

Findings from 2011 FDIC National Survey of Unbanked and Underbanked Households

March 20, 2013

The **Connecting Communities**[®] audio conference series is a Federal Reserve System initiative intended to provide timely information on emerging and important community and economic development topics with a national audience. The audio conference series complements existing Federal Reserve Community Development outreach initiatives that are conducted through our regional Reserve Bank offices and at the Federal Reserve Board of Governors in Washington, D.C.

Welcome

Thank you to everyone for joining this session.

For today:

- This call is being recorded.
- An archived recording of this session will be available on the **Connecting Communities**[®] web site shortly after the session has taken place:
www.stlouisfed.org/connectingcommunities/
- We will be taking questions via email during this session. Please direct your questions to communities@stls.frb.org. These questions may be part of the recorded archive for this session.
- In connection with this session, several of our Reserve Bank offices have posted links to a variety of additional resources on this topic. We encourage you to browse through this list and to contact your regional office if you would like additional information on any of these items.

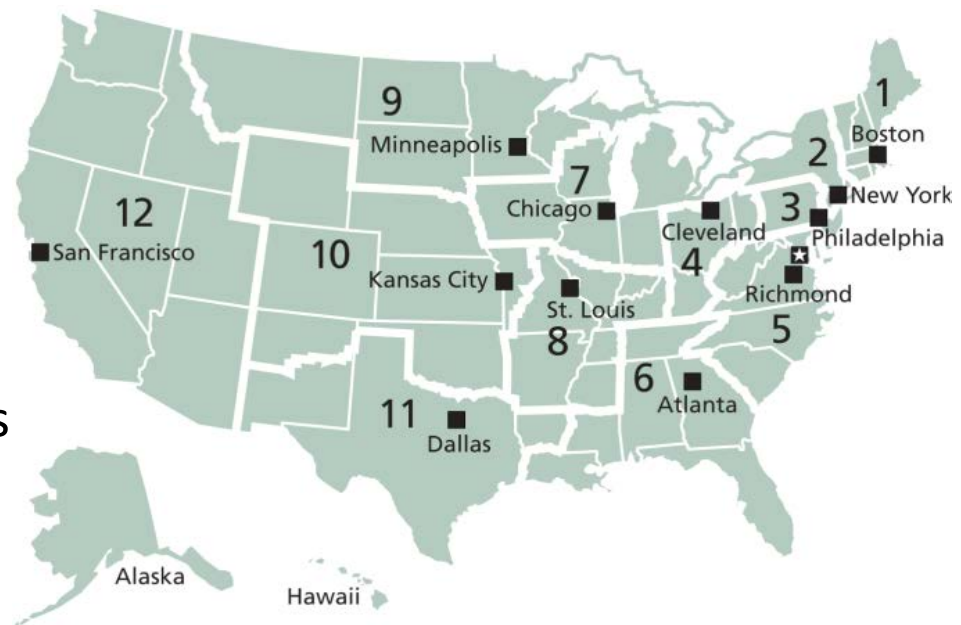
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The information, analyses, and conclusions set forth are those of the presenters and do not necessarily indicate concurrence by the Board of Governors of the Federal Reserve System, the Federal Reserve Banks, or members of their staffs.

Community Affairs

Community affairs programs at the Federal Reserve Board and the 12 Federal Reserve Banks support economic growth by promoting community development and fair access to credit.

Community affairs offices at the Board and Reserve Banks engage in a wide variety of activities to help financial institutions, community-based organizations, government entities, and the public understand and address financial services issues that affect low- and moderate-income people and geographic regions.



Community Affairs (continued)

- Each office responds to local needs in its district and establishes its own programs to:
 - Foster depository institutions' active engagement in providing credit and other banking services to their entire communities, particularly traditionally underserved markets
 - Encourage mutually beneficial cooperation among community organizations, government agencies, financial institutions, and other community development practitioners;
 - Develop greater public awareness of the benefits and risks of financial products and of the rights and responsibilities that derive from community investment and fair lending regulations
 - Promote among policy makers, community leaders, and private-sector decision makers a better understanding of the practices, processes, and resources that result in successful community development programs

Today's Presenters

- **Yazmin Osaki**, *Senior Consumer Research Associate*, FDIC
- **Susan Burhouse**, *Senior Consumer Research Associate*, FDIC

Agenda

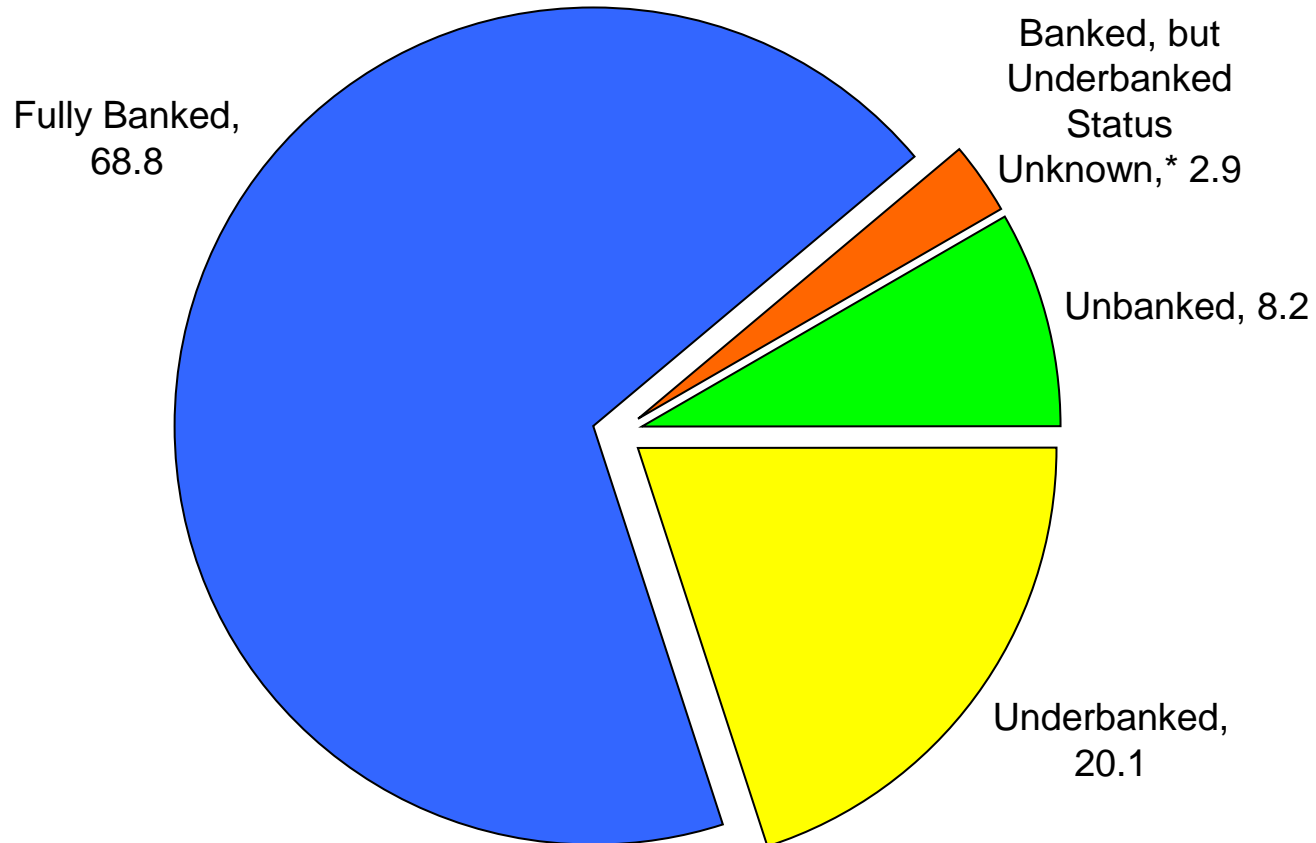
- Background
- Survey Highlights:
 - Banking Status
 - Account Ownership
 - Use of Alternative Financial Services
- Implications
- Economicinclusion.gov

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)
 - 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 were released in September 2012

