FEDERAL DEPOSIT INSURANCE CORPORATION

# 2017

# FDIC National Survey of Unbanked and Underbanked Households

## Executive Summary

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# FDIC National Survey of Unbanked and Underbanked Households

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## 1. Executive Summary

The FDIC is committed to expanding Americans' access to safe, secure, and affordable banking services. The *FDIC National Survey of Unbanked and Underbanked Households* is one contribution to this end.

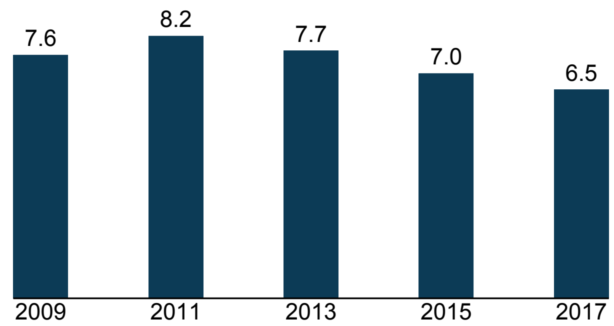
To assess the inclusiveness of the banking system, and in partial response to a statutory mandate, the FDIC has conducted the survey biennially since 2009.[1] The most recent survey was administered in June 2017 in partnership with the U.S. Census Bureau, collecting responses from more than 35,000 households. The survey provides estimates of the proportion of U.S. households that do not have an account at an insured institution and the proportion that have an account but obtained (nonbank) alternative financial services in the past 12 months. The survey also provides insights that may inform efforts to better meet the needs of these consumers within the banking system.

This executive summary presents key results from the 2017 survey and summarizes the implications of these results for policymakers, financial institutions, and other stakeholders who are working to improve access to mainstream financial services.

### *Banking Status of U.S. Households*

- In 2017, 6.5 percent of U.S. households were "unbanked," meaning that no one in the household had a checking or savings account. The unbanked rate in 2017 declined to the lowest level since the survey began in 2009. Since the survey was last administered in 2015, the unbanked rate has fallen by 0.5 percentage points.
    - » Approximately 8.4 million U.S. households, made up of 14.1 million adults and 6.4 million children, were unbanked in 2017.[2]

**Figure ES.1 National Estimates, Household Unbanked Rates by Year**




- An additional 18.7 percent of U.S. households were "underbanked" in 2017, meaning that the household had an account at an insured institution but also obtained financial products or services outside of the banking system. Specifically, a household is categorized as underbanked if it had a checking or savings account and used one of the following products or services from an alternative financial services (AFS) provider in the past 12 months: money orders, check cashing, international remittances, payday loans, refund anticipation loans, rent-to-own services, pawn shop loans, or auto title loans.
    - » Approximately 24.2 million U.S. households, composed of 48.9 million adults and 15.4 million children, were underbanked in 2017.
    - » The underbanked rate in 2017 was 1.2 percentage points lower than the 2015 estimate (19.9 percent).
- Almost 70 percent (68.4 percent) of U.S. households were "fully banked" in 2017, meaning that the household had a bank account and did not use AFS in the past 12 months. The fully banked rate in 2017 was slightly higher than the 2015 estimate (68.0 percent).

[1]Section 7 of the Federal Deposit Insurance Reform Conforming Amendments Act of 2005 (Pub. L. 109 – 173) calls for the FDIC to conduct ongoing surveys, "on efforts by insured depository institutions to bring those individuals and families who have rarely, if ever, held a checking account, a savings account or other type of transaction or check cashing account at an insured depository institution ['unbanked'] into the conventional finance system." Section 7 further instructs the FDIC to consider several factors when conducting the surveys, including estimating the size and worth of the unbanked market in the United States and identifying the primary issues that prevent unbanked individuals from establishing conventional accounts.

[2]Adults are defined as people aged 16 and older. The estimates of 14.1 million adults and 6.4 million children may understate the total number of people in the United States who do not have access to a bank account because these figures do not include residents of "banked" households who do not have an account in their name and do not benefit from a bank account owned by another household resident.

**Table ES.1 National Estimates, Household Banking Status by Year**
For all households, row percent

| Year | Number of Households (1000s) | Unbanked (Percent) | Underbanked (Percent) | Fully banked (Percent) | Banked, underbanked status unknown (Percent) |
|---|---|---|---|---|---|
| 2013 | 123,750 | 7.7 | 20.0 | 67.0 | 5.3 |
| 2015 | 127,538 | 7.0 | 19.9 | 68.0 | 5.0 |
| 2017 | 129,276 | 6.5 | 18.7 | 68.4 | 6.3 |

### *Changes in Banking Status*

- The decline in the unbanked rate from 2015 to 2017 can be explained almost entirely by changes in household characteristics across survey years, particularly improvements in the socioeconomic circumstances of U.S. households. After accounting for these changes, the remaining difference in the unbanked rate from 2015 to 2017 was very close to zero and no longer statistically significant.[3]
- Consistent with previous surveys, banking status in 2017 varied considerably across the U.S. population. For example, unbanked and underbanked rates were higher among lower-income households, less-educated households, younger households, black and Hispanic households, working-age disabled households, and households with volatile income.[4]
- Unbanked rates in 2017 were lower than or similar to unbanked rates in recent years for most segments of the population.
  » Recent declines in unbanked rates have been particularly sharp for younger households, black households, and Hispanic households.[5] Despite these improvements, unbanked rates for these groups remained substantially higher than the overall unbanked rate in 2017.
  » Unbanked rates did not decline in recent years for a few segments of the population. For example, among working-age disabled households, unbanked rates were similar in 2013, 2015, and 2017.
- Reflecting the decline in the underbanked rate at the national level between 2015 and 2017, underbanked rates also declined for many segments of the population during that period.
  » For example, underbanked rates decreased for households with less than $15,000 in income, households with a high school diploma (but no college), and working-age disabled households.

### *Unbanked Households: Previous Banking Status and Future Banking Plans*

As discussed in previous reports, bank account ownership is not static and some households appear to cycle in and out of the banking system.

- Nearly half of unbanked households in 2017 had a bank account at some point in the past, similar to previous years.
- The proportion of unbanked households that were "very likely" or "somewhat likely" to open an account in the next 12 months declined in 2017 compared with earlier years, while the proportion that were "not at all likely" increased.
  » One in four unbanked households in 2017 were very likely or somewhat likely to open an account, down from 37.9 percent in 2013.[6]
  » More than half (58.7 percent) of unbanked households in 2017 were not at all likely to open an account, up from 40.0 percent in 2013. This increase was fairly widespread among segments of the unbanked population.[7]
- As in previous years, interest in opening an account in the next 12 months was higher among unbanked households that had a bank account at some point in the past, compared with unbanked households that never had an account.

[3]A linear probability model was estimated to account for changes from 2015 to 2017 in the distribution of households across the household characteristics listed in Appendix Table A.2. Changes in the socioeconomic characteristics of households (annual income level, monthly income volatility, employment status, homeownership status, and educational attainment) between 2015 and 2017 accounted for almost all of the difference in unbanked rates between 2015 and 2017. Adding controls for the remaining demographic characteristics listed in Appendix Table A.2 had little effect on the remaining difference.

[4]For characteristics that vary at the person-level, such as race, age, and education, the characteristics of the owner or renter of the home (i.e., householder) are used to represent the household. For convenience, abbreviated language is used when referring to certain household characteristics. For example, the term "white household" refers to a household in which the householder has been identified as white, non-black, non-Hispanic, and non-Asian. The phrase "working-age disabled household" refers to a household in which the householder has a disability and is aged 25 to 64. See Appendix 1 for additional details. For monthly income volatility, the 2015 and 2017 surveys asked households whether their income over the past 12 months "was about the same each month," "varied somewhat from month to month," or "varied a lot from month to month." The term "volatile income" refers to a household with income that varied somewhat or a lot from month to month.

