

Acting Comptroller of the Currency Michael J. Hsu

“Financial Health Vital Signs: Measurement Toward Customer Financial Health”

Remarks in Support of the Financial Health Network Emerge Conference

June 6, 2024

Good morning. I would like to thank the Financial Health Network for inviting me and to all of you for being here. When I last spoke at Emerge in 2022, I described why the Office of the Comptroller of the Currency (OCC) was exploring financial health and the role banks could play in efforts to improve consumer financial health. I’m pleased to share with you today the progress we have made and our next steps to advance this important work.

Before I get to what we have been doing and where we are going, I will talk a bit about why the OCC is engaged in financial health.

Why the OCC Is Engaged in Financial Health

The OCC is committed to promoting a vibrant and inclusive economy. Our strategic plan¹ emphasizes safeguarding the public trust and the importance of effective supervision for supporting “a strong and fair banking system, which enables individuals, communities, and the U.S. economy to thrive.” Advancing financial health is part of the OCC’s strategic goal to elevate fairness, which also includes advancing financial inclusion and supporting economic opportunity for all.

Banks play a critical role in a financial system that works for consumers. As regulated and insured institutions, banks can offer customers confidence that their money is safe. These protections provide the framework for ensuring that customers are—and believe that they are—

¹ [OCC Strategic Plan, Fiscal Years 2023-2027](#).

treated fairly. This, in turn, reinforces trust in banks and the banking system. For all these reasons, banks play a critical role in empowering consumers.

While we are seeing progress toward a more inclusive financial system, we aren't quite there yet. Much of the banking system continues to be organized by product and service lines or by geographies. The profitability and risk of those things are measurable, and we know that historically, what gets measured gets done.

I believe we can do better and truly put consumers front and center by measuring their financial health and supporting their efforts to improve it. Imagine if there were clear and objective measures of consumers' financial health. Three things could change:

First, consumer financial product offerings could be better aligned with customer needs. As customers see banks and other responsible financial institutions helping to improve the customers' financial health, they may be less likely to seek alternative providers or use products that harm them in the long term. In the 2023 FinHealth Spend Report, for instance, the Financial Health Network estimated that interest and fees for payday loans and other alternative credit increased from \$9.3 billion in 2022 to nearly \$11 billion in 2023.² Relatedly, a Federal Reserve Bank of New York analysis found that among consumers with low liquidity, there was more frequent use of a buy now, pay later product to make purchases they could not otherwise afford.³ The use of objective measures of consumers' financial health could lead to greater empowerment

² Meghan Greene, Wanjira Chege, MK Falgout, and Necati Celik, [“FinHealth Spend Report 2023, U.S. Household Spending on Financial Services Amid Historic Inflation and an Uncertain Economy.”](#) Financial Health Network Research Paper (June 2023).

³ Felix Aidala, Daniel Mangrum, and Wilbert van der Klaauw, [“Who Uses ‘Buy Now, Pay Later?’”](#), Federal Reserve Bank of New York Liberty Street Economics (September 26, 2023); Felix Aidala, Daniel Mangrum, and Wilbert van der Klaauw, [“How and Why Do Consumers Use ‘Buy Now, Pay Later?’”](#) Federal Reserve Bank of New York Liberty Street Economics (February 14, 2024).

of customers and produce valuable information for the development of bank products and services.

Second, banks that support customers' efforts to improve their financial health would enhance their customer relationships and demonstrate that the banks truly have their back and can be trusted. Virtuous cycles would be more visible—with banks, for instance, helping their depositors save, pay their bills on time, borrow sustainably, and invest for the future—thus creating stronger, more loyal, and more profitable long-term customers and strengthening communities and local economies.⁴

Third, improvements in financial health could also support improvements in mental well-being for individuals and their communities.⁵ Money-related challenges are some of the biggest contributors to stress. Stress can lead to poor financial decision-making. Focusing on financial health helps customers to build resilience and enables longer-term planning. Addressing financial health can reduce stress for individuals and improve financial decision-making, which, in turn, could result in more engaged customers and possibly improved bank performance.

What OCC Has Done on the FHVS

When I was at Emerge in 2022, I talked about the promise of Financial Health Vital Signs: quick and actionable measures of consumers' financial health. Since then, the OCC has worked to define financial health and develop these Vital Signs. Recognizing the opportunity for banks and others to play a role in supporting consumer financial health, OCC staff began by

⁴ OCC News Release 2023-57, [“Acting Comptroller Discusses Trust and Banking”](#) (June 8, 2023).

