



UNITED STATES SENATE
SPECIAL COMMITTEE ON AGING
RANKING MEMBER TIM SCOTT

Ranking Member Tim Scott, Opening Statement

Hearing: “Unbanked and Credit Invisible: Building Financial Inclusion for America’s Underserved Populations”

Date: 03/17/2022

Mr. Chairman, thank you for proving to the University of South Carolina health policy students [in attendance today] that many things in America and certainly in the Senate continue to happen on a bipartisan fashion.

There’s no doubt that when you’re not in Washington, D.C., and too often you hear through the screens in your homes or your dormitories how polarizing or divisive Republicans and Democrats are in the United States Senate or in the Congress.

This committee particularly, consistently acts in bipartisan ways so as to serve Americans, not red states or blue states, not Republicans or Democrats. But we literally spend a lot of time working together to provide solutions to the concerns that everyday Americans are suffering through.

So I appreciate your leadership in a bipartisan fashion and certainly thank you for holding the hearing that we’re having today.

Nearly 40 million Americans — 40 million Americans — are “credit invisible,” meaning they have no or little credit history.

Credit invisible Americans have a hard time getting approved for loans or finding a place to stay.

A lack of credit can even impact your ability to get a job.

Yes, 39 states, including South Carolina and Pennsylvania, allow employers to deny applicants a job based on their credit history.

For the majority of families, having a bank account, we would think of that as just a given.

5.4 percent of our fellow Americans are without a bank account.

In South Carolina, 41 percent of households making under \$30,000 have limited or no ties to the banking system.

18.3 percent of people with disabilities and 5 percent of individuals who are 55 years of age or older are unbanked.

Almost 17 percent of African Americans are unbanked.

31 plus percent of unbanked earn less than \$15,000 a year. Think about that, less than \$15,000 a year.

20.8 percent of unbanked folks do not have a high school diploma.

Unfortunately, it is truly expensive to live in poverty or to be poor in America.

Homeless individuals have a particularly difficult time opening a bank account.

I've heard stories from social workers who are trying to help South Carolinians who are homeless find a bank account, trying to get the relationship that is so important, unable to do so because they lack an address.

In other cases, a homeless individual may lack proper identification to comply with the rules of opening up an account.

Credit invisible Americans are less likely to be in a position to save for their future, to save a rainy-day fund, or to save for their retirement.

People who are credit invisible do not usually have bank accounts. They rely on cashier's checks, payday lenders, or pawn shops for their financial needs.

Let me say that in a different way. When you're using alternatives to our banking system, the fees associated with those alternatives can add up to about \$40,000 over a lifetime.

Think about 40 [thousand] dollars' worth of fees — not interest, just fees to get the loans that you need. Those fees for someone making under \$15,000 a year over a lifetime, which is 15 times 40 years of working, [are] \$600,000. That's nearly 7 percent of your income — lifetime income — going to fees.

That's why innovation and creativity in the space of the credit invisible is so incredibly important.

[It's] one of the reasons why we highlight the work that we see in Columbia, South Carolina, from Optus Bank.

They have tried to help with this very important issue. They believe that all people should have access to the American Dream, not just those born into the "right" circumstances or on the right side of the tracks.

This bank offers a checking account with no minimum account balance, no fees, even as little as \$100 in an account.

Another way that we have to continue to work toward making sure that the credit invisible [become] visible is by introducing legislation that I have with Joe Manchin, the bipartisan Credit Access and Inclusion Act, in order to help more Americans obtain and keep credit history.

It allows landlords, telecom companies, and utility providers to report on-time payments to the three major credit bureaus. This commonsense piece of legislation will help millions of Americans who do not have traditional credit histories, but have demonstrated they have credit-worthy behavior, which will help them lower their interest rates while keeping more of their hard-earned dollars.

A second bill I introduced with Senator Cortez-Masto, the Expanding Access to Lending Options Act, gives credit unions more flexibility in the types of loans they can offer to find a way to help those who desperately need assistance.

###