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The post-pandemic, socially conscious transformation of American banking in a digital world

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Introduction

The ongoing pandemic tragedy and social justice movements have already transformed the business landscape in virtually all industries in the U.S. Any business powered by digital technologies that either replaces or reduces the need for physical contact operates at a great advantage. As many observers note, the pandemic has accelerated and intensified trends that were already underway before COVID-19 struck. Meanwhile, the highly uneven impact of the pandemic coupled with recent examples of social injustice have highlighted structural and ever-widening income inequality in the U.S. and the need to reduce it.

The commercial banking industry has not escaped the accelerating forces of the pandemic, and like other industries, will be reshaped to some extent.[1] Given the central role the banking industry played in the 2008-09 financial crisis and continues to play in our economy today, what happens to banking remains of high interest to the broad public and to federal and state policymakers.

It is timely and important, therefore, to consider how the confluence of the pandemic, technological innovation, and social issues will shape the future of the banking industry, as well as create policy options for improving the financial lives of those with limited or no access to banking. That is the challenge we take up in this essay.

In brief, we reach the following conclusions. First, traditional banking is alive and well, but threatened on multiple fronts. The banking industry's main traditional source of income – earning the spread between loan and deposit interest rates – has declined and is likely to remain depressed in a low interest rate environment. Broadly speaking, the banking industry will likely face substantial, pandemic-driven losses over the next few quarters. Traditional banks, with high legacy costs due in part to maintaining brick-and-mortar branch networks and expensive IT systems, also will be under competitive assault from financial technology (fintech) disruptors, both outside and inside the banking system itself.

Second, banks have already responded to these threats and are taking further steps to strengthen their competitive positions. Triggered by the pandemic, the banking industry is poised to accelerate its adoption of new technologies and to reduce costs associated with branch networks on a permanent basis. In the process, the banking industry will be shedding branches and substantial numbers of jobs.[2]

Third, the rise of fintechs in principle should make banking more affordable for the currently unbanked, but fintechs – like traditional banks – have economic, regulatory, and operating realities that will limit their ability to bring about any significant conversions of the unbanked to the banked. Therefore, ambitious public policy efforts will be required to move adults who are currently unbanked into the banking system, a necessary prerequisite for upward economic mobility. We support one such effort here: a "public banking option" with banking services delivered to the unbanked through the postal system, piloted and

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1. In this article, we are referring to commercial banks when we use the words, "banks" or "traditional banks".

2. Industry observers have long predicted the demise of bank branches, though as pointed out in a Brookings op-ed, there are more bank branches today than a decade ago. Whether the pandemic and other forces discussed in this article will finally trigger a permanent demise of bank branches remains a question. See Aaron Klein, "Not all robots take your job, some become your co-worker," The Brookings Institution, October 30, 2019, https://www.brookings.edu/opinions/not-all-robots-take-your-job-some-become-your-co-worker/. Nonetheless, we believe that given the current economic fallout and the potential credit losses by banks, the number of bank branches – and by extension jobs – will decline over time.

implemented with technical expertise and back-office support from a consortium of Community Development Financial Institutions (CDFIs) and the Federal Reserve System.

The banking industry on the mend: Pre-pandemic

Prior to the pandemic, the banking industry was enjoying a broad recovery following its near brush with financial death during the financial crisis of 2008-09. The unprecedented federal rescue efforts during the 2008-09 financial crisis, as well as the enactment of the Dodd-Frank Act of 2010 designed to prevent future recurrences of both disasters and rescues, helped banks to regain their financial health. Despite low interest rates in the decade following the crisis, the industry's profits gradually recovered to near pre-crisis levels, while banks' capital cushions substantially increased.

Nonetheless, until the pandemic, the industry was evolving in two significant ways. The industry continued to consolidate, driven by economies of scale, risk diversification, and mergers of regional banks with each other and regional banks buying smaller banks. As of June 30, 2020 (the latest data available), the number of banks was 5,066, down from 7,830 ten years earlier.[3] Industry consolidation has increased the market share of large banks,[4] as the percentage of banks with greater than $1 billion in assets more than doubled from 8.4 percent to 17.8 percent during the 2010-2020 period.

