

House Committee on Financial Services

Written Statement of

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Chairwoman Waters, Ranking Member McHenry, and distinguished members of the Committee, I appreciate the invitation to appear before you to talk about U.S. Bancorp, innovation in the retail banking business, and the people, businesses, and communities we serve.

U.S. Bancorp is the parent company of U.S. Bank, which was founded in 1863 in Cincinnati, Ohio; we still operate under this original charter. We are headquartered in Minneapolis, Minnesota, and for nearly 160 years, our company has grown to serve millions of customers and clients by helping them realize their dreams and save for the future.

We are a regional financial services firm with assets of \$587 billion, approximately 70,000 employees, and more than 2,000 branches in 26 states. Our corporate structure is simple and straightforward. We operate four core businesses: Consumer and Business Banking, Corporate and Commercial Banking, Payment Services, and Wealth Management and Investment Services.

Our teams work diligently and responsibly, which has resulted in the Ethisphere Institute naming U.S. Bank as one of the World's Most Ethical Companies eight years in a row. Because of our financial discipline, strong underwriting, and first-class risk management, U.S. Bank has among the highest debt ratings. We have also successfully passed the Federal Reserve's CCAR stress test every year.

These achievements would not be possible without our exceptional employees. We know people have options for where they will build their careers, and we seek to attract top talent and support our employees by offering competitive compensation and benefits. We continually look to enhance our offerings to respond to the things employees find most valuable. In fact, we recently expanded leave benefits and announced increases to our minimum wage and merit pay.

I would like to share our perspective on three key areas that may be of interest to the Committee:

- First, in our retail banking business, we have invested for the future so all of our customers have access to safe, reliable, and trusted banking products.
- Second, during the pandemic, we worked hard to support our employees, serve our customers, and help businesses in need.

- Third, we remain focused on fulfilling our commitments to diversity, equity, and inclusion.

**In our retail banking business, we have invested in the future to ensure consumers have access to safe, reliable, and trusted banking products.**

It is a dynamic time to be in financial services. Whether interacting with customers, developing new products and services, or collaborating with others across our organization, the opportunities, and decisions we make today are transforming the banking business. Our vision for the future of banking combines human plus digital engagement to deliver the products and services that our customers need to succeed on their financial journeys.

*Branch Network*

Branches are a critical component of our connections to our customers. By using our branch network in combination with digital tools, we enable our customers to be more connected to their financial future. We are continuously reviewing our branch structure, making changes to improve the customer experience, and working to ensure that the needs of our communities are met.

During the past year, I personally met with hundreds of community leaders who told me that branches are a beacon of hope in many communities. I agree with this, and we have worked across the country to ensure that this hope remains strong. Additionally, we have a large number of branches serving our customers in rural areas. We value the connection that our branches have to those communities, and we are committed to ensuring that these towns and villages have access to first-class banking services.

*Digital capabilities*

We seek to meet customers where they are. Last quarter, 82 percent of our consumer transactions were enabled by our digital capabilities, with 64 percent of loan sales executed digitally. Digital advancements that differentiate us from the market add to the customer experience. Independent reviewer Javelin Research named us the [overall leader in mobile banking in 2022](#). In addition, our mobile app won accolades, including the No. 1 ranking among banking apps by industry benchmarking firm Keynova Group and No. 1 rankings in both [Alerts and Account Management](#) categories. We have delivered more than 200 new features across our consumer website and mobile app this year. In April, we launched [Asistente Inteligente de U.S. Bank™](#), a Spanish-language version of our best-in-class Smart Assistant in the U.S. Bank mobile app. Smart Assistant is one of just two banking voice assistants awarded Corporate Insight's highest rating of "Excellent," and Asistente Inteligente has all the same features and functionality as the popular English-language version. These digital advancements are important because they simplify the banking process for our customers, allowing them to spend less time banking and more time on the activities that matter most to them.