FDIC Household Survey Highlights

Distribution of Household Banking Status

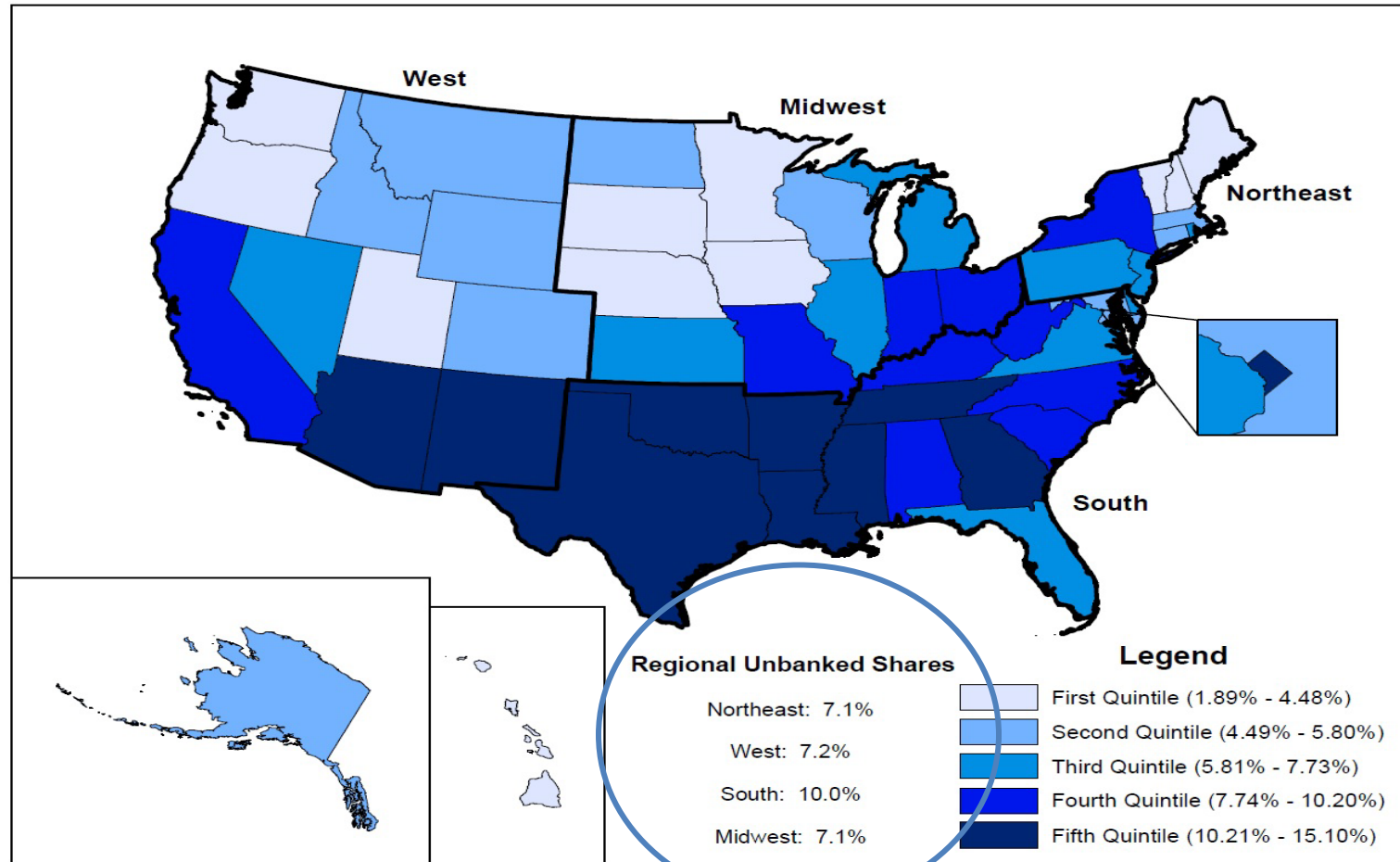


Notes: Percentages are based on 120.4 million U.S. households. Percentages may not sum to 100 because of rounding.
* These households are banked, but there is not enough information to determine if they are underbanked.

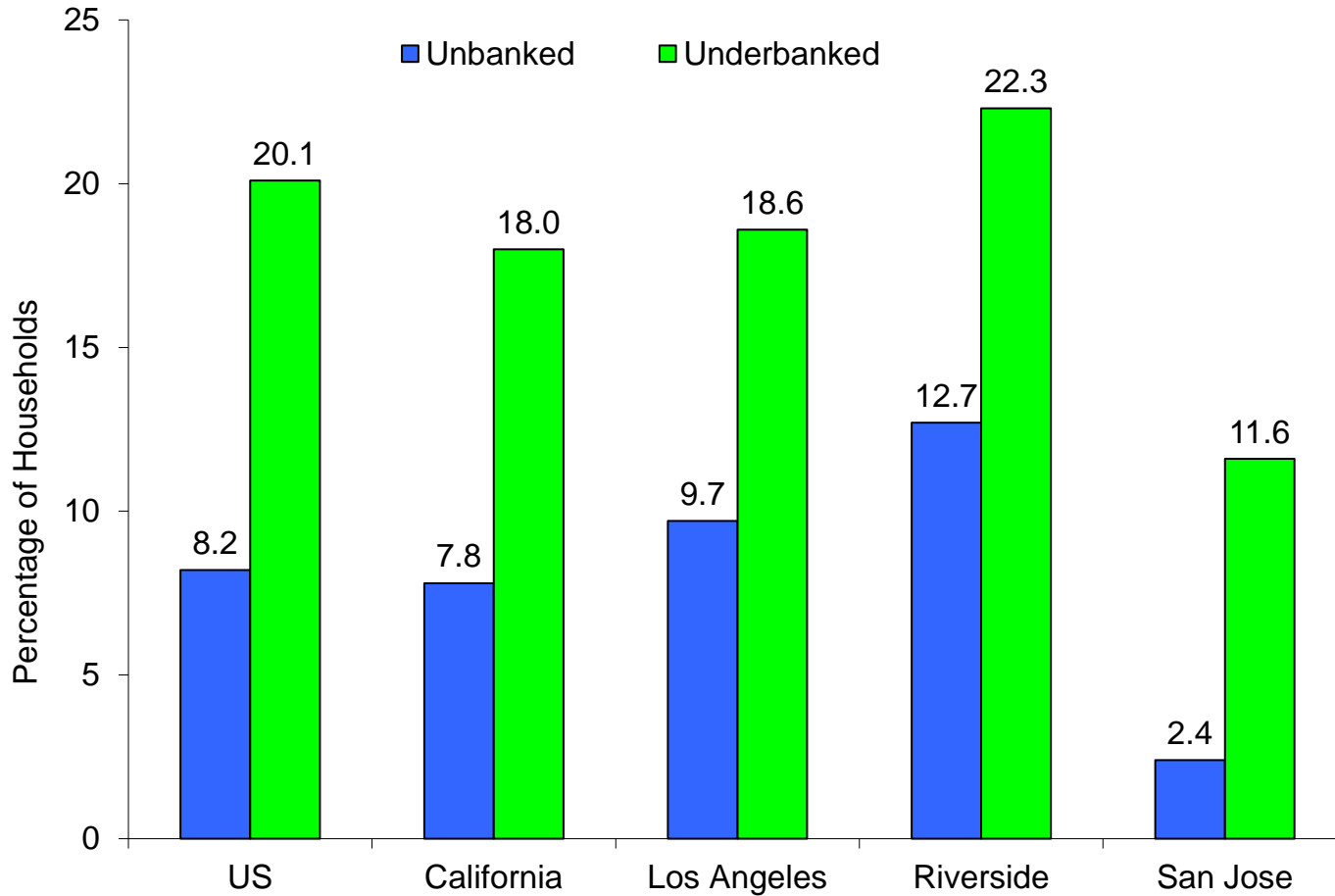
Unbanked and Underbanked Rates for Select Groups

