

## **BUREAU OF CONSUMER FINANCIAL PROTECTION**

**[Docket No.: CFPB-2014-0012]**

### **Request for Information Regarding the Use of Mobile Financial Services by Consumers and Its Potential for Improving the Financial Lives of Economically Vulnerable Consumers**

**AGENCY:** Bureau of Consumer Financial Protection.

**ACTION:** Notice and request for information.

**SUMMARY:** The Consumer Financial Protection Bureau (Bureau or CFPB), established under the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (Dodd-Frank Act), has as part of its mission to empower consumers to take more control over their economic lives. The Bureau is charged with promoting financial education, researching developments in markets for consumer financial services and products, and providing information, guidance, and technical assistance regarding the offering and provision of consumer financial products or services to traditionally underserved consumers and communities.

A major development in the consumer financial services market over the past few years has been the increasing use and proliferation of mobile technology to access financial services and manage personal finances. For example, last year 74,000 new customers a day began using mobile banking services. Using a mobile device to access accounts and pay bills can reduce cost and increase convenience for consumers. By enabling consumers to track spending and manage personal finances on their devices through mobile applications or text messages, mobile technology can help consumers achieve their financial goals. For the economically vulnerable, mobile can enhance access to safer, more affordable products and services in ways that can improve their economic lives.

This notice seeks information about how consumers are using mobile financial services to access products and services, manage finances and achieve their financial goals with a focus on economically vulnerable consumers. We use “mobile financial services” (MFS) in this Request for Information (RFI) to cover mobile banking services and mobile financial management services. The RFI does not address mobile point of sale (“POS”) payments, except with respect to mobile payment products that are targeted specifically for low-income and underserved consumers, where it seeks to learn about how such targeting could benefit or harm those categories of consumers. The information from the responses will be used to inform the Bureau’s consumer education and empowerment strategies related to developments in these areas.

**DATES:** Comments must be received on or before [90 days after publication], 2014.

**ADDRESSES:** You may submit responsive information and other comments, identified by Docket No. CFPB-2014-xxxx, by any of the following methods:

- *Electronic:* Email [Empowerment@cfpb.gov](mailto:Empowerment@cfpb.gov) or go to <http://www.regulations.gov>. Follow the instructions for submitting comments.
- *Mail:* Monica Jackson, Office of the Executive Secretary, Consumer Financial Protection Bureau, 1700 G Street, NW, Washington, DC 20552.
- *Hand Delivery/Courier:* Monica Jackson, Office of the Executive Secretary, Consumer Financial Protection Bureau, 1275 First Street, NE, Washington, DC 20002.

*Instructions:* Please note the number associated with any question to which you are responding at the top of each response (you are not required to answer all questions to receive consideration of your comments). The Bureau encourages the early submission of comments. All submissions

must include the document title and docket number. Because paper mail in the Washington, DC area and at the Bureau is subject to delay, commenters are encouraged to submit comments electronically. In general, all comments received will be posted without change to <http://www.regulations.gov>. In addition, comments will be available for public inspection and copying at 1275 First Street, NE, Washington, DC 20002, on official business days between the hours of 10 a.m. and 5 p.m. Eastern Standard Time. You can make an appointment to inspect the documents by telephoning 202-435-7275.

All submissions, including attachments and other supporting materials, will become part of the public record and subject to public disclosure. Sensitive personal information, such as account numbers or Social Security numbers, or names of other individuals, should not be included. Submissions will not be edited to remove any identifying or contact information.

**FOR FURTHER INFORMATION CONTACT:** For general inquiries, submission process questions or any additional information, please contact Monica Jackson, Office of the Executive Secretary, at 202-435-7275.

