

ELECTRONIC TRANSACTIONS ASSOCIATION

INDUSTRY INSIGHTS

How FinTech Is Addressing the Financial Needs of the Underserved

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If you have questions regarding the White Paper, or would like more information about ETA, please visit www.electran.org.

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Executive Summary

One of the goals of our financial system is to provide high-quality, affordable financial services to the broadest possible set of consumers. Over the past decade, financial institutions (FIs) and financial technology (FinTech) companies have transformed the financial landscape through the introduction of technologies that expand access to, and provide a number of new financial offerings for, consumers at lower costs. These products and services — which support improved financial management, increased transaction security, and stronger financial stability — are continuing to expand financial opportunities for traditionally underserved consumers.

In this white paper, the Electronic Transactions Association¹ (ETA) highlights the many ways in which its members are using technology to address the financial needs of underserved consumers and expand access to financial services. ETA published the first edition of this white paper in July 2016; this volume expands upon the last volume and includes additional products and services brought to market for consumers. These efforts, discussed in greater detail below, include the following:

- **COVID-19 Pandemic Economic Relief** – Mitigates the economic impact of the pandemic by providing multiple options for both merchants and consumers to stay safe while continuing to engage in commerce
- **Prepaid Products** – Provide cost-effective, convenient, and innovative payment options for millions of consumers, including those who may not have access to traditional financial accounts
- **Nontraditional Payments** – Provide innovative solutions in a changing economy
- **Financial Literacy & Readiness Programs** – Empower consumers to take control of their finances and prepare for the future
- **Mobile Banking Services & Innovations in ADA Compliance** – Provide financial independence and security for those demographic groups that lack easy access to physical FI branches, such as consumers in rural areas, the elderly, or persons with disabilities
- **Mobile Payments** – Provide an alternative to cash and checks that allows consumers to pay for goods and services in an efficient, cost-effective, and secure manner
- **Peer-2-Peer Payments** – Enable consumers to send money to each other via mobile applications
- **Expanded Internet Access** – Offers affordable internet access in underserved communities domestically and abroad by improving infrastructure and reducing costs
- **Online Small Business Lending** – Expands access to credit for small businesses seeking capital to grow their businesses
- **Interactive, Automated Tellers** – Transform traditional FI branches by making them economically sustainable in previously underserved communities
- **Diversity, Equity, and Inclusion** – In addition to raising awareness, ETA members create an environment where every colleague can be themselves and truly feel included.

The unprecedented recent advancements in technology highlighted in this white paper continue to provide significant benefits to underserved consumers, as well as the broader economy.

¹ The Electronic Transactions Association is the leading trade association for the payments industry, representing more than 500 companies worldwide that offer digital transaction processing products and services. ETA's membership spans the breadth of the payments industry to include independent sales organizations (ISOs), payments networks, FIs, transaction processors, mobile payments products and services, payments technologies, and equipment suppliers. ETA also has members that are engaged in online lending for commercial enterprises, primarily small businesses, either directly or in partnership with other lenders.

ETA members are constantly developing and deploying new products and services, bringing together traditional players and new participants. The innovation in this space delivers new products and services quickly and less expensively, while supporting an inclusive financial system that provides high-quality, responsible, secure, and affordable financial services for the broadest possible set of consumers.

ETA member companies continue to advance the global flow of commerce while delivering affordable financial tools and services that meet the needs of underserved consumers. A goal of ETA member companies is to continually enhance the electronic payments and financial ecosystem so that it is accessible for all consumers, while ensuring that their transactions can be completed securely, efficiently, and ubiquitously. A key driver to achieving such a system is the development of new technologies that allow traditionally underserved consumers to access FI and FinTech company financial products and services. Expanding the ability to access the financial system not only empowers consumers to take control of their financial well-being, but also creates a more resilient and inclusive economy.

ETA Message to Policymakers

ETA member companies are creating innovative offerings in financial services and revolutionizing the way commerce is conducted with safe, responsible, convenient, and rewarding payment solutions and lending alternatives that are available to a broad set of consumers. As the leading trade association for the digital transactions industry, ETA encourages policymakers to support these efforts through policies that encourage innovation and the use of technology to improve financial outcomes for all consumers.

ETA urges policymakers to remain forward-thinking in how to best support the industry's ongoing efforts to provide opportunities for all consumers and small businesses to access and benefit from innovative financial products and services. Efforts by policymakers to regulate financial products and services should be done collaboratively and with careful consideration. We encourage policymakers to be sensitive to the risk of applying a uniform regulatory framework to all products and services, and appreciate the differences in those products and services and in consumer needs so as not to stifle creativity and innovation in the market. Such an outcome could reduce benefits and options to consumers at a time when new technologies are providing the underserved with unprecedented access to financial products and services.

Understanding the Financial Services Needs of the Underserved

An inclusive financial system is one that provides consumers and businesses with access to a variety of financial products and services, and a key driver of financial inclusion is the development of new technologies. FIs and FinTechs broaden the availability of existing offerings by making them more accessible and lowering costs. Expanding access to the financial system not only empowers consumers to take control of their financial well-being, but also creates a more resilient and inclusive economy.

As addressed in this white paper, ETA's members are at the forefront of using technology to broaden financial inclusion for underserved consumers. FinTech companies are building an inclusive financial system that addresses the needs of underserved consumers by providing increased access to ATMs for persons with disabilities, by helping the elderly and residents of rural communities deposit checks remotely, by assisting parents in sending funds instantly

to their children in college, and by helping small businesses get loans. Products and services such as prepaid cards, mobile banking, peer-to-peer payments, electronic payment systems, expanded access to the internet, and alternative lending sources for small businesses address the needs of underserved consumers by providing the following benefits:

- **Access** – Allowing consumers to access funds and financial services wherever and whenever needed.
- **Affordability** – Ensuring that consumers have the ability to select from various affordable products and services. Technology is increasing competition and driving down the cost of goods and services, which makes products more affordable, and thus accessible to more consumers.
- **Convenience** – Providing consumers with multiple payment options that save time and money.
- **Security** – Protecting consumer funds from physical and electronic fraud or theft.
- **Control and Financial Management** – Helping consumers gain better control over their finances through financial literacy and various financial management tools.

The following section outlines in greater detail the many ways in which ETA member companies are using technology to address the financial needs of underserved consumers and small businesses.

Deploying Technology to Benefit the Underserved

Major advancements in technology in the last decade, particularly the explosive growth of high-speed, wireless internet, have allowed FIs and FinTech companies to develop new products and services for more consumers than ever before — and they are able to do so efficiently, securely, and at a low cost. This section discusses several products and services that ETA member companies are deploying to benefit the underserved.

COVID-19 Pandemic Response

Since the outbreak of COVID-19, ETA members have been focused on helping consumers and small businesses mitigate economic hardship by assisting with the delivery of billions of dollars in stimulus payments and small business loans through the Paycheck Protection Program (PPP) as well as by helping the government disburse additional benefits.

As federal and state governments provided stimulus and unemployment payments to Americans struggling with the fiscal impacts of COVID-19, the electronic payments industry was there to help deliver those benefits quickly and securely so people got the help they needed.

The Coronavirus Aid, Relief, and Economic Security (CARES) Act authorized economic impact payments (EIPs) totaling \$290 billion. The Treasury Department and the Social Security Administration turned, in part, to two longstanding prepaid card programs — Mastercard’s Direct Express and Visa’s U.S. Debit — along with P2P systems to distribute stimulus funds. Federal agencies used these payment solutions to distribute more than \$9 billion to 5.7 million Americans.²

By using prepaid cards and peer-to-peer services for distribution, the EIP stimulus reached consumers quickly, with funds that could be used immediately. To expedite the EIP delivery for

² IRS, “Treasury, IRS Announce Delivery of 159 Million Economic Impact Payments,” at <https://home.treasury.gov/news/press-releases/sm1025>

individuals without bank accounts, some FinTech companies like Square allowed individuals to create free bank accounts.³ By using these digital payment options, government agencies ensured that individuals would not have to wait weeks or months for a physical check or figure out how and where to cash that check. Instead, armed with the prepaid card, these individuals could immediately use stimulus funds, directly advancing the goals of this important program.

Under the Families First Coronavirus Response Act, the government proposed covering the cost of school lunches for eligible children so families could purchase the equivalent value of those meals at stores using special Pandemic-EBT (P-EBT) cards. FIS, a provider and operator of the Electronic Benefit Transfer (EBT) systems in the U.S., supported the P-EBT program for eligible families. Working around the clock, with employees operating in quarantine conditions in remote offices and at its three U.S. card-production facilities, FIS slashed the typical delivery cycle of the P-EBT cards from several months to 10 days. Altogether, FIS created new P-EBT cards for 6.5 million households, while balancing each state's unique process for fulfilling P-EBT cards (some automatically mailed them to eligible households and some required families to apply online). The pandemic inspired other innovations as well. The expanded capabilities of the EBT card program enabled Supplemental Nutrition Assistance Program (SNAP) beneficiaries to purchase food online for the first time to minimize viral spread, instead of physically visiting stores.⁴

At the start of the COVID-19 pandemic, online ordering and curbside pickup and delivery services grew rapidly as Americans adhered to social distancing guidelines and businesses worked to serve customers with limited face-to-face interaction. But for many underserved communities already struggling with food insecurity—including the 37 million Americans relying on the United States Department of Agriculture (USDA) SNAP — physically shopping in-store was the only way to pay for groceries with EBT benefits.

