

# INDUSTRY INSIGHTS



If you have questions regarding the White Paper, or would like more information about ETA, please visit [www.electran.org](http://www.electran.org).

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## 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 (“FinTech”) companies have transformed the financial landscape through the introduction of new technologies that expand access to and the number of financial offerings for consumers, lower costs, improve financial management, and increase transaction security. These products and services –are continuing to expand, financial opportunities for traditionally underserved consumers.

In this White Paper, the Electronic Transactions Association (“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 volume of the White Paper in July 2016; this volume expands upon the last volume and includes additional products and services that have come to market for consumers. These efforts, discussed in greater detail below, include:

- **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.
- **Non-Traditional Payments**– How companies are providing 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 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.
- **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 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, less expensive, and supports an inclusive financial system that provides high quality, responsible, 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 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.

## ETA Message to Policymakers

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. 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.

ETA urges policymakers to remain thoughtful and forward-thinking in how to best support the 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 participants 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 new financial products and services.

## 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. 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.

As addressed in this White Paper, ETA's<sup>1</sup> 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.

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<sup>1</sup> The Electronic Transactions Association is the leading trade association for the payments industry, representing more than 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.

- **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.

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 develop 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.

### 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”), 27 percent of households, either do not have an account through an FI or use alternative financial sources in addition to their bank accounts.<sup>2</sup> 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 way to receive federal benefit payments electronically on a Mastercard prepaid card.<sup>3</sup> 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 their money.

<sup>2</sup> Federal Deposit Insurance Corporation. (2018). *FDIC National Survey of Unbanked and Underbanked Households*.

<sup>3</sup> 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/>.

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-pay<sup>4</sup> 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.

Through its reloadable, prepaid card, JP Morgan Chase has helped more than a million people gain access to mainstream banking. The Chase Liquid Card carries no overdraft fees, has robust transaction capabilities, and allows consumers to pay their bills online. As of December 2016, nearly 80 percent of Chase Liquid customers were new to Chase and JP Morgan Chase estimates that half of those had never used traditional banking services, did not have a current bank account or were otherwise underbanked prior to opening their Chase Liquid Card.<sup>5</sup>

## Non-Traditional Payments

There are billions of people globally who are faced with inconvenient, time-consuming, and prohibitively expensive systems to complete simple actions like cashing a paycheck or sending money to a loved one. In this era of mobile technology and advanced software platforms, the FinTech sector can serve this underserved group who are using financial services to help people around the world manage, move, and spend their money through consumer choice.

According to the FDIC, only 7.2 percent of unbanked households have a credit card, compared with 60 percent of underbanked households and 76.3 percent of fully banked households.<sup>6</sup> The FinTech sector is well positioned to provide non-traditional financial services to those whose are being underserved and underbanked. ETA member companies, such as Amazon, Western Union, and PayPal, provide a safe, secure, and convenient way for consumers to add cash directly to their accounts.

Amazon makes it easy for customers to pay with cash. Already available in 19 countries around the world, Amazon PayCode launched in the U.S. in September 2019 and allows 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 cash-loading locations nationwide. Customers in the U.S. who prefer to use cash are now able to shop on Amazon.

Similarly, PayPal has featured new ways to add money to individual PayPal accounts. PayPal has introduced the PayPal Cash Mastercard and PayPal Cash. The PayPal Cash Mastercard is free to sign-up for, with no monthly fees, and no minimum balance requirement. The card will let users access the money in their PayPal account to shop online or in stores anywhere Mastercard is accepted or users can withdraw cash from ATMs worldwide, including over 25,000 free MoneyPass<sup>®</sup> ATMs nationwide.

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4 About Netspend | Netspend Prepaid Debit Cards. (2017). Retrieved from [https://www.netspend.com/about\\_netspend](https://www.netspend.com/about_netspend).

5 JP Morgan Chase. *Promoting Financial Health*. Retrieved from [www.jpmorganchase.com/financialhealth](http://www.jpmorganchase.com/financialhealth).

6 Federal Deposit Insurance Corporation. (2018). *FDIC National Survey of Unbanked and Underbanked Households*.

PayPal Cash is a feature that allows consumers to load money into their PayPal account at more than 20,000 retail and convenient store locations, including 7-Eleven, CVS, and Rite Aid to do activities like shop or pay their bills online. PayPal also allows individuals to directly deposit their paycheck 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 there is no minimum balance required.

The Federal Reserve Bank of San Francisco<sup>7</sup> has 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, customers will have additional options to pay for their purchases in cash and provides a pathway to the underserved community to participate in the digital economy.