**AUTHORITY:** 12 U.S.C. 5511(c).

**SUPPLEMENTARY INFORMATION:** *Consumer use of mobile financial services and products—offered by financial institutions, financial technology product developers and providers—has increased over the past few years.* According to the Federal Reserve Board’s most recent survey on mobile financial services, 93 percent of mobile banking users used mobile banking to check account balances or recent transactions and 24 percent of smartphone users have used their phone to track purchases and expenses during the preceding year. One third (up from 21 percent in 2011) of mobile phone users

and over half (up from 42 percent in 2011) of smartphone users used mobile banking services. In the underbanked population, however, a larger percentage of mobile phone users reported using mobile banking (39 percent) in the previous 12 months (compared to 17 percent for all phone users).<sup>1</sup>

*Mobile financial services have been identified as having the potential to expand access to more underserved populations.*<sup>2</sup> A large percentage of unbanked and underbanked consumers, many of whom are low-income, have access to mobile phones, a significant number of which are smartphones - 69 percent of the unbanked have access to a mobile phone, half of which are smartphones; 88 percent of the underbanked have access to a mobile phone, 64 percent of which are smartphones.<sup>3</sup> A majority of unbanked households are low-income (81 percent earn below \$30,000) and a substantial proportion of consumers in this income bracket (45 percent) who use their mobile phone to access the Internet do so as their primary way to access it.<sup>4</sup>

*Accessing financial products, services, and financial management tools via mobile devices has the potential to empower consumers to take more control over their financial lives, to increase savings and reduce debt. Such use can:*

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<sup>1</sup> Bd. of Governors of the Fed. Reserve Sys., *Consumers and Mobile Financial Services 2014* (2014) available at <http://www.federalreserve.gov/econresdata/consumers-and-mobile-financial-services-report-201403.pdf>, at 1-4.

<sup>2</sup> See, e.g. Elisa Tavilla, *How Mobile Solutions Help Bridge the Gap: Moving the Underserved to Mainstream Financial Services*, December 2013 at 21-23 available at, <http://www.bostonfed.org/bankinfo/payment-strategies/publications/2013/how-mobile-solutions-help-bridge-the-gap.html>.

<sup>3</sup> *Mobile Financial Services Survey 2014*, Id. at 1-2 (2014). Note that in a recent White Paper, Susan Burhouse, Matthew Homer, Yazmin Osaki, Michael Bachman, *Assessing the Economic Inclusion Potential of Mobile Financial Services*, April 23, 2014 at 16 available at, <http://www.fdic.gov/consumers/community/mobile/Mobile-Financial-Services-and-Economic-Inclusion-04-23-2014revised.pdf>, authors reported that in the 2013 FDIC Survey of Unbanked and Underbanked Households (October 2014 forthcoming), 90 percent owned a mobile phone, of which 71 percent are smartphones.

<sup>4</sup> Id. at 18 (citing FDIC 2011 Household Survey and Pew Research Center, September 16, 2013).

- *Help consumers access financial services that meet their needs.* Whether provided by banks or nonbanks, mobile financial services can enable consumers to access myriad products and services that they may not be able to access due to location (not within their community), cost or other barriers to access.
- *Make access to financial services less expensive for consumers and incentivize providers.* For example, bill payments, which can be costly and time-consuming for consumers using cash, may be cheaper, faster and easier using mobile.<sup>5</sup> As acknowledged in a recent White Paper from FDIC, “[a]lthough there are short-term costs and uncertainties associated with MFS, many industry reports indicate it has potential to reduce the cost of providing banking services.”<sup>6</sup> One industry estimate cited in the White Paper calculated the average cost of an in-branch transaction was \$4.25 whereas the average cost was \$0.10 for a mobile transaction.<sup>7</sup>
- *Help with money management to help consumers increase savings and reduce debt.* Mobile presents a faster and easier way to access products and manage money through various features such as online account opening, checking account balances, account alerts, faster funds transfer, remote deposit, and bill payment, which can enhance the consumer’s ability to save, pay bills on-time and more cheaply. For example, in the Federal Reserve’s Board 2013 survey, 69 percent of mobile banking users reported that they checked their account balance

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<sup>5</sup> Tavilla, *How Mobile Solutions Help Bridge the Gap*, Id. at 12.

