



***Daniel Feehan: Federal Framework Needed to Expand Credit
Access for Americans***

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For a large swath of Americans, living paycheck to paycheck is nothing new. Accessing credit or bank loans have never been an option. This segment of the population is commonly referred to as the unbanked or underbanked. In 2009, the Federal Deposit Insurance Corporation started to publish surveys of unbanked and underbanked households. The data reflected what many already knew: A quarter of U.S. households were considered unbanked or underbanked.

The FDIC repeated the survey in 2011, finding a 3-point uptick in the number of unbanked or underbanked U.S. households. These households, the FDIC found, are a microcosm representing lower- and middle-income America, cutting across a diverse demographic background. Despite the resoundingly clear data, commonly held misperceptions about this community persist. As a result, this lack of understanding has prevented policymakers from working with best-in-class online and consumer loan companies to identify meaningful solutions and harness technology to meet specific individual needs.

Technology is playing an outsized role in how consumers conduct their personal banking. Alternative financial service products are no exception. In a study done by the Federal Reserve, underbanked populations tend to own mobile phones and smartphones in larger numbers than the rest of the population. And these same populations complete financial transactions on their smartphones. For example in 2012, according to Clarity Services, almost 13 million Americans sought consumer loan applications online. And more subprime Americans will seek a loan online instead of through a storefront, investment bank JMP Securities found. With such a large and growing number of Americans conducting their banking on mobile devices, online banking is the future of the financial services industry.

Yet, while online financial service options are growing for many who use mainstream banks, online resources for consumers who use alternative financial services are shrinking. For borrowers living in states where non-bank lending is prohibited by law, consumers turn to unlicensed lenders. These lenders are not subject to state or federal regulations, leaving the consumer with little to no recourse. The Consumer Credit Access, Innovation and Modernization Act ([HR 1566](#)) is a bipartisan bill seeking to establish a federal regulatory framework for online lenders by authorizing the Comptroller of the Currency to create a federal charter. This would allow approved non-bank entities nationally and provide consumers with the opportunity to seek out innovative and longer-term loan products they demand. Such a system would not only weed out bad actors but, through market competition, drive the continued improvement of products and even help lower the cost of delivering such products to the consumer.

The legislation would include a robust role for the Consumer Financial Protection Bureau and begin to pivot consumers away from short-term payday loans to longer installment loan products, particularly online.

More attention must be paid to developing suitable options for hardworking Americans who are underserved. To develop such options, we need to establish a federal regulatory framework for the non-bank and online alternative banking space that includes consumer protections and the access they need to a variety of timely, innovative credit products.

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