



Statement for the Record

The Financial Innovation Now (FIN) Coalition would like to thank Chairman Shelby, Ranking Member Brown, and members of the Senate Banking Committee for holding this hearing today and submitting this statement for the record. FIN also thanks Federal Reserve Chair Janet Yellen for her testimony.

FIN is an alliance of technology leaders working to modernize the way consumers and businesses manage money and conduct commerce. We believe that technological transformation will make financial services more accessible, safe, and affordable for all.¹

We would like to take this opportunity to highlight the very important work the Federal Reserve Board is doing through the Faster Payments Task Force, of which FIN is a member.

The Federal Reserve established the Faster Payments Task Force (the Task Force) in January 2015 with the mission to “identify and evaluate alternative approaches for implementing safe, ubiquitous, faster payments capabilities in the United States.”

The mission of the Task Force is critically important to commerce here in the United States and our competitiveness globally. However, FIN believes faster payments are also of utmost importance to the financial health of the 24.8 million² underbanked families and young adults across the United States. Making payments better for these households should be a high priority for the Task Force.

While the use of checks has been in decline, \$535 billion in checks are still cashed, rather than deposited, annually.³ That is partly because funds from checks totaling more than \$200 deposited into large banks will take more than one business day to become available⁴ and can sometimes take up to five business days.⁵ If a weekend or bank

¹ <https://www.financialinnovationnow.org>

² See *2013 FDIC National Survey of Unbanked and Underbanked Households*, Oct. 2014.

³ "Deposit Is Out. Instant Is In." *Ingo Money*. <http://www.chexar.com/business/check-cashing-instant-deposit/>

⁴ Kim, Theresa. "How Long It Takes a Check to Clear at Top 10 Banks" MyBankTracker, 27 Nov. 2013. <http://www.mybanktracker.com/news/2013/11/27/long-takes-check-clear-top-10-banks/>

⁵ Bernardo, Richie. "Funds Availability: When Will Your Deposit Clear?" WalletHub, Web. 04 Feb. 2016. <https://wallethub.com/edu/available-funds/11314/>

holiday falls within that timeline, a customer might wait up to a week to access to the funds from their own paycheck.

In fact, over half⁶ of the adult population faces these cash flow problems every day, and instead turns to high-cost check-cashing or small-dollar loan alternatives. An FDIC study found that 60% of customers using non-bank check cashing services already have an account and a relationship at a financial institution. In other words, people are willing to pay hundreds in fees just for instant access to their own money.

What is most important to note is that consumers are not incurring these fees because of an extravagant, unaffordable lifestyle. Roughly 69% of first-time users of short-term loans said they used the loans to cover a recurring expense, such as rent or utilities, and 16% are using the loans to meet an unexpected but necessary expense.⁷

These delay-induced fees and cash flow problems are unacceptable in 2016, when a person can send an email or text in seconds with the ease of a smartphone, tablet or desktop computer. FIN believes that, as policymakers grapple with meeting the needs of the financially underserved, they should explore ways to leverage modern connectivity to overcome traditional barriers to financial services, and provide secure, convenient and cost-effective financial services, especially to those with greatest need.

Given the 138 million consumers facing these and other cash flow roadblocks everyday, we hope that Chair Yellen and members of the Task Force make expanding financial inclusion and meeting their needs an integral part of their mission. Further, as participants of the Task Force, we look forward to supporting the Federal Reserve in that mission.

Thank you again Mr. Chairman and Chair Yellen for your time today.

⁶ Exact number is 57%. "Deposit Is Out. Instant Is Ingo." *Ingo Money*. <http://www.chexar.com/business/check-cashing-instant-deposit/>

⁷ *How Borrowers Choose and Repay Payday Loans*. Washington, DC: Pew Charitable Trusts, 2013. 9. Print.