

Overview of the FDIC's Unbanked and Underbanked Surveys

Eleventh Annual Payments Conference

May 19, 2010

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Agenda

- Background.
- FDIC household survey highlights.
- FDIC Model Safe Accounts Pilot
- Conclusions and next steps.

Background

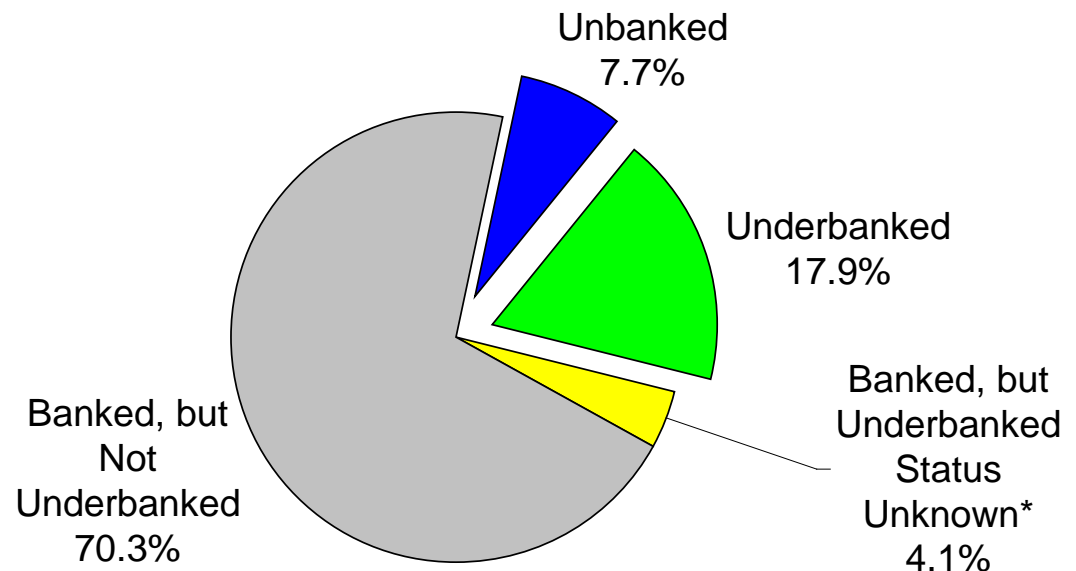
- Impetus and statutory mandate.
- FDIC household survey.
 - Administered in January 2009 as a supplement to the Census CPS to 54,000 households (86% response rate).
 - Designed to yield estimates of the number of unbanked and underbanked households at the national, state, and large metropolitan statistical area (MSA) levels; their demographic characteristics, and the reasons why these households are not utilizing or fully utilizing the mainstream financial system.
 - Initial results released in December 2009.
- FDIC bank survey.
 - Administered in 2008 to a sample of about 1,300 banks.
 - Designed to identify the extent to which banks meet the needs of unbanked and underbanked populations and challenges faced.
 - Results released in early 2009.

FDIC Household Survey Highlights



National proportions of unbanked and underbanked households

- An estimated **7.7 percent** of households, about 9 mm with at least 17 mm adults, are **unbanked**.
- An estimated **17.9 percent** of households, about 21 mm with about 43 mm adults, are **underbanked**.
- Taken together, at least **25.6 percent** of U.S. households, close to 30 mm households with about 60 mm adults, are **unbanked or underbanked**.



Notes: Percentages are based on 118.6 million U.S. households. Percentages do not always sum to 100 because of the rounding of household weights to represent the population totals.
* These households are banked, but there is not enough information to determine if they are underbanked.

