

# Overview of the 2011 FDIC National Survey of Unbanked and Underbanked Households

Advisory Committee on Economic Inclusion  
September 12, 2012

Yazmin Osaki  
Susan Burhouse



# Unbanked/Underbanked Survey Team

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- Division of Depositor and Consumer Protection: Susan Burhouse, Sarah Campbell, Timothy Critchfield, Keith Ernst, Ryan Goodstein, Yazmin Osaki, Luke Reynolds and Sherrie Rhine
- Division of Insurance and Research: David Chapman, Eric Robbins and Katherine Samolyk
- Legal Division: Leneta Gregorie

# Agenda

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- Background
- Top Level Results
- Banking Status and Account Ownership
- Use of Alternative Financial Services
- Likelihood of Opening an Account
- Implications and Conclusions

# Background

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- Objectives and statutory mandate
  
- FDIC household survey
  - Administered in June 2011 as a supplement to the Census CPS to nearly 45,000 households (84% response rate)
  - Designed to yield estimates of the number of unbanked and underbanked households; their demographic characteristics, and the reasons why they are unbanked and underbanked
  - First survey administered in January 2009 and released in December 2009
  
- FDIC bank survey
  - Results scheduled to be released in 2012

# FDIC Household Survey Highlights



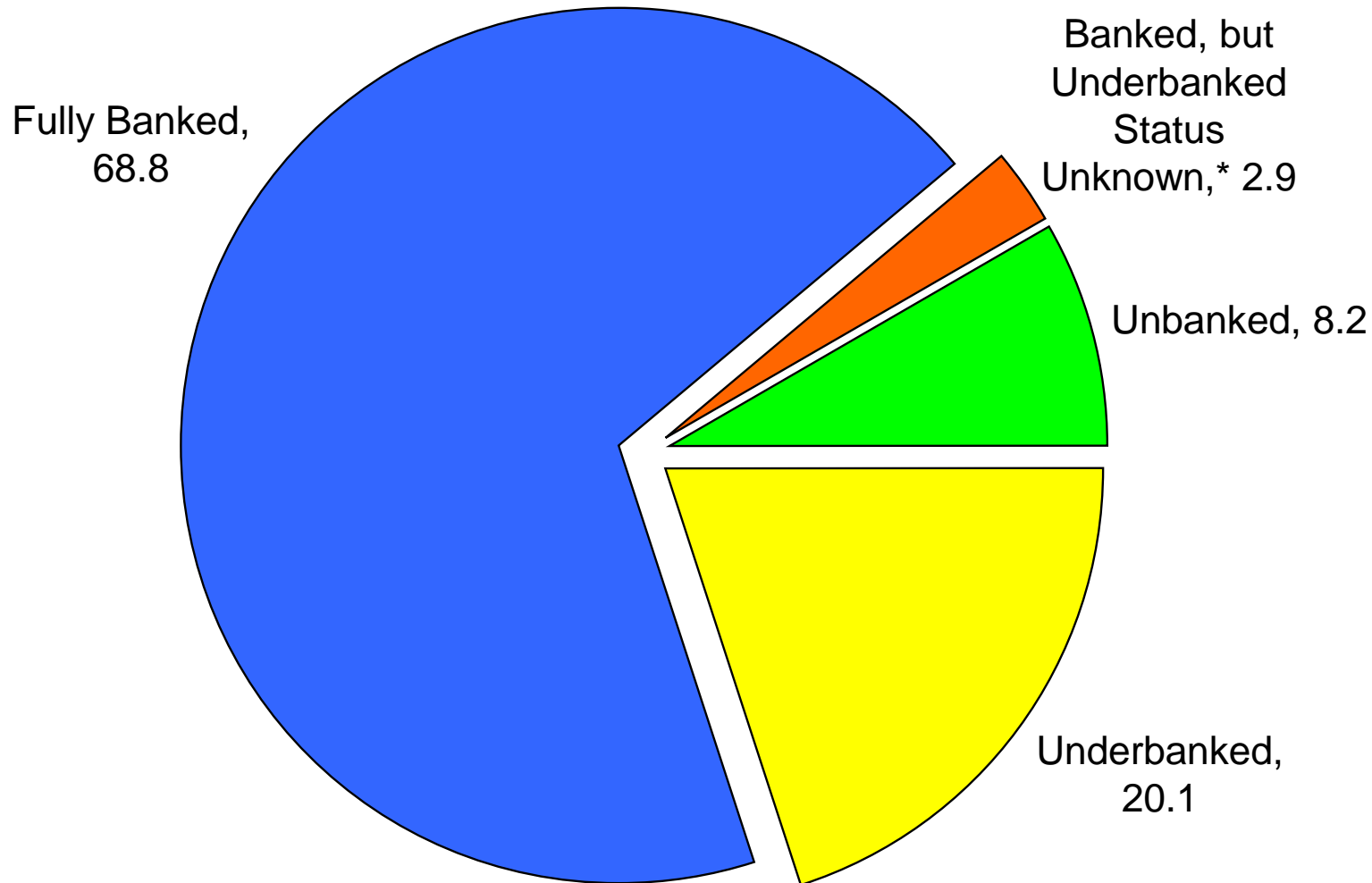
# Summary Findings

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- Opportunity to increase banking engagement
  - 8.2 percent of households are unbanked (0.6 percentage point increase from 2009)
  - 20.1 percent are underbanked
  
- Opportunity to increase savings account ownership
  - 29.3 percent of households do not have a savings account (10.3 percent do not have a checking account)
  
- A sizeable portion of households use AFS
  - One quarter of households have used AFS in the last year (10 percent have used 2 or more AFS)
  - 12 percent have used AFS in the last 30 days (40 percent of unbanked and underbanked)

# Distribution of Household Banking Status

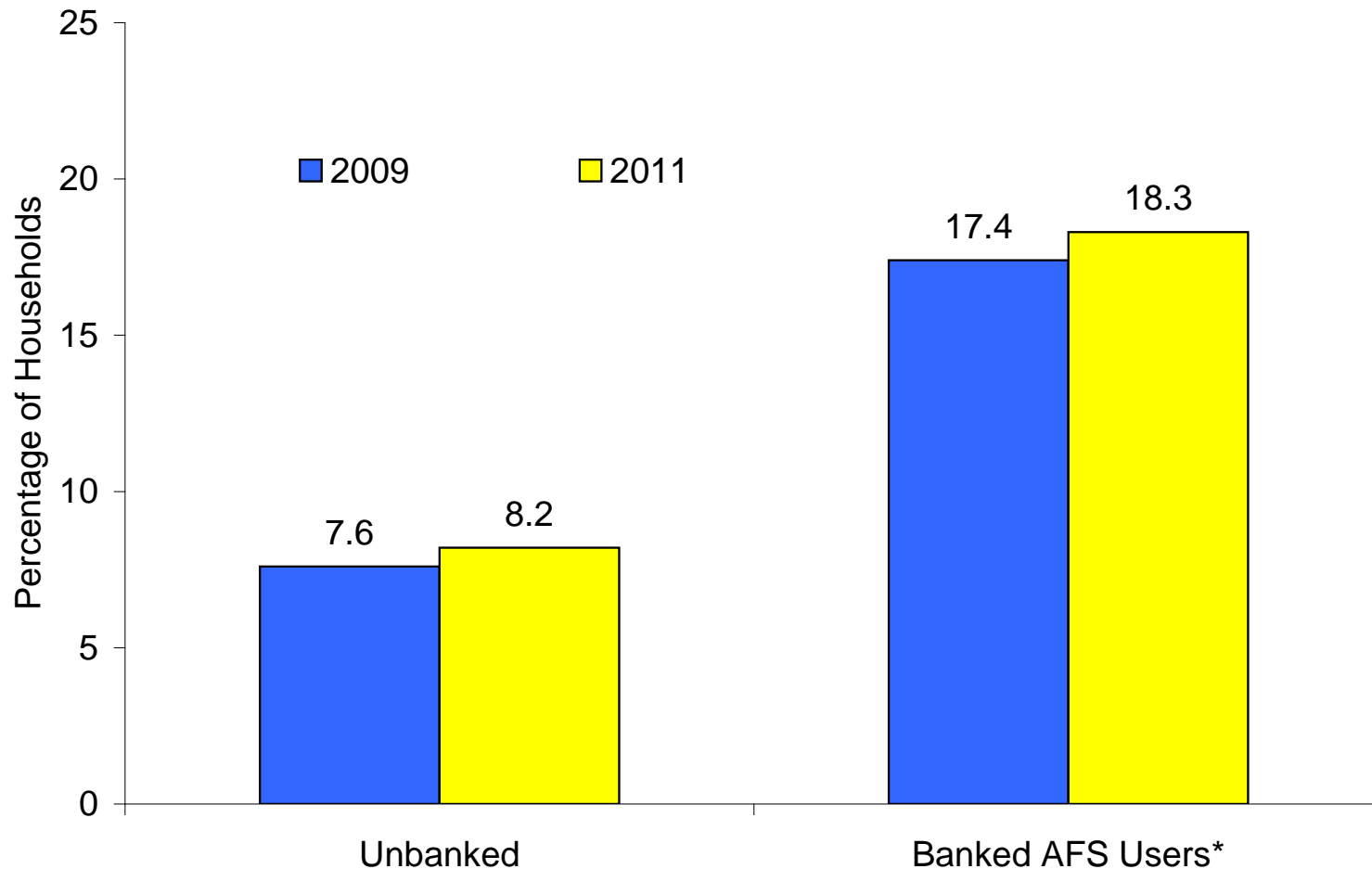
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Notes: Percentages are based on 120.4 million U.S. households. Percentages may not sum to 100 because of rounding. <sup>7</sup>

\* These households are banked, but there is not enough information to determine if they are underbanked.

# 2009-2011 Changes in Unbanked Rates and AFS Use



\*For comparability purposes, the estimates include households that have an account, but used non-bank check cashing, non-bank money orders, payday loans, rent-to-own, and pawn shops in the last year. The estimates exclude non-bank remittances and refund anticipation loans because the 2009 survey did not ask about non-bank remittances and asked about the use of refund anticipation loans in the last five years as opposed to the last year.



# Revised Underbanked Definition

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AFS	Timing of Use	
	2009	2011
Non-Bank Money Orders Non-Bank Check Cashing Payday Lending Pawn Shops Rent-to-Own	Used at least once or twice a year	Used in the last year
RALs	Used in the last 5 years	
Non-Bank Remittances	Not included	

# Unbanked and Underbanked Rates by Demographic Groups

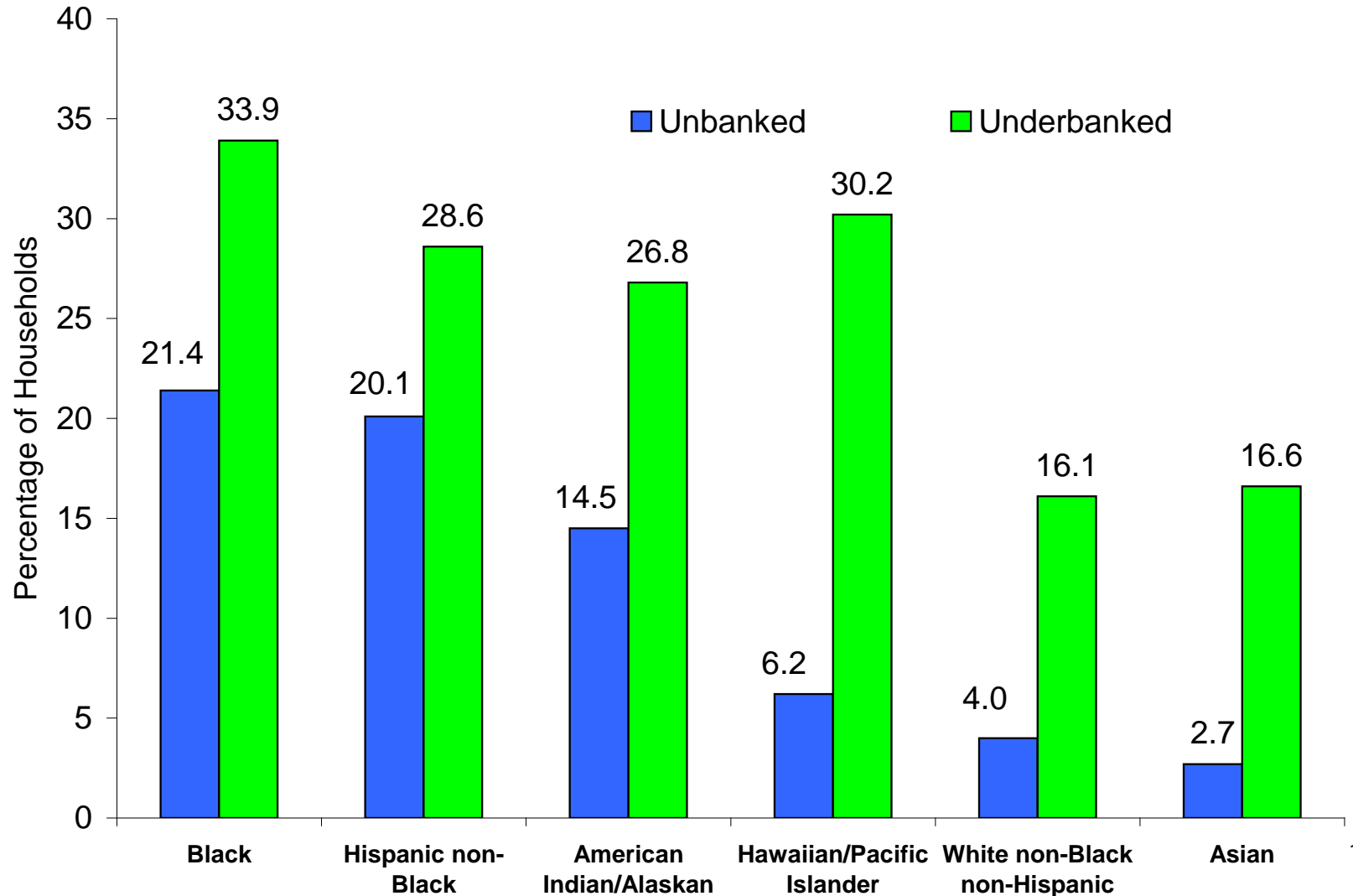


# Unbanked and Underbanked Rates for Select Groups

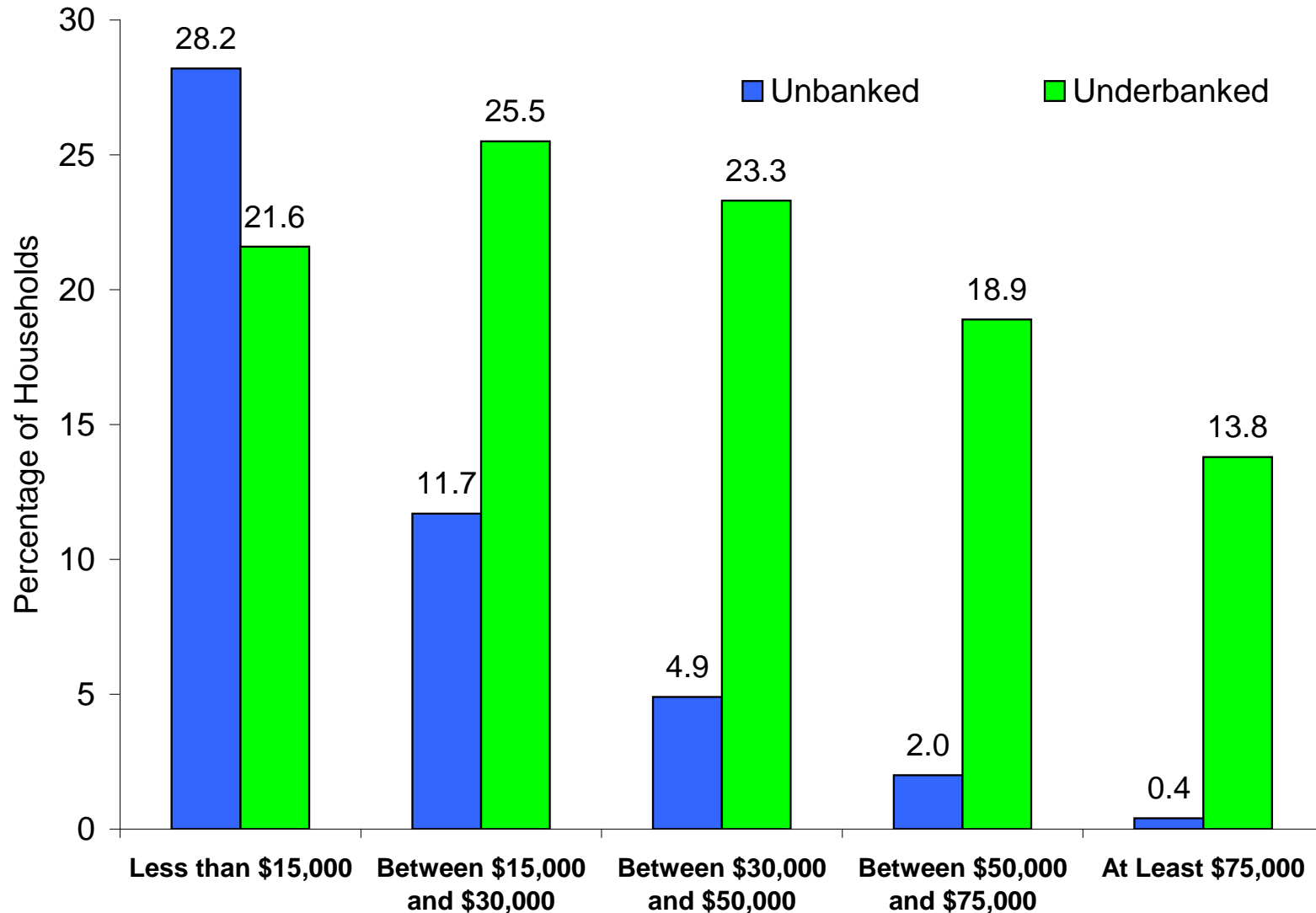
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<b>Select Demographic Groups</b>	<b>Percent Unbanked</b>	<b>Percent Underbanked</b>	<b>Percent Fully Banked</b>
<b>All households</b>	8.2	20.1	68.3
<b>Blacks</b>	21.4	33.9	41.6
<b>Hispanics</b>	20.1	28.6	48.7
<b>Foreign-born noncitizens</b>	22.2	28.9	45.8
<b>Unemployed householder</b>	22.5	28.0	47.5
<b>Income below \$15,000</b>	28.2	21.6	47.6
<b>Unmarried female family households</b>	19.1	29.5	48.4
<b>Under age 24 householder</b>	17.4	31.0	49.7

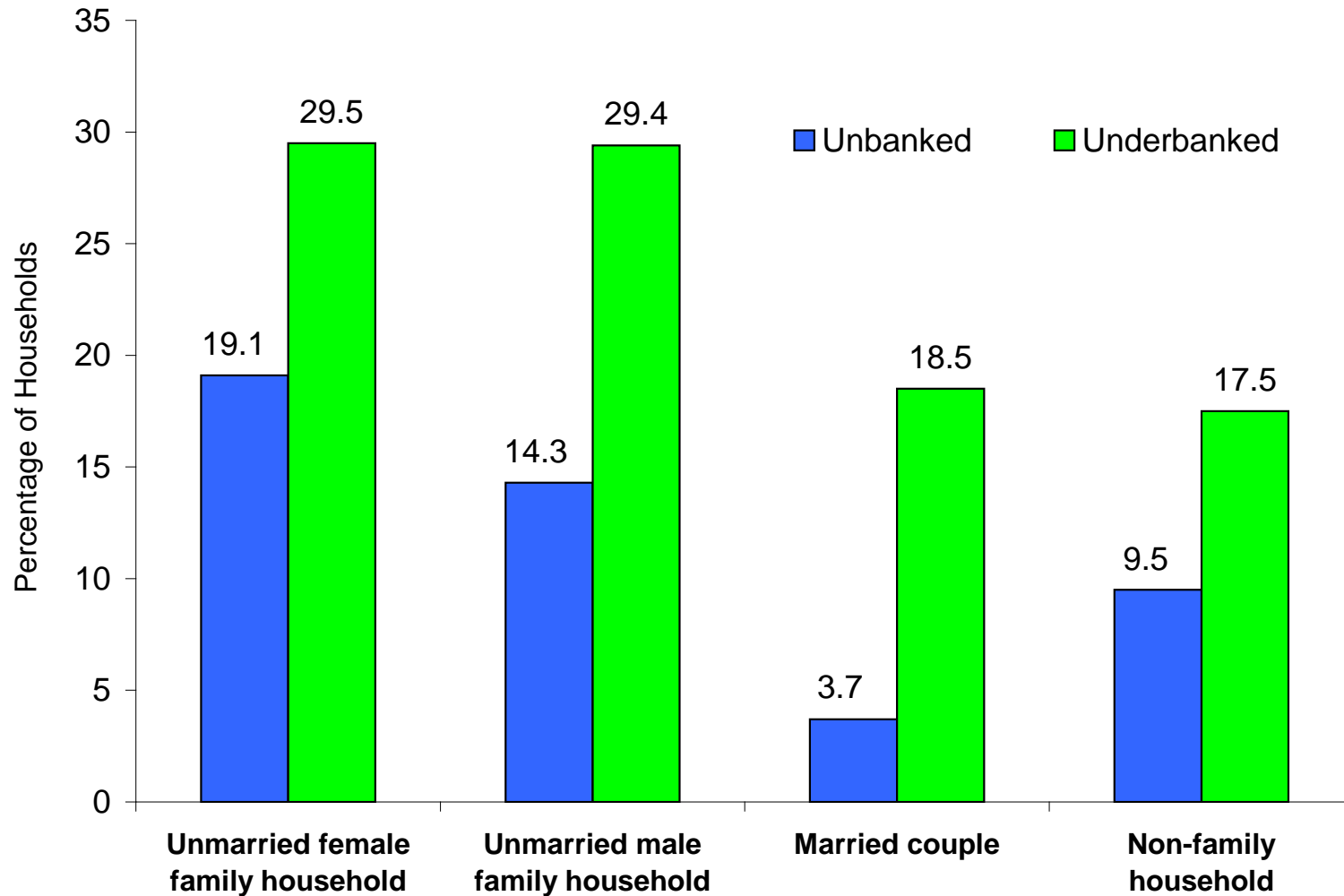
# Unbanked and Underbanked Households by Race/Ethnicity



