

Serving the Unbanked: Changes to Traditional Banking to Impact Profits

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REPUBLIC BANK

Background

Republic Bank leadership seeks to address barriers in traditional banking that prevent millions from accessing financial services. Identification remains the primary challenge for individuals without Social Security numbers (SSNs), limiting their ability to open accounts, secure credit, and build financial stability. To foster inclusivity and economic mobility, leadership sought to explore alternative identification methods while ensuring regulatory compliance and effective risk management.

Driving Research Question

How can Republic Bank & Trust Company implement effective strategies and alternative identification methods to offer mortgages, credit cards, and credit-building services to individuals without SSNs, fostering financial inclusion and economic stability within their service areas?

Literature Review

An extensive literature review was conducted to understand the challenges posed by traditional banking identification requirements and their impact on financial access. Conclusions were derived from examining regulatory frameworks, compliance standards, and alternative methods used within the financial system.

- * SSN-based verification prevents financial access for millions, pushing many into high-cost alternatives that limit credit-building and long-term stability (Federal Deposit Insurance Corporation, 2023).
- * Regulatory frameworks must adapt to emerging financial innovations, yet inconsistencies in compliance guidance create hesitation among banks in implementing alternative identification methods (Consumer Financial Protection Bureau, 2018).
- * Advancements in financial technology, including real-time verification and AI-driven risk assessment, demonstrate that non-SSN identification can be securely integrated into know-your-customer/anti-money laundering frameworks (Mir et al., 2021).
- * Expanding financial access through alternative identification improves credit-building, homeownership rates, and economic stability for underserved communities (Enudi, 2024).

Research Methods

A social science approach utilizing quantitative secondary data was employed to analyze Republic Bank's strategic options for expanding financial access, which included

- * Quantitative datasets were provided by Republic Bank as secondary data, supplemented by FDIC reports to examine for financial service accessibility trends for non-SSN holders;
- * Statistical analysis methods were used to identify the primary cause of product denials with additional validity testing to verify the reliability and applicability of findings; and
- * Comparative evaluations and a risk matrix were created to assess feasibility, scalability, and compliance to determine the most viable and implementable solution.

Key Findings

- * Analysis revealed that reliance on SSNs for identity verification is a significant barrier, leading to denial rates as high as 97% for non-SSN holders.
- * Implementing individual taxpayer identification numbers (ITINs) as alternative identifiers can effectively reduce exclusion for non-SSN holders while maintaining compliance with know your customer and anti-money laundering regulations.
- * Despite demonstrating financial stability, individuals without SSNs experience disproportionately higher rejection rates of over 400% for credit products, indicating that identification requirements, rather than creditworthiness, are the primary obstacle.
- * Risk assessments indicate that ITIN-based lending poses minimal additional compliance risk when accompanied by enhanced due diligence measures.
- * Comparative evaluations suggest that integrating ITINs into existing banking systems is more feasible and scalable than other alternative identification methods, offering a practical balance between regulatory compatibility and operational efficiency.
- * Adopting ITIN-based verification can expand a bank's customer base, enhancing financial inclusion and providing economic benefits to underserved communities.

Multi-Frame Model

A multi-frame approach was used to evaluate Republic Bank's ITIN-based banking strategy, integrating customer experience, ethical business practices, and structured change management. This model ensures a comprehensive perspective on implementation, balancing regulatory compliance, financial inclusion, and long-term sustainability.

- * *The Experience Economy* emphasizes customer engagement by structuring ITIN-based services to enhance trust, accessibility, and user experience in financial interactions (Pine & Gilmore, 1999/2011).
- * *The Virtuous Business Model* aligns financial inclusion efforts with ethical, social, and economic responsibility, ensuring Republic Bank's approach supports both business sustainability and community impact (Indiana Wesleyan University, 2022). See Figure 1.
- * *Kotter's 8-Step Change Model* provides a structured framework for phased implementation, guiding Republic Bank through stakeholder engagement, employee training, and process adoption for ITIN services (Kotter, 2012/1996). See Figure 2.

