

# Overview of the 2011 FDIC National Survey of Banks' Efforts to Serve the Unbanked and Underbanked

Committee on Economic Inclusion Meeting  
December 13, 2012

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# Background

## Objectives

- Identify and quantify the extent to which insured depositories reach out to, serve, and seek to meet the banking needs of unbanked and underbanked individuals and households.
- Identify challenges affecting the ability of insured depository institutions to serve unbanked and underbanked individuals and households.
- Identify strategies that depositories used to offer financial products and services to unbanked and underbanked individuals and households.

# FDIC Bank Survey

- The Bank Survey was voluntary and consisted of an Internet-based questionnaire administered to a nationally representative random stratified sample of 707 retail bank headquarters, with 567 banks (80 percent) responding.
- Through the survey design, banks are grouped into one of three asset size categories:
  - the largest 25 banks (with assets greater than \$38 billion)
  - smallest institutions (with assets less than \$1 billion)
  - midsize banks (with assets between \$1 billion and \$38 billion)
- Internet-based survey was administered from November 2011 through February 2012, with assistance from Gallup, Inc.

# KEY FINDINGS

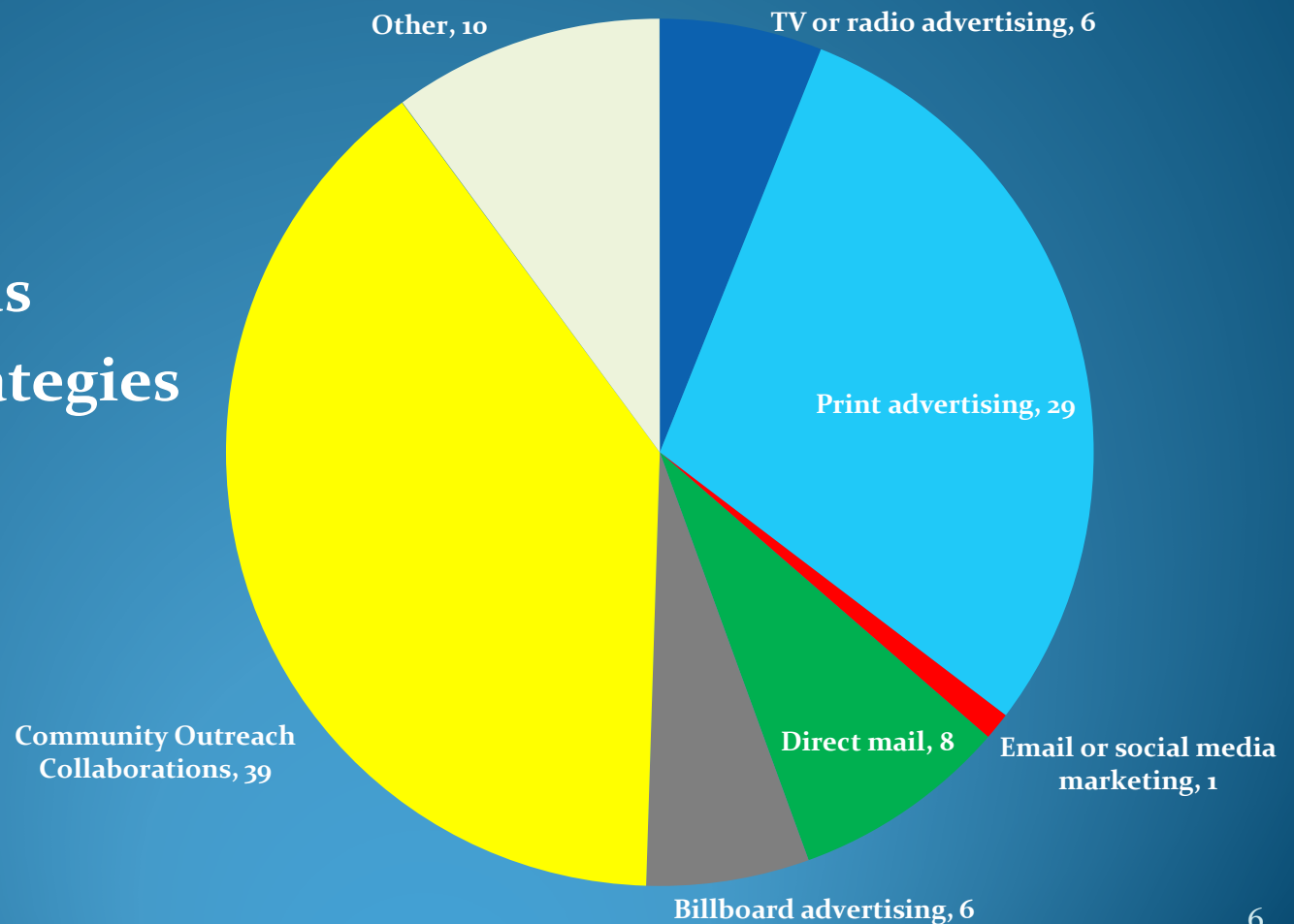
# Product Development

**Four out of ten banks develop products and services for underserved consumers.**

- Almost 43 percent of banks were actively involved in developing products and services for underserved consumers.

