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.
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/](http://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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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
Distribution of Household Banking Status

- Fully Banked, 68.8%
- Underbanked, 20.1%
- Unbanked, 8.2%
- Banked, but Underbanked Status Unknown, * 2.9%

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

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

Legend
- First Quintile (1.89% - 4.48%)
- Second Quintile (4.49% - 5.80%)
- Third Quintile (5.81% - 7.73%)
- Fourth Quintile (7.74% - 10.20%)
- Fifth Quintile (10.21% - 15.10%)

Regional Unbanked Shares
- Northeast: 7.1%
- West: 7.2%
- South: 10.0%
- Midwest: 7.1%
Banking Status - California

Percentage of Households Unbanked and Underbanked for various locations:

- **US**: 8.2%
- **California**: 7.8%
- **Los Angeles**: 9.7%
- **Riverside**: 12.7%
- **San Jose**: 2.4%

**Note:** The unbanked and underbanked percentages are shown in green and blue, respectively.
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

Unbanked
- Nonfamily household, 40.1%
- Unmarried female family household, 30.1%
- Unmarried male family household, 8.2%
- Married couple, 21.5%

Underbanked
- Nonfamily household, 29.9%
- Unmarried female family household, 19.0%
- Unmarried male family household, 6.9%

Fully Banked
- Nonfamily household, 35.0%
- Unmarried female family household, 9.1%
- Unmarried male family household, 3.6%
- Married couple, 52.2%
Income Distribution by Banking Status

**Unbanked**
- Less than $15K, 55.8
- $15K-$30K, 26.1
- $30K-$50K, 12.4
- $50K-$75K, 4.4
- At least $75K, 1.3

**Underbanked**
- Less than $15K, 17.5
- $15K-$30K, 23.3
- $30K-$50K, 20.2
- $50K-$75K, 18.3
- At least $75K, 32.1

**Fully Banked**
- Less than $15K, 11.2
- $15K-$30K, 15.9
- $30K-$50K, 20.5
- $50K-$75K, 20.2
- At least $75K, 18.1
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

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

![Bar graph showing the previous banking status of households in New York State and New York City compared to the U.S.](chart)

- **Previously Banked**:
  - U.S.: 3.7
  - New York State: 3.6
  - New York City: 3.5

- **Never-Banked**:
  - New York City: 10.8

In New York City, the percentage of households that have never been banked is significantly higher than in the U.S. and New York State.
Main Reason Households are Unbanked

- Do not have enough money: 32.8% (Never-Banked), 33.2% (Previously Banked)
- Do not need or want an account: 26.0% (Never-Banked), 15.6% (Previously Banked)
- Can't open an account due to ID, credit, or banking history problems: 7.6% (Never-Banked), 5.5% (Previously Banked)
- Don't like dealing with and/or don't trust banks: 7.1% (Never-Banked), 7.1% (Previously Banked)
- Bank account fees or minimum balance requirements are too high: 4.0% (Never-Banked), 4.0% (Previously Banked)
- Previously had an account but the bank closed it: 9.5% (Never-Banked), 4.0% (Previously Banked)
- Do not know how to open or manage an account: 1.5% (Never-Banked), 1.1% (Previously Banked)
- Banks do not have convenient hours or locations: 1.5% (Never-Banked), 1.4% (Previously Banked)
- Banks do not offer the needed products or services: 0.2% (Never-Banked), 0.7% (Previously Banked)
- Other/ None of the Above: 11.9% (Never-Banked), 14.8% (Previously Banked)
- Do Not Know/ Refused: 3.5% (Never-Banked), 3.5% (Previously Banked)
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

