



White Paper

How FinTech is Addressing the Financial Needs of the Underserved

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Executive Summary

One of the goals of our financial system is to provide high quality, affordable financial services for the broadest possible set of consumers. Over the past decade, financial institutions (FIs) and financial technology companies have transformed the financial landscape through the introduction of new technologies that expand financial offerings for consumers, lower costs, improve financial management, and increase transaction security. These products and services – often referred to as “FinTech” – have also expanded, and are continuing to expand, financial opportunities for underserved consumers.

In this White Paper, the Electronic Transaction Association (“ETA”) highlights the many ways in which its members are using technology to address the financial needs of underserved consumers. ETA published the first volume of the White Paper in July 2016; this volume expands upon last year’s findings and includes additional products and services that have come to market for consumers. These efforts, discussed in greater detail below, include:

- 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 exciting alternative to cash and checks that allow 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 – Expands affordable access to the internet in underserved communities domestically and abroad by improving infrastructure and reducing costs so that more people can connect to the web-based world.
- Online Small Business Lending – Expands access to credit for small businesses seeking capital to grow their businesses.
- Prepaid Products – Provide cost-effective, convenient, and innovative payment options for millions of consumers, including those that may not have access to traditional financial accounts.

- Interactive, Automated Tellers – Transform traditional FI branches by making them economically sustainable in previously underserved communities.

The unprecedented recent advancements in technology highlighted in this White Paper continue to show great benefits for underserved consumers, as well as the broader economy. ETA member companies are creating innovative offerings in financial services, revolutionizing the way commerce is conducted with safe, convenient, and rewarding payment solutions and lending alternatives. As the leading trade association for the payments industry, ETA and its members encourage policymakers to support these efforts through policies that encourage innovation and the use of technology to improve financial inclusion for all consumers.

Understanding the Financial Services Needs of the Underserved

One of the goals of our financial system is to provide high quality, affordable financial services for the broadest possible set of consumers. An inclusive financial system is one that provides consumers and businesses with access to a variety of financial products and services. A key driver of financial inclusion is the development of new technologies that allow the underserved to access FI and FinTech company financial products and services. Technology not only creates new products and services, but also broadens the availability of existing ones by making them more accessible and lowering costs.

As addressed in this White Paper, ETA's¹ members are at the forefront of using technology to broaden financial inclusion for underserved consumers. FinTech is building an inclusive financial system that addresses the needs of "underserved" consumers by providing increased access to ATMs for persons with disabilities, helping the elderly or rural population deposit checks remotely, assisting parents in sending funds instantly to their children in college, or helping small businesses get loans. Products and services like prepaid cards, mobile banking, peer-2-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 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.

¹ The Electronic Transactions Association is the leading trade association for the payments industry, representing over 500 companies worldwide who offer electronic 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.

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 explosion of high-speed, wireless internet, have allowed FIs and technology companies to expand new products and services to more consumers than ever before – and they are able to do so efficiently, securely, and at a low cost. This section discusses a number of products and services that ETA member companies are deploying to benefit the underserved.

Financial Literacy & Readiness Programs–

Financial literacy empowers consumers to take control of their finances and prepare for the future. There are a number of product and service offerings made by ETA companies to help expand financial literacy to consumers. Four companies' products are discussed in greater detail below.

Investnet® | Yodlee® is a leading data aggregation and data analytics platform powering dynamic, cloud-based innovation for digital financial services. The company partners with more than 1,000 financial institutions and FinTech innovators, including 13 of the top 20 U.S. Banks, enabling a massive data network associated with tens of millions of consumers who use platform-related personalized apps and services.

The Investnet® | Yodlee® Personal Financial Wellness Solution aggregates data from all of a consumer's financial accounts, including bank accounts, credit cards, investment accounts, loans and more to provide financial management guidance and tools. Below are two of the newest additions to this suite of applications:

- (1) Ok to Spend – a robust cash flow app that identifies a consumer's recurring income and financial obligations in their primary spending accounts and provides an easy to use "ok to spend" number that allows consumers to proactively manage their day-to-day finances. (Available: Now)
- (2) Save for a Goal – an app that encourages saving and empowers consumers to automate their savings to meet milestones and duration-based goals, whether it is a specific purchase or preparing for a rainy day, college, or retirement. (Available: Now)
- (3) Financial Health Check – a tool that diagnoses and keeps track of a consumer's financial health across eight key indicators. Along with the rating, consumers are

provided with personalized insights with an actionable path forward to improve their finances. This tool will automatically be able to measure, guide and improve a consumer's financial health across spending, saving, borrowing and planning. (Available: Early 2018)

Combining innovative technology, analytical data, and responsive design, the Envestnet® | Yodlee® Financial Wellness Solution moves beyond organizing historical financial data to helping financial institution and FinTech developers provide financial guidance that consumers can act on across a spectrum of devices, user interfaces and platforms.