As the pandemic increased the need for consumers to purchase groceries online, particularly those Americans considered high-risk for COVID-19, Fiserv, a leading global provider of payments and financial services technology solutions, and the USDA began work to accelerate the enablement of EBT as an online payment method across large, small, and mid-sized grocers in the United States. For millions of Americans this provided the opportunity to shop for groceries online, for direct delivery from the grocer, delivery through a third-party integrator, or curbside pickup for the first time.

Leveraging a proprietary PIN-on-glass solution within Carat, the omnichannel commerce ecosystem from Fiserv, grocers are able to create a digital PINpad within their digital commerce environment that allows EBT cardholders to verify each transaction. The digital PINpad was a critical innovation as all EBT transactions, in-person or online, require the use of the cardholder's PIN to authenticate the transaction. An additional innovation critical to the success of EBT Online is allowing grocers to separate goods in a shopper's basket based on EBT-eligibility, and split payment at checkout.

Fiserv is currently the only USDA-approved provider enabling grocers to accept a consumer's EBT payment online and is continuing to scale the technology across U.S. grocers. In Q4 of

³ Cash App, "Cash App, The Stimulus, and You," at <https://cash.app/help/us/en-us/1018-cashapp-the-stimulus-and-you>

⁴ <https://www.paymentsource.com/news/how-fis-spied-6-million-ebt-cards-to-feed-needy-kids-during-the-pandemic>

2020, EBT Online purchasing had grown 25-times from pre-pandemic levels, nearly 200 new grocers were in the implementation stages to bring this capability to customers, and more than 1 million EBT cardholders in the U.S. were purchasing groceries online each month.⁵

The electronic payments industry's ability to deliver stimulus also included relief to small businesses. ETA members — both traditional and FinTech participants — used modern lending tools to help the Small Business Administration process and disburse nearly \$110 billion to more than 1.5 million businesses.⁶

Specifically, through FIS's Real-Time Lending Platform, financial institutions were able to leverage the digital borrowing experience their platform provides to get more stimulus funds in the hands of more small businesses in need. The platform processed more than 146,000 loans for nearly 60 financial institutions, delivering over \$15 billion in funding to small- and medium-sized business customers. Thanks to this solution and extensive collaboration across multiple FIS teams, ETA members were able to bring the full force of their scale and resources to assist their clients during this enormously challenging period and keep the global economy running.⁷

In the spring of 2020, Lendio shifted its mission of "Fueling the American Dream" to "Saving the American Dream" amid the economic crisis of the COVID-19 pandemic. When the economic effects of the pandemic threatened to shutter many small businesses, Lendio quickly pivoted to facilitating PPP loans. Through partnerships with hundreds of lenders across the country, Lendio facilitated 115,000 PPP loan approvals for a total of \$8 billion in 2020.⁸ Prior to participating in the PPP, Lendio had facilitated \$2 billion in business loans since its inception in 2011. Additionally, PPP loans facilitated through Lendio were for some of the smallest businesses in the nation. The average PPP loan size on the Lendio platform is just over \$60,000 compared to the national average of over \$100,000.

For more than 25 years, Intuit with QuickBooks, have been helping their customers manage complexity and achieve success by assisting small businesses manage their books and grew into a platform that helps them get paid fast, manage capital, and pay employees with confidence. When COVID-19 upended the small business community, Intuit used their fintech experience to help their customers get more than \$1 billion in Small Business Administration (SBA) approved PPP loans and save hundreds of thousands of jobs.

Intuit provides an easy to use, automated PPP loan application process - for both the first and second rounds - for eligible QuickBooks customers seeking a PPP loan up to \$150,000. Small businesses can quickly apply for a PPP loan using their business data already available in their QuickBooks account. QuickBooks Capital has also partnered with SBA-approved lender Cross River Bank to help additional eligible customers facilitate PPP applications directly through Cross River Bank's platform.

Through the CARES Act, QuickBooks Capital helped eligible customers access more than \$1.2 billion in SBA-approved and PPP loans in 2020. QuickBooks Capital has helped more than 30,000 small businesses access these loans, keeping more than 220,000 employees on payrolls.

5 Fiserv Enables SNAP Online EBT Payment Acceptance for Grocers, <https://newsroom.fiserv.com/news-releases/news-release-details/fiserv-enables-snap-online-ebt-payment-acceptance-grocers>

6 As of Nov. 2020, the SBA has lent \$525 billion to 5.2 million businesses

7 FIS, 2020. *New FIS Portal Automates Loan Forgiveness Process for Small Businesses Under Paycheck Protection Program*

8 "Lendio Facilitates \$8 Billion in PPP Loan Approvals for 100,000 Small Businesses," <https://www.lendio.com/press-releases/ppp-small-business-impact>

Last year, the average loan size for eligible QuickBooks customers was less than \$40,000, compared to \$100,000, the average PPP loan size distributed by the SBA.

Visa believes it can play a prominent role in the mid to long-term recovery effort to help individuals, businesses and economies thrive and its response to COVID-19 has been focused on where the company can make the greatest impact.

In April 2020, the Visa Foundation announced⁹ a commitment of two programs totaling \$210 million to support small and micro businesses, aligning with the Foundation's long-term focus on women's economic advancement and inclusive economic development, and to address an urgent need from local communities following the spread of COVID-19. The first program of \$10 million is designated for immediate emergency relief to support charitable organizations on the frontlines responding to the pandemic, such as public health and food relief, in each of the five geographic regions in which Visa operates. The second program is a five-year, strategic \$200 million commitment to support small and micro businesses around the world, with a focus on fostering women's economic advancement, expanding on the Visa Foundation's long-standing support for small and micro businesses globally.

In June 2020, Visa announced¹⁰ a separate global commitment to elevate 50 million small and micro businesses (SMBs) worldwide in an effort to get local communities back to business in the wake of the COVID-19 pandemic. As part of the global commitment, Visa introduced a range of locally designed programs and solutions to enable SMBs to drive efficiency and sales through acceptance of digital payments, building online businesses, and incentivizing neighborhood support, such as the Small Business Hub¹¹. Visa also formed the Visa Economic Empowerment Institute¹² focused on economic and societal issues, including pandemic challenges SMBs face and closing racial and gender opportunity gaps.

To build on Visa's support for small businesses, Visa expanded initiatives and marketing campaigns to help small businesses owners impacted by the COVID-19 pandemic and encourage consumers to shop locally. In April, Visa expanded its Back to Business Project¹³, an initiative created to help consumers locate small businesses that are open in the wake of a natural disaster. This special edition of the project has served as a platform to enable consumers to identify all businesses that remain open, including grocers and other essential services, and supplement the original purpose of the project to allow consumers to identify and support small businesses that remain open. Visa has also published the Back to Business Studies since the start of the pandemic to periodically highlight global small business trends and consumer insights to aid small business owners, such as the recent release providing a 2021 outlook. Visa also launched the global marketing campaign, "Where You Shop Matters," to encourage consumers to shop at small businesses and support their local communities.

9 *Visa Foundation Commits \$210 Million to Support Small and Micro Businesses and Immediate COVID-19 Emergency Relief*, <https://usa.visa.com/about-visa/newsroom/press-releases.releaseld.17066.html>

10 *Visa to Digitally Enable 50 Million Small Businesses to Power Recovery in Communities Worldwide*, <https://usa.visa.com/about-visa/newsroom/press-releases.releaseld.17176.html>

11 <https://usa.visa.com/run-your-business/small-business-tools/resources-covid-19.html#2>

12 <https://usa.visa.com/sites/visa-economic-empowerment-institute.html>

13 <https://usa.visa.com/support/small-business/back-to-business-project.html>

Prepaid Products

Many ETA members offer prepaid products, which provide cost-effective, convenient, and innovative payment options for millions of consumers, particularly for the approximately 63 million consumers with limited or no access to other financial services.¹⁴

There are two main categories of prepaid products:

- **Closed-loop products** are limited to purchases from a single company or at a designated location, such as a gift card for a specific retail store that can be purchased in-store or from a kiosk at another retail location.
- **Open-loop products** can be used at virtually any retail location or business. Examples include a reloadable gift card or a general-purpose reloadable card that is network-branded and can be used to make purchases and obtain cash from ATM machines.