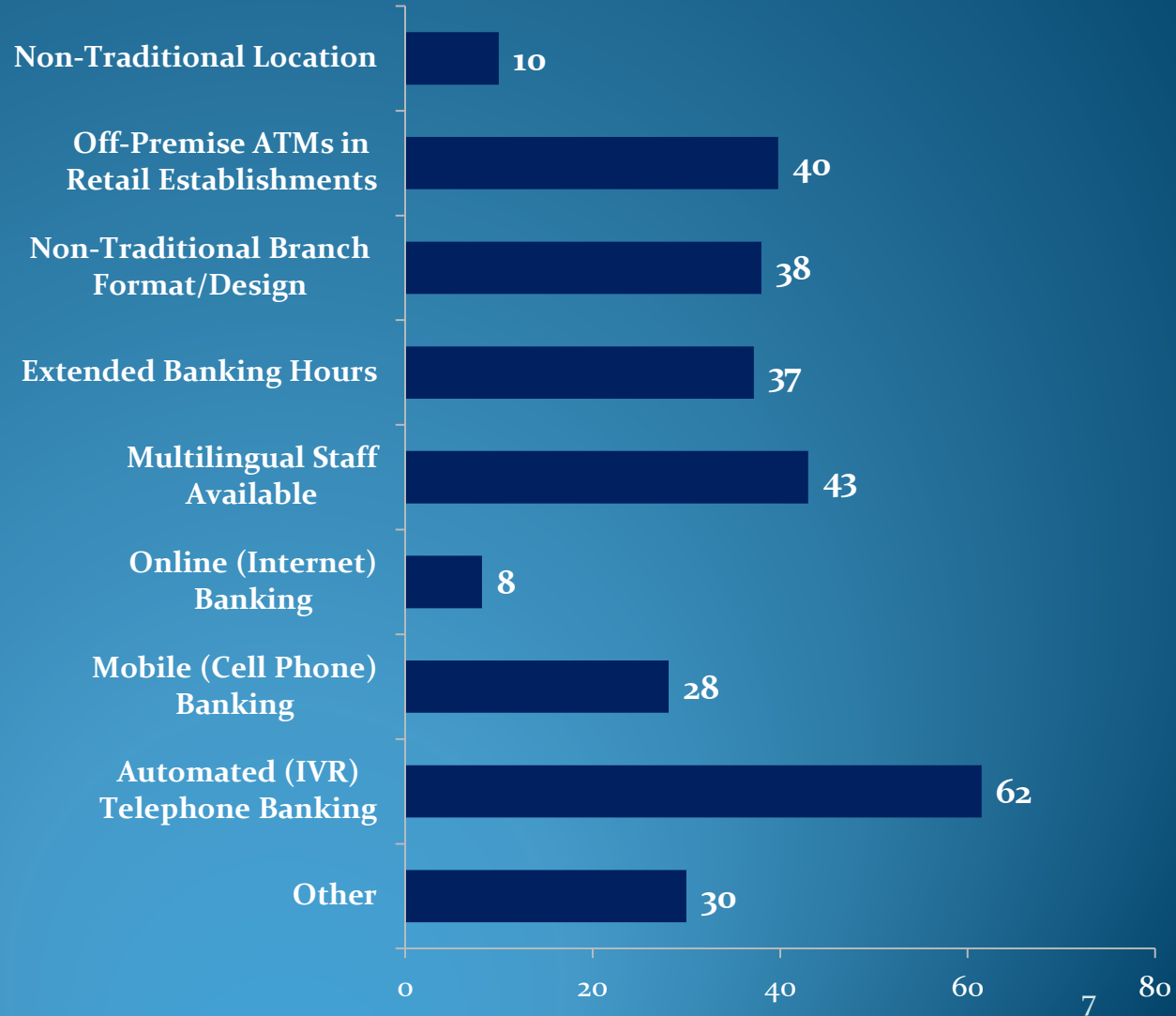
# Marketing and Advertising

Banks see community partnerships as important strategies to reach underserved consumers.



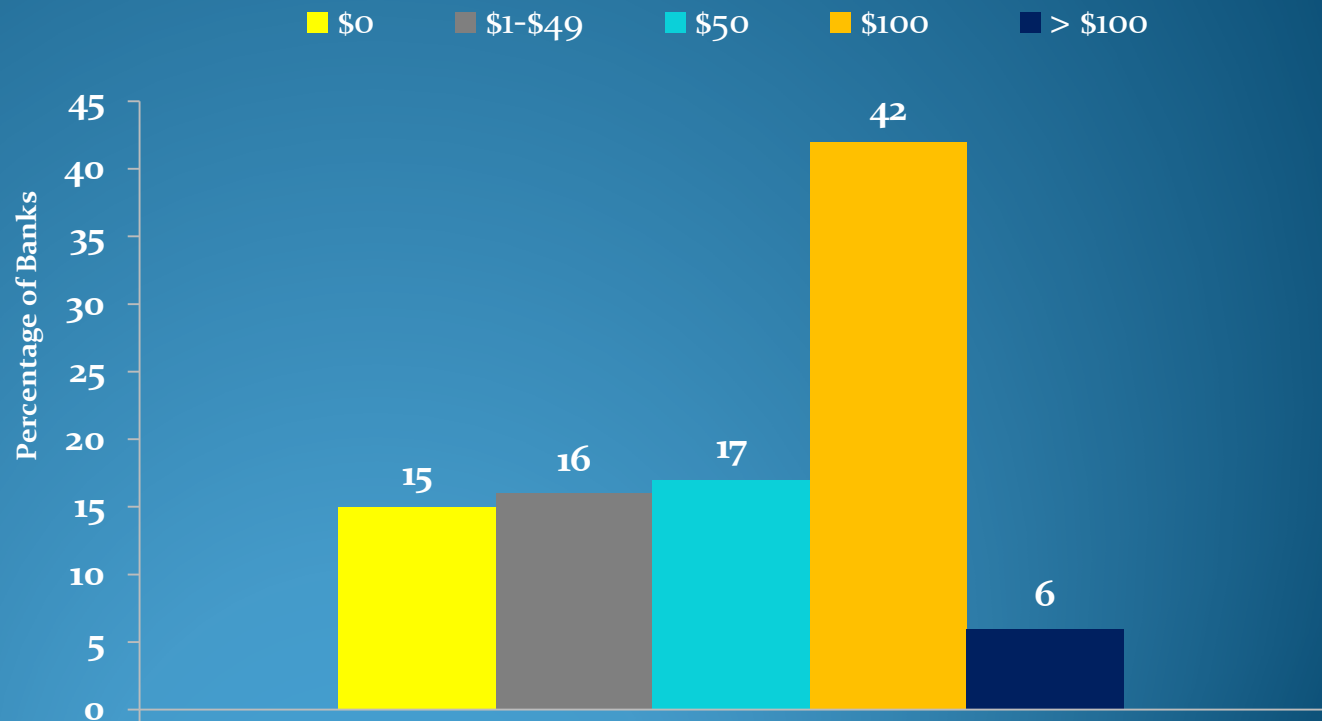
# Retail Strategies

Automated telephone banking, multilingual staff, and off-premise ATM locations were the most frequently chosen retail strategies.



# Basic Financial Products and Services - Checking Accounts

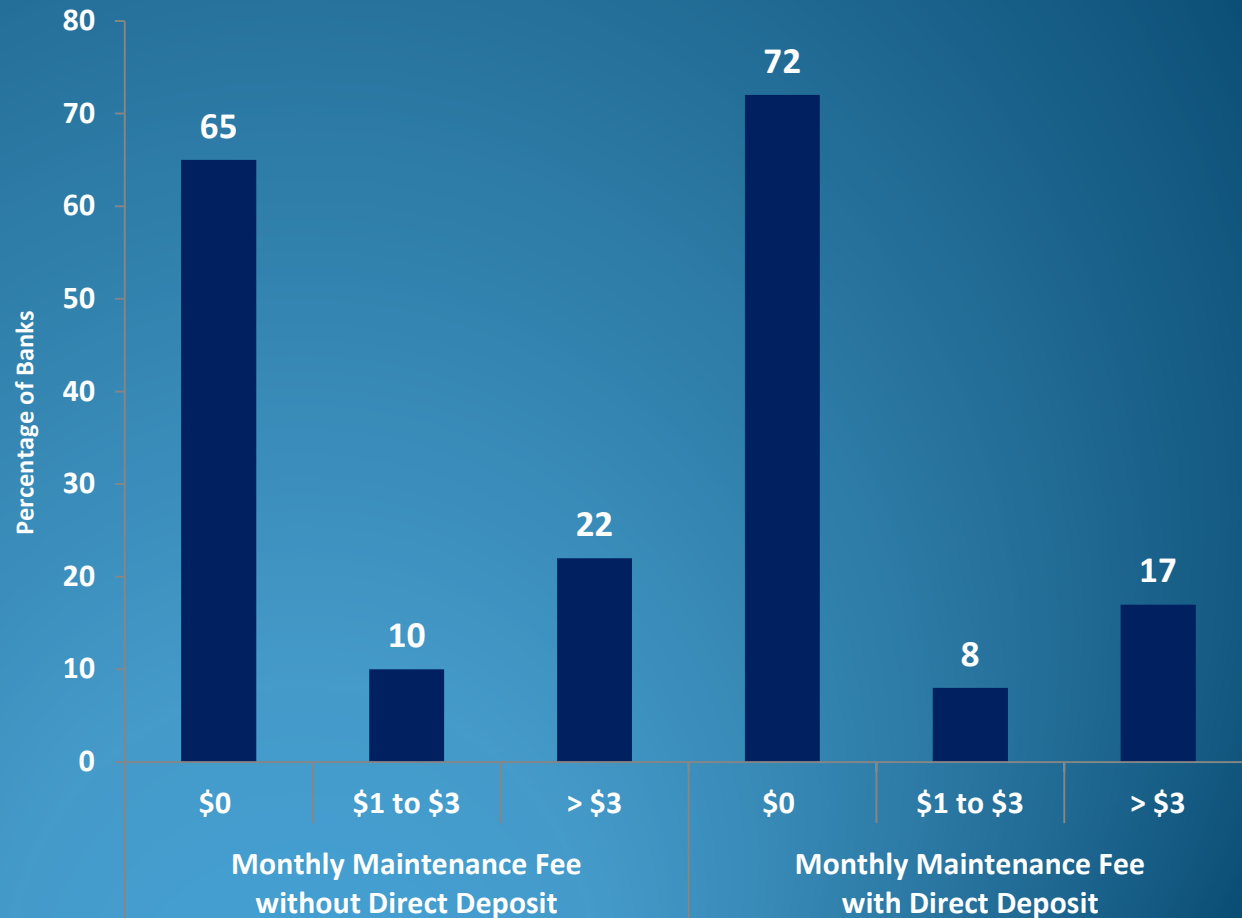
Almost half of all banks required an initial deposit of \$100 or more to open a basic checking account.





