

THE PRICE OF ENTRY: BANKING IN AMERICA

Executive Summary

The United States financial system is not effectively serving everyone. A structurally inclusive financial system provides all people with the ability to access, utilize, and reap the benefits of a full suite of financial services that facilitate stability, resilience, and long-term financial security.ⁱ Unfortunately, the U.S. financial system currently fails to meet this definition. In 2021, nearly 1 in 5 households in the U.S.—approximately 24.6 million households—were either entirely disconnected from mainstream financial services or, despite having an account with a bank or credit union, still turned to costly alternatives to get the financial services they needed.ⁱⁱ

While 4.5 percent of all households in the U.S.—approximately 5.9 million households—did not have an account at a bank or credit union in 2021, certain groups are unbanked at a much higher rate. Black households, Hispanic households, households with working-age adults living with disabilities, households with less education, and households with low income were among the groups even more unlikely to own an account.ⁱⁱⁱ Historically, Indigenous people have also faced significant barriers to banking access.

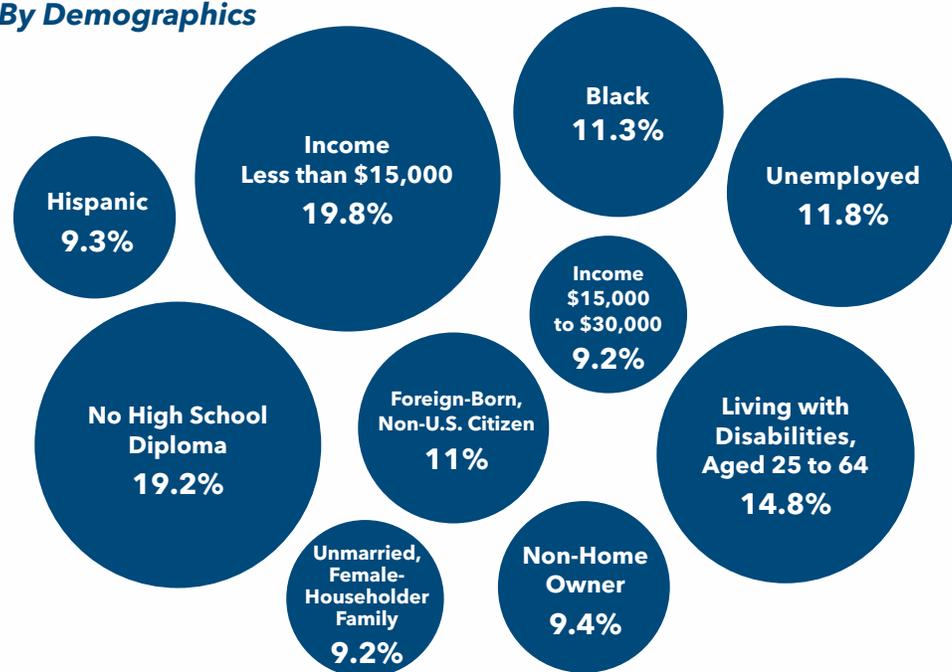
U.S. Households Do Not Have Equitable Access to Bank Accounts

Share of households without a bank or credit union account, by demographics

Households in the U.S. in Aggregate

4.5%

By Demographics



Source: Kutzbach, Mark, Joyce Northwood, and Jeffrey Weinstein. "2021 FDIC National Survey of Unbanked and Underbanked Households."

i Wallace, Mack, and Ida Rademacher. "Building Inclusive Financial Systems: A Global Economic & Social Imperative for this Decade." Aspen Institute Financial Security Program, July 2021. <https://www.aspeninstitute.org/publications/building-inclusive-financial-systems/>.

ii According to the FDIC National Survey of Unbanked and Underbanked Households, 18.6 percent of U.S. households fell into one of these two categories. See Kutzbach, Mark, Joyce Northwood, and Jeffrey Weinstein. "2021 FDIC National Survey of Unbanked and Underbanked Households." Federal Deposit Insurance Corporation, October 2022. <https://www.fdic.gov/analysis/household-survey/>.

iii Ibid

To better understand the context and current state of financial inclusion in the U.S. banking system, the Aspen Institute Financial Security Program (Aspen FSP) conducted research and detailed interviews with more than 20 leaders from advocacy and civil rights organizations, mission-oriented financial service providers, and research institutions. This report zeroes in on access to basic banking as the price of entry to the current U.S. financial system. Without basic banking products, people are locked out of other related systems, such as credit and financing, insurance, and savings. **This research reveals that despite a spate of promising inclusive practices, persistent barriers continue to undermine financial inclusion at scale.**

Barrier 1

Most mainstream banking products are not currently designed to meet the functional money management needs of economically vulnerable consumers.

Barrier 2

Widespread market practices present significant obstacles to banking access and utilization for economically vulnerable consumers.

ACCESS BARRIERS

- 2.1:** Regulatory requirements to verify customers' ID and address can exclude some consumers.
- 2.2:** When consumer data shows past struggles with financial products—whether correct or not—on-ramps back into the system can be difficult to find or navigate.

UTILIZATION BARRIERS

- 2.3:** Digital access and comfort with technology are essential to remote banking.
- 2.4:** Branch hours and physical distances to bank branches, particularly in rural areas, are barriers to obtain in-person banking services.
- 2.5:** Making cash deposits can be costly.
- 2.6:** Some banks aren't equipped with bank tellers who have the cultural competency to effectively interact with customers or who are fluent in other languages.
- 2.7:** Some major banks have consumer-friendly, entry-level accounts and products; however, interview participants reported a lack of customer awareness of these accounts.

This report identifies how financial service providers and practitioners interested in improving financial inclusion are implementing inclusive practices to counteract these barriers and reach marginalized people and communities. **Product innovations, technological advances, and participatory design have helped make incremental progress toward ensuring economically vulnerable people have access to more and better financial services. On their own, however, we believe these types of institutional practices will be insufficient to universally overcome these barriers.** Further research is required to understand how policies and regulations are impacting the ability for financial institutions (of all types) to scale these inclusive practices, both positively and negatively. Identifying systemic solutions is a critical next step to sustainably and equitably connecting people to critical financial systems.

The causes of financial exclusion are complex, rooted in multiple places throughout our financial system and the many other systems incorporated within it and related to it. It will require coordinated efforts between the public and private sectors to ensure solutions are systems-wide, not only led by individual institutions. That is why Aspen FSP has joined with stakeholders from across the industry and advocacy community to call for a **National Financial Inclusion Strategy**, one that is co-created by a mix of government representatives, private sector actors, representatives of underserved communities, and nonprofit leaders. This comprehensive strategy will identify the outcomes an inclusive financial system should deliver for people in the United States, as well as a prioritized set of actions this group can address to affect key barriers to financial inclusion—the kinds of barriers we highlight in this research. **While the next generation of financial systems in the United States is currently being developed through emerging technology and innovative product development, a coordinated national strategy can ensure it will also be structurally inclusive.**