*Cobrowse*

Another market innovation we have developed is Cobrowse with video. This tool allows a banker to work with a customer remotely connected on the same device without the customer having to come into the branch. Customers with limited mobility can have their questions answered in the palm of their hands. For example, a family member may contact us when their loved one, who handled the family finances, is no longer able to do so. Cobrowse gives our customers a level of comfort that they can work directly with a banker even if they are not able, or do not desire to, come into a branch.

### *Simple Loan*

We know there are times when an unexpected expense or hardship arises, which is why we created a low-cost, small-dollar loan product to help our customers address short-term liquidity needs. We were one of the first banks to offer a small-dollar loan product, launching it in 2018.

The Simple Loan provides up to \$1,000, which can be repaid over a three-month period at an interest rate that is substantially below that of other alternative financial service providers. Simple Loan gives consumers access to affordable short-term credit that allows them to begin building a credit history. With a positive credit profile, access to more mainstream credit options become accessible creating stability and financial growth opportunities.

This loan can be funded in a matter of minutes on our mobile app and enables our customers to address their financial needs immediately. It is structured so that for every \$100 borrowed a borrower pays a \$6 fee. For example, if a customer borrows \$400, their fee will be \$24 to be paid back in three monthly payments of approximately \$141.33 each. We believe this product helps our customers, who may otherwise need to rely on more expensive options, save their hard-earned money. We have also learned that many customers use the product to pay down other, more expensive debts. Our surveys have found that nine out of ten Simple Loan users are satisfied with the loan process, valuing the ease of use and speed at which they can get funded.

### *Small business*

Small businesses are the foundation of our economy, and our goal is to make it easy for them to get the funding they need to grow. Our goal is to make small-business lending simple and straightforward. Through our innovations, we can now approve and fund a small business loan of up to \$250,000 in less than 15 minutes. Additionally, our investments enable small-business owners manage their money with time-saving software so they can get back to what they are most passionate about—serving their customers.

Last year, we aligned our Access Business program with our Access Commitment™ initiative, which further expanded our lending to underrepresented small businesses (more detail on this initiative is provided later in this testimony). We have cultivated business access advisors (BAAs), who are culturally competent professionals dedicated to providing consultation and guidance to minority business owners in nine markets: Chicago, Charlotte, Colorado Springs, Denver, Los Angeles, Little Rock, Minneapolis/St. Paul, Omaha, and San Francisco. We intend to double the size of this program as part of the community benefits plan that we recently announced in conjunction with the proposed acquisition of MUFG Union Bank. We initially focused this program to support Black business owners, and we will grow it to support Hispanic

business owners in 2023. Our goal is to support micro-businesses (less than \$500,000 in annual revenue) to fuel growth and employment. In the first half of 2022, more than 250 business owners were engaged with BAAs through our program.

### *Mortgages*

Because having a safe and affordable place to live is important to achieving financial stability, we created programs to address mortgage affordability for our customers. In addition to the “Home Ready” and “Home Possible” programs at Fannie Mae and Freddie Mac and the FHA program, we have created our own proprietary U.S. Bank “American Dream™” loan. Our product has helped thousands of low- and moderate-income (LMI) borrowers become homeowners and is unique in that it uses manual underwriting, allowing for a more comprehensive look at a borrower’s financial situation instead of relying on a computer-generated assessment of a borrower’s credit. Another unique feature of this loan product is that it can fund down payment assistance and home repairs. In conjunction with these loans, we launched Access Home as a pilot program in 2021 to help increase Black homeownership through engagement with community partners, financial education, and recruitment of community-based loan officers and appraisers. We have launched this pilot in five cities and plan to expand to more cities in the near future.

We have focused on building a world-class mortgage group that meets the needs of our customers and offers end-to-end products and services that help them realize the dream of homeownership. We service nearly 1.9 million mortgage loans, including almost 1.3 million mortgages serviced for Fannie Mae, Freddie Mac, Ginnie Mae, USDA, VA, and Housing Finance Agencies (HFAs); 315,000 mortgages held on our balance sheet; and 262,000 home equity mortgages. Our HFA lending channel supports state and local HFAs’ down payment assistance programs. We are a leading partner that provides these services, and we do so for 13 state HFAs and 26 local HFAs.