⁵ Meghan Greene and Riya Patil, [“Understanding the Mental-Financial Health Connection.”](#) Financial Health Network Brief (October 10, 2023); Andrea Hasler, Annamaria Lusardi, and Olivia Valdes, [“Financial Anxiety and Stress Among U.S. Households: New Evidence from the National Financial Capability Study and Focus Groups.”](#) Financial Industry Regulatory Authority Investor Education Foundation and Global Financial Literacy Excellence Center Report (April 2021).

digging into research on the concept of financial health and exploring existing data and practices. OCC staff also assessed progress made to date in this area and identified ways to move forward. The OCC has been looking deeply into how to measure consumer financial health. We have reviewed what data exists and what practices are in place, including research conducted by the Financial Health Network. We talked with banks that have undertaken a focus on their customers' financial health and consulted with other experts in the field, including researchers, trade groups, and nonbanks. We also sought input from consumer and community advocates on what financial health outcomes might mean to their constituents. Let me thank all those people, including many in this room, who shared their perspectives with us. Finally, we considered how the OCC might contribute to further progress, particularly in facilitating convergence and alignment on practical and actionable measures of consumer financial health.

From this research and outreach, OCC staff distilled a set of metrics that we think are powerful indicators of financial health, can be useful for banks and consumers, and offer practical steps toward better understanding financial health. This definitional work is an important step forward to align concepts of financial health and to advance approaches for improving it. We are sharing these in a report we are pleased to release today, titled *Community Development Insights: How Banks Can Measure and Support Customer Financial Health Outcomes*, which you can find on OCC.gov.

Let's start with the concept of **financial health**. Our work suggests that for an individual or household, there are three interconnected components or attributes. One is **stability** in day-to-day finances. By stability we mean the ability to use financial products and services to easily and affordably meet regular financial obligations, including the ability to pay for necessities on time and in full. The second attribute is the **resilience** to withstand and recover from financial shocks.

The third attribute of financial health is **security** for the future. Security in this case means the ability to meet long-term financial needs. In addition to being interconnected, these components of financial health are dynamic in nature.

With these components or attributes in mind, we can turn to practice. The OCC's research identified efforts to measure financial health but found gaps in consistency and actionability of measures. Thus, the goal is to identify clear, simple, and consistent indicators of financial health—what we call “Vital Signs.”

In our *Community Development Insights* report, as a starting point, we identify three Vital Sign metrics. Vital Signs can be a tool to help identify consumers who are struggling financially and where help is needed most. We would like to engage with banks and others to pilot these metrics and test their robustness and usefulness. Our hope is that the evolution of these Vital Sign metrics (and others that may be developed) will enhance the range of financial health surveys and metrics that have been developed to date and guide consumer banking and financial services in the future. The three Vital Sign metrics discussed in the *Community Development Insights Report* are positive cash flow, liquidity buffers, and on-time payments.

- Positive Cash Flow: Positive cash flow can demonstrate that a customer can meet regular expenses from their regular income. It can also help the customer avoid some account fees and charges and avoid taking on debts just to manage their regular expenses. In addition to meeting their regular expenses, positive cash flow can enable the customer to build savings and wealth. Additionally, it may indicate the customer has, or is on the path toward, financial resilience and financial security.
- Liquidity Buffer: A customer has a liquidity buffer when the balance of liquid accounts and credit available is sufficient for them to withstand an unexpected expense or drop in income.

- On-Time Payments: Being current on debts indicates that the customer can regularly meet their debt obligations and avoid delinquency and over-indebtedness. While it is a lagging indicator, a prime credit score may also show the customer's ability to obtain credit.

These measures are a start to understanding the basics of financial health for individual consumers. Additional diagnoses may be needed to understand financial health challenges. For example, if a customer has negative cash flow, is that due to lower-than-usual inflows or higher-than-usual expenses? Has the customer built up a liquid savings cushion to prepare for a change in circumstance? Are they still meeting their obligations? A deeper understanding of the customer's finances may be useful for the bank to identify whether there are relevant products and services that might meet that customer where they are. This knowledge can help banks tailor the information they provide, design and offer products and services to address customer needs, and track changes in customer financial health. Banks could use this information to improve customer outcomes in ways that are consistent with consumer protections and in compliance with applicable laws and regulations.

The thinking about these Vital Signs is likely to evolve based on additional research and testing. For example, we currently lack simple, objective measures of wealth and assets, even though these are vital to financial security.⁶ Banks could also conduct surveys or use other voluntarily provided information to gain insight into customer behaviors and needs. The OCC is interested in the insights revealed through banks' testing and use of the Vital Signs and other measures of financial health.

⁶ Ana Hernández Kent and Lowell R. Ricketts, "[Unequal Starting Points: A Demographic Lens Is Key for Inclusive Wealth Building](#)," in Ray Boshara and Ida Rademacher, eds., [The Future of Building Wealth: Brief Essays on the Best Ideas to Build Wealth—for Everyone](#), Financial Security Program, Aspen Institute and Federal Reserve Bank of St. Louis (2021).

