

Alternative Data: A Double-edged Sword

Alternative data is information that is not included in traditional credit reports.[10] This includes monthly payment obligations like rent, cell phone bills, or other utility bills. As we seek ways to help people gain access to mainstream credit products, care must be taken to ensure that we are not harming people. Someone with no credit history is better off than someone with a bad credit history. For example, some older consumers prioritize their monthly payments to ensure they can cover their essential expenses, like food, housing, and prescription drugs over utilities in the months in which utilities cannot be turned off. Many of these consumers are living on fixed incomes and may have trouble meeting their monthly expenses. That may mean they must put off paying their electric or gas bill. Reporting these late utility payments to a credit bureau would likely make things worse for consumers in this situation; their credit scores could go down, or they might prioritize utility payments over other essentials like prescription drugs. For this reason, AARP is currently examining policies that consider the use of alternative data and will evaluate them to ensure they do not hurt the very people they are intended to help.

Consumer Protection is Vital

As people age, many people rely on help from family and friends so that they can continue to age in place. In some cases, older people have dementia or other conditions that cause cognitive decline, which often means they need help managing their finances. In 2020, 58 percent of family caregivers said they provided help managing their care recipient's finances.[11] Many older adults receive care from caregivers who are not family members or friends. No matter who the financial caregiver is, financial exploitation may be a cause for concern.

According to The National Elder Abuse Study,[12] 90 percent of financial exploitation is perpetrated by family members. Meanwhile, the average victim loses $120,000 as a result of exploitation by both known individuals and strangers. [13] Fortunately, there are several solutions available to help address this growing problem.

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[10] Credit Invisibility and Alternative Data: Promises and Perils, National Consumer Law Center, July 2019.

[11] https://www.caregiving.org/wp-content/uploads/2021/01/full-report-caregiving-in-the-united-states-01-21.pdf

[12] National Center on Elder Abuse, American Public Human Services Association. The National Elder Abuse Incidence Study: Final Report. Washington, DC: Administration for Children and Families & Administration on Aging, U.S. Department of Health and Human Services.

[13] The MetLife Study of Elder Financial Abuse (National Committee for the Prevention of Elder Abuse, Virginia Tech, and MetLife Mature Market Institute, June 2011)

- AARP has developed Bank*Safe,* which includes a free training platform for frontline workers at financial institutions to help them identify and prevent financial exploitation. All banks, credit unions, and investment firms within the United States can have their staff trained through the Bank*Safe* platform at no cost.
- There are bank account features that are already available that could help older adults and people with disabilities. For example, a read-only feature, or third-party monitoring, authorizes a family member or friend to monitor a senior's/person with disabilities account for irregularities in a format that allows monitoring, but does not provide access to funds or the ability to make transactions. The third party monitors the account through online banking or monthly statements.
- Asking a customer about his or her needs and preferences, including the use of a quiet room or extra time to make financial decisions. These preferences could be listed as part of the customer's account and allow front-line employees to address them when the customer contacts the bank.
- EverSafe® has developed software that focuses on early detection and prevention of exploitation before it occurs. This service scans financial accounts daily and issues timely alerts to customers and a third-party monitor about any suspicious activity. It helps protect customers by detecting abnormal spending patterns, unusual credit card charges, missing deposits, unauthorized cash withdrawals, and identity theft.
- Since 2013, AARP has provided the AARP Fraud Watch Network as a free resource for people of all ages. Consumers may sign up for "Watchdog Alert" emails that deliver information about scams or call a free helpline to report scams or get help from trained volunteers in the event someone falls victim to scammers' tactics. The Fraud Watch Network website provides information about the latest fraud and scams, prevention tips from experts, an interactive scam-tracking map and access to AARP's hit podcast series, *The Perfect Scam*.

Technology Solutions Can Help

Increasing use of technology by older adults had been observed over the past two decades. Today, 75 percent of adults age 65+ said they use the internet.[14] The FDIC found that the share of households age 50 and older increased their use of mobile banking and online banking over the past several years. Despite these increases, older adults lag behind younger age groups in adopting financial technology.

Fintech for Financial Resilience, a collaboration between AARP Foundation and Chase, provides a website where consumers can access a free toolkit to help build confidence using technology to manage finances and protect them from scams.[15] The website also includes resources for organizations, including a guide that explores ways to help older adults overcome technology adoption barriers while also providing design recommendations for fintech innovators.[16]

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[14] https://www.pewresearch.org/fact-tank/2022/01/13/share-of-those-65-and-older-who-are-tech-users-has-grown-in-the-past-decade/
[15] https://fintech.aarpfoundation.org/
[16] https://fintech.aarpfoundation.org/wp-content/uploads/2020/05/AARP-Foundation-Report-Fintech-over-50.pdf

Addressing the needs of older consumers is a smart business tactic. Providing safe infrastructure for financial transactions along with strong consumer protections are critical for fintech adoption.