Our mortgage servicing division has been recognized for providing industry-leading performance:

- We achieved the rating of [SQ2](#) from independent rating agency Moody’s as an above average prime servicer over multiple years. U.S. Bank is one of a very few servicers to be rated as high as SQ2.
- We achieved the [Servicer Total Achievement and Rewards \(STAR\)](#) servicing designation over multiple years from Fannie Mae.
- We achieved a leading Tier 1 rating from HUD for servicing for the past 30 quarters and received a perfect score of 100 percent in the Loss Mitigation area for 23 consecutive quarters.
- We were named winner of Outstanding Transformation in Digital Servicing during COVID-19 in March 2022 by Digital Banker.
- We were named by [Kiplinger’s](#) as the leader in Digital Servicing capability in 2021.

### *Privacy*

Our customers and clients trust us with their data. We strive to earn that trust by protecting the confidentiality, integrity, availability, and privacy of customer data.

U.S. Bancorp maintains a comprehensive enterprise data protection and privacy program (Privacy Program) designed to identify and mitigate risks to the privacy and security of customer, employee, and company information. The Privacy Program is designed to comply with all applicable laws and regulations governing the privacy of personal data.

It is important for us to have clear and accessible policies around how information is collected and how we use it. We have several privacy notices tailored to varying business practices that describe the purpose for which personal information is collected, used, shared, and maintained. Our [main privacy notice](#) for U.S. Bank and U.S. Bancorp Investments Inc. (USBI) is based on the Gramm-Leach-Bliley Act's (GLBA) Model Form Privacy Notice. We have additional privacy notices, which are also based on GLBA's Model Form Privacy Notice, for other relationships which can be found [here](#). Within the GLBA notices, U.S. Bank also includes notices in accordance with the Fair Credit Reporting Act (FCRA) to inform a consumer about the sharing of transaction and creditworthiness information among affiliates and to provide an opportunity to opt out. Although not required under GLBA or the FCRA, we also provide our customers with the ability to limit direct marketing to them via mail, phone, and/or email.

We maintain an [Online Privacy and Security Policy](#). This privacy notice for our various digital properties (including [usbank.com](#)) describes the treatment of information that visitors to our websites and mobile applications provide to us or information that we collect.

For additional information about our efforts to earn and keep our customers' trust through protecting the confidentiality, integrity, availability and privacy of customer data, please see our [ESG Report](#).

### *Financial Education*

We are committed to supporting our communities by empowering individuals and businesses with a comprehensive approach to financial education, including free financial education options, our [Financial IQ website](#) and our regular Financial Wellness Webinars and newsletters. Through these educational options individuals learn tips for setting goals and building smart financial habits. Topics include: saving, investing, credit, debt, red flags of elder fraud, homeownership, college preparation, job planning, and more. Our in-language financial education programming includes Spanish.

We try to bring awareness to financial fraud, and how to recognize trending scams. Webinars on fraud issues are available for all of our customers. We also have specific programs for elderly customers and their caregivers on how to recognize, react and report fraudulent activity. We conduct campaigns across our branches, ATMs, social media and marketing channels to bring awareness to common fraud and scams impacting consumers and we generate alerts to bring awareness to potential scams during the money movement process.

We also partner with Operation HOPE as a member of "Financial Literacy for All," a 10-year national initiative to reach millions of youths and working adults by making financial literacy enjoyable and engaging.

Supporting students is an additional area of emphasis. In 2021, we celebrated the 10th year of our online Student Scholarship Program. Primarily serving students of color, it offers learning modules to students on topics ranging from credit scores, to savings, to financing higher education. In 2021, approximately 51,000 students completed 275,000 financial education modules.

