

**STATEMENT OF CHAIRMAN SPENCER BACHUS
SUBCOMMITTEE ON FINANCIAL INSTITUTIONS AND
CONSUMER CREDIT
“SERVING THE UNDERSERVED: INITIATIVES TO BROADEN
ACCESS TO THE FINANCIAL MAINSTREAM”**

Good morning. The subcommittee will come to order. Today we will hold a hearing entitled “Serving the Underserved: Initiatives to Broaden Access to the Financial Mainstream”. This hearing was requested by Mr. Hinojosa to address issues relating to the “unbanked,” including the use of international remittances and the acceptance of consular identification cards.

A wide range of government and private sector witnesses will testify on strategies for expanding access to mainstream financial services and promoting greater financial awareness. Representatives of the Treasury Department and the National Credit Union Administration (NCUA) will appear on the first panel. Witnesses on the second panel will include financial services industry representatives and community groups involved in outreach efforts to the “unbanked.

Although estimates vary, studies indicate that as many as 10 million American households do not have bank accounts. In addition, many Americans lack the basic tools for managing their money and making wise financial choices. Establishing and successfully managing an account relationship with a bank or other financial institution can lead to greater economic self-sufficiency and long-term financial security.

Particularly for low and moderate-income Americans, opening a checking or savings account can be an important first step in establishing a credit history, which can unlock doors to other financial opportunities. For example, a study by the Federal Reserve found

that maintaining a bank account is an important factor – more significant than household wealth, income, or education level – in predicting whether an individual has a mortgage or auto loan. Moreover, the more financially sophisticated a consumer is, the less likely he or she will be to fall prey to abusive credit arrangements or other financial scams.

Recent Government initiatives on the underserved include:

- The Federal Deposit Insurance Corporation's (FDIC) MoneySmart program.
- The Federal Reserve's initiative to encourage consumers to establish financial goals, budget wisely, and use credit responsibly
- The National Credit Union Administration's (NCUA) Access Across America program.
- The Treasury Department's First Accounts program.

The past decade has witnessed more aggressive outreach by the banking industry to groups that have historically chosen to conduct their financial affairs outside the traditional banking system. Many banks and credit unions have partnered with community-based non-profit organizations to increase the availability of basic banking accounts for low and moderate-income consumers and to offer financial literacy workshops to current and potential customers.

Efforts to attract customers in the Hispanic community, now the largest minority population in the U.S., have been particularly intense, as banks have sought to capture a share of this lucrative market. According to the Pew Hispanic Center and Multilateral Investment Fund, money transfers by individuals living and working in the U.S. back to

Latin America, currently estimated at \$10 billion annually, should more than double – to \$25 billion – by 2010. These so-called “remittances” have traditionally been executed through Western Union outlets and other money-transfer services, but are increasingly being offered by depository institutions. There is substantial evidence that this new source of competition has driven down costs for consumers.

Several major U.S. banks have rolled out innovative remittance products in the last two years. Credit unions have also been active in the remittances area.

As part of their efforts to court business from the Mexican-American community, many banks and credit unions, including some of the nation’s largest institutions, have announced in recent years that they will accept as a valid form of identification the *matricula consular* card, a photo ID issued by Mexican consulates in the U.S. to Mexican nationals. Bank of America, Wells Fargo, and Citigroup are among the institutions that have chosen to accept this form of identification. Recent regulations issued by the Treasury Department outlining customer identification procedures for banks and other financial institutions permit those institutions, in the exercise of their discretion, to accept the *matricula consular* when proffered by someone seeking to open an account.

Since the *matricula consular* is often issued to undocumented aliens, some have argued that recognizing the card’s validity undermines enforcement of U.S. immigration policy. Legislation has been introduced (H.R. 502) that would prohibit Federal agencies from accepting forms of identification issued by foreign governments. Proponents of the

matricula consular contend that banks' acceptance of the card both promotes "banking the unbanked," and advances law enforcement objectives by creating a record of remittances and other transactions that would otherwise flow through less regulated channels. Mr. Hinojosa has introduced legislation (H.R. 773) that would require financial institutions to recognize the *matricula consular* as a valid form of identification.

In closing, I would like to thank Mr. Hinojosa and his staff for working with us on this hearing. He is strongly committed to these issues and I admire his efforts in ensuring that the underserved have access to our financial services system.

The chair now recognizes the Ranking Member of the Subcommittee, Mr. Sanders, for any opening statement that he would like to make.