Conclusion

Thank you for the opportunity to share AARP's views on these important issues. We look forward to working with you to ensure that all consumers, especially older Americans and people with disabilities, are included in our financial system and have access to high-quality financial products that are safe, readily accessible, and affordable. While technology may improve access for many more people, we must work to ensure that consumers are protected from financial exploitation and abuse and that online transactions and financial products have the same level of protection as other financial services.

Testimony of Stephen Gilchrist
March 17, 2022
US Senate Special Committee on Aging

"Unbanked and Credit Invisible: Building Financial Inclusion for America's Underserved Populations"

Good morning, Senators! I want to thank Chairman Casey and my great Senator from South Carolina, Senator Tim Scott, for allowing me to make a few brief comments today.

As you know, the pandemic has been hard on a lot of Americans-particularly those that were vulnerable before virus. For example, our elderly, those with pre-existing conditions and our small and minority-owned businesses, just to name a few, have seen remarkable setbacks due to this incredible disease. In fact, prior to the pandemic's onslaught, I had the privilege of representing over 15,000 African American Chamber members in my beloved state of South Carolina. As I sit here today, I can report that we have lost nearly 40% of our businesses.

As this committee attempts to address ways in which to help the unbanked and underbanked in our country, it is important to remember that many of these individuals are business owners. At the onset of the pandemic, our chamber had to think creatively about how we could help our members in a fast-changing environment. Stay- at- home measures were put in place and person-to-person business transactions become even more remote. Many of our members were not part of the traditional banking experience. Conversely, consumers begin to rapidly use digital services for their goods and services. These rapidly changing environments are hard for anyone, particularly our most fragile and vulnerable entities.

Our Chamber was fortunate to have a relationship with MasterCard. We know it as a credit card company, but the Company's Vice President during a visit to South Carolina described Master Card as a technology company. We were interested in this concept particularly as technology was and is revolutionizing the way we do and transact business. We believed then as we do now that it is essential to aid these small businesses with the tools and resources necessary to navigate through these remarkably challenging times.

We have learned how electronic payment technology can be a valuable tool for addressing the needs of the unbanked and underbanked. According to research done by the FDIC and Master Card, evidence shows that large populations throughout the rural South need better access to financial tools for financial stability and upward mobility. While we need to expand the concept of "credit worthiness" we also need to continue to bring those outside the mainstream banking system into the financial mainstream. Two key tactics that will be crucial: 1) work with FinTech Companies to connect unbanked and underbanked individuals with emerging technologies that can supply low-cost financial services for working people and 2) develop tailored financial products and services for individuals on the economic margins to include seniors, people with disabilities and other vulnerable adults. We must also seek to utilize products and services that require low minimum balances and carry low or no fees. For small and rural businesses in America, accepting more electronic payments can help expand revenue with online purchases, improving cash flow and streamlining accounting.

The Chamber's goal was to develop strategies to help ensure that not only business owners, but low- to moderate-income residents could keep more of their hard-earned money-this was an essential element in increasing the standard of living for hundreds and thousands of residents particularly in the South and in rural communities across our country.

I am going to conclude my statement by saying that the pandemic has been something our country have not experienced in most of our lifetimes. But we all are blessed to still be here!

In SC, we did lose a lot of businesses, but we did not lose the very thing that makes our country great, and that is our entrepreneurs!

Again, thank you for your time and attention to this issue.

Testimony of Kai Stinchcombe
CEO, True Link Financial

Submitted to the US Senate Special Committee on Aging

March 17, 2022

Chairman Casey, Ranking Member Scott, Members of the Committee, thank you for inviting me to provide testimony on an issue that is very near and dear to my heart.

Personal story

I'm Kai Stinchcombe, co-founder and CEO of True Link Financial.

My grandmother, Ruth Heimer, was born in 1921 in Rensselaer, Indiana. She worked as a missionary and taught music at the church school. She died in 2020 at 98 years old. My mom, Carol Heimer, was her primary caregiver as she aged. During her last decade and a half, she experienced increasingly serious Alzheimer's.

Inherently, a person with a certain stage of Alzheimer's is unable to budget, because knowing how much you have already spent requires you to have memories of recent events – memories you are unable to form. Having no recollection of recently spending any money, from your perspective your budget is always full. Anything you used to do occasionally or on a budget is now potentially an out-of control spending problem. This can include sweepstakes entries, TV shopping, magazine subscriptions, discount clubs, gifts to friends or family, drinking, gambling, or wire transfers to your new girlfriend you met online who just needs a little help with her immigration paperwork.

In my grandma's case it was charitable contributions. She might historically have donated ten dollars a month to support hungry children or veterans charities. With the onset of her disease, however, she was making these donations many times per day, in response to mail and phone solicitations. Some were legitimate organizations who were excited to have found a donor who would give every time they called, while some were deliberately lookalike-name charities or used confusing scripts to persuade her that she had contributed in the past, or that it was time to renew her membership.