According to the Federal Deposit Insurance Corporation (FDIC), 5 percent of households do not have an account through an FI and rely on other products to complete basic financial services.¹⁵ In particular, open-loop prepaid cards are popular with consumers seeking to manage or protect their finances, including college students, low-income individuals who may not have access to a traditional checking account, and consumers traveling internationally. In fact, the federal government uses open-loop prepaid cards as an alternative to paper checks for many of its benefit programs. A partnership between the U.S. Department of Treasury, Mastercard, and Comerica Bank provides several million Americans with a safe and reliable way to receive federal benefit payments electronically on a Mastercard prepaid card.¹⁶ Many of the consumers who use this product do not use mainstream financial services. One of the goals of prepaid products is to increase the use of the card as a payment tool, rather than as a way to access cash, so that consumers have a more secure way to manage their money.

Prepaid cards have shown demonstrable benefits for the underserved, particularly those who use open-loop products. Providing America's underserved consumers with access to prepaid cards makes their money safer and helps move them into the increasingly important world of online transactions. For example, Netspend's prepaid debit card offers direct deposit and online bill-pay¹⁷ features that used to be reserved for customers of FIs. Now, debit cardholders can open savings accounts and budget their money in ways that open the door to financial security and stability.

Netspend cardholders also have access to optional overdraft protection with built-in safeguards that prevent abuse and help consumers meet their emergency needs. This optional, opt-in feature provides a great service to Netspend customers by helping them bridge their financial gaps and achieve stability when they experience an unexpected expense.

Nontraditional Payments Play a Major Role in Helping the Underserved

Billions of people around the globe face inconvenient, time-consuming, and prohibitively expensive systems for completing simple transactions like cashing a paycheck or sending money to a loved one. In this era of mobile technology and advanced software platforms, the FinTech

14 "2017 FDIC National Survey of Unbanked and Underbanked Households," FDIC, 2018.

15 Federal Deposit Insurance Corporation. (2019). *FDIC National Survey Use of Banking and Financial Services*

16 Andrew Gillen, *Using Mobile Technology to Drive Financial Inclusion with Direct Express*®, BeyondTheTransaction, (April 28, 2016), <http://newsroom.mastercard.com/2016/04/28/using-mobile-technology-to-drive-financial-inclusion-with-direct-express/>.

17 About Netspend | Netspend Prepaid Debit Cards. (2017). Retrieved from https://www.netspend.com/about_netspend.

sector supports this underserved group by helping people around the world manage, move, and spend their money by providing more consumer choice.

The FinTech sector is well-positioned to provide nontraditional financial services to the underserved. ETA member companies such as Amazon, Western Union, and PayPal offer safe, secure, and convenient ways for consumers to add cash directly to their accounts.

Paysafecash¹⁸, a Paysafe Group product, was specifically developed for the needs of online shoppers. Paysafecash allows consumers to pay for online purchases but then complete the process at a physical payment point with cash. Participating merchants provide the option at checkout for consumers to “pay with cash.” The consumer receives barcode to complete the payment amount via text, email or printable PDF and then they can pay in cash at over 70,000 7-Eleven, CVS, Walgreen, and Family Dollar locations via the barcode to complete the online purchase eCash payment locations and points of sale across the US that are easily discoverable via the companys app’s store locator.

Other eCash solutions such as the Paysafecard enable financially underserved consumers to instead use prepaid vouchers and enter the voucher code to complete a transaction via an online checkout, no credit card or bank account details needed. According to Paysafe research, 47 percent of U.S. consumers said that if it was easy they’d like to buy products online with this avenue and 43 percent agreed that they shop online more regularly if paying with this method was available.

Customers in the U.S. who prefer to use cash are now able to shop on Amazon. Already available in 19 countries around the world, Amazon PayCode launched in the U.S. in September 2019, allowing customers to choose Amazon PayCode at checkout and then pay for their purchase in cash at one of 15,000 Western Union locations. Items ship once customers pay for their purchase in person at a participating Western Union location. Separately, Amazon Cash, which enables customers to load cash into their Amazon Balance for making online Amazon purchases, is now available in over 100,000 Walgreens, CVS, Game Stop, Rite Aid, and 7-Eleven nationwide.

Similarly, PayPal has created new ways to add money to individual PayPal accounts with the PayPal Cash Mastercard and PayPal Cash. The PayPal Cash Mastercard offers free signup, with no monthly fees and no minimum balance requirement. With the card, users can access the money in their PayPal account to shop online or in stores anywhere Mastercard is accepted. They can also withdraw cash from automated teller machines (ATMs) worldwide, including over 25,000 free MoneyPass® ATMs nationwide.

PayPal Cash is a feature that allows consumers to load money into their PayPal accounts at more than 20,000 retail and convenience-store locations (including 7-Eleven, CVS, and Rite Aid) so they can shop or pay their bills online. PayPal also allows individuals to directly deposit their paychecks into their PayPal account for free, so consumers can enjoy the benefits of spending their PayPal balance anywhere. These funds are protected with FDIC insurance, and no minimum balance is required.

The Federal Reserve Bank of San Francisco¹⁹ reported that, in 2019, 73 percent of payments in the U.S. were made in-person. For these in-person payments, cash accounted for 35 percent of the volume. With the services and products offered by ETA member companies, underserved consumers have additional options to pay for their purchases in cash and a pathway to participate in the digital economy.

¹⁸ <https://www.paysafecash.com/en-us/>

¹⁹ Findings from the Diary of Consumer Payment Choice (2019). Federal Reserve Bank of San Francisco.

Financial Literacy & Readiness Programs

Financial literacy empowers consumers to take control of their finances and prepare for the future. ETA member companies offer several products and services that aim to expand consumer financial literacy.

With more consumers shifting banking behavior online, Zelle®, a digital payments network owned by Early Warning Services, has partnered with leading social change organizations to offer free educational tools to those new to digital banking. Understanding how modern banking works helps people of all ages know how to keep their money safe and make smart financial decisions.

Made available to high schools throughout the 2019-2020 academic year, Money Moves: Intro to Finance™ is a comprehensive blended learning course designed to empower high school students with fundamental financial skills. The program reached more than 11,000 students in 32 states across the country. Zelle's® new course, Money Moves: Modern Banking & Identity Protection™ launched in October 2020 and had registered more than 1,200 schools before the end of the year.

Money Moves: Modern Banking & Identity Protection™ was designed to prepare high school students to bank responsibly in the digital age, protect themselves from scams and fraud, and secure their financial futures. Additionally, Zelle® and the nonprofit Older Adults Technology Services hosted online community learning sessions via Zoom. During both lecture and workshop formats, attendees learned how to responsibly use digital banking tools like peer-to-peer services and how to safely use Zelle® in their everyday lives. The average participant age was 71 years old.

Cross River, a trusted financial services company that combines the expertise of a bank with the innovation of a FinTech company, engages directly with communities to offer financial literacy services. Working hand-in-hand with local legislators and civic leadership, the bank continues to build out financial literacy initiatives and community service programs for consumers of all ages. A focus of Cross River's initiatives has included the rising reliance on technology and how it can be used to improve a consumer's financial health. Cross River has additionally leveraged its expertise by teaching a series of basic computer coding workshops for elementary students. Understanding the importance of technology and providing consumers with the skills necessary to navigate the modern system is crucial to promoting financial literacy.

The content of Cross River's financial literacy initiatives provides consumers with the tools they need to take control of their financial well-being. As a result of the positive momentum and successful events Cross River has initiated, the company will continue to educate consumers on issues including elder fraud, digital scams, saving for children, and retirement planning.

By focusing on democratizing financial services through technology, Plaid gives consumers control over their financial data so they can use it to power the apps and services they prefer, regardless of where or how they bank. Plaid's technology makes for a more inclusive financial services ecosystem, creating a way for all people to use their financial data to access the best financial tools and services in order to better manage their financial lives.

Many of Plaid's customers have developed products on the Plaid data platform to help the unbanked and underserved, including Dave, Earnin, Even, Digit, MoneyLion, LendUp, Upstart, Stilt, and Tally. These Plaid-enabled services have allowed millions of consumers to use their own data to budget better, from offering prediction tools to help consumers manage their account balances and avoid overdraft fees to providing tools that help users analyze their cash flow to

calculate how much they can afford to save — and then automatically setting that money aside every day. Plaid also allows consumers who are new to credit or have a limited credit history to share their data and demonstrate their creditworthiness with lenders. Borrowers who already have loans can share their data with lenders to offer lower rates with better data. In these ways, the Plaid data platform helps consumers easily and safely leverage their data to access these innovative services.²⁰

Discover was the first major credit card issuer to provide FICO® credit scores for free to cardholders online and in monthly statements. Other card issuers followed suit by offering some form of credit score to their cardmembers. In May 2016, Discover announced it would offer FICO® scores for free through its Credit Scorecard program for all consumers, even those who are not Discover cardholders, to help educate them about credit, the various factors that go into creating their credit scores, and how their credit scores are used.²¹ The ability to access personal credit scores for free allows more consumers to be aware of their financial standing. Particularly for underserved consumers like college-aged students, or those with little to no credit history, this valuable tool provides a foundation for building financial health.