## 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.

Combining innovative technology, analytical data, and responsive design, these companies organize 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.

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 center point 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. For example, Cross River has hosted a series of sessions at a local high school, educating students on opportunities and perils technology can pose. Cross River has additionally leveraged the banks 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 expands beyond budget management in order to provide 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 bank will continue to educate consumers on issues including elder fraud, digital scams, saving for children and retirement planning.

First Data, a global leader in commerce-enabling technology, launched a multichannel content marketing campaign to help Money Network cardholders "Up Their Financial Literacy Game" in 2018. First Data's initiative focused on financial literacy, which is of major concern since 40 percent of Americans would not be able to come up with \$400 in an emergency and on average, people answer fewer than three out of five basic financial literacy questions correctly, with lower scores among those who are less comfortable managing their retirement savings.<sup>8</sup> First Data is working to

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

8 Consumer and Community Development Research Section. (2018). *Report on the Economic Well-Being of U.S. Households in 2017*. Federal Reserve Board. Retrieved from <https://www.federalreserve.gov/publications/files/2017-report-economic-well-being-us-households-201805.pdf>

ensure retailers are considering different payroll options as a way to cater to Millennials and Gen Z employees as they enter the workforce and are forced to face financial literacy deficits.

First Data created an online quiz to help Money Network cardholders identify what their financial profiles are, so they could serve up customized educational content to them. Five personas were created, including “Check to Check Cyclor” (just getting by), “Eager Investor” (investing with an eye on retirement), “Lives for the Moment” (propensity to impulse buy) and “Autopilot Saver” (saving automatically). Once employees completed the survey, they were driven to a microsite with written and video content tailored to their persona. Employees could also sign up for e-newsletters, to keep the education process ongoing. Money Network partnered with Jean Chatsky, an award-winning financial journalist and the financial editor of NBC’s Today Show, to provide financial tips that take the complicated world of money and explain it in ways people could easily understand. Newsletters included tips for what users can do in the Money Network app, such as create “piggybanks” where the employee’s money could be moved into to save for needs later in the year, like back-to-school time or the holidays.

Money Network’s largest client reported strong results from the campaign. Almost 40,000 new piggybanks were created in the initial phase, signaling that employees were taking advantage of the app. More than 160,000 hits logged into the campaign’s landing page as well.

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 their 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 use their own data to budget better, from using prediction tools to manage their account balances and avoid overdraft fees to analyzing their cashflow to calculate how much they can afford to save, 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. The Plaid data platform helps consumers easily and safely leverage their data to access these innovative services.<sup>9</sup>

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.<sup>10</sup> 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

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9 “Company | Plaid.” *Homepage - Plaid*, [plaid.com/company/](http://plaid.com/company/).

10 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>.



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.

JP Morgan Chase provides a number of solutions for customers to manage their daily finances and long-term goals. Developing and bringing affordable, innovative financial products and services designed to meet consumers' needs and support their financial health: One of those products offered by JP Morgan 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 their Experian credit report, and tips for managing credit health. Following the success of Credit Dashboard — more than 3.7 million customers have enrolled to date.<sup>11</sup>

One of the most significant challenges for the underbanked and underserved population is that many have several income sources and/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, save and invest, borrow responsibly, buy a home, and establish a small business. For more than 16 years, this program has provided individuals and families with the knowledge they need to take control of their financial future, including educational articles on a variety of topics, 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 learned about money management through the Hands on Banking program, with 77% 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 new grade-appropriate resources – including lessons and instructor toolkits for elementary, middle, and high school – on topics ranging from spending, saving and giving back 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 unbanked and underserved requires a multi-layered approach. By collaborating with industry, clients, government, and non-government organizations, Visa is helping provide relevant and cost-effective solutions and provide products and services that serve the unbanked and underserved.

Visa continued its work on the Reaching Minority Households program in partnership with the Filene Research Institute. The partnership began in 2016, working 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.

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<sup>11</sup> JP Morgan Chase. *Promoting Financial Health*. Retrieved from [www.jpmorganchase.com/financialhealth](http://www.jpmorganchase.com/financialhealth).



In 2019, Visa and Filene built on this work by conducting a series of two-day workshops, which focused on small business and ITIN lending using the Individual Taxpayer Identification Number. Nearly 200 financial institution representatives and industry partners attended these workshops to develop best practices, seek out partnership opportunities and learn of the tools available to implement and expand programs serving these populations. Visa's and Filene's efforts were geared to encouraging financial institutions to engage underserved populations, such as the Hispanic community and small business owners.