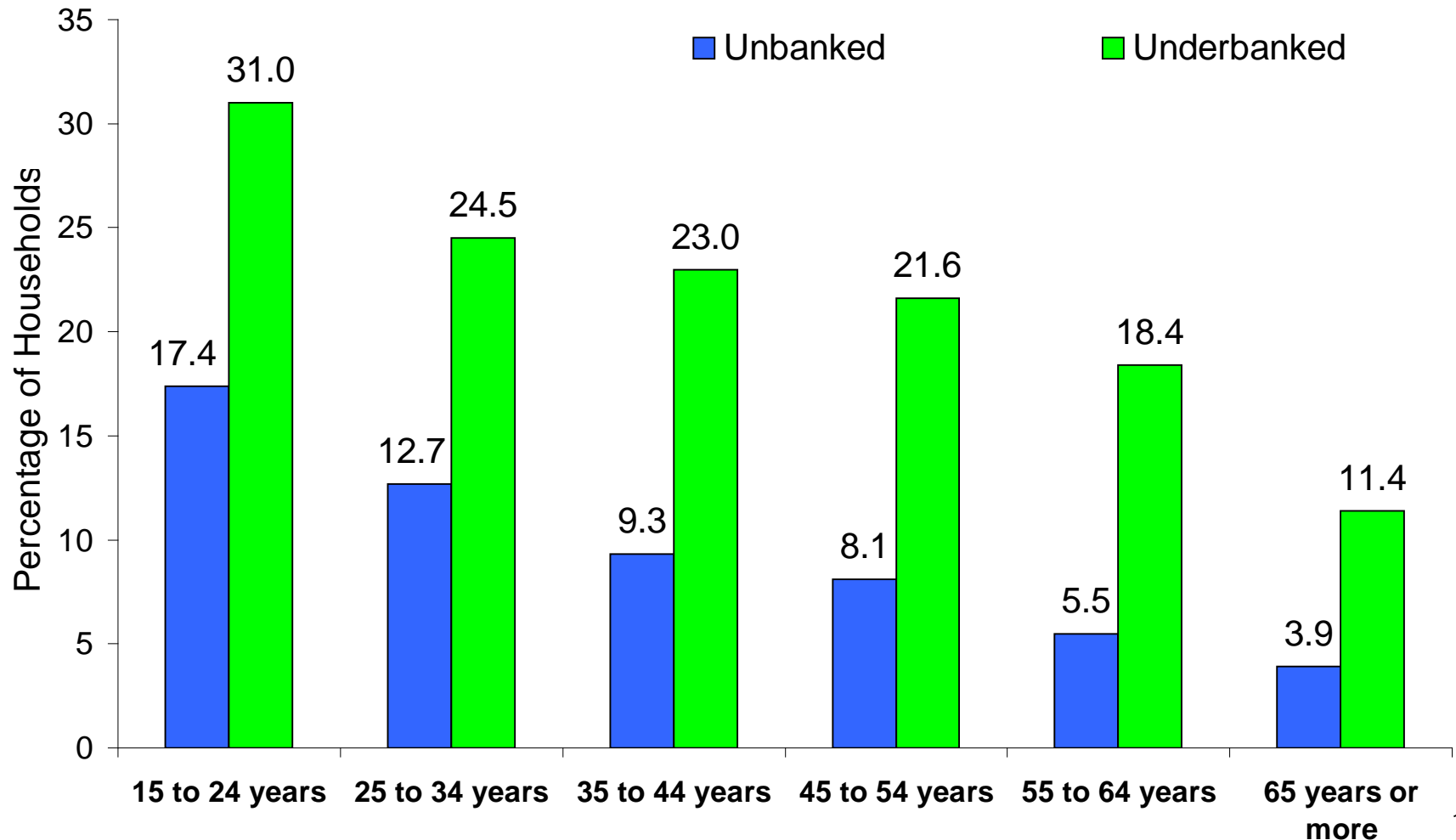
# Unbanked and Underbanked Households by Income



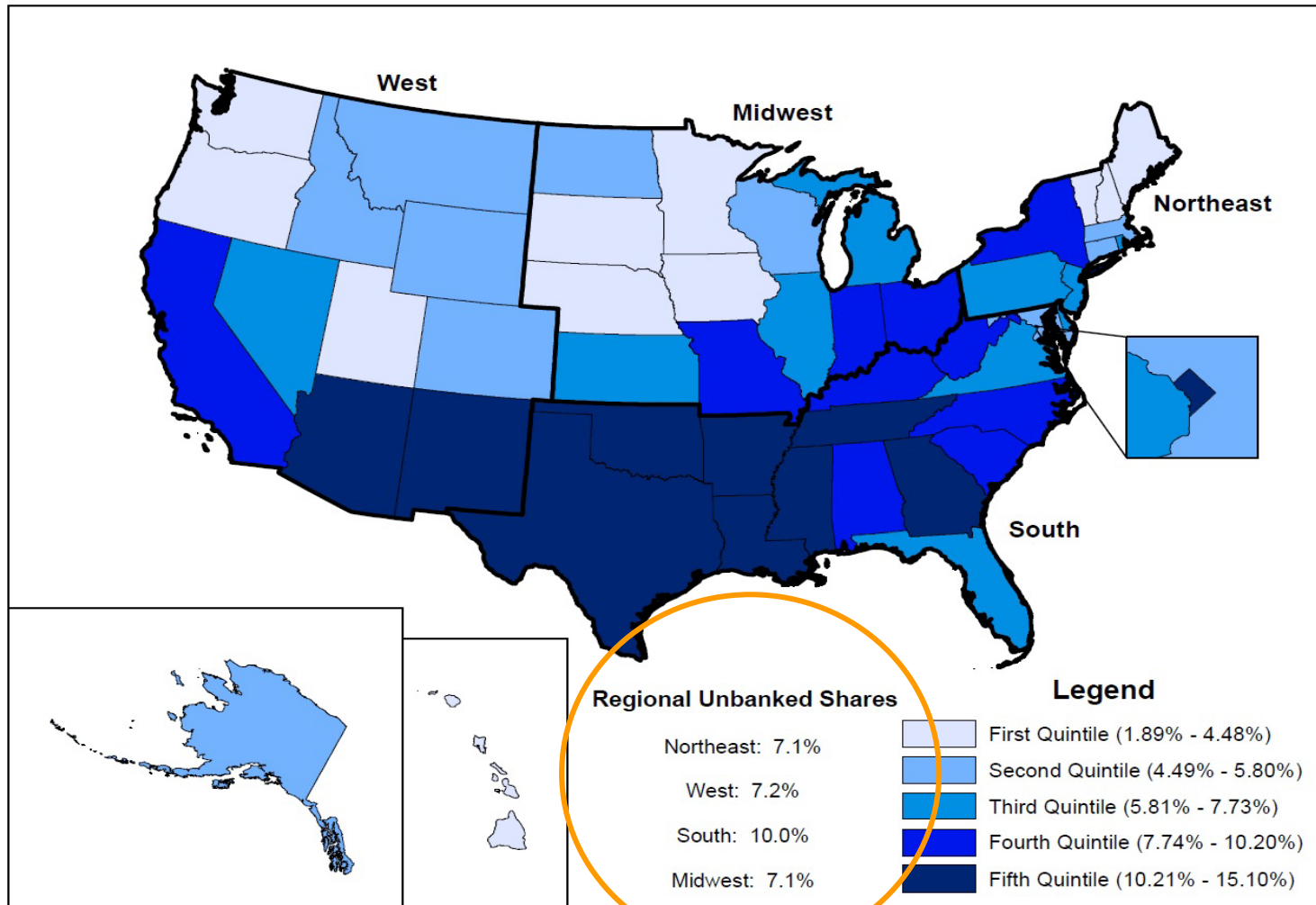
# Unbanked and Underbanked Households by Household Type



# Unbanked and Underbanked Households by Age

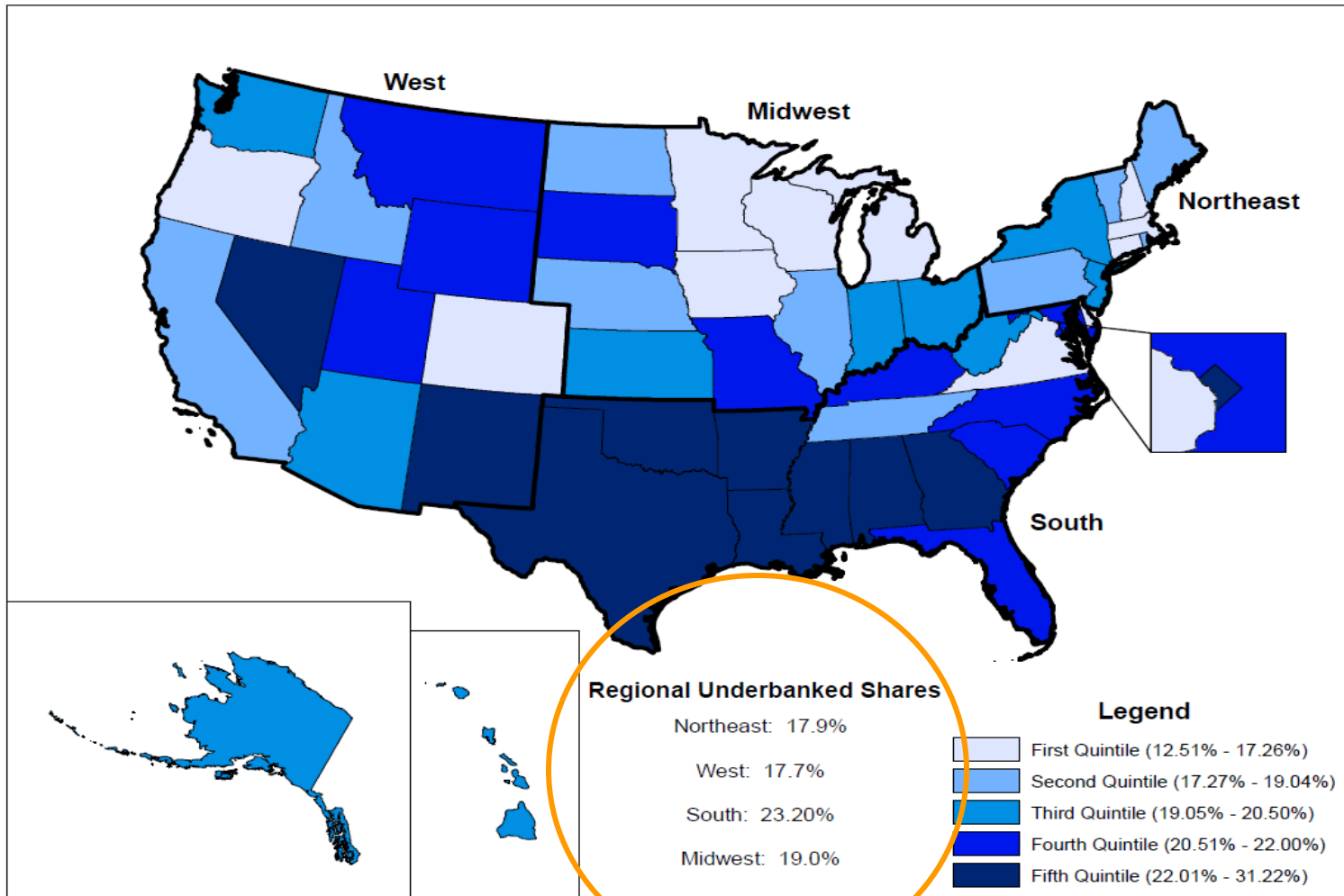


# Unbanked Households by Region and State





# Underbanked Households by Region and State



# Household Demographic Composition by Banking Status

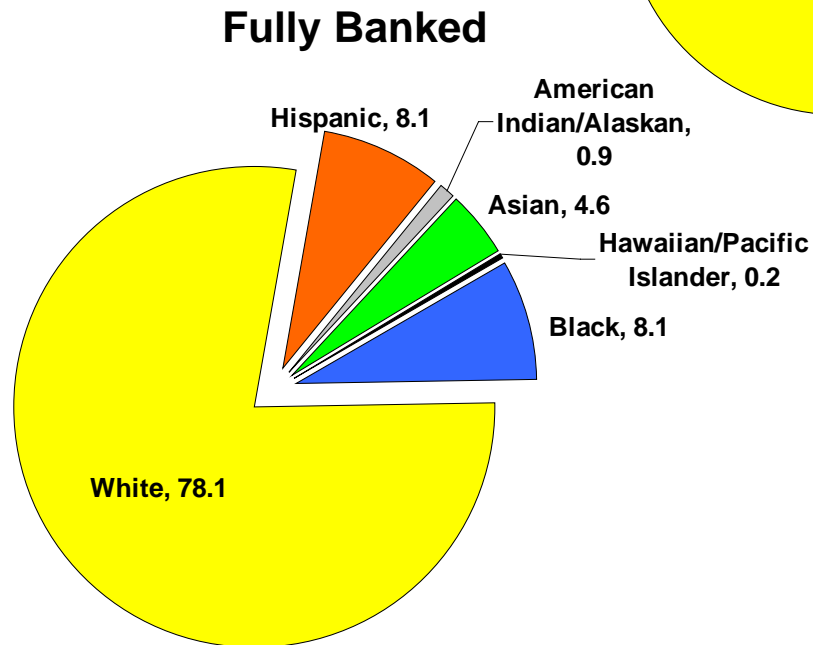
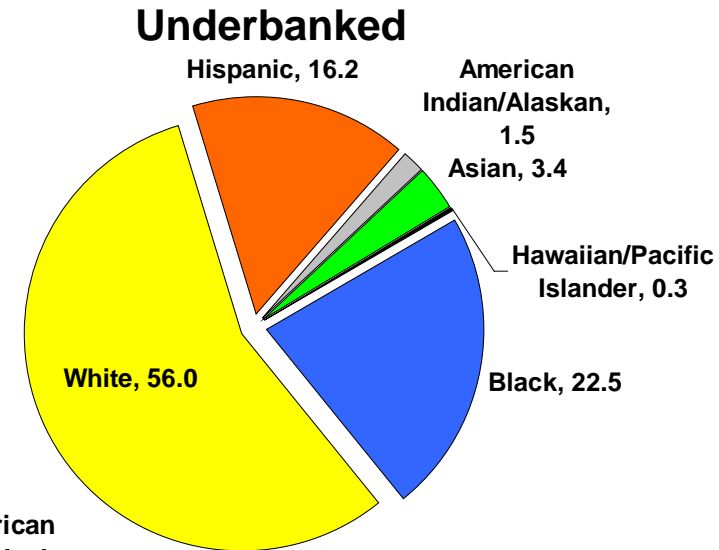
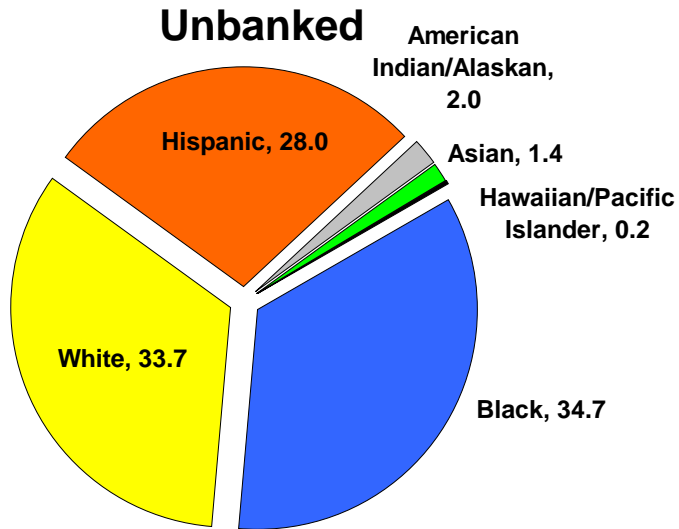


# Household Composition by Banking Status

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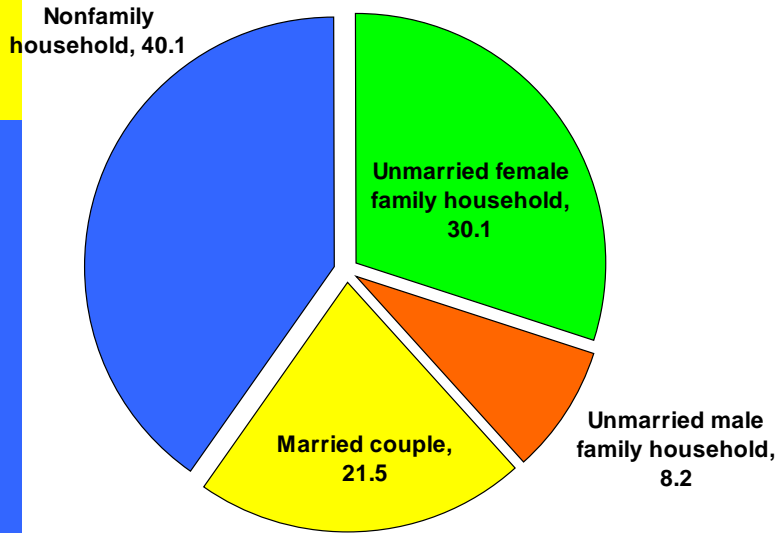
- There are stark differences between the unbanked and banked
- Along some dimensions, the underbanked seem to be a blend of the unbanked and fully-banked populations: race, age, family type
- b Along other dimensions, the underbanked seem much more similar to the fully-banked: employment and income