In addition to the Credit Scorecard program, Discover launched its Discover it® Secured Credit Card for consumers looking to build or rebuild their credit. The card requires applicants to provide a security deposit, which Discover holds as collateral for a credit line that is equal to the deposit amount (minimum of \$200, maximum of \$2,500 based on creditworthiness). After the cardmember has had the account for one year, Discover will review the Discover it® Secured Credit Card account each month to see if the cardmember can transition to an account that does not require a security deposit. Another unique feature of the Discover it® Secured Credit Card is that it reports to all three major credit bureaus, enabling cardmembers to build a personal credit history with use of the card.

JP Morgan Chase provides several solutions for customers to manage their daily finances and long-term goals by developing and bringing affordable, innovative financial products and services designed to meet consumers' needs and support their financial health. One such product is the Chase Slate® credit card. Customers can enroll in the Slate Credit Dashboard, which provides a monthly credit score, information on factors impacting the score, a summary of the cardholder's Experian credit report, and tips for managing credit health. More than 3.7 million customers have enrolled in the Credit Dashboard to date.²²

One of the most significant challenges for the underserved population is that many have several income sources or are being paid infrequently, which can make budgeting a challenge. Wells Fargo provides a variety of resources and products that enable individuals to learn how to manage money responsibly, build and improve credit, plan and save for the future, and reach their financial goals. For example, Wells Fargo's award-winning Hands on Banking financial education program, available in English and Spanish, teaches people in all stages of life about the basics of responsible money management, including how to create a budget, how to save and invest, how to borrow responsibly, how to buy a home, and how to establish a small business. For nearly 20 years, this program has provided individuals and families with the knowledge they need to take control of their financial future, including a variety of educational articles, classroom resources for educators, and self-directed courses for everyone from seniors and military members to entrepreneurs and kids. In 2018, more than 1.7 million people

20 "Company | Plaid." *Homepage - Plaid*, plaid.com/company/.

21 "Company | Plaid." *Homepage - Plaid*, plaid.com/company/.

22 JP Morgan Chase. *Promoting Financial Health*. Retrieved from www.jpmorganchase.com/financialhealth.

learned about money management through the Hands on Banking program, with 77 percent of participants reporting increased knowledge about managing their expenses. Wells Fargo works with school districts, government agencies, and nonprofits to provide workshops and drive awareness of the program, with a focus on reaching underserved communities. In 2019, Wells Fargo introduced Hands on Banking for Youth, a new digital learning center created to help K-12 students establish healthier financial habits and achieve greater financial stability and success. The website makes it easy for K-12 educators to navigate and access grade-appropriate resources — including lessons and instructor toolkits for elementary, middle, and high schools — on topics ranging from savings to charitable contributions to cryptocurrency. The enhanced curriculum meets an expanded set of educational standards to support self-paced, individual learning or classroom use.

Barriers to financial services are complex and expanding access to the underserved requires a multilayered approach. By collaborating with industry, clients, government, and nongovernment organizations, Visa is helping provide relevant and cost-effective solutions that serve the unbanked and underserved.

In 2020, Visa and Filene put a capstone on the multi-year initiative, the Reaching Minority Households (RMH) program, with the publication of *Pathways to Well-being: Qualitative Research Findings from the Reaching Minority Households Incubator*²³, a qualitative research report which tracked the outcomes of three RMH lending programs through the lives of 20 people over the course of a year. The report shares the experiences of those individuals and presents a model for how financial institutions can better support consumers in achieving financial well-being. To compliment the report, Visa and Filene created a *Toolkit to Support Consumer Engagement*²⁴, which financial institutions can use to help staff better understand the needs of consumers in order to empower them to pursue a pathway to financial well-being and build long-term relationships with their financial institution.

The partnership, which began in 2016, worked with 40 credit unions across the United States and Canada to identify and test financial products and services designed to address the needs of unbanked and underserved minority communities. As a result of the program, participating financial institutions issued over 58,000 loans to more than 18,000 households totaling close to \$85 million. While the RMH program has concluded in its current form, Visa continues to share the materials and seeks to promote the growth of inclusive and sustainable financial services throughout the industry.

Promoting FinTechs as they develop innovative products and solutions to support underserved communities is instrumental in promoting innovation across the industry. For the second year, Visa continued its activities with the Inclusive Fintech 50 (IF50) in partnership with Accion International, the MetLife Foundation, the International Finance Corporation of the World Bank, and Microfinance Information Exchange (MIX), as well as new sponsors BlackRock and Comic Relief. The global initiative spotlights 50 early stage FinTechs demonstrating a commitment to reaching the underserved, a track record of doing so successfully, and strong business fundamentals. The goal of the program is to increase the visibility of these FinTechs to the growing pool of venture funding and investors who can help them scale to increase their positive socio-economic impact. Winners provide a range of solutions in credit, insurance, payments, personal financial management, and infrastructure, such as digital identity.

23 "Company | Plaid." *Homepage - Plaid*, plaid.com/company/.

24 "Company | Plaid." *Homepage - Plaid*, plaid.com/company/.

In addition to naming 50 new winners in 2020, the IF50 published a whitepaper titled, *Driving Financial Inclusion Amid Crisis*²⁵ in December to continue to raise awareness of the 2020 and 2019 winners and contribute insights to the greater FinTech and financial inclusion ecosystem. The paper was derived from applicant analysis and includes key understandings of the socially motivated FinTech industry. Visa hopes the whitepaper will inform future investment strategies into FinTechs looking to make a positive impact on the financial health of the underserved.

An essential part of Visa's approach to financial inclusion is financial education. For 30 years, Visa has been a private sector leader in financial literacy, providing award-winning educational tools and resources to parents, teachers, students and consumers via the Practical Money Skills²⁶ program. Visa has reached millions in the U.S. with its educational materials over the last three decades. In response to the changing needs of this unique time, Visa added emphasis on virtual education—like a curriculum to accompany the popular NFL-themed financial education video game, Financial Football²⁷—and updated content and created a landing page for site visitors looking for resources pertaining to COVID-19.

Also evolving to meet the changing needs of the pandemic through augmented resources was Practical Business Skills²⁸, Visa's educational initiative for small business owners and entrepreneurs. The program is focused on helping growth-minded business owners, especially those with fewer than ten employees, thrive. This segment of businesses is essential to our communities but often lacks access to educational resources and business tools. The platform serves as a one-stop educational portal to help entrepreneurs start, manage, and grow their small businesses. The portal includes a range of resources as well as content covering topics such as cash flow management, financial planning, business registration, business plans, sustainability, and emergency planning, among others. All resources are available online via computer or mobile phone and are offered in both English and Spanish in order to better assist often underserved Hispanic communities.

Another ETA member company, NCR, has launched a robust financial management tool for its customers, based on the long-held belief that financial literacy is a critical stepping stone to expanding access to financial services. Expanded broadband availability and high rates of adoption of mobile phones at all income levels have increased the opportunity to create user-friendly, easy-to-understand financial management tools and put them directly in the hands of customers.

NCR's FinanceWorks puts powerful family financial management tools right at a person's fingertips. It allows a family to track its spending and budget, view a graphical display that breaks down spending by category, and gain valuable insights into spending behaviors. It also allows individuals to establish a budget, create savings goals, and set up automatic deposits to savings accounts.

25 "Company | Plaid." *Homepage - Plaid*, plaid.com/company/.

26 <https://www.practicalmoneyskills.com/>

27 <https://www.financialfootball.com/>

28 <https://www.practicalbusinessskills.com/>

For the financially underserved, fees associated with financial accounts have long been a serious impediment to financial health. Highly intuitive solutions like FinanceWorks allow families to stay on top of their finances and avoid unnecessary fees. Research has shown that individuals who use FinanceWorks access their financial information 51 percent more frequently than those who do not, helping them gain more control over their budget and finances.

While an inclusive financial system provides consumers and businesses with access to financial products and services, a primary catalyst for participation in the larger financial ecosystem is also tied to consumers' access to the job market. As a global leader in financial services technology and leading EBT processor, FIS saw a need in the marketplace for a platform that could help connect state agency partners, qualifying job seekers, and local employers. In July 2019, FIS announced a first-of-its-kind job portal, The Tax Credit Job Board. The portal helps EBT recipients find jobs, while connecting the employers who hire them with up to \$9,600 in federal tax credits per hire. Qualifying individuals include food stamp or supplemental security recipients, veterans, those unemployed for 27 weeks or more, and people who live in low-income areas. Applicants must complete an online profile to determine eligibility and can post their resume, picture, and a video to the website or mobile app. Participating employers are eligible for a potential tax incentive under the federal Work Opportunity Tax Credit, which provides them with \$2,400 to \$9,600 in tax credits per qualified hire. Employers are notified when qualified candidates apply and are alerted to the tax credit value they may earn. The platform automates the tax credit application process. The new portal is a “win-win-win,” providing job seekers with access to job postings by job seekers, offering employers new talent and tax credits, and reducing states' dependency on government programs.

As part of our industry's ongoing commitment to economic empowerment and financial inclusion, FIS, Fiserv, and other core providers announced a partnership with the Cities for Financial Empowerment (CFE) Fund and the American Bankers Association on an initiative called Bank On.²⁹ Bank On aims to improve the financial stability of underserved individuals and families in communities across the U.S, supporting nearly 90 local coalitions across the country consisting of nonprofit groups, consumer advocates, policymakers, federal regulators, financial institutions, and local elected officials. Bank On has certified accounts at over 60 financial institutions, and these accounts are available at 24,000 bank and credit union branches across the country.