Unbanked Households

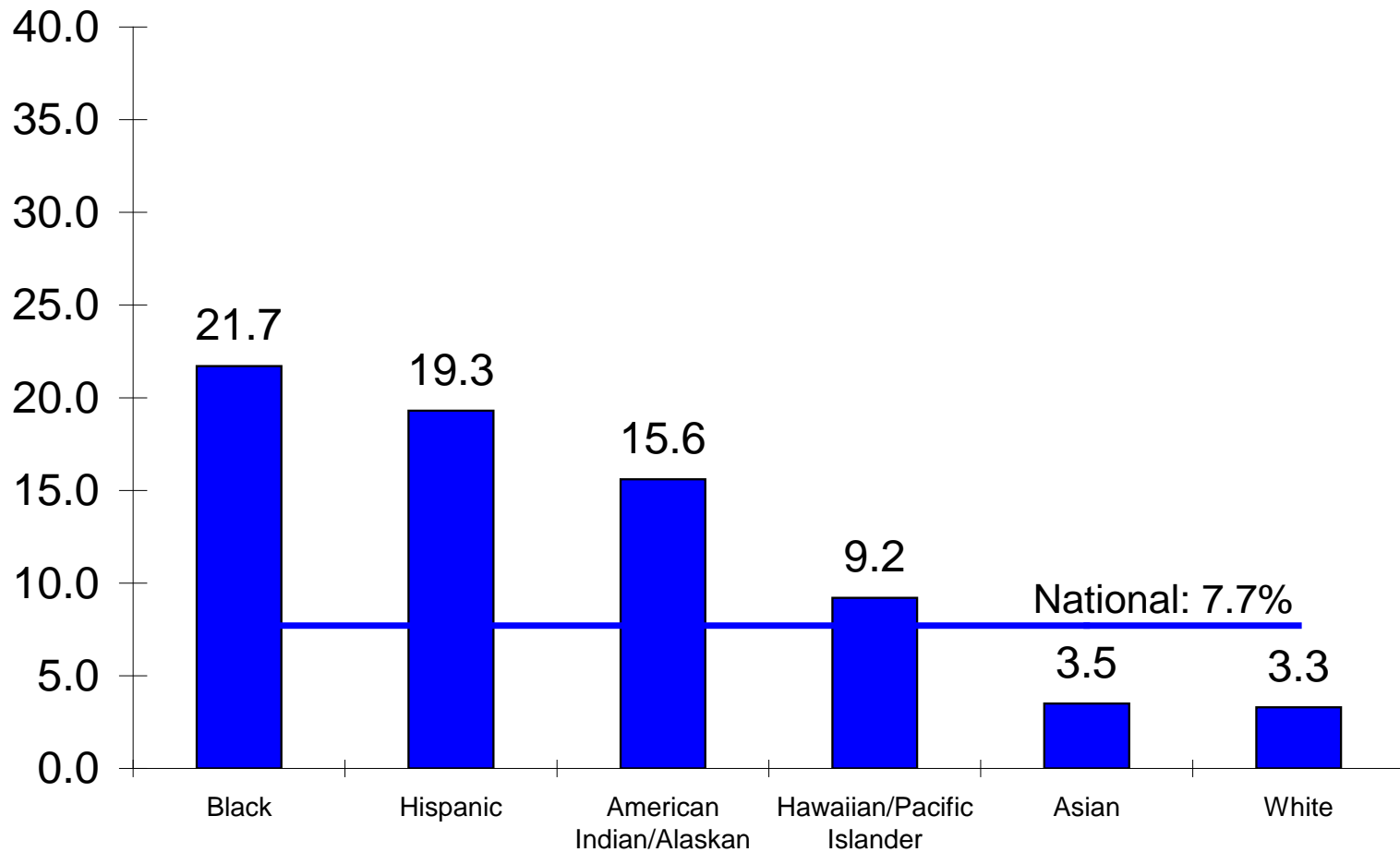


Characteristics of unbanked households

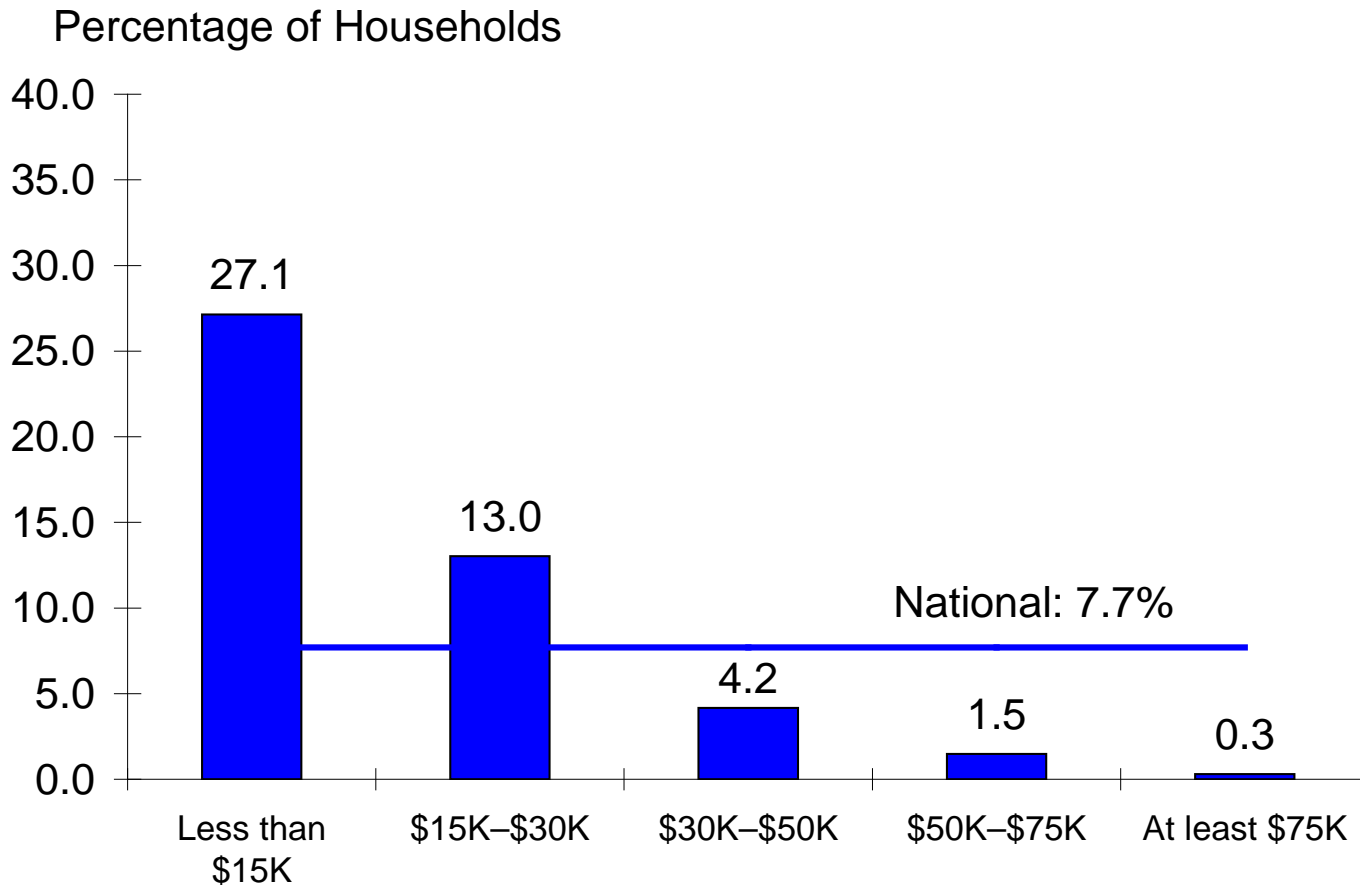
- Households more likely to be unbanked than the population as a whole are those:
 - With a black, Hispanic non-black, or American Indian/Alaskan householder; or
 - Where Spanish is the only language spoken at home; or
 - With a householder that is a foreign-born noncitizen; or
 - That are family households with an unmarried female or male family householder; or
 - Earning less than \$30,000; or
 - With a householder holding less than a high school degree; or
 - With a householder under age 45.

