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Office of Consumer Policy
U.S. Department of the Treasury
1500 Pennsylvania Ave NW
Washington, DC 20220

SUBJECT: Request for Information: Development of a National Strategy for Financial Inclusion
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The Local Initiatives Support Corporation (LISC) is pleased to provide comments in response to the Request for Information seeking public input on the development of a national strategy for financial inclusion. Our recommendations include: directing federal funding to support financial coaching and counseling, supporting increased access to safe and affordable financial products through regulatory enforcement, using data based approaches to targeting at risk populations, and creating a more inclusive and interconnected federal delivery system to support financial inclusion.

Background on LISC

LISC is a nonprofit housing and community organization and certified Community Development Financial Institution (CDFI) with offices in 38 cities nationwide and a rural network encompassing 140 partners serving 49 states and Puerto Rico. LISC's work supports a wide range of activities, including affordable housing, digital inclusion, economic development, building family wealth and incomes, education, community safety, and community health. LISC mobilizes corporate, government, and philanthropic support to provide local community development and business development organizations with loans, grants, equity investments, capacity building, and technical assistance.

LISC, over the past two decades, has been actively involved in promoting financial inclusion through its Financial Opportunity Center® (FOC) network, aiming to enhance financial capability, stability and health for individuals with low incomes and foster a more inclusive economy. The FOC model offers an integrated suite of services including employment counseling, financial coaching, and access to low-cost financial products to build credit, savings, assets, and connections to income supports and digital skilling. Now delivered through over 120 partners, the FOC model is in 31 urban areas and reaches 20 rural communities.

Financial coaching is core to LISC's financial inclusion strategy. Financial coaching is a partnership between client and coach in a thought-provoking and creative process that inspires the client to maximize their personal and professional financial potential.[1] The process of coaching often unlocks previously untapped sources of imagination, productivity, and leadership. This strategy aims to empower clients to set near-term and mid-term savings goals, laying the groundwork for lifelong asset accumulation and wealth creation.

The research underscores the urgency of this mission, with data revealing stark differences in financial resilience between higher and lower-income groups. Women and BIPOC individuals, in particular, have borne the brunt of financial hardships, underscoring the need for targeted interventions. Leveraging the trust and rapport established with clients, FOCs are now poised to guide individuals toward sustainable savings practices and credit-building opportunities. The FOC initiative aligns with LISC's broader commitment to promoting racial equity and closing wealth gaps through targeted investments in BIPOC-led organizations and businesses.

Specific Comments

Our comments are informed by our experience as an intermediary and in support of community-based organizations working on expanding financial inclusion initiatives in rural and urban communities. Below, we separately address financial inclusion for individuals, as well as financially inclusive systems more broadly. These two are separate but interrelated topics that have their own definitions, measures, and challenges.

Financial Inclusion for Individuals

Financial inclusion at the individual level requires that each person have strong financial literacy (understanding of financial topics) as well as strong financial capability (the know-how to move forward to achieve financial milestones). When these two are brought together, we see strong overall financial wellness and health.

Achieving financial inclusion for individuals requires a multi-pronged approach that incorporates building credit and savings alongside the focus on increasing income. This positions low- and moderate-income households for success by increasing their ability to save for emergencies and long-term financial goals, establish or repair credit history, and access affordable lending products. Current estimates by the Federal Reserve indicate that nearly 40 percent of Americans cannot withstand an emergency expense of $400 or more. This lack of savings is especially problematic in vulnerable, underbanked communities, where individuals often turn to predatory financial products for assistance. These high-cost products can deplete income gains, often trapping borrowers in debt cycles that lower credit scores and make it even more difficult to access traditional banking products and services.