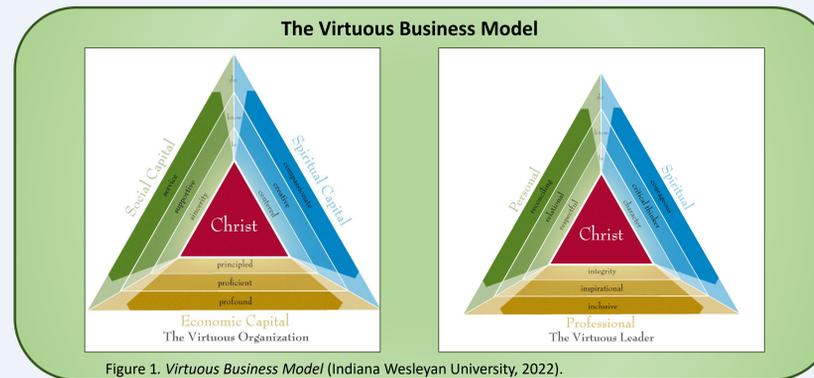


Figure 1. Virtuous Business Model (Indiana Wesleyan University, 2022).



Figure 2. 8-Step Change Model (Kotter, as cited by Mutomorro, n.d.).

Recommendations

The literature review and research analysis were utilized to identify the most viable solutions for Republic Bank leadership through the evaluation of cost, complexity, and feasibility.

- * Introduce ITIN-based banking services through a structured, multi-phase rollout that ensures compliance, operational readiness, and risk management.
- * Provide employee education, customer financial literacy programs, and targeted outreach initiatives to build trust and increase adoption.
- * Upgrade internal banking infrastructure to support ITIN verification while tracking key performance metrics to refine the strategy over time.

A phased rollout minimizes risk by allowing for controlled implementation, starting with secured products before expanding to broader financial services. Training and outreach efforts will be essential to both employee preparedness and customer adoption, ensuring staff are well-versed in ITIN verification while educating non-SSN holders on available banking options. Additionally, integrating ITIN verification within existing banking systems and monitoring key performance indicators will enable Republic Bank to track adoption rates, regulatory adherence, and overall impact. By taking a strategic and measured approach, Republic Bank can expand financial access responsibly while maintaining compliance and optimizing long-term sustainability. See Figure 3.

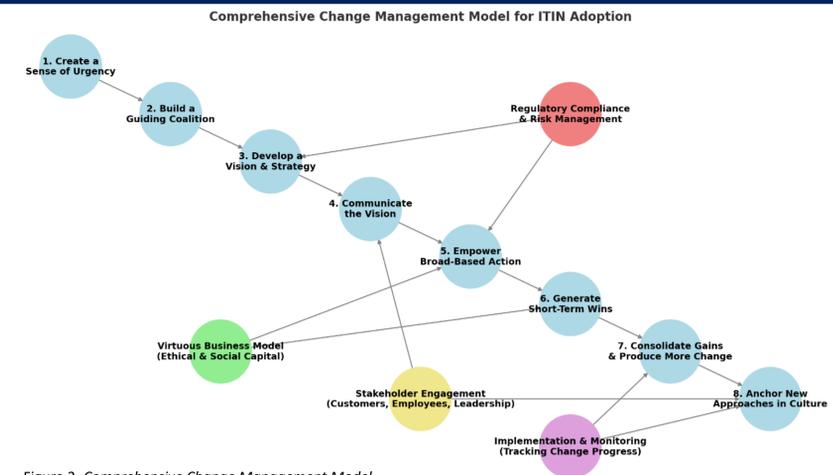


Figure 3. Comprehensive Change Management Model.

Conclusion

This research contributes meaningfully to the ongoing discourse on financial inclusion, demonstrating how banks can balance innovation, regulatory compliance, and market expansion through a structured, evidence-based approach. Republic Bank is well-positioned to strengthen its role in offering alternative identification-based banking products that enhance economic stability and financial empowerment among historically underserved populations (Broady et al., 2021). By implementing a phased ITIN-based lending strategy supported by data-driven decision-making, Republic Bank can integrate sustainable financial solutions while maintaining compliance and operational efficiency. This strategic framework reinforces the bank's competitive advantage and affirms its commitment to serving diverse communities through inclusive and responsible banking practices.

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