Unbanked households by race/ethnicity

Percentage of Households

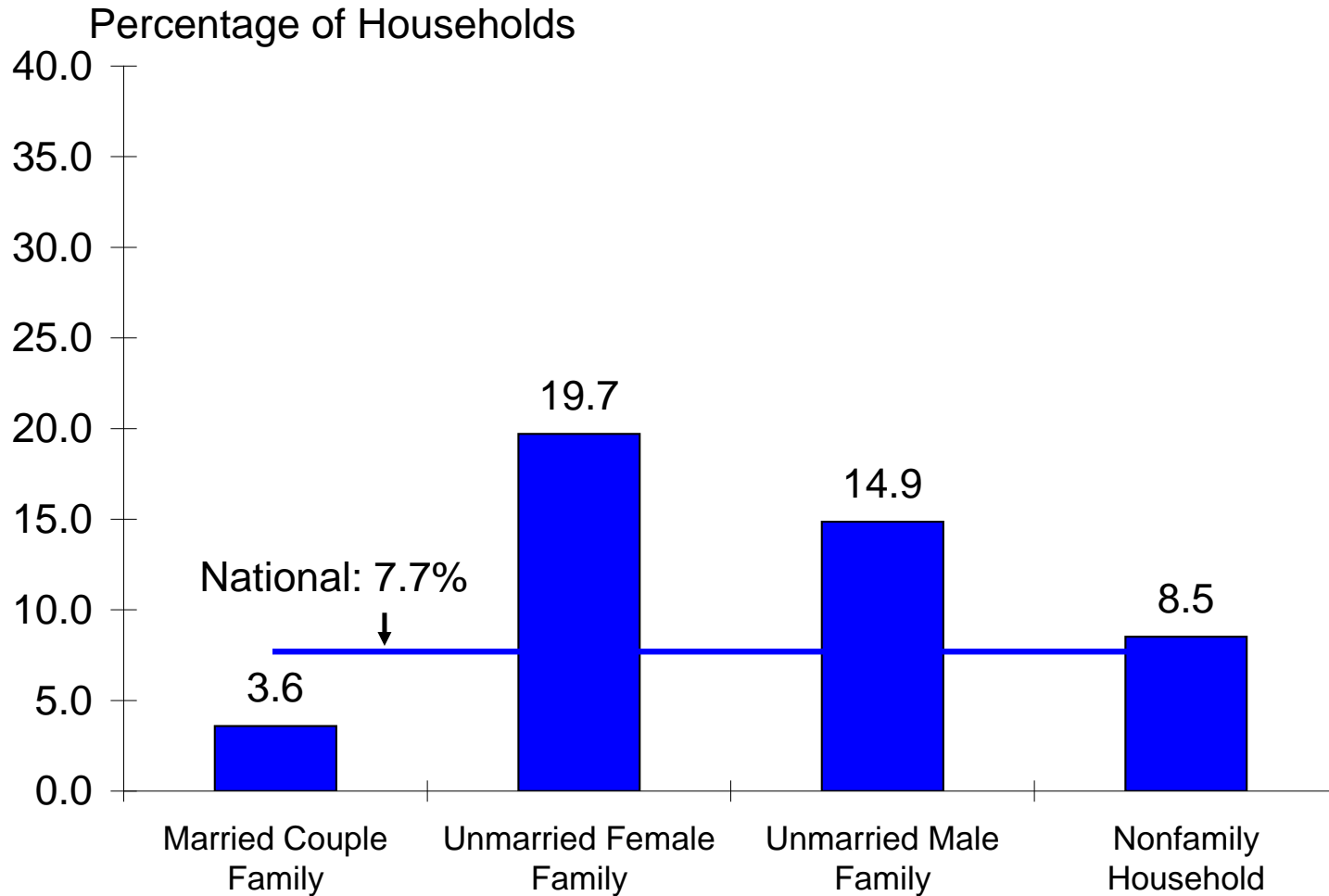


Unbanked households by income

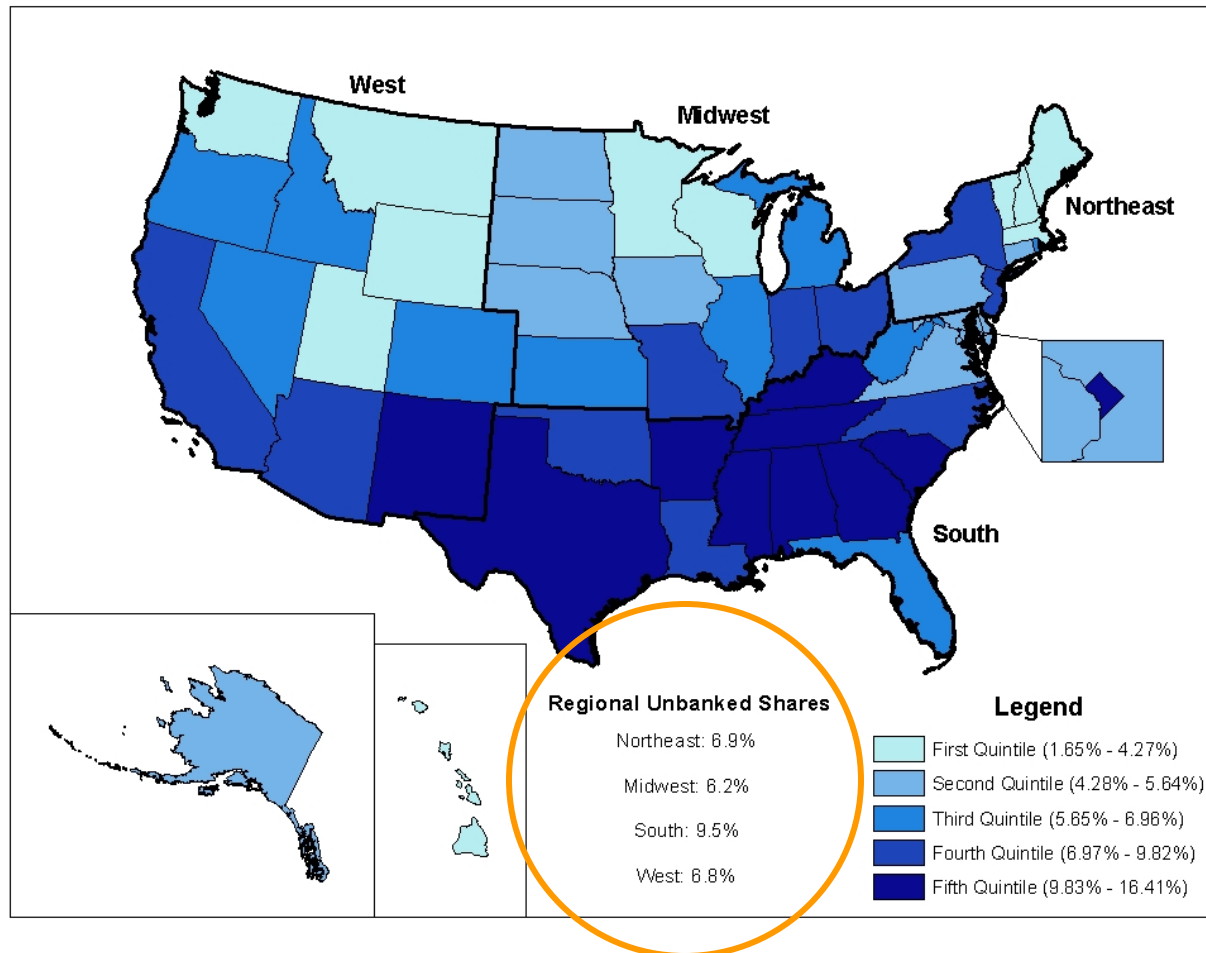


Note: Income data were missing for 15 percent of households. For these households, the percentage of unbanked households is 7.7 percent (not shown in the chart).