In 2013, Discover was the first major credit card issuer to provide FICO® Credit Scores for free to cardholders on-line and on monthly statements. Other card issuers have followed suit by offering some form of a credit score to their cardmembers. In May of 2016, Discover announced it would offer FICO® Scores for free through its Credit Scorecard program for all consumers, even those that are not Discover cardholders, to help educate them about credit, the various factors that go into creating their credit score, and how their credit score is used.² 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 one year as a cardmember, Discover will begin to review Discover it® Secured Credit Card accounts each month to see if cardmembers can transition to an account that does not require a security deposit. A 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.

Another ETA member company, NCR, has launched a robust financial management tool for its customers, with the long-held belief that 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 created the opportunity to create user-friendly, easy-to-understand financial management tools and put them directly in the hands of customers.

² Rob Berger, *Discover Now Offers Free FICO Scores To Everybody*, FORBES (May 20, 2016, 09:55 AM), <http://www.forbes.com/sites/robertberger/2016/05/20/discover-now-offers-free-fico-scores-to-everybody/#1631bab244ae>.

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. 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% more frequently than those who don't, helping them gain more control over their budget and finances.

ETA member companies view financial literacy as a priority across all participants in the payments ecosystem. In today's world, with threats of cybercrime, companies and customers must be vigilant in understanding and properly protecting the personal financial information that they share. An important tool in facilitating trust in electronic transactions is ensuring that transactions can be made securely. UL is a company that specializes in transaction security. UL is a payment innovation enabler. In this new and fast-growing domain, UL aims to 'safeguard digital assets' and ensure compliance with standards, global interoperability between products and systems, and security of all components in the ecosystem. UL supports other FinTech companies in building, testing, securing and future-proofing their financial services and solutions. UL is driven by its global safety mission, which promotes safe living and working conditions for people everywhere through the application of science to solve safety and security challenges.

Mobile Banking Services and Innovations in ADA Compliance—

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

The most recent study conducted by the Federal Reserve found that eighty-seven percent of the U.S. adult population has a mobile phone, and that seventy-seven percent of mobile phones are smartphones, a steady increase from previous years.³ Twenty-two percent of consumers in the study were underbanked, meaning they had an account through an FI and had used one or more alternative financial services (typically from a FinTech company) within the past year. Seventy

³ Consumer and Community Development Research Section, Division of Consumer and Community Affairs, Federal Reserve Board, Consumers and Mobile Financial Services 2016 1 (2016), <http://www.federalreserve.gov/econresdata/consumers-and-mobile-financial-services-report-201603.pdf>.

percent of the underbanked were smartphone owners, and 17 percent owned a feature phone. Among the underbanked with mobile phones, 55 percent used mobile banking.⁴

One example of a demographic that has benefited immensely from the emergence of mobile banking is persons with disabilities. For example, touch screen-only accessibility features on phones and other devices allow a visually-impaired individual to single tap on 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 are 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 helps 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 toward underserved populations have occurred with in-store transactions as well. ETA members are at the forefront of innovation and deployment of new technologies to help ensure compliance with the Americans with Disability Act (ADA). For example, Taylor Stands⁵ has developed special equipment for payment terminals so that merchants can better serve customers with impairments. Roughly fifty-seven 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.

Taylor Stands has developed and deployed ADA compliant payment equipment and assistive auxiliary aids such ADA TITLE III compliant POS terminal dismount and release mounting stands, tactile PED, auditory and visual aids at the payment point of sale. These technologies are integrated for kiosks and mobile payment technology.

⁴ Consumer and Community Development Research Section, Division of Consumer and Community Affairs, Federal Reserve Board, Consumers and Mobile Financial Services 2016 2 (2016), <http://www.federalreserve.gov/econresdata/consumers-and-mobile-financial-services-report-201603.pdf>.