# Monthly Maintenance Fee

Nearly two-thirds of all banks charged no monthly maintenance fees on basic checking accounts, though one in five charged more than \$3 per month on accounts without direct deposit.



# NSF and Overdraft Fees

**The median charge for overdraft payments and on checks and other items rejected for nonsufficient funds were both \$28.**

- In the large majority of cases, banks charged the same amount for overdraft payments or when items were rejected due to nonsufficient funds.

# Second-Chance Accounts

**Two out of ten banks offered a “second chance” account to individuals that do not qualify for a basic checking account.**

- The survey found that 21 percent of banks offered a 'Stepping Stone' or 'Second Chance' account to individuals not qualified for conventional accounts.

# Card-Based “Checkless” Checking Accounts

**Few banks offered a card-based “checkless” checking account as their most basic, entry level account.**

- Among all banks, 21 percent offered electronic (card-based) accounts as their most basic transaction account product.
- Fewer—less than 1 percent of banks—offered a strictly card-based, electronic account (i.e., an account that does not allow at least some paper checks to be written).

# Basic Financial Products and Services

## - Savings Accounts

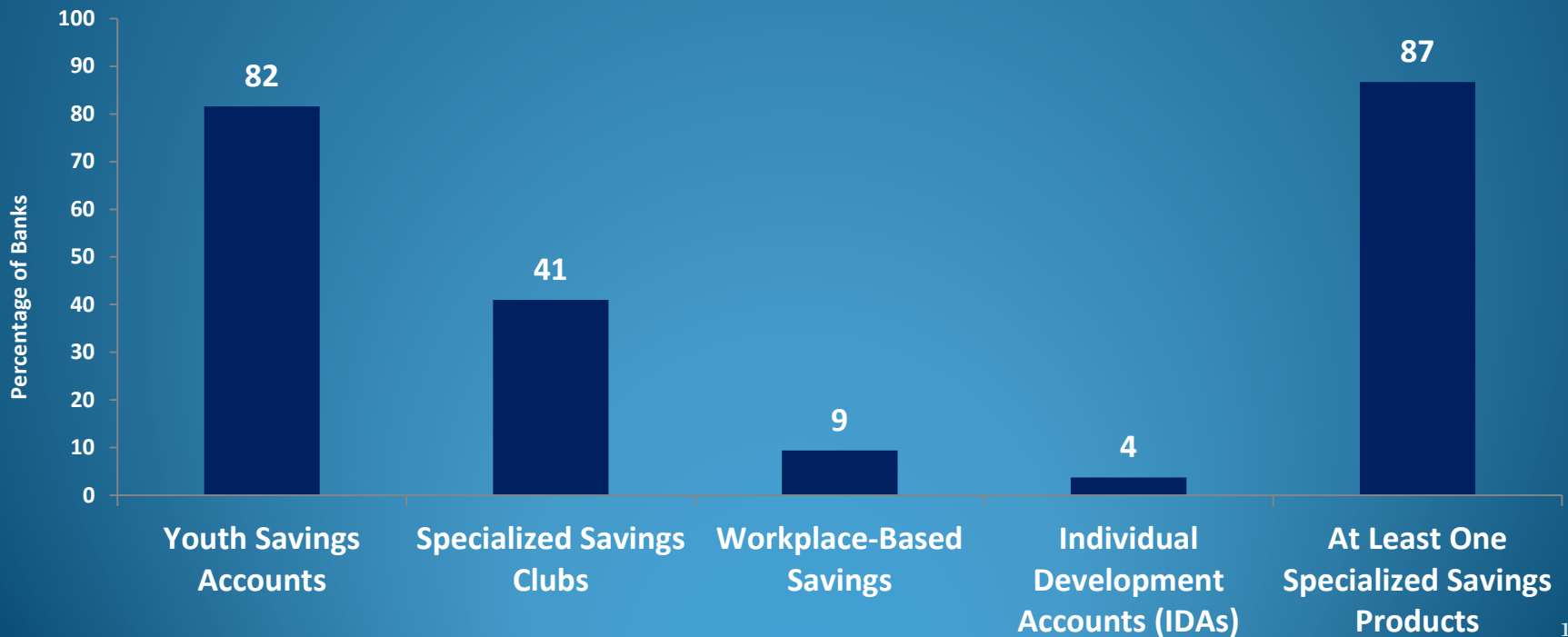
Banks required a median minimum initial deposit of \$100 to open a basic savings account, though most banks did not charge a monthly maintenance fee if minimum average balance requirements were met.

- The median minimum average balance to avoid a monthly fee was \$100. If the minimum average balance requirement was not met, the median monthly maintenance fee was \$2.

# Specialty Savings

More than eight out of ten banks offered specialty savings products, such as youth savings accounts.