[5]The decline in the unbanked rate for black households from 2013 to 2017 was no longer statistically significant after accounting for changes in the other household characteristics listed in Appendix Table A.2 (except for monthly income volatility, which is not available for 2013). Most of the decline can be attributed to changes in income and the other household characteristics across survey years.

[6]Estimates of the likelihood of opening a bank account in the next 12 months for 2013 and 2015 differ from those published in earlier reports because observations with missing information on the likelihood of opening a bank account in the next 12 months were not dropped in earlier reports.

[7]The proportion of unbanked households that were not at all likely to open an account in the next 12 months was substantially higher in 2017 than in 2013, even after accounting for changes in the household characteristics listed in Appendix Table A.2 (except for monthly income volatility, which is not available for 2013) and in the use of prepaid cards between 2013 and 2017.

**Figure ES.2 Unbanked Rates by Household Age and Year**

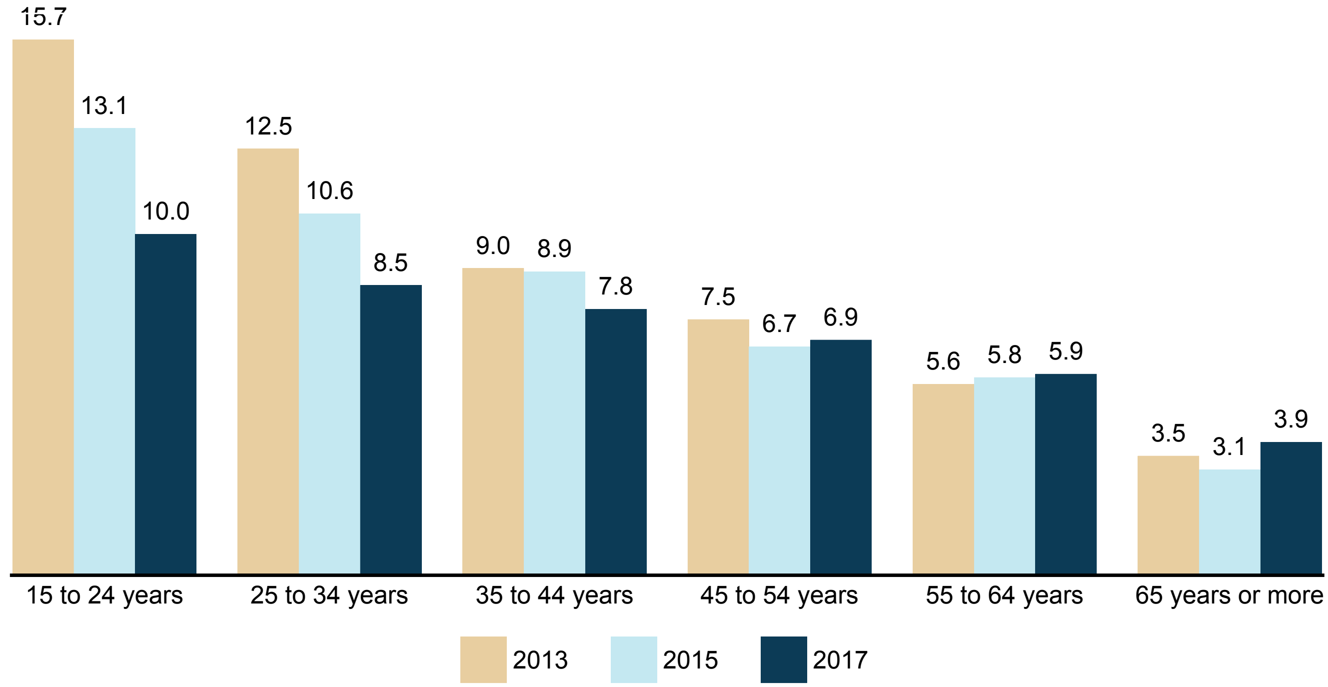



**Figure ES.3 Unbanked Rates by Household Race and Ethnicity and Year**

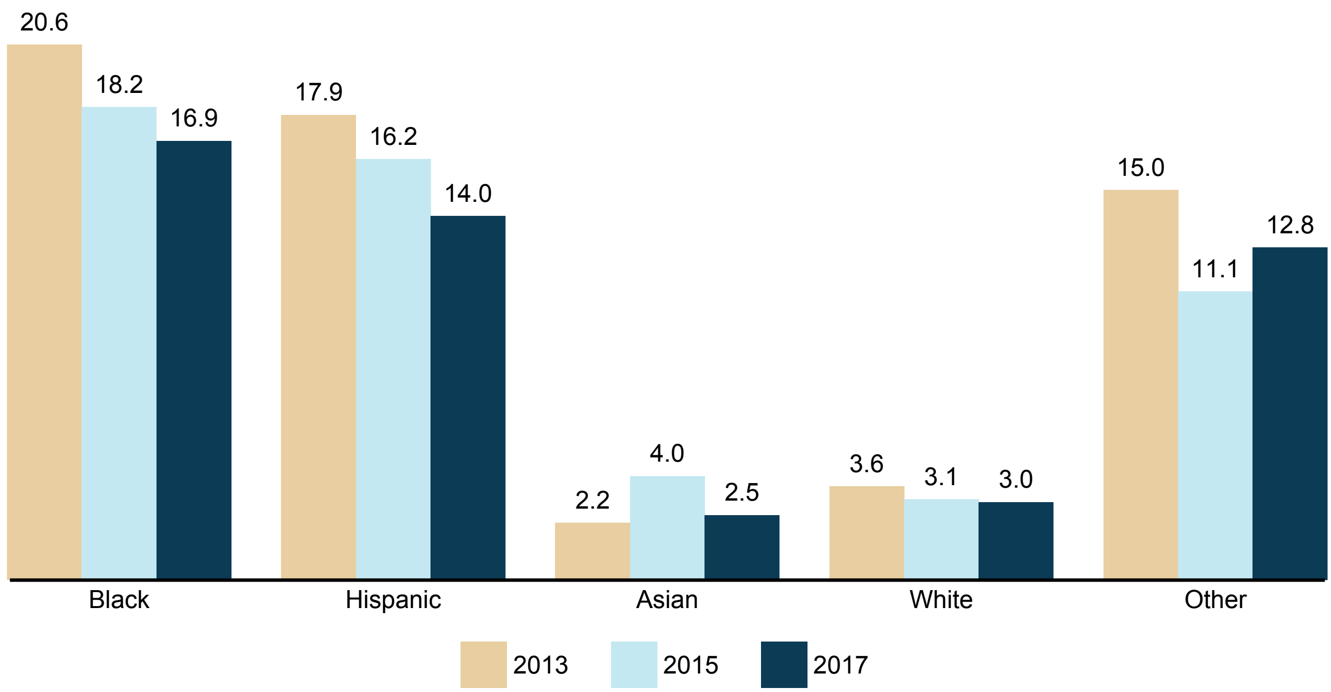



**Table ES.2 Unbanked Households' Likelihood of Opening a Bank Account in Next 12 Months by Year**
For all unbanked households, row percent

| Year | Number of Unbanked Households (1000s) | Very likely (Percent) | Somewhat likely (Percent) | Not very likely (Percent) | Not at all likely (Percent) |
|---|---|---|---|---|---|
| 2013 | 9,021 | 14.6 | 23.3 | 22.1 | 40.0 |
| 2015 | 8,358 | 10.2 | 18.2 | 19.4 | 52.2 |
| 2017 | 7,682 | 9.5 | 15.6 | 16.3 | 58.7 |

