



February 20, 2024

Natalia Li  
Director  
Office of Consumer Policy  
Department of the Treasury  
1500 Pennsylvania Avenue, NW  
Washington, DC 20220

RE: Request for Information on Financial Inclusion  
Docket No. TREAS-DO-2023-0014

Dear Director Li:

On behalf of its member credit unions, the Cooperative Credit Union Association, Inc. ("Association") appreciates the opportunity to comment on the Treasury Department's Request for Information on Financial Inclusion. The Association is the state trade association representing approximately 200 state and federally-chartered credit unions located in the states of Delaware, Massachusetts, New Hampshire, and Rhode Island, which further serve over 3.6 million consumer members. The Association has developed these comments in consultation with our members.

### **The Association's High-Level Comments**

- The Association supports the Department's development of a national financial inclusion strategy as Congress directed in the Financial Services and General Government Appropriations Act of 2023. Credit unions, as not-for-profit cooperatives chartered to promote thrift and provide financial services to their members at fair rates, have always promoted financial inclusion.
- The Association's member credit unions engage in a wide range of financial inclusion activities such as offering credit builder loans and credit cards, free share draft (checking) accounts, savings products, student loans, community development loans, government-sponsored lending programs, and financial education classes.
- Many of the Association's members are low-income designated credit unions (LICUs), meaning that a majority of the credit union's potential or actual membership qualifies as low-income as defined by the National Credit Union Administration (NCUA), i.e. their family income is 80 percent or less than the median family income for the relevant geographic area.
- Our member credit unions frequently offer foreign-language teller and/or phone services—such as in Spanish, Portuguese, languages of the Indian subcontinent, etc.—to better serve their local immigrant communities.

## **The Association's Detailed Comments**

The Association supports the Department's initiative to develop a national financial inclusion strategy. The Association's members include the oldest credit unions in the United States, many of which were formed by ordinary factory workers in the early twentieth century because commercial banks largely refused to serve individuals of modest means. Immigrant Franco-American mill workers in Manchester, NH, for example, founded America's first credit union in 1908, La Caisse Populaire Sainte Maire (also known as St. Mary's Bank), so they could save and borrow money.<sup>1</sup> In 1909, Massachusetts adopted the first state credit union act.<sup>2</sup>

Credit unions have always had a mission to promote financial inclusion and, as Congress has found, "[t]he American credit union movement began as a cooperative effort to serve the productive and provident credit needs of individuals of modest means. Credit unions continue to fulfill this public purpose."<sup>3</sup>

***A. Defining Financial Inclusion 1. How do you or your organization define financial inclusion? (a) Some definitions of financial inclusion include considerations of access, safety, usefulness, appropriateness, and affordability of financial products and services, among others. What are the key elements of your definition and why do you include them?***

The Association believes that the World Bank's approach to "financial inclusion" is the most relevant and appropriate definition: "Financial inclusion means that individuals and businesses have access to useful and affordable financial products and services that meet their needs – transactions, payments, savings, credit and insurance – delivered in a responsible and sustainable way."<sup>4</sup>

***2. What do you consider to be in and out of scope for efforts to promote financial inclusion? (a) Which financial products and services should consumers be able to access in order to be considered financially included? Please provide specific examples. Are there particular qualities that are important for these products and services to have?***

The Association believes that the World Bank's listing of financial inclusion services as "transactions, payments, savings, credit and insurance" sets forth the high-level list of financial products and services that consumers should have access to in order to be financially included. In the European Union, for example, consumers have a right to a "a payment account with basic features" pursuant to the Payment

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<sup>1</sup> See, e.g., *La Caisse Populaire Ste. Marie (St. Mary's Bank) v. United States*, 563 F.2d 505, 505-07 (1<sup>st</sup> Cir. 1977); "Our Story—Learn About the History of St. Mary's Bank;" <https://www.stmarysbank.com/nav/about-us/history/our-story> (last visited Feb. 16, 2024).

<sup>2</sup> Mass. Gen. Laws ch. 171 ("Credit Unions").

<sup>3</sup> Pub. L. No. 105-219, § 2, 112 Stat. 913 (Aug. 7, 1998).

<sup>4</sup> The World Bank, "Financial Inclusion Overview;" <https://www.worldbank.org/en/topic/financialinclusion/overview> (last visited Feb. 16, 2024).

Accounts Directive<sup>5</sup> as a financial inclusion measure, however, the Association's credit unions, as financial cooperatives organized to serve their members on a not-for-profit basis, typically offer free share draft (checking) accounts to their member-owners even though there is no similar regulatory mandate in the United States. Many of our members are low-income designated credit unions (LICUs) as defined by Section 701.34 of NCUA regulations, meaning the credit union's actual or potential members' family income is 80 percent or less than the median family income for the relevant geographic area.<sup>6</sup>

Credit unions commonly provide financial education classes to their members.<sup>7</sup> This helps credit union members understand how best to save, how to compare interest rates and fees, and so forth, so that consumers and entrepreneurs are better able to discern which financial services are in their best interest.

Closed-end share-secured loans and share-secured credit cards are common products many of our member credit unions provide to help their members build a credit history and improve their credit score.