# Distributions by Race

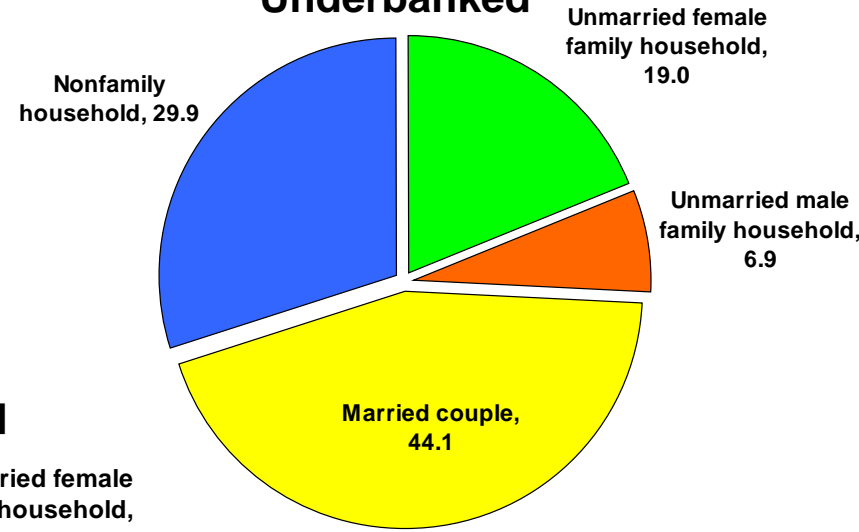


# Distributions by Household Type

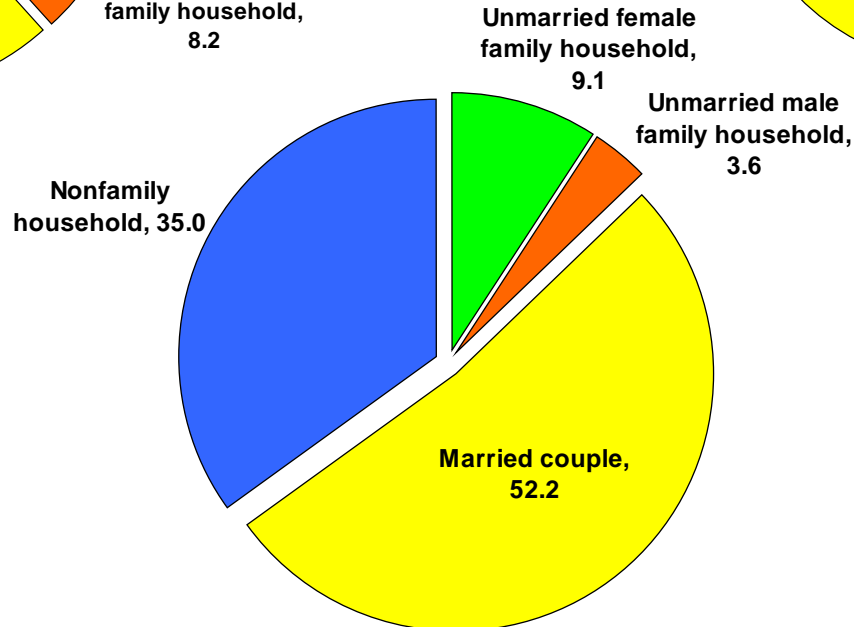
## Unbanked



## Underbanked

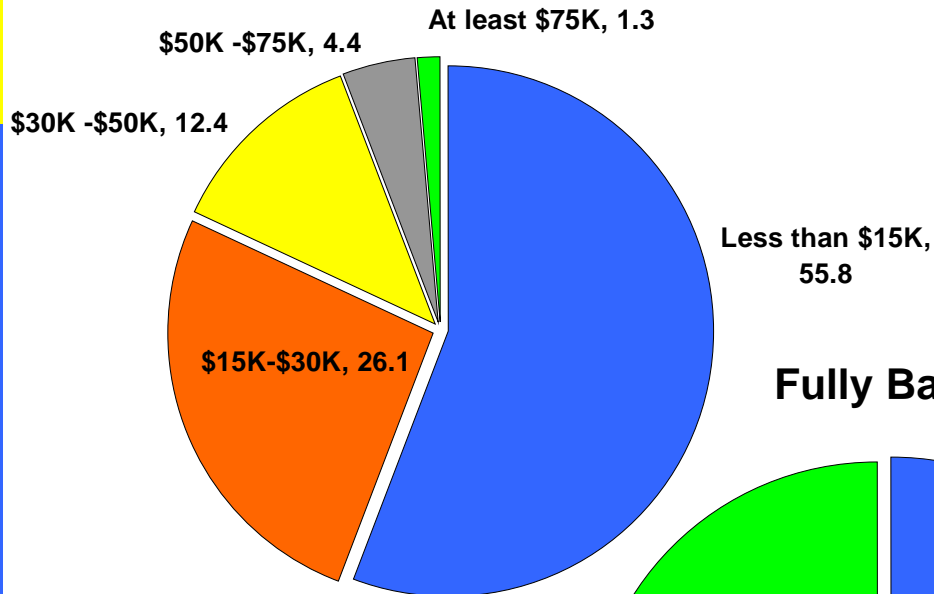


## Fully Banked

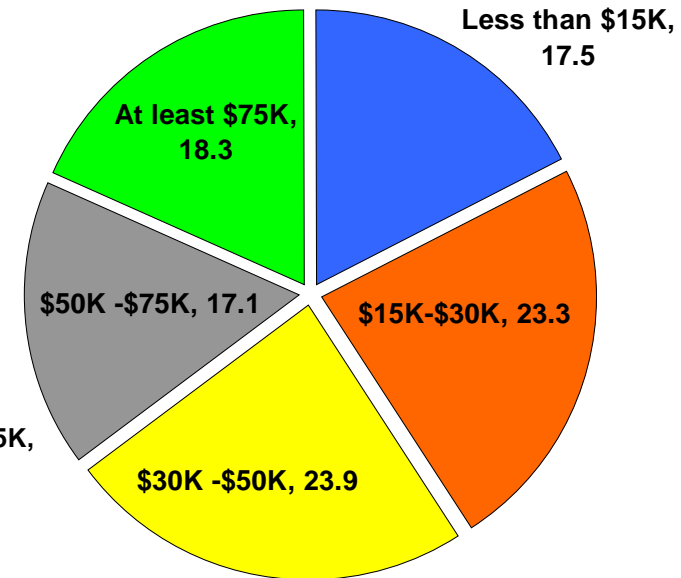


# Distribution by Income

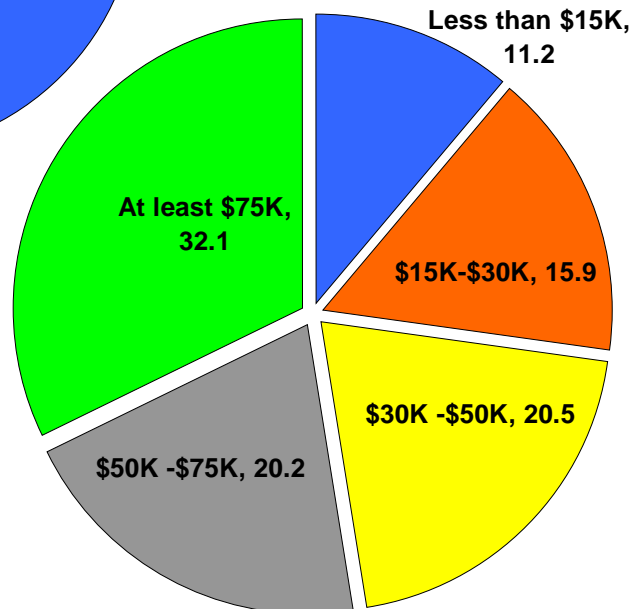
## Unbanked



## Underbanked

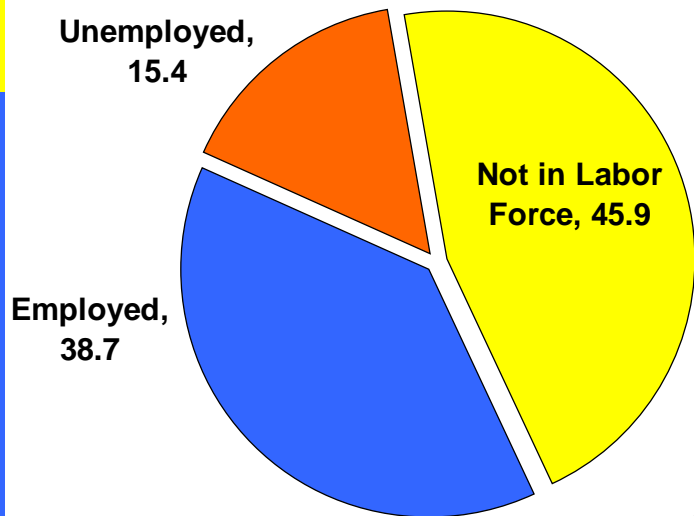


## Fully Banked

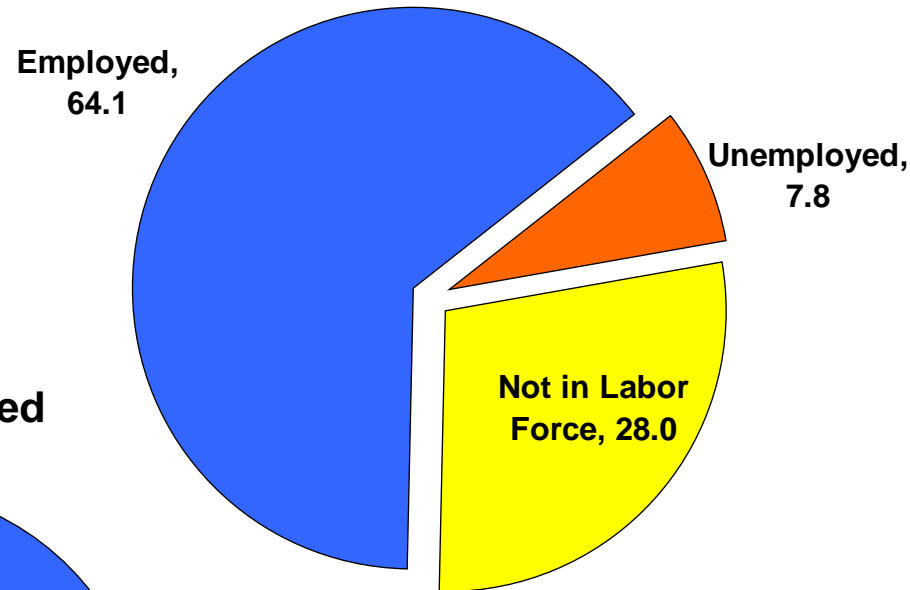


# Distributions by Employment

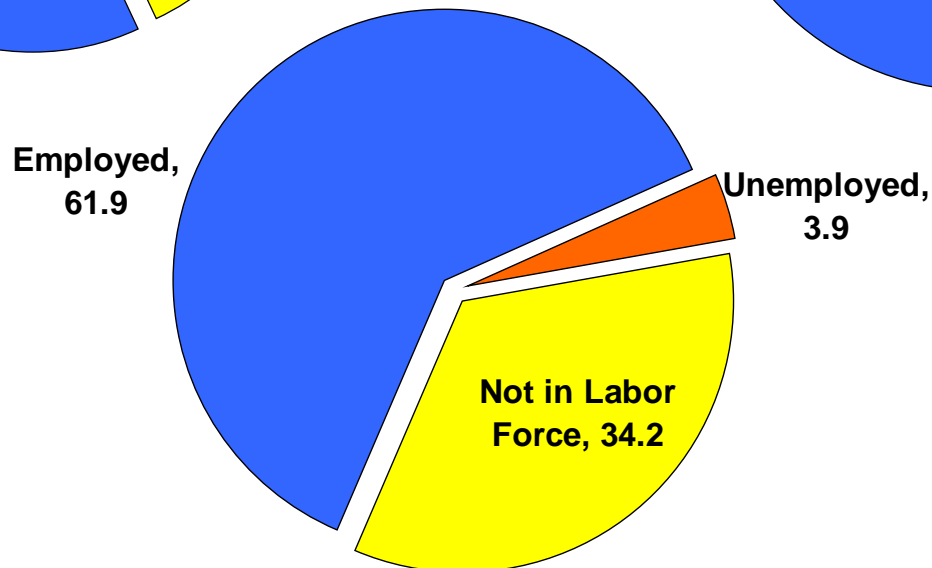
## Unbanked



## Underbanked



## Fully Banked



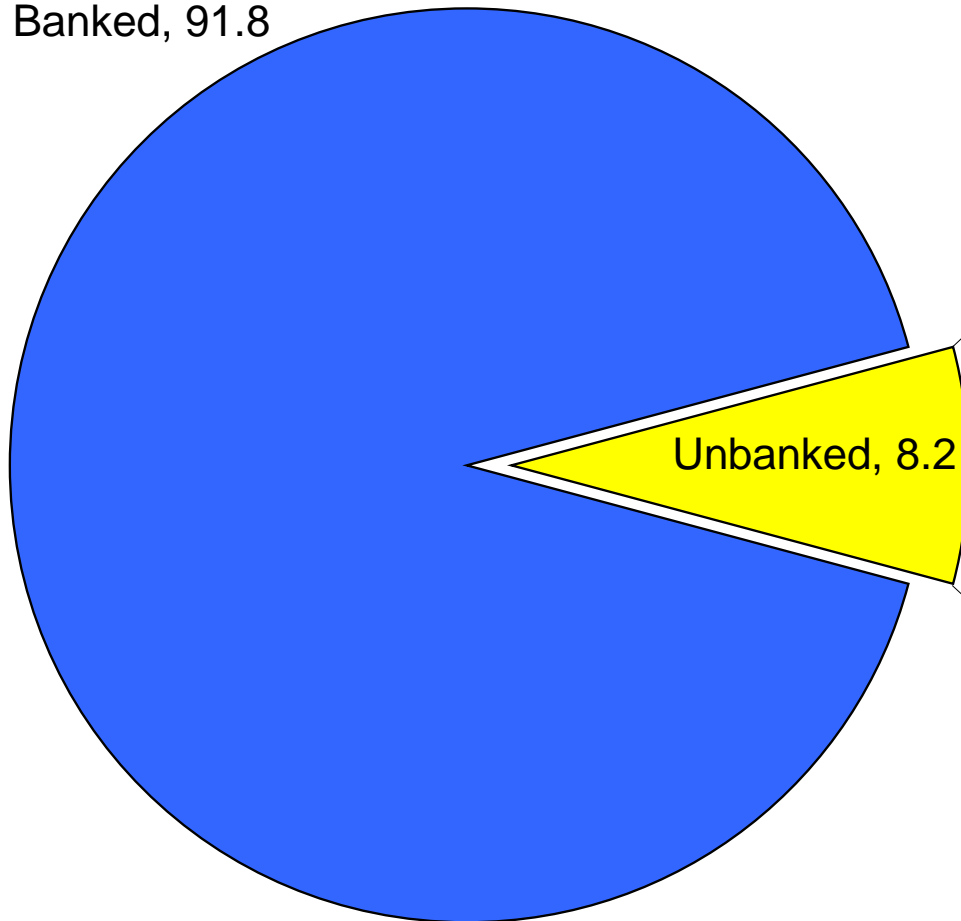
# Unbanked Households





# Previous Banking Status of Unbanked Households

Banked, 91.8



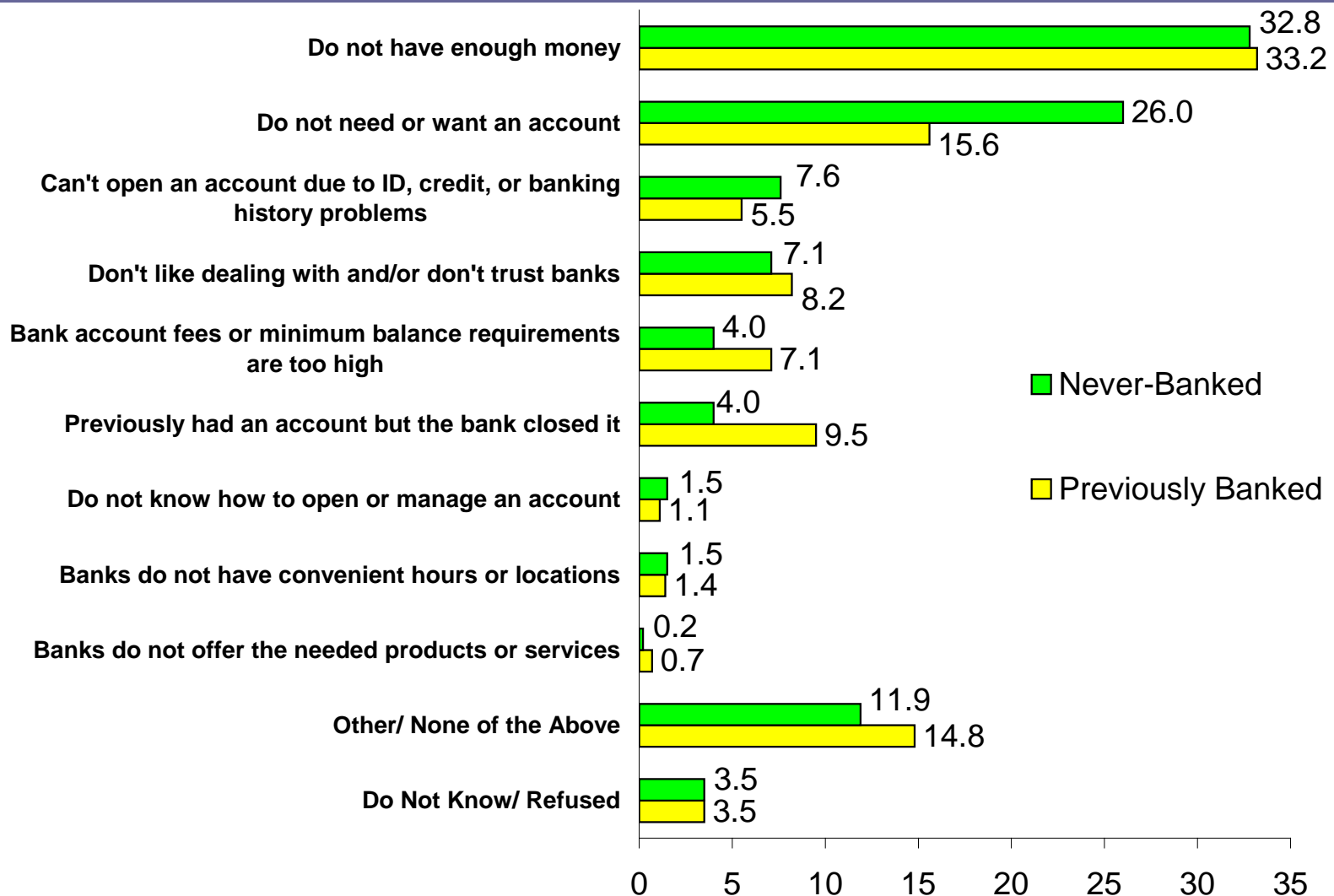
Unbanked, 8.2

Previously  
Banked, 3.7

Never-Banked,  
4.4

Previous  
Banking Status  
Unknown, 0.1

# Main Reason Households are Unbanked

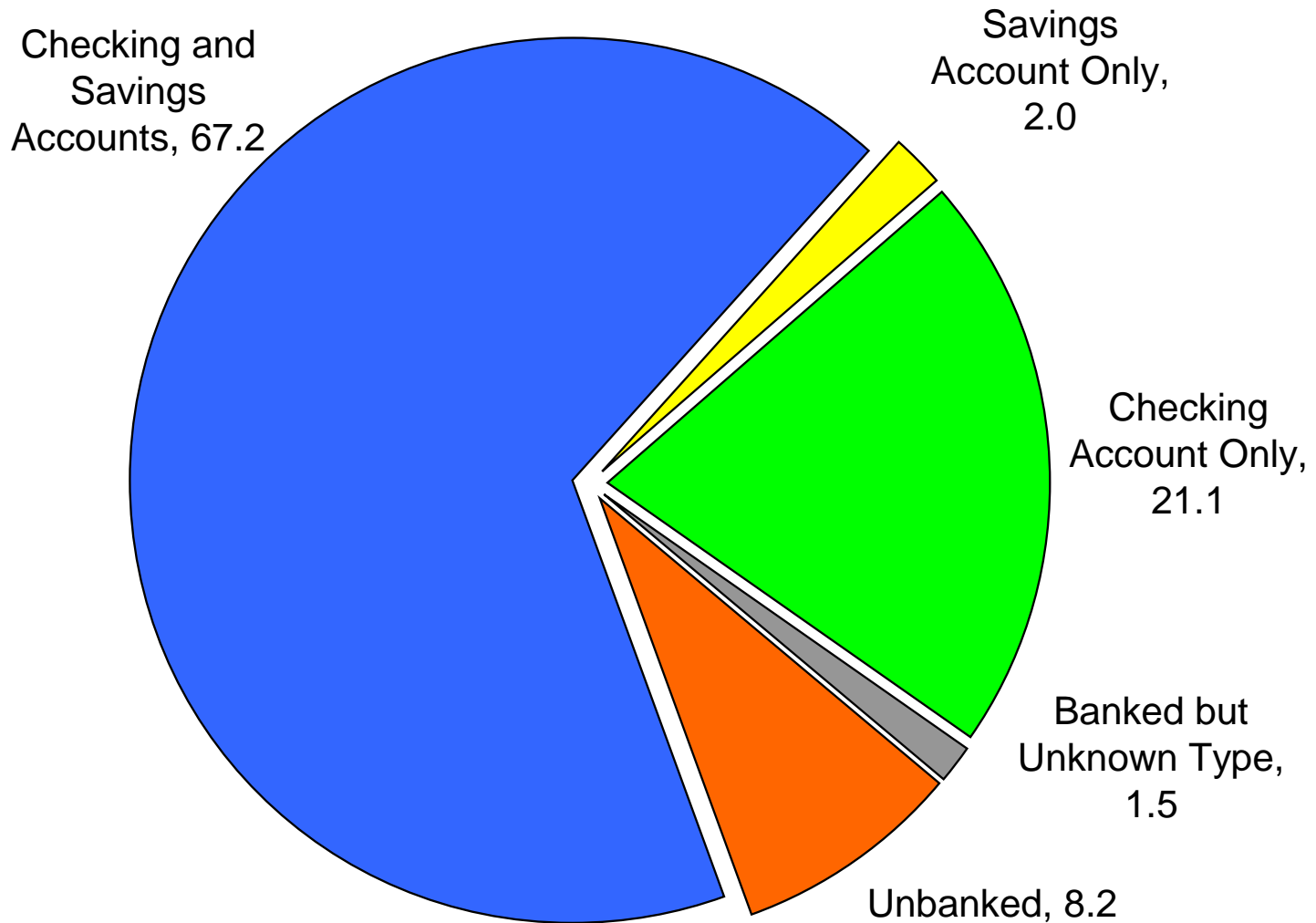


# Types of Bank Accounts Owned by US Households



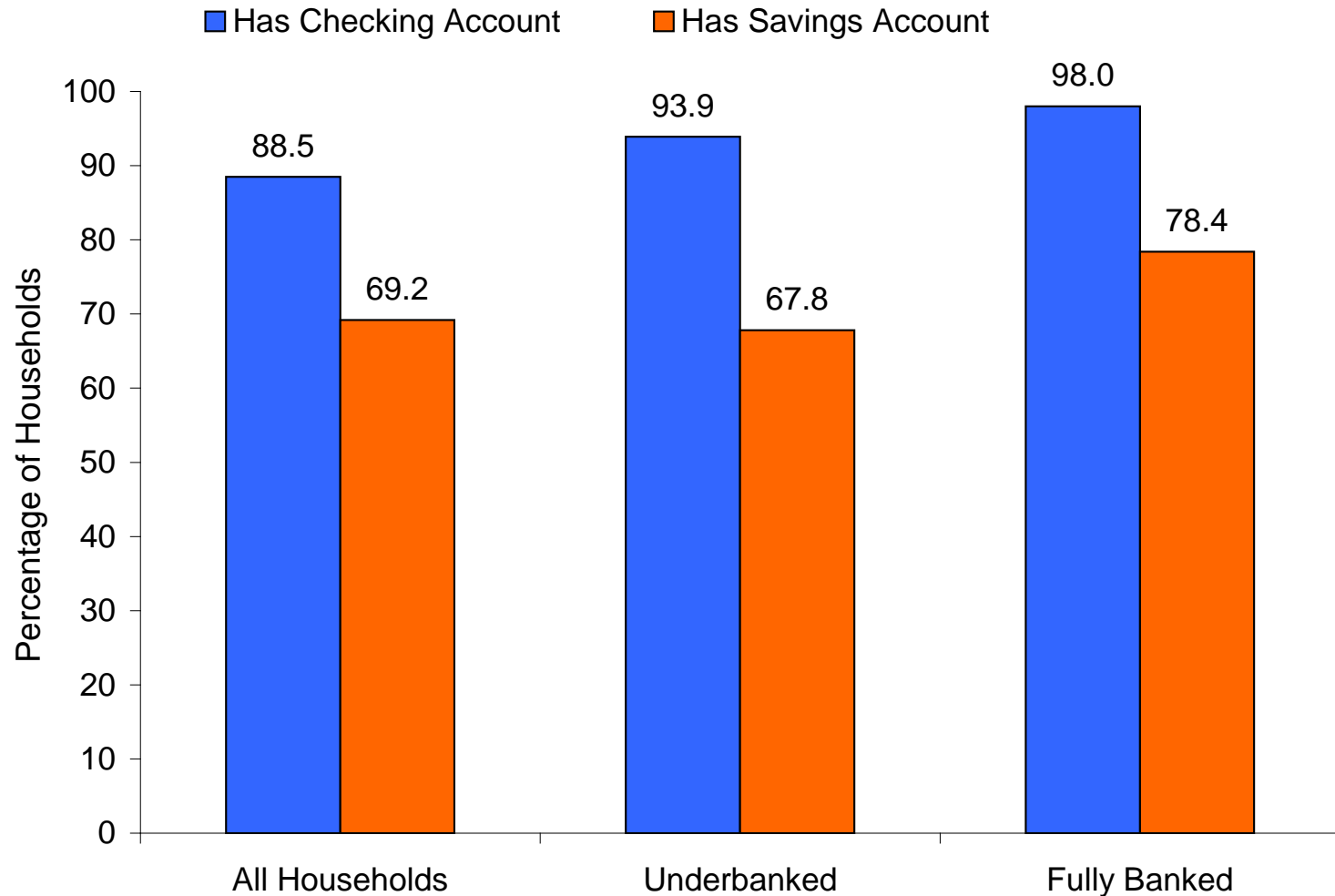
# Account Ownership

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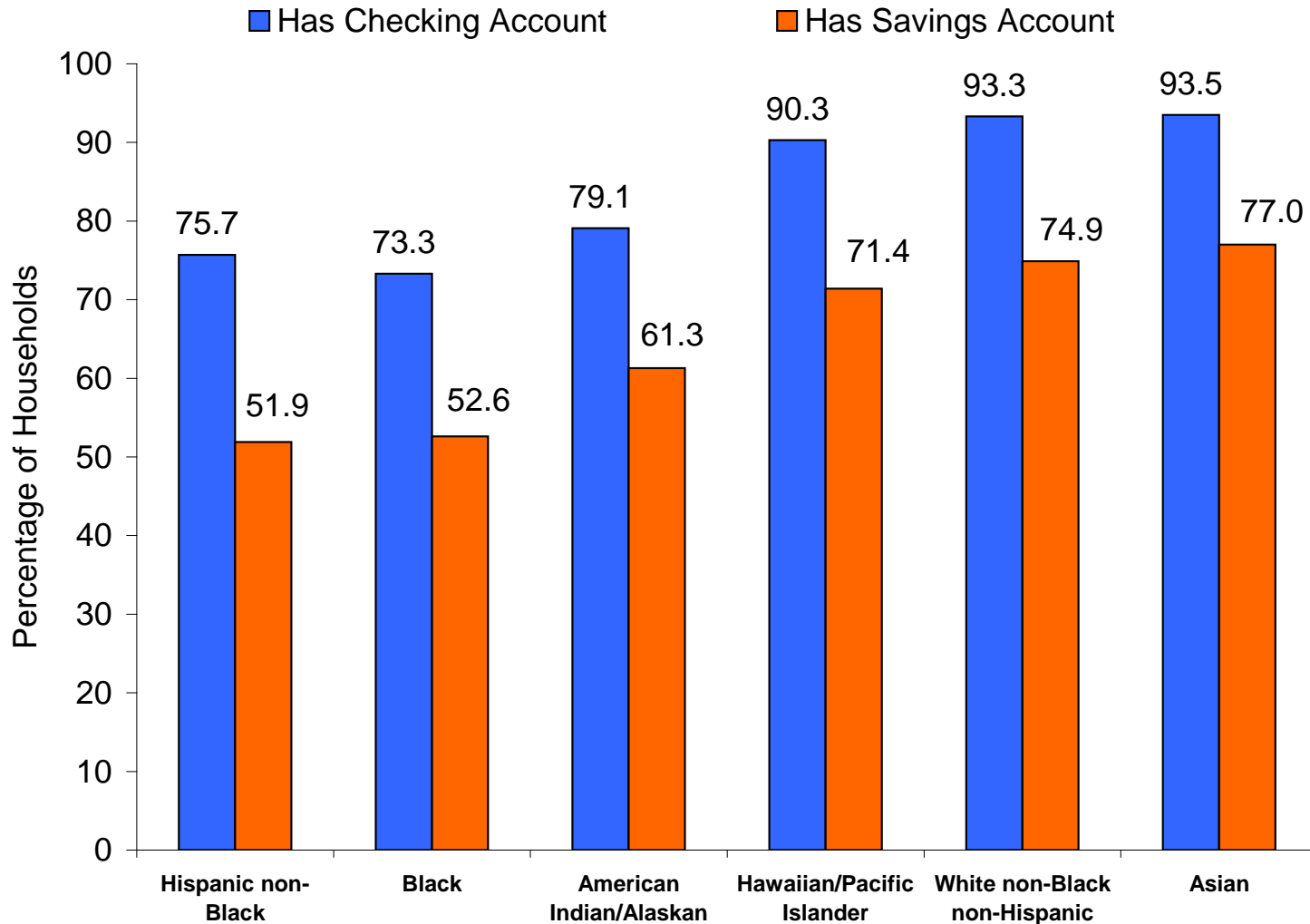


Notes: Percentages are based on 120.4 million U.S. households. Percentages may not sum to 100 because of rounding.

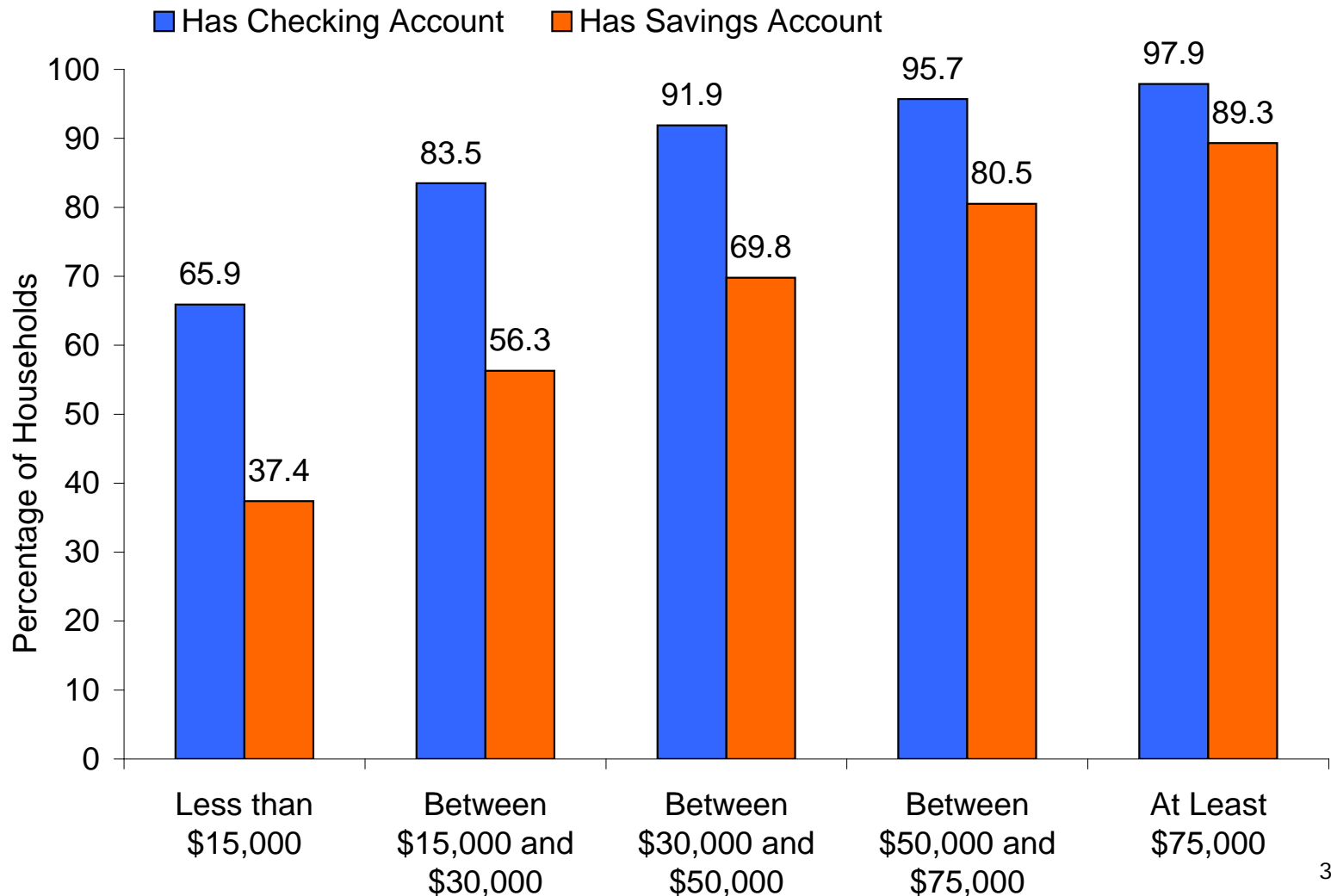
# Account Ownership by Banking Status



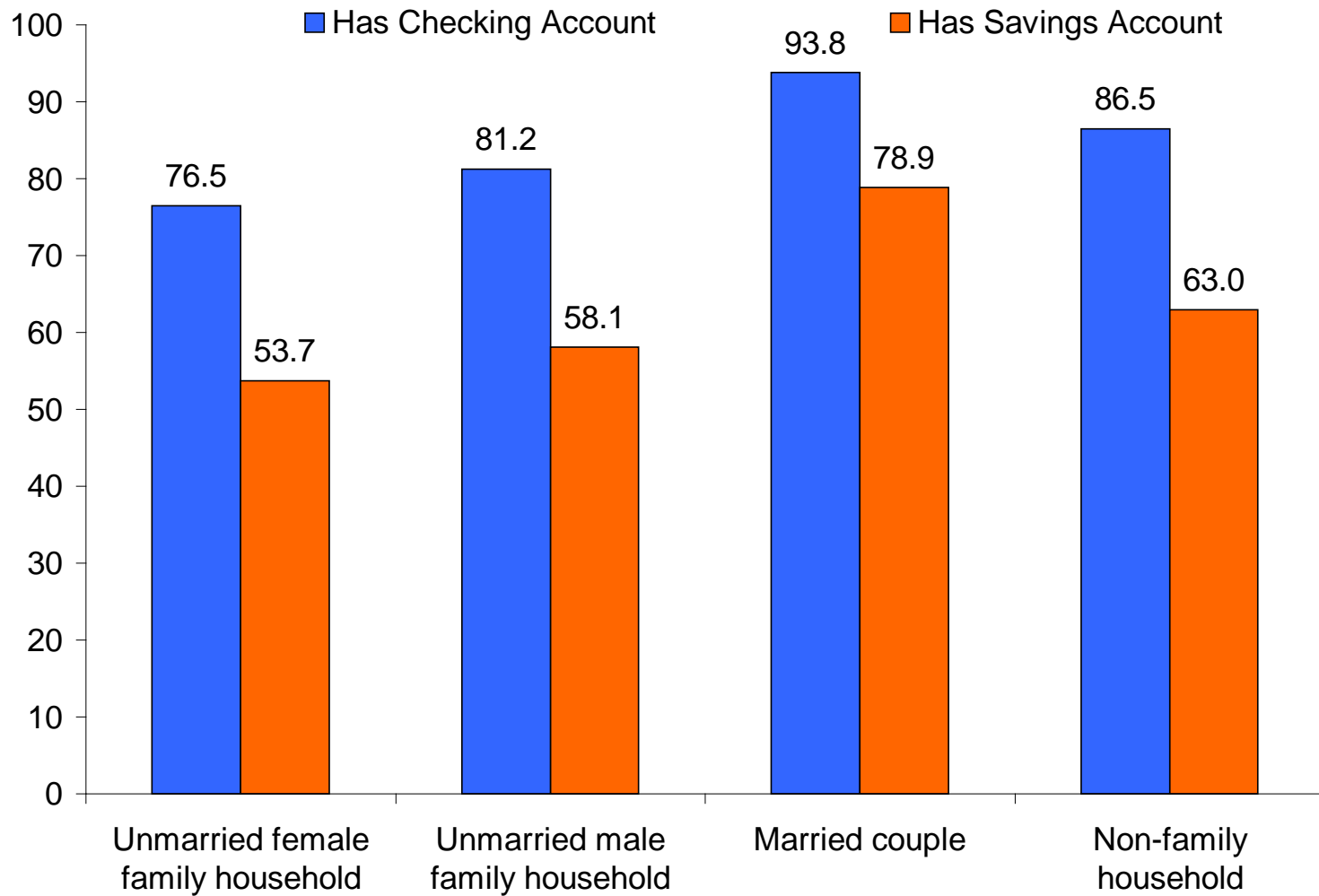