- To write checks and pay bills: 30.8% Never-Banked, 28.8% Previously Banked
- To secure your money: 31.0% Never-Banked, 25.7% Previously Banked
- To save money for the future: 26.2% Never-Banked, 22.6% Previously Banked
- To take advantage of direct deposit of paychecks: 4.4% Never-Banked, 10.0% Previously Banked
- To be able to apply for a loan or mortgage: 1.6% Never-Banked, 4.2% Previously Banked
- To send money to family and friends: 0.6% Never-Banked, 0.3% Previously Banked
- Other: 3.7% Never-Banked, 7.0% Previously Banked
- Unknown: 1.6% Never-Banked, 1.3% Previously Banked

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

Checking and Savings Accounts, 67.2

Savings Account Only, 2.0

Checking Account Only, 21.1

Banked but Unknown Type, 1.5

Unbanked, 8.2

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

Percentage of Households

- Has Checking Account
- Has Savings Account

<table>
<thead>
<tr>
<th>Income Level</th>
<th>Percentage of Households</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than $15,000</td>
<td>65.9%</td>
</tr>
<tr>
<td>Between $15,000 and $30,000</td>
<td>37.4%</td>
</tr>
<tr>
<td>Between $30,000 and $50,000</td>
<td>91.9%</td>
</tr>
<tr>
<td>Between $50,000 and $75,000</td>
<td>80.5%</td>
</tr>
<tr>
<td>At Least $75,000</td>
<td>89.3%</td>
</tr>
</tbody>
</table>
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.

Unknown, 2.9
Never Used, 54.3
Used in the Last Year, 25.4
Used Over a Year Ago, 17.4

*Last 30 days, 12.0
Last 2-12 months, 13.4
Timing of AFS Use

<table>
<thead>
<tr>
<th>Region</th>
<th>Percentage of Households</th>
</tr>
</thead>
<tbody>
<tr>
<td>US</td>
<td>2.9%</td>
</tr>
<tr>
<td>Massachusetts</td>
<td>3.4%</td>
</tr>
<tr>
<td>Boston</td>
<td>1.7%</td>
</tr>
</tbody>
</table>

- **Yellow** Used in the last 12 months
- **Green** Used, but not in last 12 months
- **Grey** Never Used
- **Blue** Unknown

Used in the last 12 months: US = 25.4%, Massachusetts = 17.1%, Boston = 16.2%
Used, but not in last 12 months: US = 17.4%, Massachusetts = 14.2%, Boston = 13.3%
Never Used: US = 54.3%, Massachusetts = 65.3%, Boston = 68.7%
Households’ Use of Transaction and Credit AFS in the Last Year

- Transaction Only, 19.0
- Transaction and Credit, 3.9
- Credit Only, 2.1
- Did Not Use, 71.2
- Unknown,* 3.9

Notes: Percentages are based on 120.4 million households. Percentages may not sum to 100 because of rounding.
* "Unknown" includes: households were 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

- **All Households**:
  - Used 1 time: 47.1%
  - Used 2 times: 23.0%
  - Used 3 or more times: 26.5%
  - Unknown: 3.4%

- **Unbanked**:
  - Used 1 time: 30.2%
  - Used 2 times: 23.5%
  - Used 3 or more times: 41.4%
  - Unknown: 4.9%

- **Underbanked**:
  - Used 1 time: 55.3%
  - Used 2 times: 22.7%
  - Used 3 or more times: 19.3%
  - Unknown: 2.7%
Reasons Households Use AFS – Transaction Products

Non-bank Money Orders

- The place to purchase money orders is more convenient: Unbanked (54.7%), Underbanked (54.7%)
- Banks charge more for money orders: Unbanked (28.0%), Underbanked (28.0%)
- Banks do not sell money orders: Unbanked (2.0%), Underbanked (2.0%)
- The place feels more comfortable than a bank: Unbanked (1.7%), Underbanked (1.7%)
- Don't have a bank account: Unbanked (9.3%), Underbanked (9.3%)
- Do not trust banks: Unbanked (2.3%), Underbanked (2.3%)
- Other: Unbanked (5.2%), Underbanked (5.2%)
- Don't Know/ Refused: Unbanked (0.9%), Underbanked (0.9%)