Mobile Banking Services and Innovations in ADA Compliance

The internet has allowed for the creation, deployment, and adoption of mobile banking services among many demographic groups. These services help provide the underserved financial independence and security.

The most recent Pew Research Center study on mobile phone ownership found that 98 percent of the U.S. adult population has a mobile phone and that 81 percent of mobile phones are smartphones, a steady increase from previous years.³⁰ The FDIC has found that mobile banking, as a primary method of account access, continues to increase sharply (from 9.5 percent in 2015 to 34 percent in 2019), overtaking online banking as the most prevalent primary banking method.³¹

29 <https://joinbankon.org/certify/>

30 Demographics of Mobile Device Ownership and Adoption in the United States. (2019). Retrieved from <http://www.pewinternet.org/fact-sheet/mobile/>

31 Federal Deposit Insurance Corporation. (2019). *FDIC National Survey Use of Banking and Financial Services*

One demographic that has benefited immensely from the emergence of mobile banking is persons with disabilities. For example, touchscreen-only accessibility features on phones and other devices allow a visually impaired individual to single-tap any portion of the screen to hear an audible description of the button they are touching, and then to double-tap to activate that button.

The latest generation of accessibility solutions is designed to work across multiple platforms so that persons with disabilities have access to a single accessibility system when accessing financial services through an ATM, tablet, or smartphone. The ability to learn one accessibility system and use it across multiple devices is an important advancement that keeps people with sight, hearing, or other disabilities from having to learn multiple formats. As a result of these features, people with disabilities are now able to use the same simple and effective system, whether they are performing a remote digital check deposit with their phone, transferring money on a tablet, or withdrawing cash at an ATM. This broader range of devices with highly effective accessibility features is making a range of financial services more available to people with disabilities.

Improvements and innovations focused on underserved populations have occurred with in-store transactions as well. FinTech organizations are at the forefront of innovation and deployment of new technologies to help ensure compliance with the Americans with Disability Act (ADA). Special equipment has been developed for payment terminals so that merchants can better serve customers with impairments. Roughly 57 million U.S. citizens with varied forms of disabilities engage in commerce, and it is important for merchants to have the tools they need to meet the needs of their customers — including the ease of paying with secure and expeditious forms of payment. These technologies that have been developed and deployed include ADA TITLE III compliant POS terminal dismount and release mounting stands, tactile PED, and auditory and visual aids at the payment point of sale.

Mobile Payments

Mobile payments are a convenient and secure alternative to cash and checks that allow consumers to pay for goods and services in a safe and cost-effective manner. These products also enable greater financial literacy by allowing consumers to manage their accounts from their mobile phones. ETA member companies including Apple, Google, PayPal, Square, Stripe, and Chase are leaders in mobile payments, offering this secure tool to consumers as well as encouraging merchants to accept mobile payments at checkout.

The adoption rate of mobile payments by consumers and merchants is on the rise. Research has shown that more than 62 percent of adult U.S. consumers own at least one credit card, and 40 percent of those have downloaded at least one mobile payments app.³²

A recent survey of over 800 merchants revealed that, since 2013, the number of merchants who earn half of their total revenue through mobile payments has increased from 2 percent to 10 percent of all global merchants. Another 26 percent of all merchants believe that mobile payments will represent more than half of their revenue within the next two years. The U.S. mobile payment market increased 41 percent from \$69.8 billion in 2018 to \$98.8 billion in 2019.³³ Mobile payments are increasingly being used by U.S. consumers and are a catalyst for higher mobile commerce sales.

³² eMarketer, US Mobile Payment Users 2019 Report

³³ Kount, The Fraud Practice, Card Not Present.com & Braintree, 5th Ann. Mobile Payments and Fraud Report, 2017.

Shopping on mobile devices drives ecommerce. For example, on Black Friday in 2019, \$2.9 billion (or 39 percent) of all e-commerce sales were made on a smartphone. That figure represents a 21 percent increase from 2018.³⁴ Mobile transactions also soared during Cyber Monday of the same year, with \$3.1 billion (33 percent) of total online sales coming from smartphones, representing a 46 percent increase over the previous year.³⁵

Mobile payments aren't just for commerce but are being utilized by employees nationwide. By partnering with other networks including Visa and Mastercard, Cross River's platform empowers consumers with immediate access to their money and multiple options for receiving it, helping them manage their day-to-day cash needs more efficiently and effectively. The delivery time is the client's choice, whether it be same day, next day, or at a later time.

Cross River helps those in the marketplace economy — such as workers in ridesharing, food delivery, and other freelance occupations — by partnering with payments companies to provide workers with quicker access to their earnings through push-to-card payments.³⁶ Providing consumers with the ability to quickly access their funds helps to deter the necessity businesses that trap consumers with high-interest predatory loans. Ultimately, these solutions help consumers break cycles of debt.

Providing services to underserved Hispanic populations and others in the U.S. who lack access to traditional financial services, FIS's modern banking platform is powering FinTech startup Bambu and its mobile banking application. Bambu provides FDIC-insured prepaid accounts, domestic and international bill payments and remittances, peer-to-peer transfers, check deposits, retail cash loading, and other services.³⁷

Similar to mobile banks apps, more than half of all U.S. consumers have downloaded mobile card apps and use them on a weekly or even daily basis. ETA is encouraged by this trend and sees value for consumers in the access, ease, ubiquity, and security of mobile payments. When using mobile wallets for in-store payments, both customers and merchants are protected by the latest innovations in payments security. Mobile wallets require a passcode, fingerprint, or facial recognition before a transaction can occur, and thus are highly secure. This two-step authentication and encryption makes them a great option for businesses to reduce the risk of fraud and ensure that their customers' data is safe. In addition, the standard for mobile payments is tokenization, a process that replaces the card number with a unique string of digital numbers during the transaction so that the account information remains secure.

These payment solutions are especially helpful for smaller businesses that have a high traffic volume of credit and debit card transactions and want to move customers quickly. Mobile payments are fast and easy, and, most importantly, secure, so businesses can rest assured that their customers' payments will be completed securely. By enabling mobile payments via smartphone or other connected devices, merchants and their customers can access technology features beyond the capabilities of plastic cards, including loyalty programs, location-based offers, and other capabilities that enhance the point-of-sale experience.

³⁴ Adobe Digital Insights 2019 Holiday Predictions. (2019). *Id.*

³⁵ *Id.*

³⁶ Cross River Bank Partners with Stripe to Power the Marketplace Economy with Push-To-Card Payments. (2019). Retrieved from <https://www.prnewswire.com/news-releases/cross-river-bank-partners-with-stripe-to-power-the-marketplace-economy-the-need-for-y-with-push-to-card-payments-300775260.html>

³⁷ FIS, 2020. *Bambu Taps Next-Generation FIS Platform To Bring Mobile-Only Banking Services To Unbanked Consumers.*

Peer-2-Peer Payments

Peer-2-Peer payments (P2P) technology, which enables users to securely send money to each other in minutes via mobile applications, is transforming the way millennials engage in financial transactions. In most cases, the transfer of payment is free for the user and comes directly from their bank account or credit card (which they have linked to the mobile application). P2P, first popularized by PayPal, has since been offered by Google, Venmo, Zelle, Transferwise, and others.

Among millennials, the primary use for P2P is to easily split the cost of goods or services, rather than relying on cash or check for reimbursement. PayPal's P2P app, Venmo, has carved out a niche among younger consumers in the U.S. In addition to its convenience for cost-splitting, Venmo can also integrate a user's Facebook account with their bank accounts, allowing them to make payments to other friends in their Facebook social network.

In 2019, Venmo's total transaction volume reached \$62 billion. Venmo continues to see explosive growth, reaching a record \$19 billion in transactions in the fourth quarter of 2019 alone.³⁸ In June 2018, PayPal announced an additional service through Venmo that would speed up money transfers between Venmo and users' bank accounts for those with supported Mastercard and Visa debit cards. This new instant-transfers service is available at a rate of \$0.25 per transaction and will deliver funds in a matter of minutes instead of the day or so it typically takes when using PayPal or Venmo.³⁹

Square introduced its own P2P product, Square Cash in 2013 (now known as Cash App). Cash App allows users to get started without a bank account by providing them with a Cash Card, a free Visa card that gives them real-time access to the funds they store in their Cash App. Cash Card also allows people who aren't able to sign up for a credit card to get credit-card-style benefits for free. As of December 2019, Square recorded 24 million active individuals using the Cash App.⁴⁰

Expanded Internet Access

Over the last decade, financial services have expanded into our growing internet-based economy. Access to the internet, often through multiple devices, has become essential for American families in many facets of their lives, including commerce, recreation, work, and education. In many instances, low-income and rural populations access the internet primarily or solely through their smartphones. As previously discussed, there has been a substantial rise in mobile banking among these demographics. To help more people connect to the web-based world, ETA member companies are working to expand affordable access to the internet in underserved communities both domestically and abroad by improving infrastructure and reducing costs.