### *MUFG Union Bank*

A year ago, we announced our proposed acquisition of MUFG Union Bank. If approved, our combined organization will result in a stronger bank on the West Coast for customers, communities, employees, and the economy as a whole. We believe that existing Union Bank customers will benefit from U.S. Bank's digital tools and innovative products. We also expect customers will benefit from enhanced small-business lending products, lower overdraft fees, affordable emergency small dollar loans, and world-class customer service. The California market is currently dominated by a few players. The U.S. Bank/Union Bank combination enhances competition by establishing a new, formidable regional bank competitor in that market.

We filed our merger applications with federal regulators on October 6, 2021. Since that time, I have met with hundreds of community leaders across the country, participated in a Federal Reserve/OCC public hearing, and developed a \$100 billion community benefits plan (CBP) to be implemented following approval of the transaction and customer conversion. During this process, we worked with the National Community Reinvestment Coalition and the California Reinvestment Coalition, each of which supports this transaction because they know we will be a solid partner in the community. We recognize that banks are the economic engines of our communities. As such, we can make meaningful and significant impacts in supporting the ability of LMI communities and communities of color to access capital and build wealth. This plan will create a ripple effect benefitting communities across the country. Details of the CBP can be found [here](#).

Employees will benefit too. We will retain all Union Bank front-line branch employees and increase the minimum wage to \$20 per hour. Also, our employees will have access to technology that will help them better serve our customers. The combined company will be a stronger employer across the West Coast for years to come.

**During the pandemic, we worked hard to support our employees, service our customers, and help businesses in need.**

### *Employees*

The COVID-19 pandemic impacted every aspect of our lives. Our primary goals during this time have been to make sure that our employees are safe, and our customers are well taken care of. In 2020, our teams quickly shifted to remote work wherever possible, and we took quick action to provide safe work environments for our employees where remote work was not an option. We instituted new policies that facilitated remote work, offered incentives to those who needed to be in our facilities in person, and expanded our leave policies to allow employees to care for

themselves and their families. We expanded drive-up options to promote social distancing in our branches, and we regularly checked in on our team to make sure that they were doing okay.

### *Paycheck Protection Program (PPP)*

Once PPP launched, we were eager to get to work. We dedicated thousands of U.S. Bank employees from across the country to stand up our program. Our goal was to help as many businesses as possible, regardless of their size. For U.S. Bank, the number of businesses supported mattered more than the size of the loan. We secured funding approval for more than 175,000 applicants, totaling approximately \$10.8 billion and the potential to impact more than 1.1 million employees across the country.

Importantly, we did not limit our engagement to our existing customers or our biggest customers. Instead, we reached out across the country from large cities to small towns and assisted existing customers and non-customers alike. We also supported minority communities and successfully made PPP loans to thousands of minority and woman-owned small businesses.

You also may be interested to know:

- Approximately 88 percent of loans approved via U.S. Bank were for less than \$100,000. Our average PPP loan was approximately \$62,000.
- Approximately 94 percent of approved loans went to businesses with 20 employees or fewer, and the average company size was 8 people.
- The top five industries supported, as reported by applicants, were full-service restaurants, dental offices, real estate agents and brokers, insurance agencies and brokerages, and legal offices.
- Recipients represented businesses and workers across 48 states and the District of Columbia.

### *PPP Bridge Funding for CDFIs*

Community Development Financial Institutions (CDFIs), like other community-based groups, faced significant challenges during the COVID-19 pandemic. Recognizing this, and the urgent need for the services that CDFI's provide, we committed \$50 million of below-market rate capital to several CDFIs so they had the liquidity to provide PPP loans to their smaller, less-well capitalized borrowers, many of whom would be Black, Indigenous, and People of Color (BIPOC) and woman-owned. We then went a step further and acted as correspondent bank for seven CDFIs to facilitate access to the Federal Reserve's PPP Liquidity Facility Program. This provided liquidity to CDFIs through U.S. Bank's Federal Reserve discount window account to fund PPP loans.