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

Unbanked Households by Region and State



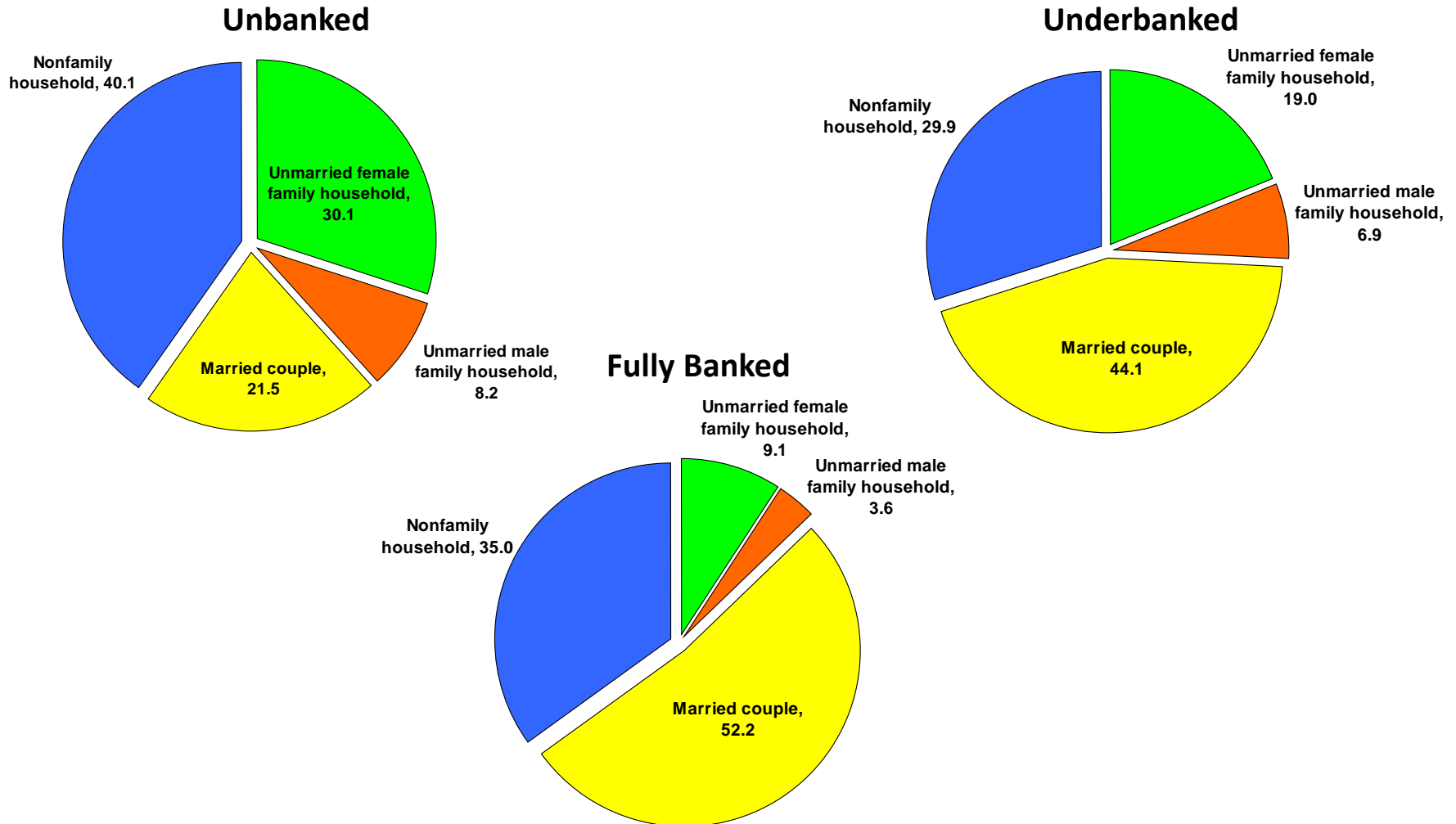
Banking Status - California



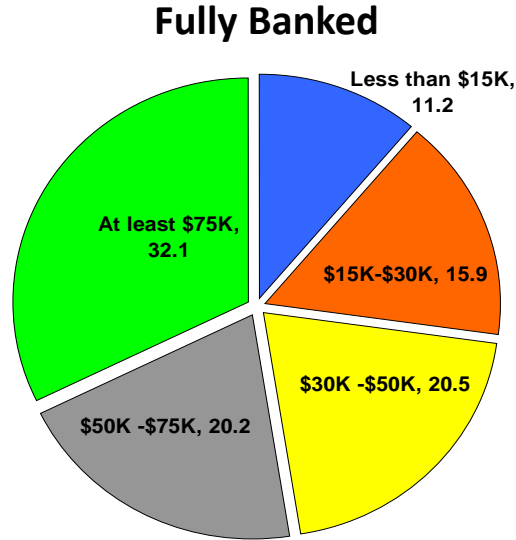
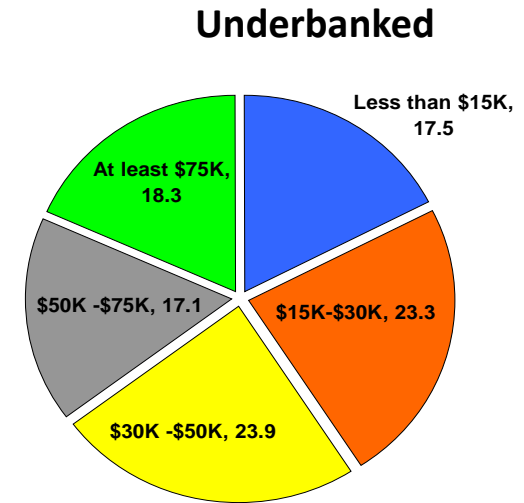
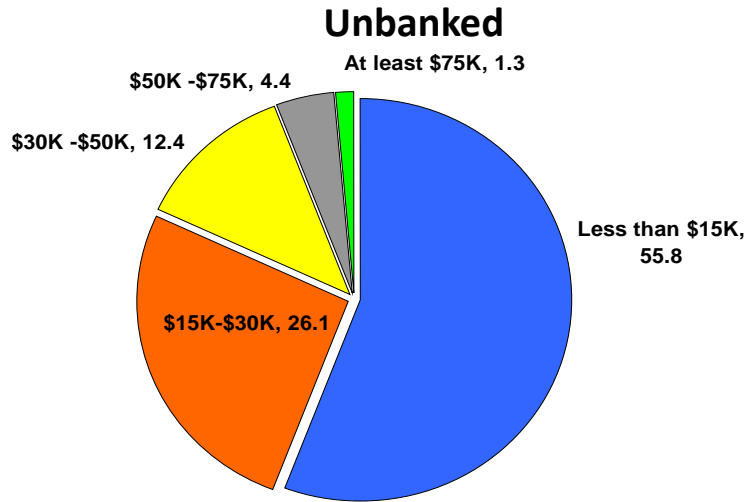
Household Composition by Banking Status

- 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.

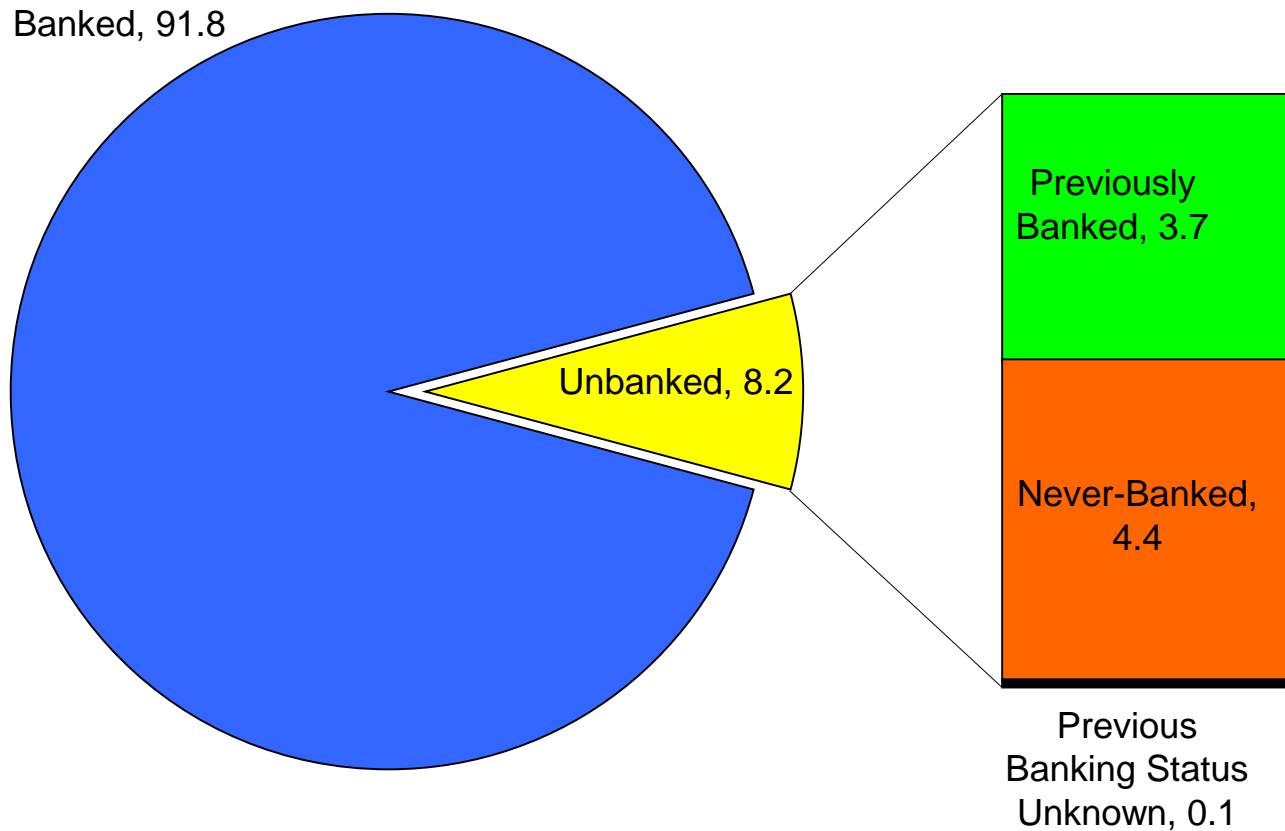
Household Type Distribution by Banking Status