Non-bank Check Cashing

- The place is more convenient: Unbanked (51.8%), Underbanked (51.8%)
- To get money faster: Unbanked (18.4%), Underbanked (18.4%)
- Don't have a bank account: Unbanked (10.1%), Underbanked (10.1%)
- Bank charges more to cash checks: Unbanked (6.6%), Underbanked (6.6%)
- Feel more comfortable than at a bank: Unbanked (6.6%), Underbanked (6.6%)
- Banks don't cash checks: Unbanked (2.4%), Underbanked (2.4%)
- Do not trust banks: Unbanked (2.5%), Underbanked (2.5%)
- The place to cash checks asks for fewer IDs: Unbanked (1.6%), Underbanked (1.6%)
- Other: Unbanked (9.6%), Underbanked (9.6%)
- Don't Know/ Refused: Unbanked (1.1%), Underbanked (1.1%)

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

- Easier to get a payday loan than to qualify for a bank loan: 42.3%
- Banks don't make small-dollar loans: 17.6%
- Don't qualify for bank loan: 25.2%
- The payday loan place is more convenient: 13.6%
- Payday loan service feels more comfortable than a bank: 7.4%
- Don't trust banks: 4.1%
- Other: 6.5%
- Don't Know/Refused: 1.9%

Pawn Shops

- Easier to get money from pawn shop than to qualify for bank loan: 41.8%
- Don't qualify for a bank loan: 26.8%
- Banks don't have small loans: 19.2%
- The pawn shop is more convenient: 10.1%
- More comfortable at a pawn shop than at a bank: 2.2%
- Do not trust banks: 2.4%
- Other: 9.3%
- Don't Know/Refused: 0.3%

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

<table>
<thead>
<tr>
<th>Category</th>
<th>2009</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>All households</td>
<td>9.9</td>
<td>10.1</td>
</tr>
<tr>
<td>Unbanked</td>
<td>12.2</td>
<td>18.8</td>
</tr>
<tr>
<td>Previously Banked</td>
<td>17.8</td>
<td>26.8</td>
</tr>
<tr>
<td>Never-Banked</td>
<td>5.7</td>
<td>10.8</td>
</tr>
<tr>
<td>Underbanked</td>
<td>16.4</td>
<td>17.4</td>
</tr>
<tr>
<td>Fully Banked</td>
<td>8.1</td>
<td>7.3</td>
</tr>
</tbody>
</table>
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)
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](http://www.economicinclusion.gov)
  – Subscribe for updates!

• Full report and appendices also available on [www.fdic.gov](http://www.fdic.gov)

• 2011 public use dataset Access the data available:
  – Census Bureau's Data Ferret Tool ([http://dataferrett.census.gov/](http://dataferrett.census.gov/)) or
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.

2011 Executive Summary
2011 Full Report
2011 Appendix Tables

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.

WHAT'S NEW
The Census Bureau released the 2011 FDIC Survey of Unbanked and Underbanked Households Dataset.

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
www.economicinclusion.gov
EI.GOV-BOSTON MSA

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VIEW THE HOUSEHOLD SURVEY REPORT →

VIEW THE BANK SURVEY REPORT →
2011 Survey Results for Oklahoma

Banking Status

- 23.2% Unbanked
- 10.0% Underbanked
- 52.1% Fully Banked
- 14.7% Banked but Underbanked
- 0.6% Status Unknown

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

10.0% of households in Oklahoma are unbanked.
23.2% of households are underbanked.
62.2% of households are fully banked.
55% of households have both checking and savings accounts, 55% have only a savings account, 2% have only a checking account.

Unbanked Households by Year (2003 - 11)

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2011 Survey Results for California & Texas

**Texas**
- 8.6% 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; 22.2% 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.
- 75.9% of households are fully banked.
- 70.5% of households have both checking and savings accounts; 15% 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.
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
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/