Additionally, over the last decade, new types of nonbanks – especially fintechs – have emerged with innovative financial technologies. Examples include the automation of lending decisions and related back-office processes, digitization of customer data, and convenient and fast delivery of financial services via mobile apps. The rise of fintechs has induced banks to adapt and modernize their technologies and to re-examine certain business practices, such as deposit account fees. Banks of all sizes have responded by embracing digital technologies to deliver more efficient, convenient, and faster services. But until the pandemic, these trends were gradual, and even as banks were becoming more digital, they were still hanging on to and, in some cases, expanding their brick-and-mortar branches, all to stay in touch, physically and digitally, with their customers.

Meanwhile, even with technologies that made it possible to "bank" without ever stepping foot into a bank office, the percentage of U.S. households who either lack access to deposit accounts or need to rely on relatively high-cost alternative financial services, such as payday loans, pawn shop loans, and money orders, remained high at around 25 percent,[5] while subtle racial discrimination in lending, theoretically stamped out by fair lending legislation and the Community Reinvestment Act ("CRA"), persisted.[6]

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3. Federal Deposit Insurance Corporation, *FDIC Quarterly Banking Profile*, June 30, 2010 and June 30, 2020, https://www.fdic.gov/bank/analytical/qbp/qbpmenu.html.

4. Id.

5. Federal Deposit Insurance Corporation, *2017 FDIC National Survey of Unbanked and Underbanked Households*, October 2018, https://www.fdic.gov/householdsurvey/2017/2017report.pdf.

6. See, e.g., Robert Bartlett, Adair Morse, Richard Stanton, and Nancy Wallace, "Consumer Lending Discrimination in the FinTech Era," University of California at Berkeley, November 2019, http://faculty.haas.berkeley.edu/morse/research/papers/discrim.pdf?_ga=2.146559732.1770981284.1599347479-790190681.1599347479.

The pandemic impact

The pandemic is likely to significantly alter the structure of the banking industry in several ways.

For starters, as others have noted, the banking industry will face substantial, pandemic-driven loan losses over the next few quarters. The extent of credit losses will be dependent on regional and national economic conditions, the duration and severity of the pandemic, and additional government action to bolster the economy – all unknown variables at this time. However, at least one astute observer of the banking industry, law professor and former investment banker Frank Partnoy, fears that the collective losses, especially losses from collateralized loan obligations, could be so large as to imperil the soundness of the entire banking system by the time the recession is over.[7] While we do not believe any Administration and Congress would let this happen, the specter of much larger loan losses than those for which banks have already reserved highlights the possibility of yet another bank rescue effort at some point.

At the same time, banks are facing shrinking net interest margins in light of historically low interest rates and a relatively flat yield curve. The FDIC's second quarter 2020 report notes that the average net interest margin had fallen to just 2.81 percent, *the lowest level since the FDIC first began compiling this data*. And while their net interest margin declines, banks will be increasingly less able to rely on fee income, such as overdraft fees, given the competitively priced, no-fee alternatives offered by fintech disruptors.[8]

In order to address the looming credit losses, offset their declining net interest margins, compensate for lower fee income, and shore up their balance sheets, banks, especially large ones, will need to reduce their operating expenses over the next few quarters. There is one obvious way of doing so and it is already underway: shedding perhaps tens of thousands of jobs and pruning less profitable bank branches in the process.

The pandemic also will likely have a lasting effect on consumer preferences related to their banking and financial activities. During the pandemic, banks across the country either temporarily closed or substantially reduced branch hours to lessen the spread of the virus and to facilitate social distancing measures. It is too early to determine the full impact of reduced branch availability on long-term demand for in-person services. But consumer reliance on alternative delivery channels, such as bank websites, mobile banking, or phone banking, is increasing across the banking industry.[9] If these consumer behaviors persist, banks will have fewer compelling reasons to restore their branch footprints to pre-pandemic levels.

Another pandemic surprise has been the realization by many banks, especially smaller institutions, that the logistical hurdles for adapting digital technologies are in fact lower than they had previously assumed. The Paycheck Protection Program (PPP), which the U.S. Small Business Administration administered through banking organizations[10], such as commercial banks, savings institutions, and credit unions, forced participating banks to automate and digitize however they could and as quickly as possible. Large and small banks

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7. Frank Partnoy, "The Worst, Worst Case," *The Atlantic*, July/August 2020 issue, https://www.theatlantic.com/magazine/archive/2020/07/coronavirus-banks-collapse/612247/.