⁵ <https://www.corada.com/products/taylor-ada-blue-lever-stand>

Mobile Payments –

Mobile payments are an exciting and secure alternative to cash and checks that allow consumers to pay for goods and services in a convenient, cost-effective manner. ETA member companies including Apple, Google, Samsung, PayPal, and Chase are leaders in mobile payments, offering the 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. Seventeen percent of U.S. consumers now regularly use their smartphone to pay, up from 6 percent in 2014.⁶ A recent survey of over 800 merchants revealed that since 2013, merchants who earn half of their total revenue through mobile payments has increased from two 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. It is projected that U.S. in-store mobile payments will reach \$75 billion in 2017 and \$503 billion by 2020.⁷

ETA is encouraged by this favorable 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 and greatest in payments security. Through technologies like tokenization and encryption, a customer's payment credentials are demonetized and transmitted securely as to reduce or eliminate the risk of fraud.

These payment solutions are especially helpful for smaller businesses who 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 their customer's payment will be completed securely. By enabling mobile payments via smartphone or other connected device, 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.

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 out of

⁶ Shirley Inscoc, Global Consumer Survey: Consumer Trust and Security Perceptions (Aite Group LLC) Feb. 2017, <https://www.aciworldwide.com/-/media/files/collateral/trends/2017-global-consumer-survey-consumer-trust-and-security-perceptions.pdf>

⁷ Kount, The Fraud Practice, Card Not Present.com & Braintree, 5TH ANN. MOBILE PAYMENTS AND FRAUD REPORT, 2017.

his or her 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, and others.

The primary use for P2P among millennials is to easily split the cost of goods or services rather than relying on cash or check for reimbursement. PayPal's P2P app, Venmo, in existence just three years, has carved out a niche among younger consumers in the U.S. In 2016, total transaction volume reached \$17.6 billion, surpassing estimations for the entire P2P market by three years.⁸ Venmo continues to see explosive growth, reaching a record \$6.8 billion in transactions in the first quarter of 2017 alone.⁹

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 June of this year, 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 will be 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.¹⁰

Expanded Internet Access –

In 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 smart phones. And, as previously discussed, there has been a rise in mobile banking among these demographics. 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 so that more people can connect to the web-based world.

T-Mobile, for example, serves a high number of "smartphone dependent" customers (meaning those who own a smartphone but lack home broadband)¹¹ and has recognized that mobile internet

⁸ Leena Rao, *How Venmo Plans to Make Money*, FORTUNE, (Dec. 29, 2015 10:00 AM EDT), <http://fortune.com/2015/12/29/p2p-mobile-payment-venmo-paypal/>.

⁹ Leena Rao, *For Paypal, Mobile Continues to Drive Growth*, FORTUNE, (Apr. 26, 2017), <http://fortune.com/2017/04/26/paypal-mobile-growth/>

¹⁰ 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/>

¹¹ Aaron Smith, *U.S. Smartphone Use in 2015*, PEW RESEARCH CENTER, (Apr. 1, 2015), <http://www.pewinternet.org/2015/04/01/us-smartphone-use-in-2015/>.

access and unlimited data is crucial to making sure that consumers are not left behind in this new economy. That is why T-Mobile introduced its new, affordable unlimited data plan, T-Mobile ONE, that includes a “kickback” feature that provides up to a \$10 bill credit for customers that use 2GB of data or less in a billing cycle.

T-Mobile has also partnered with The Department of Housing and Urban Development (HUD) to support the ConnectHome Nation Program. Led by HUD’s national non-profit partner, EveryoneOn, ConnectHome Nation is a public-private collaboration to narrow the digital divide for families with school-age children who live in HUD-assisted housing. ConnectHome initially launched in twenty-seven cities and one tribal nation and will be expanding into more than 100 communities across the nation, connecting 350,000 people with the support they need to access the Internet at home. Through the ConnectHome Nation program, T-Mobile offers devices to low-income communities that increase broadband access and support technical training and digital literacy programs.

Likewise, T-Mobile has demonstrated its commitment to providing a broad range of accessible product offerings and complementary service plans that support customers with specialized communications needs, including consumers with hearing loss, vision impairments or limited mobility. These offerings range from data-only plans and 411 credit assistance to handsets with unique accessibility features. T-Mobile also extends several of the benefits associated with its standard plans (unlimited data plans, no contracts, Smartphone Equality, visual voicemail and others) to customers utilizing these specialized plans and devices.

In a global economy, access to the internet is a critical driver of economic growth. With more people connected to the web-based world, the affordability, ease-of-use, and security of electronic transactions helps power the economy. Likewise, the benefits of expanded affordable internet access are prevalent in underserved communities within the United States. Moving consumers out of a cash-based world and into a more secure financial system are one of the many benefits that expanded access to the internet provides.

Online Small Business Lending –

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.¹²

¹² 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”).