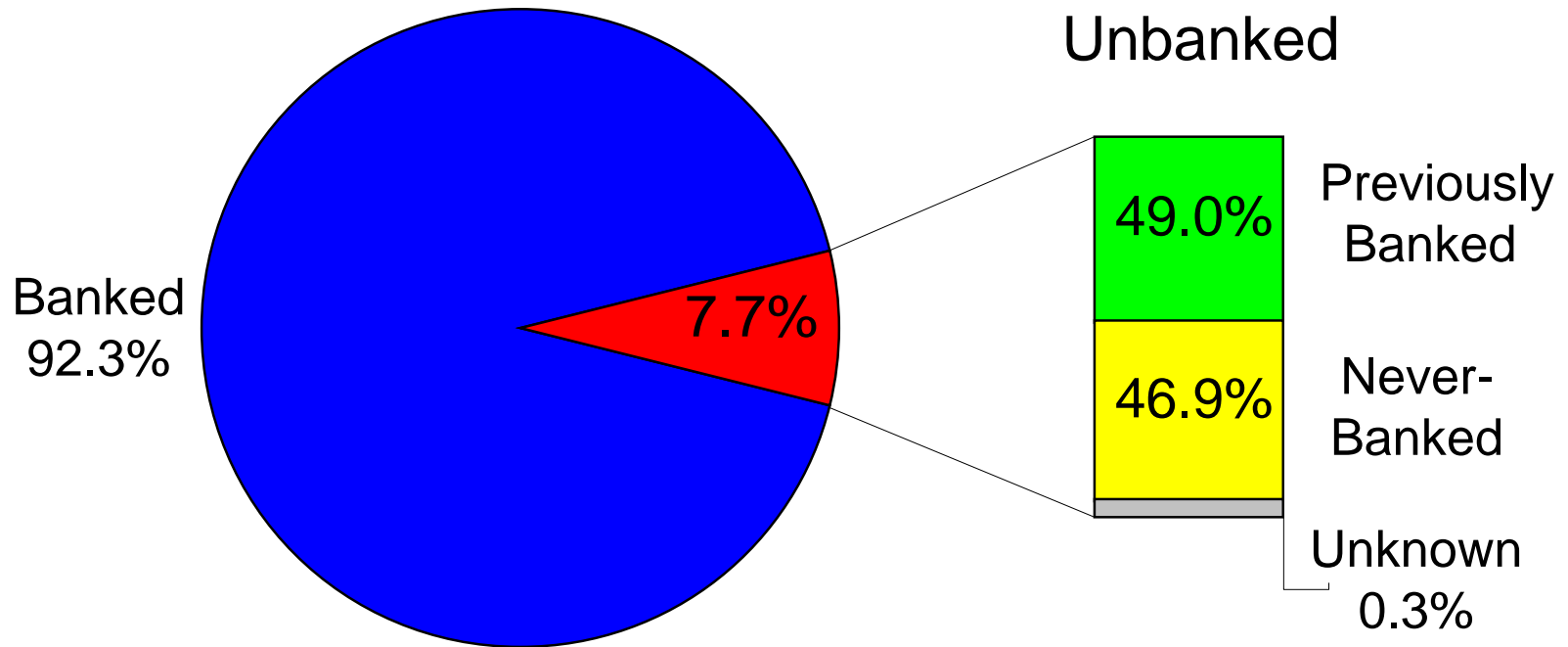
Unbanked households by household type



Unbanked households by region and state

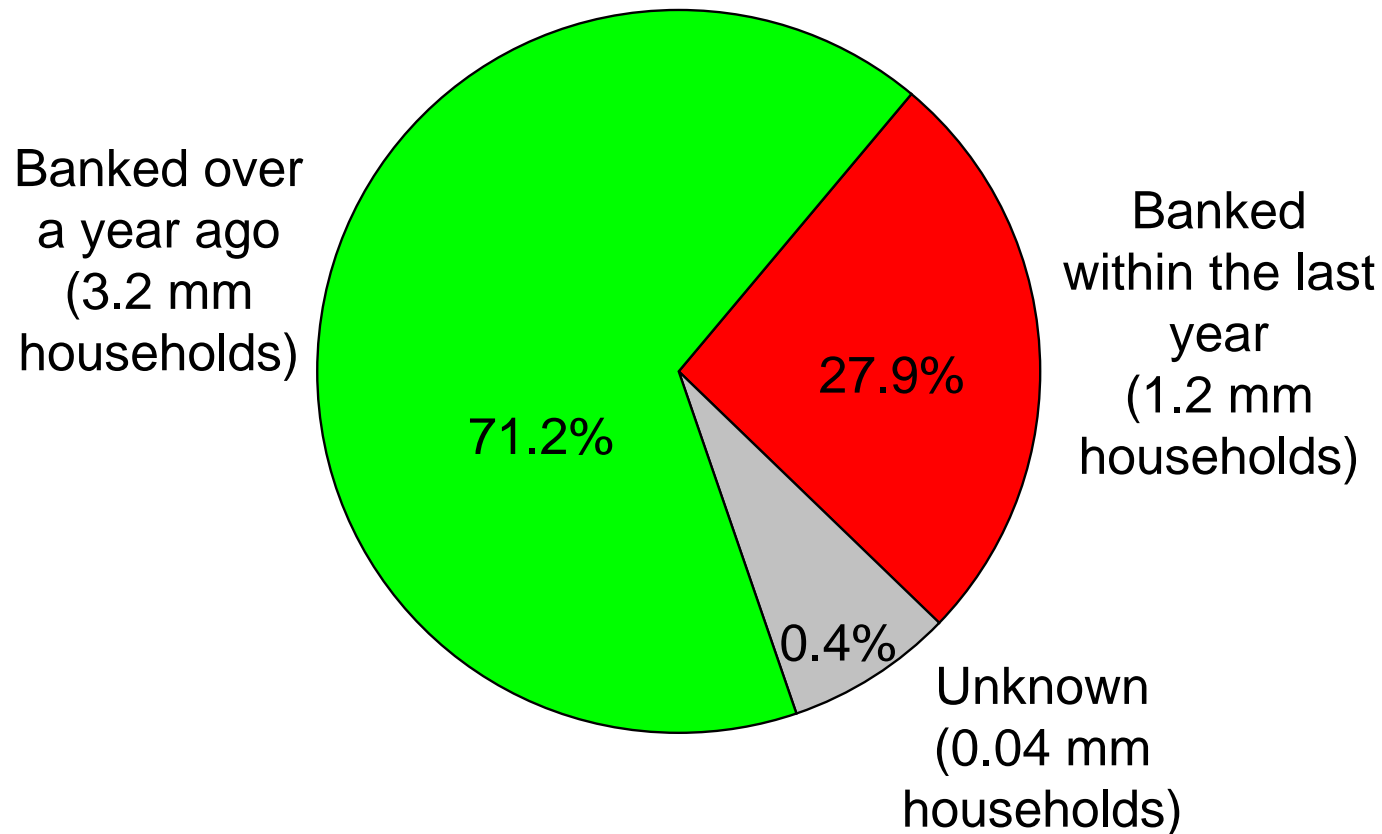


Unbanked households – previously banked versus never-banked



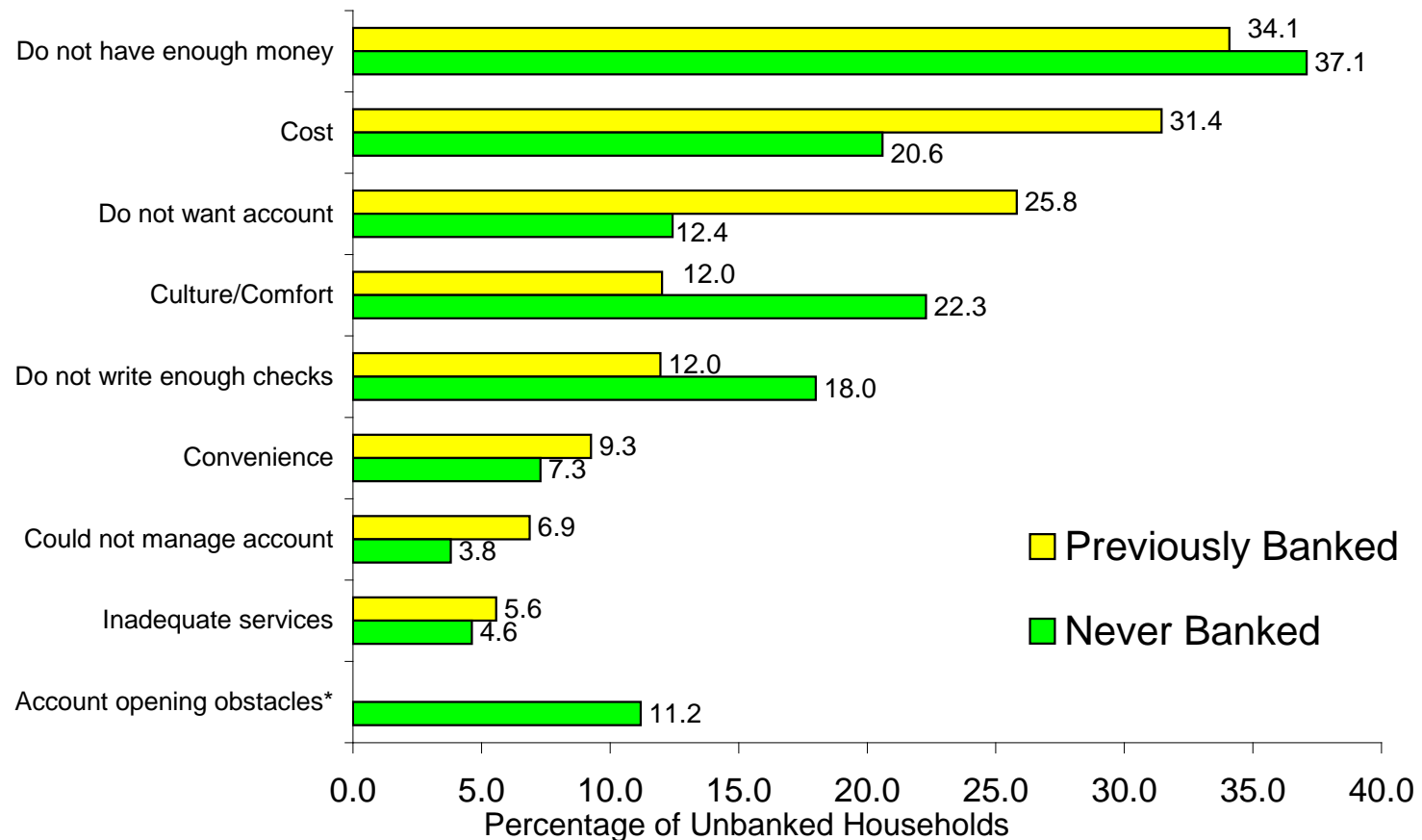
Notes: Percentages are based on 118.6 million U.S. households. Percentages do not always sum to 100 because of the rounding of household weights to represent the population totals. 12

When previously banked households became unbanked



Notes: Percentages are based on 4.5 million previously banked U.S. households. Percentages do not always sum to 100 because of the rounding of household weights to represent the population totals.

Reasons households are unbanked

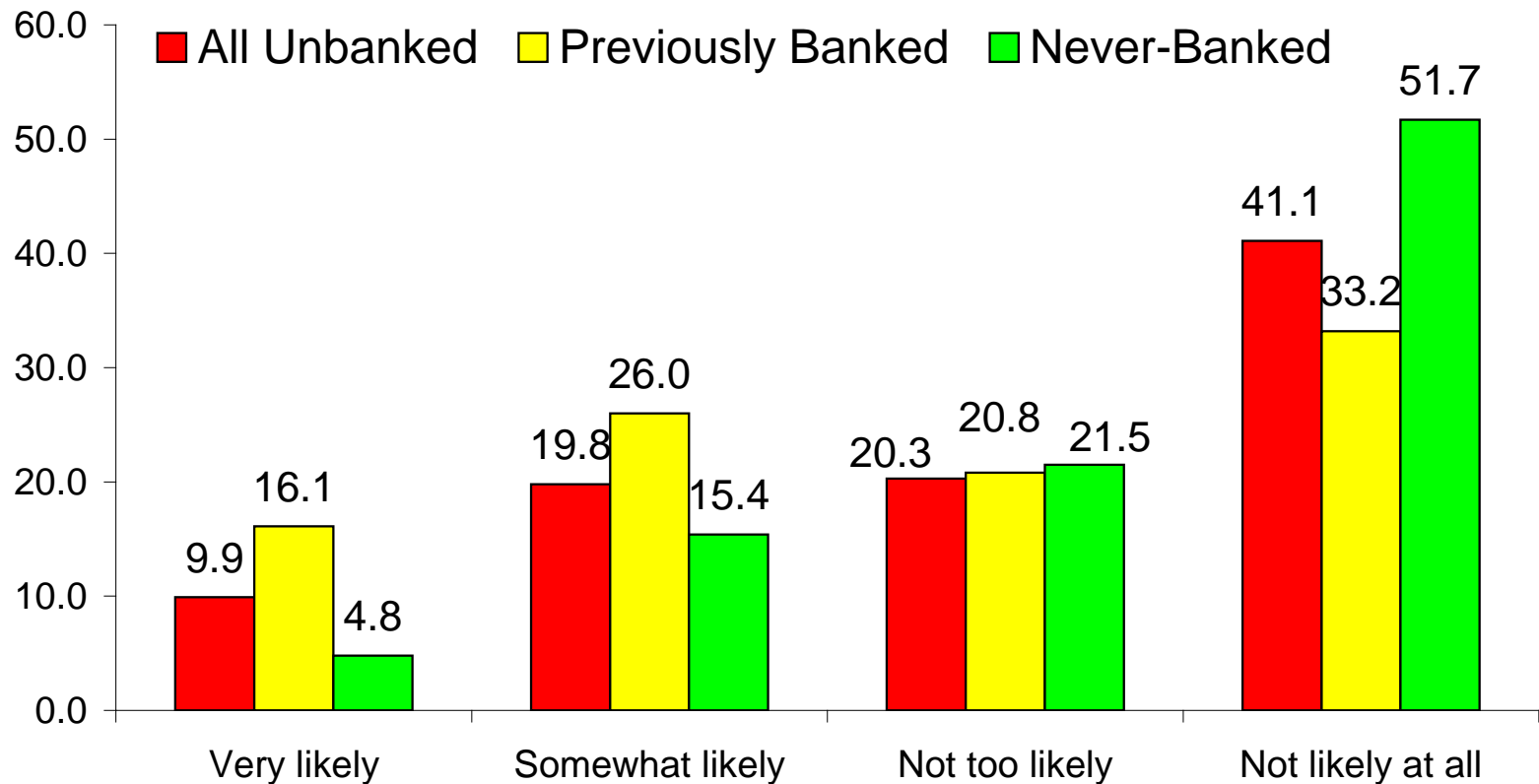


Note: Percentages based on a total of 4.23 million never-banked households and 3.14 million previously banked households. Previously banked households that did not close their account themselves and/or were in the process of opening an account were not asked why they closed their account and are excluded from this analysis. Percentages sum to more than 100 because respondents were permitted to choose multiple responses.