8. Cory Stone, Dennis Chira, and Aaron Fine, "Beyond Overdraft: A Path to Replacing Unsustainable Revenue," April 2020, https://www.oliverwyman.com/content/dam/oliver-wyman/v2/publications/2020/jul/Beyond-Overdraft-Report-Finalpdf.pdf.

9. See e.g., Penny Crosman, "Digital Banking is Surging. Will It Last?," *American Banker*, April 27, 2020, https://www.americanbanker.com/news/digital-banking-is-surging-during-the-pandemic-will-it-last.

10. One online lender, Kabbage, was able to participate in the PPP by forming and relying on a consortium of banks.

alike scrambled to implement PPP under tight deadlines, ultimately giving them valuable, collective insights into their automation and digitization capabilities. Although the rollout of the PPP program has been subject to criticism, from the banking industry's perspective, the PPP program experience will accelerate innovation, most notably digitization of customer interfaces and back-office processing. This development comes at a very opportune time for banks, as prior to the pandemic, banks increasingly collaborated or partnered with fintechs to do precisely that.

The impact of the fintechs

Fintechs are a diverse group of companies that provide, or enable the delivery of, financial services through software or other technologies. Broadly speaking, fintechs fall into two categories.

In the first group are software or infrastructure companies that support and facilitate financial activities on behalf of established banks and other financial institutions as well as other fintechs. Versions of these "enabling" fintechs actually have been around for a long time and include established incumbents, such as Visa and Fiserv as well as new entrants, such as Nova and Blend.

The second group includes "disruptors" that use innovative technologies as a competitive advantage to compete with established banks and in this respect, are direct threats to banks. Key examples of fintech disruptors include fintech lenders (e.g., Fundbox and Upgrade), neobanks (e.g., Chime and Varo), and payment techs (e.g., Venmo and digital currency companies), among others. Additionally, all banks are concerned about the potential or actual entry into parts of their business – such as payments – by one or more of the Big Tech online platforms.[11] Amazon's entry into payments and Facebook's Libra (despite its troubles) clearly seem to validate those concerns.

Fintech disruptors that compete directly with banks have important advantages. They are not burdened with legacy cost structures nor the brick and mortar investments of traditional banks. Fintech disruptors also tend to be nimble, to have consumer friendly interfaces, and to appeal to the younger demographic. Over the last decade, fintechs have introduced convenient products – such as person-to-person payments and budgeting tools – that are helping to change consumer preferences.

Fintech lenders in particular have made significant inroads into banks' lending business. According to a TransUnion study, fintech lenders originated 38 percent of unsecured personal loans in 2018, up from just 5 percent in 2013.[12] Similarly, fintech payments companies, such as Venmo, have been successful in changing consumer expectations and becoming payment providers themselves.

Against the backdrop of this rapid growth, however, some worrisome trends were emerging for fintechs prior to the pandemic. As mentioned earlier, banks were catching up by making gradual, but steady progress on digitization, often working with enabling fintechs. The business model of fintech lenders involved paying fees to partner banks that made loans and held deposit accounts on behalf of fintechs. With the payment of these fees, fintech lenders had to achieve greater economies of scale to achieve profitability than

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11. See Lisa Quest, Douglas Elliott, Davide Taliente, and Jacob Hook,"Big Banks, Bigger Techs?," Oliver Wyman, 2020, https://www.oliverwyman.com/our-expertise/insights/2020/jul/big-banks-bigger-techs.html.

12. TransUnion, *Q4 2018 Industry Insights Report*, February 21, 2019, https://newsroom.transunion.com/fintechs-continue-to-drive-personal-loans-to-record-levels/.

otherwise would have been the case. Additionally, for some fintech disruptors, their monoline business models proved to be limiting and fragile, particularly in times of financial and liquidity stress, when easy access to funding was gone or difficult to find. Meanwhile, on the regulatory front, the federal banking agencies have been taking steps to introduce initiatives to help level the playing field for banks.[13]

In response to these developments, some fintech disruptors are seeking bank charters of their own, which will give them access to low-cost, insured deposits that will solve their liquidity problems, direct access to the nation's payments system, and additional banking powers. We expect this trend to continue, and as it does, the new "fintech banks" – with all their advantages, including better digital interfaces and top tier technologist talent that established banks generally have a hard time attracting, and none of the legacy costs of their bank counterparts – should pose a serious competitive threat to traditional banks going forward.[14]

The fintechs, of course, will not be alone in leveraging digital technology. *All banks* and their competitors will be going increasingly digital, with fewer brick-and-mortar facilities. The lines separating fintechs and banks will continue to blur through partnerships and as more fintechs formally enter the banking system. The most successful survivors will be those institutions that can blend Silicon Valley-type innovation within a traditional bank regulatory framework.