Following the workshops, Filene and Visa published the Small Business Lending and Independent Worker Resource Guide<sup>12</sup>, which identifies the need and market opportunity for small business lending. The Guide also provides resources and case studies for financial institutions on how to implement and expand programs that would benefit small business owners. With these partnerships and the implementation of best practices, Visa will continue to help communities and financial institutions become more financially inclusive and successful.

Elevating FinTechs as they develop innovative products and solutions to support underserved communities is instrumental in promoting innovation across the industry. In 2019, Visa launched the Inclusive Fintech 50 ("IF50") in partnership with the World Bank Group, MetLife Foundation, Accion International and MIX. The global initiative spotlights 50 FinTechs demonstrating a commitment to and performance in reaching the underserved, among other metrics. The goal of the program was to make early-stage FinTechs more visible to the growing pool of venture funding and investors who can help them scale to increase their positive socio-economic impact.

The IF50 winners were selected from a pool of 600 applicants by a panel of 24 judges across industry sectors in June 2019. The winners are headquartered across 22 countries, with ten of the winners located in the U.S., and provide a range of solutions in credit, payments, and personal financial management, among others. Winners received broad exposure to industry experts and investors at IF50 hosted events and introductions to sponsor organizations. In addition, these companies received reputational gains through communications campaigns and media coverage of the competition.

In September 2019, the Inclusive Fintech 50 Whitepaper<sup>13</sup> was published to continue to raise awareness of the 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 unbanked and underserved.

An essential part of Visa's approach to financial inclusion has been financial education. For more than 20 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 Skills program ([www.practicalmoneyskills.com](http://www.practicalmoneyskills.com)). Over the last decade in the U.S., Visa has launched partnerships with nearly all 50 state governments to distribute learning materials to middle and high schools across each state. In addition, there are over 60,000 subscribers to the Practical Money Skills newsletter - consisting primarily of educators.

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12 November 2019. Filene and Visa, "Small Business Lending & Independent Worker Resource Guide". <https://filene.org/do-something/programs/small-business-lending-referral>

13 September 2019. Inclusive Fintech 50, "Inclusive Fintech 50 Whitepaper". <https://www.inclusivefintech50.com/white-paper>

To complement and build on the consumer-focused programs, Visa recently launched a new educational initiative for small business owners and entrepreneurs, a segment that is essential to our communities but often lacks access to educational resources and business tools. Practical Business Skills ([www.practicalbusinessskills.com](http://www.practicalbusinessskills.com)) is a one-stop educational portal to help entrepreneurs start, manage and grow the small businesses that help communities prosper. The new program is focused on helping growth-minded business owners with fewer than ten employees thrive, including resources such as lessons, videos, infographics, customizable templates, business calculators and more. The content covers a range of 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, with the long-held belief that that financial literacy is a critical steppingstone 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.

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 percent more frequently than those who don't, 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 consumer's access to the job market.

As a global leader in financial services technology and leading Electronic Benefit Transfer ("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, helping 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 along with the tax credit value they may earn and the platform automates the tax credit application process.

The new portal is a "win-win-win" providing access to job postings by job seekers, new talent and tax credits to employers, and reduced dependency on government programs for the states.

ETA member companies view financial literacy as a priority across all participants in the payment's 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 identification, authentication, and authorization of digital payments and transactions. Establishing trusted identities is crucial in an interconnected and cashless world - from using your identity to travel, pay or seek medical care to building the digital trust essential for authenticating and authorizing these electronic exchanges. UL's identity management solutions support a more secure and streamlined identification process while safeguarding convenience and user-friendliness. Building on their security and identity management expertise, they support financial technology companies by ensuring that with every technological disruption they are able to meet the security demands of today and tomorrow. 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 Pew Research Center found that 95 percent of the U.S. adult population has a mobile phone, and that 77 percent of mobile phones are smartphones, a steady increase from previous years.<sup>14</sup> 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 within the past year. Seventy percent of the consumers were smartphone owners, and 17 percent owned a feature phone. Among the underbanked with mobile phones, 55 percent used mobile banking.<sup>15</sup>

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.

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<sup>14</sup> Demographics of Mobile Device Ownership and Adoption in the United States. (2018). Retrieved from <http://www.pewinternet.org/fact-sheet/mobile/>

<sup>15</sup> 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>.

Improvements and innovations focused toward 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). There has been special equipment developed 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.

These technologies that have been developed and deployed include: ADA TITLE III compliant POS terminal dismount and release mounting stands, tactile PED, auditory, and visual aids at the payment point of sale.

## 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 safe, convenient, cost-effective manner. These products also enable greater financial literacy by allowing consumers manage their accounts from their mobile phone. ETA member companies including Apple, Google, Samsung, PayPal, Stripe, 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. 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<sup>16</sup>.