# Account Ownership by Race/Ethnicity



# Account Ownership by Income



# Account Ownership by Household Type





# Use of Alternative Financial Services

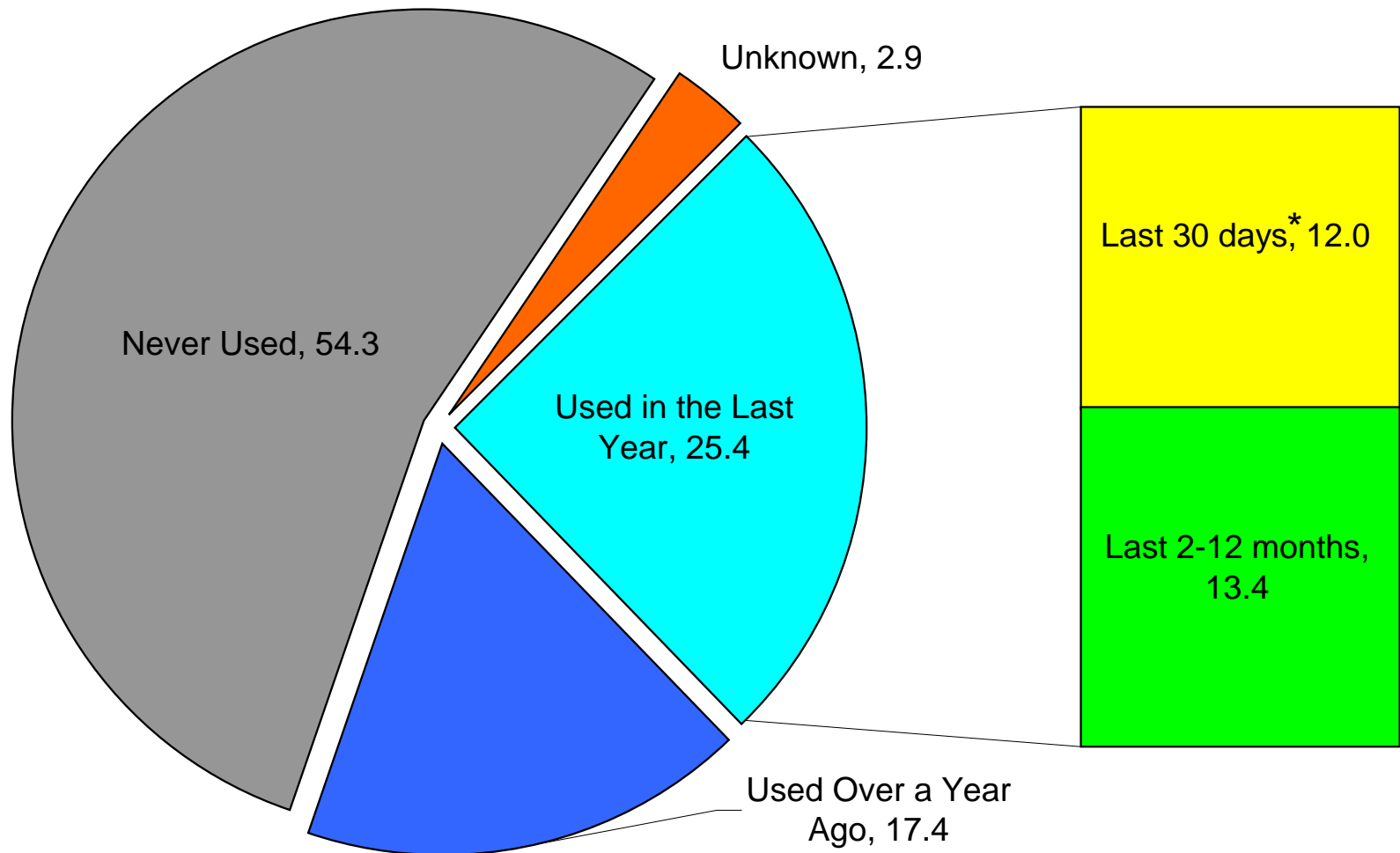


# AFS Considered in the Survey

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- Households were asked if they had ever used the following AFS and if so, whether they were used in the last year. For some AFS households were whether they had been used in the last 30 days
  - Transaction AFS:
    - Non-bank money orders
    - Non-bank check-cashing services
    - Non-bank remittances
  - Credit AFS:
    - Payday lending
    - Pawn shops
    - Refund anticipation loans (RALs)
    - Rent-to-own agreements

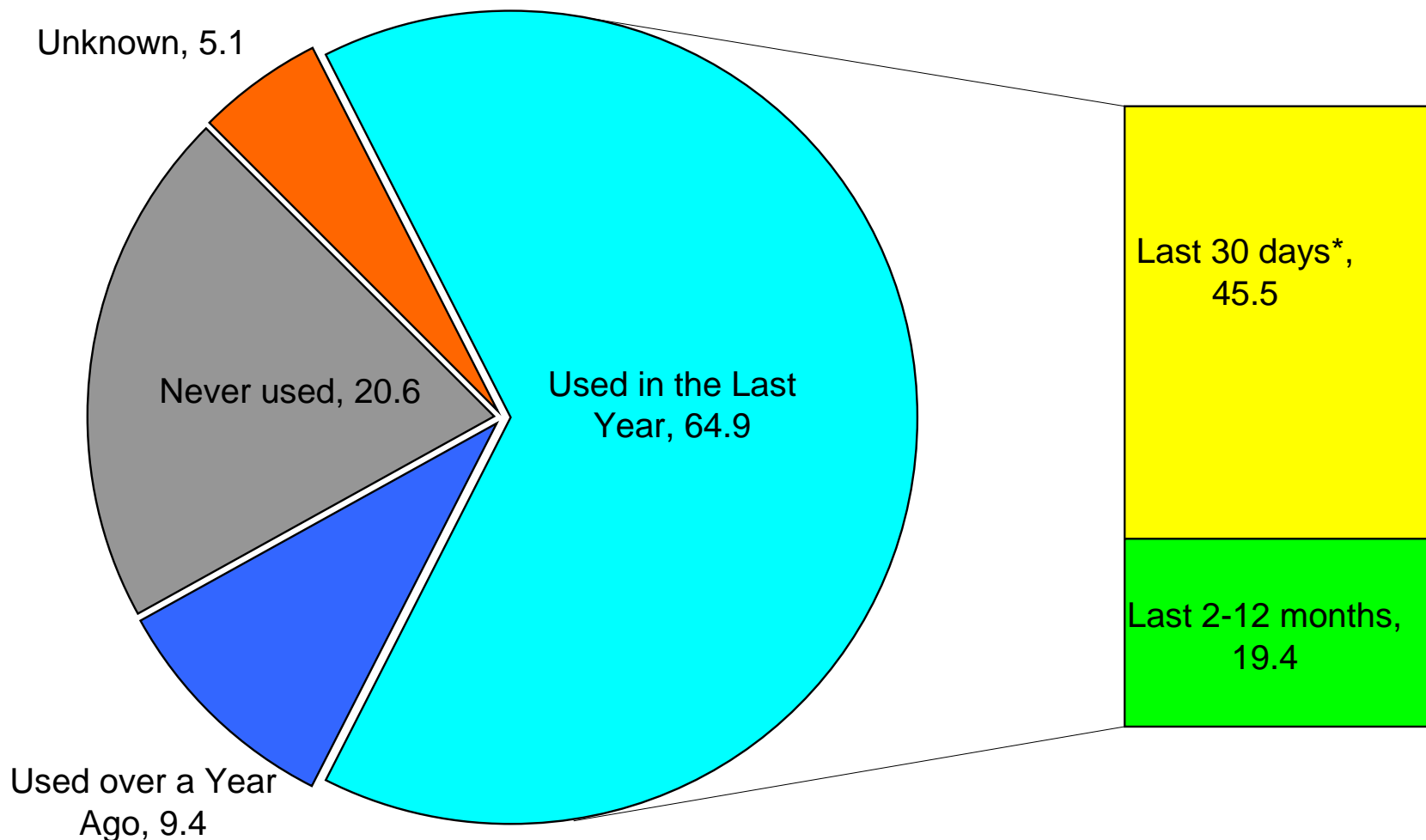
# Timing of AFS Use



Notes: Percentages are based on 120.4 million U.S. households. Percentages may not sum to 100 because of rounding.

\*The AFS included in this measure are non-bank money orders, non-bank check cashing, non-bank remittances, payday loans, and pawn shops. Households were not asked whether they used rent-to-own agreements or RALs in the last 30 days.

# Timing of AFS Use – Unbanked Households

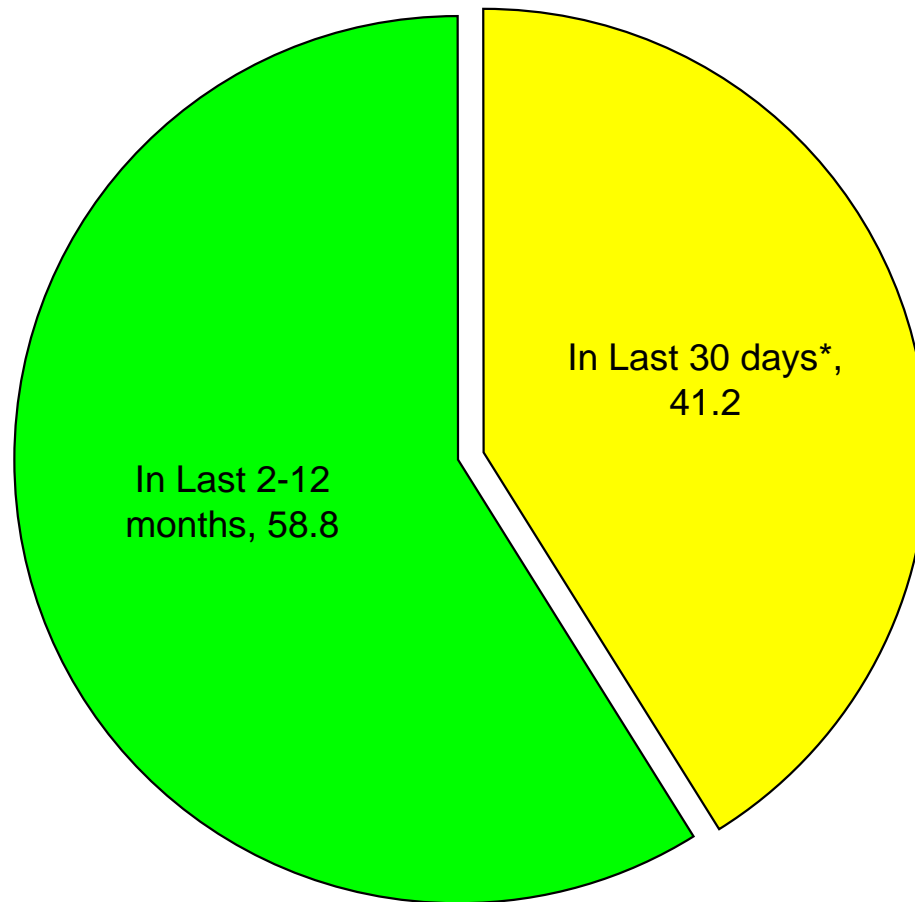


Notes: Percentages are based on 9.9 million unbanked households. Percentages may not sum to 100 because of rounding.