Income Distribution by Banking Status

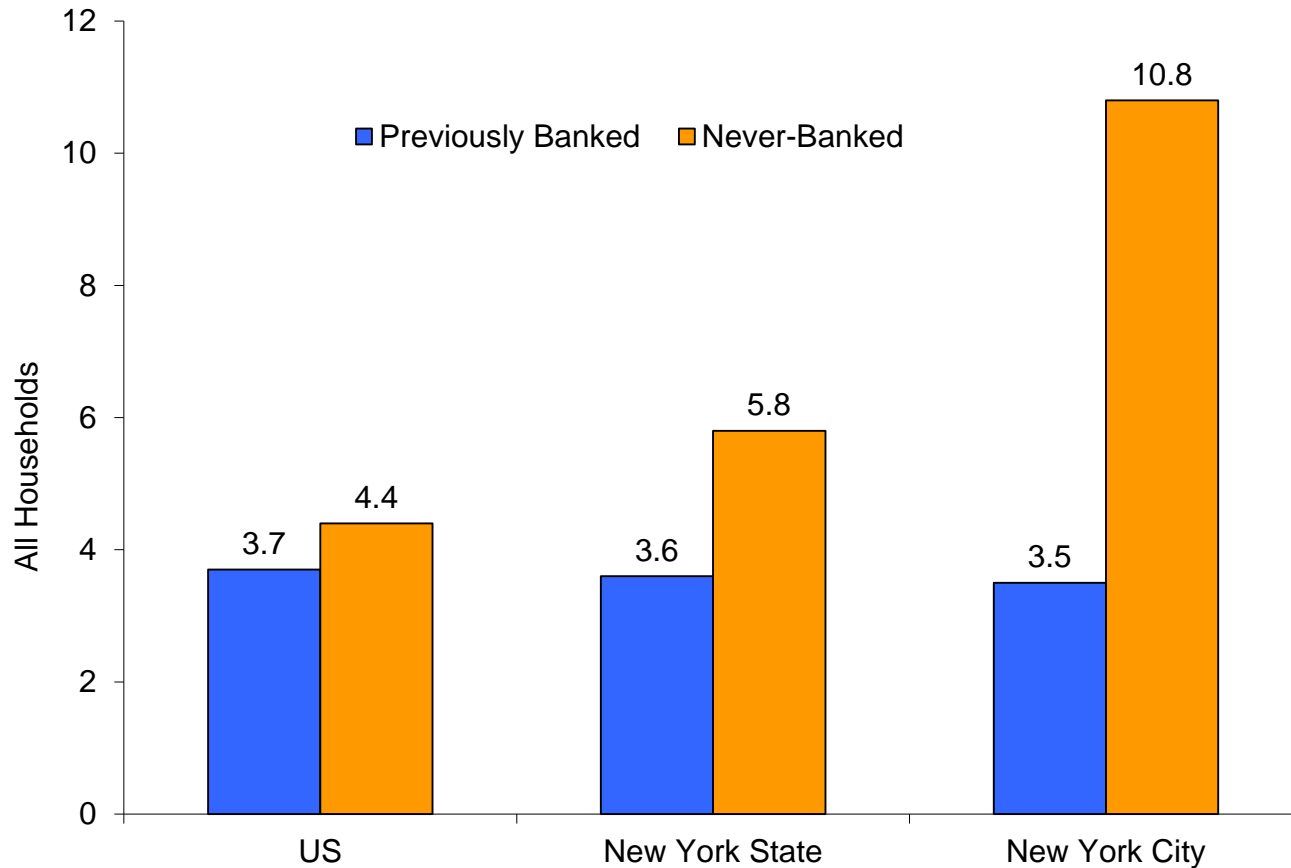


Previous Banking Status of Unbanked Households

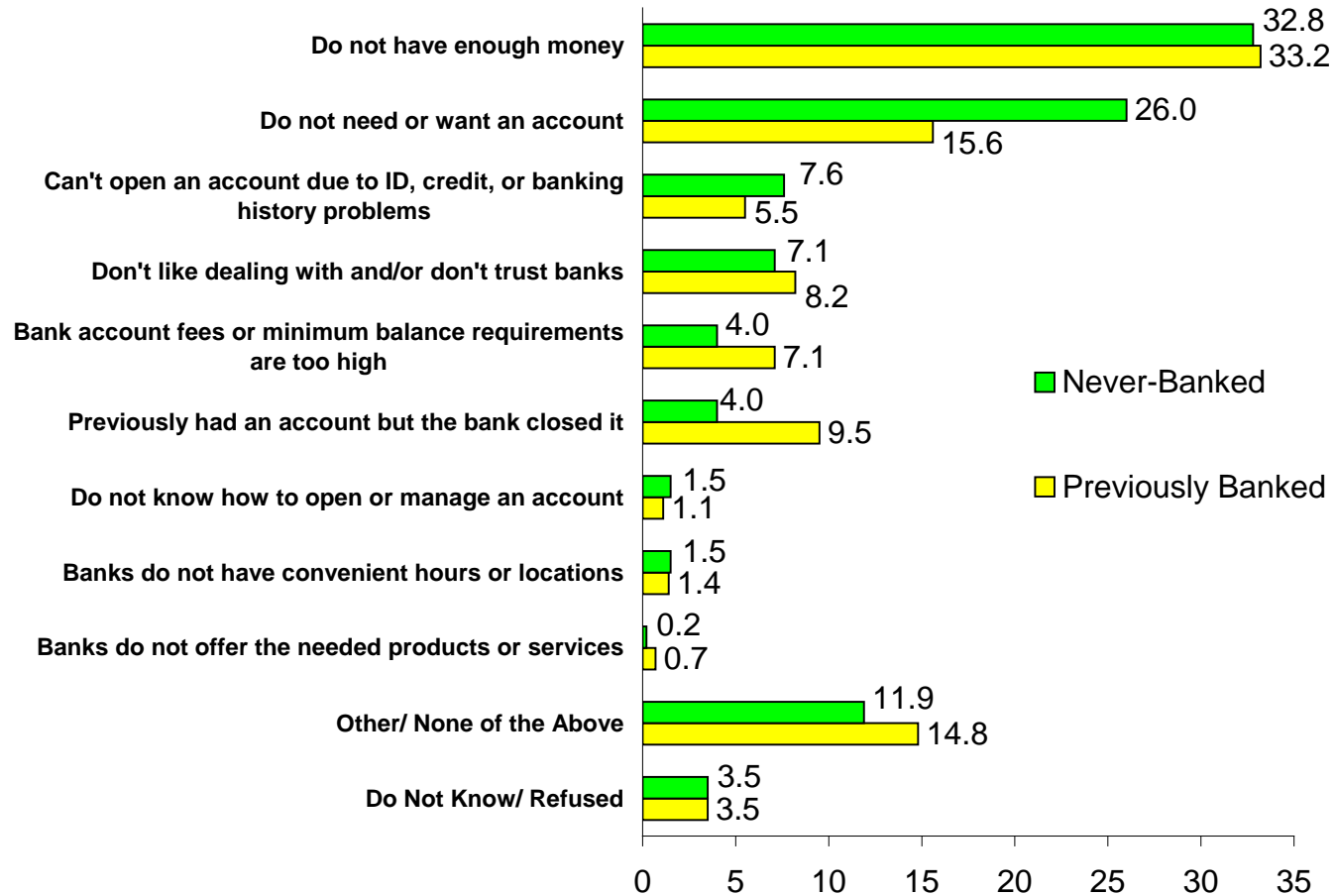


Notes: Percentages are based on 120.4 million U.S. households. Percentages may not sum to 100 because of rounding.

