

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

Including Results for **Connecticut**

Followed by

2011 FDIC National **Survey of Bank Efforts to Serve the Unbanked and Underbanked**

FDIC Community Affairs
Boston Area Office



The Boston Community Affairs staff acknowledges the members of the *Unbanked Study Team*: Susan Burhouse, Sarah Campbell, David Chapman, Keith Ernst, Ryan Goodstein, Leneta Gregorie, Yazmin Osaki, Luke Reynolds and Sherrie Rhine, and Eric Robbins. Ms. Osaki was especially helpful by providing the presentation template, additional data, and guidance.



Geographies

This presentation reflects multiple geographies:

- The entire U.S.
- State of Connecticut
- Three Metropolitan Statistical Areas* (“MSAs”) –
 - Bridgeport-Stamford-Norwalk (“Bridgeport MSA”)
 - Hartford-West Hartford-East Hartford (“Hartford MSA”)
 - New Haven MSA

MSA-level data should be considered in light of the limited sample size of certain data points (illustrated by the tables in slides 21 and 24). The Community Affairs staff recommends that the information provided below be reviewed in conjunction with the Survey Report and Appendix (see:

<http://www.economicinclusion.gov/surveys/2011household/>).

* Metropolitan...statistical areas...are geographic entities defined by the U.S. Office of Management and Budget (OMB) for use by Federal statistical agencies in collecting, tabulating, and publishing Federal statistics...A metro area contains a core urban area of 50,000 or more population... Each metro... area consists of one or more counties and includes the counties containing the core urban area, as well as any adjacent counties that have a high degree of social and economic integration (as measured by commuting to work) with the urban core.

(source: <http://www.census.gov/population/metro/>)

Content

- Background
- Banking Status
- Account Ownership
- Use of Alternative Financial Services
- Implications and Conclusions

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Background

- Objectives and statutory mandate
- FDIC Household Survey
 - Administered in June 2011 as a supplement to the Census CPS to nearly 45,000 households (84% of CPS respondents)
 - Released September 2012
 - 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 released December 2012

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FDIC Household Survey Highlights

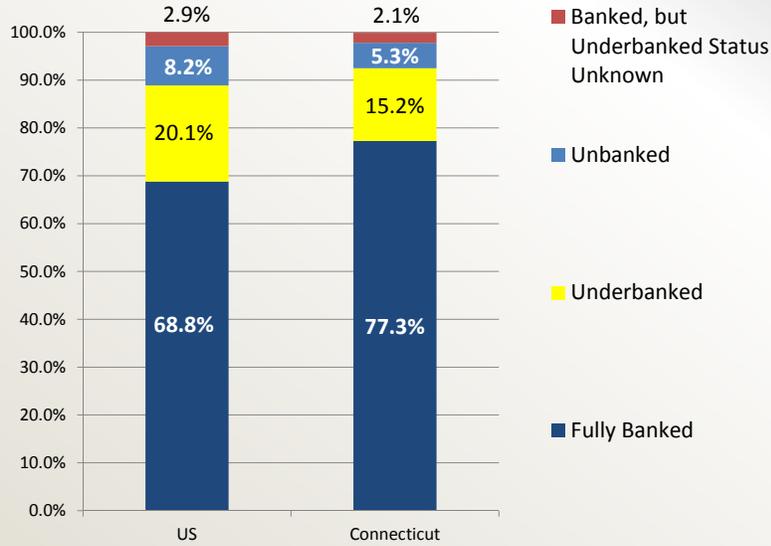
[5]

Revised Underbanked Definition

Alternative Financial Service (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
Refund Anticipation Loans (RALs)	Used in the last 5 years	
Non-Bank Remittances	Not included	

[6]

Distribution of Household Banking Status: U.S. and CT



**Note: Numbers are based on percent unbanked/underbanked/fully banked in the specific demographic group (i.e., 21.4% of blacks are unbanked)

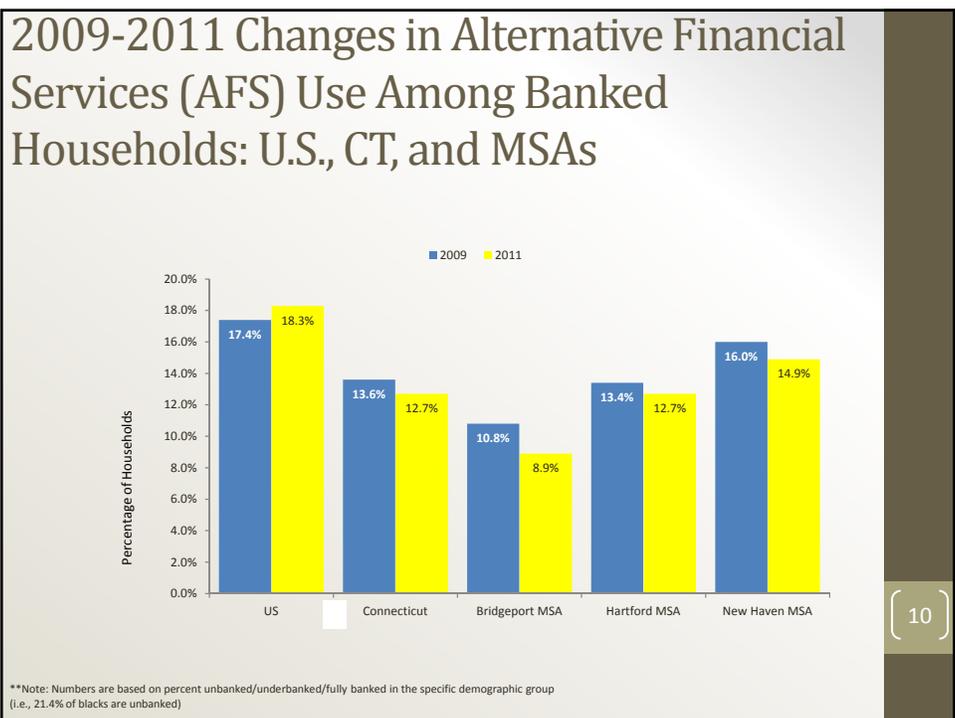
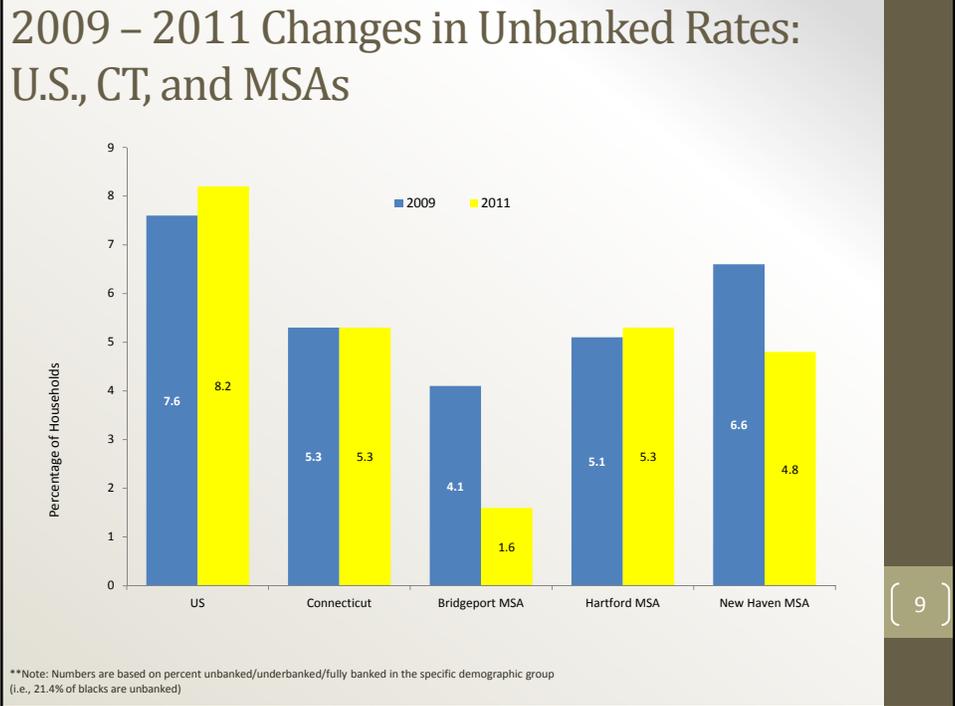
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Distribution of Household Banking Status: CT MSAs



**Note: Numbers are based on percent unbanked/underbanked/fully banked in the specific demographic group (i.e., 21.4% of blacks are unbanked)

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Unbanked and Underbanked Rates by Demographic Groups

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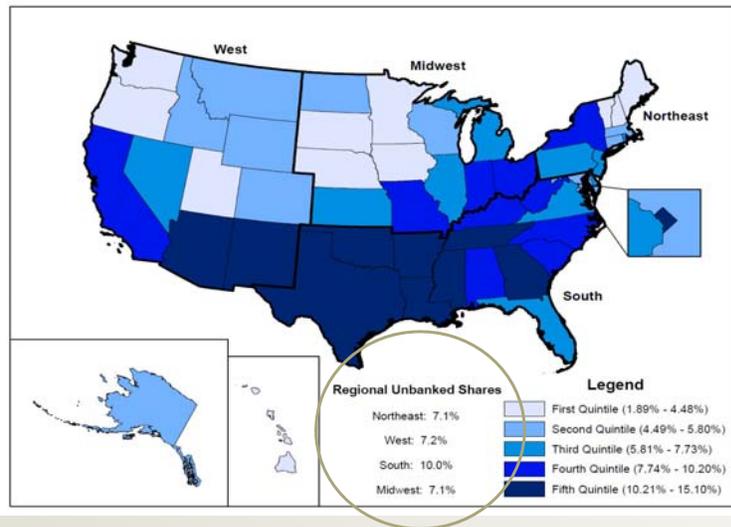
Banking Status of Select Groups: U.S.