### *Reasons Households Were Unbanked*

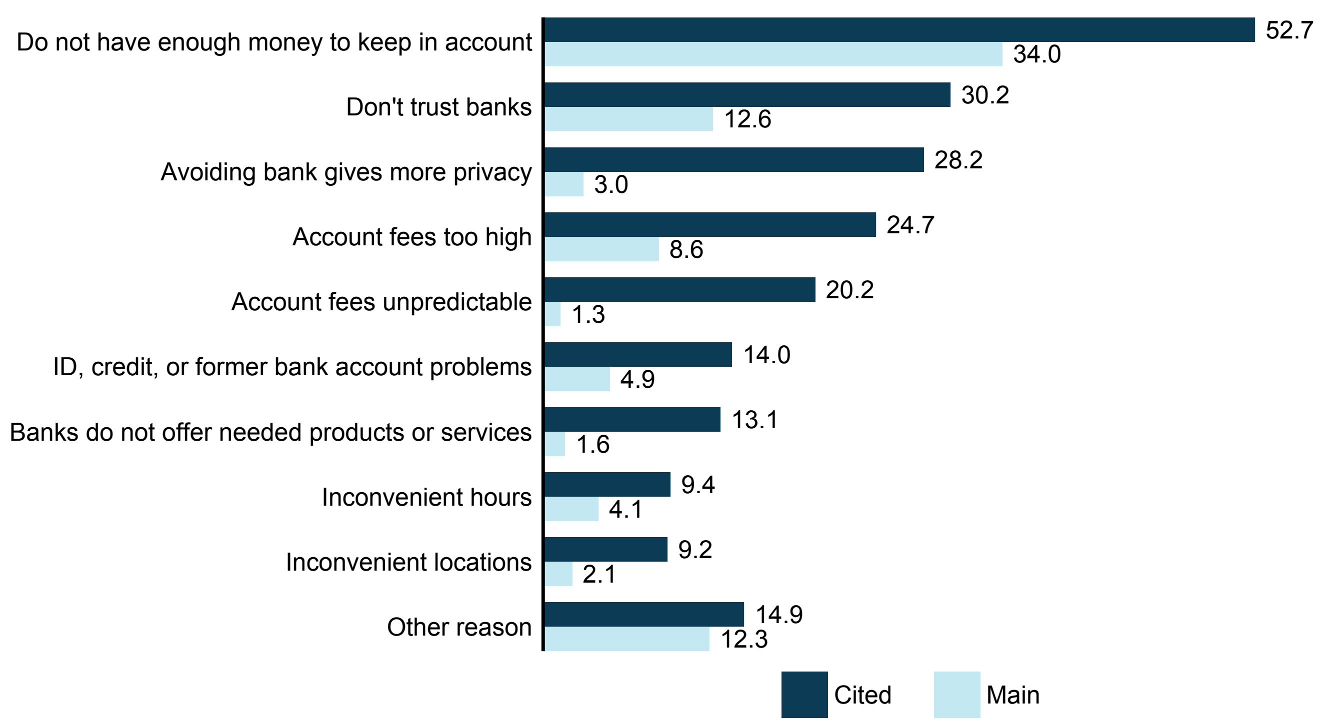
As in previous years, the 2017 survey asked unbanked households about the reasons why they did not have a bank account. Findings are similar to those reported in previous years.

- More than half (52.7 percent) of unbanked households cited "Do not have enough money to keep in an account" as a reason for not having an account, the most commonly cited reason. This reason was also the most commonly cited *main* reason for not having an account (34.0 percent).
- Almost one-third (30.2 percent) of unbanked households cited "Don't trust banks" as a reason for not having an account, the second-most commonly cited reason. This reason was also the second-most commonly cited main reason (12.6 percent).
- As in previous years, higher proportions of unbanked households that previously had an account cited "Bank account fees are too high" (29.9 percent) or "Bank account fees are unpredictable" (24.9 percent) in 2017, compared with unbanked households that never had an account (21.1 and 17.0 percent, respectively).
- Higher proportions of unbanked households that were not at all likely or not very likely to open a bank account in the next 12 months cited "Don't trust banks" (36.2 and 31.5 percent, respectively) in 2017, compared with unbanked households that were somewhat likely or very likely to open a bank account in the next 12 months (24.7 and 21.0 percent, respectively).

### *Types of Accounts Owned by Banked Households*

- Savings and checking account ownership among banked households in 2017 was similar to previous years.
  - » Almost all banked households had a checking account (98.2 percent), while roughly three in four (78.0 percent) had a savings account.
  - » Savings account ownership rates in 2017 varied widely across the population. For example, savings account ownership rates were lower among lower-income households, less-educated households, Hispanic households, working-age disabled households, and households in rural areas.

**Figure ES.4 Reasons for Not Having a Bank Account, Unbanked Households, 2017 (Percent)**



### *Methods Banked Households Used to Access Their Accounts*

Use of mobile banking to access a bank account continued to increase sharply, while use of bank tellers declined. Use of bank tellers, however, remained quite prevalent, particularly among segments of the population that had higher unbanked and underbanked rates.

- The proportion of banked households that used mobile banking to access their accounts in the past 12 months increased from 23.2 percent in 2013 to 31.9 percent in 2015 and 40.4 percent in 2017. The share of banked households that used mobile banking as their *primary* method of account access also increased sharply from 2013 to 2017, both overall and across household characteristics.
- In 2017, almost three in four (73.6 percent) banked households used bank tellers to access their accounts in the past 12 months, a higher proportion than any other method asked about in the survey. However, use of bank tellers declined modestly between 2013 and 2017. The share of banked households that used bank tellers as their primary method of account access decreased substantially, both overall and across household characteristics; however, this method is still the second-most prevalent primary method overall after online banking.
    - » Use of bank tellers as the primary means of account access remained quite prevalent among certain segments of the population, including lower-income households, less-educated households, older households, and households in rural areas. These groups were also disproportionately more likely to access their accounts using only bank tellers.

### *Bank Branch Visits Among Banked Households*

The 2017 survey included new questions that asked all households whether they spoke with a teller or other employee in person at a bank branch (i.e., visited a bank branch) in the past 12 months, and if so, how many times. Since 2013, the survey has measured the share of households that accessed their account using bank tellers. However, some households may rely on bank branches for activities other than accessing an account, such as resolving a problem or asking about products or services, and the questions on account access methods provide only an imprecise measure of the intensity of branch use. The goal of the new questions is to provide a more complete picture of household use of bank branches.

- Overall, 86.0 percent of banked households visited a bank branch in the past 12 months, and 35.4 percent visited ten or more times.[8]
- Branch visits were prevalent even among banked households that used online or mobile banking as their primary method of account access. For example, 81.0 percent of banked households that used mobile banking as their primary method visited a branch in the past 12 months, and nearly one-quarter (23.0 percent) visited ten or more times.
- Patterns of bank branch visits among banked households varied by household characteristics. For example, older households, households in rural areas, and households with volatile income were more likely to visit a branch or to have visited ten or more times. Black, Hispanic, and Asian households were less likely to visit a branch or to have visited ten or more times.

**Table ES.3 All Methods Used to Access Bank Accounts by Year**
For all banked households that accessed their account in the past 12 months, row percent

| Year | Number of Households (1000s) | Bank teller (Percent) | ATM/Kiosk (Percent) | Telephone banking (Percent) | Online banking (Percent) | Mobile banking (Percent) | Other (Percent) |
|---|---|---|---|---|---|---|---|
| 2013 | 108,295 | 78.8 | 69.6 | 26.1 | 55.1 | 23.2 | 1.0 |
| 2015 | 113,315 | 75.5 | 69.8 | 27.0 | 60.4 | 31.9 | 1.1 |
| 2017 | 115,040 | 73.6 | 71.6 | 28.9 | 63.0 | 40.4 | 0.9 |

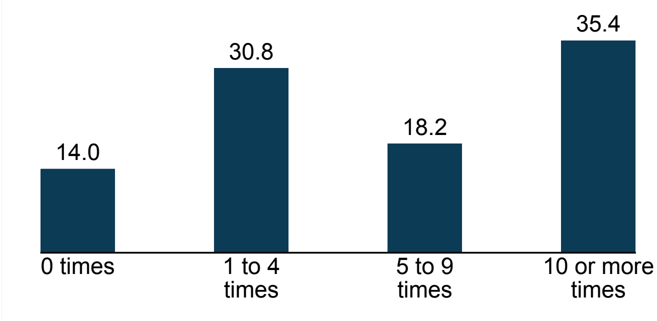
Note: Row percentages sum to more than 100 because households were asked to select all bank account access methods used.

