Key Findings from the Federal Reserve Board’s
Consumers and Mobile
Financial Services 2015 Report

May 14, 2015

Anna Alvarez Boyd, Ellen Merry, Arturo Gonzalez, and Alexandra Brown
Division of Consumer and Community Affairs

Organized by the Board of Governors of the Federal Reserve System

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The Community Development (CD) function within the Federal Reserve System – consisting of individual departments at each of the twelve Federal Reserve Banks as well as at the Board of Governors – promotes economic growth and financial stability for low- and moderate-income (LMI) communities and individuals through a range of activities, including:

- **Convening stakeholders**, including practitioners, financial institutions, nonprofits, governmental agencies, and the philanthropic and private sectors,

- **Conducting and sharing research** to examine economic challenges facing low- and moderate-income communities and attendant policy implications; and,

- **Identifying emerging issues**.
Today’s Presenters

From the Division of Consumer and Community Affairs at the Board of Governors of the Federal Reserve System:

• Anna Alvarez Boyd, Senior Associate Director
• Ellen A. Merry, Senior Economist
• Arturo Gonzalez, Manager, Consumer & Community Development Research
• Alexandra Brown, Project Manager
Motivation for Report

• Board conducted 2014 mobile survey to monitor developments in mobile finance, and assess consumer perceptions and expectations
• Rapid increase in use of mobile banking and mobile payments in only a few years
• These changes have the potential to affect consumer finances and consumer behavior
• May provide a means of promoting economic inclusion and expanding financial access to the unbanked or underbanked
Today’s Agenda

- Report Highlights and Survey Background
- Use of Mobile Banking
- Use of Mobile Payments
- Perceived Security of Mobile Banking and Payments
- Mobile Technology, Shopping, and Consumer Behavior
- Key Takeaways
Report and video available at:
2014 Mobile Survey Background

• Board conducted three previous surveys (2011-2013)
• Nationally representative probability-based online panel of respondents from GfK’s KnowledgePanel®
  – Data collection from December 5th - 21st, 2014
  – 2,925 respondents for main survey: 1,436 new & 1,489 from 2013 survey
  – 1,298 respondents were part of a rural oversample (analyzed separately)
• Report released March 26, 2015
Mobile Phone Use: 2011-14

Among all respondents

2011
- Smartphone: 38%
- Feature Phone: 49%
Total: 87%

2012
- Smartphone: 45%
- Feature Phone: 41%
Total: 86%

2013
- Smartphone: 53%
- Feature Phone: 33%
Total: 86%

2014
- Smartphone: 62%
- Feature Phone: 25%
Total: 87%

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Use of Mobile Banking
Mobile Banking Use: 2011-14

Among respondents with bank account, by phone type

<table>
<thead>
<tr>
<th>Phone Type</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Smartphone</td>
<td>22%</td>
<td>29%</td>
<td>33%</td>
<td>39%</td>
</tr>
<tr>
<td>All Mobile Phones</td>
<td>43%</td>
<td>50%</td>
<td>51%</td>
<td>52%</td>
</tr>
</tbody>
</table>
Using your mobile phone, have you done each of the following in the past 12 months?
Among mobile banking users with any phone

- Checked an account balance or checked recent transactions: 94%
- Downloaded your bank’s mobile banking app on your mobile phone: 71%
- Transferred money between your bank accounts: 61%
- Received an alert (e.g., a text message, push notification or email) from your bank: 57%
- Deposited a check to your account electronically using your mobile phone camera: 51%
- Made a bill payment using your bank’s online banking website or banking app: 48%
- Located the closest in-network ATM or branch for your bank: 40%
Mobile Banking by Race/Ethnicity

Among respondents with bank account, by phone type

- **White, Non-Hispanic**:
  - Smartphone: 48%
  - All Mobile Phones: 34%

- **Black, Non-Hispanic**:
  - Smartphone: 56%
  - All Mobile Phones: 43%

- **Other, Non-Hispanic**:
  - Smartphone: 55%
  - All Mobile Phones: 48%

- **Hispanic**:
  - Smartphone: 64%
  - All Mobile Phones: 53%

- **2+ Races, Non-Hispanic**:
  - Smartphone: 61%
  - All Mobile Phones: 41%

- **Total**:
  - Smartphone: 52%
  - All Mobile Phones: 39%
Mobile Banking by Age

Among respondents with bank account, by phone type

- **18-29**
  - Smartphone: 66%
  - All Mobile Phones: 60%

- **30-44**
  - Smartphone: 60%
  - All Mobile Phones: 60%

- **45-59**
  - Smartphone: 54%
  - All Mobile Phones: 45%

- **60+**
  - Smartphone: 13%
  - All Mobile Phones: 26%

- **Total**
  - Smartphone: 52%
  - All Mobile Phones: 39%
Mobile Banking by Income