With more people connected to the web-based world, the affordability, ease of use, and security of digital transactions helps power the economy. Moving consumers into a more secure financial system is just one of the many benefits that expanded internet access provides.

38 PayPal's Venmo had a break-out quarter with payments surging 80%. *CNBC*, (2019), <https://www.cnbc.com/2019/01/31/venmo-had-a-break-out-quarter-but-wont-make-money-for-paypal-until-at-mid-2019--.html>

39 Sarah Perez, *Instant bank transfers are coming to PayPal and Venmo*, Tech Crunch, (Jun. 20, 2017), <https://techcrunch.com/2017/06/20/instant-bank-transfers-are-coming-to-paypal-and-venmo/>.

40 Stewart, John *Cash App Helps Drive Growth for a Surging Square* <https://www.digitaltransactions.net/cash-app-helps-drive-growth-for-a-surging-square/>

Online Small Business Lending Provides Capital

Small businesses are the backbone of the American economy, creating more than 60 percent of net new jobs and employing approximately half of the workforce in the private sector.⁴¹ Unfortunately, many small businesses are unable to access traditional credit to grow their businesses due, in part, to high search, transaction, and underwriting costs.⁴² Studies show that, on average, traditional banks approve only 27 percent of U.S.-based small business loan applications. Fortunately for small businesses, ETA's members and other new and innovative technology companies are expanding access to credit and offering affordable alternatives to traditional loans.⁴³

Online small business lenders are willing to provide small businesses with smaller loans (typically less than \$250,000) and shorter terms⁴⁴ that are well suited for their day-to-day operating needs or short-term use cases. By using sophisticated, data-driven algorithms to efficiently assess the creditworthiness of potential borrowers, lenders can reach funding decisions quickly and provide access to capital to approved borrowers expeditiously,⁴⁵ in some cases within 24 hours.

A report on small business lending in the United States reveals that some of the nation's largest FinTech small business lending platforms, including ETA members Kabbage and onDeck, funded nearly \$10 billion in online loans from 2015 to 2017, generating \$37.7 billion in gross output and creating 358,911 jobs and \$12.6 billion in wages in U.S. communities.⁴⁶ According to the study, nearly one-third of online small business borrowers are located in underserved communities. About one-quarter of these borrowers are microbusinesses with less than \$100,000 in annual sales, and two-thirds have less than \$500,000 in annual sales. About 42 percent of small businesses borrowed between \$10,000 and \$50,000 from the five online small business lenders, with an average loan of \$55,498.

These data-based methods are creating new opportunities for borrowers and lenders. By being agile, nimble, and scalable, they can work in tandem with related financial service offerings. For example, online small business lending programs can be synced with payment platforms to assist in underwriting decisions in nearly real time, and they provide convenient repayment options for small businesses. Community Development Financial Institutions (CDFIs) and other nonprofit community lenders and development organizations have used FinTech platforms to help increase efficiency in the lending process and identify creditworthy small businesses.

The small- and medium-sized business market has a significant need for alternative funding. To help these businesses get faster access to capital, FIS partnered with Fintech company Liberis to

41 Federal Reserve Banks of New York, Atlanta, Cleveland and Philadelphia, Joint Small Business Credit Survey Report, 2014 at 4 (released February 2015) ("Joint Small Business Credit Survey Report"); Karen Gordon Mills, Brayden McCarthy, The State of Small Business Lending: Credit Access During the Recovery and How Technology May Change the Game, Harvard Business School Working Paper 15-004 (July 22, 2014) at 3 ("State of Small Business Lending").

42 80 Fed. Reg. 42866, 42867 (July 20, 2015).

43 In 2014, almost 20 percent of small business applicants sought credit from an online lender. *Id.*

44 *Id.*

45 State of Small Business Lending at 6-7; Scott Shane, Why Small Businesses Are Turning to Online Lenders (April 15, 2015), available at <http://www.entrepreneur.com/article/245075>.

46 Pham, N., Triantis, A., & Donovan, M. (2018). *The Economic Benefits of Online Lending to Small Businesses and the U.S. Economy*. ndp | analytics. Retrieved from <https://hollandfintech.com/wp-content/uploads/2018/06/OnlineLendingMay252018.pdf>

create the Working Capital solution, which provides funding in the U.S. and the U.K. Businesses that use Worldpay from FIS merchant solutions can apply online for the cash they need to grow their business and get approved in minutes. Since its launch in March 2019, the FIS Working Capital solution has provided more than \$25 million of funding to small- and medium-sized businesses in the U.S.⁴⁷

In addition to partnering with CDFIs, online small business lenders are partnering with FIs to service small business loans. Because online platforms and systems are often more efficient and cost-effective for underwriting small-dollar loans, companies like OnDeck, an online small business lending company, are able to provide a valuable service to FIs to expand their market reach. For example, JPMorgan Chase uses the OnDeck digital platform to service its small business customers. The loans are Chase-branded, held on the FI's balance sheet, and made using JPMorgan's underwriting criteria.⁴⁸ What was once a process that could take up to a month for approval is now digital and takes on average just one day. This reduction in processing time is a valuable benefit for Chase customers who need quick and affordable access to capital to grow their small businesses.

OnDeck has also partnered with the SCORE Foundation, a nonprofit organization composed of more than 11,000 volunteers who provide free and confidential small business mentoring and advice. As the sponsor of SCORE's Financing Center for Excellence, OnDeck provides all small business owners who apply to OnDeck with special access to mentoring and advice from SCORE through a dedicated online experience. OnDeck has additionally committed to small business credit education by launching its Business Loans platform, an online resource dedicated to helping small businesses understand business financing.

In late 2013, PayPal and WebBank partnered to launch a unique online small business lending platform called PayPal Working Capital (PPWC), which enables PayPal merchants to apply for and obtain closed-end loans quickly. These loans charge a single fixed fee, have no periodic interest, maturity date, or late payments, and are repaid through a percentage of the merchants' PayPal sales. In 2017, PayPal announced that the product had reached \$3 billion in funding to entrepreneurs in the U.S., U.K., and Australia. Nearly 35 percent of PPWC loans go to low- and moderate-income businesses, compared to 21 percent of FI loans, and more than 61 percent of PPWC loans go to entrepreneurs and businesses owned for less than five years. Furthermore, nearly 25 percent of PPWC loans were disbursed in the 3 percent of counties that have lost 10 or more banks since the 2008 financial crisis, illustrating a direct benefit to underserved populations.⁴⁹

Traditionally, lenders have relied primarily on business owners' personal financial history and credit scores to underwrite small businesses for funding, often taking weeks or months to reach a decision. Through the use of improved technology, lending platform Kabbage can reach a decision for customers nearly immediately based on real-time business data, which positively impacts the percentage of businesses approved for funding.

47 FIS, 2020. *FIS Announces Working Capital, Powered by Liberis, to Provide Alternative Funding Solutions to U.S. Small Businesses*

48 Kevin Wack, *Chase Quietly Launches Its Online Small-Business Loan Platform*, AmericanBanker, (April 12, 2016), <http://www.americanbanker.com/news/marketplace-lending/chase-quietly-launches-its-online-small-business-loan-platform-1080382-1.html>.

49 Usman Ahmed, Thorsten Beck, Christine McDaniel & Simon Schropp, *Filling the Gap: How Technology Enables Access to Finance for Small- and Medium-Sized Enterprises*, vol. 10, number 3/4 innovations, MIT Press, 35-48, 2016.

Kabbage, which launched in 2011, is an online small business lending platform that provides short-term lines of credit to its customers and serves the loan needs of small- and medium-sized businesses. Kabbage uses data based on real-time data to underwrite businesses in as little as minutes and extends access to more than 1,400 small businesses every day through its lending platform.⁵⁰ By its own estimation, more than 40 percent of Kabbage's customers are either woman- or minority-owned businesses. Applicants securely connect third-party channels to provide data such as transactional information, vendor payments, accounting information, social data, online reviews, and shipping records, giving Kabbage a complete, accurate and up-to-the-minute view of the health of the business.

Another way Kabbage eases the loan process and management for small business owners is through its mobile app experience. Through the app, small business owners can complete the application process, receive a decision, and begin using their lines of credit immediately. Once approved, customers can withdraw funds, make payments, and manage their accounts through the app at any time. The Kabbage app addresses business owners' need to securely access funds quickly and on the go. Having mobile access to their loans assists business owners when they need to negotiate pricing, cover an unexpected expense, or take advantage of a timely opportunity. Since 2017, Kabbage has seen a 68 percent increase in the total amount of working capital accessed via Kabbage on mobile devices.⁵¹

Likewise, the Kabbage Card lets users withdraw the exact amount of funding they need from their lines of credit at any point of purchase where Visa is accepted. Since 2017, Kabbage has seen a 283 percent growth in adoption of its Kabbage Card. Small business owners accessed more than \$5.5 billion⁵² from Kabbage with its frictionless.