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

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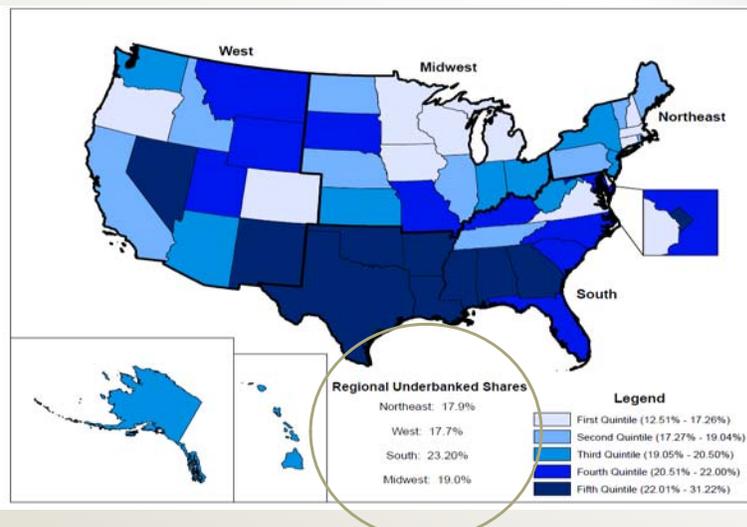
**Note: Numbers are based on percent unbanked/underbanked/fully banked in the specific demographic group (i.e., 21.4% of blacks are unbanked)

UNbanked Households by Region and State



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UNDERbanked Households by Region and State



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Household Demographic Composition by Banking Status

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Household Composition by Banking Status

- 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
- Along other dimensions, the underbanked seem much more similar to the fully-banked: employment and income

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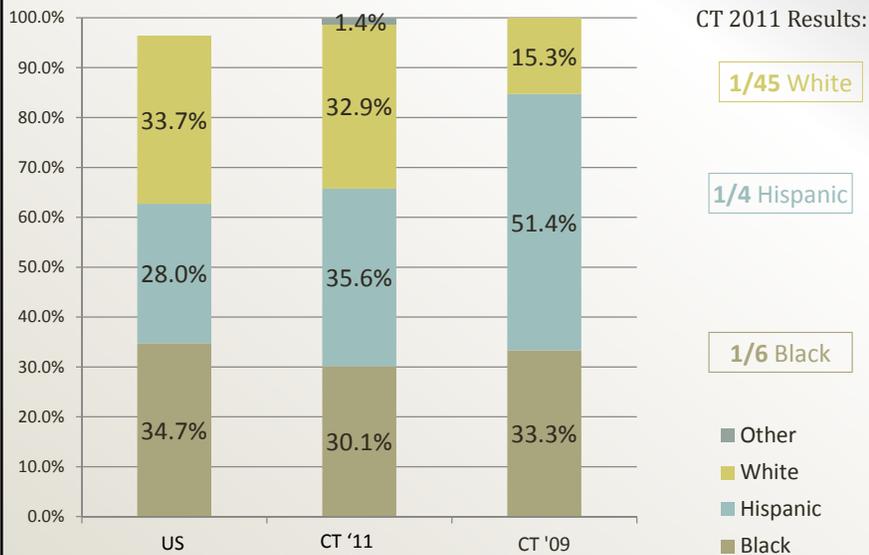
Unbanked Households

Bar Graphs: 24 whites / 73 total unbanked population = **32.9%**

Fractions: 24 whites / 1072 total white population = 2.3% or **1/45**

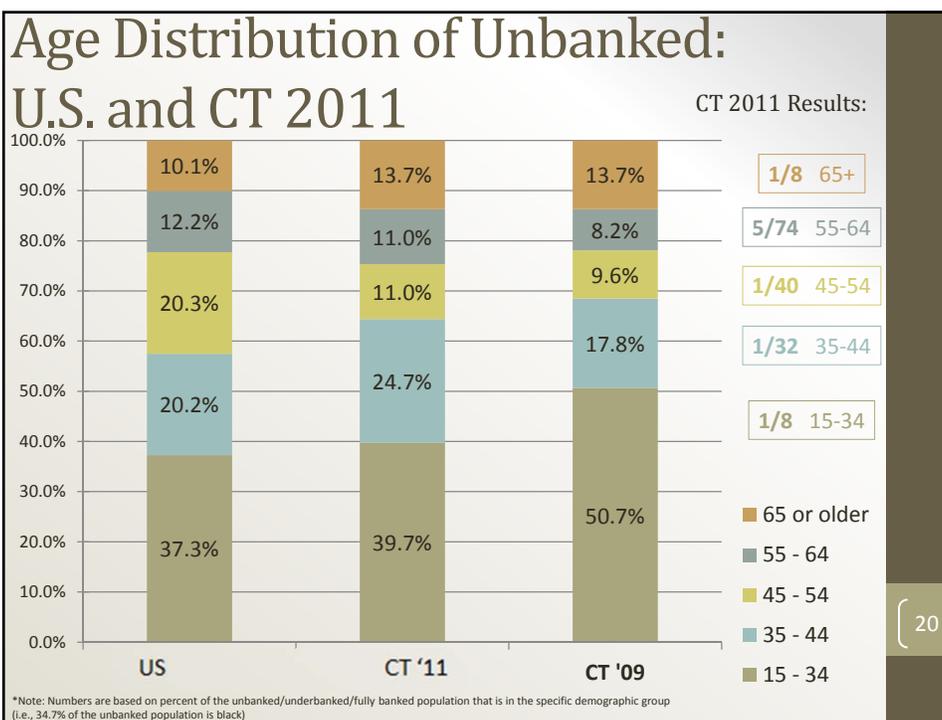
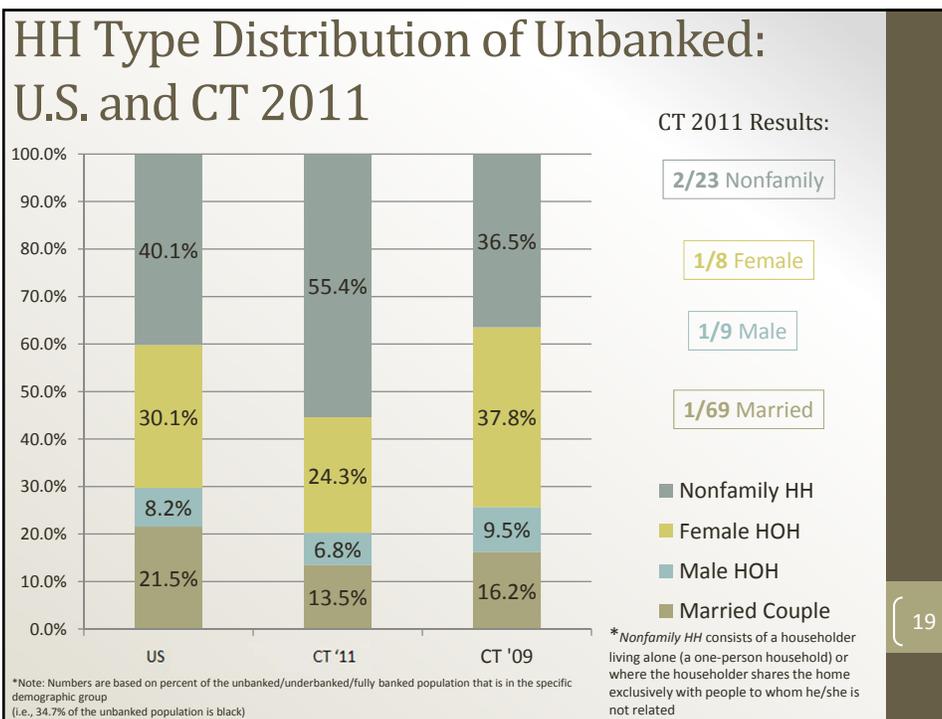
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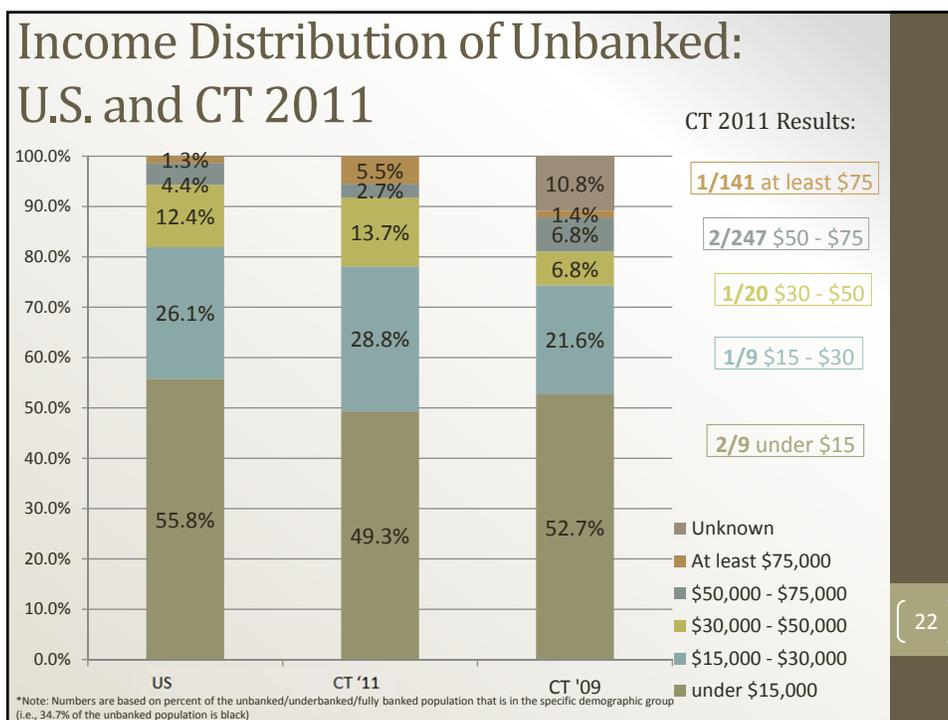
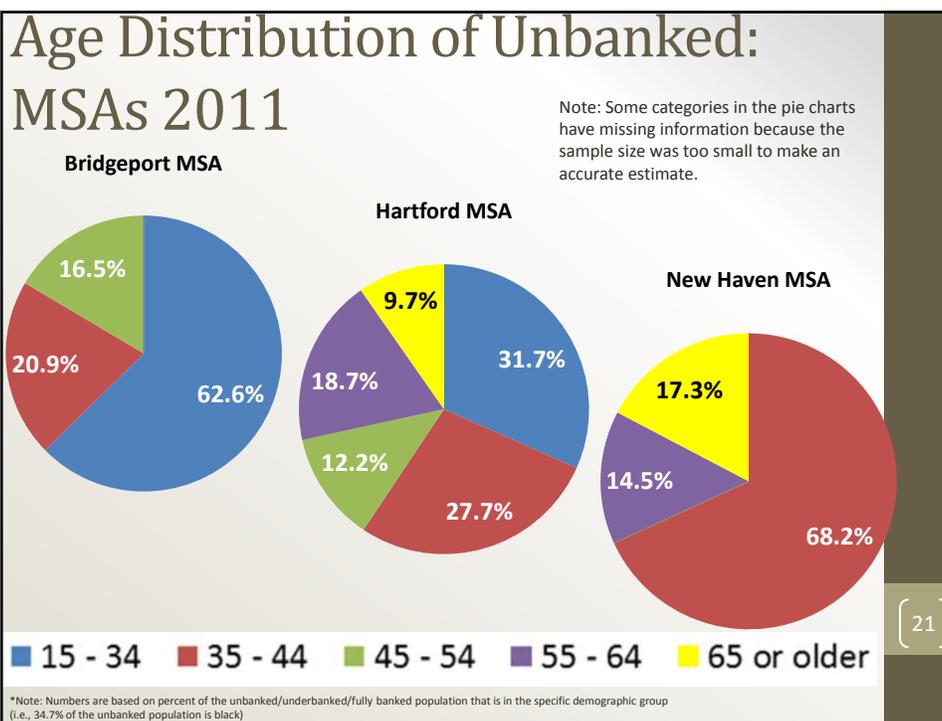
Racial Distribution of Unbanked: U.S. and CT 2011