My grandma still cooked her own food, bought her own clothing, went out for pizza or ice cream or to the movies – she just couldn't remember what happened earlier that day, or how many hours it had been since she last made a charitable contribution.

When my mom talked to her bank, they told her that unfortunately it sounded like my grandma could no longer safely use a checkbook, a credit card, or a debit card, and that the best bet was probably to close the account. But taking away her forms of payment – i.e., making my grandmother unbanked – would have meant such a tremendous loss of freedom, at a time when her remaining freedom was so precious.

When I talked to my mom about it I assured her there are six million people in America with Alzheimer's – not only was this guaranteed to be a solved problem, but surely someone had built a very very successful company solving it.

About True Link

It turned out that, in fact, no company was solving this problem. Fifteen years later, I am the cofounder of True Link, a company that serves people like my mom and grandmother – providing an account and form of payment that is designed from the bottom up to be used by two people, a trusted care provider and someone in a situation of supported decision making. Our products, introduced for those with memory loss, have also found application in special needs, mental health, recovery from addiction, and other forms of disability.

Today we are a team of about 105, have raised around $70 million of venture capital from firms like Y Combinator, QED, Khosla, and Centana, and 97% of our customers would recommend our product to a friend. Our financial advisor manages approximately a billion dollars of assets[1] and our card company has processed approximately a billion dollars of Visa card transactions over its lifetime, on behalf of around 200,000 members in all fifty states. We prevent close to $100m of estimated financial loss to people over 60 every year.

For example, our customers might need their accounts monitored for large or unexpected transactions, or controls against large cash transactions, or blocks on certain merchants or categories of merchants, or might apply a curfew to themselves to help stay sober, or define a weekly or monthly budget, or set up the card for use at only a set of predefined stores they regularly visit. In the end, what we enable is the kind of day-to-day autonomy many take for granted – the accounts are typically used to make purchases of $25 or less, with top categories of groceries, gas stations, restaurants, utility bills such as electricity and phone, and shopping for household goods and necessities.

We work with family members and friends as well as professional care providers including government programs, nonprofit organizations, attorneys, accountants, banks and trust companies, care managers, group homes, professional trustees and fiduciaries, recovery

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[1] Investment services are provided through True Link Financial Advisors, LLC, an investment adviser registered with the U.S. Securities and Exchange Commission ("SEC") and wholly-owned subsidiary of True Link Financial, Inc. Registration with the SEC does not imply a certain level of skill or training nor does it constitute an endorsement by the SEC. The remainder of this testimony refers only to the card offering.

centers, retirement homes, and in-home care providers. We have worked with hundreds of thousands of family members and approximately eight thousand professionals. True Link is used by over 300 nonprofits, over 75 government agencies, and over 250 banks and trust companies.

And when financial institutions like True Link do solve the problem, the impact is extraordinary. One customer told us (more quotes at the end):

> My mother has dementia. I just want to let you know how impressed I am with your service and the level of support your company provides. The ability to allow my mother to maintain some level of independence by having a credit card while providing me the ability to monitor her account and prevent unauthorized use has meant the world to my family.

Along the way we heard the story of a man who, because of our card, could still get coffee with his army buddies once a week like he had been doing for years. We heard about an individual with developmental disabilities making a purchase on her own behalf for the first time – something her parents had not expected would ever happen. We heard about a mom whose son was sleeping in his car, and she gave him a card for the gas station so that, even if he had spent all his money on drugs, at least he could keep himself warm at night that winter.

Independence is not when you don't need any help, it is when you have all the help you need.

Challenge and market opportunity

Reflecting on these ten years since the company was founded, we have come to better understand the size and scope of the problem we are addressing, and the opportunity available in addressing it. The total population of family caregivers is 44 million – about one in three households – providing care to 50 million family members, about twice as large as the population of teenagers.

Focusing first on the challenges facing our older population, our survey research found that about $36.5 billion is lost to schemes targeting seniors.[2] Approximately $7 billion of that is caregiver exploitation – a family member, friend, or professional taking advantage of a trusted relationship. Approximately $13 billion is exploitation by strangers – identity theft, the "Nigerian prince" scam, the "grandparent scam," and so on. And the largest category, approximately $17 billion, is what my grandmother experienced – misleading or confusing sales tactics explicitly targeting vulnerable seniors. This estimate is consistent with previous studies by Allianz (2014) – finding that 5% of seniors have experienced average losses of $30,000 per person for a total

[2] http://documents.truelinkfinancial.com/True-Link-Report-On-Elder-Financial-Abuse-012815.pdf

of $69 billion among seniors alive today – and MetLife (2011) finding that fraud reported in the press totaled $2.9 billion per year, with an estimated five to forty times as much unreported.[3]

There is not similar richness in the studies of financial challenges related to addiction, disability, or mental health challenges. We did find in our own survey research that 87% of family members of people in recovery from addiction said that banks or credit card companies do not offer much help to people with substance abuse disorders as they try to regain control of their financial lives.[4]

I would be remiss in not describing the economic opportunity here for financial institutions that are willing to go the extra mile. Bankers might be interested to learn that one in three people managing a small business account is a family caregiver (caregivers are 198% more likely to have a small business account than the general population); that relative to non-caregivers, caregivers to an aging parent are 68% more likely to have a mortgage, 94% more likely to have an investment account, 93% more likely to carry life insurance; and that financial caregivers are the main financial decision makers in 22 million households – approximately one in five American households. We also found that a good experience in this situation of financial caregiving could more than double customer loyalty.[5]

Every single person deserves high quality banking services – regardless of their age, disability status, income, or wealth. It is also a good business.