* Response was not applicable to previously banked households.

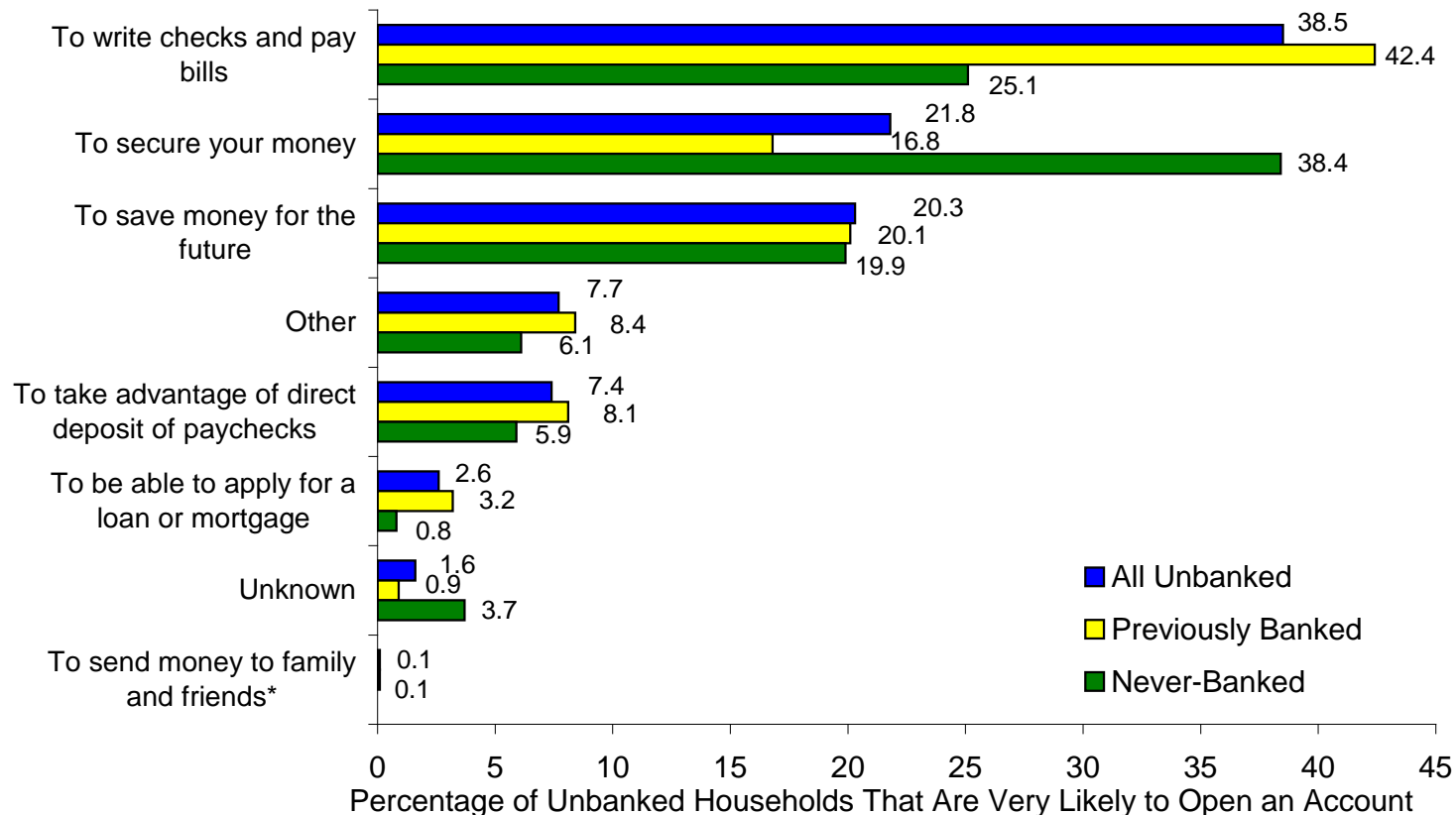
Unbanked households' likelihood of opening account

Percentage of Unbanked Households



Note: Percentages based on a total of 8.58 million unbanked households. Previously banked households that were in the process of opening an account were not asked questions about their future banking plans and are excluded from this tabulation. ¹⁵

Unbanked households' reasons for wanting to open an account



Notes: Percentages are based on all unbanked households that were "very likely" to open an account in the future (849 thousand households). Household respondents that did not report being "very likely" to open an account were not asked this question.

* No never-banked respondent selected this reason for opening a bank account. It is believed that the universe proportion is only slightly greater than zero.

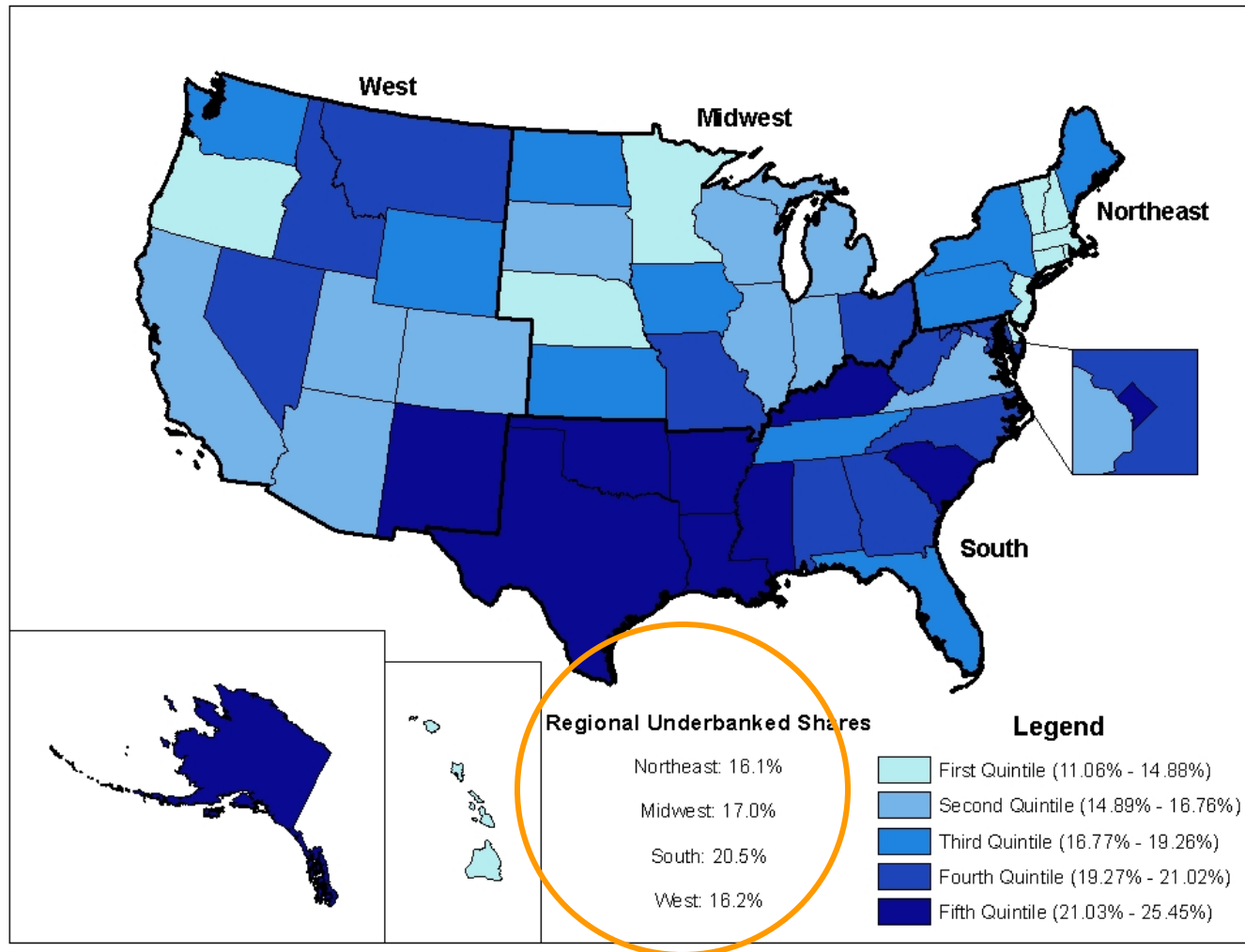
Underbanked Households



Characteristics of underbanked households

- Underbanked households account for 19.4 percent of all banked households.
- Households more likely to be underbanked than the population as a whole are those:
 - With a black, American Indian/Alaskan, or Hispanic non-black householder; or
 - That are family households with an unmarried female or male householder; or
 - Earning up to \$50,000; or
 - With a householder holding less than a college degree; or
 - With a householder under age 55.