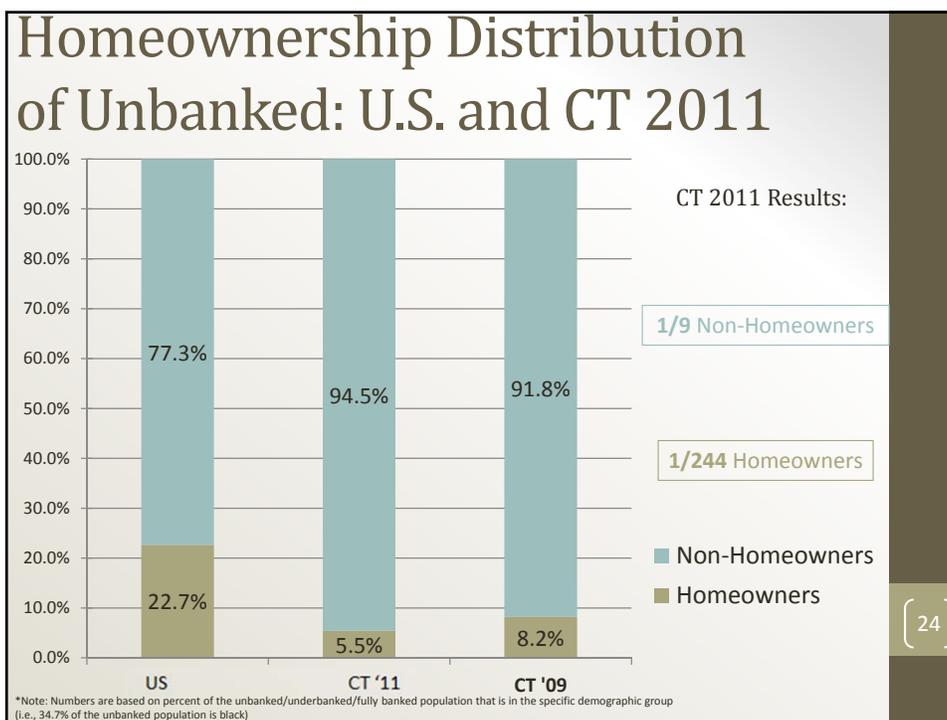
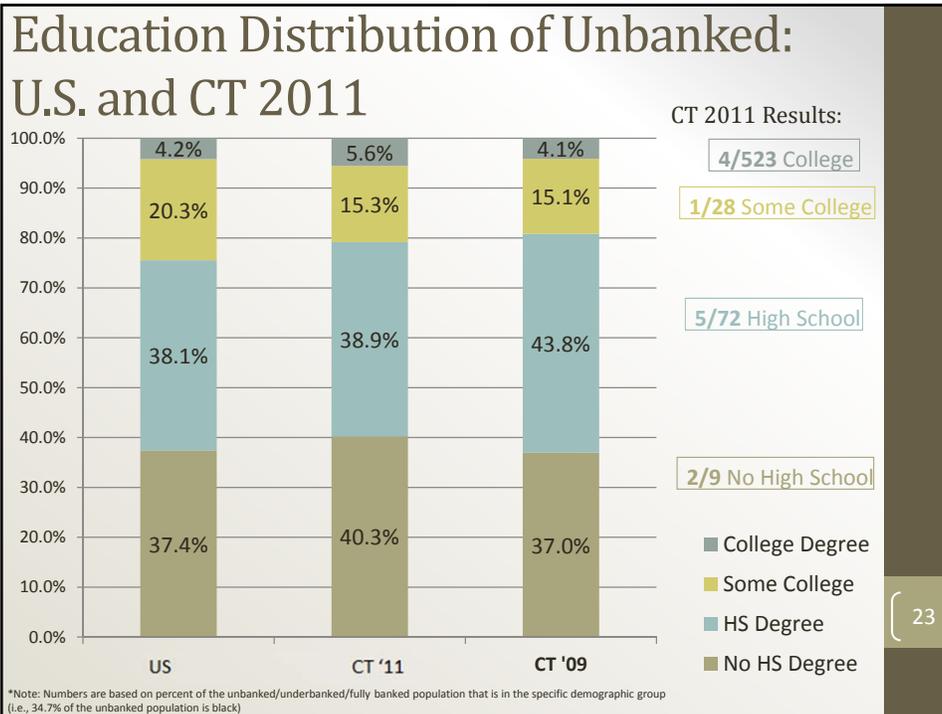


*Note: Numbers are based on percent of the unbanked/underbanked/fully banked population that is in the specific demographic group (i.e., 34.7% of the unbanked population is black)

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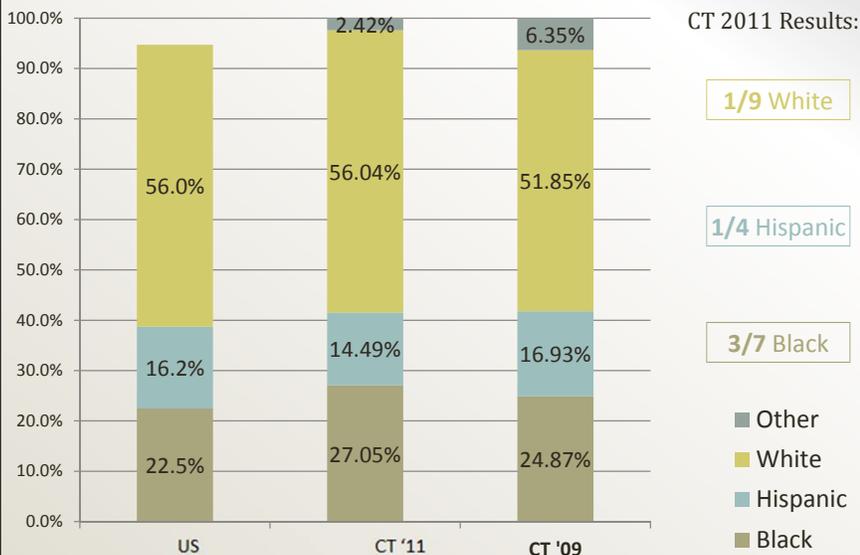
UNDERbanked Households

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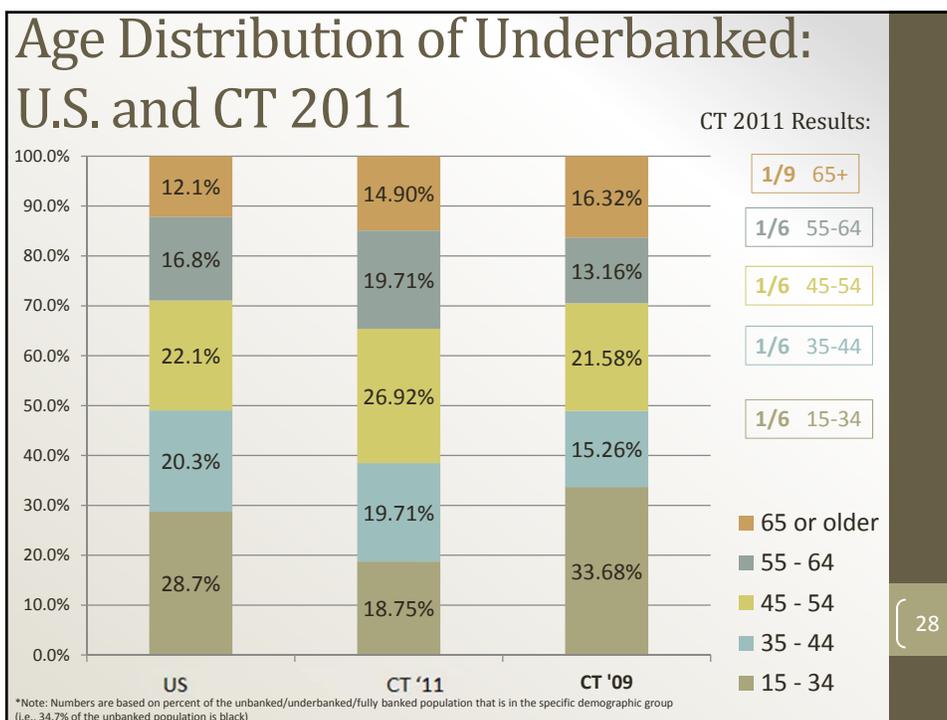
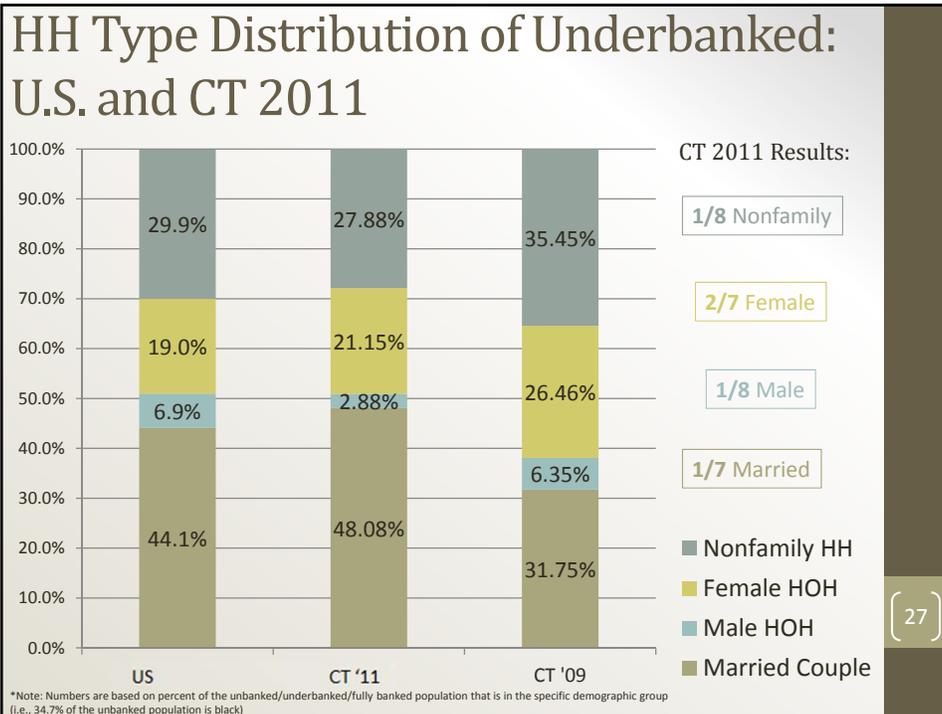
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Racial Distribution of Underbanked US and CT 2011