[1] This definition is based on the widely accepted definition of coaching from the International Coaching Federation. https://coachingfederation.org/credentials-and-standards/core-competencies

Measurement of financial inclusion for individuals is an area where LISC, through our work with the Financial Opportunity Center® program, has deep experience. LISC's FOC partners employ a collaborative, results-oriented, and personal asset-based process in which the coach facilitates the enhancement of personal financial management. Coaches are facilitators and partners, not traditional case managers. They help clients build self-efficacy through articulating their long-term vision and setting a series of short- and medium-term goals that can help them realize that vision. Coaches identify and celebrate small wins of the client, and the behavior changes that led to those milestones. Over time, as clients begin to see concrete returns from work, their financial position and life outlook transitions from deficit- to asset-based, and a cascading series of positive consequences ensue as residents become empowered to set and achieve their own life goals.

Over the course of nearly 20 years of launching and scaling our FOC network, LISC has seen both in the stories from our partners, and in our data, the power of financial coaching to reinforce the success of complementary services like employment coaching. Along with goal attainment, FOCs find that net worth, credit score and net income are useful in measuring financing capability, health and ultimately inclusion. These indicators, together, provide a snapshot and help benchmark long-term success and financial inclusion.

LISC recommends that Treasury, alongside other agencies, tackle each of the following as part of a unified financial inclusion strategy:

- **Provide dedicated funding streams to support financial counseling and coaching programs.** Existing financial inclusion programs are limited within federal government programs, and where financial coaching and counseling is recommended, it is often not required. For example, the WIOA statute recognizes as an eligible use of funding financial coaching and counseling activities. LISC recommends promoting financial coaching and counseling within workforce development by rewarding those organizations providing these services, either directly or through third parties, with additional weight during award selection processes.

  LISC also supports the permanent establishment of a Workforce Development Innovation Fund at the Department of Labor, which would allow national organizations and local workforce boards alike the opportunity to apply for funding to support evidence based programs that have a proven track record in helping lower income workers increase earnings, increase savings, pay off debt, and improve their credit scores.

  LISC also believes that the Treasury Department's Office of Consumer Policy should request funding and administer a program to support financial coaching and counseling initiatives. This would not be without precedent. Section 1132 of the Housing and Economic Recovery Act of 2008 authorized Treasury to administer a Financial Education and Counseling Pilot Program, which was later funded through $6.15 million in appropriations in FY 2009 and FY 2010. The

Department made nine different awards, and a GAO report spoke positively about the selection process. While these particular funds were focused on homeownership counseling, we believe that a very similar program could be set up and rapidly deployed in support of consumer financial coaching and counseling.

- **Increase access to safe and affordable financial products.** This is essential for promoting financial inclusion. By implementing measures that ensure transparent and fair lending practices, policymakers can create a more equitable financial ecosystem. Providing alternatives to high-cost products, such as offering low-fee checking and savings accounts or micro-loans with reasonable terms, enables individuals, especially those from low-income and marginalized communities, to manage their finances responsibly and build a stronger financial foundation. This approach fosters trust in the financial system and empowers individuals to make informed choices, ultimately facilitating greater participation in the economy and promoting long-term financial well-being for all.

- **Increase consumer protections:** Unifying and increasing financial protection measures promotes financial inclusion by limiting the prevalence of predatory financial products, such as payday loans, which disproportionately target low-income and marginalized communities, and by ensuring equal access to safe and affordable products. Predatory products trap individuals in cycles of debt, hindering their ability to access traditional banking services and build long-term financial stability. By implementing regulations that cap interest rates, enforce transparency in lending practices, and provide alternatives to high-cost loans, policymakers can create a more inclusive financial landscape where individuals have access to affordable and sustainable financial products.

Financially Inclusive Systems

Financial inclusion can also be measured by the systems in place that determine ease of access and availability to comprehensive, useful, and affordable financial products and services. Aspen's Financial Security Program defines a financially inclusive as one which "enables all people to access, use, and reap the benefits of a full suite of financial products for stability, resilience, and long-term financial security." In order to build inclusive financial systems, a national financial inclusion strategy must work across federal agencies.