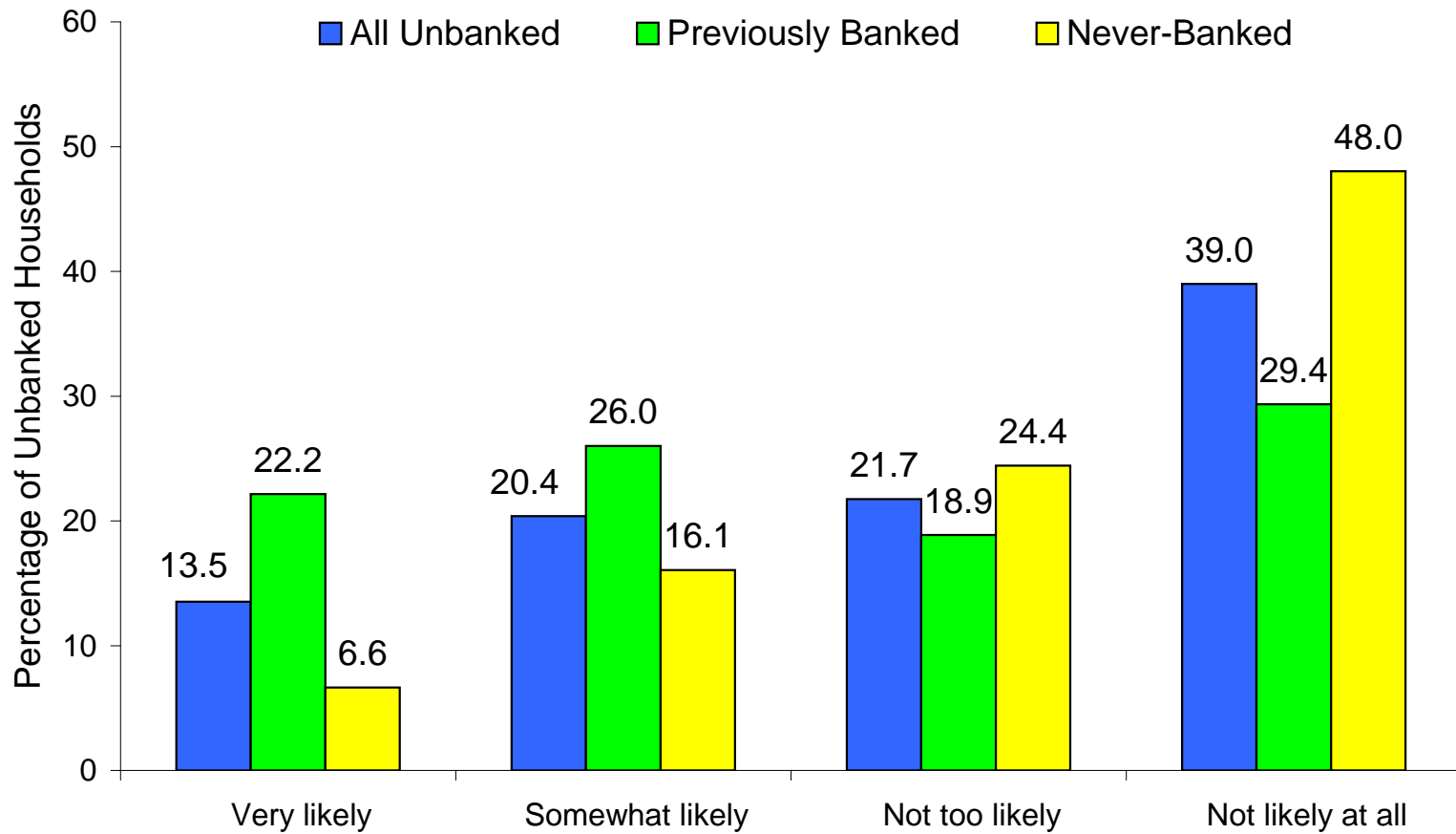
Previous Banking Status - NY



Main Reason Households are Unbanked

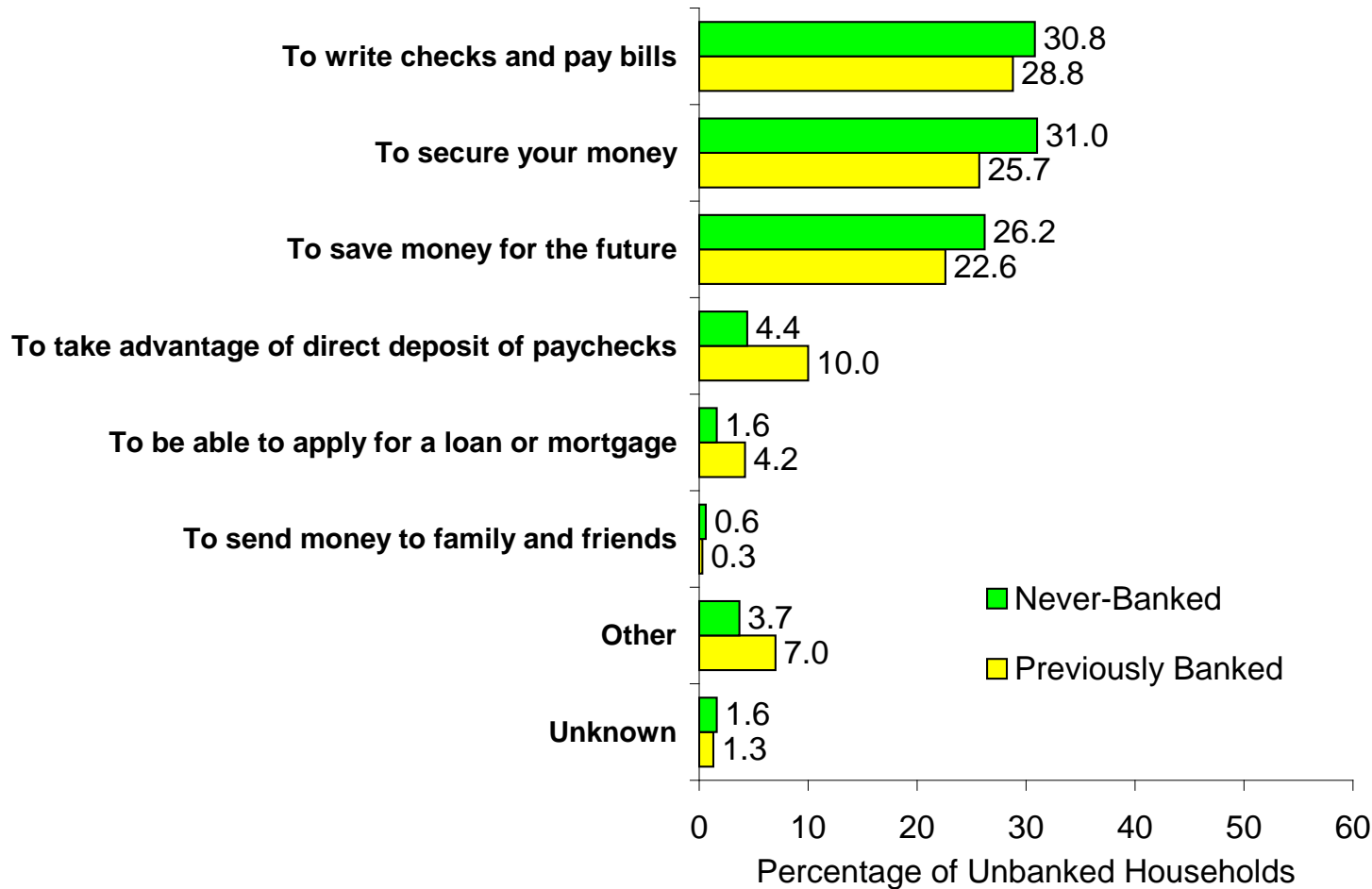


Unbanked Households' Likelihood of Opening Account



Note: Percentages are based on 9.9 million unbanked households

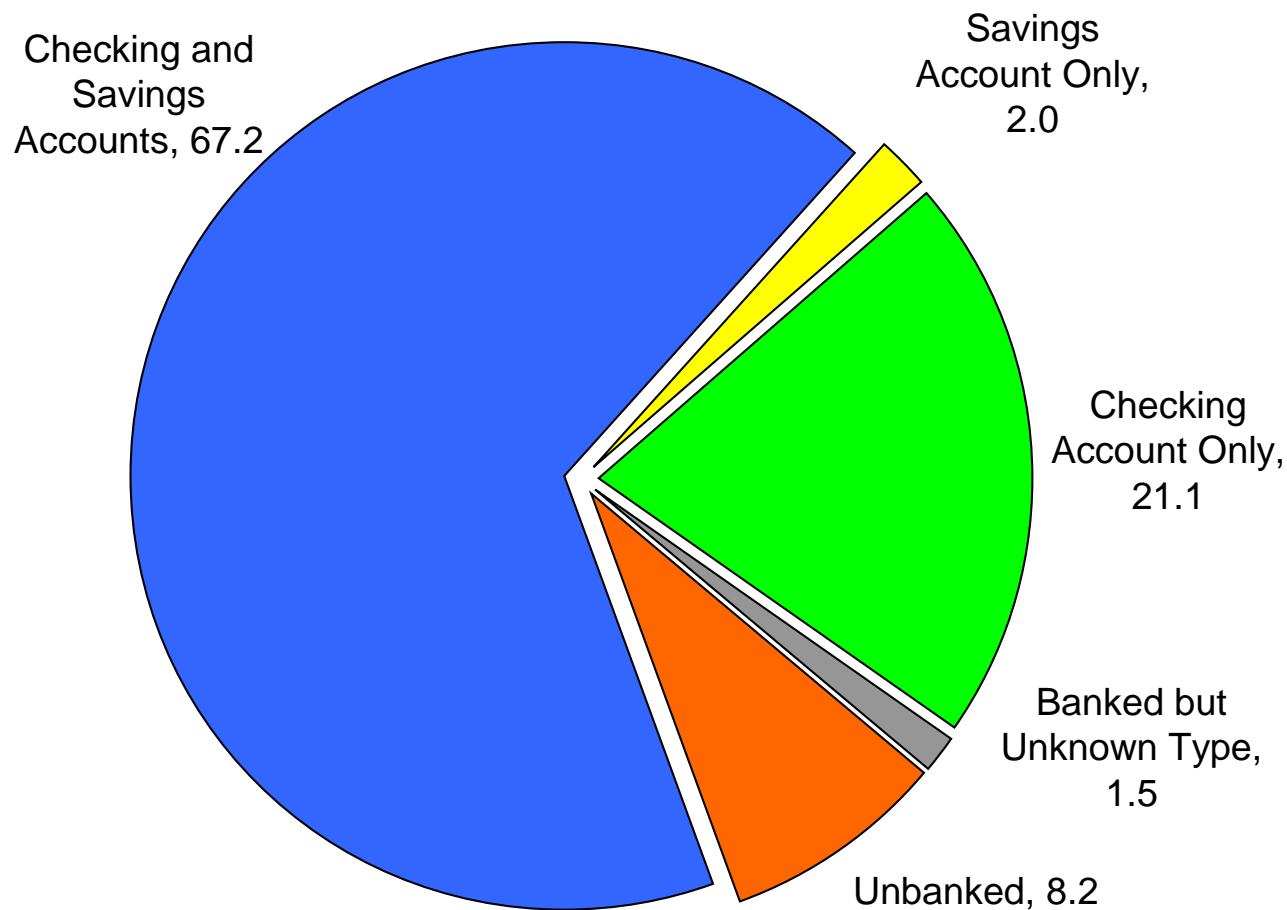
Unbanked Households' Reasons for Wanting to Open an Account



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

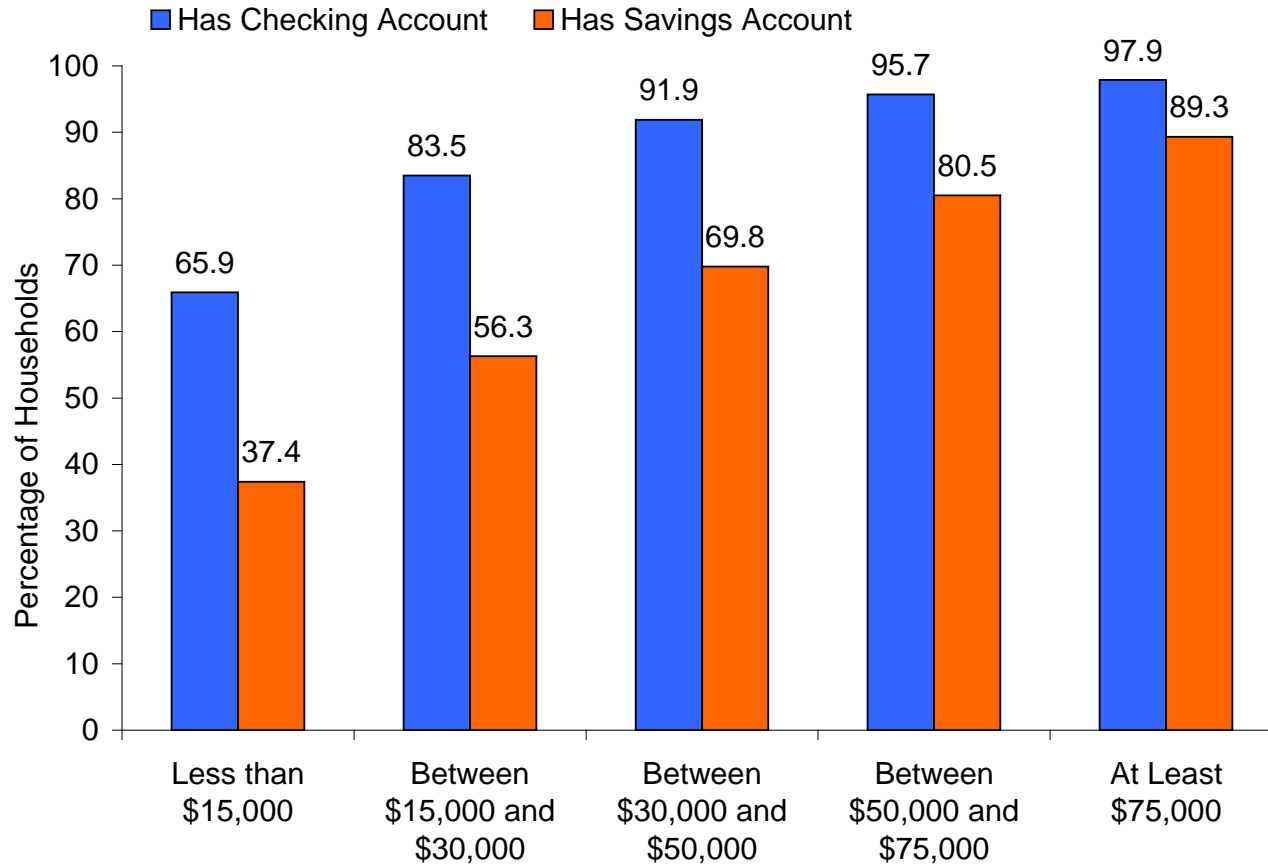
Types of Bank Accounts Owned by U.S. Households

Account Ownership



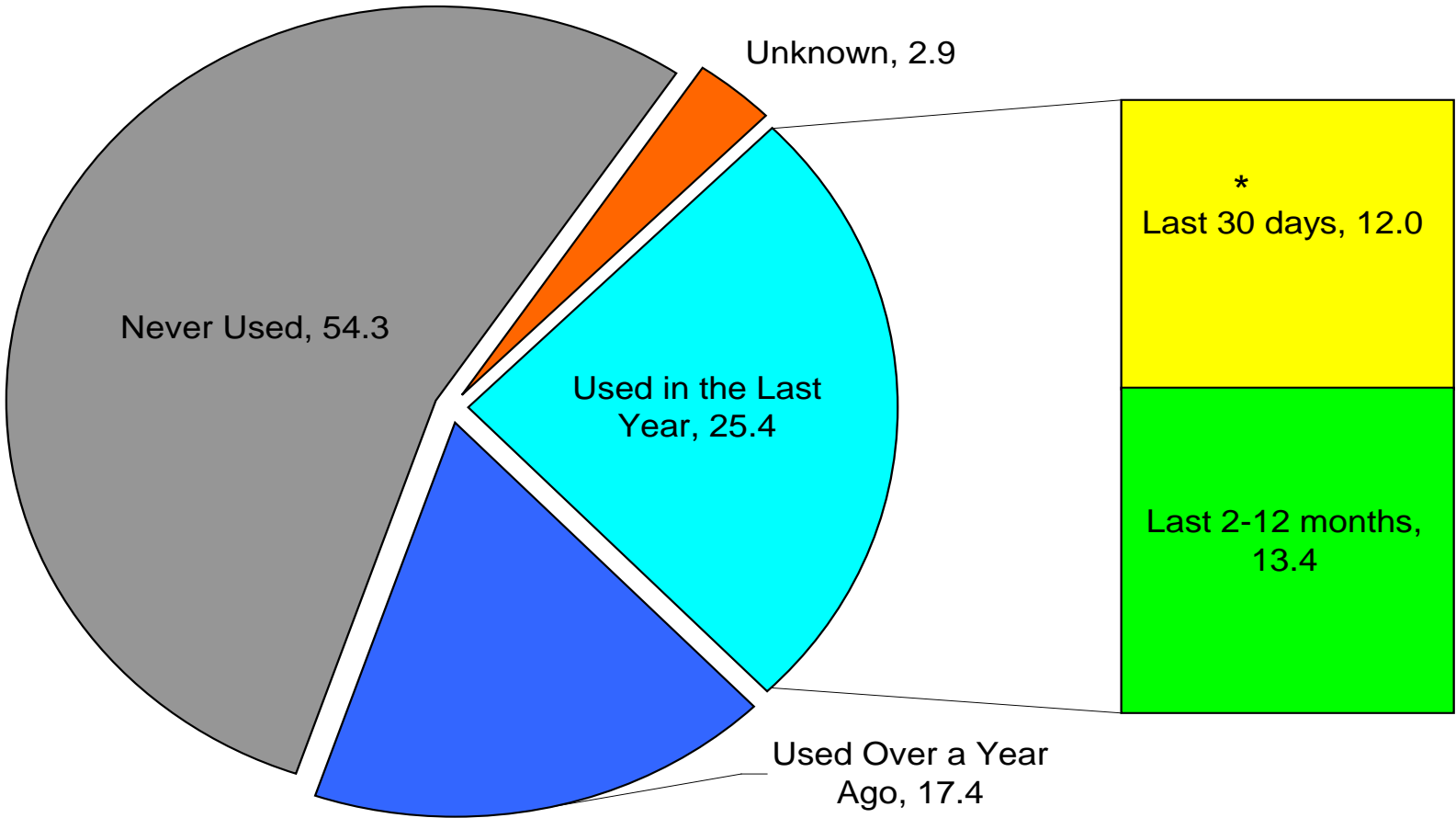
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Account Ownership by Income



