NFHA
National Fair Housing Alliance
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May 6, 2015

Gary Kuiper, Counsel
Federal Deposit Insurance Corporation
550 17th Street NW, Washington, DC 20429

Submitted via email to comments@fdic.gov

Re: National Survey of Unbanked and Underbanked Households;
OMB Number: 3064-0167

Dear Mr. Kuiper:

On behalf of the National Fair Housing Alliance (NFHA), I submit the following comments on the Federal Deposit Insurance Corporation's (FDIC) National Survey of Unbanked and Underbanked Households (Survey). Founded in 1988, the National Fair Housing Alliance is a consortium of more than 220 private, non-profit fair housing organizations, state and local civil rights agencies, and individuals from throughout the United States. Headquartered in Washington, DC, the National Fair Housing Alliance, through comprehensive education, advocacy and enforcement programs, provides equal access to apartments, houses, mortgage loans and insurance policies for all residents in the nation.

NFHA's credit access work seeks to identify and repair the devastation wrought by redlining throughout the twentieth century. The Survey is an important tool to inform our efforts to improve access to financial services and credit for people of color. We offer the recommendations below in response to this Request for Comment on the issue of "(c) ways to enhance the quality, utility, and clarity of the information to be collected."

Explore Additional Reasons for Being Unbanked

1. Geographical Barriers to Access

NFHA's research suggests that many people of color are unbanked, underbanked, or unable to access mainstream credit because they live in racially segregated areas that are starved for traditional financial services; in other words, access to banking and credit is partly a function of geography. In order to adequately address the geography of banking access and the lingering effects of redlining, we suggest asking whether bank branches are located near an individual's home. Residents of neighborhoods of color, particularly low-income neighborhoods, may be unable to access banks not simply because "bank locations are inconvenient," as the current survey suggests [Section I-C, Q1c], but because bank branches are nonexistent in these areas. We also suggest asking whether bank branches are accessible via public transit.

One proposed survey question asks whether an individual has visited a non-bank location to cash a check, purchase money orders, or send money because "the place has better hours or location" [Section II, Q10]. Bank hours are a different matter than bank location; as discussed above, simple inconvenience is not the same as a total lack of access. We recommend that the FDIC ask specifically whether an individual went to a non-bank location for these services because there was no bank close to their home or because the non-bank location was closer.

2. <u>Racial and Cultural Barriers to Access</u>

Fair housing investigations across the country repeatedly show that individuals of color may be unable to access bank services because they feel unwelcome by branch staff, feel excluded by bank marketing and advertising, or confront language barriers while trying to communicate with bank employees. We suggest adding questions about whether individuals are unbanked because they simply feel unwelcome at bank branches and whether they face language barriers.

3. <u>Credit History and Credit Scoring Barriers to Access</u>

NFHA research indicates that banks and mainstream financial service providers may rely too much on FICO credit scores to screen potential customers, particularly for mortgage loans. The FDIC should explore the extent to which an individual's credit profile and FICO score affect access to banking and mainstream financial services. One proposed question for the 2015 Survey asks whether an individual cannot open an account "due to problems with personal identification, credit, or former bank account problems" [Section I-C, Q1h]. Credit problems are often separate from issues with personal identification and previous bank accounts. For many individuals of color, credit problems reflect systemic racial disparities in mainstream credit access and wealth.

We recommend creating a separate question about an individual's inability to open an account due to problems related specifically to credit, including whether someone has an inadequate credit score, has no credit score, or lacks a traditional credit history. A recent report by the Consumer Financial Protection Bureau indicates that Blacks and Hispanics are more likely than Whites and Asians to be "credit invisible," or to lack the type of credit that appears on national consumer reporting agency credit records (about 15 percent of Blacks and Hispanics are credit invisible, compared to only 9 percent of Whites and Asians).[1] Collecting information about how an individual's credit history affects access to mainstream financial services could highlight ways to bring more people of color to the mainstream financial marketplace.

Add Information About Ownership of Credit-Like Accounts

As a result of systemic racial disparities in access to credit, African American and Latino borrowers are disproportionately more likely than white borrowers to have thin credit files. Including nontraditional credit references in loan underwriting processes can narrow the information gap for borrowers of color, particularly in the context of mortgage loans. Nontraditional credit analysis allows a lender to develop a credit history for a borrower who does not have the types of credit that would appear on a traditional credit report or does not have a sufficient number of credit references to develop a traditional credit report. Nontraditional credit references can include rental housing payments; land-line telephone, gas, electricity, and water payments; cable television and Internet payments; and payments made on mobile phone service contracts; medical bills, insurance policies, and rent-to-own agreements.

In order to produce a fair estimate of the size and worth of the unbanked market in the United States—a market that is also starved for access to mainstream credit—the FDIC should seek information about ownership of accounts upon which nontraditional credit profiles can be built. We recommend asking whether an individual is an owner of any

[1] Brevoort, Kenneth P., et al. *Data Point: Credit Invisibles*. Consumer Financial Protection Bureau Office of Research, May 2015. Available at http://files.consumerfinance.gov/f/201505_cfpb_data-point-credit-invisibles.pdf.

of the above-mentioned accounts. We also suggest a separate question about whether an individual rents or owns a home; if the individual rents, we recommend asking whether s/he is a leaseholder and/or responsible for paying rent.

Thank you for the opportunity to submit these comments. If you have questions, please contact Lisa Rice at lrice@nationalfairhousing.org or Rachael Deane at rdeane@nationalfairhousing.org.

Sincerely,

Shanna L Smith

Shanna L. Smith
President and CEO