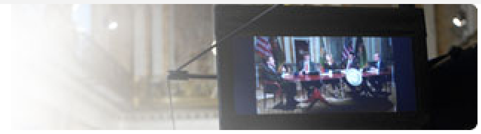
U.S. DEPARTMENT OF THE TREASURY

Press Center



Opening Remarks of Deputy Secretary Sarah Bloom Raskin at Treasury Event to Screen Documentary, "Spent: Looking For Change"

9/19/2014

For additional information on this event please visit http://www.treasury.gov/press-center/media-advisories/Pages/09172014.aspx

WASHINGTON - Thank you to Deputy Assistant Secretary Melissa Koide and the Office of Consumer Policy for hosting this event.

It is a privilege for me to welcome all of you here today to help draw attention to the financial lives of middle- and lower-income American families. I recognize many of you today. You are the people who have been focused on this work for many, many years. You have been on the front lines with an unwavering attention to and understanding of household financial challenges. And because of your exemplary work, I recognize not only you, but also the lives of American families who continue to struggle and juggle in ways that are challenging and poignant. You bring these faces and the struggles they mask into sharp focus, and for that, on behalf of the Treasury Department, I am so grateful. Thank you for continuing to describe and explain the finances of America's families to us; and thank you for making time to come to this event.

Let's set the stage for where households sit today in our current economic recovery. When we look at where we are from a macro perspective, we see an economy that continues to strengthen.

GDP has posted robust gains and the economy is nearly 7% larger than where it was when the recession began in 2007. Over the past 54 months, the private sector has created 10 million new jobs, adding more than 200,000 jobs every month for the last six months. That is the longest stretch of job growth in our nation's history.

The auto industry is thriving, manufacturing is rebounding, and the housing market is recovering. The budget deficit has been cut by more than half over the past four years.

But: when we dig under these positive trends and look under the hood of the improvements that we see in the aggregate, we see, on the household and individual level, that financial challenges remain. Yes, our economy is far stronger and more resilient than it was when the recession began, but still our work remains unfinished; millions of American families continue to struggle and juggle.

Although the unemployment rate has fallen 3.4 percentage points since its peak in 2009, long-term unemployment remains high. Incomes are stagnating for many workers. For too many families and individuals, this hardly feels like a recovery.

You are about to watch *Spent*, a documentary illustrating how some American families are managing their financial lives and the serious, ongoing struggles they are facing each and every day. The stories of the people in this film represent how millions of American families are working hard just to make ends meet and how financially fragile they are. And, in case you have lingering doubts about whether the people conveyed in *Spent* are themselves somehow to blame for their circumstances, you will be disabused of such doubts. There is no way to blame them for the unforeseen events that get thrown their way — an unexpected medical diagnosis, an unexpected family illness requiring a daughter to leave her paying job.

You will watch as a mother's car is towed away because she took out a title loan and can no longer afford to make the roll-over payments. You will watch another mother who spends countless hours determining how to conserve her gas money so that she can pay her family's bills. You will see people without access to a bank account; you will see the faces of the unbanked and underbanked in our country; you will see what happens when you are financially excluded or marginalized from safe affordable access to credit.

According to a recent report, the households in this film are not alone. They are not idiosyncratic and they are not exceptional. Nearly one-third of American households live paycheck to paycheck, meaning that they spend all of their paychecks. More than 66% of these families are in the middle class, with a median income of $41,000.

Not surprisingly, those living paycheck to paycheck have a tougher time paying their bills, building their assets, improving their credit, and handling unexpected crises such as illness and unemployment. Recent data confirms this. Nearly half of all American households cannot come up with $2,000 in the event of an emergency. It is not uncommon to be one life shock away from crisis.

Many of us have a buffer. We may have a savings account, or we may have credit that we can access, or friends and family that are financially secure. Yet, for millions of financially fragile Americans, there simply is not that luxury. They do not have an adequate buffer or safety net to protect them from life's unexpected expenses which may put them on a path to poverty, insecurity, and serve as a barrier to success to them and the next generation.

That is why we need to stay focused on the question of how we can better serve the needs of middle- and lower-income families. An important piece of this is being clear-headed about financial products and services and determining whether they are enabling our families to save more, build more assets, and achieve more financial prosperity.

An estimated 12 million Americans take out payday loans each year. On average, these borrowers take out eight loans per year, averaging $375 each. The fees over the course of a typical two-week loan period average $15 per $100 borrowed, amounting to a 391% annual percentage rate. An increasing number of Americans are turning to these services because sadly they have nowhere else to go.

Financial exclusion and the resulting increase in payday lending appear to be an increasingly broad-based problem. People are turning to these services because they lack steady income, savings, and assets. They do not have access to higher-quality and more affordable financial products and services.

This is why we must work harder to expand access to safe and affordable consumer financial products and services that also create opportunities to save. The expansion of ATM machines, the growth in prepaid accounts and point-of-sale terminals, and the emergence of mobile banking and payment platforms all offer new access points and, if they are also structured to reduce delivery costs, encourage savings, and be safe, they may hold promise for reaching the unbanked and underbanked.

Moreover, a variety of existing players and new startups are creating solutions that make it more convenient and affordable for consumers to pay in stores and online, to transfer money to friends and small businesses, and to make payments while on the go, using their cell phones. Technology has the potential to help to eliminate the barriers of time and distance, enabling people to move their money anytime and anywhere. This innovation has the potential to improve financial inclusion and I encourage you all to also join the discussions of policymakers in evaluating this potential.

We still have more work to do to keep our economic recovery on track and to make sure the benefits of growth are broadly shared.

This documentary is telling of the stark economic realities that affect our nation's most vulnerable families, and that is why today, we come together to watch this film and afterwards to discuss it. I want you to share with us what is working, what is not working, and how we can focus our recovery and work together to a sustained and meaningful improvement in the financial lives of all American families.

Thank you for being here today and for your tireless work to create a prosperity that can be experienced by all.

###