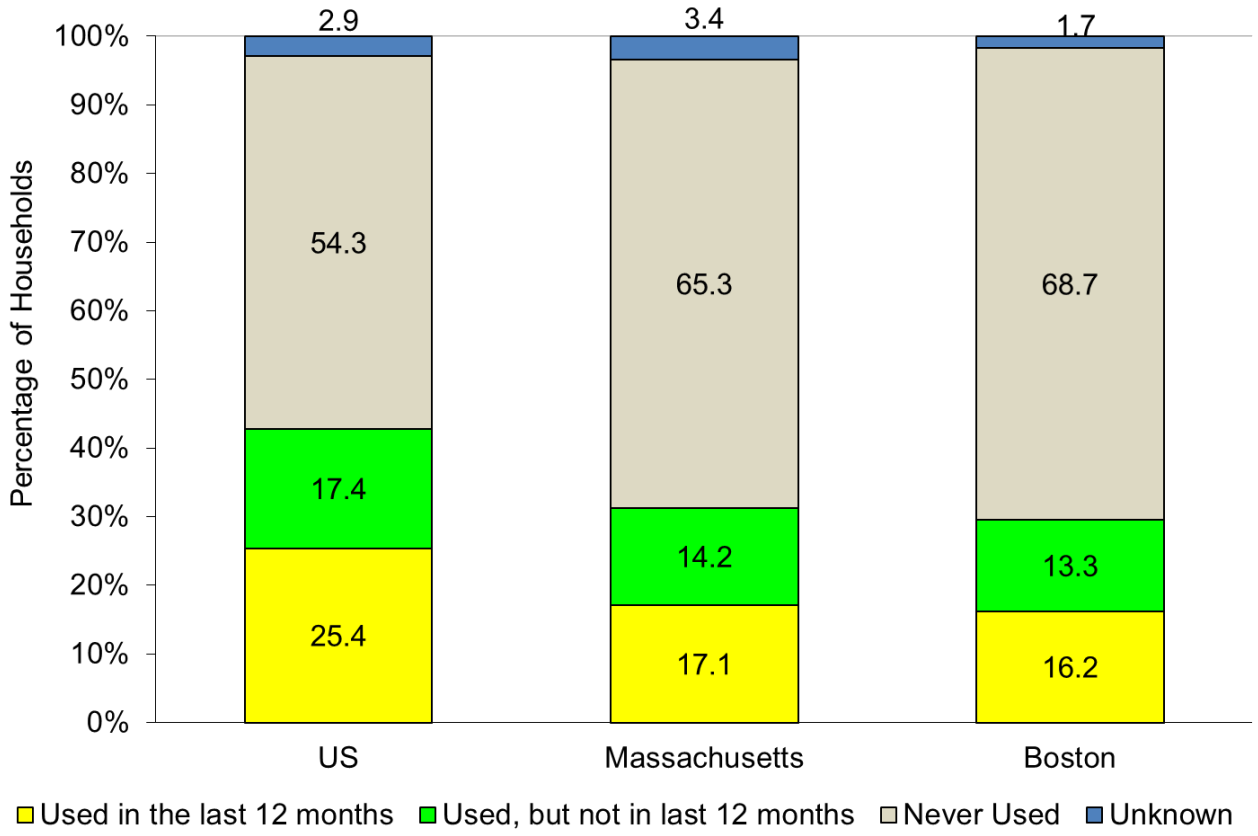
Use of Alternative Financial Services (AFS)

Timing of AFS Use

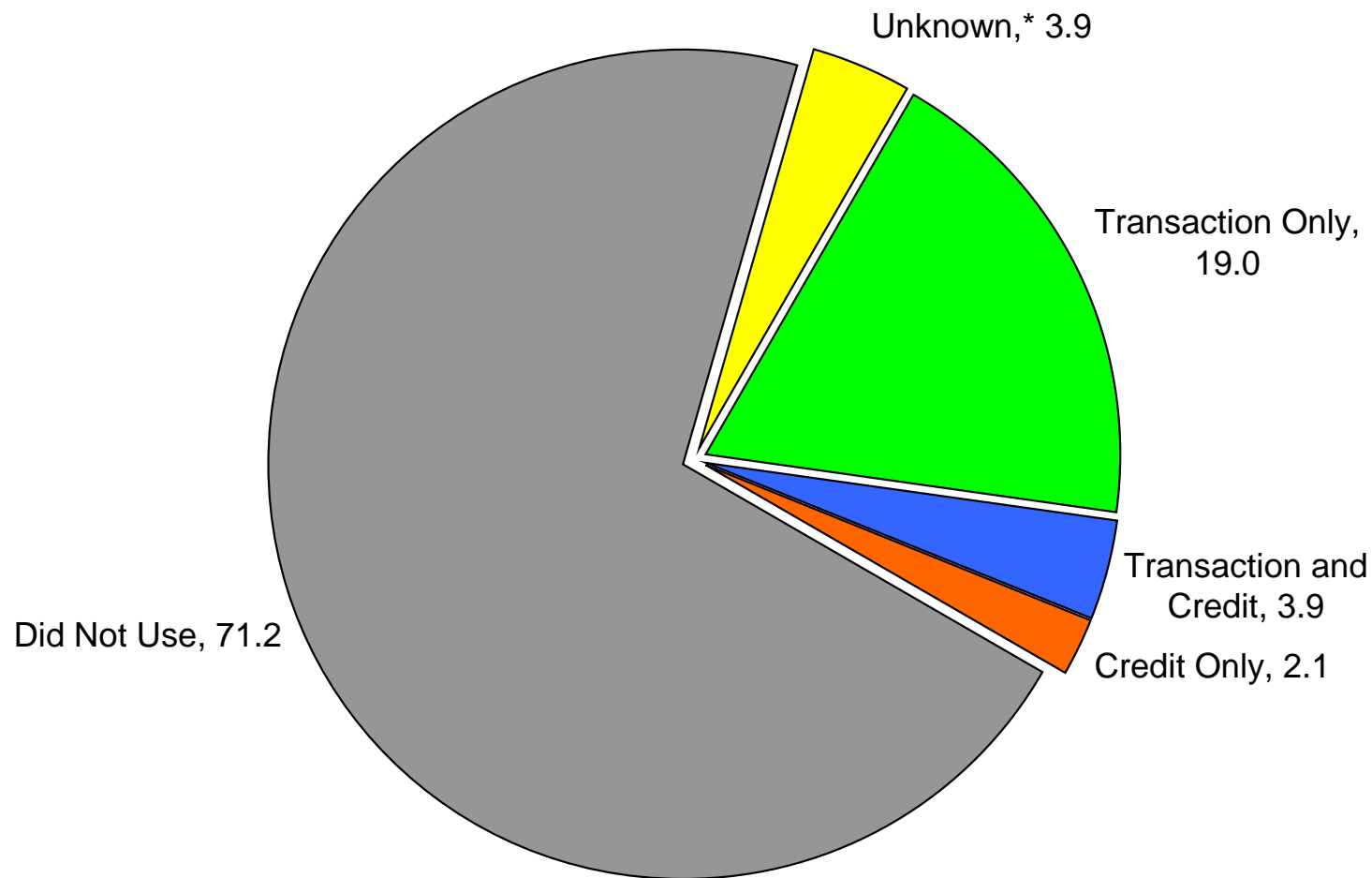


Notes: Percentages are based on 120.4 million U.S. households. Percentages may not sum to 100 because of rounding.
*The AFS included in this measure are non-bank money orders, non-bank check cashing, non-bank remittances, payday loans, and pawn shops. Households were not asked whether they used rent-to-own agreements or RALs in the last 30 days.

Timing of AFS Use



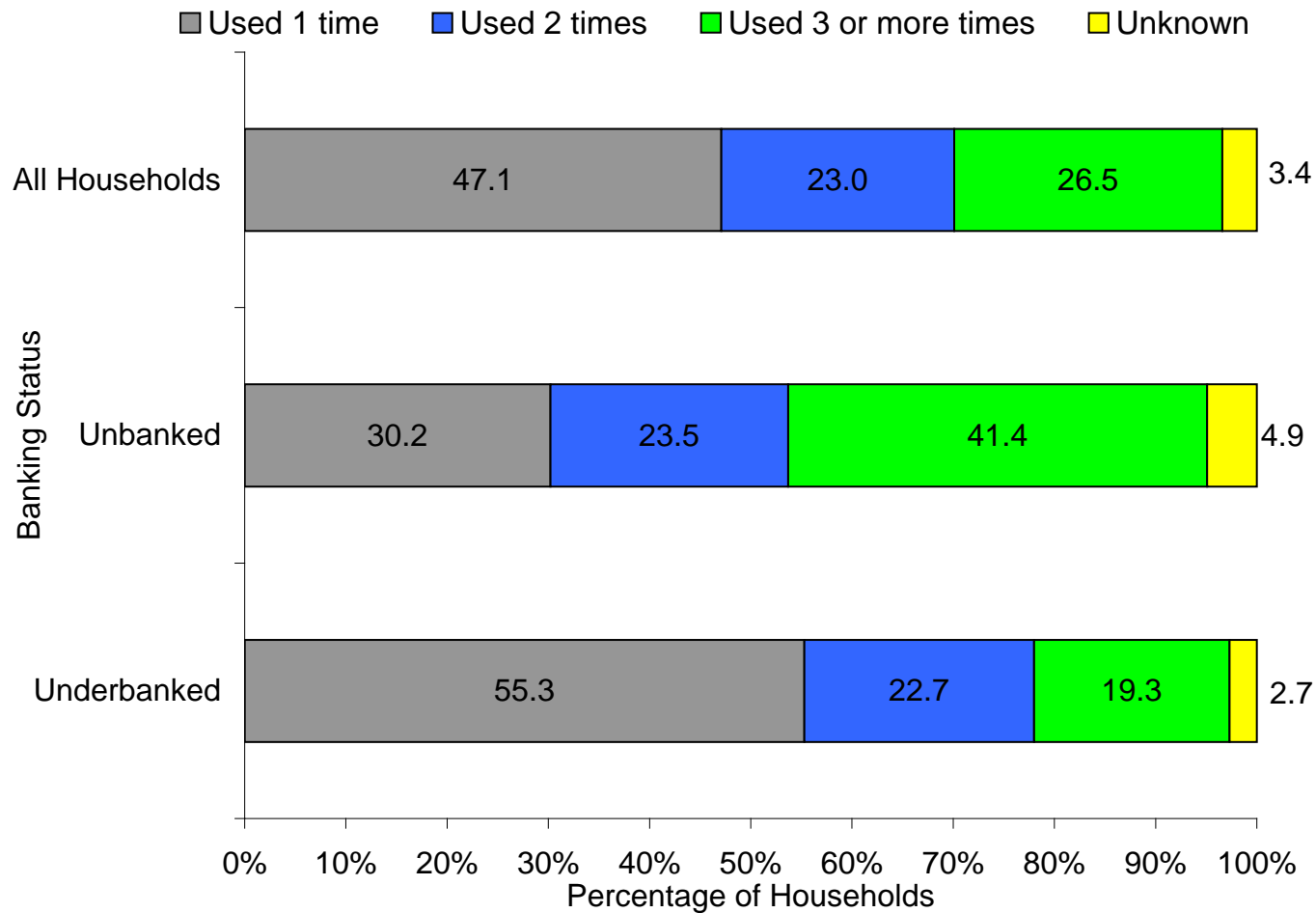
Households' Use of Transaction and Credit AFS in the Last Year