The adoption of a national, interagency financial inclusion strategy is essential to advancing comprehensive approaches to shared prosperity. The current financial system falls short in many ways of serving low-income and BIPOC communities, undermining efforts to build financial resilience. To expand equitable access to financial services and economic opportunity, we need intentional federal coordination and planning. In 2022, LISC joined the Aspen Institute, alongside 114 other public- and private-sector organizations, in urging the federal government to enact a U.S. national financial inclusion strategy that works to improve financial outcomes, lessen inequality, and improve access to income-support systems.[2] The Department of Treasury is well-positioned to lead such a strategy as evidenced by the continued and expanding support for the Financial Literacy & Education Commission which is chaired by the Secretary of the Treasury.

A national financial inclusion strategy could then shape and expand financial inclusion within a variety of federal programs, including those administered through the Department of Housing and Urban Development (HUD), the Department of Health and Human Services (DHHS), and the Department of Labor, including through funding made available to local agencies through WIOA. Examples include:

- **Workforce Development:** Financial inclusion programs empower individuals by providing them with the knowledge, tools, and resources needed to effectively manage their finances, access affordable credit, and build assets. As demonstrated through our research, workforce development, when combined with financial coaching improves, program impacts. LISC's FOC program and related Bridges to Career Opportunities initiative pairs financial coaching with training and career services and shows increased job retention and improved credit-building behaviors when compared with business-as-usual workforce development programs. By integrating financial counseling and coaching into workforce development programs under WIOA and through the Department of Labor, individuals can enhance their employability, advance their careers, and achieve greater financial stability.

- **Housing Stability:** Housing affordability is a pressing issue in many communities across the country. HUD-administered programs can integrate financial inclusion components to help individuals and families secure stable housing by improving creditworthiness, increasing savings for down payments, and providing access to affordable mortgage products.

- **Health and Well-being:** Financial stress is closely linked to poor physical and mental health outcomes. By embedding financial education and counseling into DHHS programs, such as Medicaid and Temporary Assistance for Needy Families (TANF), individuals can better manage healthcare expenses, reduce debt-related stress, and improve overall well-being.

Integrating financial inclusion into federal programs enhances the effectiveness, equity, and sustainability of government initiatives aimed at improving economic opportunity and well-being for all Americans. By prioritizing financial empowerment, policymakers can lay the groundwork for a more inclusive and resilient economy, where every individual has the opportunity to thrive.

Measures of financially inclusive systems include access, usage, and quality. These measures ensure that financial systems reach people in an equitable and inclusive way, and many are already being collected by Federal agencies:

[2] https://www.aspeninstitute.org/of-interest/aspen-and-partners-call-for-national-financial-inclusion-strategy/

1. **Access indicators** reflect the depth of outreach of financial services, such as the penetration of bank branches or point of sale devices in rural areas, or demand-side barriers that customers face to access financial institutions, such as cost or information. This information is gathered by the Bureau of Economic Analysis.

2. **Usage indicators** measure how clients use financial services, such as the regularity and duration of the financial product/service over time (e.g. average savings balances, number of transactions per account, number of electronic payments made). This information is gathered by the Bureau of Economic Analysis, the Consumer Financial Protection Bureau through regular surveys including the Making Ends Meet survey, and the Federal Reserve Survey of Consumer Finances.

3. **Quality measures** describe whether financial products and services match clients' needs, the range of options available to customers, and clients' awareness and understanding of financial products.[3]

Conclusion

LISC appreciates the opportunity to provide these comments to the Department of Treasury and looks forward to continued engagement. As noted above, we believe that there needs to be an integrated federal approach to promote financial inclusion, with a focus on both individuals and underlying systems and a commitment to funding streams that support financial coaching and counseling programs. Please contact Laura D'Alessandro (Ldalessandro@lisc.org), Director of Financial Health at LISC if you have any questions or would like additional information.

Sincerely,

Matt Josephs
Senior Vice President for Policy

[3] https://www.worldbank.org/en/topic/financialinclusion/brief/how-to-measure-financial-inclusion