\*The AFS included in this measure are non-bank money orders, non-bank check cashing, non-bank remittances, payday loans, and pawn shops. Households were not asked whether they used rent-to-own agreements or RALs in the last 30 days.

# Timing of AFS Use – Underbanked Households

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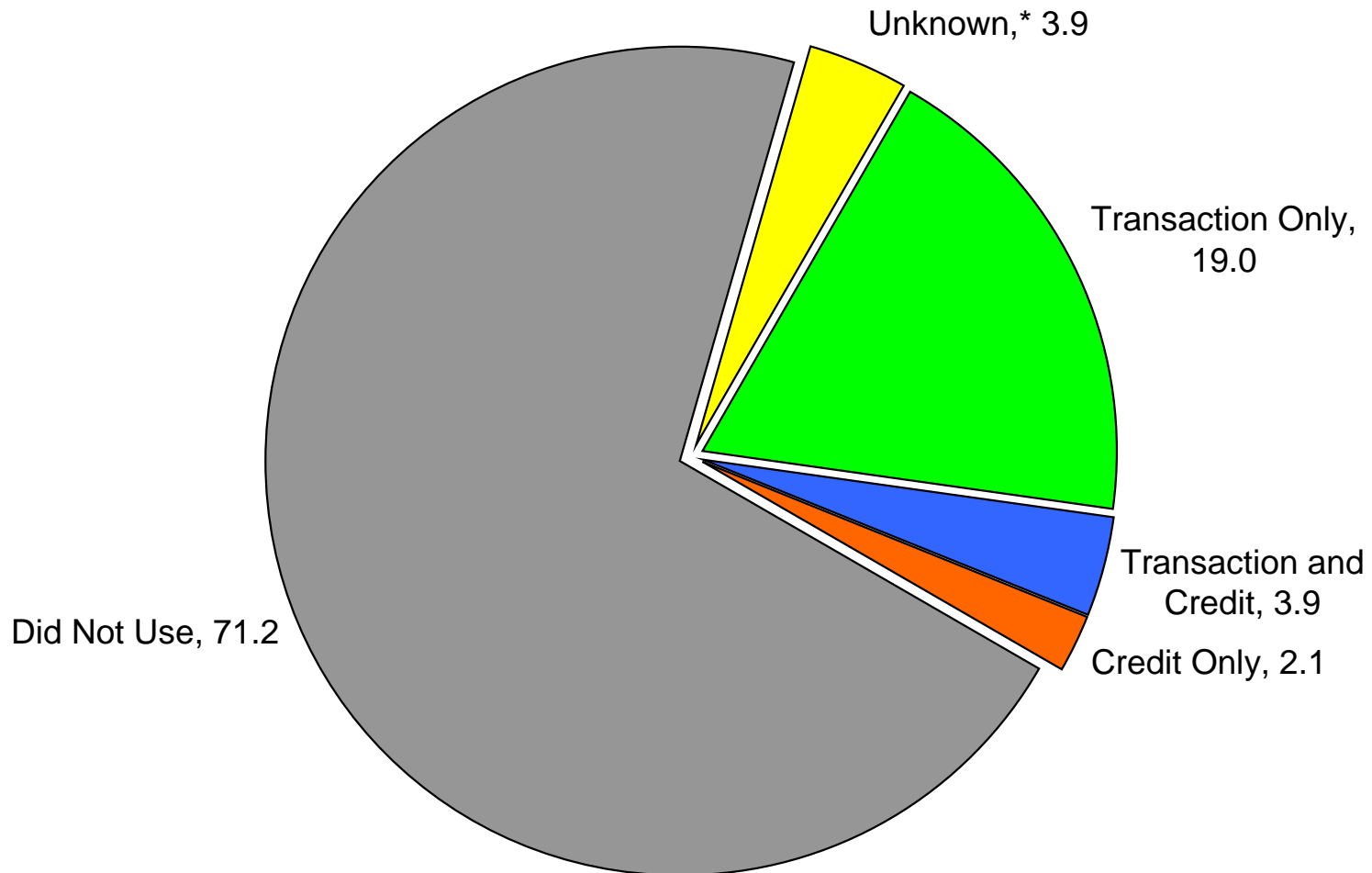


Notes: Percentages are based on 24.2 million underbanked households. Percentages may not sum to 100 because of rounding.

\*The AFS included in this measure are non-bank money orders, non-bank check cashing, non-bank remittances, payday loans, and pawn shops. Households were not asked whether they used rent-to-own, or RALs in the last 30 days.

# Households' Use of Transaction and Credit AFS in the Last Year

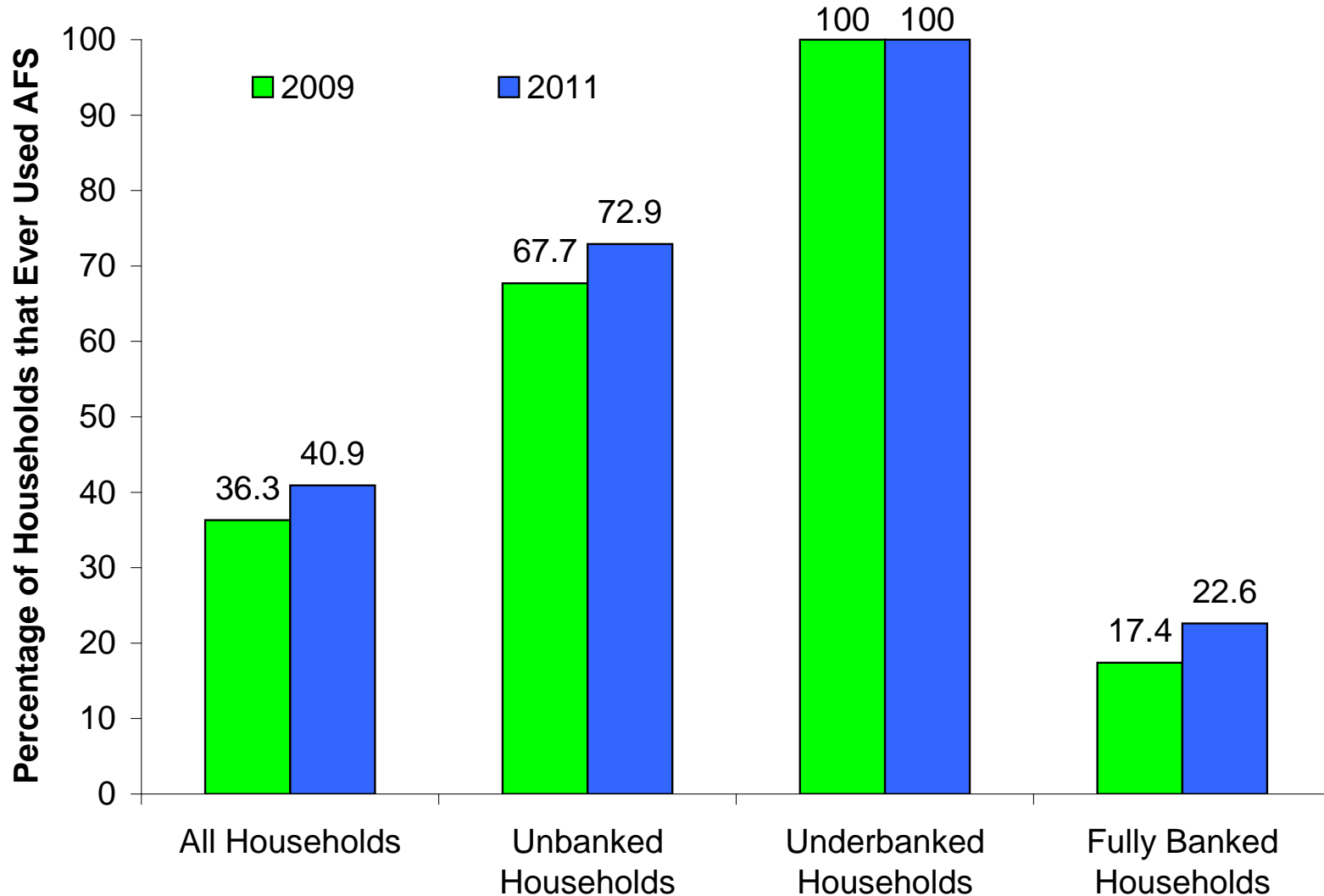
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Notes: Percentages are based on 120.4 million households. Percentages may not sum to 100 because of rounding.

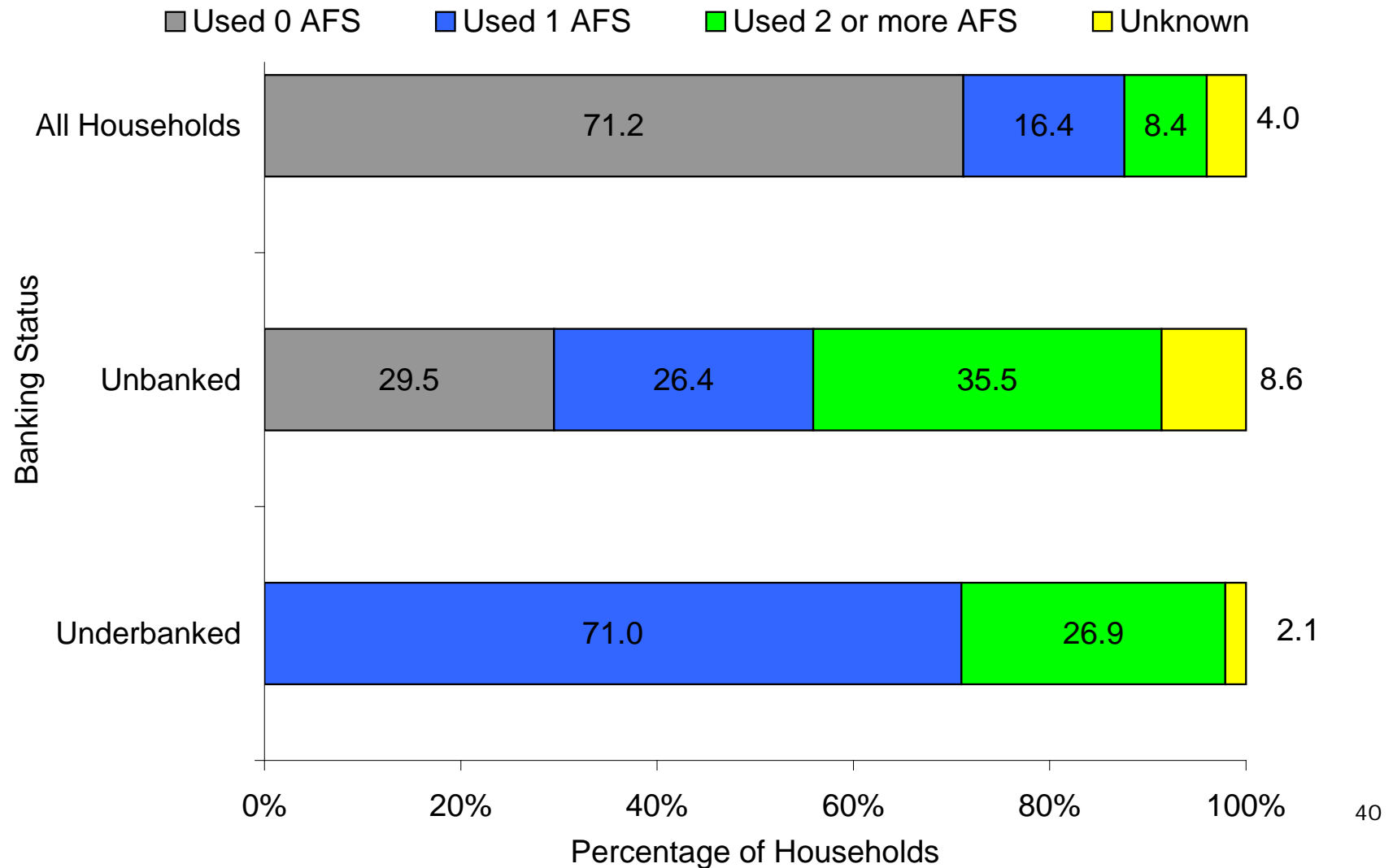
\* "Unknown" includes: households where transaction products are used, but credit product use is unknown; households where credit products are used but transaction product use is unknown and households where there is no indication of any AFS use but some responses are missing.

# 2009-2011 Changes in AFS Use by Banking Status



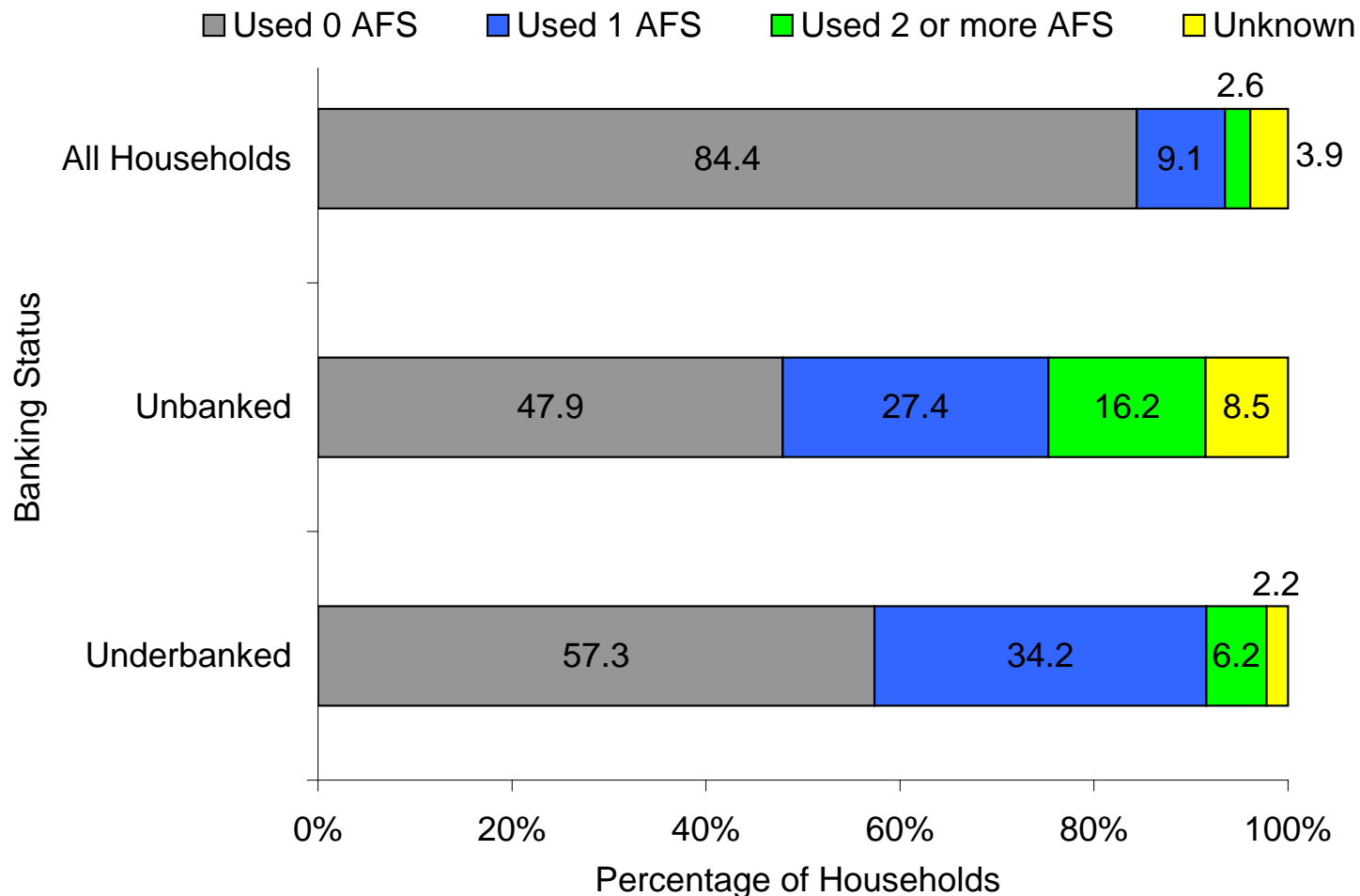
Notes: Non-bank remittances are excluded from this comparison because data on their use is not available for 2009.

# Number of AFS Used in the Last Year





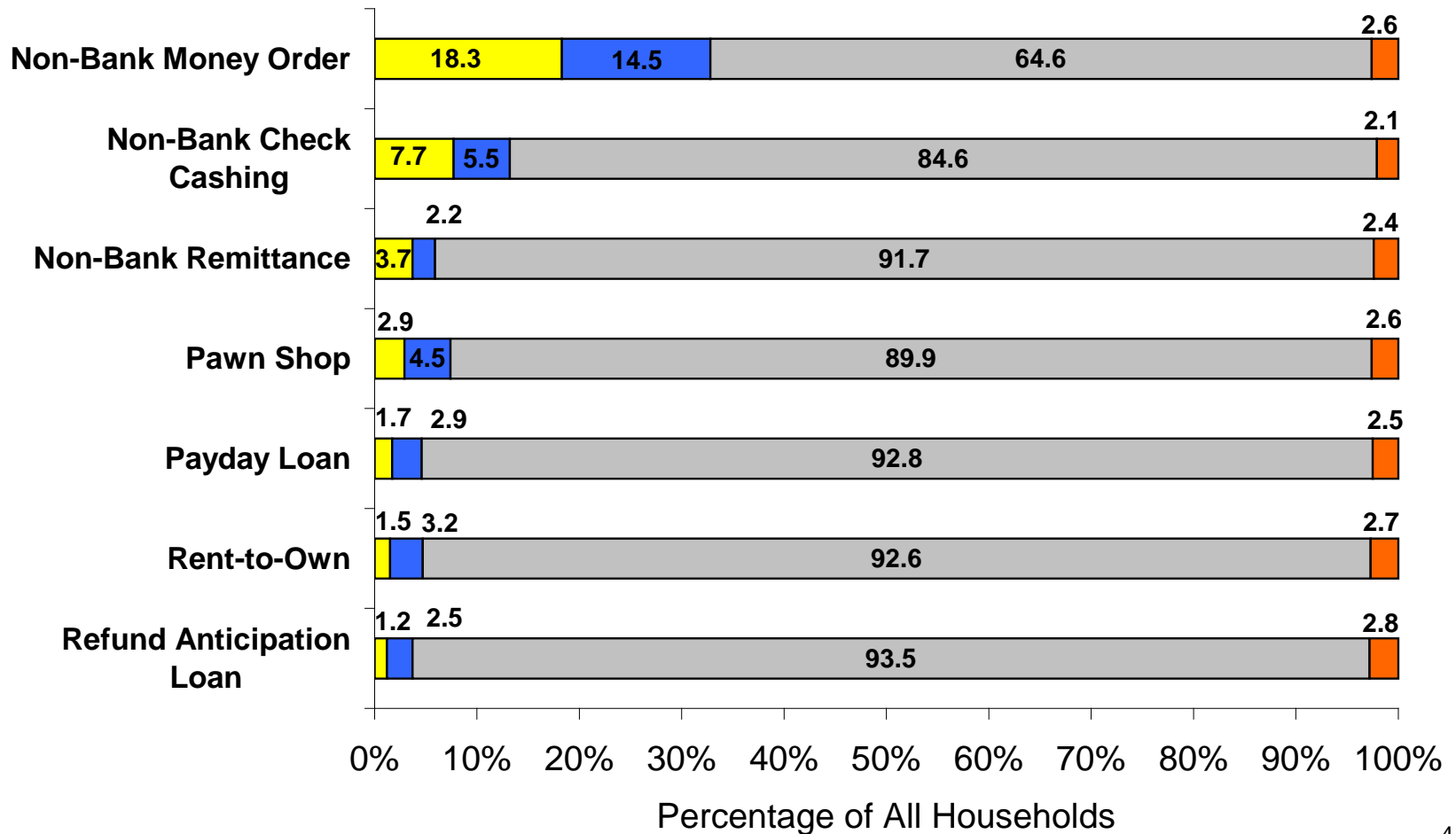
# Number of AFS Used in the Last 30 Days



Notes: The AFS included in this measure are non-bank money orders, non-bank check cashing, non-bank remittances, payday loans, and pawn shops. Households were not asked whether they used rent-to-own, or RALs in the last 30 days.