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.

Number of Times Transaction AFS Used in the Last 30 Days

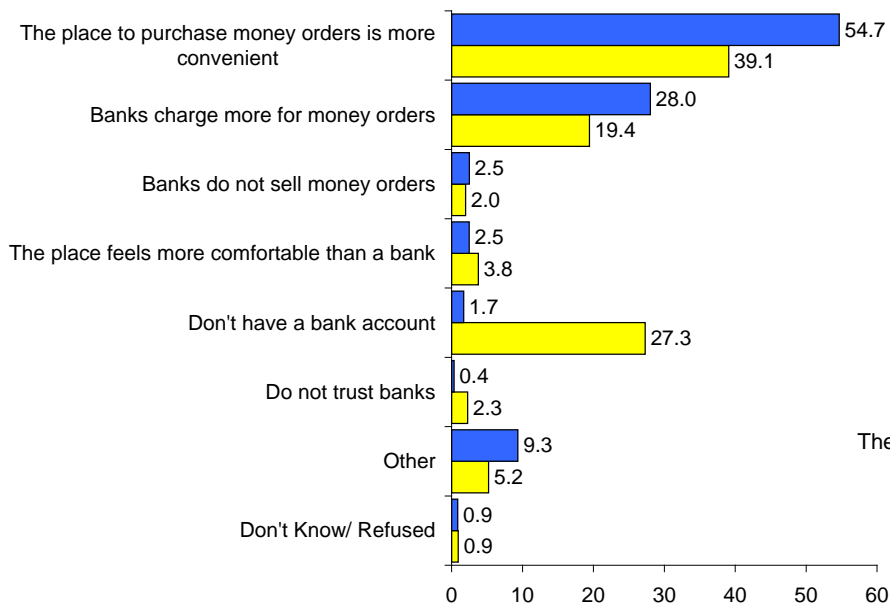


Reasons Households Use AFS – Transaction Products

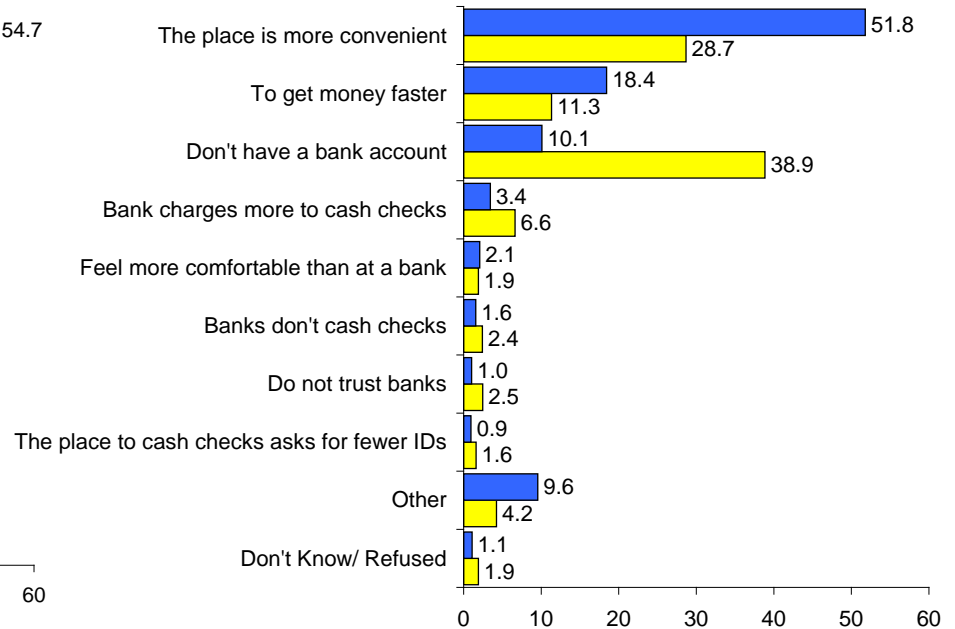
Unbanked

Underbanked

Non-bank Money Orders



Non-bank Check Cashing



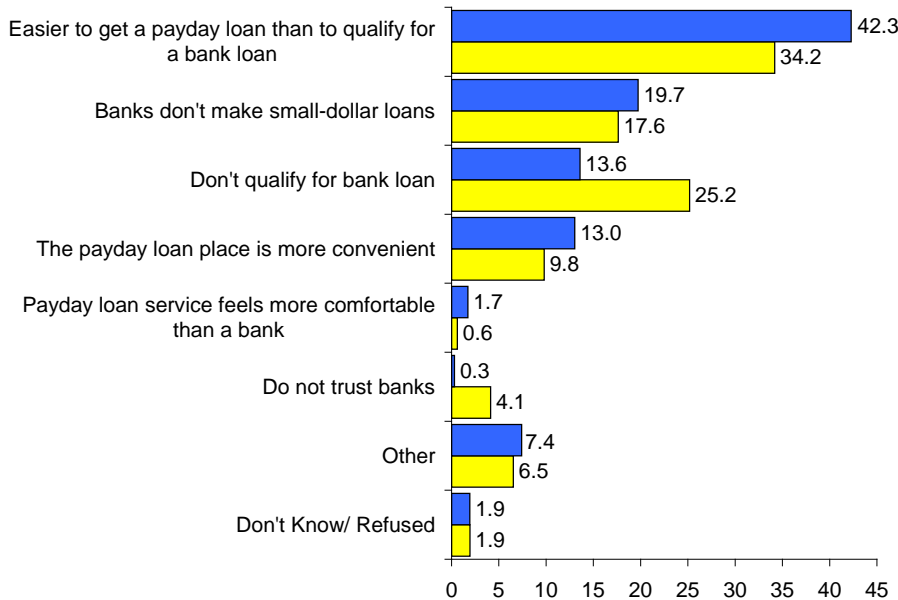
Notes: Percentages based on unbanked and underbanked households that have ever used each product. Percentages may not sum to 100 because of rounding.