Policy environment

Why, then, is this population still so underserved? Much of it is awareness of the category, the opportunity, and the solution. But, given the audience, I will highlight two relevant policy issues.

From a financial services perspective, legal competence or capacity is primarily viewed as a binary construct: either someone is deemed to be legally competent to engage in financial services transactions and sign contracts, etc., or they are not. In this sense, if a person is legally competent or has legal capacity they are responsible for everything that happens in their financial services account – including being defrauded, taken advantage of, a purchase that is the start of a relapse, or spending decisions made during a bipolar episode. In contrast, if a person is deemed legally incompetent or lacking capacity they are essentially prevented from engaging in any type of financial transaction. Either way, the financial services industry washes their hands, leaving a gaping void of unbanked individuals.

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[3] See https://en.wikipedia.org/wiki/Elder_financial_abuse
[4] http://documents.truelinkfinancial.com/True_Link-financial_wellness_in_addiction_and_recovery.pdf
[5] "A lifelong duty: Underserved today, caregivers present an opportunity for banks." Survey of 5,400 adults about caregiving and finances. Not yet published, available on request.

Yet this is a false binary. There is no person who can correctly make every decision without consulting a supporter, and there is no person who should have zero input into the decisions that govern their life.[6]

A second challenge is that the role of care providers is poorly treated across the board. Caregivers certainly prevent a massive amount of fraud and financial abuse – far, far more than they perpetrate. Yet you would not know it from the headlines.

It is entirely appropriate that bad actors are punished. But the incentive structures – headline risk, liability, regulatory findings – are entirely on the side of avoiding trusting the wrong caregiver. It may feel from the financial institution's perspective that the safest thing to do is to do nothing.

In both cases, some of this is about the banks' mindset, but some of it is about the policy and regulatory environment. An example of constructive policy change is the 2013 Interagency Guidance, the 2016 CFPB Advisory, and the 2018 Senior Safe Act. This set of rules successively created better and better safe harbors for financial institutions that (a) recognized, in a nuanced way, a situation where someone might be legally competent but making a bad decision, and (b) encouraged banks to get others involved.

The CFPB's 2016 recommendations in particular suggest that banks "offer account holders the opportunity to consent to disclosure of account information to trusted third parties when the financial institution suspects financial exploitation." The more safe harbors like this that we are able to create from a policy perspective, the more fintech companies and financial institutions will see the opportunity in creating solutions.

<u>Moving forward</u>

I am optimistic that we have already taken steps in the right direction, that we continue to take steps in the right direction, and that these steps are increasingly visible and impactful.

I believe there are five ingredients for success as we continue to move toward an America in which supported decisionmaking is available through the banking system to all who need it.

The first is more widespread acceptance of supported decisionmaking as a concept – rather than the binary of zero help versus zero autonomy. This is not a new concept but I believe it is gathering steam.

The second is knowledge of the private-sector opportunity size. I think we are starting to have that with the aging population, and with it, awareness of memory loss. The thinking on other

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[6] There are many good resources on this topic. One is here: https://autisticadvocacy.org/actioncenter/issues/choices/sdm/

forms of disability may be moving slower but I am confident it will arrive, and that the places where it arrives first will thank themselves for being forward-thinking.

The third is permission from policymakers and regulators. Financial institutions are often, correctly or incorrectly, highly motivated by fear of regulatory repercussions. Policymakers and regulators have taken some steps to indicate that they will not punish financial institutions who are in good faith and with due care trying to broaden inclusion in the financial system.[7] We need more of this, especially around the ability to trust a caregiver or supporter, but it does feel like we are headed in the right direction.

Fourth, interest from policymakers and regulators in the topic is very helpful. At every bank in America there is someone whose job ultimately is trying to figure out what people like you care about. Holding hearings on this topic genuinely helps.

And then finally, there is individual decisionmaking within the financial system. Everyone wakes up in the morning and goes to work with a choice about what they are going to focus on and, in doing so, who they are going to include and who they are going to exclude. I hope today's hearing not only contributes to an encouraging policy environment, but also inspires each of us and those we touch to broaden the scope of the US financial system.

Appendix: quotes from cardholders and caregivers

With the True Link Card, I am able to make purchases for myself without needing to ask permission from others. It is empowering knowing I can buy my own groceries, get myself a new outfit, or fill up my car with gas on my own terms.

