



INDEPENDENT COMMUNITY
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Payments Executive Brief: Supporting Customer Needs Through Digital Financial Literacy

COVID-19 is the latest threat to the financial services industry to raise worry and fear among consumers and businesses. With concerns over the cleanliness of paper-based payment options like cash and checks, and limited in-person branch offerings, digital payments are gaining new traction as a safer way to make and receive payments.

While interest in digital payments may be increasing, use has not reached a pinnacle. Customers remain apprehensive about these products, possibly due to a lack of understanding: according to one recent [survey](#), 22 percent of consumers have yet to use a digital wallet because they don't understand how. Similarly, while Apple Pay now works on [93 percent](#) of all iPhones in the United States, its utilization at the point of sale prior to the pandemic was declining—[only 5.1 percent of consumers reported using Apple Pay](#), down from 6.9 percent at its 2017 height.

In the wake of the unprecedented coronavirus pandemic, digital payments have become the new norm for many inexperienced users. With the April backdrop of National Financial Literacy Month, community banks have a timely opportunity to support the needs of their customers by easing fears through deeper digital financial literacy.

What Does Digital Financial Literacy Mean for Your Bank?

In this time of migration to digital channels, digital financial literacy can provide greater awareness of your offerings, helping customers to consider conducting transactions in new, digital ways. To do that, banks will need to enhance their customers' grasp of digital channels by:

- Providing the necessary knowledge and skills for them to use digital devices and services for financial transactions.
- Ensuring a thorough understanding of basic functions, uses, and benefits of digital channels.
- Educating them on ways to minimize risks associated with digital products and protect themselves.
- Offering insights on customer rights related to transactions, data security and privacy, and procedures for addressing issues if they arise.

April is
**Financial
Literacy
Month**

Why is Digital Financial Literacy Important for Your Customers?

Education is an essential part of meeting customers' needs and furthering your relationships with them. In fact, studies report:

- [55 percent](#) of consumers seek out financial literacy resources from their primary financial institution, outranking online sources, family and friends, and even financial planners and advisors.
- [Nearly 40 percent](#) indicate that if their primary financial institution offered a financial education program, they would find it "extremely" or "very" valuable.

Empowering your customers with the knowledge they need around digital topics can help alleviate concerns, lessen confusion, and identify ways to allow them to digitally:

- Access their money, both through deposits and payments
- Increase transparency into their transactions
- Support their payments needs and minimize their reliance on paper-based payment options
- Maintain control over their finances
- Manage their cash flow efficiently

What's more, meeting the digital financial needs of your customers not only advances their personal development, but provides an organizational growth opportunity for your bank as well: [28 percent](#) of millennials and [23 percent](#) of Gen X indicate they are inclined to bring you more of their business if you offer educational resources.

Supporting Digital Financial Literacy

To support your customers' educational needs around digital payments, community banks must be armed with the tools and solutions that can answer pressing questions and help customers become savvier around digital channels. ICBA offers solutions to help, including a [Financial Literacy Toolkit](#) that provides sample resources for reaching varying customer demographics.

In addition, the following tools and resources can help provide other turnkey educational options for your customers.

Digital Financial Literacy Resources	
For Community Banks	For Consumers
<ul style="list-style-type: none">• Digital Payments: Defining Opportunities for Community Banks• Digital Wallets: An Overview• EVERFI• ICBA Bancard Digital Payments Strategy Guide• ICBA Financial Literacy Toolkit	<ul style="list-style-type: none">• Practical Money Skills – VISA• Money 101 for College Students – VISA• Consumer Financial Protection Bureau• Money Smart – FDIC• MyMoney.gov – Federal Financial Literacy and Education Commission• Federal Reserve Education – Federal Reserve• JumpStart Clearinghouse – Jumpstart Coalition for Personal Financial Literacy

As the world continues to evolve, digital payments are becoming a more important part of our payments' ecosystem, so it is important that customers can make informed—financially literate—decisions about digital payments.

With a firm grasp on digital payments, and an understanding of available resources, community banks can serve as the go-to resource to support the educational needs of their customers. For ways to enhance your educational efforts, take advantage of any of the above resources and dive deeper into [ICBA's Financial Literacy Toolkit](#).



Minimizing Digital Payments Risk

Digital payments are a safe and secure method of making and receiving payments. But it is increasingly important to help customers minimize risk and protect themselves from fraud and scams with the [IRS reporting](#) an increase in call, text, social media, and email phishing attempts related to Economic Impact Payments. Against this backdrop, community banks must reiterate the importance of customers safeguarding their accounts.

Key actions community banks may take include:

- Creating a fraud and scam resource center.
- Reinforcing to customers that they should reach out to you directly if approached by anyone for account information.
- Urging customers to avoid clicking directly on links from emails or text messages and, instead, going to the source website directly.
- Ensuring password security and timely password updates.
- Reminding customers to perform regular software updates on their digital devices.
- Encouraging them to report fraud attempts to the proper authorities, including the [IRS](#) and the [Treasury Department](#) for economic stimulus payment issues.

In addition, community banks may leverage the following resources to craft and share key customer communications:

- [Consumer Financial Protection Bureau Fraud and Scam Information](#)
- [Federal Trade Commission Scam Information](#)
- [Office of the Comptroller of the Currency Fraud Resources](#)
- [Federal Deposit Insurance Corporation Cybersecurity Awareness](#)