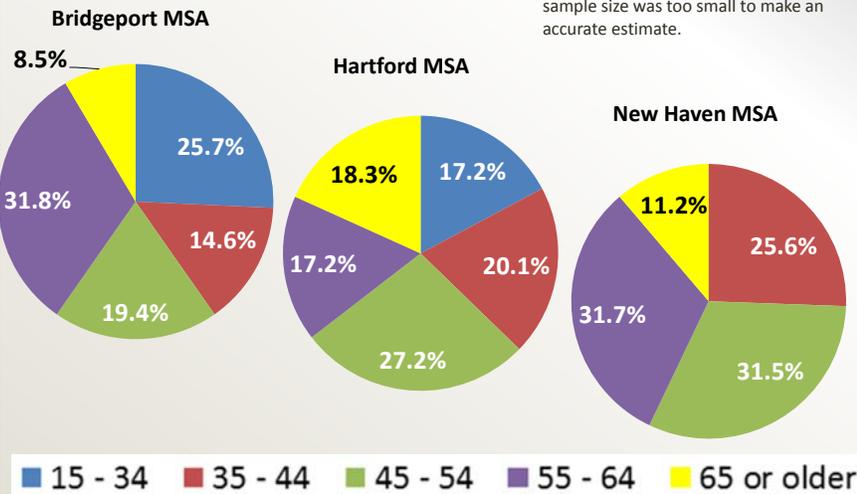
*Note: Numbers are based on percent of the unbanked/underbanked/fully banked population that is in the specific demographic group (i.e., 34.7% of the unbanked population is black)

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Age Distribution of Underbanked: MSAs 2011

Note: Some categories in the pie charts have missing information because the sample size was too small to make an accurate estimate.

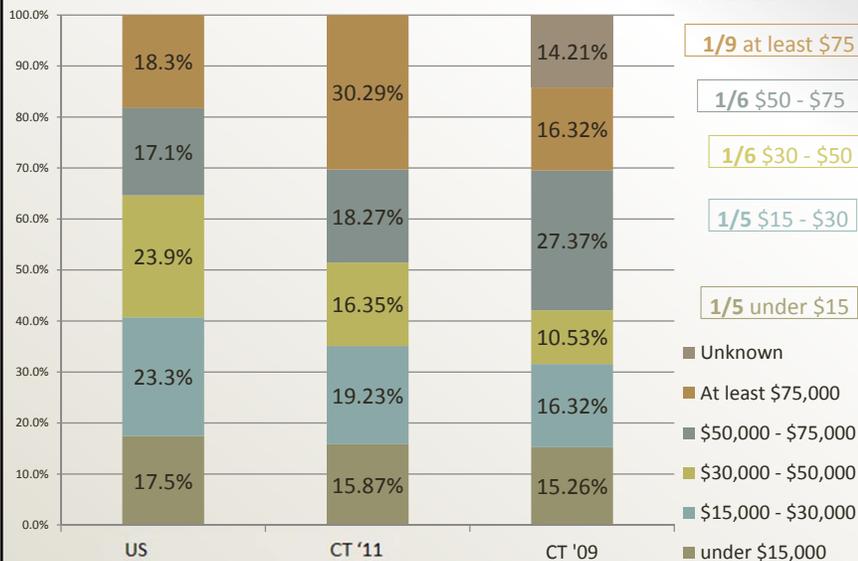


*Note: Numbers are based on percent of the unbanked/underbanked/fully banked population that is in the specific demographic group (i.e., 34.7% of the unbanked population is black)

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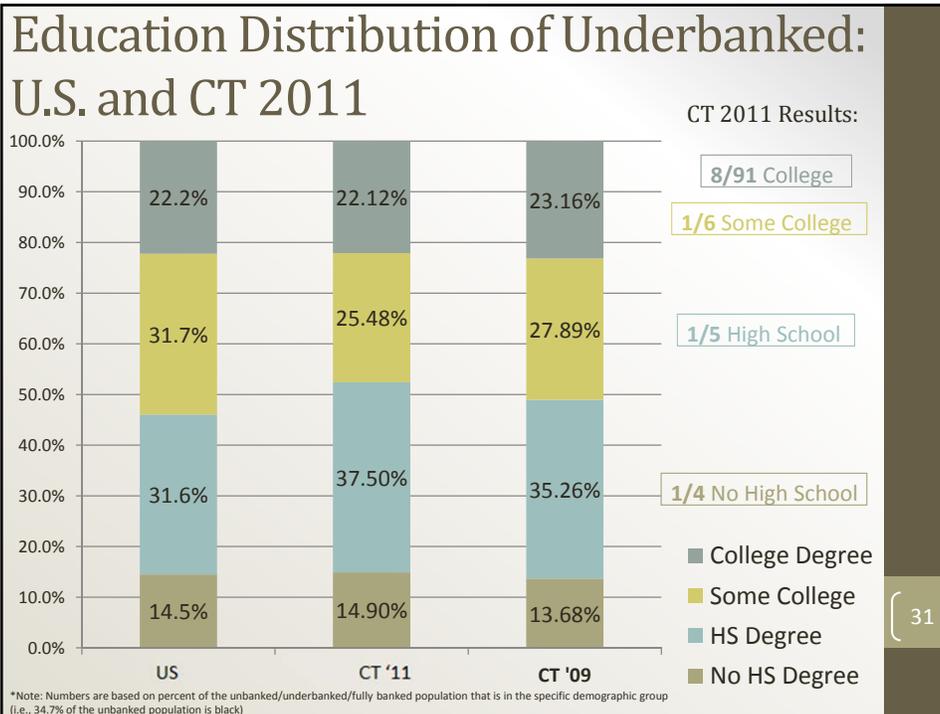
Income Distribution of Underbanked: U.S. and CT 2011

CT 2011 Results:

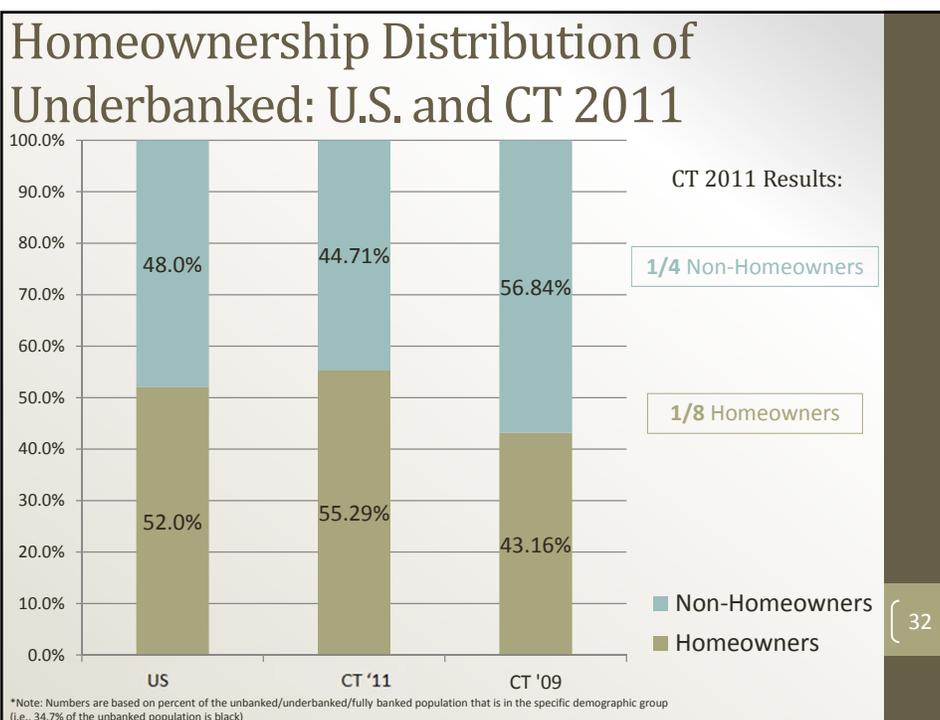


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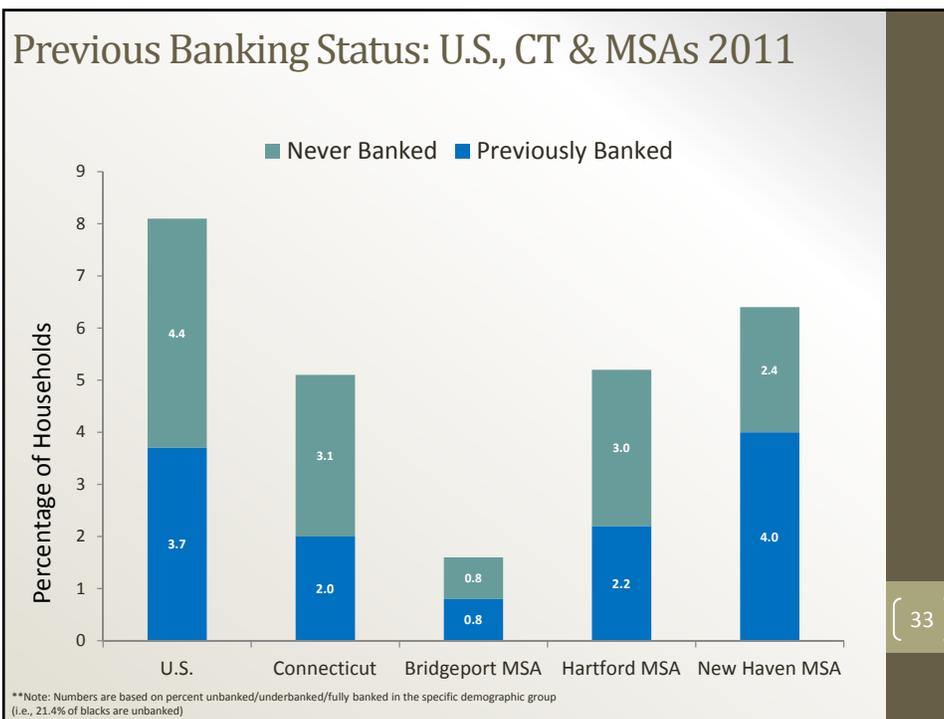
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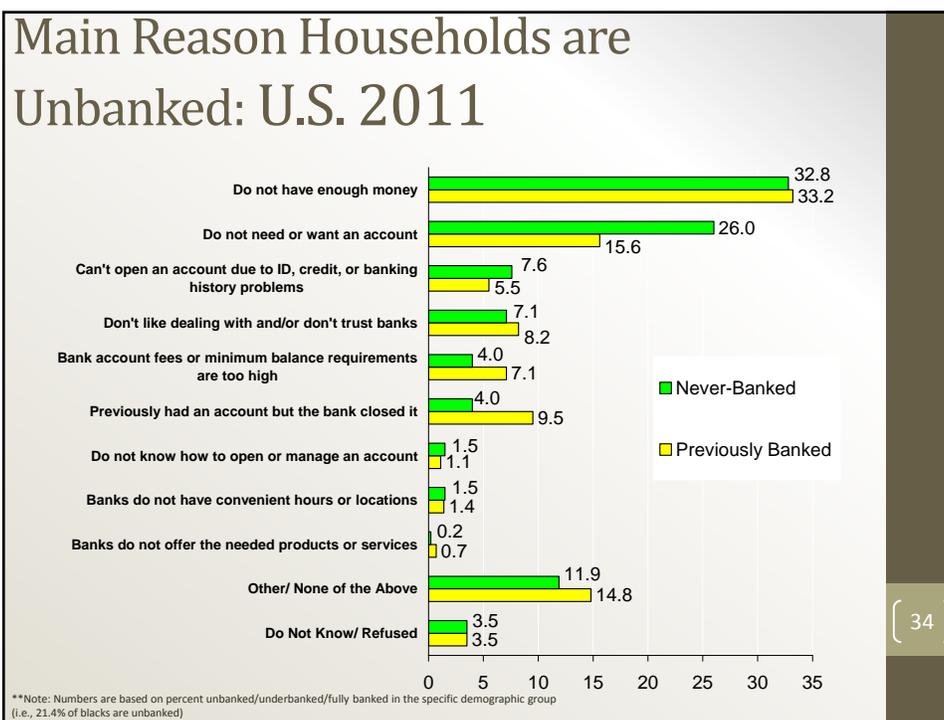
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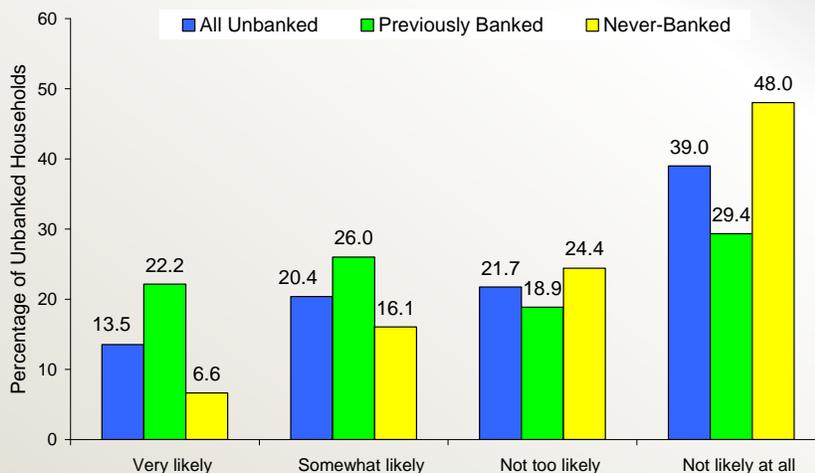


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Unbanked Households' Likelihood of Opening Account: U.S.

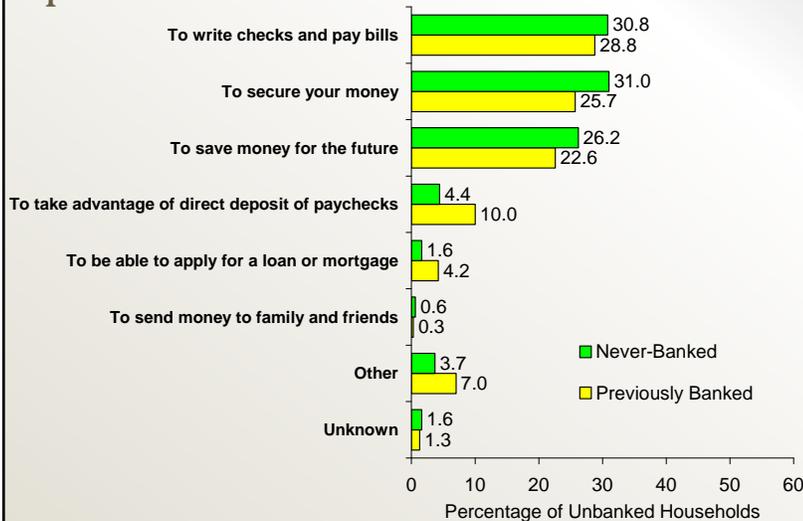


Note: Percentages are based on 9.9 million unbanked households

**Note: Numbers are based on percent unbanked/underbanked/fully banked in the specific demographic group (i.e., 21.4% of blacks are unbanked)

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Unbanked Households' Reasons for Wanting to Open an Account: U.S. 2011



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

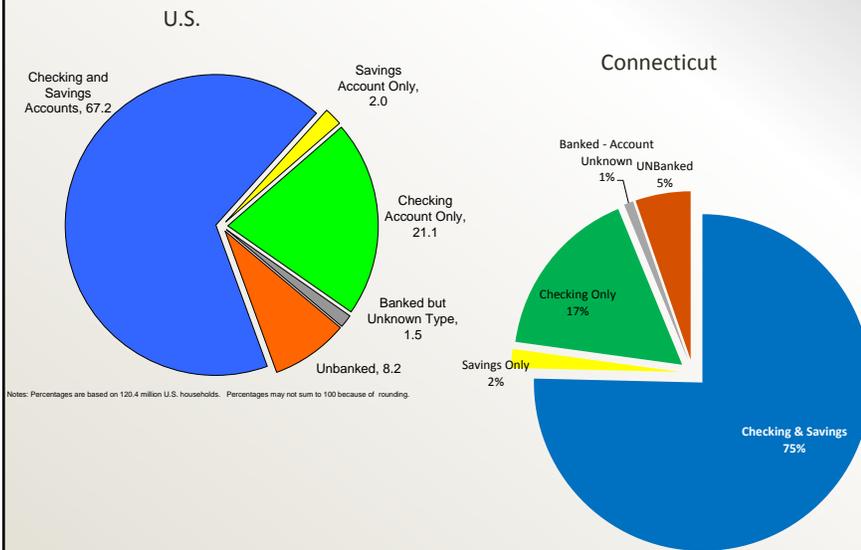
**Note: Numbers are based on percent unbanked/underbanked/fully banked in the specific demographic group (i.e., 21.4% of blacks are unbanked)

36

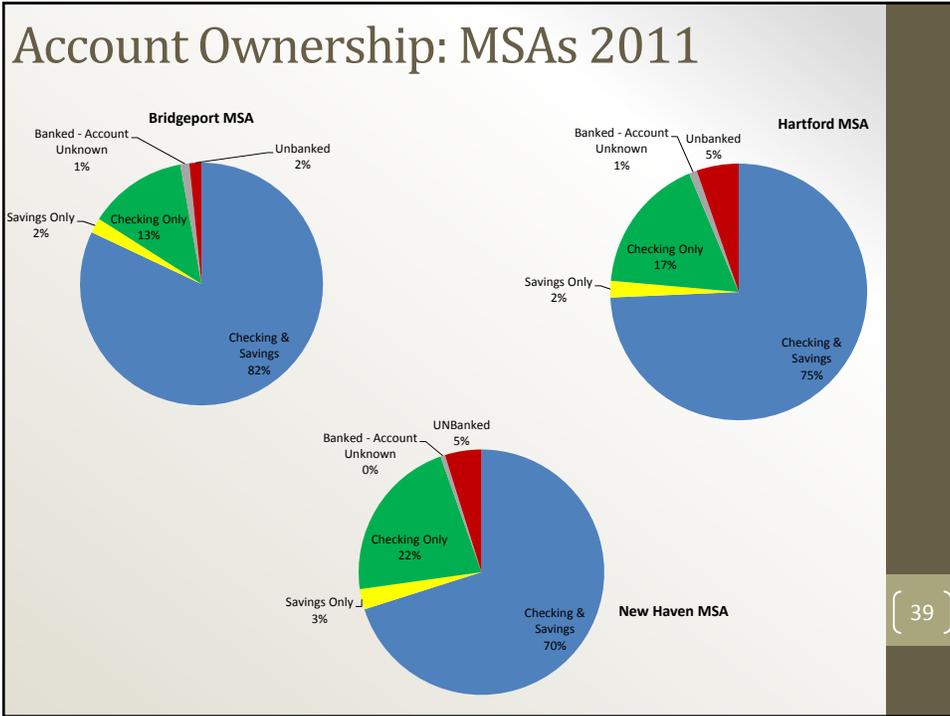
Types of Bank Accounts Owned by US Households