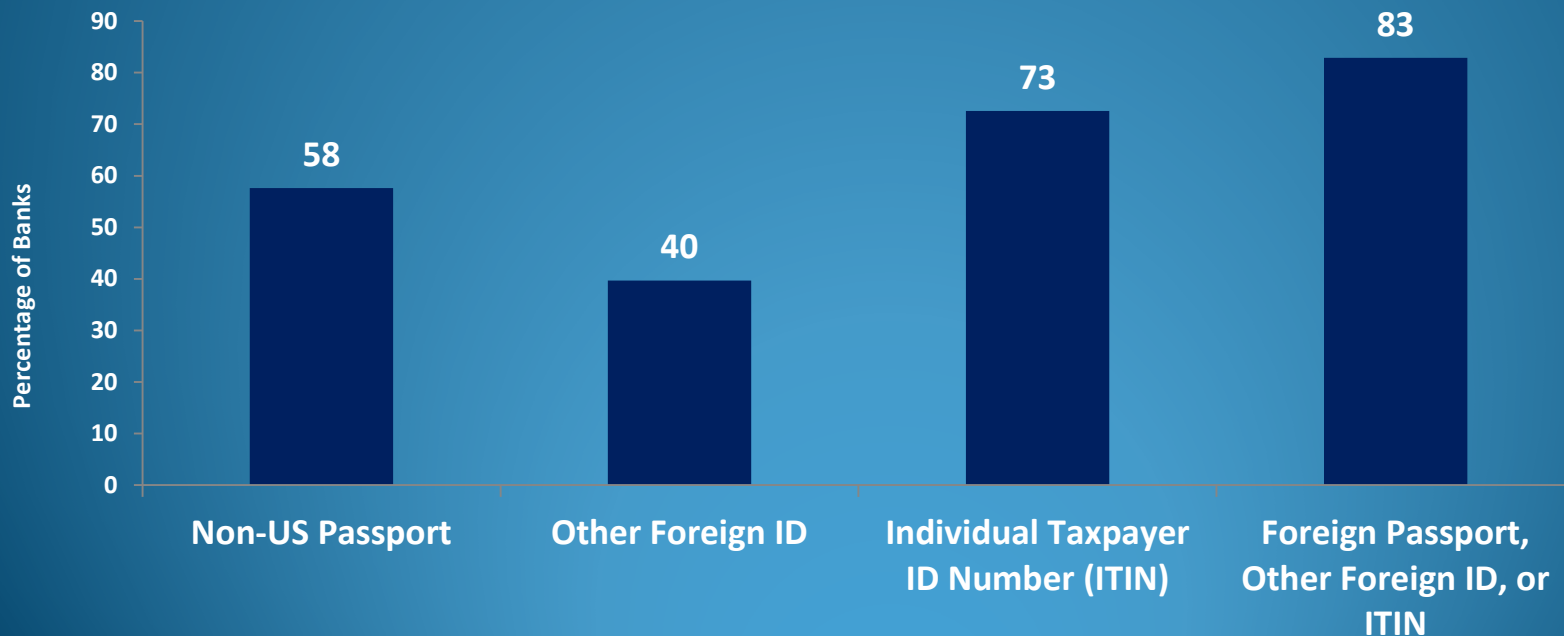
- A majority of banks (87 percent) offered at least one specialty savings products.



# Customer Identification

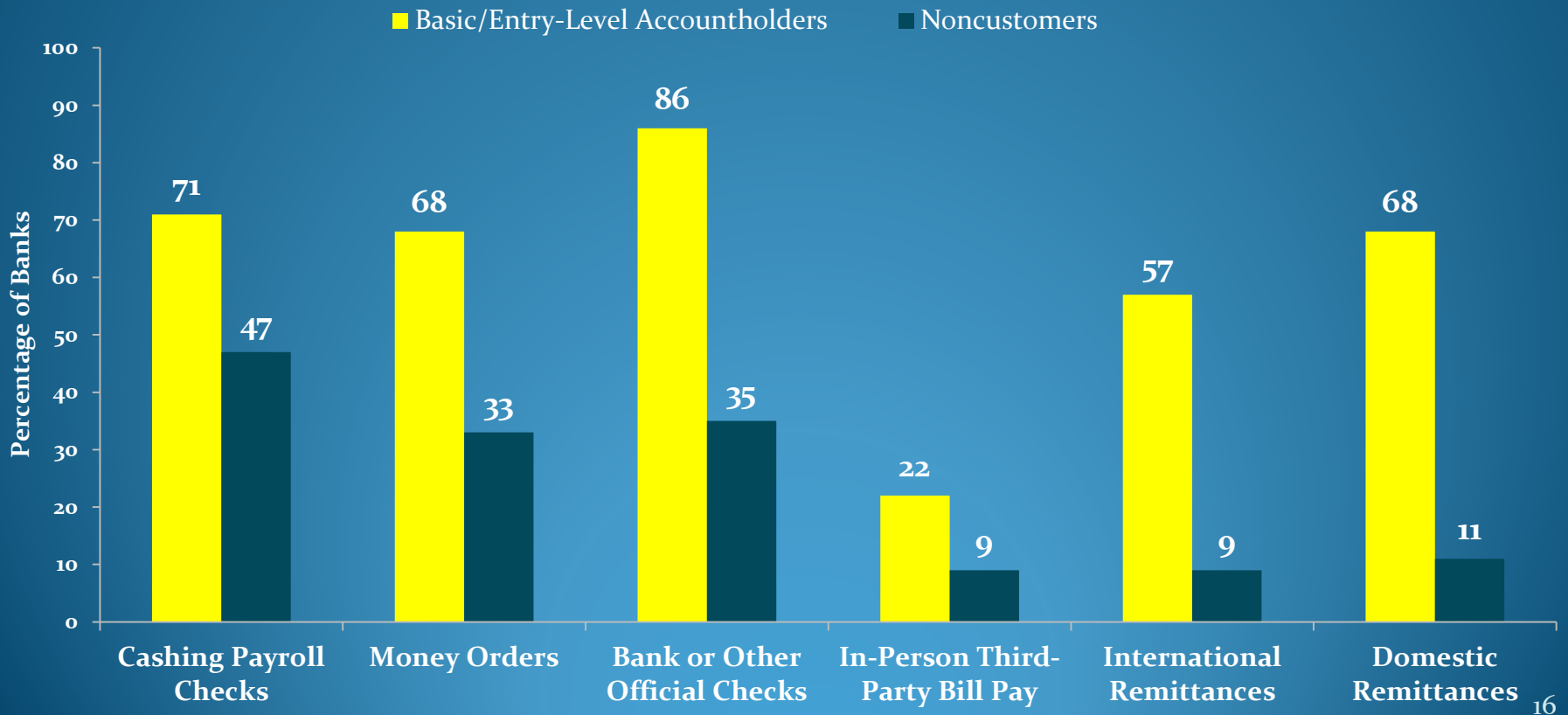
**Most banks accepted non-traditional forms of identification to open accounts.**

- A majority of banks accepted a non-US passport or some other nontraditional form of identification (ID) from prospective customers.