As my mother's memory continued to fade, she missed more and more monthly bill payments. She would forget, or think she already paid, and it was difficult for me to check in on her while her statements were coming in the mail. With the True Link card, I helped my mom enroll in automatic bill pay. I can now confirm that her bills are paid each month, and don't have to worry about her electricity being turned off due to a missed payment.

I've been trying to help and assist my brother, who has a disability, for the last 20 years. In using it for one month, it has really provided a tremendous help… that we have never been able to establish. For those of us taking care of someone who is somewhat independent, it has been a savior to ensure my brother can stay independent.

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[7] An idea for future agency guidance: many states expire drivers' licenses more frequently for older drivers, to get folks to come in for an in-person test. In many cases non-drivers just let the license expire. What if there was guidance that a driver's license valid at your 70th birthday could be used for the rest of your life to open a bank account (i.e., no-action against a financial institution from an AML / KYC perspective for a policy of accepting an expired driver's license, if the policy would be otherwise acceptable)? (See https://www.cdc.gov/motorvehiclesafety/calculator/factsheet/licenserenewal.html for a list of state-by-state rules.)

My father's bank-issued credit card was constantly hacked because he was shopping on sketchy websites to alleviate his boredom. I know he was humiliated each time I had to step in. Now that doesn't happen anymore. This card has allowed him to retain his autonomy, but protects him at the same time.

True Link is such a godsend for our child. It's a really comfortable way to give him independence, but know he is getting food every single day. You are so amazingly professional but also really heartwarming too.

[Before True Link] everything was in the glove box of my car: money, stacks of paystubs, all my financials... my ‘bank’ was at risk of being stolen.

Early in my recovery, I realized that I have no money, and no one trusts me to give me money – but I still needed to get a haircut, to buy deodorant.

Most people see those in recovery in one way – we're bad investments.

Before True Link, I had to take a bus to the cash-checking store across town twice a month. I had to leave work early to make it there in time, paid a high fee to cash my check, and then take the bus home after dark with a full paycheck worth of cash in my pocket. I could not open a bank account because of my credit history. I was afraid of being a target. True Link has saved me time, money, and most importantly, has made me feel safe.

True Link has been a godsend, and has helped our son avoid relapse. Now, our son has been able to have more control and independence, allowing him to reclaim responsible behavior.

We’ve had four situations in the past few years, with four different guys, where, if not for True Link, a resident would have returned to use.

I manage a True Link Card for my sister who has special needs. This allows me to give her the freedom to spend money as she chooses without needing me to be involved day to day. I've been recommending your product to everyone who will listen.

This is amazing. This is the most amazing service I've ever experienced. You are doing God's work.

This is the best product I have ever experienced.

I'm taking it all in, and just want to shed tears of joy… I just have to say, I love working with True Link.

Testimony of Shelley Jaspering
before the
United States Senate Special Committee on Aging
March 17, 2022

Good morning, Chairman Casey, Ranking Member Scott and Members of the Senate Special Committee on Aging. Thank you for the opportunity to speak today. My name is Shelley Jaspering. I live in Ames, Iowa. I'm 44 years old and work part time as a pricing assistant at Wheatsfield Cooperative. I also love to sew and occasionally sell things at our local farmers market. I have lived in Ames most of my life besides my college years and a couple years in Wisconsin. I returned to Ames in 2003, and I was hired full time at Wheatsfield which also luckily gave me full time benefits including an IRA and short term disability insurance. In 2005 I had an accidental fall which resulted in my quadriplegia. I was not able to return to work until spring of 2006 to work part time in the office because I was no longer able to do the physical labor necessary for my previous job.

Seven years ago I moved into my adapted home built by Habitat for Humanity. My mortgage is more affordable than rent in the college town I live in. I have never been able to afford a new accessible van on my own. My parents assisted me with money to purchase a 2007 accessible van recently, which is my 4th used van. We buy older used vans to keep me out of debt, but they typically require more repairs and upkeep.

I cannot currently save money for emergency situations due to asset limitations which I have to follow in order to keep my Medicaid waiver, which pays for my home care. I use a hometown bank for my checking account and they also manage my mortgage. They allow me to pay on the 10th of the month to ensure my Social Security Disability Insurance check has been deposited, even though this is technically considered late according to the bank mortgage policy. Being in a smaller community, I believe the bank is more understanding about the fiscal restrictions I have, and they work with me to ensure I do not receive late fees. Because the asset limit rules are complicated and I do not always fully understand them, to be safe I do not have a savings account or credit cards. I turn to my parents for financial assistance when a big bill occurs, but they are in their 70s and will not always be available for this help with paperwork or funds.