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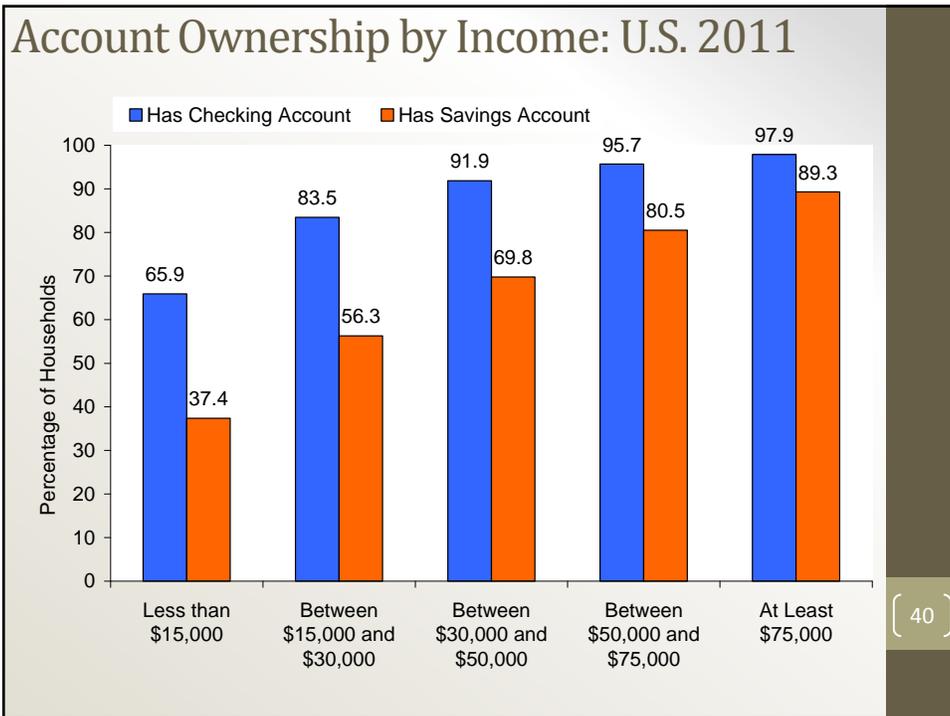
Account Ownership: U.S. and CT 2011



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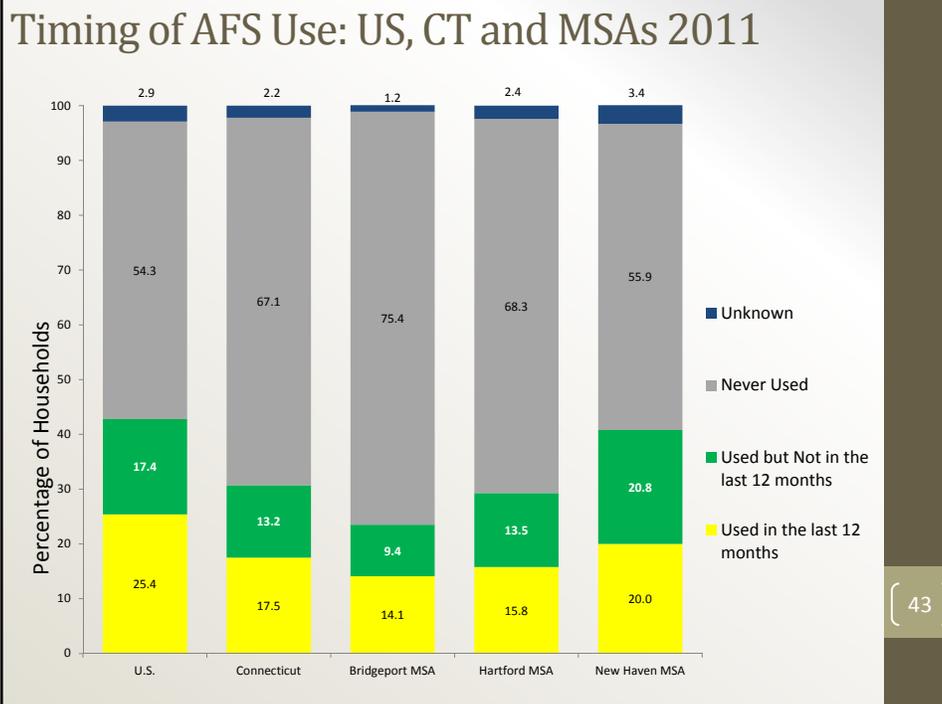
Use of Alternative Financial Services

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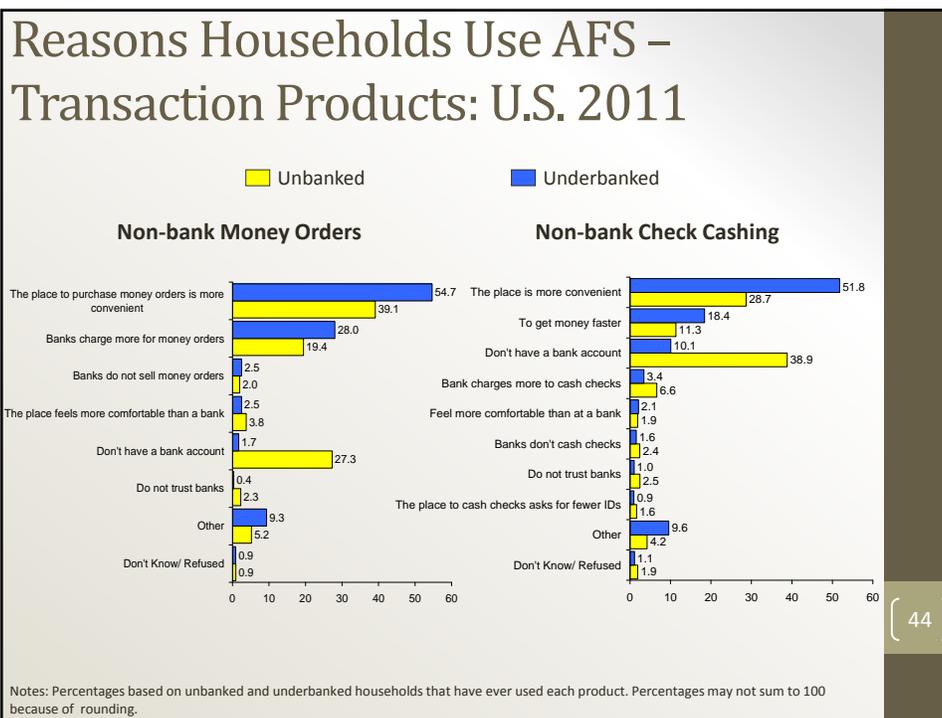
AFS Considered in the Survey

- 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

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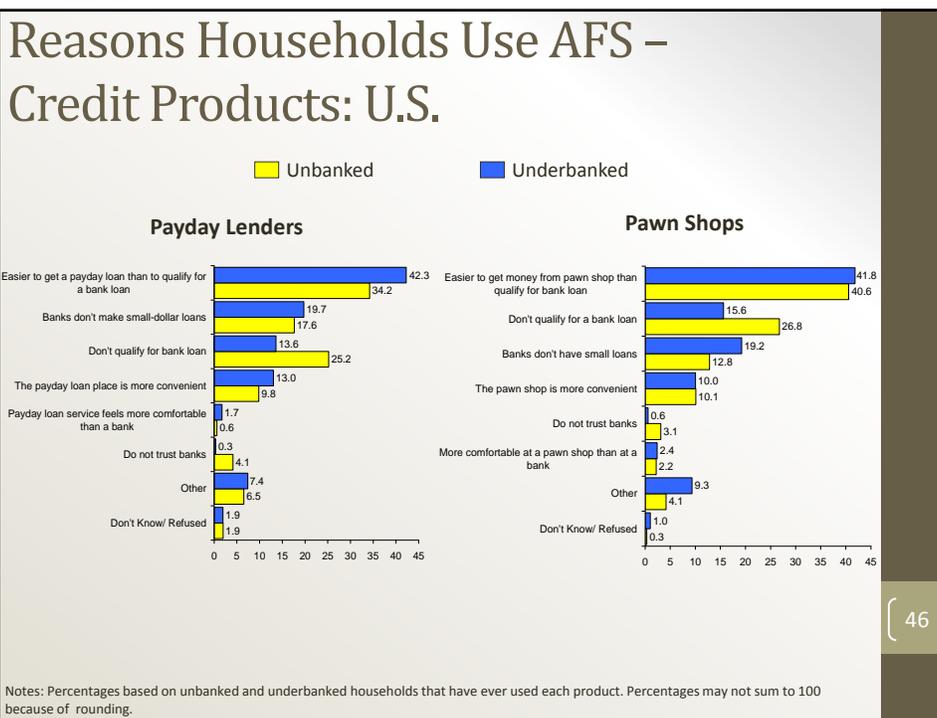
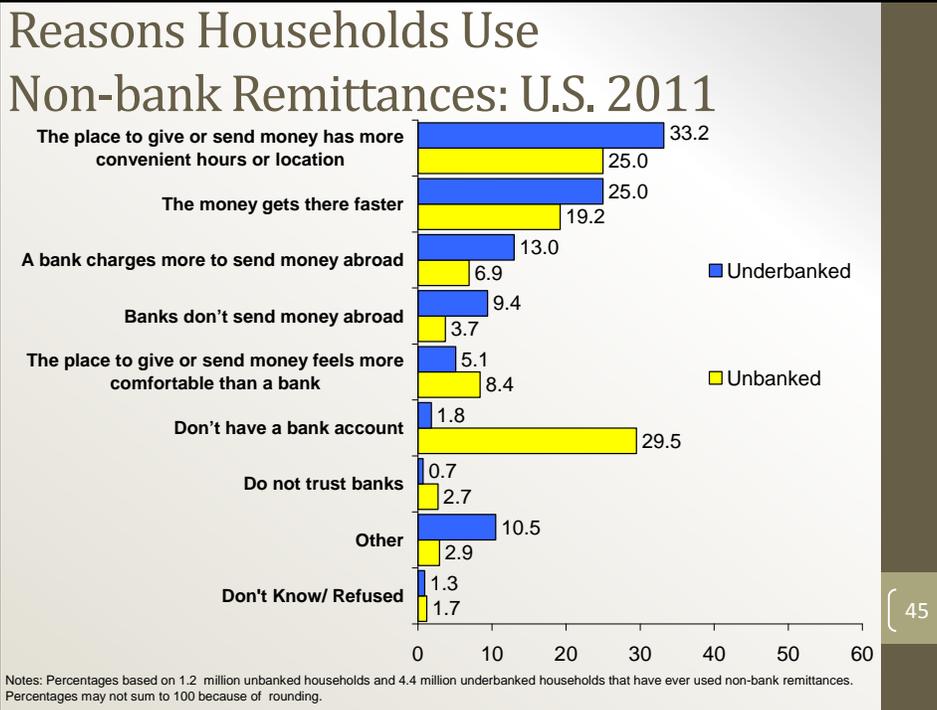