**Table ES.4 Primary Method Used to Access Bank Accounts by Year**
For all banked households that accessed their account in the past 12 months, row percent

| Year | Number of Households (1000s) | Bank teller (Percent) | ATM/Kiosk (Percent) | Telephone banking (Percent) | Online banking (Percent) | Mobile banking (Percent) | Other (Percent) |
|---|---|---|---|---|---|---|---|
| 2013 | 108,295 | 32.2 | 24.4 | 3.3 | 32.9 | 5.7 | 0.8 |
| 2015 | 113,315 | 28.2 | 21.0 | 3.0 | 36.9 | 9.5 | 0.9 |
| 2017 | 115,040 | 24.3 | 19.9 | 2.9 | 36.0 | 15.6 | 0.7 |

[8] Among unbanked households, 14.7 percent visited a bank branch in the past 12 months: 7.7 percent visited a branch one to four times, 2.2 percent visited five to nine times, and 4.7 percent visited ten or more times. Approximately two-thirds of unbanked households that visited a branch did not have a bank account at any time in the past 12 months.

**Figure ES.5 Bank Branch Visits in Past 12 Months Among Banked Households, 2017 (Percent)**



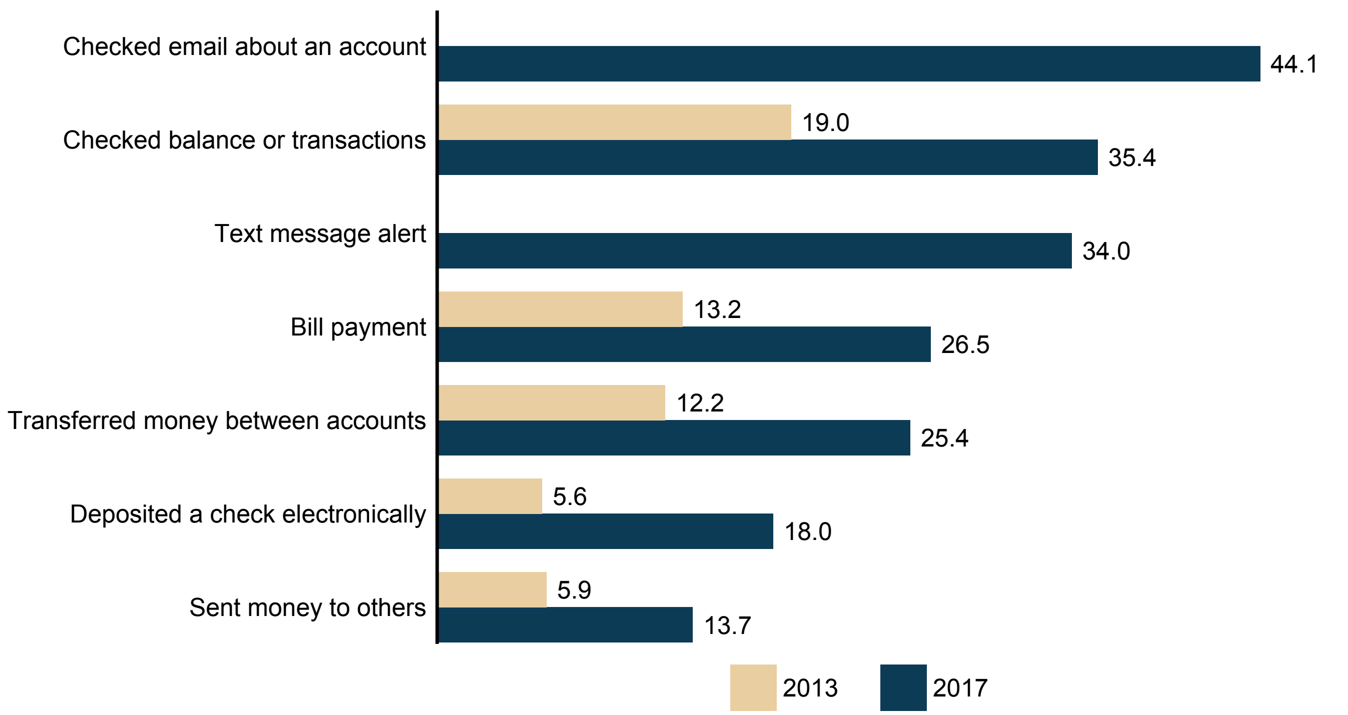

Note: Households that visited a branch but with unknown frequency (1.6 percent of banked households) are not shown.

## *Mobile Activities Among Banked Households*

The 2017 survey included a series of questions about the ways households used a mobile phone for banking activities in the past 12 months. Most of these activities were also asked about in the 2013 survey.

- Use of a mobile phone to check email from a bank about an account was the most common activity in 2017, performed by 44.1 percent of banked households.
  - » Other common activities, performed by approximately one-third of banked households in 2017, were using a bank's mobile website or bank's mobile app to check a bank account balance or recent transactions, and receiving a mobile text alert or push notification from a bank about an account.
  - » The remaining mobile activities asked about in the survey were less common, but the proportion of banked households that performed each of these activities doubled or more than doubled from 2013 to 2017.
- Underbanked households were more likely to perform each mobile activity than fully banked households. Use of each mobile activity was also more common among higher-income households, more-educated households, younger households, working-age nondisabled households, and households with volatile income.

**Figure ES.6 Mobile Activities Among Banked Households by Year (Percent)**



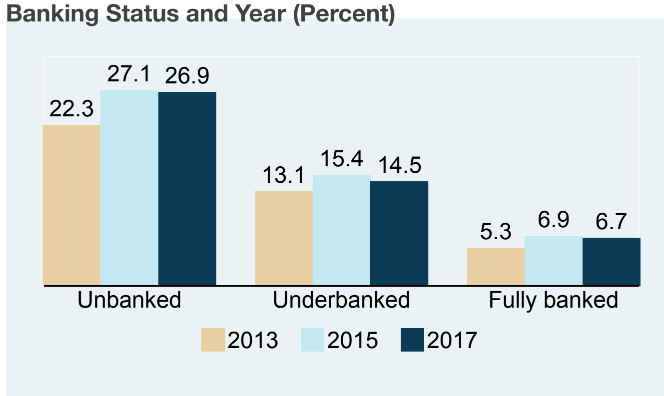

Note: Estimates of the proportion of banked households that used a mobile phone to check email from a bank about an account or that received a mobile text alert or push notification from a bank about an account are not available for 2013.

## *Prepaid Cards*

Some consumers use general purpose reloadable prepaid cards to address their financial transactions needs. Similar to a checking account, these cards can be used to pay bills, withdraw cash at ATMs, make purchases, deposit checks, and receive direct deposits. Consumers can obtain prepaid cards from sources such as a bank location or bank's website, a nonbank store or website, a government agency, or an employer. Many, although not all, such cards store funds in accounts eligible for deposit insurance.[9]

- Between 2015 and 2017, the proportion of households that used prepaid cards decreased from 9.8 percent to 9.2 percent. This decline can be attributed primarily to changes in income and other characteristics of U.S. households between 2015 and 2017. However, the proportion of households that used prepaid cards in 2017 remained higher than in 2013 (7.9 percent).
- As in previous years, prepaid card use in 2017 was higher among lower-income households, less-educated households, younger households, black households, working-age disabled households, and households with volatile income.
- Use of prepaid cards in 2017 was most prevalent among unbanked households, as in previous years.