Reasons Households Use AFS – Credit Products

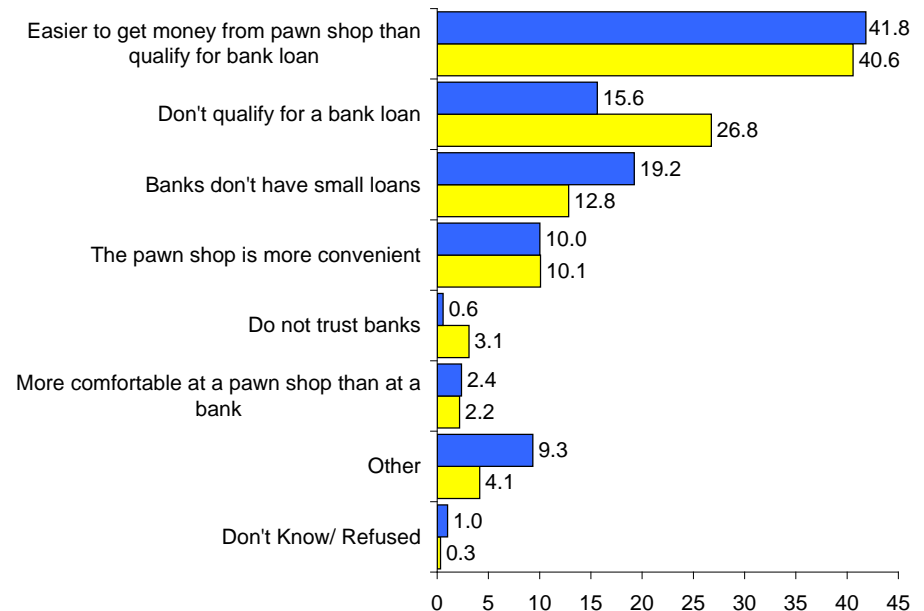
Unbanked

Underbanked

Payday Lenders

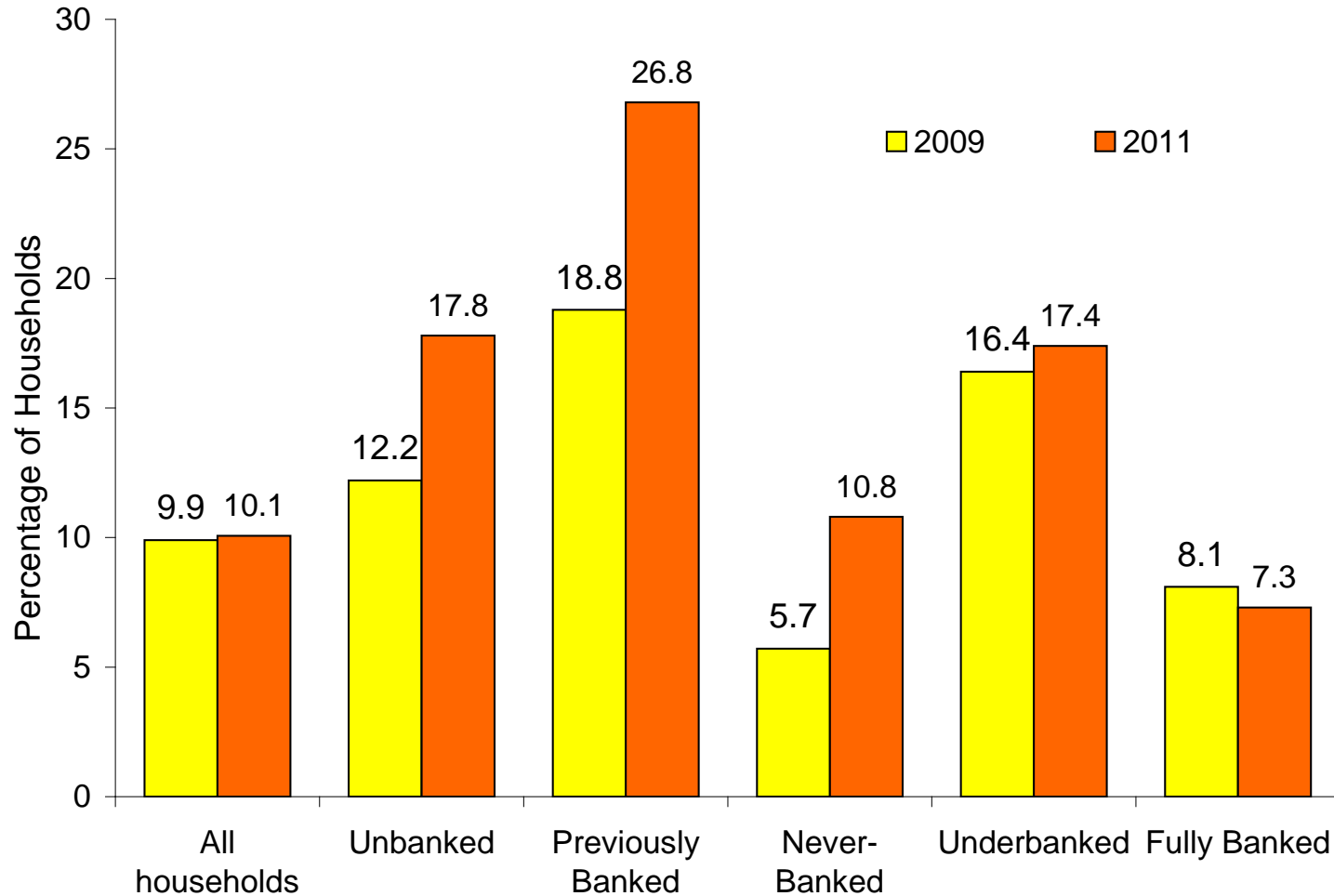


Pawn Shops



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

Household Use of Prepaid Debit Cards



Summary Findings

- 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)

Implications

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

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.

Implication 3

- Experience with banks appears to have more positive perceptions of having an account and relying 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

- 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

www.economicinclusion.gov

How to Access the Data

- www.economicinclusion.gov
 - Subscribe for updates!
- Full report and appendices also available on www.fdic.gov
- 2011 public use dataset Access the data available:
 - Census Bureau's Data Ferret Tool (<http://dataferrett.census.gov/>) or
 - Download the June 2011 Basic CPS and Unbanked/Underbanked Supplement (http://thedataweb.rm.census.gov/ftp/cps_ftp.html#cpssupps)

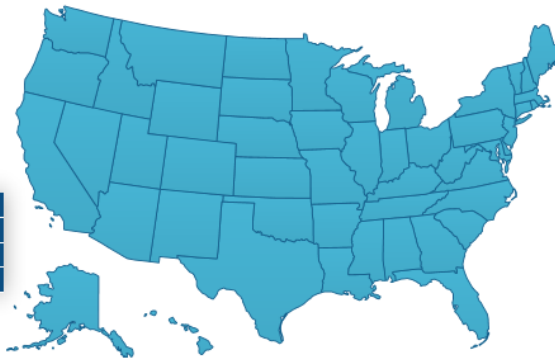
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About the 2011 FDIC National Survey of Unbanked and Underbanked Households

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.

[2011 Executive Summary](#)

[2011 Full Report](#)

[2011 Appendix Tables](#) **NEW!**

RESEARCH

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

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WHAT'S NEW

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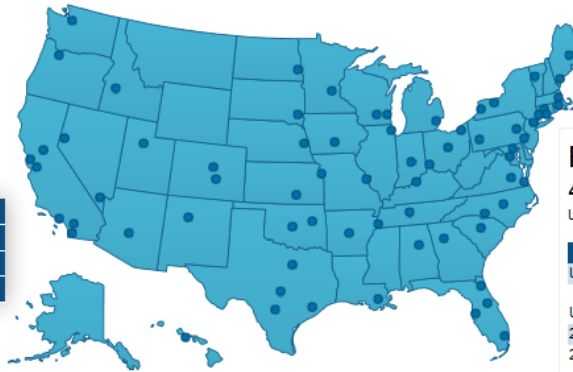
SURVEY REPORTS

In 2012, the FDIC has released results from both a survey of unbanked and underbanked households and a survey of banks on their efforts to serve those consumers.

[VIEW THE HOUSEHOLD SURVEY REPORT →](#)

[VIEW THE BANK SURVEY REPORT →](#)

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- NATION
- REGION
- STATE
- MSA

COMPARE DIFFERENT AREAS >

About the 2011 FDIC National Survey of Unbanked and Underbanked Households

BOSTON-CAMBRIDGE-QUINCY, MA-NH

4.2% 14.7% 18.9%

Unbanked Underbanked Total

	2009	2011	Change
Unbanked	3.8%	4.2%	0.4% (NS)

Underbanked			
2009	11.7%	---	---
2011	---	14.7%	---

NS: Not statistically significant change
S: Statistically significant change

[2011 Full Report](#)

[2011 Appendix Tables](#) **NEW!**

1 2 3 4

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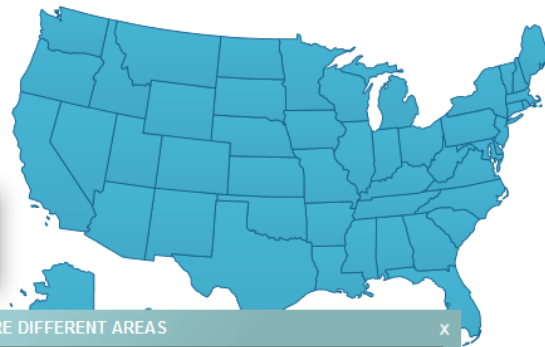
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Home / FDIC - Place Data



2011 Survey Results for Oklahoma

BACK TO SURVEYS RESULTS

- Oklahoma Banking Status Results
- Oklahoma Account Ownership Results

Results may not be shown for all groups. Data is suppressed when there are insufficient observations to make an accurate estimate.

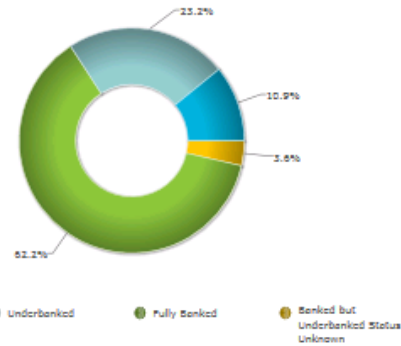
10.9% of households in Oklahoma are unbanked.

23.2% of households are underbanked.

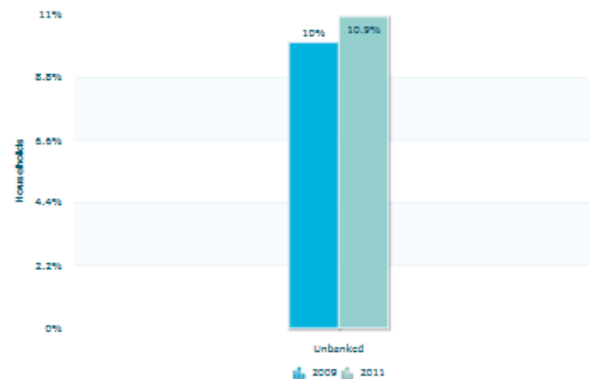
62.2% of households are fully banked.

58% of households have both checking and savings accounts; 58% have only a savings account; 2% have only a checking account.

Banking Status



Unbanked Households by Year (2009 - 11)



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HOME / Place Compare

2011 Survey Results for California & Texas

2011 Survey 2009 Survey

SELECT AREA

State

CHANGE STATE

Texas

UPDATE

SELECT AREA

State

CHANGE STATE

California

UPDATE

Texas

12.8% of households in Texas are unbanked.

27.2% of households are underbanked.

58.1% of households are fully banked.

60.5% of households have both checking and savings accounts; 2.2% have only a savings account; 23.3% have only a checking account.

California

7.8% of households in California are unbanked.

18% of households are underbanked.

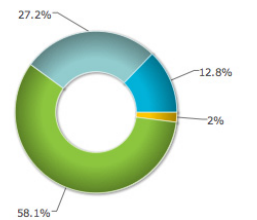
70.9% of households are fully banked.

70.5% of households have both checking and savings accounts; 1.5% have only a savings account; 18.8% have only a checking account.

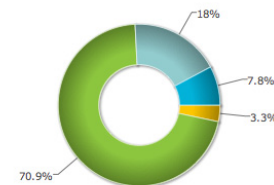
Results may not be shown for all groups. Data is suppressed when there are insufficient observations to make an accurate estimate.

Banking Status

Banking Status



Unbanked
 Banked but
 Underbanked Status
 Unknown
 Underbanked
 Fully Banked



Unbanked
 Banked but
 Underbanked Status
 Unknown
 Underbanked
 Fully Banked

Next Steps

FDIC Economic Inclusion Surveys Efforts

- 2011 Bank Survey released on December 13, 2012
 - High response rate for HQ: 80%
- AFS Use by State (Upcoming)
- 2013 Household Survey
 - June 2013

Thank you!

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Do you have questions?
E-mail us at:
communities@stls.frb.org

Wrap-up/Closing

Thank you to today's presenters and to all participants for joining this session.

Next steps:

- All session materials are available on our web site and in the next few days we will be posting an audio file of today's session
- Additional Federal Reserve System resources related to this topic can be found on our web site along with links to your local Federal Reserve Community Development office
- If you have topical suggestions for future sessions, or any questions about this program, please feel free to contact us at communities@stls.frb.org
- Information about future sessions will be posted on our website along with archived materials from past sessions: www.stlouisfed.org/connectingcommunities/