Unfortunately, many small businesses are unable to access traditional credit for purposes of growing their businesses due, in part, to high search, transaction, and underwriting costs.¹³ Fortunately for small businesses, ETA's members and other new and innovative technology companies are expanding access to credit and offering attractive alternatives to traditional loans.¹⁴

Online small business lenders are willing to provide small businesses with smaller loans (typically less than \$250,000) and shorter terms¹⁵ that are well suited for their day-to-day operating needs or short-term use cases. Using sophisticated, data-driven algorithms to assess the creditworthiness of potential borrowers, lenders are able to reach funding decisions quickly and efficiently and provide access to capital to approved borrowers expeditiously,¹⁶ in some cases within 24 hours.

These data-based processes are creating new opportunities for borrowers and lenders. The platforms are agile, nimble, scalable, and 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 also provide convenient repayment options for small businesses. FinTech platforms have also been used by Community Development Financial Institutions ("CDFIs") and other non-profit community lenders and development organizations to help increase efficiency in the lending process and identify creditworthy small businesses.¹⁷

OnDeck, for example, announced in September 2015 an expansion of its partnership with the Association for Enterprise Opportunity (AEO). OnDeck is licensing its technology platform to AEO's community lending partners who participate in a program called TILT Forward that improves access to capital for small businesses owners in underserved communities. The expected impact will be an increase in the number of CDFI's participating in the program, and a facilitation of \$10 million in loans to small businesses across the country.¹⁸

In addition to partnerships with CDFI's, online small business lenders are partnering with FIs to service small business loans. Because online platforms and systems are often more efficient and

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

¹⁴ In 2014, almost 20 percent of small business applicants sought credit from an online lender. *Id.*

¹⁵ *Id.*

¹⁶ 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>.

¹⁷ See the AEO's Tilt Forward initiative as an example, <http://www.tiltforward.com/our-partners/>.

¹⁸ <https://investors.ondeck.com/press-and-events/press-releases/press-release-details/2015/OnDeck-Powers-Community-Lenders-by-Licensing-Technology-and-Improving-Small-Business-Access-to-Capital/default.aspx>.

cost-effective for underwriting small dollar loans, companies like OnDeck are able to provide a valuable service to FIs in order 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.¹⁹ What was once a process that could take up to one month for approval now is 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.

In late 2013, PayPal, Inc. and WebBank launched 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 or maturity date, no 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., United Kingdom, 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 go to entrepreneurs and businesses owned less than five years. What's more is that nearly 25 percent of PPWC loans were disbursed in the 3 percent of counties that have lost ten or more banks since the 2008 financial crisis, illustrating a direct benefit that this product has on underserved populations.²⁰

Kabbage is another online small business lending company that provides short-term, small dollar loans to its customers. Kabbage Inc. launched publicly in 2011 to serve the loan needs small and mid-sized businesses. Kabbage utilizes an automated data and technology platform to underwrite businesses in as little as minutes based on real-time data.

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.

Traditionally, lenders have been reliant primarily on business owners' personal financial history and credit scores to underwrite small businesses for funding, oftentimes taking weeks or months to reach a decision. Through the use of improved technology, Kabbage is able to reach a decision

¹⁹ 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>.

²⁰ 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.

for customers nearly immediately based on real-time business data, which positively impacts the percentage of businesses approved for funding.

Another way Kabbage eases the loan process and management for small business owners is through its mobile app experience. Through the app, available for iOS and Android devices, 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 anytime, anywhere through the app. The Kabbage app addresses business owners' need to securely access funds quickly, and on-the-go. The 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. Likewise, the Kabbage Card lets users withdraw the exact amount of funding they need from their lines of credit at the point of purchase anywhere VISA is accepted.

Beginning in 2015, Kabbage made its platform available so other organizations can leverage the technology to power SMB and consumer loans. By utilizing 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.

Another company that participates in online small business lending is Lendio. Lendio is a free online service that connects business owners with lender options from its marketplace based on information provided by the small business. This model unites the small business loan industry by bringing all the loan options from its marketplace of more than 75 lenders together in one place, from short-term specialty financing to long-term low-interest traditional loans, so that the business owner has a wide variety of choices in loans.