# Households' Use of Specific AFS Products

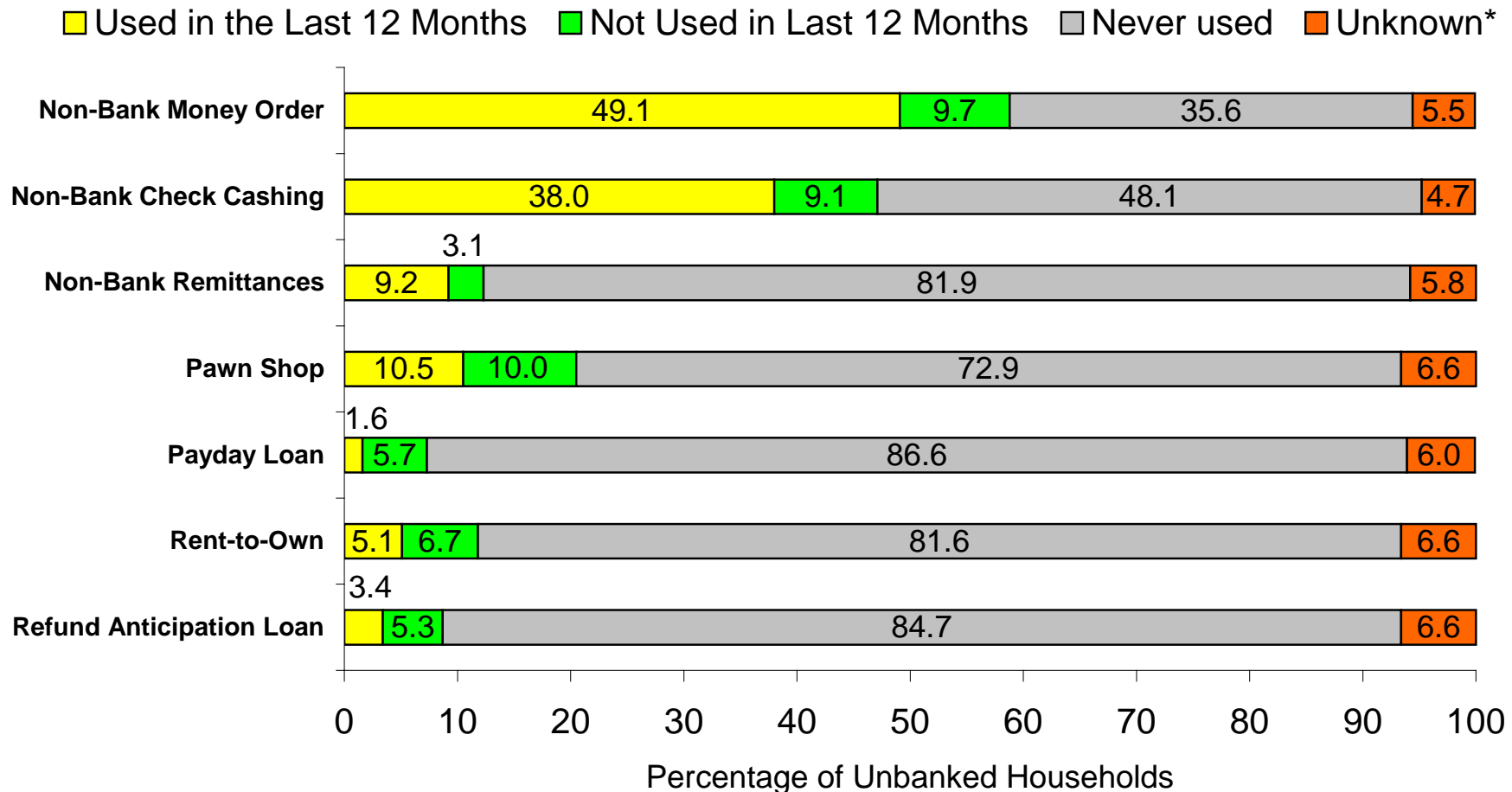
■ Used in last 12 months 
 ■ Used, but not in last 12 months 
 ■ Never Used 
 ■ Unknown



Notes: Percentages may not sum to 100 because of rounding.

"Unknown" includes households whose specific AFS use is unknown and those who used one or more specific AFS with timing unknown.

# Unbanked Households' Use of Specific AFS Products

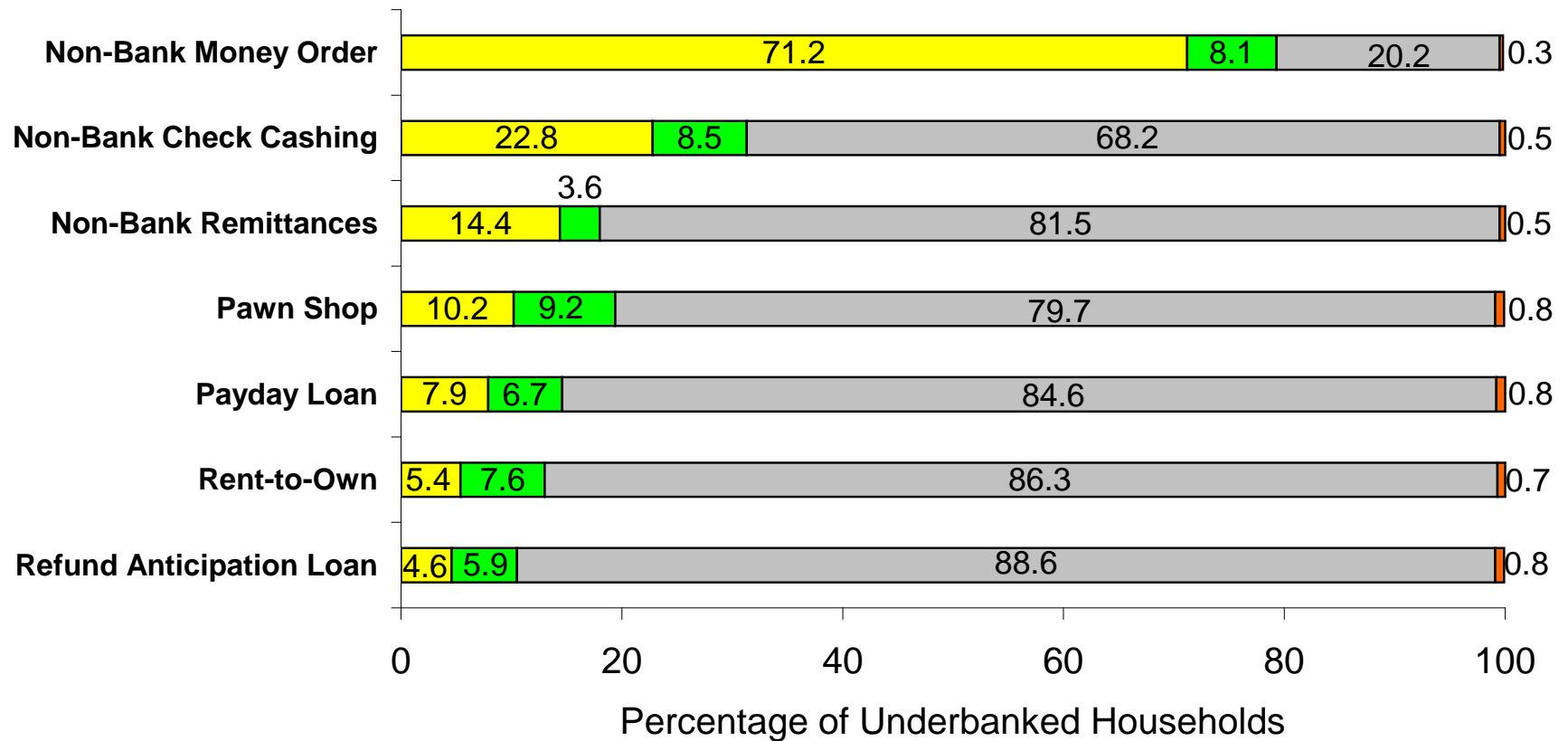


Notes: Percentages are based on 9.9 million unbanked households. Percentages may not sum to 100 because of rounding.

\* Includes households whose specific AFS use is unknown and those who used a specific AFS but the timing is unknown.

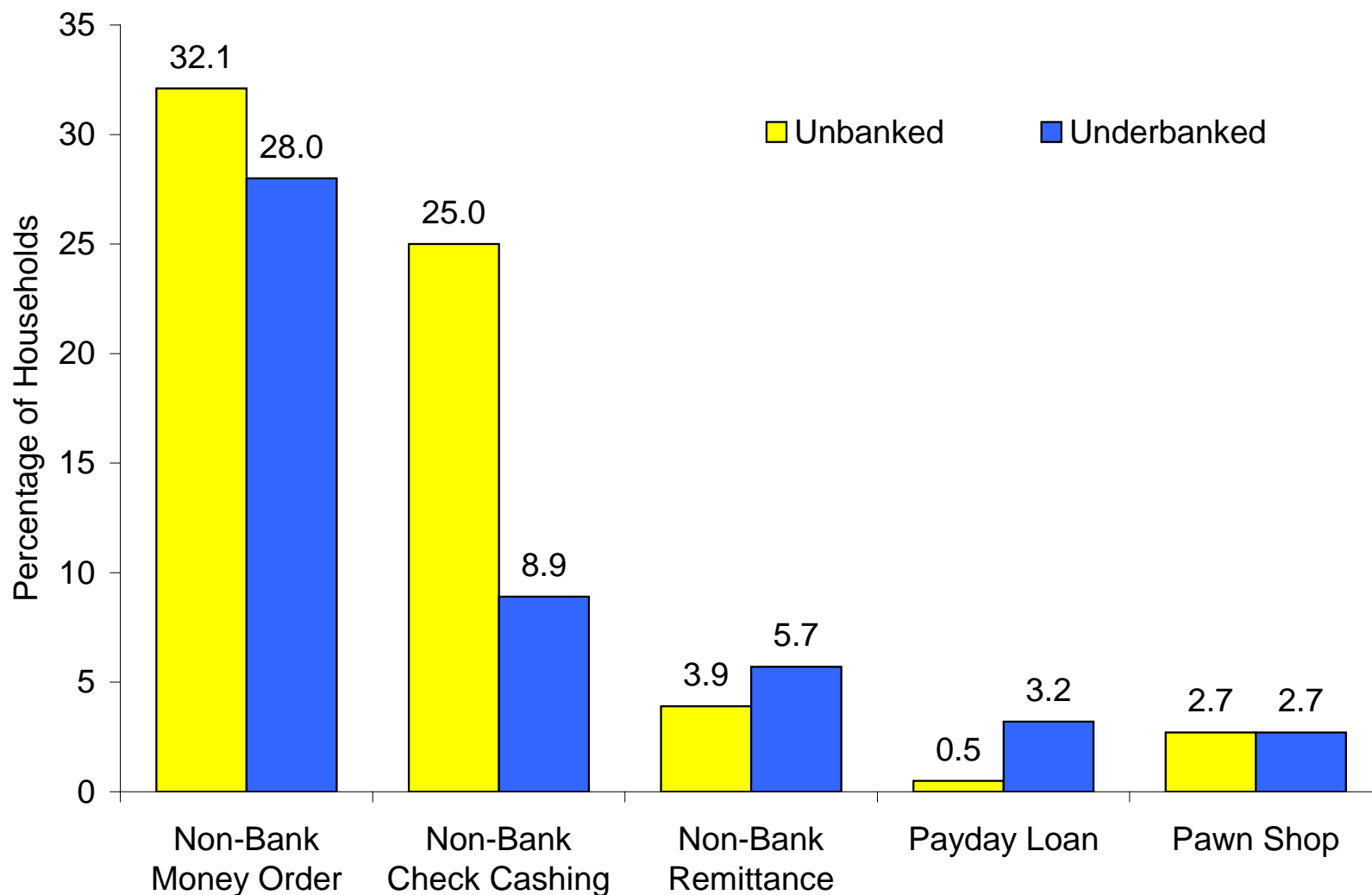
# Underbanked Households' Use of Specific AFS Products

■ Used in the Last 12 Months  
 ■ Not Used in Last 12 months  
 ■ Never Used  
 ■ Unknown\*



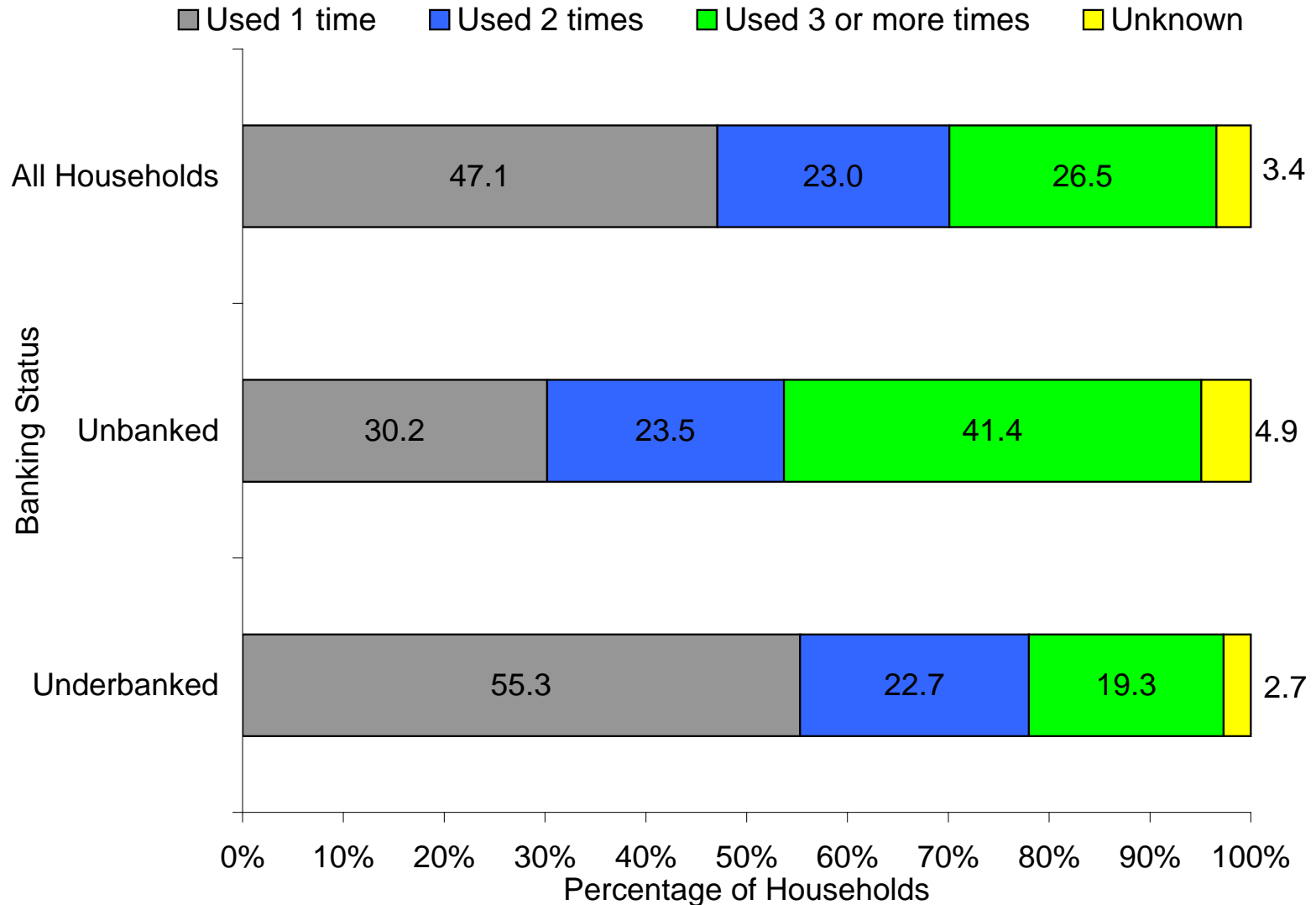
Notes: Percentages are based on 24.2 million underbanked households. Percentages may not sum to 100 because of rounding.\* Includes households whose specific AFS use is unknown and those who used a specific AFS but the timing is unknown.

# Use of Specific AFS in the Last 30 Days



Note: Percentages are based on 9.9 million unbanked households and 24.2 million underbanked households.

# Number of Times Transaction AFS Used in the Last 30 Days

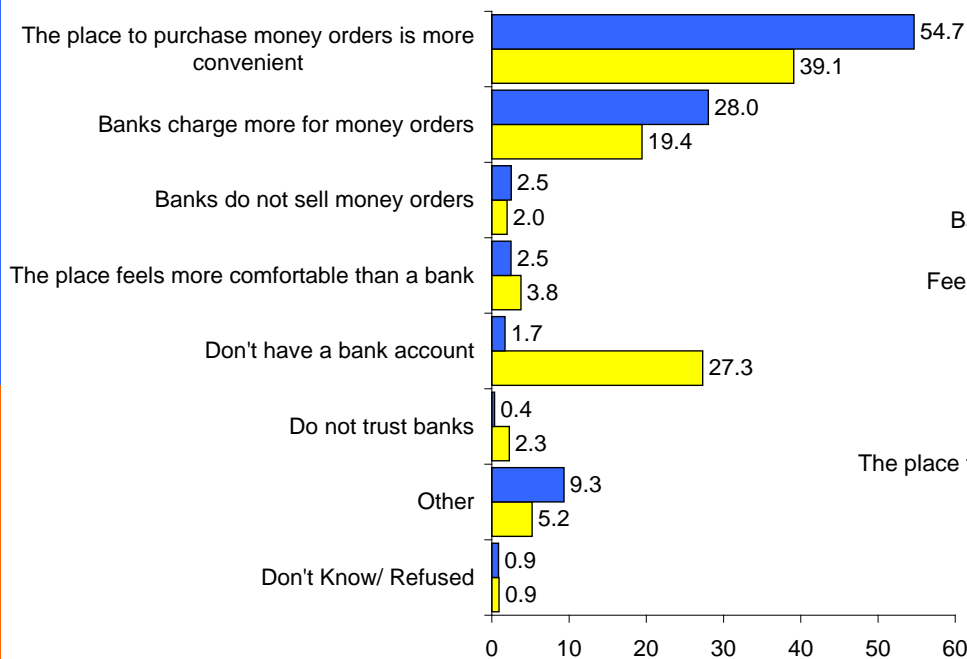


# Reasons Households Use AFS – Transaction Products

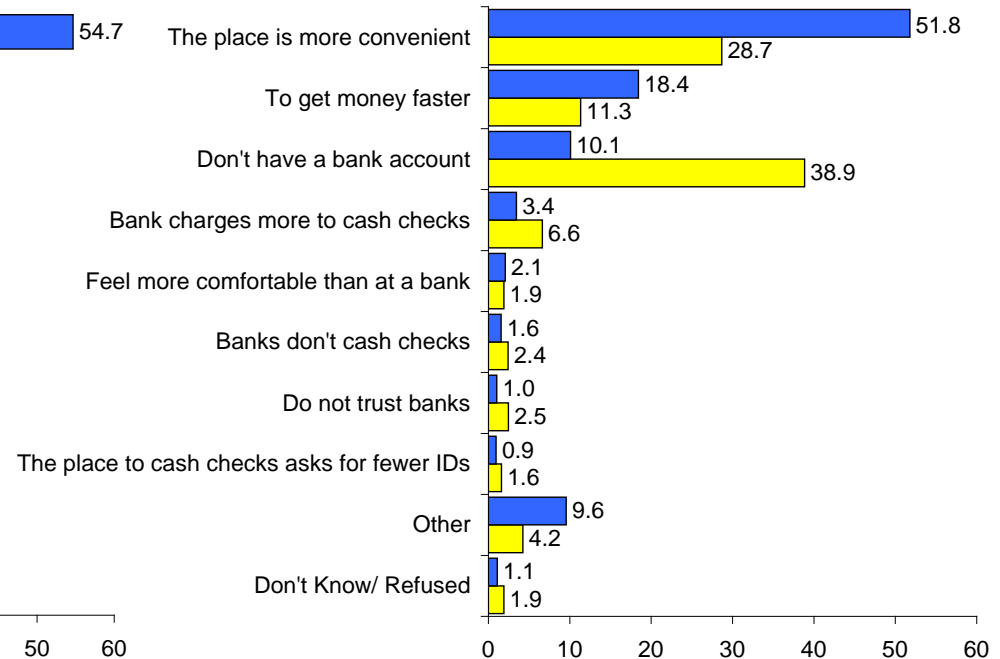
Unbanked

Underbanked

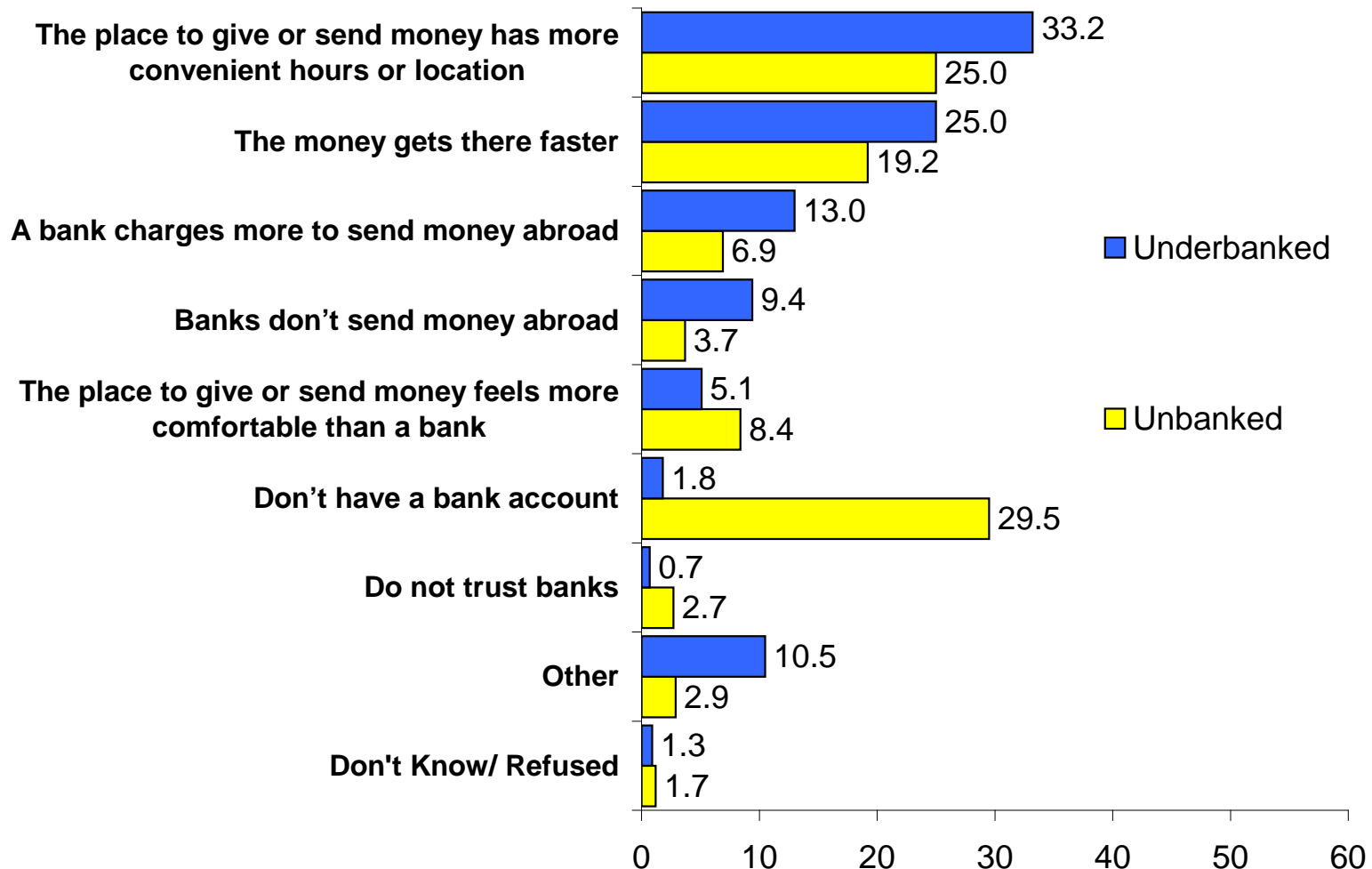
## Non-bank Money Orders



## Non-bank Check Cashing



# Reasons Households Use Non-bank Remittances



Notes: Percentages based on 1.2 million unbanked households and 4.4 million underbanked households that have ever used non-bank remittances. Percentages may not sum to 100 because of rounding.