In addition to those measures, the *Community Development Insights* report shares a range of potential use cases for Vital Signs and practical examples of ways banks might, voluntarily, support customers' efforts to improve their financial health. We provide some examples of steps banks might take to support positive cash flow, including:

- Making it easier for customers to open and keep a low- or no-cost transaction account, such as the Bank On account;⁷
- Simplifying how customers can direct deposit their pay and providing “early pay” access to the funds as soon as the bank receives them;⁸
- Providing features that help customers manage their expenses, such as alerts about duplicate charges and reminders about upcoming bill due dates;⁹
- Providing information about, and referrals to, community resources that may be able to help customers tackle money management challenges; and
- Continuing efforts to reform overdraft practices, including eliminating overdraft fees and taking steps to help customers reduce the risk of overdrafts. I’m pleased to see this example of movement toward more consumer-friendly practices and affordable services among OCC-supervised large banks.¹⁰

⁷ Bank On, Accounts, www.joinbankon.org; Matuschka Lindo Briggs, Nishesh Chalise, and Violeta Gutkowsk, “[The Bank On National Data Hub: Findings From 2020.](#)” Federal Reserve Bank of St. Louis (2021).

⁸ Spencer Tierney, “[31 Banks With Early Direct Deposit.](#)” NerdWallet (January 25, 2024); Ellen Chang and Casey Bond, “[You Can Get Your Paycheck 2 Days Sooner.](#)” U.S. News and World Report (January 18, 2024).

⁹ René Bennett, “[9 Bank Accounts With Built-in Budgeting Tools to Help Track Your Personal Finances.](#)” Bankrate (August 17, 2023); Consumer Reports, “[Banking Apps: The Case Study for a Digital Finance Standard](#)” (March 7, 2024).

¹⁰ OCC News Release 2024-38, “[Acting Comptroller Discusses Elevating Fairness in Banking](#)” (April 4, 2024).

Banks interested in supporting customers' efforts to enhance their liquidity buffers might provide low- or no-cost savings accounts and offer automatic savings features that encourage regular savings from payroll deposits.¹¹

To support customers struggling to consistently pay their debts on time, banks could consider whether a customer might qualify for a secured credit product. Another possible responsive product would be small-dollar consumer loans that are underwritten based on transaction account history. Using account history rather than a traditional credit score can expand access for borrowers who lack a credit score¹² but are otherwise creditworthy.

Keeping in mind the broader goal of elevating fairness, it is important that efforts to support financial health are accessible to all customers. To support financial health, we need to meet consumers where they are and provide opportunities for inclusion. For example, banks might consider how they serve consumers for whom English is not their primary language. It may also be valuable to look for opportunities to reach out to consumers who may not be part of the regulated banking system, including those with past banking difficulties and justice-involved people. Banks can make progress on their own to address the challenges facing such consumers, but we can go further together. Banks may benefit from seeking out partnerships with community-based organizations that have knowledge about, and the trust of, underserved populations.

¹¹ Center for Advanced Hindsight Common Cents Lab, Commonwealth, and Financial Health Network, [“BlackRock’s Emergency Savings Initiative: Impact and Learnings Report 2019-2022.”](#)

¹² OCC Bulletin 2019-62, [“Consumer Compliance: Interagency Statement on the Use of Alternative Data in Credit Underwriting”](#) (December 3, 2019).

The OCC's Proposed Next Steps

I am heartened by the progress that has been made since we met in 2022. I am hopeful that banks and other stakeholders will consider the benefits of the Financial Health Vital Signs to assess and improve customers' financial health. I encourage you to read the report released today, test and engage with us on the Vital Signs as a starting point, and consider whether the findings may help your institution better meet the needs of your customers. I hope you will let us know how useful the measures are, the extent to which they reveal insights into consumers' financial health, and any steps that can improve it. We are truly interested in your feedback.

Together we can achieve a future state in which banks integrate their own measures of success into the financial health of their customers—the ability of their customers to manage their day-to-day financial needs, prepare to handle the unexpected, and build security for the future. In this vision, banks serve the whole financial needs of their customers, using their knowledge and resources to help those customers attain their goals. Customers have increased trust in financial institutions that treat them fairly and look out for their interests. And communities become stronger as more families are able to start or grow businesses, own homes, and build wealth for future generations.

In this future state, consumers pick a bank based not just on advertised products, but also on demonstrated outcomes for families like theirs. To get there, it is important to measure progress along the way. The OCC is proposing the Financial Health Vital Signs as a step to help improve customers' financial health. But measurement is just the first step. The real impact will come from using insights from the measurement to expand availability and accessibility of products and services, and to explore new products that may address the needs of customers, especially those with the most challenges. Banks could go further by aligning internal

performance goals with customer financial health outcomes and share those outcomes publicly as an indicator of performance. And, banks can work with other organizations to understand and fulfill the needs of financially challenged consumers and communities.

A focus on financial health is intended to build on the framework of consumer protection laws and regulations to ensure that banks are serving their customers and communities fairly and appropriately. The OCC has sought to advance this work by sharing our views. We encourage and want to engage in further dialogue on this important topic. This work includes consumer advocates, banks, financial firms, nonprofits, educators, fintechs, counselors, and many more. It will take all of us to move toward better financial health outcomes. And I believe the roadmap is becoming clearer.

Thank you very much for the opportunity to join you here today.