Underbanked households by region and state



Use of *Alternative Financial Services*

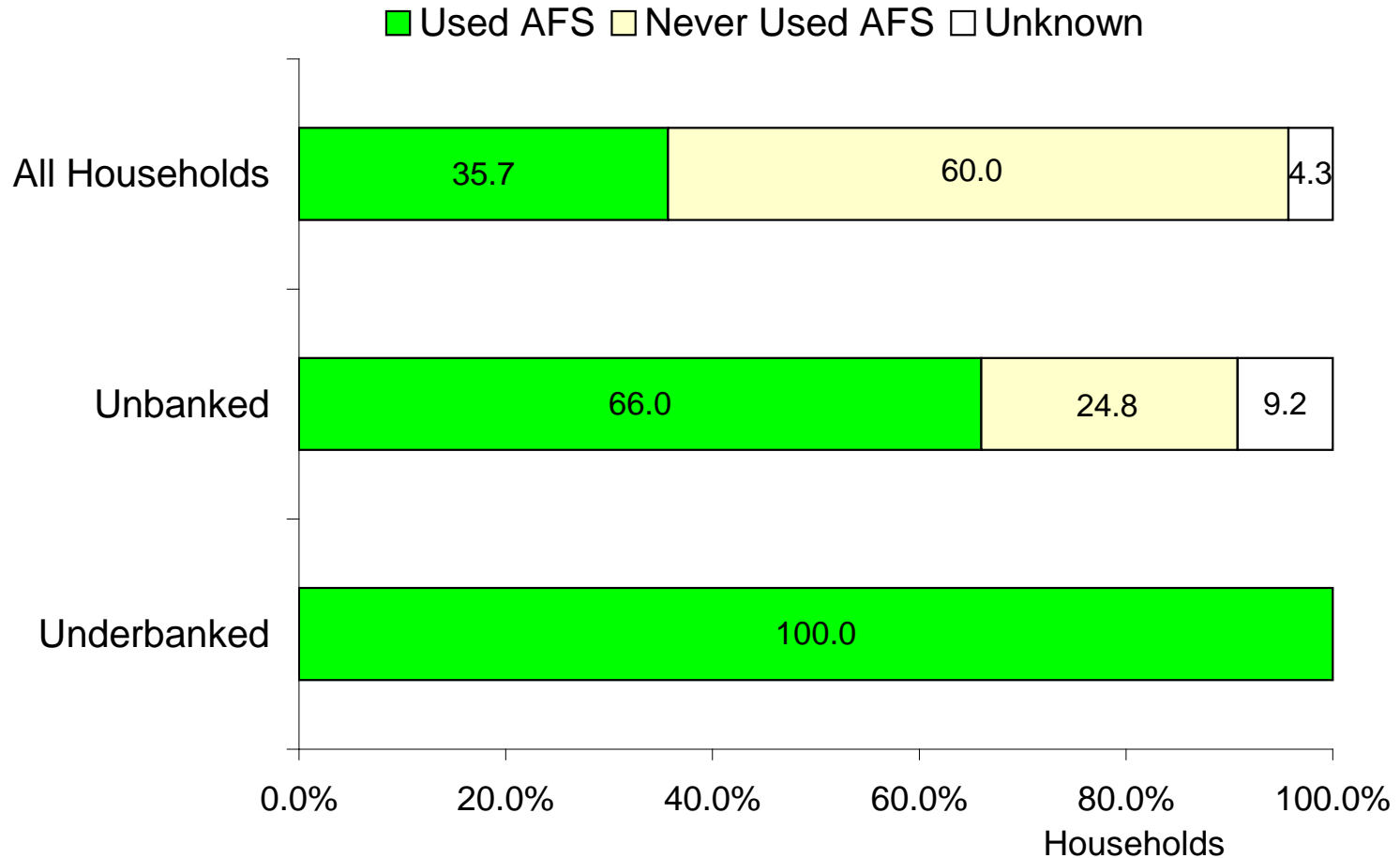


AFS considered in the survey

- Households were asked if they had ever used the following AFS and if so, with what frequency (i.e., at least a few times a year, once or twice a year, or almost never):
 - Transaction AFS:
 - Non-bank money orders.
 - Non-bank check-cashing services.
 - Credit AFS:
 - Payday lending.
 - Pawn shops.
 - Refund anticipation loans (RALs).*
 - Rent-to-own agreements.

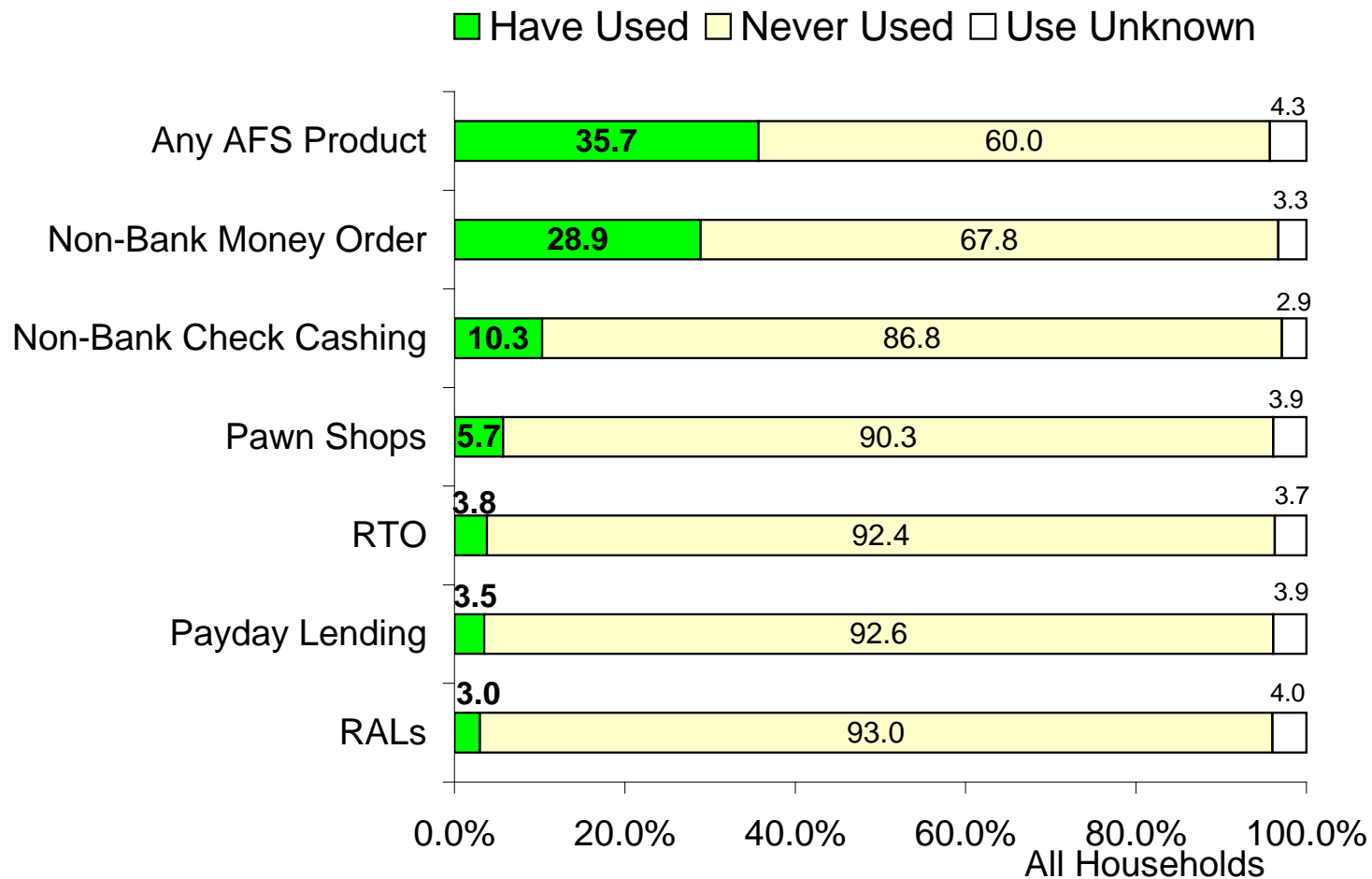
*For RALs, the survey asked if the product was used in the past five years

All households' use of AFS



Note: Percentages do not always sum to 100 because of the rounding of household weights to represent the population totals.