<sup>6</sup> Susan Burhouse, Matthew Homer, Yazmin Osaki, Michael Bachman, *Assessing the Economic Inclusion Potential of Mobile Financial Services*, April 23, 2014 at 29-30 available at, <http://www.fdic.gov/consumers/community/mobile/Mobile-Financial-Services-and-Economic-Inclusion-04-23-2014revised.pdf>.

<sup>7</sup> Id.

before making a large purchase and half of them decided not to make purchase as a result of their account balance or credit limit.<sup>8</sup>

Given the increasing use of mobile financial services<sup>9</sup> and its potential benefits, the Bureau seeks information on how mobile financial services can be used to empower and address the financial needs of consumers in affordable and safe ways. Specifically, we are seeking information on:

1. The general use of these mobile financial services and the opportunities this technology presents for addressing the needs of consumers, with a focus on economically vulnerable populations, including enhancing access to convenient financial services, facilitating effective account management by consumers, and building financial capability by creating increased ease in money management by use of personal financial management mobile tools;
2. Barriers to low-income, underserved or economically vulnerable consumers accessing and using mobile technology for financial services; and
3. Potential consumer protection issues associated with the use of such mobile technology for financial services by economically vulnerable consumers.

The Bureau encourages comments from all members of the public, including:

- Individual consumers
- Community groups
- Consumer groups

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<sup>8</sup> FRS, *Mobile Financial Services Survey 2014*, Id. at 2, 19.

<sup>9</sup> Javelin Strategy and Research, "Mobile Banking, Tablet and Smartphone Forecast 2013-2018: Smart Device Adoption Drives Mobile Banking Boom in 2013", March 2014 (95 million U.S. adults used mobile banking – a gain of 27 million mobile bankers over 2012, or 74,000 per day). Accessed summary of report and blog at <https://www.javelinstrategy.com/brochure/318/> on May 23, 2014.

- Groups addressing issues affecting specific populations, including older Americans, people with disabilities, low-income, underserved or economically vulnerable consumers, recent immigrant and other groups
- Academics and other researchers
- Providers of financial services
- Financial institutions
- Providers and developers of mobile technology designed to address financial services needs and personal financial management
- Payments providers
- Telecommunications firms
- Regulators
- Social service providers, particularly those that serve low-income, underserved or economically vulnerable consumers

When responding to any of the questions, for the product, service or technology that is the subject of the response, please include information about how it is rolled out or marketed to consumers; which, if any, specific population it is targeting; how it is brought to scale; and any challenges linking the product, service or technology to its intended targeted population.

Mobile financial services (mobile banking and mobile financial management services), to enhance access and opportunities for consumers

- 1) What are some of the ways in which consumers use mobile technology to access financial services? What are some of the benefits to consumers of enhanced access via mobile?

- 2) How would making access via mobile differ from or improve overall access compared to only accessing financial services through an online channel?
- 3) Based on your experience, what percentage of customers access accounts at financial institutions via mobile? Has there been any research that sheds light on level of use by income strata, age, or other demographic factors?
- 4) Is there evidence of lower costs to service providers and/or to consumers when providing mobile financial services? Identify how those cost savings are achieved.
  - a. For which type of account or transaction does mobile reduce cost? Why?
  - b. Are there examples of tracking cost savings when products were made available via mobile or when consumers opt in to accessing products and services via mobile?
  - c. Which products or services hold the most potential in terms of reducing costs of delivery and distribution to underserved consumers and communities? Please describe.
- 5) How can mobile financial services be brought to scale in ways that reach more consumers across the economic spectrum?
  - a. What are examples of financial services and products brought to scale via mobile in ways that assist low-income consumers?
  - b. Are there actions the federal government can take to enhance opportunities for providing services and products via mobile for economically vulnerable consumers at scale?
  - c. What role can and should third-party retail agents serve in providing financial products? Are there barriers that limit the ability of financial institutions to use third-