Among respondents with bank account, by phone type

<table>
<thead>
<tr>
<th>Income Level</th>
<th>Smartphone</th>
<th>All Mobile Phones</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than $25,000</td>
<td>34%</td>
<td>58%</td>
</tr>
<tr>
<td>$25,000 - $39,999</td>
<td>33%</td>
<td>47%</td>
</tr>
<tr>
<td>$40,000 - $74,999</td>
<td>43%</td>
<td>57%</td>
</tr>
<tr>
<td>$75,000 - $99,999</td>
<td>38%</td>
<td>51%</td>
</tr>
<tr>
<td>Greater than $100,000</td>
<td>42%</td>
<td>49%</td>
</tr>
<tr>
<td>Total</td>
<td>39%</td>
<td>52%</td>
</tr>
</tbody>
</table>
Mobile Banking by Geography

Among respondents with bank account and mobile phone

- Non-Metro: 33%
- Metro: 39%
Means of Accessing Banking Services

Among those with a bank account

- Bank branch: 87%
- ATM: 75%
- Online banking: 74%
- Mobile banking: 35%
- Telephone banking: 33%
Mobile Banking Users’ Access of Banking Services
Mobile Banking and Smartphone Use

Mobile Banking Use

- Fully Banked: 37%
- Underbanked: 48%

Smartphone Use

- Fully Banked: 71%
- Underbanked: 73%
- Unbanked: 65%
What Was the Main Reason You Started Using Mobile Banking When You Did?

- I liked the convenience of mobile banking: 35%
- I got a smartphone: 33%
- My bank started offering the service: 20%
- I became comfortable with the security of mobile banking: 6%
- There is no bank branch or ATM near my home or work: 3%
- Other (Please specify): 3%
- To receive fraud alerts or check my account for fraudulent transactions: 1%
Reasons for Not Using Mobile Banking
Please tell us if each of the reasons below are why you do not use mobile banking

- My banking needs are being met without mobile banking: 86%
- I don’t see any reason to use mobile banking: 73%
- I’m concerned about the security of mobile banking: 62%
- The mobile phone screen is too small: 39%
- I don’t trust the technology: 34%
- I don’t have a smartphone: 32%
- It’s too difficult to use mobile banking: 20%
- I don’t do the banking in my household: 12%
- My bank charges a fee for using mobile banking: 6%
Mobile Banking Areas of Interest

Assuming that the concerns that you have about using mobile banking were addressed, would you be interested in doing any of the following activities with your mobile phone?

- Transfer money from your bank account to another person: 11%
- Make bill payments using your bank’s online banking website or app: 15%
- Deposit a check electronically using your mobile phone camera: 17%
- Locate the closest in-network ATM or branch for your bank: 18%
- Receive alerts (e.g., text message, push notification or email) from your bank: 19%
- Transfer money between your bank accounts: 20%
- Download your bank’s mobile banking app: 21%
- Check an account balance or check recent transactions: 32%
- None, I don't want to use mobile banking: 59%
Use of Mobile Payments
Mobile Payments Use: 2011-14

Among all respondents, by phone type

- **Smartphone**
  - 2011: 23%
  - 2012: 24%
  - 2013: 24%
  - 2014: 28%

- **All Mobile Phones**
  - 2011: 12%
  - 2012: 15%
  - 2013: 17%
  - 2014: 22%
Using your mobile phone, have you done each of these in the past 12 months?

Among mobile payments users with a smartphone:

- Paid bills online through a mobile web browser or app: 68%
- Made an online or in-app purchase (e.g., from amazon.com or bestbuy.com): 54%
- Paid for a product or service at a store (including at gas pumps and for restaurant meals): 39%
- Transferred money directly to another person’s bank or other financial account within the United States (e.g., Paypal account): 36%
- Received money from another person’s bank or other financial account (e.g., Paypal account): 31%
- Used an app to receive loyalty or reward points: 30%
- Paid for parking, a taxi, or public transit using an app: 16%
- Made a payment using a text message (including charitable donation by text message): 11%
- Send a remittance (used to send money to relatives or friends living outside the U.S through WesternUnion, USPS...): 9%
Mobile Payments by Race/Ethnicity

By phone type

- **White, Non-Hispanic**
  - Smartphone: 24%
  - All Mobile Phones: 22%

- **Black, Non-Hispanic**
  - Smartphone: 42%
  - All Mobile Phones: 39%

- **Other, Non-Hispanic**
  - Smartphone: 39%
  - All Mobile Phones: 35%

- **Hispanic**
  - Smartphone: 24%
  - All Mobile Phones: 24%

- **2+ Races, Non-Hispanic**
  - Smartphone: 35%
  - All Mobile Phones: 22%

- **Total**
  - Smartphone: 28%
  - All Mobile Phones: 22%
Mobile Payments by Age

