

I know what it feels like to be unbanked

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A few months ago, I needed to rent a car for a business trip in Ohio. My rental car was reserved and paid for online, and I expected a quick transaction once inside the rental store. The rental place was so small I could not help but overhear a conversation at the counter. A middle-aged couple wanted to rent a car but neither of them had a credit card. They brought in their utility bill, a pay stub, and their apartment rental agreement.

They even brought cash — two crisp \$100 bills. What ensued was a painstaking back and forth with the clerk explaining that they would not be able to rent a car without a credit or debit card. Defeated in more ways than one, the couple left without a car. The good news is that our nation's banking system is serving more American households than ever before. The Federal Deposit Insurance Corp.'s latest National Survey of Unbanked and Underbanked Households shows the share of U.S. households *without* a bank account has fallen to 6.5 percent, down from 8.2 percent in 2011.

The bad news is that even as the overall number of people who are unbanked has declined, 8.4 million households continue to lack a banking relationship. In addition, certain segments of our population — lower income households, African American and Hispanic households, and households headed by individuals with disabilities — are still twice as likely to be unbanked. Our survey shows that half of all unbanked households once *did* have a banking account but may now be unbanked because they felt they did not have enough money to keep in an account. To reach these consumers, a growing number of banks are now taking steps like offering low-cost transaction accounts, designed specifically for people living paycheck to paycheck.

Mobile banking continues to present promising opportunities to expand inclusion. The percentage of banked households relying primarily on mobile banking to access their accounts has more than doubled in the past four years. Our survey shows that *underbanked* households — those that have a bank account but also rely on alternative financial services like check-cashers — use mobile banking even more than fully banked households, but only a relatively small share use features like mobile bill pay and remote deposit of checks, capabilities that have the potential to save consumers time and money.

More than one in eight households evidenced a need for small-dollar credit that could be addressed by banks, and one in five households appear to be “credit invisibles,” based on their lack of credit use in the last year. Those without a credit score are at a significant disadvantage if they need to access credit.

I know because I was one of them. When I immigrated to the U.S. on my 18th birthday, I arrived by myself with \$500 in my pocket. It did not take long for me to realize that even

in 1991 — when most people did not own a computer and digital banking was not even a concept — having a credit card made one's life easier. I applied for a credit card and was denied because I had no credit history and no assets other than that meager \$500. So I leveraged my only asset and got a secured credit card. After 12 on-time monthly payments, the bank released my security deposit and I joined what until that moment felt like an exclusive club of credit card-carrying Americans. My first unsecured credit card was much more to me than just a piece of plastic that enabled me to make purchases. I did not know it then, but I recognize it now: That card was a symbolic first step on my journey to become American. When I pulled it out of my wallet in a store, I looked just like people around me. I belonged.

The banking industry has always been innovative in working to meet consumers' needs. For several years, our regulatory framework had made banks reluctant to innovate and develop products that could attract more unbanked and underbanked consumers into the banking fold. As a result, those customers have looked elsewhere, turning to alternative credit sources outside of traditional banking channels. Our survey shows that 7 percent of all U.S. households used generally higher-cost credit from non-bank providers.

I am confident that we can bring more Americans into the insured banking system, better serve their needs and help them achieve their dreams.

I know this because it has been true for me. We can work together to make it true for everyone.