# Auxiliary Products

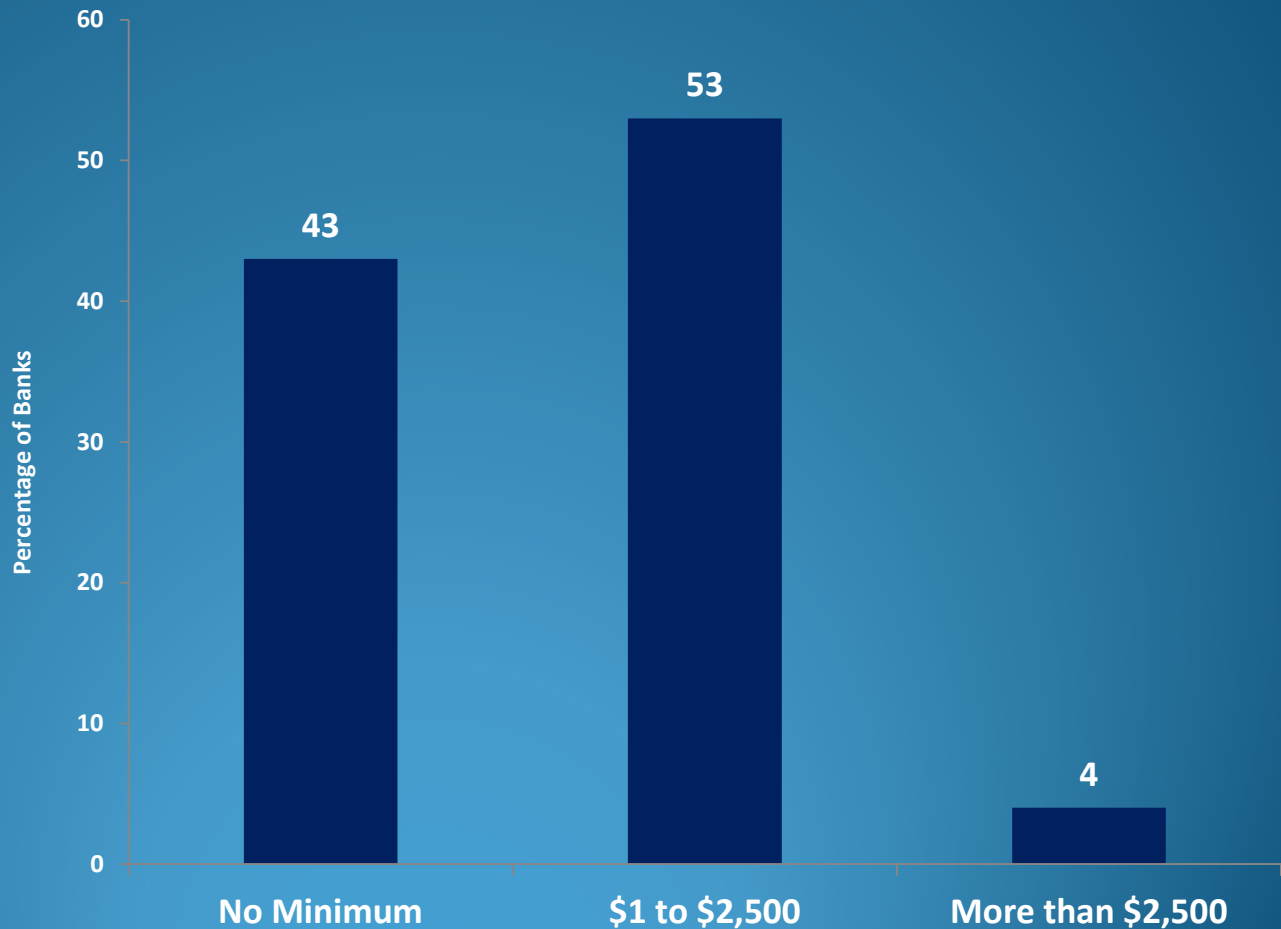
Most banks offered check-cashing, bank checks, money orders, and remittances for existing accountholders, but not for others.





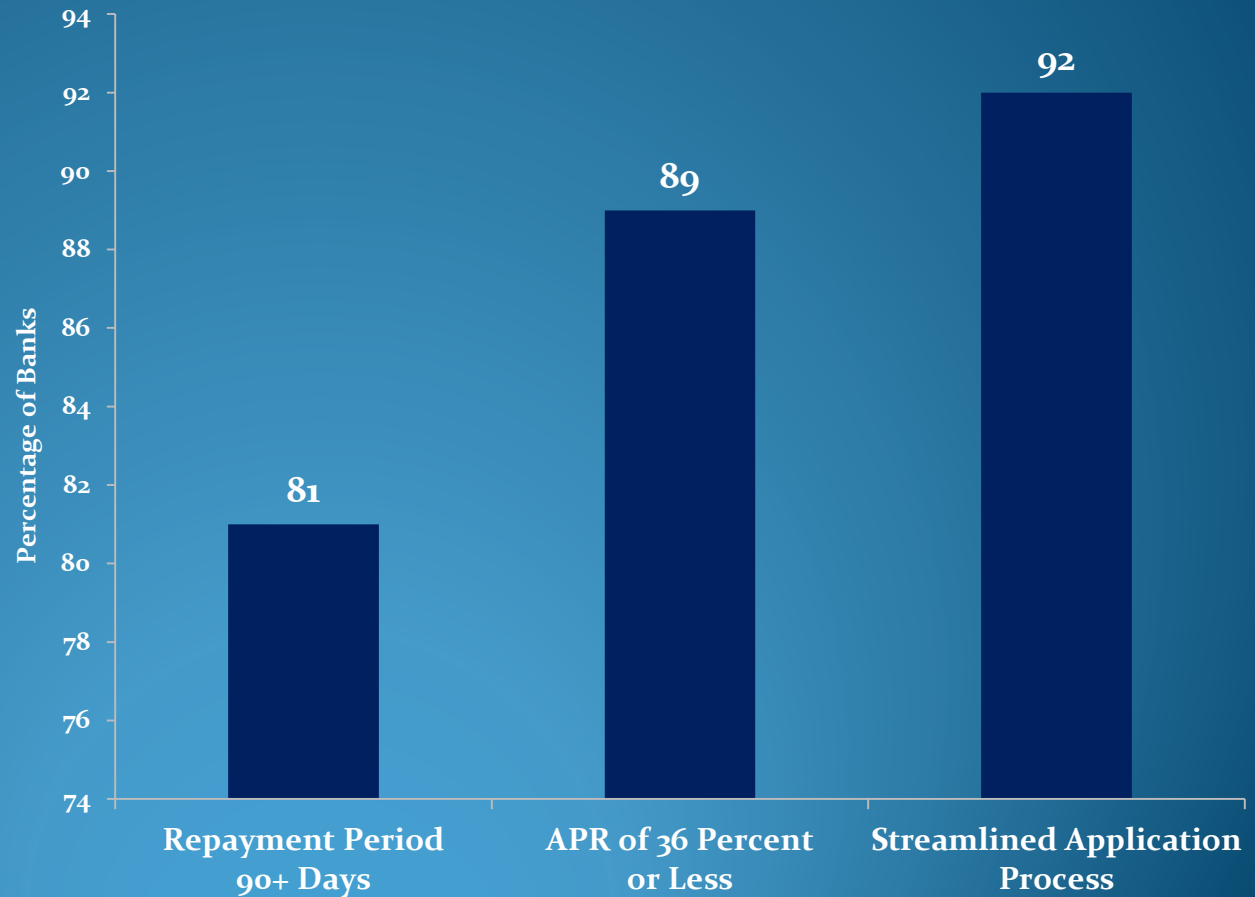
# Unsecured Personal Loans

Eight out of ten banks offered small (under \$2,500) unsecured personal loans.



# Small-Dollar Loans

Banks offering small dollar loans tended to do so with repayment terms of 90 days or longer, with annualized rates at or below 36 percent, and with loan approvals in less than 24 hours.