The social justice impact

Recent police shootings involving unarmed Black civilians have greatly heightened national awareness of, and desire for, not only criminal justice reform but social justice more broadly. In particular, there is a public recognition that income inequality–which disproportionately affects under-represented groups–has been widening even during the pandemic (as it did during the last financial crisis) and remains very difficult to solve.

Prior to the pandemic, there were signs that technological innovations could help narrow inequalities in access to and use of financial services. Fintechs are said to hold the potential to promote financial inclusion, to lower costs of bank services, and to help build financial resiliency. For example, advance access to paychecks and automated reminders for bill payment or savings in theory will allow consumers to access funds quicker and to manage their finances better. More concretely, fintechs have introduced nontraditional underwriting technologies to assess the creditworthiness of borrowers. These nontraditional technologies leverage alternative data, such as cash-flows, to underwrite loans to so-called "thin file" and below prime applicants, thereby helping them build or repair their credit history. In principle, all these trends should gradually reduce the number of the "underbanked," the likely beneficiary of these innovations. However, the unbanked will likely benefit little from these trends.

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13. See, e.g., Office of the Comptroller of the Currency, "Interagency Principles for Offering Responsible Small-Dollar Loans," press release, May 20, 2020, https://www.occ.gov/news-issuances/bulletins/2020/bulletin-2020-54.html.

14. The OCC and the FDIC began to admit some fintech lenders and neobanks into the banking system this year. See https://www.occ.treas.gov/news-issuances/news-releases/2020/nr-occ-2020-99.html, https://www.fdic.gov/news/press-releases/2020/pr20033a.pdf, and https://www.fdic.gov/news/press-releases/2020/pr20034a.pdf.

It's not clear, however, that the pandemic-driven changes in the banking industry – tighter underwriting in the short-term,[15] and greater digitization, fewer physical locations, and potential, socially beneficial innovations in the long-term – will result in a substantial reduction in the number of the unbanked, especially in the aftermath of the pandemic economy. At best, these trends will have mixed outcomes for them.[16]

We have learned after the 2008-09 financial crisis that the economically vulnerable will suffer first and recover last. We have also learned that while the Community Reinvestment Act (CRA), CDFIs, and other programs targeting low- and moderate-income (LMI) populations have improved their financial well-being, structural barriers to banking services still stubbornly exist. According to a recent survey by the FDIC, the number of unbanked and underbanked households declined only very modestly, from 34.4 million in 2013 to 32.6 million in 2017, a stubbornly high statistic given the historically low unemployment rates during that time.[17] These numbers are at risk of increasing again given the pandemic-driven economic downturn and job losses.

The FDIC survey points to the lack of sufficient funds, lack of trust in banks, and account fees as the top reasons for the unbanked not having a deposit account, suggesting that financial resiliency, institutional trust, and affordability must be addressed.[18] In principle, the new financial technologies should make banking more attractive for the unbanked since these technologies have the potential for lowering the costs of banking. In practice, however, unbanked individuals are also likely to be less familiar with mobile banking than the rest of the population. And fintechs, like banks, have economic imperatives that make it difficult for them to facilitate meaningful levels of financial inclusion for the unbanked.

The same FDIC survey also indicated that for underbanked households – whose demographics skew heavily toward households located in rural communities, Black or Hispanic households, and older or disabled households – bank branch use remains prevalent. While younger individuals in these households may ultimately migrate to mobile banking, the expected decline in brick-and-mortar branches is likely to make it even more difficult to budge the underbanked statistics among older lower income individuals.

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15. Banks are tightening credit across the board, citing the negative economic outlook as the main reason. See Board of Governors of the Federal Reserve System, "Senior Loan Officer Survey on Bank Lending Practices," July 2020, https://www.federalreserve.gov/data/sloos/sloos-202007.htm.