By phone type

- 18-29: Smartphone 38% vs. All Mobile Phones 34%
- 30-44: Smartphone 35% vs. All Mobile Phones 31%
- 45-59: Smartphone 21% vs. All Mobile Phones 16%
- 60+: Smartphone 13% vs. All Mobile Phones 7%
- Total: Smartphone 28% vs. All Mobile Phones 22%

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Mobile Payments by Income

By phone type

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</tr>
<tr>
<td>Total</td>
<td>28%</td>
<td>22%</td>
</tr>
</tbody>
</table>
Mobile Payments by Geography

Among mobile phone users

- Non-Metro: 17%
- Metro: 23%
What Was The Main Reason You Started Using Mobile Payments When You Did?

- I got a smartphone: 34%
- I liked the convenience of mobile payments: 29%
- The ability to make mobile payments became available: 16%
- I became comfortable with the security of mobile payments: 9%
- Other: 4%
- To take advantage of loyalty or rewards points and discounts: 3%
- A store I visit started offering the service: 2%
Payment Methods

When making mobile payments, which of the following payment methods do you use?

- Debit card: 55%
- Credit card: 51%
- Bank account: 41%
- Account at a non-financial institution (e.g., PayPal): 15%
- Prepaid debit card: 8%
- Charge to your phone bill: 4%
- Other: 3%
Mobile Payment Services

Have you used any of the following mobile payment services in the past 12 months? Among those who made a mobile payment and own a smartphone.

- PayPal: 43%
- Starbucks mobile payments: 11%
- Google Wallet: 9%
- Apple Pay: 5%
- Amazon Firefly: 3%
- Square Wallet: 2%
- CardNav: 1%
- Deluxe eCheck: 1%
- LevelUp: 1%
- Softcard: 1%
- Tabbedout: 0%
- Dwolla: 0%
### Reasons for Not Using Mobile Payments

Please tell us if any of the reasons below are why you do not use mobile payments.

<table>
<thead>
<tr>
<th>Reason</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>It’s easier to pay with cash or a credit/debit card</td>
<td>75%</td>
</tr>
<tr>
<td>I don’t see any benefit from using mobile payments</td>
<td>59%</td>
</tr>
<tr>
<td>I’m concerned about the security of mobile payments</td>
<td>59%</td>
</tr>
<tr>
<td>I don’t trust the technology</td>
<td>41%</td>
</tr>
<tr>
<td>I don’t have the necessary feature on my phone</td>
<td>37%</td>
</tr>
<tr>
<td>I don’t really understand all the different mobile payment options</td>
<td>31%</td>
</tr>
<tr>
<td>It’s difficult or time consuming to set up or use mobile payments</td>
<td>31%</td>
</tr>
<tr>
<td>I don’t need to make any payments or someone else pays the bills</td>
<td>23%</td>
</tr>
<tr>
<td>The places I shop don’t accept mobile payments</td>
<td>23%</td>
</tr>
</tbody>
</table>
Mobile Payments Areas of Interest

Assuming that the reason(s) why you do not currently use mobile payments was addressed, would you be interested in doing any of the following activities with your mobile phone?

- Transferring money to someone in another country: 4%
- Making payments to another person (e.g., friend, relative, babysitter) within the United States: 11%
- Receiving money from another person’s bank or other financial account (e.g., Paypal account): 12%
- Paying for parking, a taxi, or public transit using an app: 12%
- Using your mobile phone as a “virtual wallet” to replace some cards in your wallet: 13%
- Making an online or in-app purchase (e.g., from amazon.com or bestbuy.com): 15%
- Paying bills online through a mobile web browser or app: 15%
- Using my mobile phone to pay for purchases at a store: 18%
- Receiving/using coupons and/or reward points on your phone: 20%
- None, I don’t want to use mobile payments: 65%
Perceived Security of Mobile Banking and Payments
Mobile Banking Safety

Do you password protect your smartphone?

![Bar Chart]

- **2012**: 54%
- **2013**: 61%
- **2014**: 69%
Mobile Banking Safety, continued

How safe do you believe people's personal information is when they use mobile banking?

Mobile Banking Users

- Don't know: 7% (2013), 5% (2014)
- Very unsafe: 4% (2013), 6% (2014)
- Somewhat unsafe: 17% (2013), 22% (2014)
- Somewhat safe: 56% (2013), 53% (2014)
- Very safe: 15% (2013), 14% (2014)

Not Mobile Banking Users

- Don't know: 20% (2013), 19% (2014)
- Very unsafe: 25% (2013), 27% (2014)
- Somewhat unsafe: 30% (2013), 27% (2014)
- Somewhat safe: 22% (2013), 24% (2014)
- Very safe: 2% (2013), 3% (2014)
Mobile Payments Safety

How safe do you believe people’s personal information is when they use a mobile phone to pay for a purchase at a store?