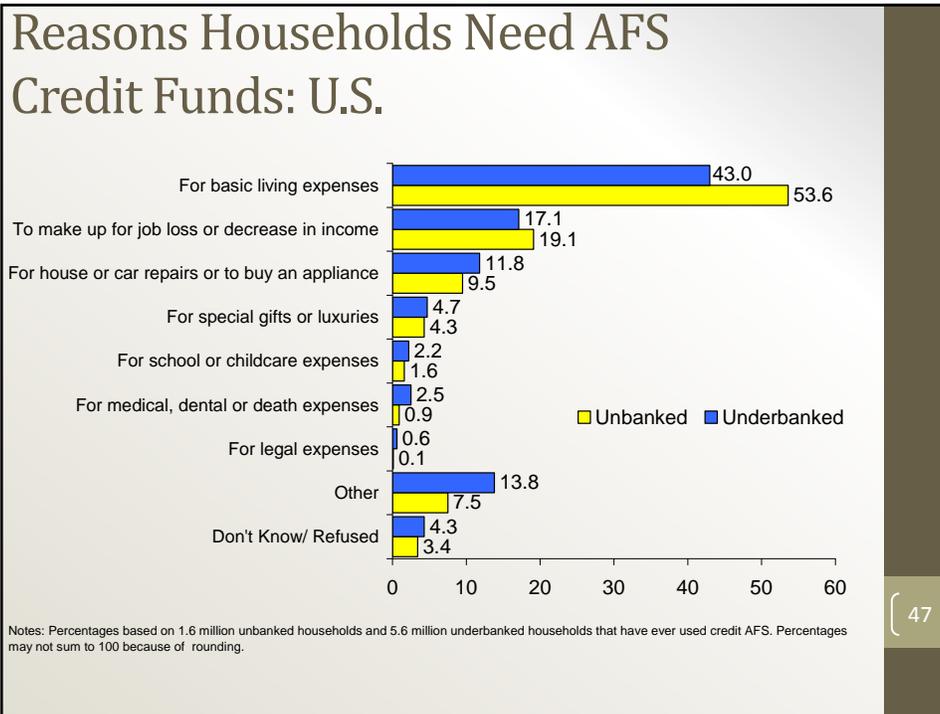
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Notes: Percentages based on unbanked and underbanked households that have ever used each product. Percentages may not sum to 100 because of rounding.





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Implications

(Illustrated by U.S. - level data)

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Implication 1

- **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

[49]

Implication 2

- **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

[50]

Implication 3

- **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”

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Implication 4

- **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

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Summary Findings – U.S.

- 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)

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

Boston Alliance on Economic Inclusion
July 23 2013

Timothy DeLessio



Members of the Unbanked Study Team: Susan Burhouse, Sarah Campbell, David Chapman, Keith Ernst, Ryan Goodstein, Leneta Gregorie, Yazmin Osaki, Luke Reynolds, Sherrie Rhine, and Eric Robbins.



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.

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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.

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Connecticut

In a few instances, Connecticut banks were reviewed separately based on information provided by each bank's specific website. Roughly 32 banks with headquarters in Connecticut were included in the study. This was conducted by members of FDIC's Community Affairs Staff in July 2013.

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KEY FINDINGS

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Product Development

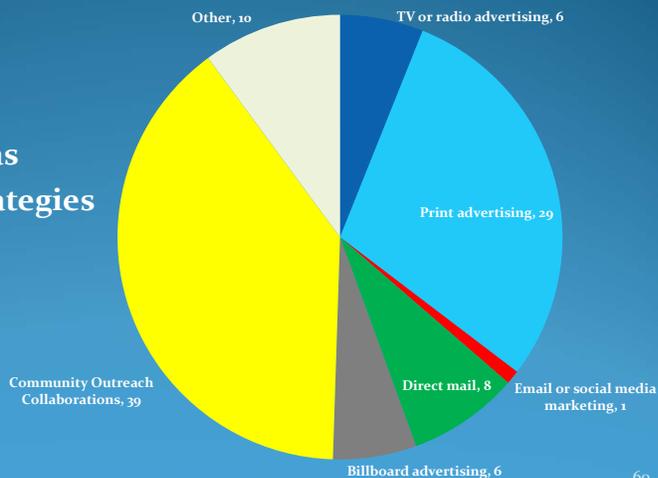
Four out of ten banks develop products and services for underserved consumers.

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

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Marketing and Advertising

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

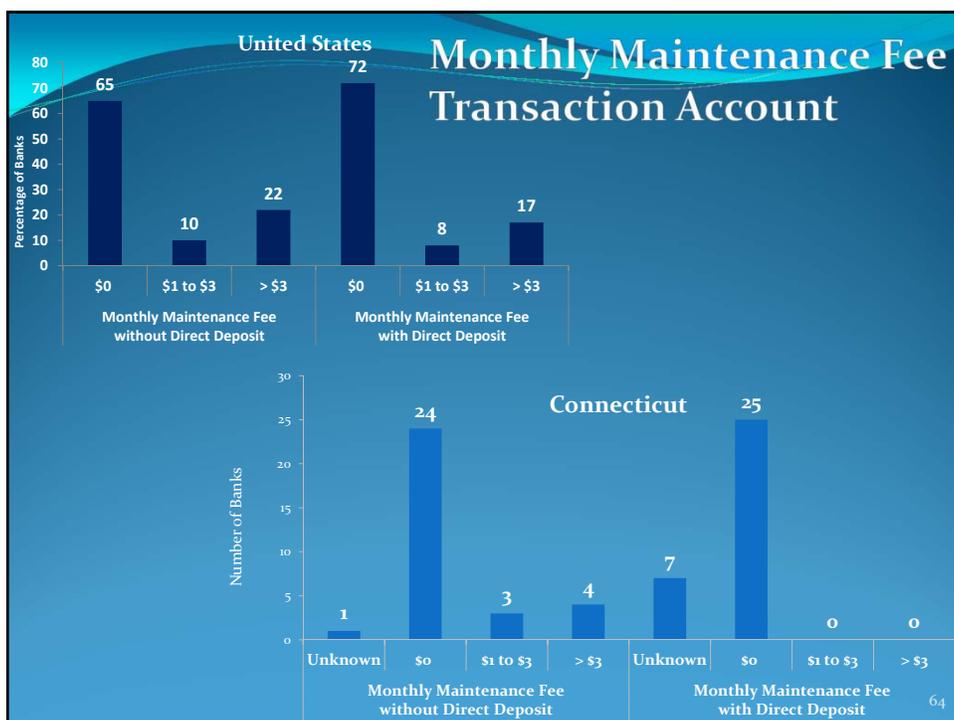
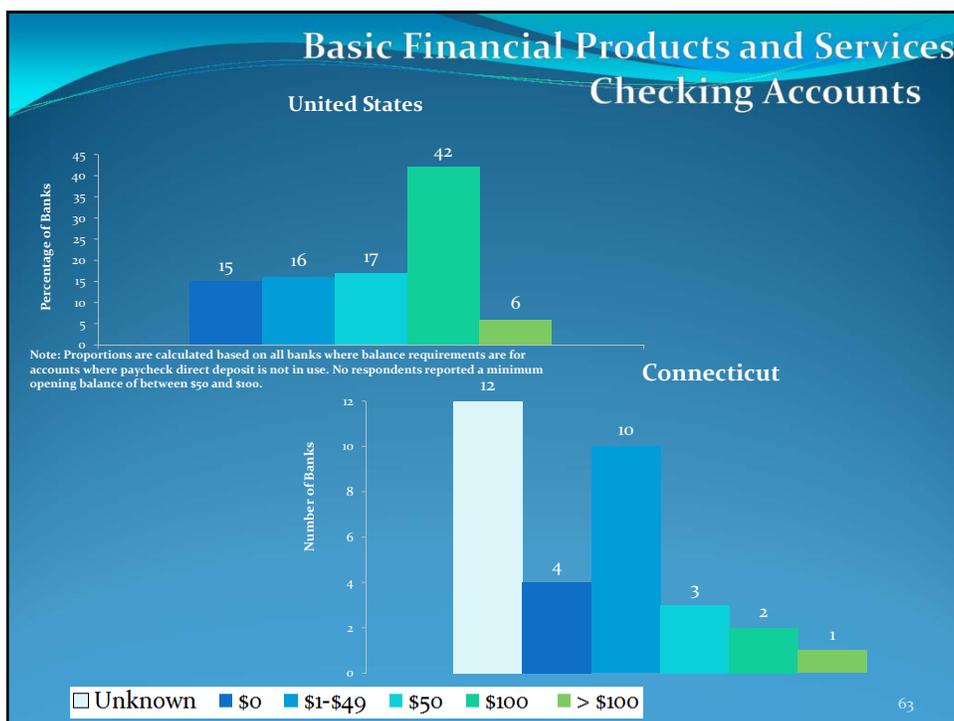


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DEPOSIT ACCOUNTS AND AUXILIARY PRODUCTS

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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.

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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.

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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).