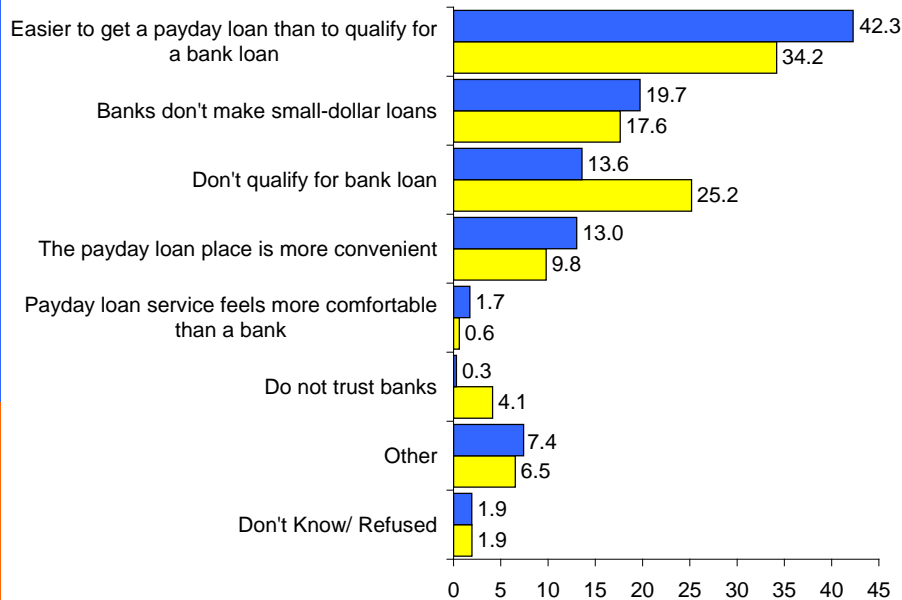


# Reasons Households Use AFS – Credit Products

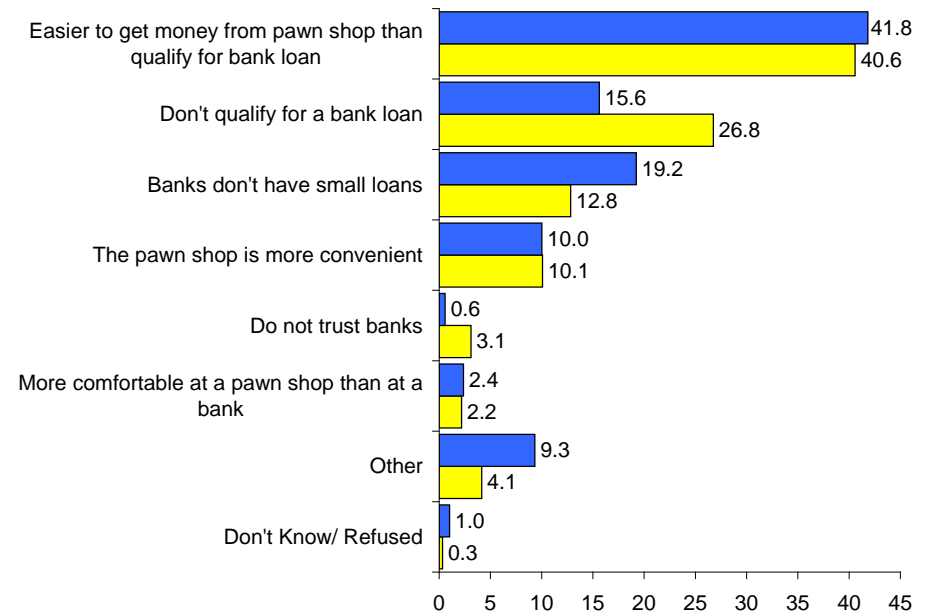
Unbanked

Underbanked

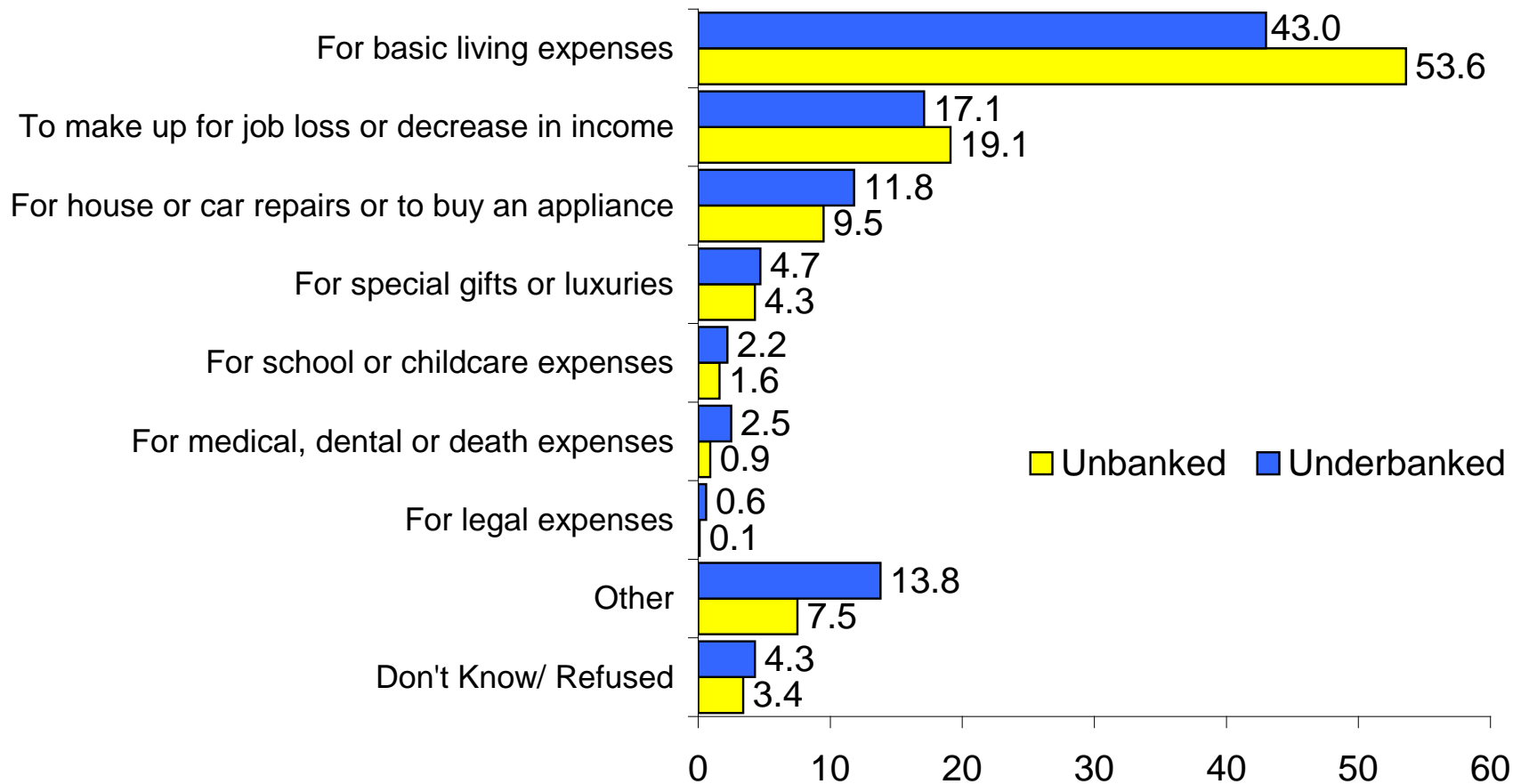
## Payday Lenders



## Pawn Shops



# Reasons Households Need AFS Credit Funds



Notes: Percentages based on 1.6 million unbanked households and 5.6 million underbanked households that have ever used credit AFS. Percentages may not sum to 100 because of rounding.

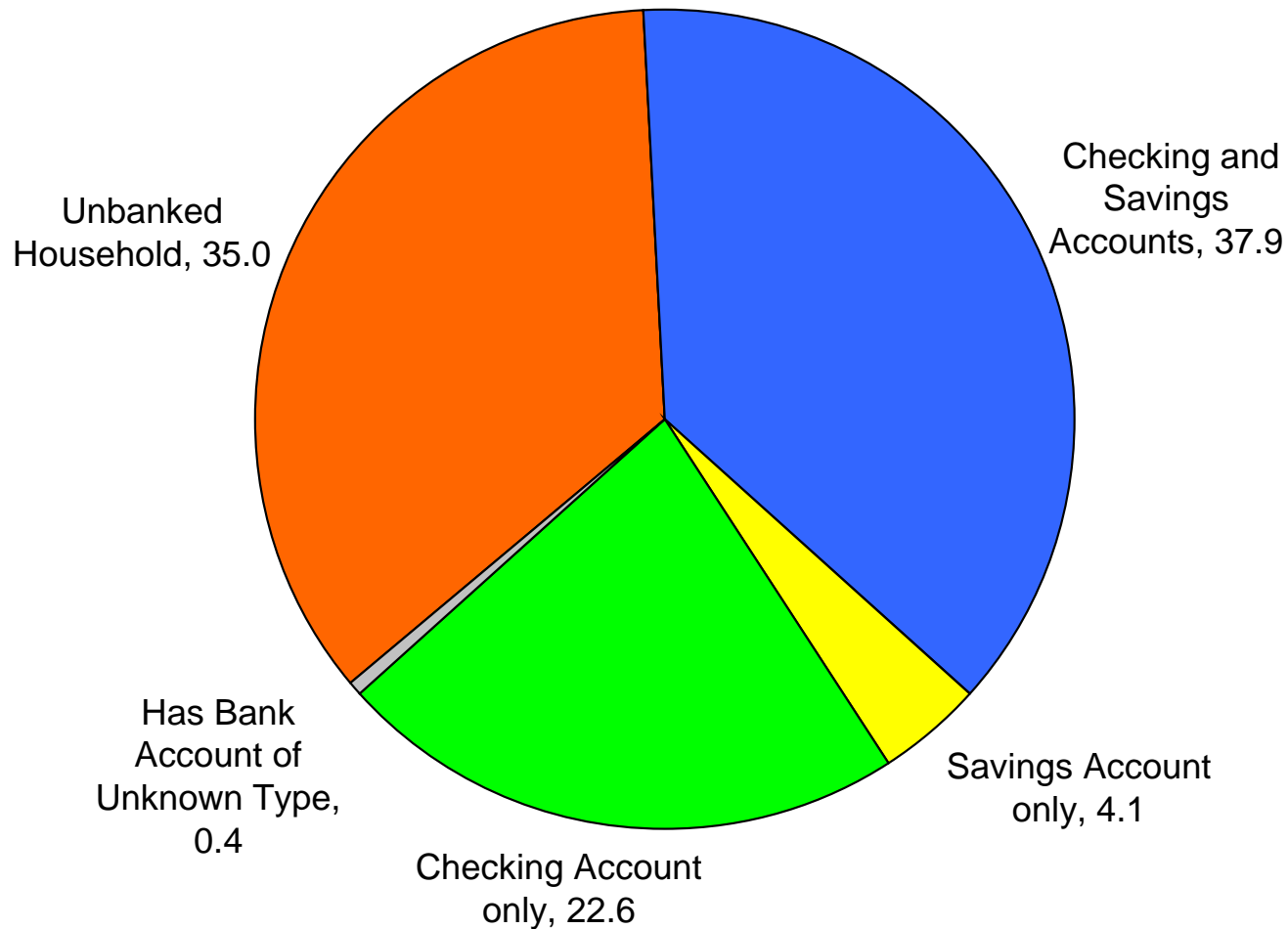
# Characteristics of Heavy AFS Users

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- Among households that have used AFS in the last 30 day
  - 25.2 percent are unmarried female families
  - 29.1 percent are black and 23.5 percent are Hispanic
  - 44.4 percent live in the South
  
- Among households that have used multiple AFS in the last year
  - 38.0 percent are younger than 35
  - 29.7 percent are black and 24.3 percent are Hispanic
  - 26.8 percent are unmarried female families

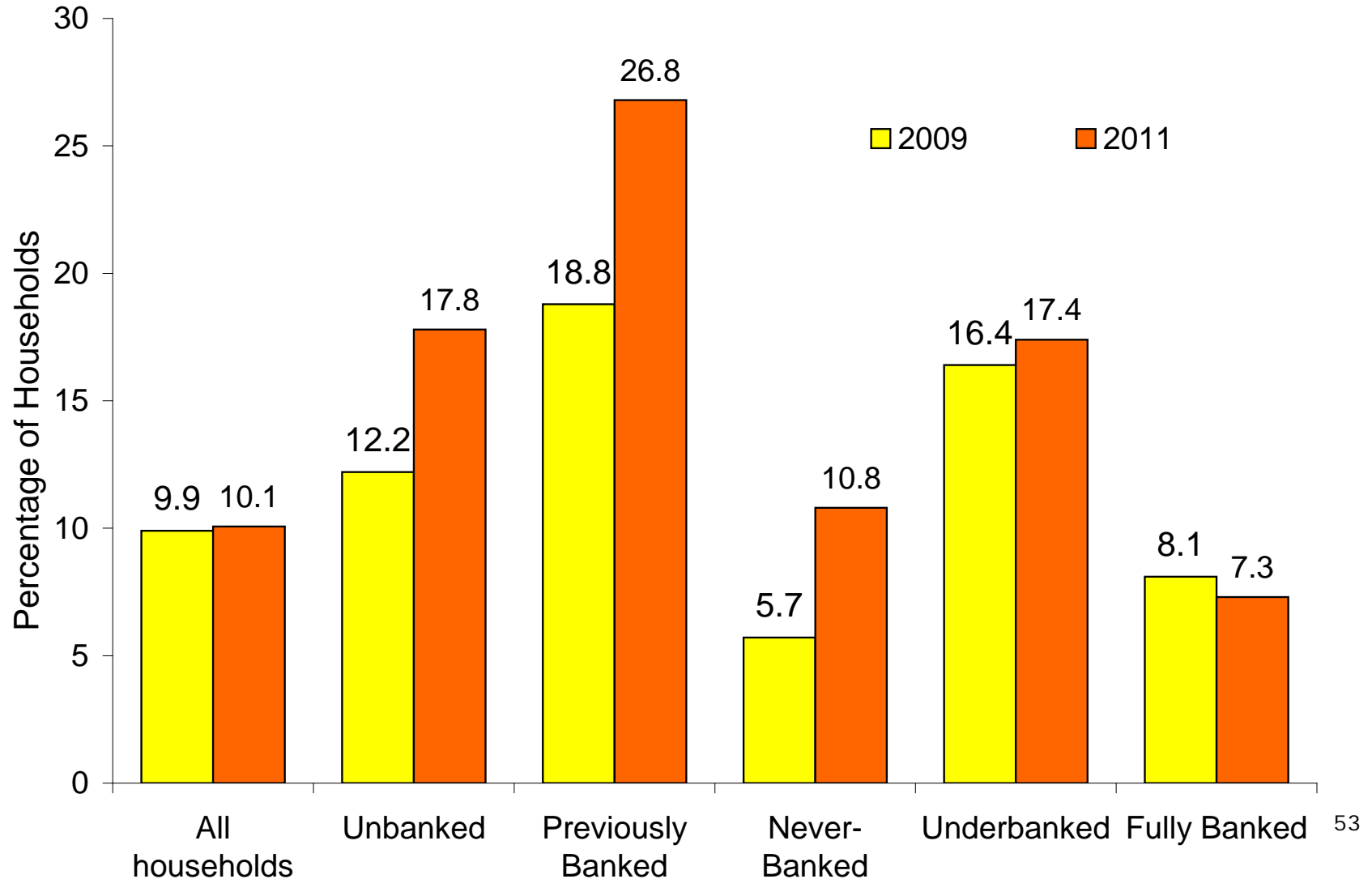
# Households That Used Multiple AFS by Account Type

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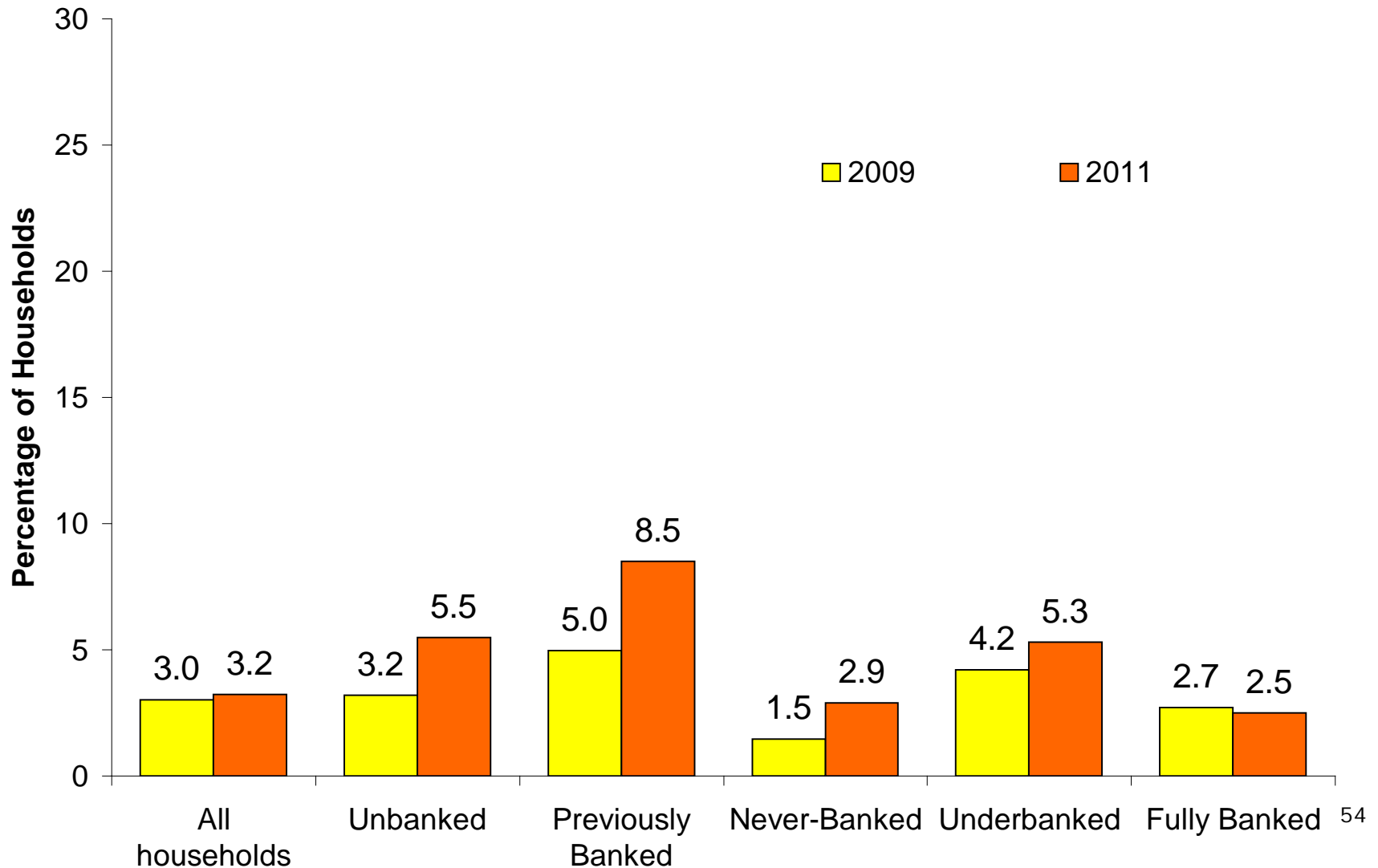


Notes: Percentages are based on 10.3 million households that used 2 or more AFS in the last 12 months. Percentages may not sum to 100 because of rounding.