16. For example, a 2018 study found that while fintech borrowers tended to have good credit scores at origination and have multiple credit accounts at financial institutions, they were more likely to exhibit significantly worse credit outcomes in the months following credit origination. This finding led the authors of the study to conclude that fintech lending has not necessarily expanded credit access to the underserved but instead has facilitated credit to borrowers with an appetite for high consumption. See Marco Di Maggio and Vincent W. Yao, "FinTech Borrowers: Lax Screening or Cream Skimming?," September 2018, https://www.newyorkfed.org/medialibrary/media/research/conference/2019/fintech/Yao_fintech. On the other hand, another 2018 study found that fintech lending (using Lending Club data as a proxy) has penetrated markets with a declining number of bank branches and underperforming local economies. This study concludes that fintech lending may be helping to expand credit access in the underserved markets. See Julapa Jagtiani and Catherine Lemeaux, "Do Fintech Lenders Penetrate Areas that Are Underserved by Traditional Banks?," March 2018, https://www.philadelphiafed.org/-/media/research-and-data/publications/working-papers/2018/wp18-13.pdf.

17. Federal Deposit Insurance Corporation, *2017 FDIC National Survey of Unbanked and Underbanked Households*, October 2018, https://www.fdic.gov/householdsurvey/2017/2017report.pdf.

18. Another study indicates that high AML costs present another obstacle to the unbanked. This study, conducted by Aaron Klein, argues that "[t]he government likely has to do a better job of tailoring its AML regulation to catch bad actors without unfairly excluding innocent people from the banking system, while private industry has to provide consumers a fair method to contest involuntary account closure and inaccurate placement on the list." See Aaron Klein, "How to Fix the Covid Stimulus Payment Problem: Accounts, Information, and Infrastructure," Just Money, August 18, 2020, https://justmoney.org/a-klein-how-to-fix-the-covid-stimulus-payment-problem-accounts-information-and-infrastructure/.

Not having a bank account is a major impediment to upward economic mobility. Without a bank account, it can be difficult to qualify for rental housing, to save for rainy day funds, or to gain access to credit at reasonable rates of interest. Simply put, not having a bank account is like living in a house without electricity or broadband: you're not plugged into the economy in a way that allows you or your family members to improve your stations in life over time. Finding ways to induce and enable the unbanked to "become banked", therefore, should be at the top of any social justice policy agenda.

Public policy solutions

There are several policy solutions to narrow financial inequalities in the age of accelerating digitization.

On the deposit side, it has been difficult to induce the unbanked to open and maintain deposit accounts, even with conventional bank accounts – such as basic checking accounts that carry low or no maintenance and overdraft fees. More aggressive, out-of-box remedies almost surely will be required.

One solution is to use the spare capacity in postal offices, where mail volumes are down and relatively infrequently visited, to serve as brick-and-mortar branches for low or no cost deposit services. This proposal is not new.[19] In fact, the U.S. Postal Service (USPS) sells money order and remittance products, and in that sense, is already a financial services provider. Further, there are numerous international examples of postal services offering banking services with the explicit purpose of financial inclusion, particularly in Europe but also in Asia and Africa.[20]In a number of these countries, government payments are deposited into postal bank accounts. In March 2020, Senator Sherrod Brown (D-Ohio) proposed a similar idea in legislation that would provide a free mobile deposit account to every American at local banks and at post offices.[21]

To launch the banking operations and to hold the deposits, the USPS should partner with a combination of CDFIs and the Federal Reserve System. Both the USPS and the Federal Reserve are trusted public institutions, and the CDFIs have field expertise. Further the Federal Reserve already operates the nation's payments system and has deep knowledge of the banking industry as well as regional economies, making the Federal Reserve a logical partner for postal banking.

Another source of intergovernmental collaboration should come from the Department of the Treasury. Since the public bank option should not serve as a gateway for fraudsters and other bad actors, the Department of the Treasury should vet the "do not bank list" so that the public bank option truly provides fair access to innocent individuals in the unbanked population.[22]

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19. David Dayen, "The Post Office Should Just Become a Bank," *The New Republic*, January 28, 2014, https://newrepublic.com/article/116374/postal-service-banking-how-usps-can-save-itself-and-help-poor.

20. Alexandre Berthaud-Purata, "Postal Banking Worldwide: Lessons for deepening financial inclusion and ensuring long-term viability of postal operators," The Pew Charitable Trusts, July 16, 2014, https://www.pewtrusts.org/~/media/assets/2014/07/fin_panel-2–postal-banking-worldwide-by-alexandre-berthaudpurata.pdf.