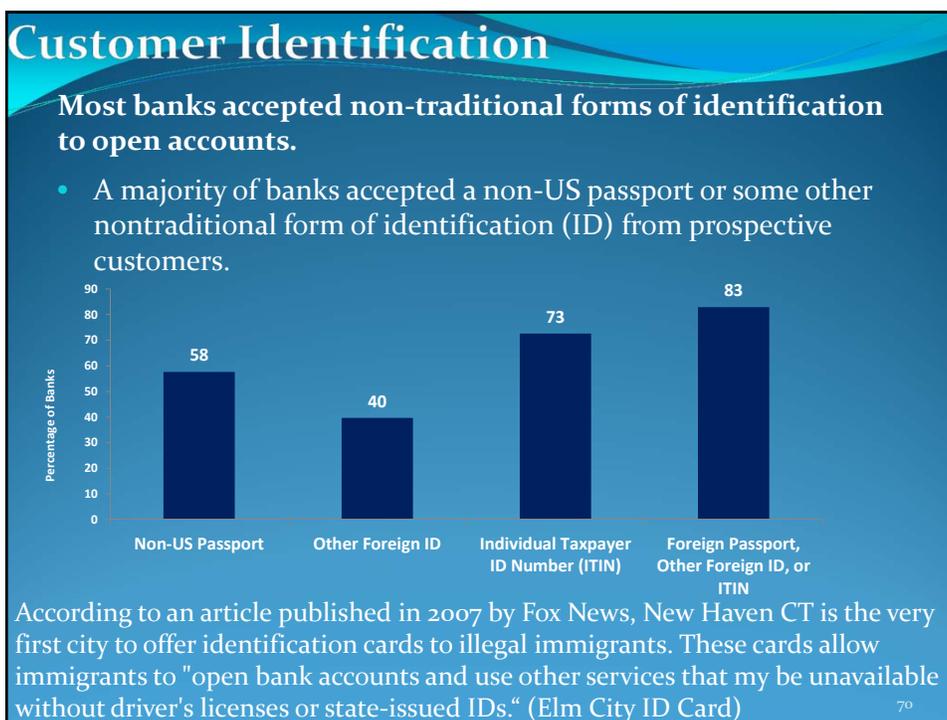
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Basic Financial Products and Services - Savings Accounts

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.

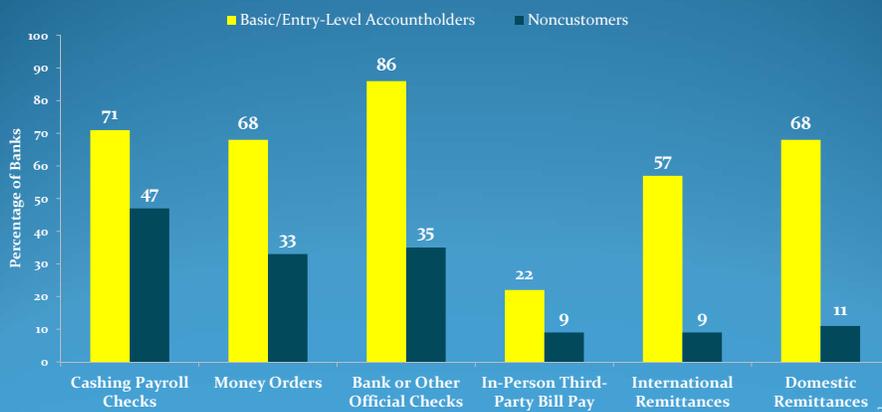
- The median minimum average balance to avoid a monthly fee was **\$100**. If the minimum average balance requirement was not met, the median monthly maintenance fee was **\$2.50**.
- *Connecticut*: The median minimum average balance to avoid a monthly fee was **\$200**. If the minimum average balance requirement was not met, the median monthly maintenance fee was **\$2**.

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Auxiliary Products

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



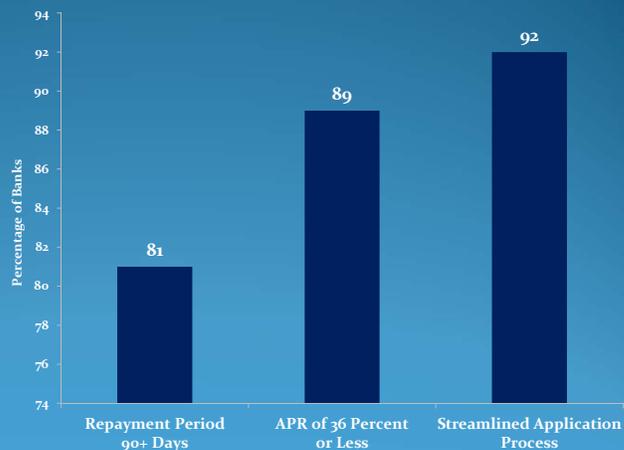
Unsecured Personal Loans

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.



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FINANCIAL EDUCATION AND OUTREACH

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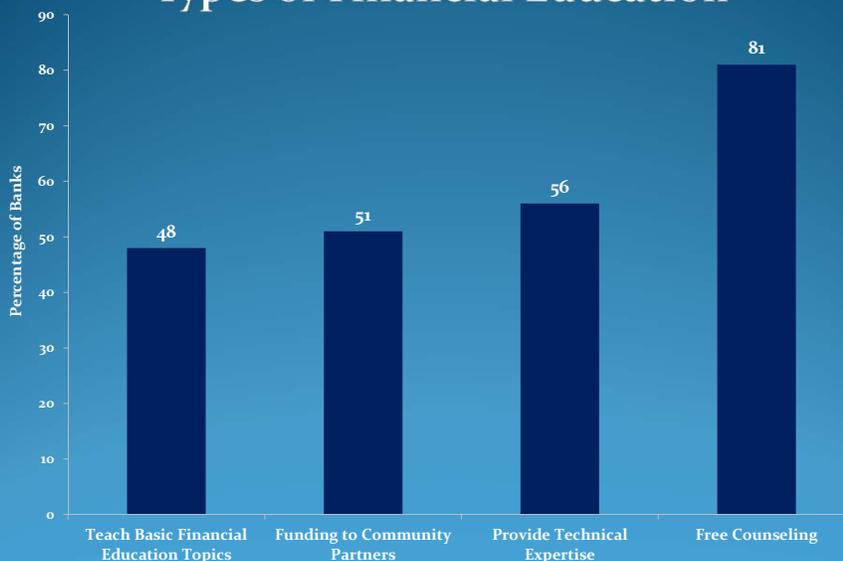
Financial Education and Outreach

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

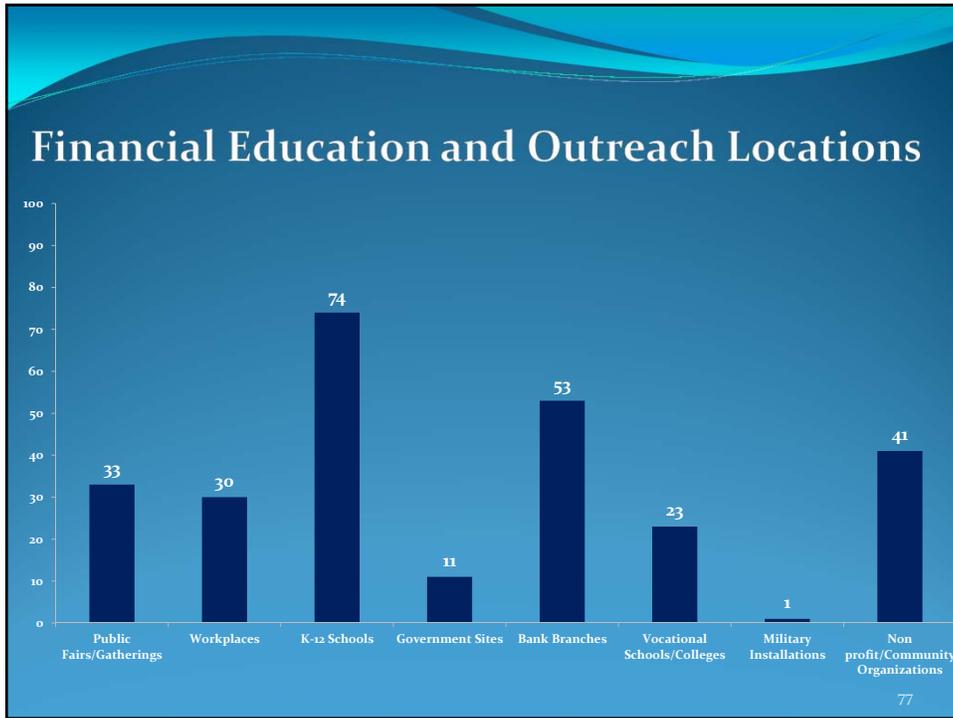
- Free counseling was the most frequently used and highly rated financial education and outreach activity targeted to unbanked and underbanked consumers.
- The most common locations were K-12 schools, with 74 percent of banks providing financial education and outreach activities at these sites.

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Types of Financial Education



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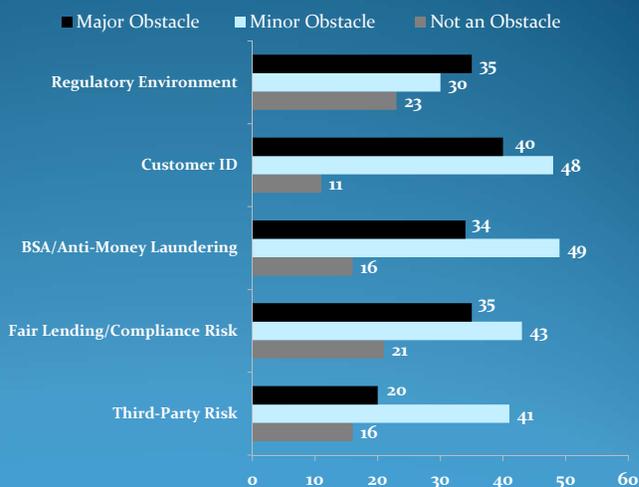
CHALLENGES

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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.



* The proportion of banks responding to each challenge does not sum to 100% because don't know or non-responses are excluded from the chart.

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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.

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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

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Links to Report

- Executive Summary
<http://www.fdic.gov/unbankedsurveys/2011survey/2011execsummary.pdf>
- Full Report
<http://www.fdic.gov/unbankedsurveys/2011survey/2011report.pdf>
- More information about the FDIC's economic inclusion efforts are available at <http://www.economicinclusion.gov/>

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Thank you

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