Beginning in 2015, Kabbage made its platform available to other organizations interested in leveraging the technology to power small- and medium-sized business and consumer loans. By using the Kabbage platform, financial institutions can better serve their small business customers in a cost-effective and highly scalable way, at a fraction of the cost.

Since small business owners typically work during traditional banking hours, FinTech companies such as Kabbage have seen an increase in the need for working capital outside of those conventional hours. The total number of dollars accessed through Kabbage outside of typical banking hours increased more than 6,000 percent between 2011 and 2018. This growth illustrates that small business owners are increasingly comfortable accessing capital online and that they rely on the convenience of managing cash flow needs any time of day, particularly outside of most banks' open business hours. Small business owners accessed 64 percent of after-hours lending during the work week, totaling \$754 million. The remaining 36 percent occurred on Saturdays and Sundays, totaling \$429 million.⁵³

Square Capital partners with Celtic Bank to offer the Square Capital Flex Loan. Square Capital has facilitated \$5.5 billion in combined merchant cash advances and loans to more than 275,000 small-business customers.

50 Kabbage, Inc. (18, October 24). *Small Businesses Access More Than \$10 Million Per Day with Kabbage®* [Press release]. Retrieved from http://www.prweb.com/releases/small_businesses_access_more_than_10_million_per_day_with_kabbage/prweb15815859.htm.

51 Kabbage, Inc. (18, June 28). *Small Businesses Access More Than \$1 Billion of Working Capital During Non-Banking Hours through Kabbage* [Press release]. Retrieved from https://www.kabbage.com/pdfs/pressreleases/After-hour Lending Press Release_FINAL.pdf. *Id.*

52 *Id.*

53 *Id.*

The use of technology and data have allowed Square to better serve the needs of underrepresented populations — 56 percent of loans issued through Square Capital went to women-owned businesses, compared to 18 percent of traditional loans, and 37 percent of loans through Square Capital went to minority-owned businesses, compared to 27 percent of traditional loans.⁵⁴ Square has also been able to offer capital at amounts far lower than what has been available to small businesses from traditional lenders — Square’s average small business loan size is approximately \$6,000.⁵⁵ Furthermore, 85 percent of Square’s small business loans are made outside of major metropolitan areas, exactly where they are needed most, since small business loans in rural communities have declined 50 percent since 2004.⁵⁶

In October 2018, Square launched a service called Square Installments that enables some customers of its small business sellers to pay for purchases in installments. With Installments, Square simultaneously helps consumers make big purchases with the option to pay overtime while helping small business owners grow their sales by giving their customers more purchasing flexibility. Consumers can use Installments to make purchases between \$250 and \$10,000, and they can choose from three-, six-, or 12-month installment plans priced between 0 and 24 percent APR. Square also lays out the exact cost of the repayment plans in absolute dollars, not just APR, to best inform the consumer’s choice.

Another company that participates in online small business lending is Lendio. Since 2011, Lendio has provided a free online service that connects businesses with lender options from its marketplace based on information provided by the small business. A streamlined, 15-minute application process connects small business owners to a network of reputable, trusted lenders, providing everything from short-term, specialty financing to lines of credit to credit cards to low-interest traditional loans. Lendio handles the customer experience from start to finish, compiling offers for the borrower to compare rates, terms, and payment amounts, and providing expert advice to help them select the ideal loan for their business.

In early 2019, Lendio acquired and rebranded the small business accounting platform Sunrise, the first bookkeeping software to meld accounting, cash flow management, loan, and credit information into a single platform. Sunrise gives solopreneurs and small business owners more accurate insight into their business finances, allowing for more streamlined accounting, invoicing, reporting, and access to capital. The software is offered in two versions: a free plan that allows businesses to do both cash and accrual-based accounting, and a paid plan that also allows growing businesses to leverage expert bookkeepers.

As both platforms evolve and become more integrated, Lendio’s customers will have the real-time understanding of their financial health they crave. Lendio and Sunrise will work in tandem to provide financing solutions that harness a unique blend of technology and smart human touch. In every scenario, Lendio’s goal is to provide a borrower with multiple loan options, in an efficient amount of time, through a highly dependable and transparent loan origination process.

Lendio Local, the first-of-its-kind marketplace lending franchise program, helped over 7,000 small business owners access \$425 million in PPP loans. Started in 2017, Lendio Local matches

54 Square Capital statistic: Based on an April 2018 survey of 6,397 respondents who have accepted a loan through Square Capital. Traditional loan statistic: SBA 7(a) Lending Statistics for Major Programs as of 7/13/2018.

55 According to the 2017 Survey of Terms of Business Lending, the average small business loan size from large national banks is approximately \$593,000.

56 Simon, R., & Jones, C. (2017). Goodbye, George Bailey: Decline of Rural Lending Crimps Small-Town Business. Retrieved from <https://www.wsj.com/articles/goodbye-george-bailey-decline-of-rural-lending-crimps-small-town-business-1514219515>

small business owners with the nation's top online lenders in a way that has never been done before, through funding experts in their local communities. The program has expanded to include more than 90 territories across the country and is reaching small business owners in industries and geographic areas that were previously unreachable.

For every new loan facilitated on Lendio's marketplace platform, Lendio Gives provides a microloan to a low-income entrepreneur through Kiva. This voluntary employee contribution and employer matching program has provided more than 23,000 microloans to date. Loans are provided in \$25 increments to underserved small business owners, many of whom have been turned away by traditional lenders. When loans are repaid, Lendio Gives reinvests them into new loans to further the positive global impact of these contributions.

Cross River provides a highly secure, fully compliant, and innovative banking platform, which enables its partners to deliver innovative financial solutions and offer traditional banking products to customers while ensuring consumer protection and regulatory compliance. Cross River's platform allows partners to access specific banking application programming interfaces (APIs) on which they can run their services, leveraging best-in-class banking technology coupled with compliance excellence in a safe and sound environment. Cross River is helping to expand active participation of underserved communities by increasing access to a wide range of banking services.

Together with leading marketplace lending platforms (such as Affirm, RocketLoans, Upstart, and Best Egg), Cross River provides consumers with access to responsible and affordable capital, while maintaining their compliance, risk, credit, and underwriting criteria. Since its inception, Cross River has funded nearly \$20 billion in loans, and more than 7 million consumers have benefited from access to affordable and responsible capital. Cross River not only originates loans, but also owns the end-to-end process and life cycle of each loan, all while ensuring that consumer protection and compliance remain a top priority.

Another innovative lending product that helps millions of QuickBooks small businesses get access to the capital they struggle to get elsewhere is Intuit's QuickBooks Capital. Since launching, Intuit found 60 percent of QuickBooks Capital customers would likely not get a loan elsewhere, and 46 percent have never applied for a loan before.

Working capital loans through products like QuickBooks Capital are especially important to underserved, young small businesses who often struggle to get access to traditional loans. Other lenders often rely on manual underwriting processes, which make it unprofitable for the companies providing the loan but more importantly often make the young small business under two years less eligible to apply for the loan. In fact, according to a Federal Reserve⁵⁷ study, 70 percent of businesses younger than five years need funding to grow, but only 23 percent of them get the funds they need. Additionally, 90 percent of QuickBooks Capital customers said the funds they received helped them grow their business, and 41 percent that without a loan from QuickBooks Capital, they would not have expanded or improved their business.

Intuit offers loans of up to \$100,000 to small businesses up to twelve-month terms. Additionally, QuickBooks Online customers can now access their free business credit score and credit report through a partnership with Dun & Bradstreet, the global leader in commercial data and analytics. By allowing eligible small businesses access their free Dun & Bradstreet Business Credit Score, Intuit hopes to help QuickBooks customers gain greater access and insight into their small business' financial standing, empowering them to have a better handle on their finances and management of cash flow as they grow their business.

57 Federal Reserve Bank of New York Small Business Credit Survey (2016)

Interactive, Automated Tellers

In 2013, the number of federally insured FIs fell to 6,891 — the lowest number of retail FIs in the U.S. since 1934. The financial services industry, however, is continuously looking for innovative ways for consumers to access financial services. In addition to mobile banking services, FIs are deploying a new generation of technology to transform traditional branches and make them more economically sustainable in previously underserved communities. By harnessing these new technologies, FIs are establishing a new model where branches have smaller physical footprints but offer a wider range of services at more convenient times.

For example, NCR has deployed a new technology referred to as the interactive teller. By incorporating video and networking capabilities into an advanced ATM, the interactive teller transforms a traditional ATM with a limited range of services into a full-service facility. Customers can now speak live to a teller on the video screen 24 hours a day and receive face-to-face assistance with virtually any service the FI offers. Incorporating interactive teller technology allows an FI branch to operate with a significantly smaller physical footprint as well. A branch's 2,500-square-foot area can be reduced to as little as 500 square feet, yielding substantial cost savings. In addition, the services offered can be expanded at little or no cost. An interactive teller enables 24-hours-a-day availability of assisted banking, often in multiple languages.