- party retail agents to provide mobile financial services? Does using third-party retail agents pose current and/or future risks to consumers?
- 6) How are financial service providers marketing mobile financial services? To underserved populations?
- a. What types of marketing or outreach methods, including partnerships with nonprofits and other entities, have been effective in increasing the numbers of underserved who use mobile financial services?
  - b. What are examples of financial institutions using mobile devices for their employees to engage in outreach or provide services to underserved communities? What types of services can be provided remotely by employees using mobile devices in communities, e.g., account opening, deposits, etc.?
- 7) The 2014 FDIC White Paper identified that while MFS has the potential to help the underserved gain access to the banking system MFS on a standalone basis appears to have a “limited role in motivating and facilitating the unbanked access to the financial mainstream.”<sup>10</sup> Are there successful approaches to enhance access to financial services for the unbanked, whether it is via bank or nonbank providers?

Specific types of mobile financial products and services, including personal financial management applications and features

- 8) Are there any examples of or research on the use of mobile technology to enhance savings opportunities or habits for consumers? For economically vulnerable consumers?

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<sup>10</sup> Burhouse, *Assessing the Economic Inclusion*, Id. at 3.

- 9) Are there certain kinds of products or services that are more promising than others in terms of being adapted to mobile environment for the underserved market? Why?
- a. Deposit products?
  - b. Point-of-sale transactions?
  - c. Paying for purchase of products and services remotely?
  - d. Bill payments?
  - e. Overall money management products, including apps that enhance ability to manage money or set and meet financial goals?
  - f. Remote deposit capture (RDC)<sup>11</sup>?
- 10) Are there specific types of current or potential innovations that have been identified by community, consumer advocates, educators, or others as helpful to the underserved?
- a. Could expansion of mobile help move consumers from higher-cost products to lower-cost products? Please explain.
- 11) How are loyalty and rewards programs being used for mobile financial services? What are some innovative programs that may help the underserved market: 1) access more affordable financial services and products, and 2) achieve their financial goals?
- 12) Many low-income consumers use prepaid products for their daily financial transactions. What opportunities are there for low-income consumers to use these products via mobile devices?
- 13) Are there examples of financial service providers, individually or in partnership with intermediaries or third-party agents, offering financial education or financial capability interventions or tools as part of their mobile financial services offerings? Have any of these

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<sup>11</sup> Remote deposit capture (RDC) as used here refers to ability of consumer to deposit a check remotely by using the camera on a mobile device.

efforts been shown to be effective in: 1) bringing more underserved consumers into mobile financial services; 2) enhancing the financial capability of underserved consumers to reach their goals.

- 14) Consumers can check account balances, use account alerts to avoid fees or transfer funds, set aside funds for long or short term goals. Some of these features provide convenience while others can help track spending and manage money. What are examples of features offered by mobile financial services designed to advance the financial goals of consumers? What are some examples of successful use of features to advance financial goals? Please explain.
- 15) Given the significant level of cash usage within the low-income population<sup>12</sup>, are there mobile financial services or products that enable consumers to use their cash to pay for goods and services remotely?
- 16) Making payments for goods and services by charging them to mobile phone bills has been suggested as a way for unbanked consumers to be able to make electronic payments. What are the risks, if any, for these consumers? What are potential benefits for the unbanked and underserved?

#### Opportunities for population subgroups

- 17) The following subgroups of consumers face unique challenges in accessing financial services products and services in ways that can improve their ability to meet their financial goals. Please respond to the questions for one or more of the individual subgroups.