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 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. It is projected that U.S. in-store mobile payments will reach \$75 billion in 2017 and \$503 billion by 2020.<sup>17</sup>

Shopping on mobile devices drives ecommerce. For example, on Black Friday, \$2.9 billion or 39 percent all ecommerce sales were made on a smartphone. That's a 21 percent increase from 2018<sup>18</sup>. Mobile transactions also soared during Cyber Monday, with \$3.1 billion — 33 percent — of total online sales coming from smartphones. A 46 percent increase compared to last year<sup>19</sup>.

Through its API connectivity infrastructure, Cross River provides a broad range of best-in-class payment products and services as a unique banking-as-a-service solution, enabling its next-gen partners to benefit from same-day ACH transfers, expedited wire transfers, efficient debit card disbursements and money transfers, back-office support and compliance framework solutions.

By partnering with most other networks including Visa and Mastercard, Cross River's platform empowers the consumer with immediate access to their money and optionality in how they receive 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.

Partnering with payments companies, Cross River helps those in the marketplace economy – such

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<sup>16</sup> Elan and PYMNTS. (2019). *The Bridging the Gap: Mobile Card App Adoption Report*.

<sup>17</sup> Kount, The Fraud Practice, Card Not Present.com & Braintree, 5th Ann. Mobile Payments and Fraud Report, 2017.

<sup>18</sup> Adobe Digital Insights 2019 Holiday Predictions. (2019). *Id.*

<sup>19</sup> *Id.*

as workers in ridesharing, food delivery, and other freelance occupations – by providing them with quicker access to their earnings through push-to-card payments.<sup>20</sup> Providing consumers with the ability to access their funds helps to deter the necessity for high interest predatory loans that trap consumers. Ultimately, these solutions help consumers break cycles of debt.

Mobile card apps may be approaching their tipping point into ubiquity, as more than half of all U.S. consumers have downloaded them and use them on a weekly or even daily basis. 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. Mobile wallets require a passcode, fingerprint or facial recognition before a transaction can occur. Although there may be a misconception that mobile wallets are not secure, their two-step authentication and encryption make them a great option for businesses to ensure their customers' data is safe and reduce the risk of fraud. In addition, the standard for mobile payments is tokenization, which replaces the card number with a unique string of digital numbers during the transaction so that the account information is secure.

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 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 uses 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, has carved out a niche among younger consumers in the U.S. In 2019, 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.<sup>21</sup>

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 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

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20 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-with-push-to-card-payments-300775260.html>

21 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>

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.<sup>22</sup>

Square introduced its own P2P product – Cash App. The Cash App allows users to get started without a bank account and get a Cash Card, which is a free Visa card that provides them with 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 rewards” – style benefits for free. As December 2018, Square recorded 15 million active individuals using the Cash App.<sup>23</sup>

## 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)<sup>24</sup> and has recognized that mobile internet 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 affordable unlimited data plan, T-Mobile ONE, which includes unlimited talk, text, and data, along with other features such as the “kickback” benefit 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”) as a national stakeholder of 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 27 cities and one tribal nation and has expanded 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, 411 credit assistance, and alternate billing formats, to handsets with accessibility features. T-Mobile also extends several of the benefits

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22 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/>.

23 Detrixhe, John (2019). Square is pulling further ahead of Venmo, boosted by reaching the underbanked.

24 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/>.

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 addition, T-Mobile's trained representatives provide accessible customer care and support for wireless network and billing inquiries.

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 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.<sup>25</sup> 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.<sup>26</sup> 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.<sup>27</sup>

Online small business lenders are willing to provide small businesses with smaller loans (typically less than \$250,000) and shorter terms<sup>28</sup> 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,<sup>29</sup> in some cases within 24 hours.

A new report on small business lending in the United States reveals that some of the nation's largest FinTech small business lending platforms funded nearly \$10 billion in online loans from 2015 to 2017, generating \$37.7 billion in gross output, creating 358,911 jobs and \$12.6 billion in wages in U.S. communities.<sup>30</sup>

According to the study, nearly one-third of online small business borrowers are located in underserved communities and about 24 percent 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 the average amount being \$55,498.

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25 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").

26 80 Fed. Reg. 42866, 42867 (July 20, 2015).

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

28 *Id.*

29 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>.

30 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>



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.<sup>31</sup>

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.<sup>32</sup>

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 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.<sup>33</sup> 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.