### *Mortgage Pandemic Assistance*

From March 2020 through June 2022, U.S. Bank worked proactively to help approximately 234,000 mortgage customers through assistance programs. Our bank undertook a total of nearly 357,300 loss mitigation treatments such as forbearances, modifications, and deferments. We also

improved digital capabilities, which empowered borrowers to choose to work with a servicer directly or use self-service options.

U.S. Bank is an active participant in the Treasury-led Homeowner Assistance Fund (HAF) programs and has received about \$18.5 million in payments for approximately 1,860 customers. This program is still in its initial stages, and we expect these numbers to increase substantially as more states initiate companion versions. As a result of actively engaging customers early in the process and providing multiple forms of assistance, we believe that we have been able to reduce the risk of customers going into foreclosure. Ninety-eight percent of the customers who received a forbearance are no longer delinquent post-forbearance.

**We remain focused on fulfilling our commitments to diversity, equity, and inclusion (DEI).**

George Floyd was murdered less than two miles from our headquarters. His death and the ensuing public demonstrations caused many companies, including U.S. Bank, to examine their ability to address racial disparities. One of our first actions was to show our commitment to our community by rebuilding our damaged branches in Minneapolis and donating another property to be developed by a local CDFI.

Our commitment to DEI shows up in everything we do and finds its focus in our Access Commitment™, our multi-year, multi-dimensional initiative to help close the racial wealth gap. This is important to me personally, and I am committed to doing better on behalf of all of U.S. Bank. In February 2021, we launched this framework to help build wealth, redefine how we serve diverse communities, and create more opportunities for employees, starting with the Black community. Our commitment builds upon initial commitments we made in June 2020: a focus to have our workforce reflect the communities we serve, support Black-owned businesses through grants, access to capital, and supplier relationships, and support nonprofits and community institutions working toward racial equity. The work is focused on three primary areas: supporting businesses owned by people of color, helping individuals and communities of color advance economically, and enhancing career opportunities for employees and prospective employees. To date, we have made substantial progress on our 2020 commitments:

- We committed more than \$197 million in capital to Black-owned or-led businesses and organizations through U.S. Bank Community Development Corporation (USBCDC) in 2021.
- We made \$305 million in loan commitments to CDFIs during 2021.
- We received a \$65 million New Market Tax Credit allocation that will help finance community investments in projects that support racial equity.
- We invested in McKinsey Black Leadership Academy development career training for 260 Black executive and mid-level leaders.
- We expanded our inclusive hiring practices in 2021 to require the inclusion of at least one woman or person of color on interview slates for all roles at U.S. Bank.
- We have committed to expanding the Access Commitment™ in 2023 to reach Hispanic communities in need.



As a company, we take our commitment to diversity very seriously. U.S. Bank was named to the [DiversityInc Top 50 list](#) for the fourth consecutive year. In addition, our Board of Directors is a leader among large companies in terms of board diversity, with nearly 60 percent identifying as women and/or people of color. We have a Board of Directors that brings a diversity of perspectives, a Chief Diversity Officer who reports directly to me, and managing committee-level support for all DEI initiatives.

Every day, we work hard to earn the trust of our customers and communities and to create value for all our stakeholders. One way we are doing this is by integrating key environmental, social and governance (ESG) topics into our overall business strategy. As our world continues to evolve and change, so must our approach to addressing the challenges facing it. We are focused on identifying and mitigating the risks to our company that are presented by our changing world and on seizing opportunities to provide for the continued health of our company. Our ESG efforts reflect our commitment to being a responsible corporate citizen, including our work to meet our Community Reinvestment Act (CRA) goals, to support community development through the U.S. Bancorp Community Development Corporation, and to dedicate ourselves to creating an inclusive workplace. Our most recent [ESG report](#) was released in August 2022 highlighting our commitment to DEI and sustainability.