21. Under the proposal, these deposit accounts would be used to receive, transfer, and withdraw money. See Press Release, March 24, 2020, https://www.banking.senate.gov/newsroom/minority/brown-introduces-new-legislation-to-help-hardworking-americans-in-the-coronavirus-relief-package.

22. See Aaron Klein, "How to Fix the Covid Stimulus Payment Problem: Accounts, Information, and Infrastructure," Just Money, August 18, 2020, Just Money, August 18, 2020, https://justmoney.org/a-klein-how-to-fix-the-covid-stimulus-payment-problem-accounts-information-and-infrastructure/.

On the lending side, there are several challenges. One is to enhance the availability of unsecured credit to LMI borrowers at reasonable interest rates – far below the currently exorbitant rates charged by some alternative financial service providers, such as payday lenders and pawnshops. As a practical matter, credit cards are likely the most efficient way for any public bank entity to provide such credit, through CDFIs as the credit card originating institutions. CDFIs can limit their risks in several ways: through initial low credit limits (say $500) that are gradually increased based on the cardholder's repayment history and cash flow; [23] through effective financial literacy training and testing of all applicants; and by selling credit balances to securitizers of credit-backed securities.

This is not to ignore the potential for other key market participants – such as traditional banks and credit unions – and even the public option bank – to make other types of unsecured loans to customers using nontraditional underwriting technologies, such as the use of rent and utility payments to validate credit eligibility.[24] Indeed, in the wake of the pandemic, the federal banking regulatory agencies have encouraged banks to make "responsible" small-dollar loans to consumers and small businesses, not only during the pandemic but once it subsides.

In addition, the banking regulatory agencies are modernizing the CRA rules. Some industry observers also are offering ideas for expanding CRA by applying it to nonbank financial firms, including fintechs.[25] Collectively, these initiatives should increase the availability of mortgage credit and commercial loans in LMI communities.

Finally, although most of the public attention paid to the Federal Reserve's new monetary policy guidance focused on the central bank's intention to replace a single 2 percent annual inflation target with one that is averaged over some reasonable time period, it is less well noticed that the same policy should help narrow income inequalities, as the guidance contains language saying that the Federal Reserve will pursue its employment mandate in an "inclusive manner," taking account of the benefits that a strong economy bring to "low- and moderate-income communities."[26] This subtle language change institutionalizes, at least for the foreseeable future, the fact that wages of those at or near the bottom of the income scale are lifted when the labor market is "tight." While the Fed's new monetary guidance is not a silver bullet that will magically reverse widening income inequalities over the past several decades, it provides a helpful nudge in that direction.

Conclusion

The banking industry will not be immune from the change-accelerating impacts that the COVID-19 pandemic is having on all sectors of the U.S. economy. Post-pandemic, traditional banks will focus on cost

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23. Recent research indicates that cash flow may be more predictive of loan performance than repayment history. See FinRegLab, "*Report: The Use of Cash Flow Data in Underwriting Credit: Empirical Findings,*" July 2019, https://finreglab.org/wp-content/uploads/2019/07/FRL_Research-Report_Final.pdf.

24. Any nontraditional validation of credit eligibility, however, requires testing for effectiveness and unintentional disparate impact.

25. Eugene Ludwig, "Societal Upheaval Strengthens the Case to Expand CRA to Nonbanks," *American Banker*, June 22, 2020, https://www.americanbanker.com/news/societal-upheaval-strengthens-case-to-expand-cra-to-nonbanks-ludwig.

26. See, Stephanie, Aaronson, "A More Inclusive Employment Mandate," Brookings Institute, August 28, 2020, https://www.brookings.edu/blog/up-front/2020/08/28/a-more-inclusive-employment-mandate/.

reduction, decreasing their physical presence, and technology innovations. While fintechs are viewed as potentially capable of expanding banking access, they face certain economic and other dynamics that will limit their ability to address the unbanked.

These trends are likely to have mixed effects, at best, on narrowing the persistent gap between the unbanked and the remaining population. Given the substantial benefits of having a banking relationship, addressing the gap will require more aggressive public policy intervention, especially in the aftermath of the COVID-19-related economic fallout and recent social justice movements. A "public banking option" piloted and administered through the USPS in partnership with the private sector and the Federal Reserve offers the best means of accomplishing this objective.