# Household Use of Prepaid Debit Cards



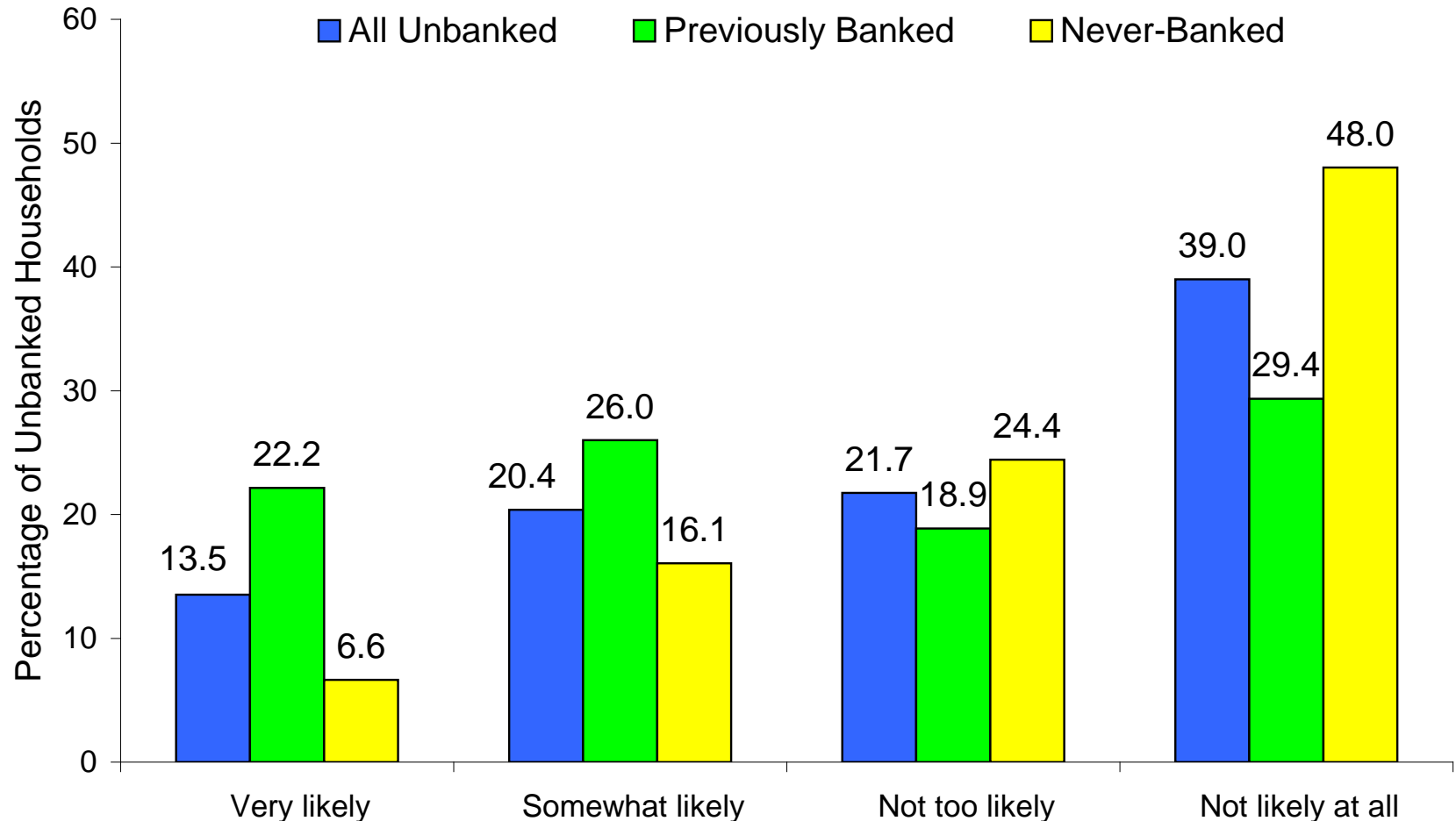
# Household Use of Payroll Cards



# Likelihood of Opening an Account



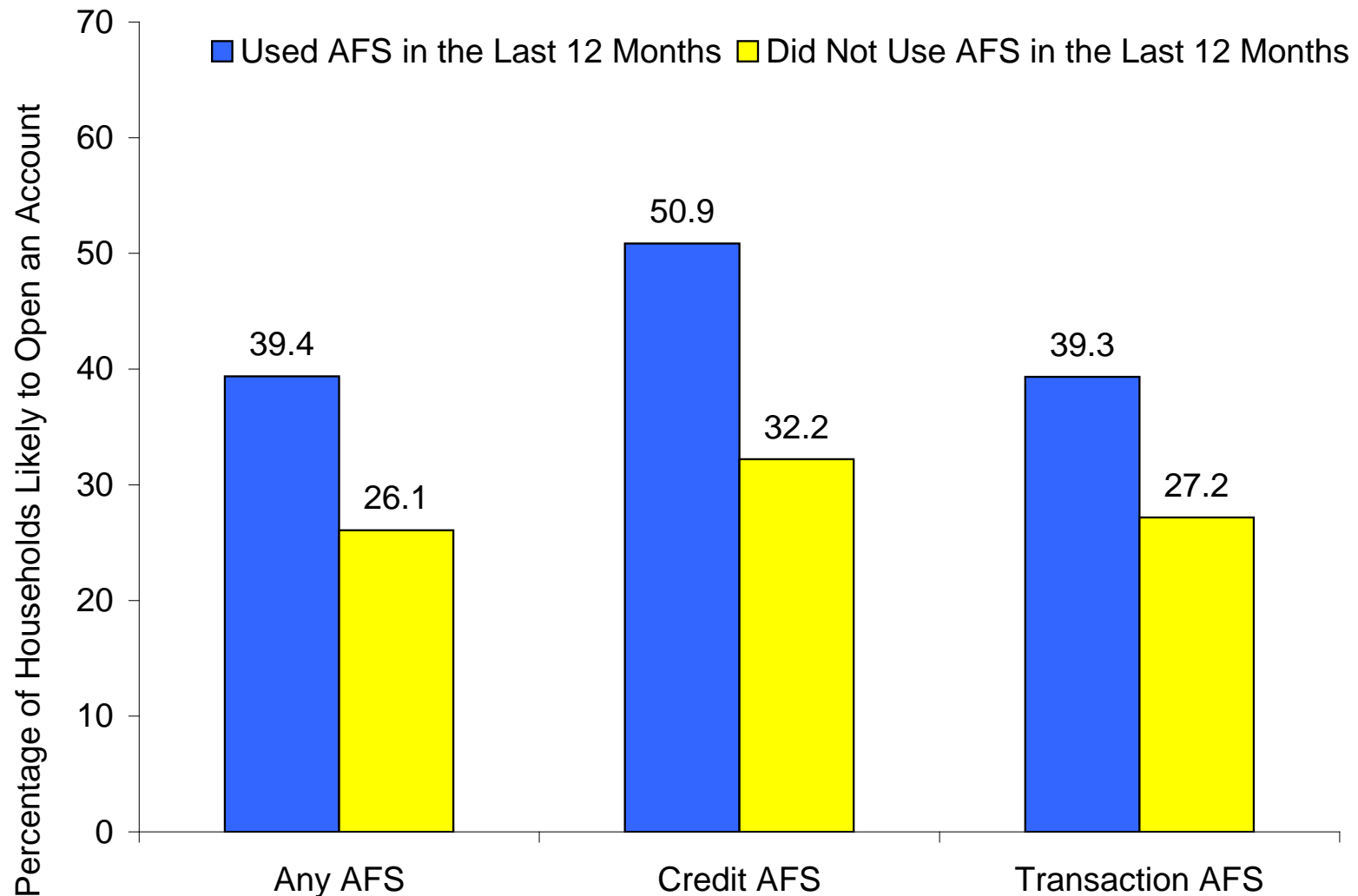
# Unbanked Households' Likelihood of Opening Account



Note: Percentages are based on 9.9 million unbanked households

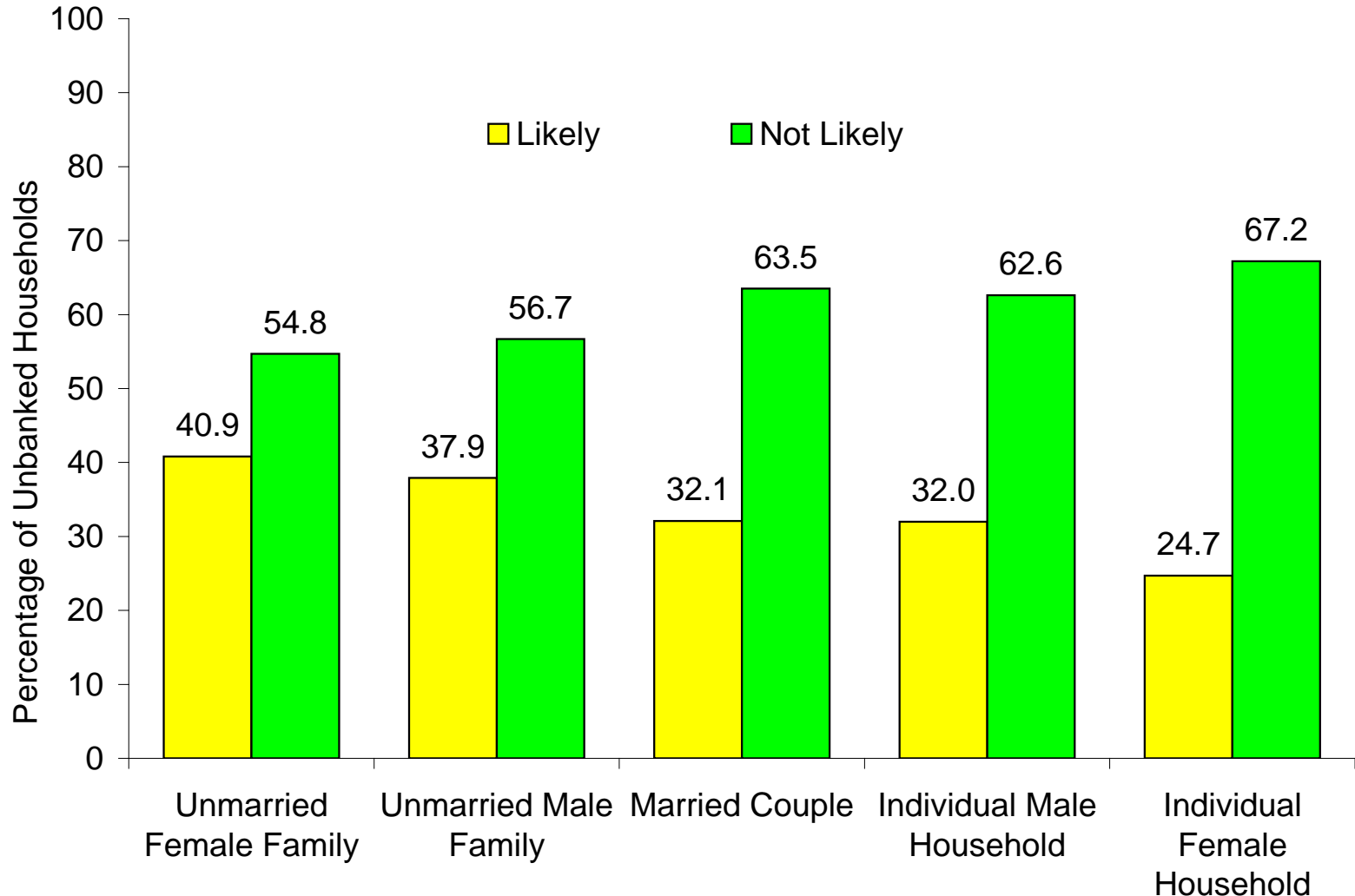


# Unbanked Households' Likelihood of Opening an Account by AFS Use



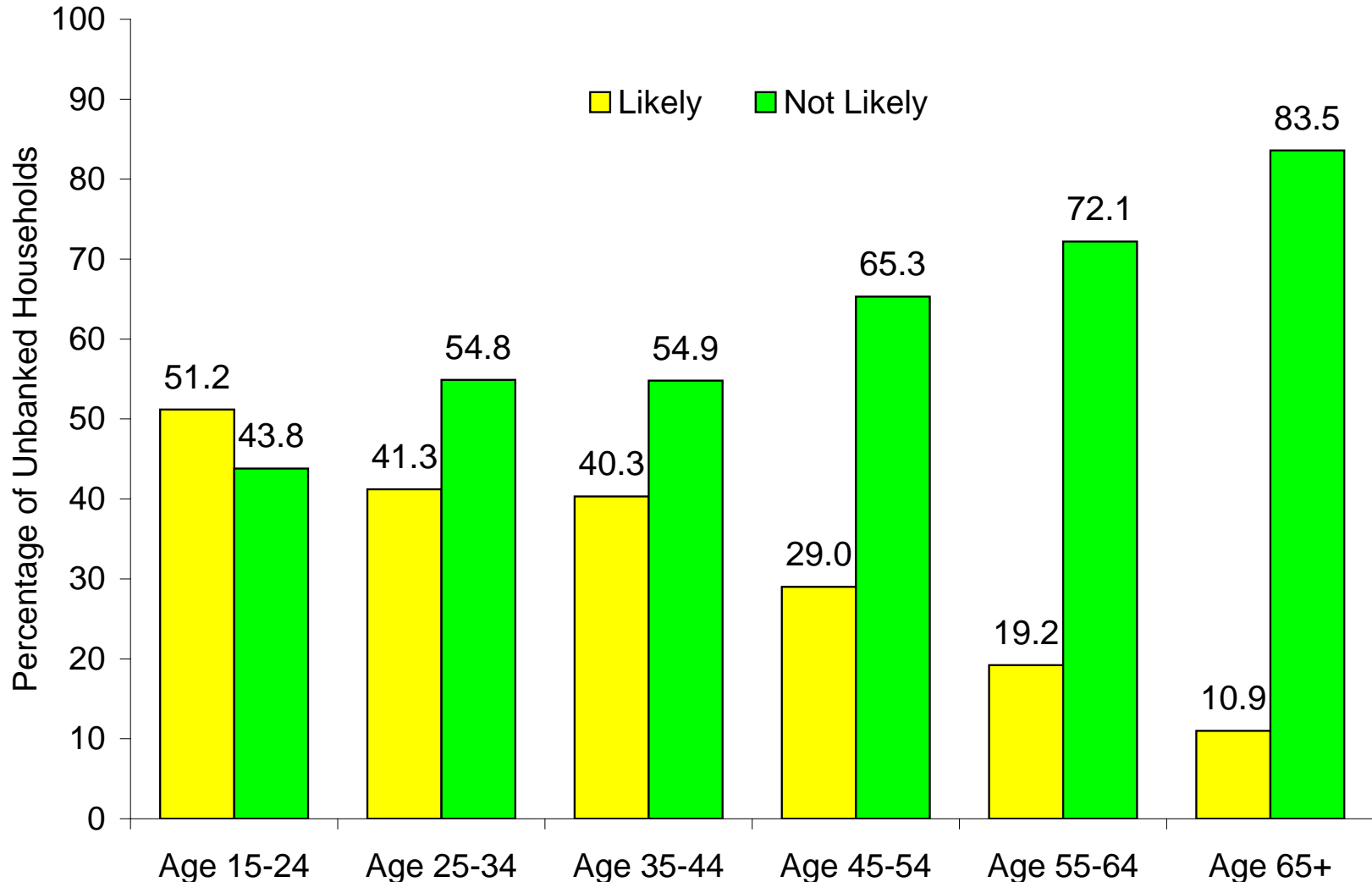
Note: Percentages are based on 9.9 million unbanked households

# Unbanked Households' Likelihood of Opening an Account by Household Type



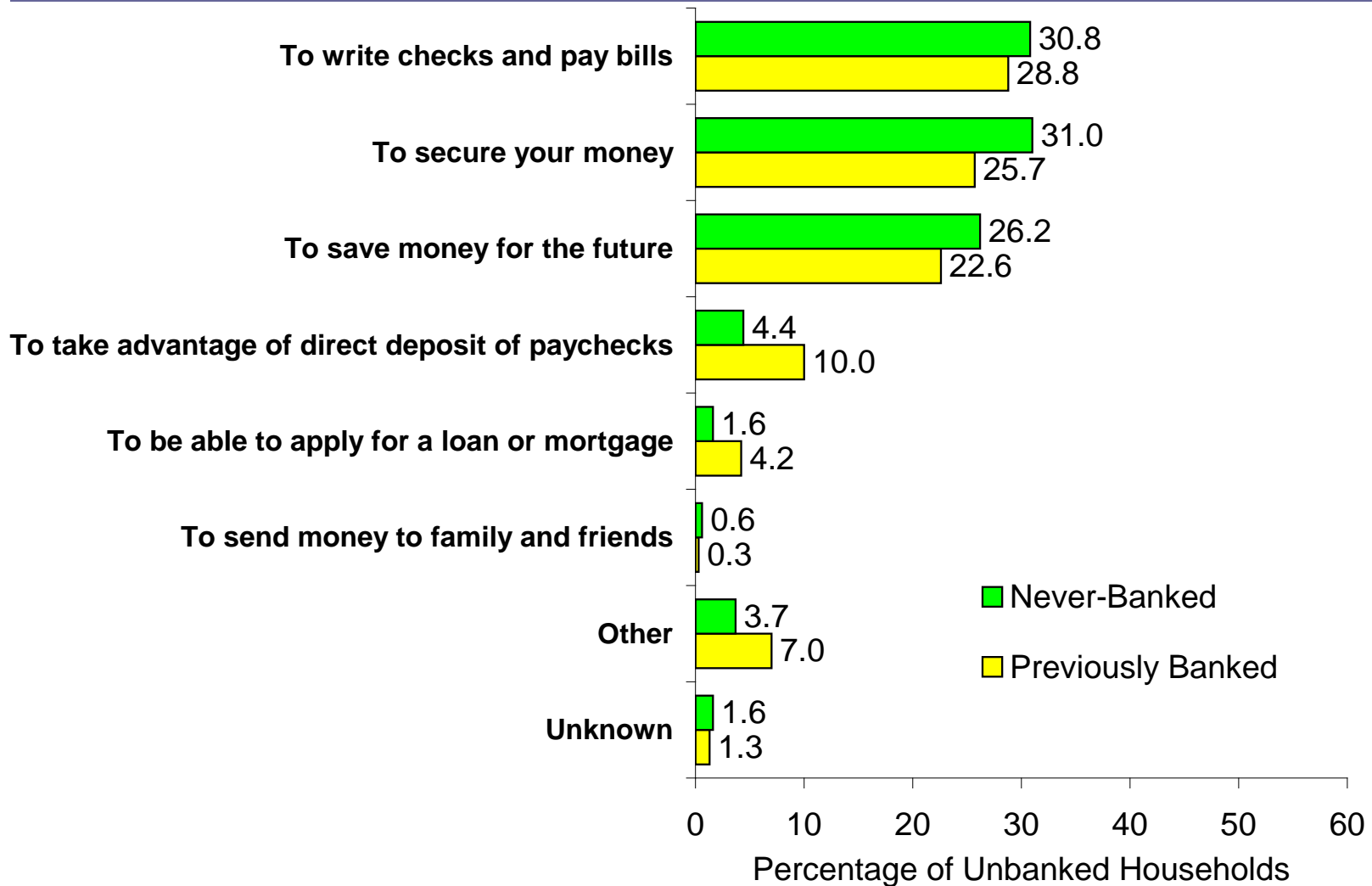
Note: Percentages are based on 9.9 million unbanked households.

# Likelihood of Opening an Account by Age



Note: Percentages are based on 9.9 million unbanked households.

# Unbanked Households' Reasons for Wanting to Open an Account



Note: Percentages are based on 5.3 million never-banked and 4.4 million previously-banked households.

# Implications

A horizontal bar consisting of three distinct colored segments: a yellow segment on the left, a blue segment in the middle, and an orange segment on the right. The segments are separated by thin white lines.

# Implication 1

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- **Understanding segments better might increase the efficacy of economic inclusion strategies**
  - E.g., unbanked Hispanic households use AFS more actively than any other racial ethnic group (52% used AFS in the last 30 days), but 30% use no AFS

# Implication 2

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- **Having a bank account does not guarantee long term participation in the banking system**
  - Half of all unbanked households had an account previously
    - Nearly half (48.2 percent) of these report they are likely to open another
  - Almost one-quarter of fully banked households used AFS in the past

# Implication 3

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- **Experience with banks appears to have more positive perceptions of having an account and rely less on AFS**
- E.g., unbanked households that previously had an account are more likely to see value in being in the banking system:
  - More likely to open an account
  - Less likely to say “I don’t want or need an account”

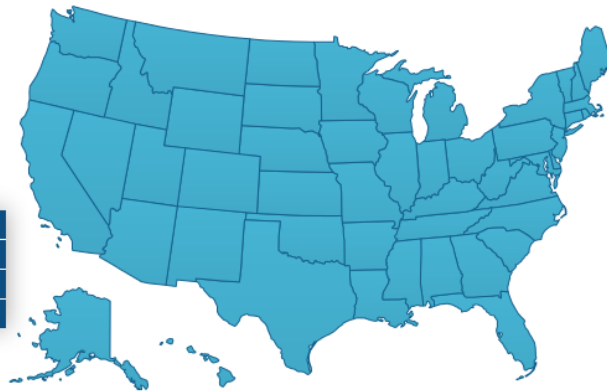


# Implication 4

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- **Banks might need to more clearly demonstrate the value of an account to AFS users**
  - AFS users perceived non-bank services to be more convenient, faster, less expensive, or to present lower barriers to qualification
  - E.g., mobile technologies that allow remote deposit capture might alter check cashing equation

## ECONOMICINCLUSION.GOV



### About the 2011 FDIC National Survey of Unbanked and Underbanked Households

To assess the inclusiveness of the banking system, and in partial fulfillment of a statutory responsibility, the FDIC conducts biennial surveys of households to estimate the proportion of households that do not fully participate in the banking system. The second FDIC National Survey of Unbanked and Underbanked Households presents new data and insights on the size of unbanked and underbanked markets at the national, regional, state, and large metropolitan statistical area (MSA) levels.

#### RESEARCH

The FDIC provides research, data, and additional resources for consumers, banks, policymakers, and others regarding issues related to consumer protection, underserved populations, and the use of alternative financial services.

[Learn More →](#)

#### WHAT'S NEW

The FDIC regularly provides news and updates on efforts related to bringing all Americans into the financial mainstream.

[Learn More →](#)

#### INSIDE THE REPORT

Review the complete findings in detail by downloading the 2011 FDIC National Survey of Unbanked and Underbanked Households.

[View Report →](#)

Thank you