Technologies like interactive tellers allow FIs to operate branches with more services and at lower costs, reaching more communities than was previously possible.⁵⁸ The 24-hour interactive service makes banking accessible to consumers who may have found it difficult to access these services in a more traditional manner. Those who benefit from these innovative products and services include low-income consumers who work nontypical hours, those living in rural communities, and persons with disabilities. By simplifying the financial life of those consumers, ETA members can make sure their services remain a viable option and not require them to fit traditional banking hours.

Diversity, Equity, and Inclusion

Most diversity, equity, and inclusion (DE&I) efforts focus on representation and removing workplace bias, which are important but not sufficient to solve the larger issue of financial opportunity. ETA members are actively expanding their commitment to DE&I, announcing truly significant initiatives and programs for underserved communities.

ETA member companies operate in increasingly diverse communities throughout our global footprint and this diversity is evident in our members' workforce, customers, suppliers, and other stakeholders. We expect our members to treat each other, our industry and partners, with respect and embrace one another's differences.

To help drive a culture of inclusion, Bank of America has developed and provide employees access to a range of programs and resources focused on building understanding and driving progress in the workplace. For example they encourage peer-to-peer support through their diversity leadership councils and employee networks and expand their impact with external partnerships.⁵⁹

58 Abha Bhattaral. *Banks turn to video tellers to cut costs*, The Washington Post, https://www.washingtonpost.com/business/capitalbusiness/banks-turn-to-video-tellers-to-cut-costs/2014/04/18/a7b28e7c-bb59-11e3-9a05-c739f29ccb08_story.html.

59 Bank of America Human Capital Management Report (Oct. 2020)

American Express is committed to making sure their colleagues are as diverse as our customers and communities. American Express's PRIDE network participates in the Pride Parade in downtown Salt Lake City, officially the largest parade in the state. PRIDE members distribute Shop Small® bags to support local businesses as well as Human Rights Campaign (HRC) palm cards promoting American Express's 100 percent rating on HRC's Corporate Equality Index. The company's Hispanic Origin & Latin American Network (HOLA) frequently hosts career development sessions in partnership with the National Society of Hispanic MBA, an organization that empowers Hispanic business professionals to achieve their full educational, economic, and social potential. Additionally, its Black Employee Network and HOLA have partnered with product management teams to help develop financial inclusion solutions and products, such as American Express Serve® and Bluebird®.

Also supporting entrepreneurs and founders who are women, people of color, LGBTQ, and people with disabilities, Amazon launched the AWS We Power Tech program in 2017. The AWS We Power Tech program partners with over 70 organizations throughout the world supporting underrepresented communities in tech by providing access to AWS credits and learning modules. Similarly, Amazon has hosted thought leadership events like the Aspen Institute's Latinos in Society workshop as well as programming at AWS re:Invent and across the AWS global summits.

In the summer of 2020, Visa committed to a number of initiatives working towards inclusion, diversity, and racial justice with the goal of driving lasting change through Visa's people, community, and company. Visa committed to increasing the number of under-represented employees, particularly in leadership roles, through thoughtful recruitment and internal development programs. To that end, Visa announced a \$10 million investment in the creation of the Visa Black Scholars and Jobs Program⁶⁰, which will guarantee a full-time job at Visa to participating scholars who have met their commitments after their college graduation. Visa's goal is to drive early success by focusing on Black and African American talent and learnings that will inform their actions for other under-represented groups.

To support social justice and equality in communities across the United States, Visa's double matching campaign in June raised over \$1.3 million for the NAACP Legal Defense and Education Fund, the ACLU Foundation, and the National Urban League. Visa is also leveraging its brand strength and influence by continuing to focus on reflecting under-represented communities in its marketing campaigns, sponsorships and events, including partnering with a diverse set of Team Visa Olympic and Paralympic athletes. Additionally, Visa committed to hold its suppliers to higher standards and to diversify its supply chain by requesting diverse account teams and increasing the number of diverse suppliers in their network.

In addition, as part of its commitment to support SMBs, with a focus on underrepresented SMBs, Visa launched a grant program which awarded 25 \$10,000 grants and IFundWomen coaching to Black women-owned small businesses. The Visa Foundation also committed funds to Black Ambition, a newly launched racial equity and entrepreneurship initiative launched by producer and entrepreneur Pharrell Williams in partnership with five Historically Black Colleges and Universities (HBCUs); Local Initiatives Support Corporation to increase small business resiliency for women entrepreneurs of color directly impacted by COVID-19; and VC Include, which provides Black, Latinx, Indigenous and female fund managers resources and support to build their funds, access technical assistance and raise investment capital.

60 Bank of America Human Capital Management Report (Oct. 2020)

In our increasingly competitive business environment, performance and engagement is central to business success. At JP Morgan Chase, Advancing Black Leaders is a diversity strategy aimed at attracting, hiring, retaining, and advancing black talent — from within the internal community as well as across the external marketplace. JPMorgan Chase is also committed to honoring those who have served and supporting their long-term success. To further its efforts, in 2011 the company co-founded the Veteran Jobs Mission, a coalition of more than 200 companies dedicated to employing U.S. military veterans. Collectively, members of the Mission are committed to hiring 1 million veterans, and they are working to increase their focus on the engagement and career development of veterans in the private sector. Since the Mission began, JP Morgan Chase has hired more than 15,000 veterans. Additionally, Women on the Move is JPMorgan Chase's commitment to provide women with opportunities to succeed in their professional and personal lives. The program's key objectives are to expand woman-run businesses, improve women's financial health, and advance women's career growth.

Announced in 2020, JP Morgan Chase is making a \$30 billion commitment it says will help address U.S. wealth inequality, especially in traditionally underserved Black and Latino communities. The great bulk of JP Morgan Chase's dollar commitment is tied to housing. They will provide \$14 billion in loans and investments to spur the creation of 100,000 affordable rental units in underserved communities, originate 40,000 home purchase loans for Black and Latino households, adding \$8 billion worth of mortgages to its commitment. It will also help another 20,000 Black and Latino customers lower their mortgage payments with \$4 billion in refinancings. JP Morgan Chase said it would also provide 15,000 loans worth \$2 billion to small businesses in Black and Latino neighborhoods and launch a new program to help coach entrepreneurs and will also spend an additional \$750 million with Black and Latino suppliers. Additionally, JPMorgan Chase also said it would give 1 million people in underserved areas access to low-cost bank accounts, in part by opening branches in low-to-moderate income communities.

An inclusive working environment, in which each employee is able to fulfil their potential and maximize their contribution, really matters at Paysafe. They recognize and value the creative potential that individuals of different backgrounds and abilities bring to their work. Paysafe launched a new D&I strategy and proactive plan to build on the commitments established in 2018. As part of this, the company has made D&I training mandatory for its entire team every two years, with workshops for the executive team and senior managers. Paysafe has a global steering committee that meets regularly to discuss progress in promoting diversity and to develop new initiatives, and it has D&I ambassadors in each of its offices to encourage inclusion across its international team.

Paysafe's commitment to diversity also extends beyond its walls. The company is dedicated to increasing inclusion across the payment and even the technology sectors. Paysafe sponsors industry groups including Wnet, Women in PayTech, and the European Women's Payment Network. It also supports the FT 125 Women's Forum, which helps talented women at mid-career level to progress into leadership roles.

In promoting DE&I and opportunity, having access to training and development opportunities is critical. An ETA member law firm, Venable LLP, strongly supports its women lawyers' professional and personal development in keyways. This includes funding business and career development education as well as accommodating flexible and reduced work schedule requirements for lawyers. Indeed, approximately 9 percent of its lawyers are on a reduced schedule. Venable LLP also provides a wide range of family-friendly benefits and programs

for all of its lawyers and staff. Another organization that Venable LLP participates in, the Leadership Council on Legal Diversity (LCLD), focuses on fostering diversity and inclusion in the legal profession. Venable LLP has participated in LCLD since 2013, and its commitment to the organization's programs has grown steadily since. Each year, the firm sponsors a mid-career lawyer to participate in the LCLD Fellows program and two mid-level associates to participate in the LCLD Pathfinder program. These programs provide diverse attorneys with opportunities to build their leadership skills and networks.

ETA members consider D&I a priority and not just a number exercise. We are committed to actively promoting D&I in the payments ecosystem.

Conclusion

ETA and its members support an inclusive financial system that provides high-quality, secure, and affordable financial services for the broadest possible set of consumers. ETA member companies touch, enrich, and improve the lives of underserved consumers while making the global flow of commerce possible. A goal of ETA member companies is to continually enhance the electronic payments and financial ecosystem so that it is accessible for all consumers, while ensuring that their transactions can be completed securely and efficiently. A key driver to achieving such a system is the development of new technologies that allow the underserved to access FI and FinTech company financial products and services. ETA encourages policymakers to support these goals through policies that support innovation and the use of technology in financial products and services.

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If you have questions regarding this white paper or would like more information about ETA, visit www.electran.org or contact Scott Talbott, SVP of Government Affairs, at stalbott@electran.org, or Jeff Patchen, Manager of Government Affairs, at jpatchen@electran.org.