



## Banking for All

Annie Harper, Yale School of Medicine

We all need high quality, safe and affordable financial services to manage our money well and flourish. The less money you have, and the more susceptible you are to exploitation or over-spending, and the more critical are financial services that minimize costs, avoid exploitation and help to control spending. People with mental illness, who are homeless, and/or have addiction problems badly need good financial services but currently are not well-served. **Policy change to improve financial services for these groups would support their well-being and recovery and improve the system for us all.**

### Banking and Exclusion of Marginalized Populations

- **People with mental illness** often have no bank account and have problem debt. This is partly due to very low incomes, but also sometimes due to mental health symptoms.
- Some people with mental illness need **help managing their money** but have few options for support; people must either give up financial control completely or manage alone.
- Most **people who are homeless** do not use banks. Instead, many use non-bank phone apps such as Cash App and PayPal to manage their money. Many **people who have addiction problems** also do not use banks and prefer to use these phone apps.
- These non-bank phone apps are convenient, have fewer fees than banks, and easier proof-of-address and ID requirements. But lack of in-person customer service is a problem, and some people report being scammed. Not having a bank account makes it difficult for people to build long-term financial stability.

### Risks of Cash Advance Loans

Some non-bank phone apps offer loans, often known as **cash advance or earned wage access**. These loans are not subject to Connecticut's usury laws and interest rate caps. People who are susceptible to overspending can quickly get in trouble with these loans—they are easy to get and can quickly **spiral a person into financial disaster**.

"I relapsed and then started using daily pay... every day I come home from work, and I take all the money I just earned and spend it, so by the time I get my paycheck, I got none... I didn't have enough rent money... I got to the point where I couldn't catch it up no more. I wish [daily pay] wasn't available... You get caught in the cycle of borrowing and you're borrowing from them to pay them back ...."

### What Needs to Change

Non-bank phone apps holds promise for improving financial services for marginalized populations, but **costly loan products are dangerous.**

Banks and credit unions must offer banking products that allow people with cognitive or addiction challenges to get **help with managing their finances without having to entirely give up control.**

We need **financial services that enable everyone** to manage their money well and not be taken advantage of. Financial problems faced by people with mental illness, who are homeless, and/or have addiction problems are **not so different from others.** Many of us have incomes that barely cover expenses, we are all susceptible to over-spending and tempting loan offers, and many of us will experience cognitive decline as we get older.

**Financial services that work well for people who struggle most with their finances will be better financial services for everyone.**

## Policy Recommendations

- Require banks and credit unions to offer basic bank accounts with no minimum balance, overdraft or monthly fees
- Require banks to offer 3rd party view-only options and transaction holds, for people who need help managing their money
- Regulate non-bank app loans, particularly Earned Wage Access
- Require businesses to accept cash if customers prefer
- Expand housing-first and rent subsidies to stabilize recovery environments
- Learn from other states and consider creating a Public Bank

Read more in Brittany Farr, Brian Cash, and Annie Harper, "[Banking for All: Why Financial Institutions Need to Offer Supportive Banking Features](#)," Yale Law School Community and Economic Development Clinic, April 2019; Annie Harper, "[Financial Management Support for SSN Beneficiaries: Looking Beyond the Payee](#)," Center for Retirement Research at Boston College, May 2018; and Annie Harper and Michael Rowe, "[Environment-Level Strategies to Support Independent Control of Finances: A Response to the SSA Review of Financial Capability Determination Review](#)," *Psychiatric Services* 68, no. 1 (2017).