There is so much I don't feel confident in my understanding about my fiscal situation. I worry about the details I might miss and might cause me to lose my Medicaid waiver, which is the only way I can contribute to daily life. My SSDI would not be enough to fully pay all of my bills and mortgage, so I am very privileged to be able to work part time. With rising costs of basic needs (food, shelter, and utilities) finances cause stress. For instance, when there is a three paycheck month, it causes me to have to manage and cut my hours so that I don't earn too much money and risk having my benefits cut. This is an inconvenience for my employer to accommodate me which causes tasks at work to go unfinished.

Along with the general cost of living expenses, I have disability needs to pay for as well. I recently found a need for a power wheelchair. Since Medicare would not cover the cost of a power chair at this time, I found a reasonably priced used power chair that I believed would fit my size. I paid out of pocket and couldn't afford a maintenance contract. The arm rests on the chair broke almost immediately because I use them as a way to transfer in and out of the chair. Those arm rests will cost me $500 to get a set that will accommodate my needs and not break as easily. These additional costs add up fast and Medicare can only help every 5 years with the purchase of a new chair.

If I didn't have the asset limit barriers to saving money, I would be able to purchase more things to help my health and independence without asking for assistance from my parents.

My message here is that disability is expensive and there are barriers to earning enough to cover those expenses.

Most important to me is that I need to manage my finances in such a way that I don't lose my home care support. Without home care, I could not do the basic morning routine that everyone has to do to get up and go to work. Then I would lose my job, my home, and be more dependent on state and federal assistance programs or, even worse, be put into a care facility.

I have always lived with anxiety, after adding a disability into my life 16 years ago, being dependent on others causes more stress. The greatest fear I have is losing my home care because it would take away my life. I'm from a frugal family and was taught to save for emergencies. Unlike my friend who was born with her disability, mine was something that nobody could prepare for. In preparing for her future as a disabled adult, her parents had set up an IRA that would eventually pay for her home care after losing her ability to work as she aged. This preparation kept her from using Medicaid and other assistance programs for many years. For someone like me who acquires a disability later in their working life, it can be difficult to find the financial resources and information to manage this new life.

One thing that would help me is an ABLE account. I urge Congress to pass the ABLE Age Adjustment Act. I can't open an ABLE account because I became disabled at age 28, two years after the age limit. If I could save for the future, for repairs to a van, for repairs to my house, for repairs to my wheelchair, I wouldn't have to live in fear. The $2,000 asset limit to keep my disability benefits means that I am stuck financially and will always live on the edge.

In addition, the requirements of Medicaid, Supplemental Security Income, Social Security Disability Insurance, vocational rehabilitation and state programs are overwhelming. We need understandable information about how to manage our benefits and earnings. We need to locate trusted people that we can count on to walk us through the financial stages in life.

Finally, I ask that the monthly earnings limits be increased so that people with disabilities can work as much as they want and need to. I have worked for my current employer for 18 years. In the next few months I'll have an opportunity to get a promotion. For anyone, that would be a good thing but for me, it means anxiety and fear. If I am paid too much, I could lose my benefits and then I couldn't work.

Thank you for your time and consideration on helping the disability and aging community to improve their financial situations. Financial improvements will have many benefits including improving the mental and physical well-being of people with disabilities and our independence.

Questions for the Record

U.S. Senate Special Committee on Aging

"Unbanked and Credit Invisible: Building Financial Inclusion for America's Underserved Populations"

March 17, 2022

Questions for the Record

Dr. Lori Trawinski

Chairman Robert P. Casey, Jr.

Question:

Your written testimony concludes with: "While technology may improve access for many more people, we must work to ensure that consumers are protected from financial exploitation and abuse and that online transactions and financial products have the same level of protection as other financial services." Consumer advocates and other groups have raised concerns about the lack of consumer protections in many products and services offered by FinTech firms. Has AARP identified specific gaps in consumer protections in products and services offered by FinTech firms, specifically gaps that may disproportionally affect older adults or people with disabilities?

Response:

AARP has concerns about cryptocurrency, non-bank financial services providers, and mobile financial transactions that move money out of an account in an instant. This is an area that we are examining and will keep in touch with Senator Casey's staff as we learn more.

Question:

Your testimony highlighted the growing importance of credit visibility and access for older adults. Grandparents raising grandchildren, older adults who serve as caregivers to other older adults, and surviving spouses are specific segments of the older population that may have specific credit needs and access challenges. Has AARP examined the credit needs and access issues for these segments of the population?

Response:

In 2020, there were nearly 42 million adults in the United States providing care for someone age 50 or older. Over half of these caregivers provided help with managing the finances of the care recipient, and that percentage increases with the age of the care recipient.[1] AARP surveyed family financial caregivers about banking products and services they would find helpful and found strong interest in: naming a trusted contact who would be notified of problems, providing the ability to view a bank account online or receive a duplicate statement without having a joint account, receiving an alert if the care recipient withdrew large amounts or made unusual purchases, limited prepaid cards or a special bank account for the caregiver, and limited repaid cards for use by the care recipient.[2]

Access to banking services is critical for those who manage the finances of someone else. It is important, however, that proper legal authority is in place such as power of attorney or bank power of attorney documents, guardianship, consent to discuss accounts, or trust documents. It is important to set up proper legal authority to protect the care recipient as well as the financial caregiver. The Consumer Financial Protection Bureau provides helpful information guides for managing someone else's money.