OnDeck has also partnered with the SCORE Foundation, a non-profit organization comprised of more than 11,000 volunteer mentors 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 commitment to small business credit education by launching their Business Loans platform, an online resource dedicated to explaining business financing and helping small businesses understand their business financing questions.

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

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

32 <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>.

33 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>.

or more banks since the 2008 financial crisis, illustrating a direct benefit that this product has on underserved populations.<sup>34</sup>

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

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 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 and extends access to more than 1,400 small businesses every day through its lending platform.<sup>35</sup> By its own estimation, more than 40 percent of its 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 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. Since 2017, Kabbage has seen a 68 percent increase in the total amount of working capital accessed via Kabbage on mobile devices.<sup>36</sup>

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. Kabbage has seen a 283 percent growth in adoption of the Kabbage Card since 2017. By building solutions designed to remove the friction small businesses face when seeking funds, the amount of dollars accessed via Kabbage totals more than \$5.5 billion.<sup>37</sup>

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.

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

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34 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.

35 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](http://www.prweb.com/releases/small_businesses_access_more_than_10_million_per_day_with_kabbage/prweb15815859.htm).

36 35 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](https://www.kabbage.com/pdfs/pressreleases/After-hour_Lending_Press_Release_FINAL.pdf). Id.

37 Id.

hours. The total number of dollars accessed through Kabbage outside of typical banking hours increased more than 6,000 percent between 2011 and 2018. The growth illustrates small business owners are increasingly comfortable accessing capital online, and they rely on the convenience of managing cash flow needs any time of day, particularly outside of open business hours for most banks. Sixty-four percent of after-hours lending was accessed during the work week, totaling \$754 million. The remaining 36 percent occurred on Saturdays and Sundays, totaling \$429 million.<sup>38</sup>

Square's lending arm, Square Capital, began offering merchant cash advances to its customers in 2014. Since then, Square Capital has shifted away from offering merchant cash advances and now 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. By lending between \$500 - \$259,000 businesses of all sizes are eligible for a Square Capital loan.<sup>39</sup>

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.<sup>40</sup> 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.<sup>41</sup> 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 has declined 50 percent since 2004.<sup>42</sup>

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 and helps 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 3, 6, or 12-month installment plans priced between 0-24 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 (like Kayak, AirBnB, or Yelp) 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 (FinTech's and traditional FIs), providing everything from short-term, specialty financing to lines of credit to credit cards to low-interest traditional loans and more.

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38 *Id.*

39 Square. Grow Your Company with Our Small Business Loans. Retrieved from <https://squareup.com/us/en/capital/access>

40 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.

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

42 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>

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 a small business accounting platform. Sunrise is 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 as well as 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 deliver a borrower multiple loan options, in an efficient amount of time, through a highly-dependable and transparent loan origination process. Lendio has facilitated more than \$1.8B in small business loans which has fueled an estimated \$5B back into the U.S. economy. In March 2017, the company launched Lendio Franchising, the first-of-its-kind marketplace lending franchise program. Today, the program has helped facilitate more than \$67 million in financing to small businesses across the U.S. Lendio Franchising matches 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 70 territories across the country and is reaching small business owners in industries and geographic areas that were previously unreachable. The average initial loan size among Lendio Franchising small business customers is \$37,325, and the top five industries funded include construction, manufacturing, retail, healthcare, and real estate.

For every new loan facilitated on Lendio's marketplace platform, Lendio Gives provides a microloan to a low-income entrepreneur through Kiva. This voluntary program boasts a 94% participation rate from Lendio employees and has provided more than 11,000 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 reloans to further the positive global impact of these contributions.

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

Together with leading marketplace lending platforms (such as Affirm, RocketLoans, Upstart and Best Egg), Cross River provides consumers access to responsible and affordable capital, while maintaining their compliance, risk, credit, and underwriting criteria. 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 owns the end-to-end process and life cycle of each loan, all while ensuring consumer protection and compliance remain a top priority.

## 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 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.<sup>43</sup> 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. Small businesses are changing the ways they engage with financial services. By simplifying the financial life of small business owners, ETA members can make sure their services remain a viable option and not require them to fit traditional banking hours.

## 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 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](http://www.electran.org), or contact Scott Talbott, SVP of Government Affairs, at [stalbott@electran.org](mailto:stalbott@electran.org), or Jeff Patchen, Manager of Government Affairs, at [jpatchen@electran.org](mailto:jpatchen@electran.org).

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<sup>43</sup> 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](https://www.washingtonpost.com/business/capitalbusiness/banks-turn-to-video-tellers-to-cut-costs/2014/04/18/a7b28e7c-bb59-11e3-9a05-c739f29ccb08_story.html).