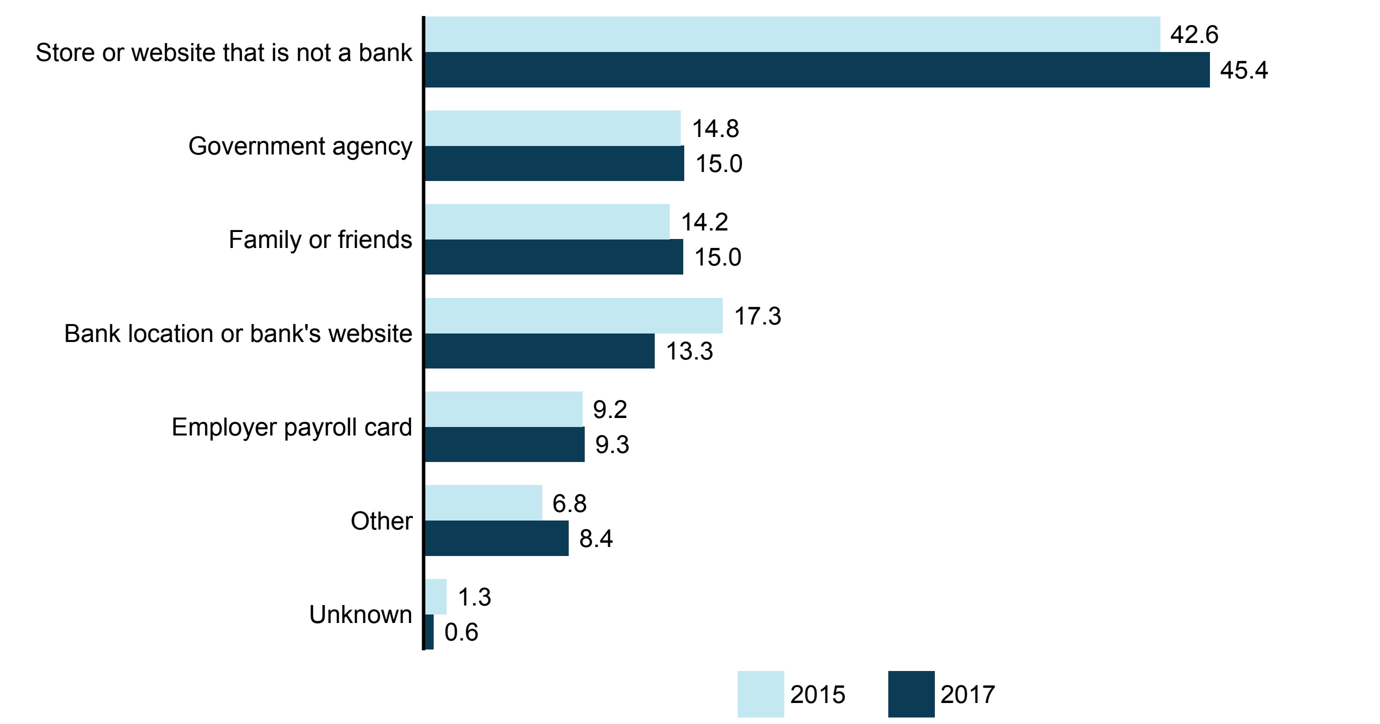
**Figure ES.7 Prepaid Card Use in Past 12 Months by Banking Status and Year (Percent)**




  » Unbanked households that used prepaid cards were more likely to have had a bank account at some point in the past: 62.7 percent of unbanked households that used prepaid cards in 2017 had a bank account in the past, compared with 41.9 percent of unbanked households that did not use prepaid cards.

- Consistent with previous survey results, households that used prepaid cards in 2017 obtained them from a variety of sources. The most common source in 2017 was a store or website that is not a bank, followed by a government agency, family or friends, and a bank location or a bank's website.

**Figure ES.8 Sources of Prepaid Cards for Households That Used Prepaid Cards in Past 12 Months by Year (Percent)**




Note: Bars sum to more than 100 percent because households with multiple prepaid cards were asked to select all sources of their cards.

[9]Unless noted otherwise, estimates of prepaid card use are based on the 12 months before the survey. Households were instructed that the survey questions about prepaid cards were "not asking about gift cards or debit cards linked to a checking account."

### *Alternative Financial Services*

- In 2017, 22.1 percent of households used some type of AFS in the past 12 months, down from 24.0 percent in 2015 and 24.9 percent in 2013.[10]
  - » Use of transaction AFS remained more common than use of credit AFS.[11]
- Consistent with past survey results, AFS use differed across households. AFS use in 2017 was more common among lower-income households, less-educated households, younger households, black and Hispanic households, working-age disabled households, and households with volatile income.
  - » Declines in AFS use over time were fairly widespread across segments of the population.
- AFS use continued to be much higher among unbanked households than banked households.
  - » The proportion of unbanked households that used AFS, however, decreased substantially from 2013 to 2017. This decrease is attributable to declines in the use of both transaction and credit AFS over this period.

**Figure ES.9 Alternative Financial Services Use in Past 12 Months by Year, Unbanked Households (Percent)**

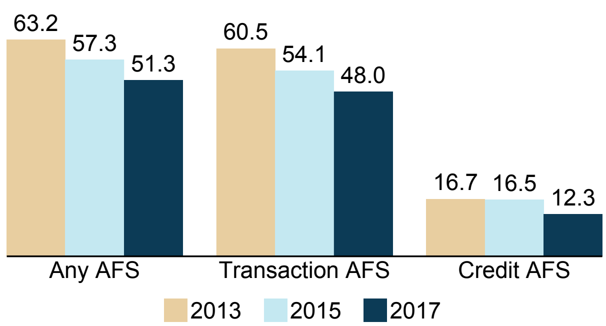
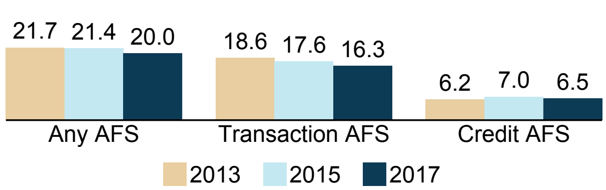



**Figure ES.10 Alternative Financial Services Use in Past 12 Months by Year, Banked Households (Percent)**

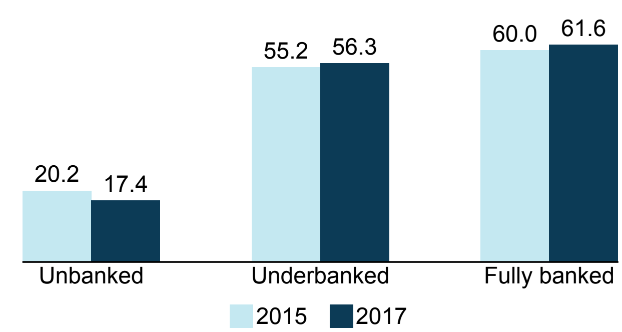



### *Saving for Unexpected Expenses or Emergencies*

Savings can help households better manage unexpected expenses or emergencies, such as a sudden illness, job loss, or home or car repairs. The absence of savings can sometimes be a barrier to financial stability and resilience, particularly for consumers with uneven or low incomes.

- Overall, 57.8 percent of households saved for unexpected expenses or emergencies in 2017; that is, they set aside money in the past 12 months that could be used for unexpected expenses or emergencies, even if the funds were later spent. The increase in the savings rate since 2015 (56.3 percent) can be attributed primarily to changes in income and other characteristics of U.S. households between 2015 and 2017.
  - » As in 2015, rates of saving for unexpected expenses or emergencies in 2017 were lower among certain segments of the population, including lower-income households, less-educated households, older households, black and Hispanic households, and working-age disabled households.
  - » The savings rate increased substantially among Hispanic households from 42.5 percent in 2015 to 48.2 percent in 2017. Moreover, savings rates among younger households increased more than savings rates among older households.
  - » Unbanked households continued to save for unexpected expenses or emergencies at a much lower rate than underbanked and fully banked households.