Anecdotally, we often hear about widows who experienced the sudden loss of a spouse, and for the first time in their lives must learn about finances and credit. In some cases, the widow may not have had a credit card in their name. The ability to build and access credit at an older age, when one has not had credit before, is a difficult task. This becomes even more difficult if the widow does not have a job or significant assets.

[1] https://www.aarp.org/content/dam/aarp/ppi/2021/05/caregiving-in-the-united-states-50-plus.doi.10.264192Fppi.00103.022.pdf

[2] G. Koenig, L.Trawinski, and E. Costle, "Family Financial Caregiving: Rewards, Stresses, and Responsibilities," AARP Public Policy Institute, November 2015.

Senator Mark Kelly

Senator Collins and I worked together to recognize March 10th as National Slam the Scam Day. The Social Security Administration uses Slam the Scam Day as an opportunity to draw attention to the risks of government imposter scams. We know that the COVID-19 pandemic brought on increased number of scams to vulnerable populations—in my state, more than three thousand older Arizonans were scammed into losing money or jeopardizing their personal information in 2020.

That's unacceptable. That's why I am so proud that the Stop Senior Scams Act, which I am a cosponsor of along with the ranking member and Chairman, was included in the government funding bill last week. This bill will create a Senior Scams Prevention Advisory Group that will educate financial services companies, retailers, and wire-transfer companies about how to identify and prevent scams against seniors. This is going to make a difference.

Question:

In your expert opinion, do you agree more needs to be done to protect seniors from financial scams? In addition to the employee education outlined in our bill, what more should banks and companies be doing to prevent fraud and scams?

Response:

Yes – more can and needs to be done to protect seniors from financial exploitation and scams. Historically, there have been fewer resources devoted to fraud (which is a financial crime) unlike what we devote to violent crimes. We need to devote more resources to address the crisis level of fraud happening in this country. We believe the agencies are doing what they can within their jurisdiction. However, we need more investigations, indictments, and prosecutions. And we need industry to help turn the tide on fraud too. For example, a scam tactic that involves convincing the target to pay for an alleged obligation by purchasing gift cards and sharing the activation codes is on the rise. We need retailers, card issuers, payment processors, and other industry supporters to do more to combat gift card fraud.

AARP has engaged in extensive fraud prevention work through our Fraud Watch Network, a nationwide program focused on empowering consumers to protect themselves, their families, and their communities from fraud and scams. It provides tips to spot and avoid scams like identity theft, investment fraud, and others. You can learn more about the AARP Fraud Watch Network HERE. AARP's BankSafe Initiative also helps the financial industry better meet consumers' financial needs and safeguard their asset via a free, online training platform developed in collaboration with more than 2,000 industry professionals to help financial institution employees identify and stop suspected financial exploitation.

U.S. Senate Special Committee on Aging

"Unbanked and Credit Invisible: Building Financial Inclusion for America's Underserved Populations"

March 17, 2022

Questions for the Record

Mr. Kai Stinchcombe

Senator Mark Kelly

Question:

From a business perspective, what more can banks be doing to prevent misuse, fraud, and scams?

Response:

I think in terms of the Reg-E compliant card payments and purchases covered by a zero-liability guarantee, when there are fraudulent or misleading purchases targeting seniors, either the merchant is on the hook, the bank is on the hook, or the individual is on the hook. The scammy merchants are very good at getting off the hook, and the banks don't want to put themselves on the hook. So it ends up being quite difficult to get your money back if there is a scammy sweepstakes entry, or a TV shopping purchase with a surprising shipping and handling charge, or a travel discount club that doesn't deliver what was promised. It ends up pinned on the consumer because the banks can't prove the merchant did something wrong, and the card networks won't say the merchant did something wrong, and the consumer protection cases are tough to bring and take years of litigation and end up failing because there was extra fine print on the "you have won a prize" letter you got in the mail. So I think some of it is a public policy issue – the bank has to be able to pin it on the merchant, and do so in a scalable, cost-efficient way.

Absent a policy change there, I think the best answer is going to have to be technology. And it has to be about the consumer feeling satisfied that they are protected – right now the technology is optimized to minimize the bank's liability, not to minimize the consumer not feeling ripped off. I think there's an opportunity for the bank that decides to deploy technology in that way.

Question:

In your testimony, you say that incentives for banks to make their financial products and services more inclusive aren't correctly structured. Based on your experience, how would you recommend changing these incentives?

Also, in your testimony, you say banks need permission to act more inclusively. How do we make sure banks take advantage of that in good faith?

Response:

In terms of giving permission and aligning incentives, here are the three things I would most highlight.