- Unbanked and underbanked
- Rural consumers

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<sup>12</sup> Barbara Bennett, Douglas Conover, Shaun O'Brien, and Ross Advincula, *Cash Continues to Play a Key Role in Consumer Spending: Evidence from the Diary of Consumer Payment Choice*, April 2014 at 10 (Figure 11 – those living in households with less than \$25,000 of income used cash for 57% of their transactions) available at <http://www.frbsf.org/cash/publications/fed-notes/2014/april/cash-consumer-spending-payment-diary>

- People with disabilities
  - Consumers with limited English proficiency
  - Recent immigrants
  - Underserved youth or “opportunity youth” (i.e., youth between the ages of 16 and 24 who are neither enrolled in school nor participating in the labor market)
  - People residing in traditionally underserved communities
- a. What are the barriers and challenges to using mobile to enhance access that are specific to these groups of consumers?
  - b. What efforts have financial services providers, intermediaries, or third-party agents and community groups undertaken to serve the following groups of consumers via mobile?
  - c. Are there examples of current mobile financial services that have been developed specifically to address the needs of these consumers, or services that may specifically benefit these consumers, e.g., Remote Deposit Capture (RDC)?
  - d. Are there examples of successes in reaching these consumers and/or in helping these consumers reach their financial goals, and if so, what has contributed to the success?
  - e. Are there additional consumer protections needed to address unique risks or barriers faced by these groups? Explain and please provide examples.

Challenges and barriers to expanding use and reach of mobile financial services, particularly for economically vulnerable populations

- 18) Privacy and security concerns have been cited as reasons consumers do not use mobile banking and mobile financial management services. What are the specific types of privacy and security concerns? What actions should consumers take to protect their information and identity? Are there products, services or features that address these concerns? What mechanisms should exist to disable use of stolen or mislaid mobile devices that are enabled to provide financial services?
- 19) What impediments are there to consumers opening a transaction or savings account remotely via mobile or online?
- 20) What types of customer service or technical assistance concerns are there in the context of mobile financial services? For example, should consumers always have access to a customer service telephone number and/or call center?
- a. What methods are used to ensure consumers know when transactions are completed and funds available? Are additional methods needed?
  - b. Do customer service levels vary depending on the dollar size of the mobile transactions?
- 21) What are some of the distinct challenges for financial service providers, including financial institutions, to offer mobile financial services to economically vulnerable consumers? Please describe in terms of these categories.
- a. Technical, including technology and operational
  - b. Regulatory
  - c. Cost
  - d. Marketing
  - e. Other

22) What challenges and barriers exist for economically vulnerable consumers to access mobile financial services?

- a. Technological, including accessibility of devices and telecommunications services
- b. Educational, including the level of understanding or knowledge about using financial products and services via mobile.
- c. Regulatory.
- d. Security and privacy concerns related to accessing mobile financial services, e.g., do lower cost platforms or devices carry less security and privacy protections?
- e. Costs, including cost of data plans.
- f. Language barriers.

23) What are the concerns, if any, related to access for underserved consumers and communities if increased use of mobile financial services results in fewer bank branches? Is there any research on the impact on bank physical locations when a significant number of customers use mobile financial services? Are there efforts to expand branch reach by using mobile technology to provide branch functions in the community, away from the branch? Please describe.

Consumers' understanding of risks involved in using mobile financial services and steps to protect them

24) Various groups representing consumers have identified risks to low-income consumers when engaging in financial transactions via mobile, lack of accountability for all entities involved in the transactions, the "single point of failure" when consumers lose access to their mobile device and cannot access their financial accounts, possible move away from paper receipts or statements, and the use of data in ways that may promote products that pose risk to low-

income consumers. What core principles would help ensure that underserved consumers are protected when engaging in financial transactions through mobile?

25) Are there ways that financial management services or features can be used to prevent fraud or theft? What type of information would be helpful for consumers to know to avoid fraud or theft?

26) Are data breaches more common with mobile financial services relative to online financial services generally? Are they more common compared to traditional channels, e.g., phone, ATMs?