#### *U.S. Bancorp Community Development Corporation (USBCDC)*

Our community development work also focuses on equity. The USBCDC is a national leader in community development financing, delivering social and environmental impact, primarily through tax credit investing and community lending. Underlying all our work is a commitment to racial equity. We invest, lend and help manage capital in ways that advance economic opportunity for all with a goal to close the racial wealth gap.

We are intentional about this work, investing in projects and providing responsive capital to partners who share our commitment, helping build capacity in organizations that have historically been doing this work, and driving more conversation about racial equity within the community-development industry.

Our investments in affordable housing, economic development in LMI communities, historic renovations, and renewable energy have a lasting social and environmental impact in communities. We provide innovative financing solutions for community development projects nationwide using state and federally sponsored tax credit programs, and we lend to affordable housing and solar projects to help bridge financial gaps.

*Expanding Access to Affordable Housing:* Investments in affordable housing are one way we are working to help bring economic opportunity to those who need it most. In 2021, USBCDC invested more than \$989 million in Low Income Housing Tax Credit (LIHTC) equity and provided more than \$951 million in affordable housing lending, helping create more than 28,486 affordable housing units across the nation.

*Driving Economic Development in LMI Communities:* New Markets Tax Credits (NMTC) create opportunities for us to invest in economic development projects that can

help build thriving communities. By driving capital to historically under-invested areas, these investments can help close gaps and promote much-needed business growth, job creation and economic development. In 2021, USBCDC invested more than \$333 million in tax credit equity in more than 130 projects across every state in the country—plus Puerto Rico and Guam.

*Caring for Our Environment:* USBCDC’s Renewable Energy Tax Credit (RETC) investments are one of the ways we can be a responsible steward of the environment, address climate change and create jobs in the process. We invest in projects that help provide clean energy options to our nation’s homes, towns, and businesses, primarily through residential, utility, and community solar projects. See the “Enable a Sustainable Future” section of our latest [ESG Report](#) for more information.

*Supporting CDFIs:* We recognize the critical role CDFIs play in bringing investment to underserved communities and those who may not be eligible for traditional business financing, and we value their focus on women- and minority-owned businesses and LMI communities. We are focused on expanding CDFI relationships and exploring innovative ways to support them. Some recent examples include the first racial equity bond with a CDFI, and grants to support Black- and person of color-led developers through our Access to Capital initiative (see page 80 of our [ESG Report](#)). Through U.S. Bank Access Fund, we are working through African American Alliance of CDFI CEO-member organizations to support women of color-owned microbusinesses.

*Leveraging Our CDE to Drive Equity and Help Close the Racial Wealth Gap:* U.S. Bank’s Community Development Entity (CDE) has made a strategic commitment to use its allocation on projects that support racial equity and accountability. This includes the \$65 million NMTC allocation it was awarded from the U.S. Department of the Treasury in 2021. Projects are evaluated based on a scorecard that considers key racial equity objectives, such as whether the project decreases segregation and inequality, increases quality schools, and improves social capital. Our goal is for the benefits to flow from those projects directly to the communities that need them most.

## **Conclusion**

At U.S. Bank, we believe relationships are a differentiator. That is why we are taking the best of our person-to-person interactions and enhancing them with new digital capabilities. This allows us to help people bank when, where and how they want—with the support of trusted partners and advisors who can guide them every step of the way. Relationships are the center of our business, and the core of all the communities we serve, and that commitment will never change.

As I mentioned earlier, at U.S. Bank, we are a consumer banker. Our bank was built on the premise of creating opportunities for our customers. We offer traditional banking products like checking accounts, savings accounts, credit cards, mortgages and auto loans. We are a responsible provider that works for American consumers and the economy as a whole.

I want to close by thanking our employees for the work they do for our customers and communities every day. Our employees stepped up to help combat the impact of the Covid-19 pandemic, they work to make our communities better every day and they ensure that their customers are getting first class service. As we face rapid changes in the financial services sector, I am proud to work alongside such amazing members of our U.S. Bank team.

Thank you for your leadership and the work you do for our country.