Our members also participate in government-sponsored programs intended to help promote financial inclusion such as the federal Small Business Administration's 504 Loan Program for community development loans,<sup>8</sup> student loans offered in conjunction with Sallie Mae,<sup>9</sup> and special and alternative mortgages offered through the Commonwealth of Massachusetts's MassHousing Programs.<sup>10</sup>

Our member credit unions also frequently market to consumers in foreign languages and offer foreign-language teller and/or phone services—such as in Spanish, Portuguese, languages of the Indian subcontinent, etc.—to better serve their local immigrant communities. Which foreign languages a credit union may offer largely depends on which languages are spoken locally. Southeastern New England communities where our members operate, like Taunton, MA, Fall River, MA, New Bedford, MA, East Providence, RI, and Pawtucket, RI, for example, have large communities of Portuguese-speaking immigrants from the Azores Islands, Brazil, and Cape Verde.

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<sup>5</sup> Directive 2014/92/EU of the European Parliament and of the Council of 23 July 2014 on the comparability of fees related to payment accounts, payment account switching and access to payment accounts with basic features, 2014 O.J. (L 257) 214.

<sup>6</sup> 12 C.F.R. § 701.34.

<sup>7</sup> See, e.g., "Financial Inclusion Center—DCU;" <https://www.dcu.org/financial-education-center.html> (last visited Feb. 16, 2024).

<sup>8</sup> "504 Loans—Small Business Administration;" <https://www.sba.gov/funding-programs/loans/504-loans> (last visited Feb. 16, 2024); see, e.g., "Lending Services—Taunton Federal Credit Union;" <https://tauntonfcu.com/index.php/business-lending-services> (last visited Feb. 16, 2024).

<sup>9</sup> See, e.g., "Student Loans—St. Mary's Bank;" <https://www.stmaryscu.org/loans/personal-loans/student-loans.html> (last visited Feb. 16, 2024).

<sup>10</sup> See, e.g., "MassHousing Programs—Metro Credit Union;" <https://www.metrocu.org/personal/mass-housing-programs> (last visited Feb. 16, 2024).

**(b) Which consumer financial activities are relevant when considering how to advance financial inclusion? For example, do you consider accessing tax benefits you may be eligible for, sending peer-to-peer payments, or transacting in cash relevant? Do you consider activities like saving for retirement, investing, purchasing a home, or starting or growing a business relevant to financial inclusion? Are there consumer financial activities that are not relevant?**

We believe that access to electronic payments services, as well as retirement savings, investing, purchasing a home, or starting or growing a business, are indeed relevant to financial inclusion.

Promoting entrepreneurship is especially important with respect to financial inclusion because small businesses foster opportunities for economic growth in lower-income communities and have created 66% of new jobs over the past 25 years.<sup>11</sup>

**B. Barriers to Financial Inclusion 1. Are there features of the existing financial system (for example, pricing strategies, fees, penalties, underwriting methods and standards, uses of consumer data, technological systems or constraints, institutional protocols related to fraud or risk management, or other features) that limit or create inequalities in the ability of consumers and communities to access, use, and benefit from financial products and services? Which features are the most limiting, and for whom? Please provide specific examples.**

Credit unions operate on a not-for-profit basis and strive to offer their members the best rates possible on loans, deposit products such as transactional accounts and savings accounts, and other financial services such as insurance, especially life insurance and disability insurance. Unlike banks, federal credit unions are subject to a maximum interest rate ceiling on most loans of no more than 18 percent APR regardless of which state(s) they operate in.<sup>12</sup> One exception are credit union payday-alternative loans, which must be between \$200 and \$2000 dollars in total value and may have an APR up to 28% APR,<sup>13</sup> so that credit unions can offer their members a fairly priced alternative to predatory payday loans.

The high interest rates and high account fees charged by many for-profit lending institutions can be a barrier to financial inclusion because consumer and entrepreneurs paying excessively high rates and fees makes them less able to save and afford other loans or basic necessities. Nevertheless, even a not-for-profit credit union must be able to charge rates sufficient for it to cover its costs, including

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<sup>11</sup> See Daniel Wilmoth, Ph.D., Small Business Administration, *Small Business Facts: Small Business Job Creation* (Apr. 2022), available at <https://advocacy.sba.gov/wp-content/uploads/2022/04/Small-Business-Job-Creation-Fact-Sheet-Apr2022.pdf>.

<sup>12</sup> See National Credit Union Administration, "Permissible Loan Interest Rate Ceiling Extended," Letter to Federal Credit Unions No. 23-FCU-02 (Mar. 2023), available at <https://ncua.gov/regulation-supervision/letters-credit-unions-other-guidance/permissible-loan-interest-rate-ceiling-extended-2>.

<sup>13</sup> See 12 C.F.R. §§ 701.21(c)(7) (iii), (iv).

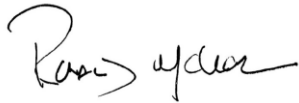
operational and loan loss expenses, as well as be able to add to its capital via earnings retention to remain economically sustainable. Lowering permissible interest rates below what NCUA rules currently allow could make access to credit for underserved communities less available.

***D. Actions To Promote Financial Inclusion 1. Please describe examples of existing programs, initiatives, products, or services successful in promoting financial inclusion. Why were these effective and what are promising practices or other lessons learned?***

Please see the Association's responses to Question A(2)(a), above.

Thank you for the opportunity to comment on the Department's Request for Information on Financial Inclusion. If you have any questions or desire further information, please do not hesitate to contact the Association at (508) 481-6755 or govaff-reg@ccua.org.

Sincerely,

A handwritten signature in black ink, appearing to read "Ronald McLean". The signature is fluid and cursive, with a large initial "R" and a long horizontal stroke at the end.

Ronald McLean  
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