27) In terms of security with regard to accessing or transferring financial data:

a. Are certain types of mobile devices less secure than others in terms of transferring financial data?

b. Are certain types or levels of mobile services less secure than others?

c. Is there greater risk of compromised or stolen information in more remote areas where signals may be weaker?

d. How are consumers informed of risks associated with the types of devices they may be using or the types of plans/services they may have?

28) What risks does segmentation of the market through data created by mobile use present for underserved consumers? Is there a risk that data will be used to direct underserved consumers to higher-cost products and services than they would otherwise be eligible to purchase and that may pose greater risk of financial harm? Are low income consumers less likely to detect hidden fees, and, if so, does special attention need to be provided to the design of mobile payments products targeted at low income consumers? Is there any research that would help inform the data segmentation issue?

- 29) What are the types of fraud risk that low-income consumers may be exposed when using mobile device to access financial services and products? Is the risk greater or less via mobile compared to accessing financial services online? Is the risk greater or less compared to using credit and debit cards or other means to access financial services? Please explain.
- 30) Many low-income consumers use cell phones (phones without operating systems).
- a. How are financial services providers, intermediaries and third-party agents using “texting” or other means to communicate with consumers via cell phones?
  - b. What are the challenges and barriers to communicating through “texting” for financial services and products?
  - c. Are there additional protections needed that may affect providers’ ability to market or advertise to consumers via “text”?
  - d. How have providers increased consumer use of text alerts? Please describe.
- 31) A significant percentage of low-income consumers mostly use their phone to go online. Are privacy concerns different depending on whether consumers access services online via a computer or via a phone or mobile application?<sup>13</sup>
- 32) Are there unique challenges or risks associated with prepaid phones (pay-as-you-go or monthly) when using them to access financial services?
- 33) Are additional financial consumer protections needed to protect low-income or otherwise economically vulnerable consumers in the use of mobile financial services? Please explain.

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<sup>13</sup> Pew Charitable Trusts, Pew Research Internet Project, “Cell Internet Use 2013” (45% of cell internet users living in households with an annual income of less than \$30,000 mostly use their phone to go online, compared with 27% of those living in households with an annual income of \$75,000 or more). Accessed online at <http://www.pewinternet.org/2013/09/16/main-findings-2/> on May 23, 2014.



- a. Are additional protections needed to protect consumers' access to their financial accounts when they do not have access to their device because of loss, theft or non-payment of cell phone bill?
- b. Are there risks to consumers when third-party agents are used to facilitate transactions or provide other products via mobile?

International experience in using mobile technology to enhance access and increase financial capability of economically vulnerable consumers

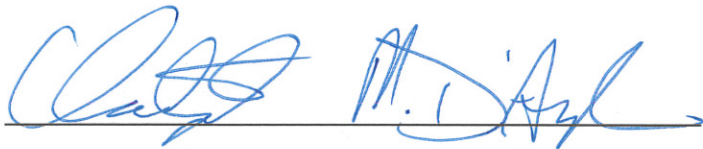
It has been widely reported that mobile financial services are being used successfully in other countries to increase access for low-income consumers. These examples may shed light on how mobile technology could be used in ways designed to improve account access, use of safe and low-cost payments and the availability of tools to support money management for the economically vulnerable consumers in this country.

34) Are there useful international examples of the spread of mobile technology for financial services that enhance access for low-income consumers? What differences would or should apply if these approaches were adapted for the U.S. context?

35) Does mobile technology offer enhanced possibilities for direct person-to-person international money transmittal? Does this bring with it greater risk of theft, fraud or money laundering?

[THIS SIGNATURE PAGE PERTAINS TO THE “REQUEST FOR INFORMATION REGARDING THE USE OF MOBILE FINANCIAL SERVICES BY CONSUMERS AND ITS POTENTIAL FOR IMPROVING THE FINANCIAL LIVES OF ECONOMICALLY VULNERABLE CONSUMERS”]

Dated: June 5, 2014.



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