Lendio's use of technology makes small business lending simple for the business and the lender by decreasing the amount of time and effort it takes to secure funding. Lendio has facilitated more than \$500 million in small business loans, and has fueled more than 21,000 small businesses across the U.S. with much-needed access to capital. In March of this year, Lendio announced it is expanding the reach and availability of its small business lending options with the launch of a new franchise program. Through this program, franchise owners across the country can ease the financial hurdles for small businesses in their local community. It enables small business borrowers to connect with local representatives and receive face-to-face consulting from experts familiar with their local market and economy. Lendio franchisees get access to Lendio's marketplace and technology, comprehensive training, branded marketing tools and national advertising, partnerships, and access to Lendio's franchise support team to help coach small

business owners through the lending process. This model and hybrid approach to lending reaches a segment of borrowers who are either cautious about applying for lending exclusively online or prefer a more personal touch, such as what they would find if they walked into a local bank.

In June of this year, Lendio announced a pilot agreement with Comcast Business. The pilot agreement is designed to provide its small business customers with quick and easy access to capital. Through the collaboration, Comcast Business customers will have more streamlined access to Lendio's marketplace which has the potential to open up a new world of funding options they may have never known.

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 68 million consumers with limited or no access to other financial services.

There are two main categories of prepaid products: 1) closed-loop, and 2) open-loop.

- Closed-loop products are limited to purchases from a single company or at a designated location, such as a gift card to a specific retail store that can be purchased in-store or from a kiosk at another retail location.
- Open-loop products are those that can be used at virtually any retail location or business. Examples include a general 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), more than a quarter of households (28 percent), either do not have an account through an FI or use alternative financial sources in addition to their bank accounts.²¹ In particular, open-loop prepaid cards are popular with many types of 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 utilizes open-loop prepaid cards as an alternative to paper checks for benefit programs. A recent partnership between MasterCard, the U.S. Treasury and Comerica Bank, provides several million Americans with a safe and reliable

²¹ Cyle Mims, *Thousands Voice Concern about CFPB Proposed Rule*, TSYS PEOPLE-CENTERED PAYMENTS, <http://tsys.com/news-media/press-releases/tsys-2015-press-releases/20150324ConcernAboutCFPB.html>.

way to receive federal benefit payments electronically on a MasterCard prepaid card.²² Many of the consumers who use this product do not use mainstream financial services. One of the goals of this product is to increase the use of the card as a payment tool, rather than simply a way to access cash, so that consumers have a more secure way to manage 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 also helps move them into the increasingly important world of online transactions. For example, Netspend prepaid debit cards offer direct deposit and online bill-pay,²³ 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 consumers bridge their financial gaps and achieve stability when they experience an unexpected expense.

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 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 automated teller machine, the interactive teller transforms a traditional ATM with a limited range of services into a full-service facility. Customers are able to 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. A branch's 2,500 square foot area can be reduced to as little as 500 square feet, yielding substantial

²² Andrew Gillen, *Using Mobile Technology to Drive Financial Inclusion with Direct Express*®, BEYONDTHE TRANSACTION, (April 28, 2016), <http://newsroom.mastercard.com/2016/04/28/using-mobile-technology-to-drive-financial-inclusion-with-direct-express/>.

²³ https://www.netspend.com/about_netspend/.

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 times 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.²⁴ 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 that benefit from these innovative products and services include low-income consumers who work non-typical hours, those living in rural communities, and persons with disabilities.

ETA Message to Policymakers

The unprecedented recent advancements in technology highlighted in this White Paper continue to show great benefits for underserved consumers, as well as the broader economy. ETA member companies are creating innovative offerings in financial services, revolutionizing the way commerce is conducted with safe, convenient, and rewarding payment solutions and lending alternatives that are available to a broader set of consumers.

ETA urges policymakers to remain thoughtful and forward-thinking in how to best support industry's on-going 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 the government to be sensitive to the risk that applying a uniform regulatory framework to all products and services, without any appreciation of differences in products and services and consumer needs, will likely stifle creativity and innovation in the market. Such an outcome would harm consumers, particularly at a time when new technologies, products, and services are providing the underserved with unprecedented access to FI and FinTech company financial products and services.

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 their

²⁴ Abha Bhattaral. *Banks turn to video tellers to cut costs*, THE WASHINGTON POST, (April, 20 2014), https://www.washingtonpost.com/business/capitalbusiness/banks-turn-to-video-tellers-to-cut-costs/2014/04/18/a7b28e7c-bb59-11e3-9a05-c739f29ccb08_story.html.

transactions can be completed securely, efficiently, and ubiquitously. 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 the White Paper, or would like more information about ETA, please visit www.electran.org, or contact Scott Talbott, SVP of Government Affairs, at stalbott@electran.org, or Rebecca Cantrell, Senior Manager of Government Affairs, at rcantrell@electran.org.