Households' use of specific AFS products

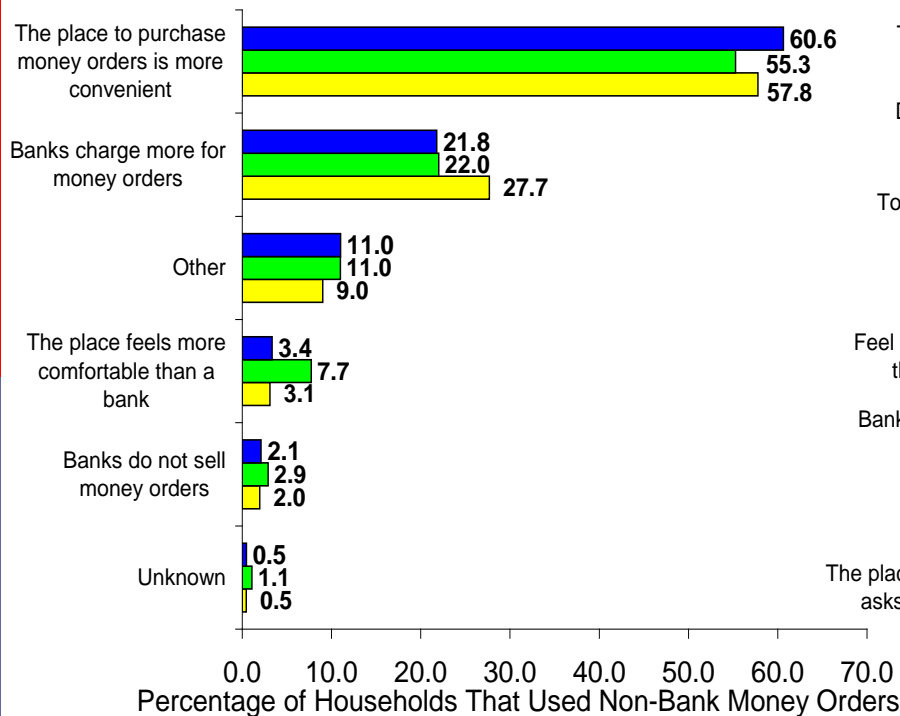


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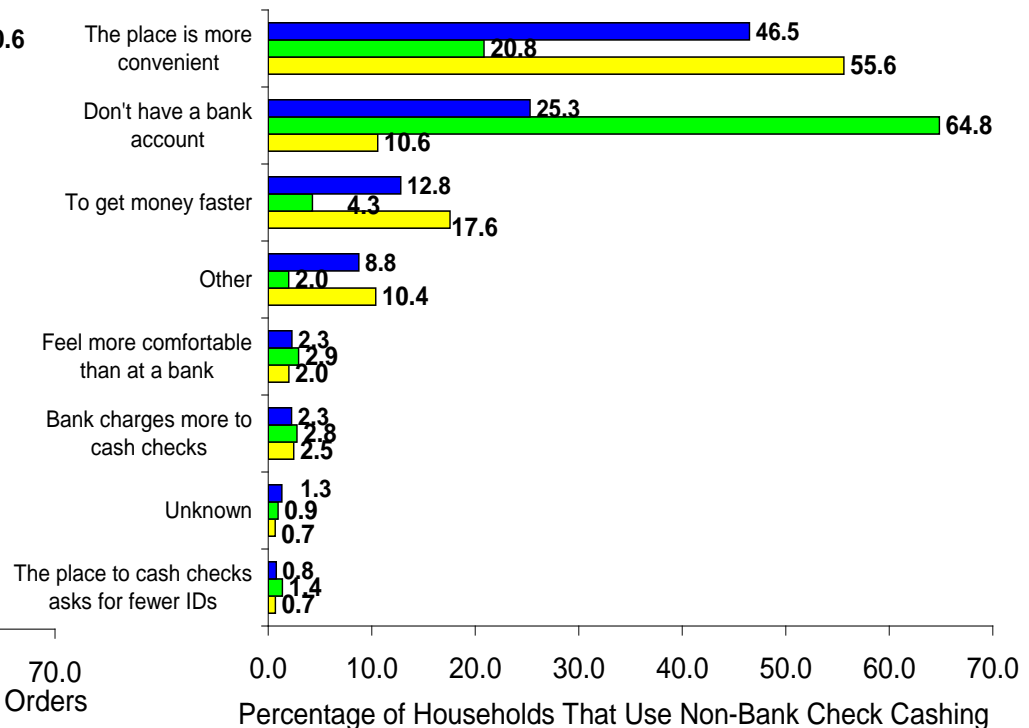
Reasons households use AFS - transaction products