The first is where there is guidance about what a regulator is going to expect, you can build a process that complies with it. Right now, there is very little permission to give access to a caregiver. Where there is permission, financial institutions have sometimes used it – for example the interagency guidance and the Senior Safe Act. I think some of this is on the regulator to figure out what a model program might look like and hold out for banks that if you design a program like such and such, you are not steering into trouble. If the regulator wants a bank to open an account for someone who is over 70 and did not renew their driver's license because they are no longer driving, just tell the banks that's ok to open an account on an expired license, they will do it. Or whatever we the people believe the program should look like.

Absent that, or when the guidance is unclear or not purpose designed, these processes become unworkable. For example, if money is held in a trust and the trustee is a bank – you look at the guidance for identity verification and apparently, I am supposed run the social security number of the CEO or CFO of US Bank or Wells Fargo or whatever. There is some helpful Q&A there in the guidance, but it doesn't get down to the level of, how do you make it genuinely easy for someone to open an account for a trust. They have made it workable, but not easy.

Another example that we have seen that with ABLE accounts – from a policy level they are intended to be easy to open, yet we have seen people turned away because of not having evidence of a mental illness being treated before age 26 – you are not supposed to need evidence of treatment – or organizational rep payees being asked for documentation they just don't have in setting up accounts for their clients which they are supposed to be able to, HUD asking questions about whether they count as a resource for housing purposes when it is not supposed to. It doesn't take much extra paperwork or much extra doubt to make something unworkable.

I think the second thing is being a little more careful with the stick. Nobody gets fired for adding a step to a due diligence process. Any time there is a new case where someone in good faith tried to work with a caregiver, people notice the cases emerging and the number of service providers is reduced in the marketplace. We have seen this especially with special needs trusts – the minimum account size for a bank to work with an individual keeps going up because it's perceived as risky. And it is a tough balance because if you are a regulator or even prosecutor you do want to hold people to high standards and if there is wrongdoing you need to send a clear signal to stop it, but if you overdo it it ends up with a perception that it's better not to try at all. Or to only offer the service to the very wealthy.

And then third, and there I was saying be a little careful with the stick and now I'm going to say "but do get it out sometimes", I think for examinations there needs to be more attention to this aspect of inclusion. The CFPB has a checklist of features a bank might want to add in order to be more inclusive toward the vulnerable aging. We have not yet seen in the marketplace compliance officers raising the hue and cry that their bank does not have what the regulators expect on these dimensions. We have had partnership conversations where people were very upfront with us –

"point me to a regulator who wants us to do this, and we will get it done, that is the only way to make something move here," and we have a general answer pointing to the CFPB guidance, but not actually a specific tangible answer of people getting in trouble for not doing enough, or receiving goodwill for doing more. And if they are asking us who cares about it it means we do not have the sense that their own examiners are grilling them on it, that it's beyond the CFPB to other regulators for example or even at the top of the CFPB's list, that the banks are feeling like it's urgent relative to everything else on their plate.

In terms of how to make sure banks are acting in good faith, it's a really good question and I wish I had a better answer. I suppose with any regulatory or policy decision we are trying to balance enabling people to do the right thing versus preventing them from doing the wrong thing. It's sort of a lame answer but if I do I come up with a recipe to cause financial institutions to act in good faith I will certainly share it with you.

Statement for the Record

Closing Remarks of
Senator Tim Scott, Ranking Member
"Unbanked and Credit Invisible: Building Financial Inclusion for America's Underserved Populations"
03/17/2022

Thank you, Mr. Chairman. Thank you to the witnesses for your testimonies regarding the challenges facing unbanked and credit invisible Americans. Mr. Gilchrist, and organizations like the South Carolina African American Chamber of Commerce are making a difference through educational opportunities that will open the doors to credit, so thank you for your work.

As a kid who came out of college and went into the financial services arena quickly thereafter, I learned that allowing people to prove they are financially responsible is crucial to them realizing the American dream, but people first need the opportunity to prove themselves.

One of the lessons I learned early on was that a nineteen or twenty-year old who starts saving about one hundred dollars a month, by the time they're sixty-five, at a fairly high interest rate, they're a millionaire. The forty-year old who starts saving a thousand dollars a month never gets there.

The time value of money is critical as it relates to the topic that we're talking about. If a person has the opportunity to start with just a few dollars at a very young age, they create tailwinds as opposed to the headwinds that happen when you're closer to my age, trying to figure this out.

On this issue, the bipartisan Credit Access and Inclusion Act is a necessary step towards helping millions of Americans prove their credit worthiness, and avoiding those headwinds. Research shows that reporting alternative payment data, like utilities or cell phone bills, will help more Americans access affordable credit. That is why Senator Manchin and I introduced this act, so that it will be easier for credit agencies to use this alternative data. In fact, two of the three major reporting agencies have already embraced the legislation before its passage and started lowering interest rates.

It's critical that we talk about ways to help people become financially independent and prepare for a fruitful retirement, and so, thank you all for being here and I look forward to continuing this discussion on the Committee.

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