### Mobile Payments Users

- **Don't know**
  - 2013: 11%
  - 2014: 10%
- **Very unsafe**
  - 2013: 8%
  - 2014: 7%
- **Somewhat unsafe**
  - 2013: 17%
  - 2014: 23%
- **Somewhat safe**
  - 2013: 51%
  - 2014: 47%
- **Very safe**
  - 2013: 11%
  - 2014: 12%

### Not Mobile Payments Users

- **Don't know**
  - 2013: 20%
  - 2014: 17%
- **Very unsafe**
  - 2013: 22%
  - 2014: 25%
- **Somewhat unsafe**
  - 2013: 29%
  - 2014: 29%
- **Somewhat safe**
  - 2013: 26%
  - 2014: 25%
- **Very safe**
  - 2013: 3%
  - 2014: 3%

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Specific Mobile Banking and Payments Security Concerns

Among those who expressed a concern about security:

- Malware or viruses being installed on my phone: 2% Mobile Banking, 2% Mobile Payments
- Companies misusing my personal information: 2% Mobile Banking, 3% Mobile Payments
- Someone using my phone without permission to access my account: 4% Mobile Banking, 0% Mobile Payments
- Losing my phone or having my phone stolen: 9% Mobile Banking, 10% Mobile Payments
- My phone getting hacked: 13% Mobile Banking, 0% Mobile Payments
- Someone intercepting my data: 22% Mobile Banking, 21% Mobile Payments
- All of the stated concerns: 43% Mobile Banking, 51% Mobile Payments
Mobile Technology, Shopping, and Consumer Behavior
Do You Receive Each of the Following Kinds of Alerts?

Among mobile banking users who receive alerts

- Low balance: 46%
- Statement available notification: 42%
- Deposit or withdrawal: 39%
- Payment due: 35%
- Fraud: 34%
- Credit card balance: 16%
- Other: 5%
- Saving reminders: 5%
Reactions to Low-Balance Alerts

Thinking of the most recent low-balance alert you received, which of the following actions did you take after receiving the alert?

Among mobile banking users who received low balance alerts

- Transferred money into the account with the low balance from another account: 44%
- Deposited money into the account with the low balance: 31%
- Reduced my spending: 28%
- None of the above: 17%
Using Just-In-Time Financial Information While Shopping

- Used a mobile phone to check account balance or available credit before making large purchase:
  - 2012: 66%
  - 2013: 69%
  - 2014: 63%

- Decided not to buy item because of the amount of money left in account or available credit:
  - 2012: 51%
  - 2013: 50%
  - 2014: 53%
Used a Smartphone to Compare Prices in a Retail Store

- Comparison shopping over the internet: 47%
- Finding the best price for an item using a barcode scanning app: 33%
- Changing where purchase was made: 69%

Led to...
Used a Smartphone to Get Product Information While Shopping

- 42% of shoppers browsed product reviews or got product information.
- 79% of these shoppers led to changing which item was purchased.
Key Takeaways

• Use of mobile banking continues to increase
  – Most common mobile banking activities are checking account balances/recent transactions, transferring money between accounts, and receiving alerts from financial institution.
  – Remote deposit capture continues to increase.

• Use of mobile payments broadly defined has risen
  – Most common mobile payment activities are paying bills, making online or in-app purchases, and paying for a product or service at a store.

• Major drivers of adoption
  – Convenience
  – Smartphone ownership – higher rates of use among smartphone users imply that as smartphone adoption grows so too will use of mobile commerce
Key Takeaways, continued

• Use of mobile banking and mobile payments varies across groups:
  – Younger persons continue to be more likely to use mobile banking and mobile payments than older persons
  – Hispanics and non-Hispanic blacks continue to be more likely to use mobile banking and mobile payments than non-Hispanic whites

• Access to “just-in-time” information via mobile phone (e.g. bank alerts) has altered choices for many mobile phone users

• Main impediments to adoption
  – Preference for other methods of banking and payments
  – Concerns about security
Questions?
You have two options to ask questions today:
1. Email us at: communities@stls.frb.org.
2. Type your question into the chat box of the webinar.
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.
- 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/
In connection with this session, you can find a variety of additional resources on this topic, available at www.fedcommunities.org.

It provides an array of practical resources to help you in your role as a community development professional, whether you work involves supporting people, places, the practice of community development, or small business development.