**Figure ES.11 Rates of Saving for Unexpected Expenses or Emergencies by Banking Status and Year**

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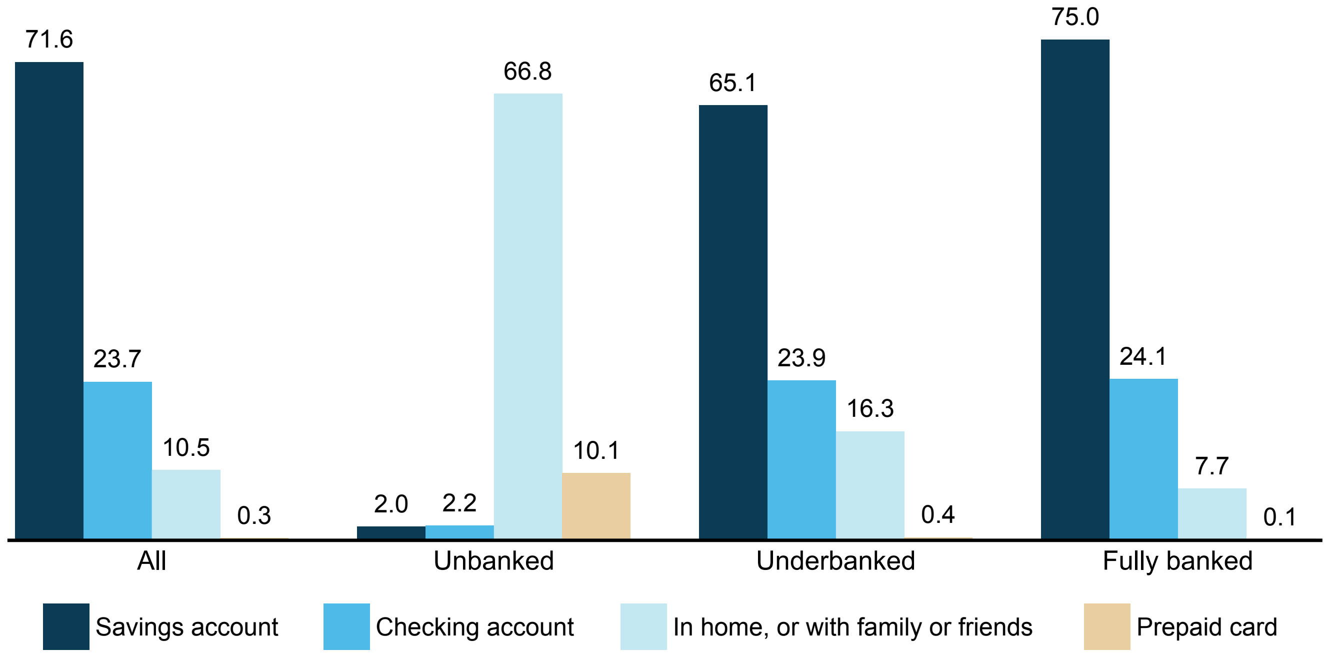
[10]Unless noted otherwise, all estimates of AFS use are based on the 12 months before the survey.

[11]For the purposes of this report, transaction AFS include the following nonbank products and services: money orders, check cashing, and international remittances. Credit AFS include the following nonbank products and services that may be used in lieu of bank credit: payday loans, refund anticipation loans, rent-to-own services, pawn shop loans, and auto title loans.

**Figure ES.12 Selected Savings Methods for Households That Saved by Banking Status, 2017 (Percent)**




Note: Bars may sum to more than 100 percent because households were asked to select all savings methods used.

- Among all households that saved for unexpected expenses or emergencies in 2017, savings and checking accounts were the most used savings methods: more than four in five (85.5 percent) kept savings in one of these accounts. About one in ten (10.5 percent) households that saved maintained savings in the home, or with family or friends.
    - As in 2015, the use of formal (e.g., savings or checking accounts) and informal (e.g., in the home, or with family or friends) savings methods varied by household characteristics in 2017.
    - Unbanked households generally saved using informal methods, while underbanked and fully banked households generally saved using formal methods. Unbanked households that saved primarily kept savings in the home, or with family or friends, while underbanked and fully banked households that saved primarily used savings accounts.

### *Credit*

Building on the 2015 survey, which introduced questions about small-dollar bank credit, the 2017 survey included new questions to capture the full range of credit products that are likely reported to credit bureaus (i.e., mainstream credit). Specifically, the 2015 survey asked households whether, in the past 12 months, they had a credit card from Visa, MasterCard, American Express, or Discover (i.e., credit card) or a personal loan or line of credit from a bank (i.e., bank personal loan). Additional questions in the 2017 survey asked households whether, in the past 12 months, they had a store credit card; an auto loan; a student loan; a mortgage, home equity loan, or home equity line of credit (HELOC); or other personal loans or lines of credit from a company other than a bank (i.e., other mainstream nonbank).[12] A household is considered to have used mainstream credit if it used any of the above credit products in the past 12 months.

- Credit cards were the most common type of mainstream credit (68.7 percent of households had a credit card from Visa, MasterCard, American Express, or Discover, and 41.6 percent had a store credit card), followed by mortgages, home equity loans, or HELOCs; and auto loans.
    - Use of each mainstream credit product was much lower among unbanked households, relative to underbanked and fully banked households. For example, only 7.2 percent of unbanked households had a credit card, compared with 60.0 percent of underbanked households and 76.3 percent of fully banked households.
    - Use of mainstream credit products also varied widely across socioeconomic and demographic groups. In

[12]Other mainstream nonbank credit includes finance company loans and purchase loans or lines of credit from retailers. This category does not include credit AFS.

general, lower-income households, less-educated households, the youngest and oldest households, black and Hispanic households, and working-age disabled households were less likely to use most mainstream credit products.

- Households that did not have mainstream credit in the past 12 months likely did not have a credit score, which could make it more difficult to obtain mainstream credit should a credit need arise.[13]
  - » One in five (19.7 percent) households in 2017 had no mainstream credit in the past 12 months.
  - » Differences in the share of households with no mainstream credit by banking status were striking. Four in five (80.2 percent) unbanked households had no mainstream credit, compared with 21.9 percent of underbanked households and 14.1 percent of fully banked households.
  - » The share of households with no mainstream credit also varied substantially across socioeconomic and demographic groups. Lower-income households, less-educated households, black and Hispanic households, working-age disabled households, and foreign-born, noncitizen households were more likely not to have mainstream credit.
  - » Differences by race and ethnicity were substantial: 36.0 percent of black households and 31.5 percent of Hispanic households had no mainstream credit, compared with 14.4 percent of white households. At all income levels, black and Hispanic households were more likely not to have mainstream credit. Racial and ethnic differences in bank account ownership and socioeconomic and demographic characteristics beyond income can account for some, but not all, of the racial and ethnic differences in the likelihood of not having mainstream credit.
- Two reasons why households may not have mainstream credit are that they are not interested in having credit or that they do not appear creditworthy. For the purposes of this report, we consider a household to have shown interest in having credit if, in the past 12 months, the household applied for a credit card or bank personal loan, thought about applying for a credit card or bank personal loan but did not because it thought it might be turned down (i.e., felt discouraged about applying), or use credit AFS.[14]
  - » Approximately one in six (15.8 percent) households with no mainstream credit in 2017 showed interest in having credit.
  - » Staying current on bills is one potential indicator of creditworthiness. About three in four (76.3 percent) households with no mainstream credit stayed current on bills in the past 12 months. Among households with no mainstream credit that showed interest in having credit, roughly half (46.7 percent) stayed current on bills. While staying current on bills is an imperfect measure of creditworthiness, it nevertheless provides some insight into these households' financial situation.
- Households may use certain credit products, including credit cards, bank personal loans, and credit AFS, to meet their small-dollar credit needs. Some households may have small-dollar credit needs that are not fully met by mainstream financial institutions. As in the 2015 report, we classify a household as having unmet demand for mainstream small-dollar credit if, in the past 12 months, the household applied for and was denied a credit card or bank personal loan, felt discouraged about applying, or used credit AFS.
  - » Applying this convention, 12.9 percent of households had unmet demand for mainstream small-dollar credit in 2017, compared with 13.7 percent in 2015. The decline in the share of households with unmet demand from 2015 to 2017 is consistent with the declines in the shares of households that used credit AFS or that felt discouraged about applying for a credit card or bank personal loan.
  - » Among households with unmet demand, 57.2 percent stayed current on bills in 2017, up slightly from 52.5 percent in 2015.