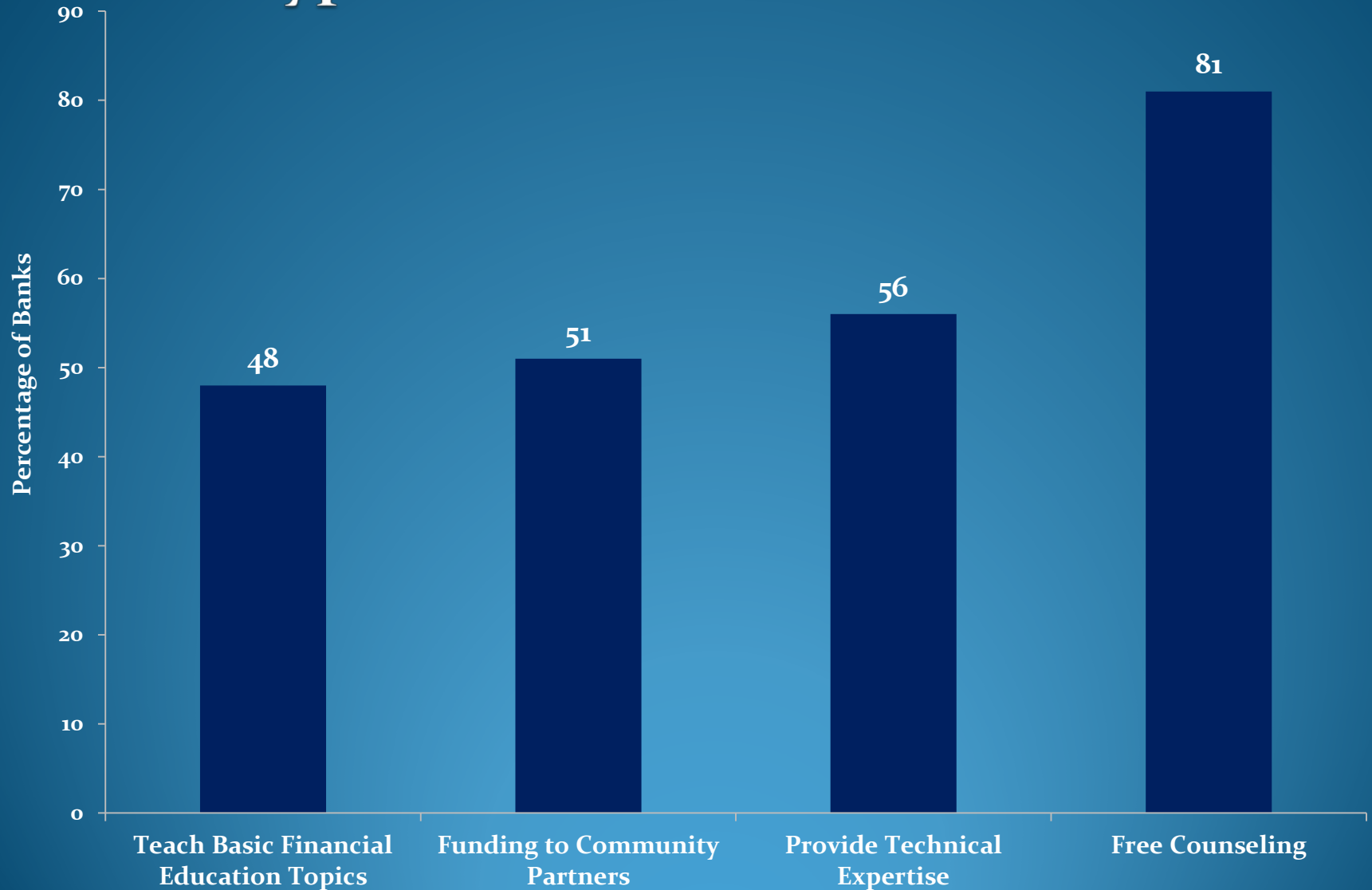


# Financial Education and Outreach

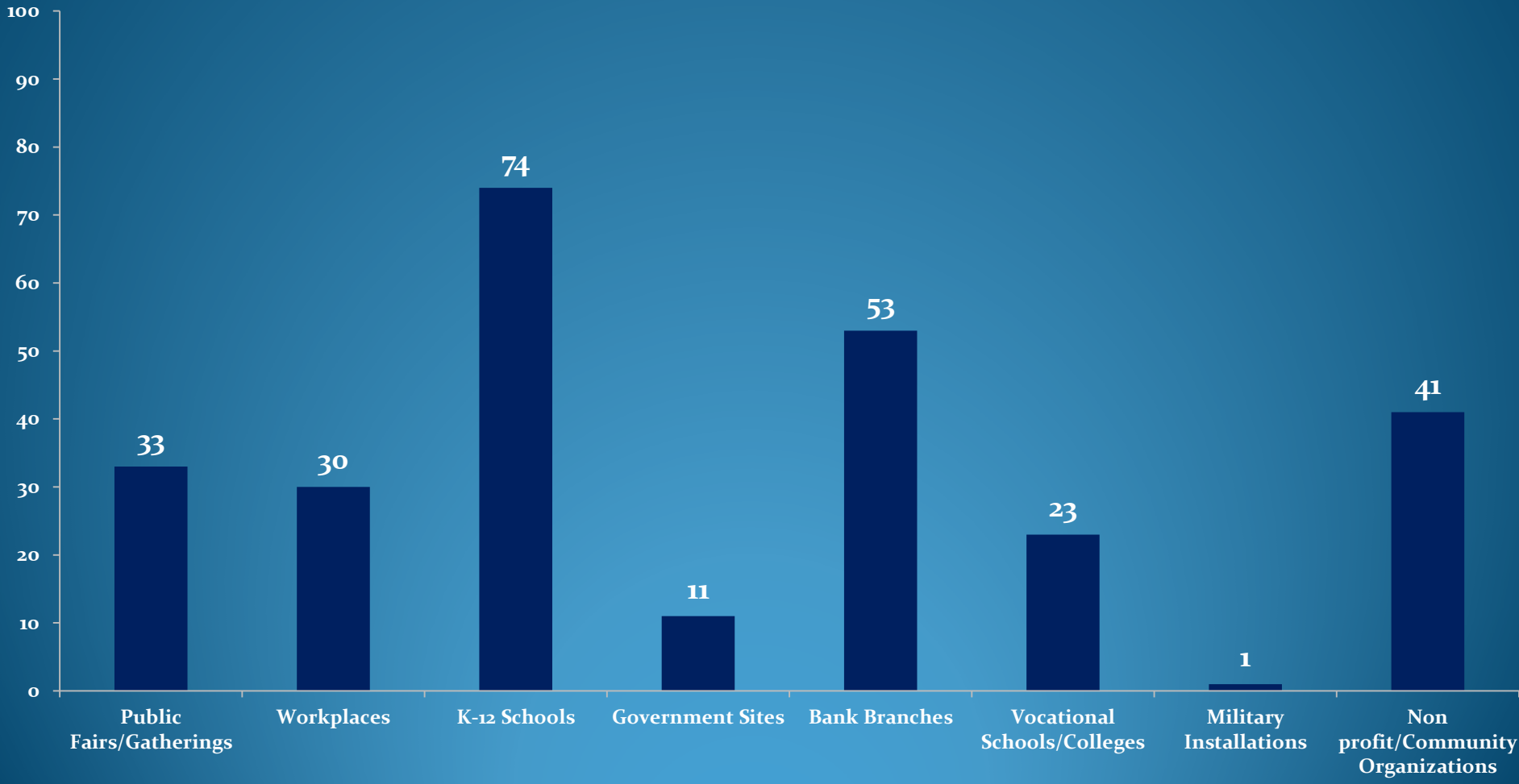
**Eight out of ten banks reported providing free counseling to underserved consumers.**

- Free counseling was the most frequently used and highly rated financial education and outreach activity targeted to unbanked and underbanked consumers.
- The most common locations were K-12 schools, with 74 percent of banks providing financial education and outreach activities at these sites.