Non-bank Money Orders

■ All households
 ■ Unbanked
 ■ Underbanked



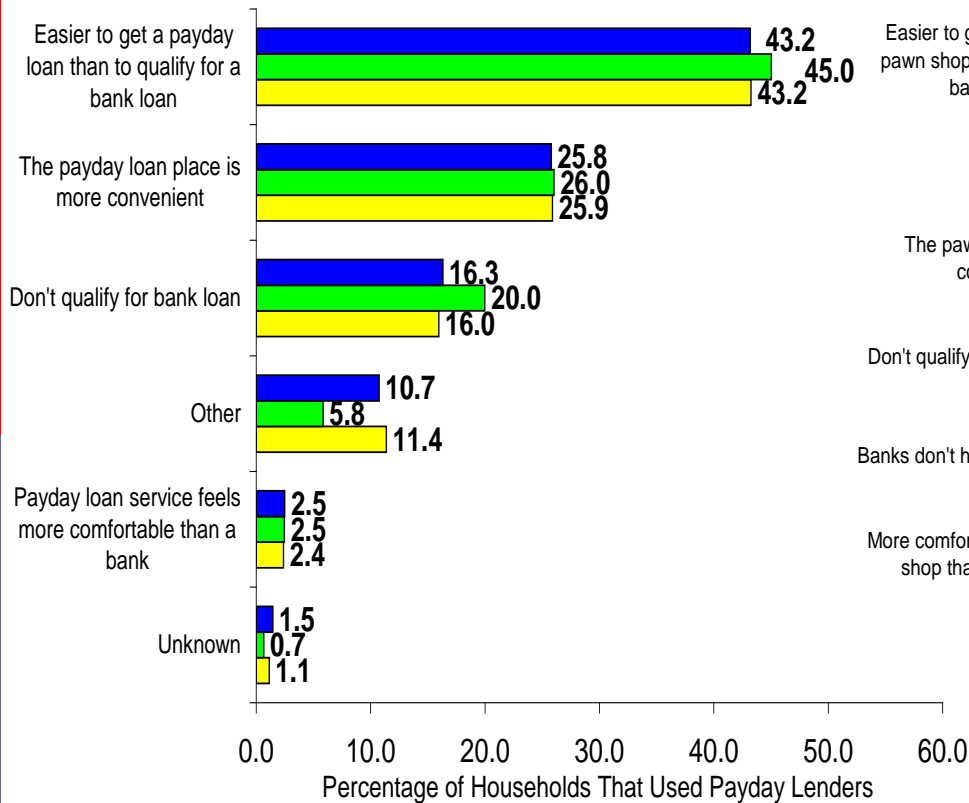
Non-bank Check Cashing



Reasons households use AFS – credit products

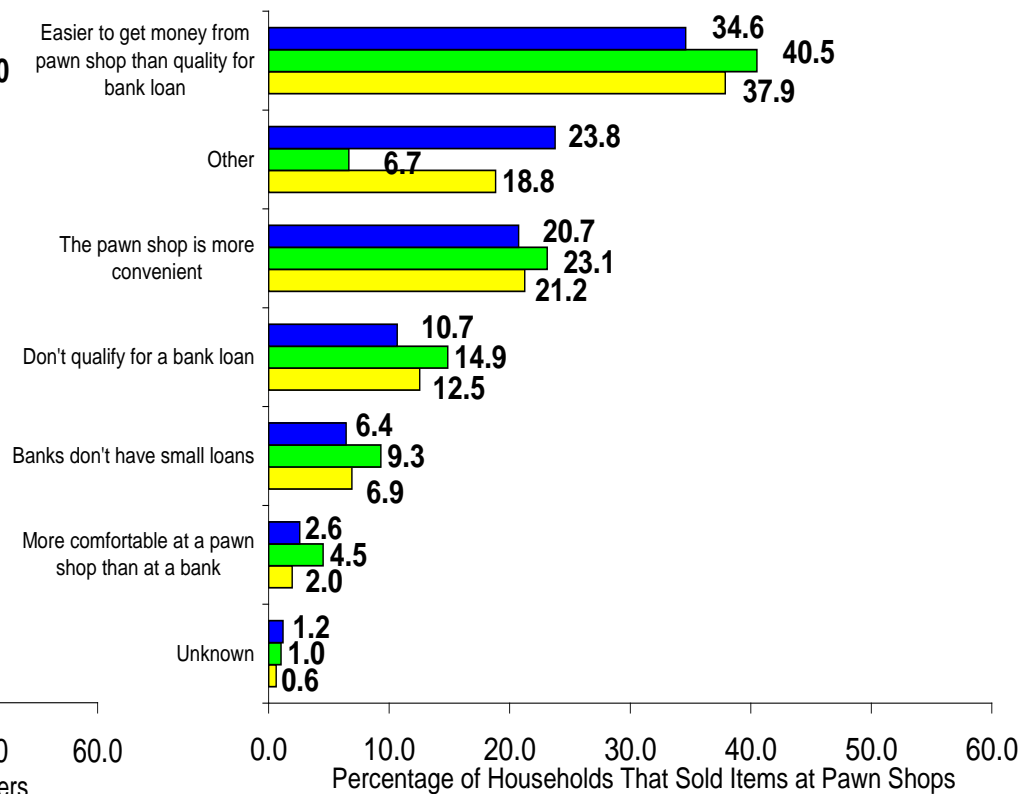
Payday Lenders

■ All households ■ Unbanked

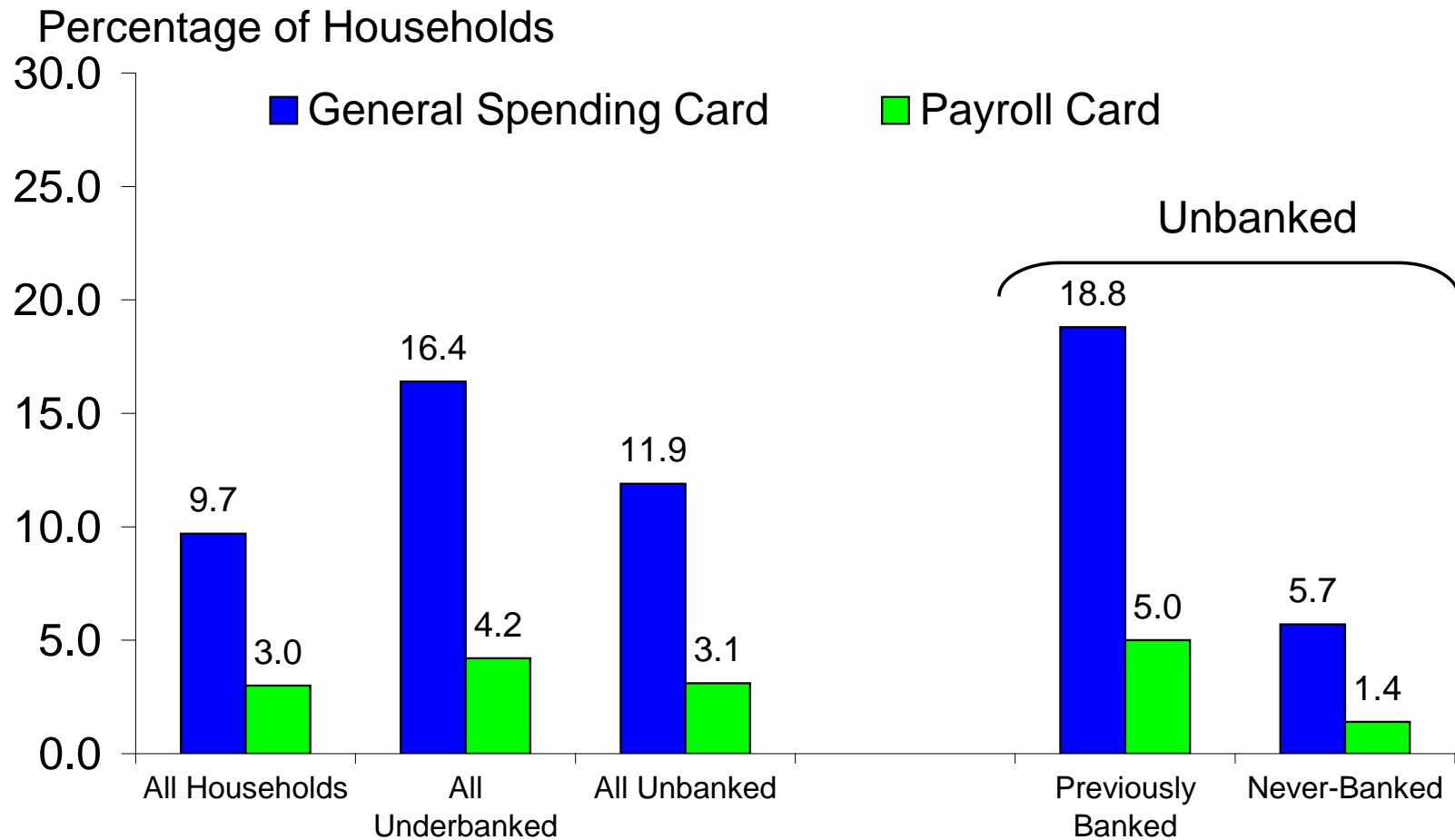


Pawn Shops

■ Underbanked



Household use of General Spending and Payroll Cards



FDIC Model Safe Account Pilot



Model Safe Accounts Pilot

- Template provides insured institutions with guidelines for offering cost effective transactional and savings accounts that are safe and affordable for consumers.
- Guiding principles of accounts are:
 - transparent rates and fees that are reasonable and proportional to costs
 - access to banking services that feature FDIC insurance
 - protections afforded by applicable federal and state consumer protection laws, regulations, and guidelines
- Accounts are:
 - FDIC insured
 - Regulation E (Electronic Fund Transfers) compliant

Template Core Features and Fees

Transactional Acct

- ❑ Card-based account
- ❑ No overdraft or NSF fees
- ❑ Free: direct deposit, automatic saving, online access
- ❑ Open bal— \$10-\$25
- ❑ Monthly min bal—\$1
- ❑ Monthly maint fee—up to \$3
- ❑ Money orders/e-checks— 2 free/mo

Savings Acct

- ❑ Interest bearing
- ❑ Free: direct deposit, automatic saving, online access
- ❑ Opening bal \$5
- ❑ Monthly min bal \$5
- ❑ Monthly maint fee—\$0.0 if monthly min bal met

Conclusions and Next Steps



Conclusions

- ❑ Significant proportions of U.S. households are unbanked or underbanked and are disproportionately represented among lower-income and minority populations.
- ❑ Use of AFS is widespread among these households, particularly for simple, low cost transaction products.
- ❑ About half of unbanked households were previously banked and over a quarter of those households became unbanked during the year before the survey was taken.
- ❑ Taken together, these results suggest there are significant opportunities for banks to offer financial products specifically tailored to the needs of LMI households.

Next steps

- Updated survey results in 2012.
- Safe Account Pilot data first quarter data (May 2011).

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FDIC

> INITIATIVES > HOUSEHOLD SURVEY > PRESS ROOM

NATIONAL HOUSEHOLD SURVEY

Results from the 2009 FDIC National Survey of **Unbanked** and **Underbanked** Households.
Read the [full report](#) and [Executive Summary](#).

NATION REGION STATE MSA

Thank you