[13]Households without a credit score may be "credit invisible," meaning that no one in the household has a record at one of the credit bureaus. Alternatively, a household member may have a record at one of the credit bureaus but not have sufficient credit history to be scored. At least one active trade line in the past six months is generally required to generate a credit score.

[14]This definition is an approximation and likely does not capture all households that have shown interest in having credit. For example, households may have applied for or have felt discouraged about applying for other credit products, such as auto loans or student loans.

**Figure ES.13 Use of Mainstream Credit Products, 2017 (Percent)**

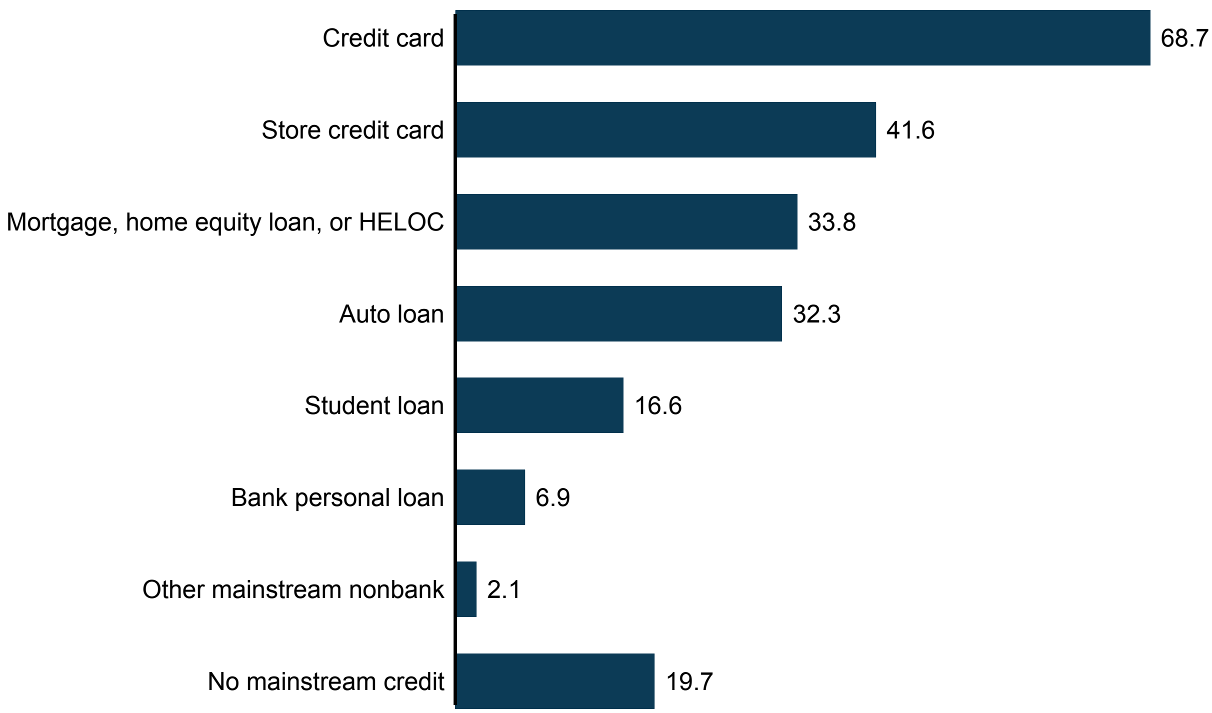
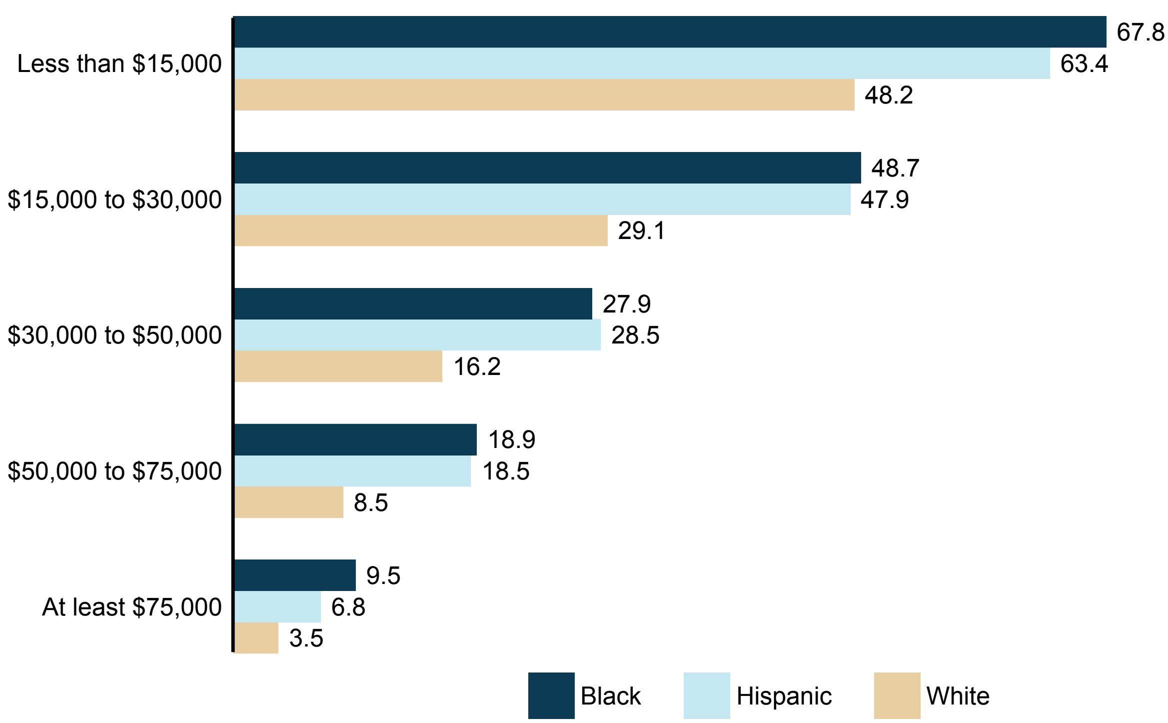



**Figure ES.14 No Mainstream Credit by Household Race and Ethnicity and Income Level, 2017 (Percent)**




Note: To simplify the figure, estimates for Asian households and for households of other races and ethnicities are not shown.

**Table ES.5 Methods Used to Pay Bills and Receive Income in a Typical Month by Banking Status, 2017**
For all households that paid bills and received income in a typical month, column percent

| | All | Unbanked | Underbanked | Fully banked |
|---|---|---|---|---|
| **A. Paying bills (Percent)** | | | | |
| Electronic payment from bank | 68.4 | 2.5 | 67.2 | 73.0 |
| Personal check | 61.3 | 1.2 | 52.0 | 67.8 |
| Debit card | 47.3 | 3.1 | 63.1 | 45.9 |
| Credit card | 24.8 | 8.4 | 25.0 | 25.8 |
| Bank money order | 5.7 | 13.0 | 11.8 | 3.5 |
| Cash | 15.9 | 66.1 | 26.2 | 9.8 |
| Nonbank money order | 6.9 | 39.1 | 24.2 | 0.0 |
| Prepaid card | 2.3 | 22.1 | 4.0 | 0.5 |
| Other | 1.2 | 8.0 | 1.3 | 0.7 |
| Did not select a method | 0.5 | 3.3 | 0.3 | 0.4 |
| Any bank method | 93.8 | 22.7 | 94.0 | 98.4 |
| Only bank methods | 78.2 | 6.2 | 56.6 | 88.8 |
| **B. Receiving income (Percent)** | | | | |
| Direct deposit into bank account | 86.7 | 5.6 | 86.6 | 92.0 |
| Paper check or money order | 27.6 | 45.4 | 30.8 | 25.6 |
| Cash | 7.9 | 26.5 | 10.5 | 6.0 |
| Direct deposit onto prepaid card | 3.4 | 23.3 | 5.0 | 1.6 |
| Other | 1.8 | 10.6 | 1.9 | 1.2 |
| Nonbank check casher | 1.9 | 23.7 | 3.8 | 0.0 |
| Did not select a method | 1.6 | 10.5 | 1.3 | 1.1 |
| Any bank method | 93.2 | 5.6 | 95.3 | 98.2 |
| Only bank methods | 84.1 | 2.6 | 80.0 | 90.5 |

### *How Households Conduct Their Financial Transactions in a Typical Month*

To learn more about the extent to which households use bank and other methods to meet their financial transactions needs, the 2017 survey asked about the ways households pay bills and receive income in a typical month.