# Types of Financial Education

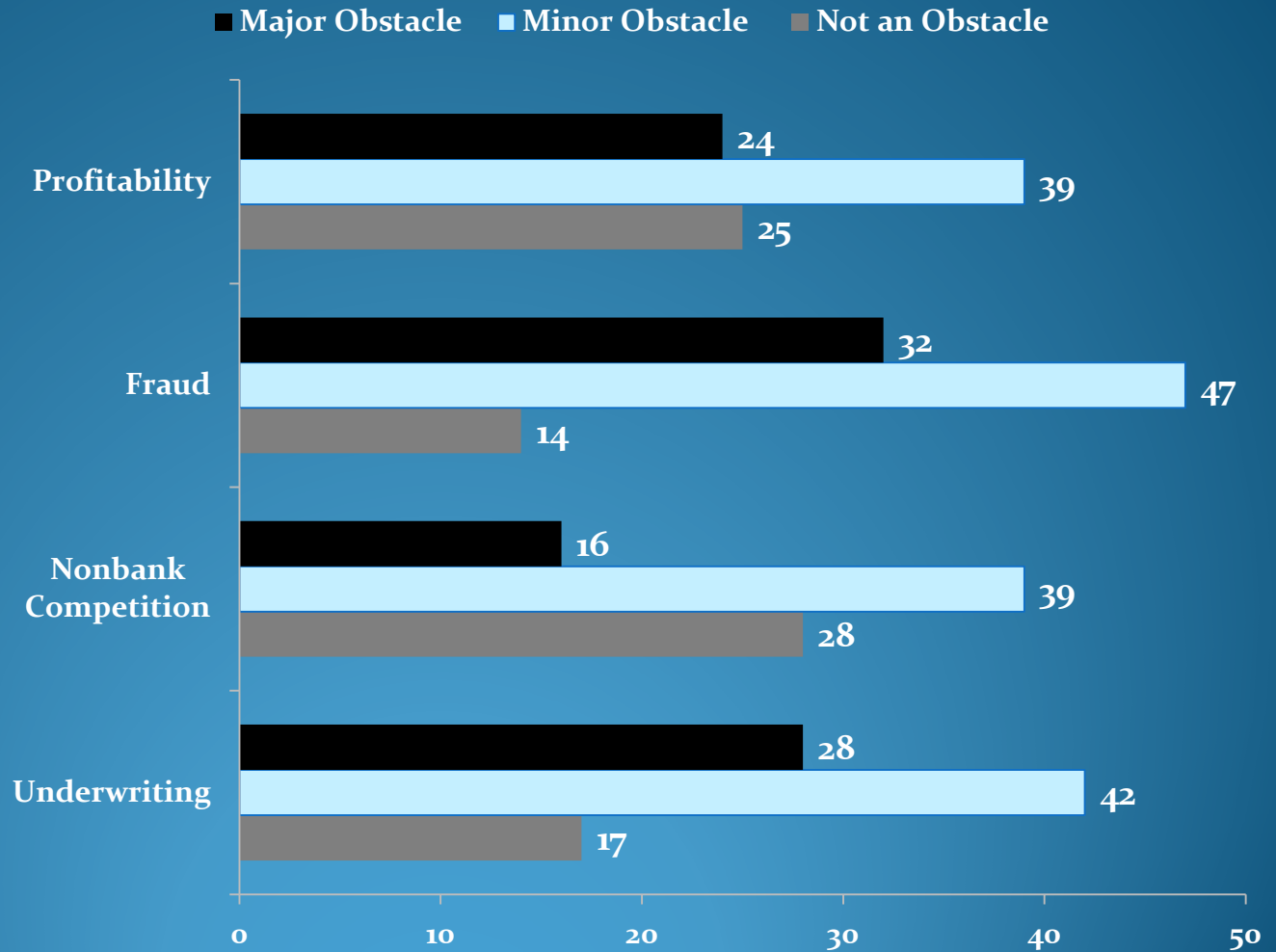


# Financial Education and Outreach Locations



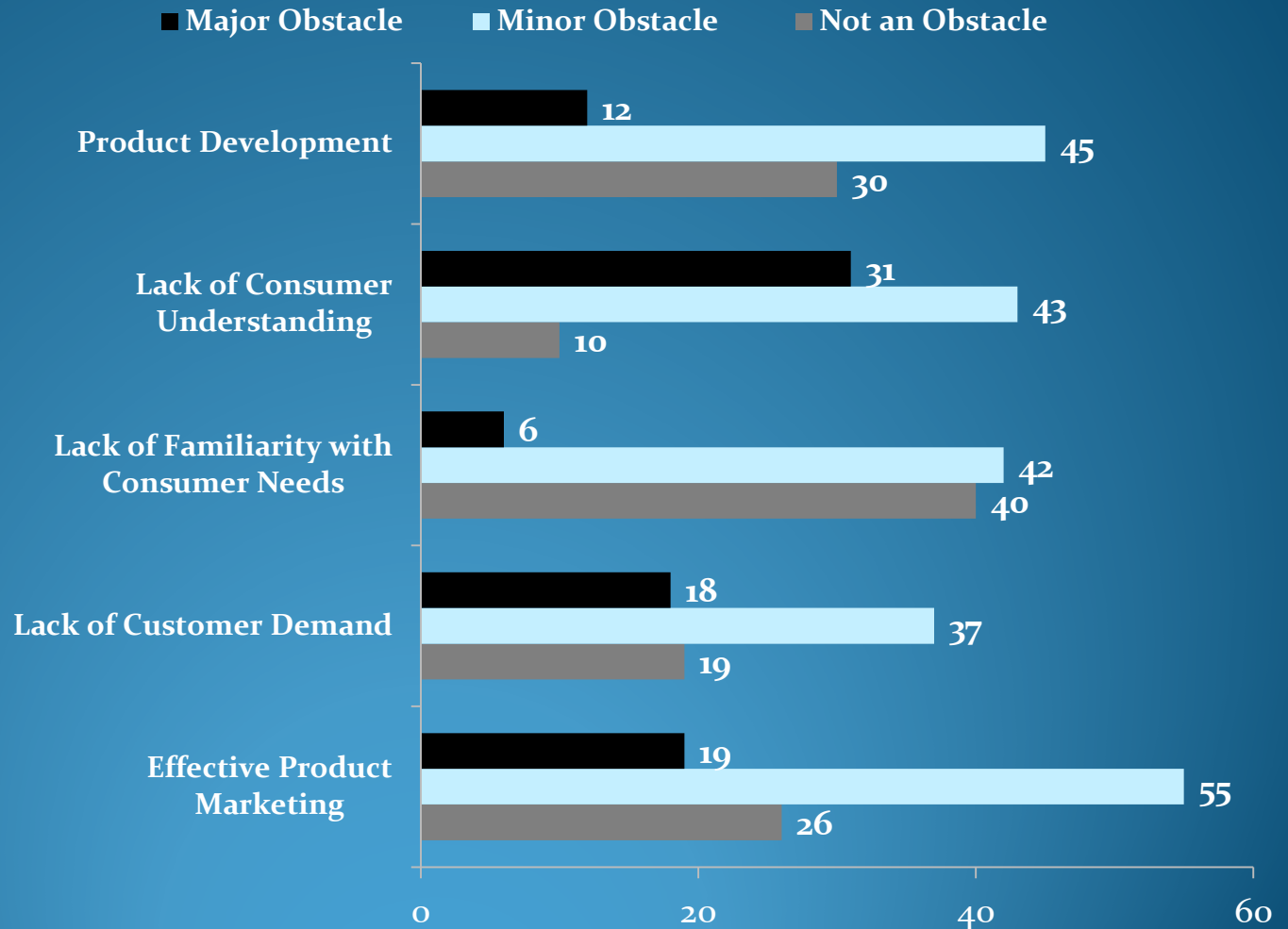
# Bank Business Challenges

About one-third of banks identified fraud as the largest perceived major business-related challenge for banks in serving the underserved.



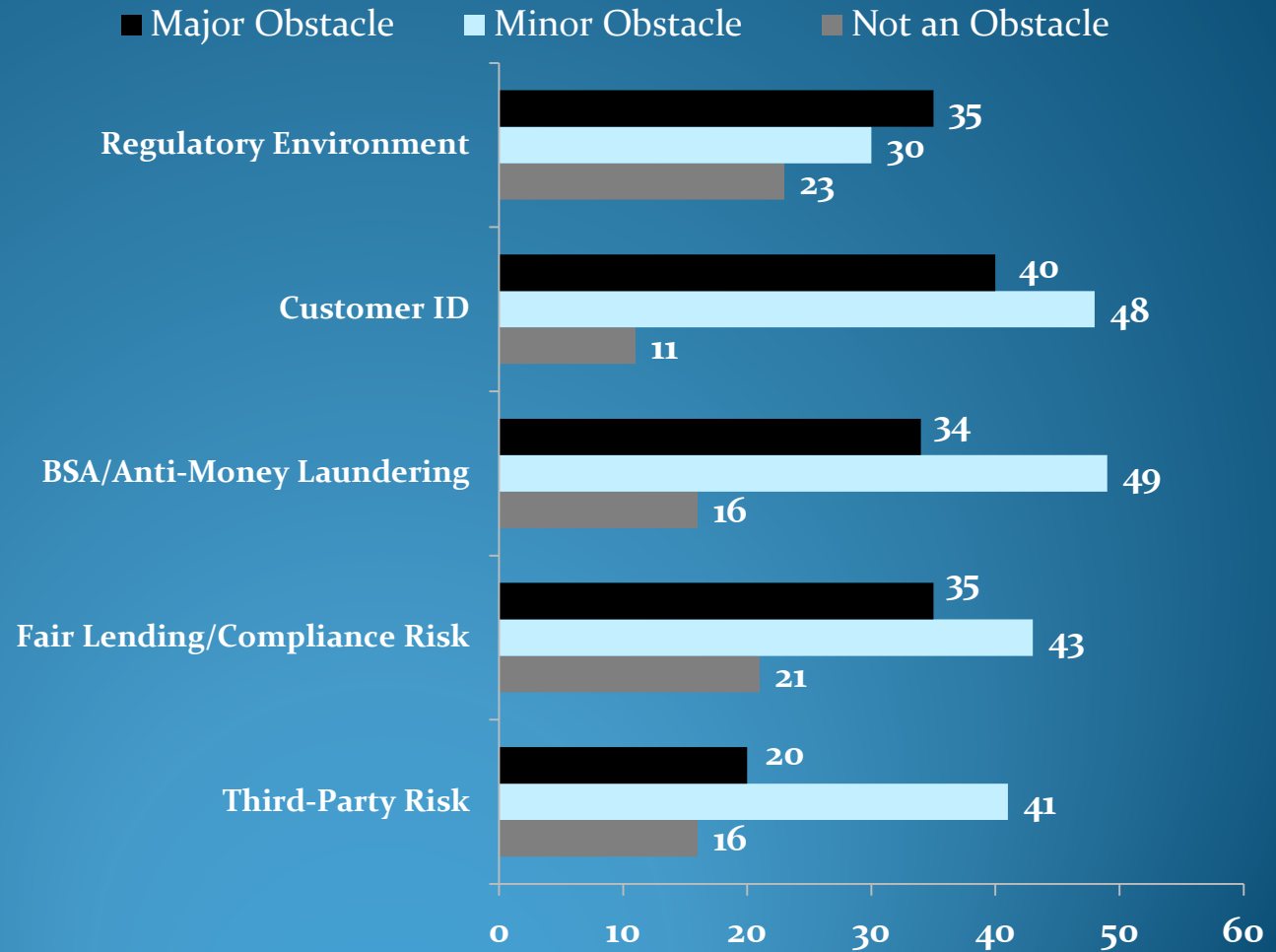
# Product-Related Challenges

Thirty percent of banks reported that consumers' lack of understanding of financial products and services was a major product-related challenge.



# Regulatory Requirement Challenges

One in three banks (35%) cited regulatory requirements as major obstacles in serving unbanked and underbanked consumers and an additional 30% cited them as a minor obstacle.





# Findings By Asset Size

Each group has some relative strengths to draw on in their efforts to meet the needs of underserved consumers, including the following examples:

- The largest banks tended to have lower initial deposit requirements on basic checking and savings accounts and accepted a broader range of foreign identification for account opening.
- Small and midsize banks were more likely not to charge maintenance fees on basic checking and savings accounts, had lower required account balances to avoid certain fees, and charged lower fees when they applied.
- The largest banks were more likely to engage in a greater range of educational and outreach activities.
- The largest banks were more likely to report actively marketing products or services customized to the needs of the unbanked and underbanked and to offer a wider array of auxiliary products and services.
- Small and midsize banks were more likely to make unsecured personal loans in amounts under \$2,500, to charge less on the auxiliary products and services they offered, and to make funds available on the same day when cashing checks.

# Opportunities to Expand Access

- 1. Expand Offerings of Basic, Low-Cost Checking and Savings Deposit Accounts**
- 2. Offer Additional Transaction Services to Underserved Households, Including Noncustomers**
- 3. Enhance Small-Dollar Loan Product Marketing**
- 4. Utilize Partnerships with Community Organizations to Promote Checking and Savings Account Ownership**
- 5. Consider Expanding Retail Strategies to Build Relationships with unbanked and Underbanked Consumers**