- From 2015 to 2017, use of paper instruments to handle these financial transactions declined somewhat, while use of electronic methods increased.
  - » Although personal checks remained the second-most prevalent method of paying bills, after electronic payments from a bank account, the proportion of households that used personal checks decreased from 2015 to 2017. Over the same period, the proportions that used electronic payments from a bank account, debit cards, or credit cards increased.
  - » Likewise, the proportion of households that received income by paper check or money order decreased from 2015 to 2017, while the proportion that received income through direct deposit into a bank account increased.
- As in 2015, unbanked households in 2017 paid bills and received income primarily using methods outside of the banking system.
  - » Approximately two-thirds paid bills using cash in 2017, the most prevalent method. Nonbank money orders and prepaid cards were the next two most prevalent methods of paying bills.
  - » Unbanked households also received income in a variety of ways, but the most prevalent method was paper check or money order, followed by cash and direct deposit onto a prepaid card.
- Underbanked households, on the other hand, used banks extensively to handle their financial transactions. The key difference between underbanked and fully banked households is that, in addition to using bank methods, underbanked households also widely used other methods to pay bills.

- » Electronic payment from a bank account was the most prevalent method of paying bills among both underbanked and fully banked households in 2017. Relative to the fully banked, use of personal checks was lower among underbanked households and use of debit cards was higher. Direct deposit into a bank account was by far the most prevalent method of receiving income, both for underbanked and fully banked households.
- » Approximately one in four underbanked households used cash to pay bills in a typical month, and a similar share used nonbank money orders.

### *Measuring Economic Inclusion*

A primary goal of the *FDIC National Survey of Unbanked and Underbanked Households* is to assess the inclusiveness of the U.S. banking system. Specifically, the survey is used to estimate the proportion of households that do not have an account at a federally insured depository institution (i.e., the unbanked rate) and the proportion that have an account but go outside of the banking system to meet their financial needs (i.e., the underbanked rate). As consumer financial product markets evolve and new products mature, measurement of the unbanked and underbanked may require updating to reflect such changes and to better assess the inclusiveness of the banking system.

- In this report and since the survey was first conducted in 2009, a household is categorized as unbanked if no one in the household has a checking or savings account. General purpose reloadable prepaid cards that were obtained from banks may offer many of the same features as checking accounts as well as a relationship with a retail banking institution.
  - » As a result, unbanked households that use prepaid cards obtained from banks *could* be considered banked. If they were, the unbanked rate in 2017 would fall slightly from 6.5 percent to 6.4 percent.
- In this report and since 2013, a household is classified as underbanked if it has a checking or savings account and used one of the following products or services from an AFS provider in the past 12 months: money orders, check cashing, international remittances, payday loans, refund anticipation loans, rent-to-own services, pawn shop loans, or auto title loans.
  - » This underbanked definition does not incorporate intensity of AFS use: some underbanked households may routinely use AFS, while others may do so only sporadically.
  - » It also considers a wide range of AFS, including transaction and credit products and services.
- As a result, households categorized as underbanked in this report are a fairly broad group, with a variety of experiences and levels of engagement with the banking system.
  - » In 2017, approximately half (48.6 percent) of underbanked households used only bank methods to pay bills and receive income in a typical month, which we denote as underbanked group 1.[15] The remaining 51.4 percent of underbanked households did not exclusively use bank methods to pay bills and receive income in a typical month, which we denote as underbanked group 2.
  - » Households in underbanked group 1 were quite similar to the fully banked in their socioeconomic and demographic characteristics, savings activity, and use of mainstream credit products. Compared with households in underbanked group 1 and with the fully banked, households in underbanked group 2 had lower income and educational attainment; were more likely to be young, black, Hispanic, or working-age disabled; and were more likely to have volatile income.
  - » Use of mobile banking as the primary method of bank account access was similar across the two underbanked groups. In contrast, use of bank tellers was more prevalent and use of online banking less prevalent among households in underbanked group 2.
  - » Rates of savings for unexpected expenses or emergencies, use of savings or checking accounts for keeping savings, and use of most mainstream credit products were also lower among households in underbanked group 2, compared with households in underbanked group 1 and with the fully banked.
  - » Some of the characteristics and behaviors of households in underbanked group 2 were similar to the characteristics and behaviors of the unbanked, including the share with volatile income, the use of cash to pay bills or receive income in a typical month, and the proportion that fell behind on bills.
  - » Overall, this analysis suggests that it is important to consider intensity of transaction AFS use in measuring the underbanked. If intensity of transaction AFS use were considered in the classification of underbanked households, fewer households in underbanked group 1 may be classified as underbanked.

[15] Households in underbanked group 1 were classified as underbanked because either they used credit AFS in the past 12 months, or they used transaction AFS in the past 12 months but not to pay bills or receive income in a typical month.

### *Implications*

The survey results presented in this report suggest implications for policymakers, financial institutions, and other stakeholders who are working to improve access to mainstream financial services.

1. New underwriting technologies could help expand access to small-dollar credit for banked consumers, including consumers with little or no credit history. The vast majority of the 13 percent of households with unmet demand for mainstream small-dollar credit are banked, and almost all receive income and pay bills using their bank accounts. But few of these households applied for a credit card or bank personal loan. Account balances and transactions may provide information for banks to underwrite small-dollar credit to some of these households.

2. About one in five households likely have little or no credit history. The vast majority of these households are banked and may not seek credit until a need arises. Helping these households establish and build a credit history may particularly benefit black households, Hispanic households, and households headed by a working-age individual with a disability. All of these households are disproportionately less likely to have mainstream credit.

3. Mobile banking holds real promise for deepening the connection between underbanked households and their banks while increasing the safety and convenience of bill payments. A large share of underbanked households pays bills in a typical month with cash or nonbank money orders. More than two in five of these households already use mobile banking to access their bank accounts. Increased use of mobile banking activities by these households may enable them to conduct a greater share of their basic financial transactions within the banking system.

4. Physical access to bank branches remains important even as use of mobile banking and online banking has increased. In 2017, the great majority of banked households visited a bank branch in the past 12 months, and more than one-third visited ten or more times. In addition, almost one in six unbanked households visited a bank branch in the past 12 months. These findings suggest that branches continue to play an important role for banked households and that opportunities may exist for branch staff to inform unbanked households about products and services that can help meet their financial needs.

5. Unbanked rates for some segments of the population have declined as economic conditions improved between 2011 and 2017. Still, unbanked rates for these groups, including black and Hispanic households, remain substantially above the national average. At the same time, unbanked rates for other population segments, such as working-age disabled households, have remained high and stayed fairly constant between 2011 and 2017. Understanding the evolution of unbanked rates for different population segments and adopting targeted strategies may help sustain increases in bank account ownership in future economic downturns and increase access for different population segments with high unbanked rates.

**Federal Deposit Insurance Corporation**

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