

Overview of the 2013 FDIC National Survey of Unbanked and Underbanked Households

Washington, D.C.
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Banking and Economic Inclusion

“Increasing household’s access to safe, secure and affordable banking services improves their ability to build assets and create wealth, protects them from theft and discriminatory or predatory lending practices, and provides a financial safety net against unforeseen circumstances(...) In addition, broad participation in banking relationships promotes public confidence in the financial system, which is itself a core responsibility of the FDIC.”

**FDIC Chairman Martin Gruenberg
December 2013**

Background and Disclaimer

- Section 7 of the Federal Deposit Insurance Reform Conforming Amendments Act of 2005, requires the FDIC to survey banks in order to encourage use of insured depository institutions by the unbanked and to expand the depository base.
- As part of the biennial report, the FDIC works with the Bureau of Census to obtain a nationally representative sample of the unbanked and underbanked households.
- In partnership with Census, FDIC conducted its third household survey in June 2013. Nationally representative sample, nearly 41k respondents
- Designed to produce estimates of unbanked and under banked populations, and to provide insights into how banks might better meet the needs of these consumers
- Estimates are available at national and state level, and for larger MSAs.

The views in this presentation are those of the presenter and do not represent the positions of the FDIC or its Board of Directors.

Agenda

1. **Unbanked and Underbanked Estimates**
2. **Household Banking Status Transitions**
3. **Prepaid Cards**
4. **Non-bank Alternative Financial Services Use**
5. **Technology and Banking Methods**
6. **Implications**

Revised Underbanked Definition

Non-bank AFS Product	Survey Year		
	2013	2011	2009
Money Order	Used in the Last Year	Used in the Last Year	Used at least once or twice a year
Check Cashing			
Payday Loan			
Pawn Shop			
Rent-to-Own			
RALs			Used in past 5 yrs.
International Remittance			Not Included
Auto Title Loan		Not Included	

Geographies Included

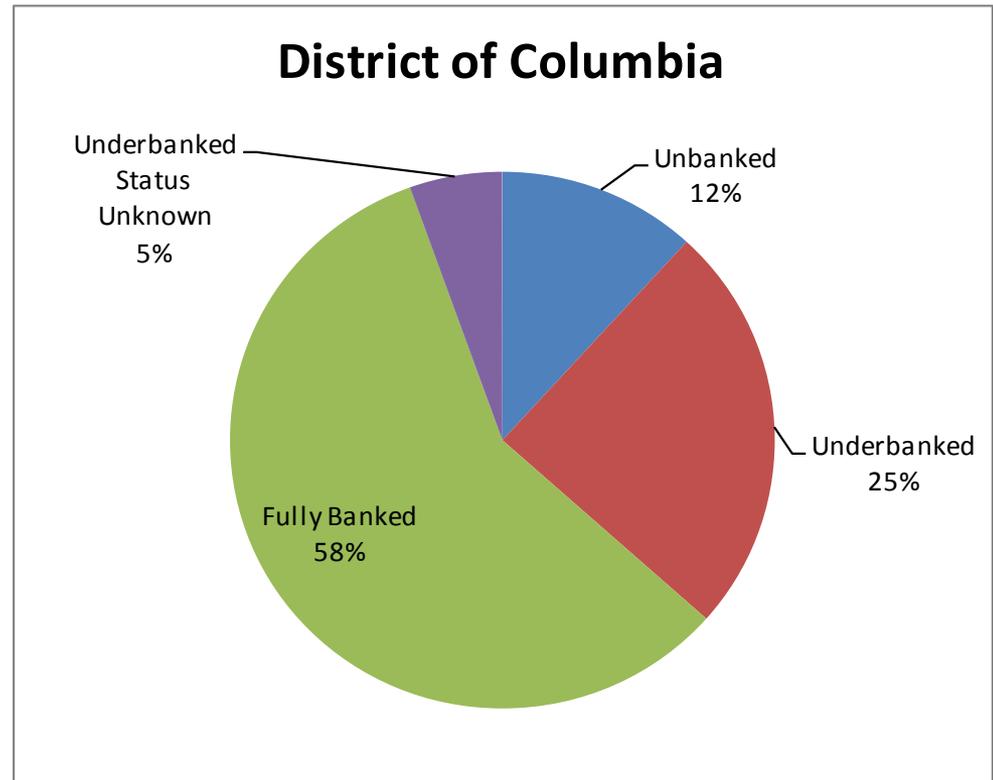
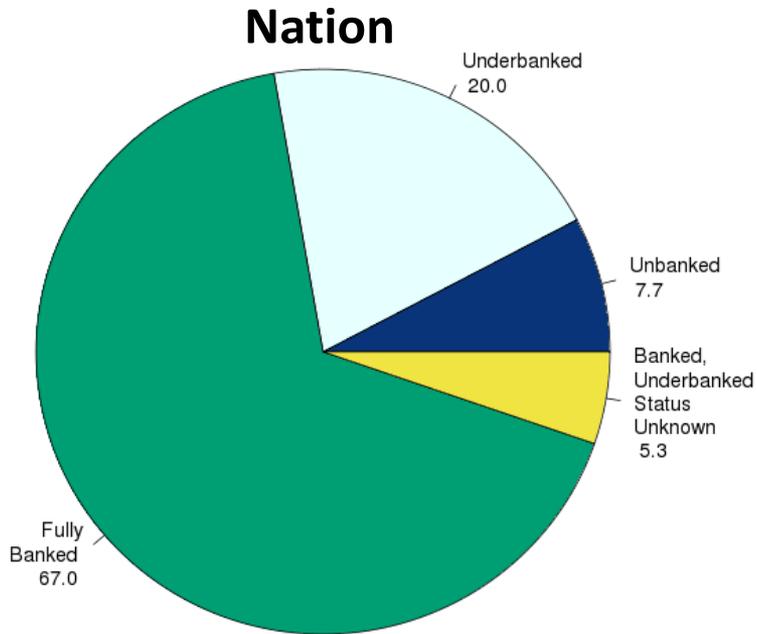
1. Nation
2. Washington-Arlington-Alexandria MSA (DC MSA), including:
 - a) District of Columbia
 - b) Maryland: Calvert, Charles, Frederick, Montgomery and Prince George Counties
 - c) Virginia: Alexandria, Fairfax, Falls Church, Fredericksburg, Manassas and Manassas Park cities; and Alexandria, Arlington, Clarke, Fairfax, Fauquier, Loudoun, Prince William, Spotsylvania, Stafford, and Warren Counties
 - d) West Virginia: Jefferson County
3. District of Columbia

Geographies Included

Data Set available allows custom analysis of many factors related to the unbanked and underbanked including select demographic groups especially at the state level, (MSAs may lack adequate sample representation to draw conclusions) and for the 2009, 2011 and 2013 surveys.

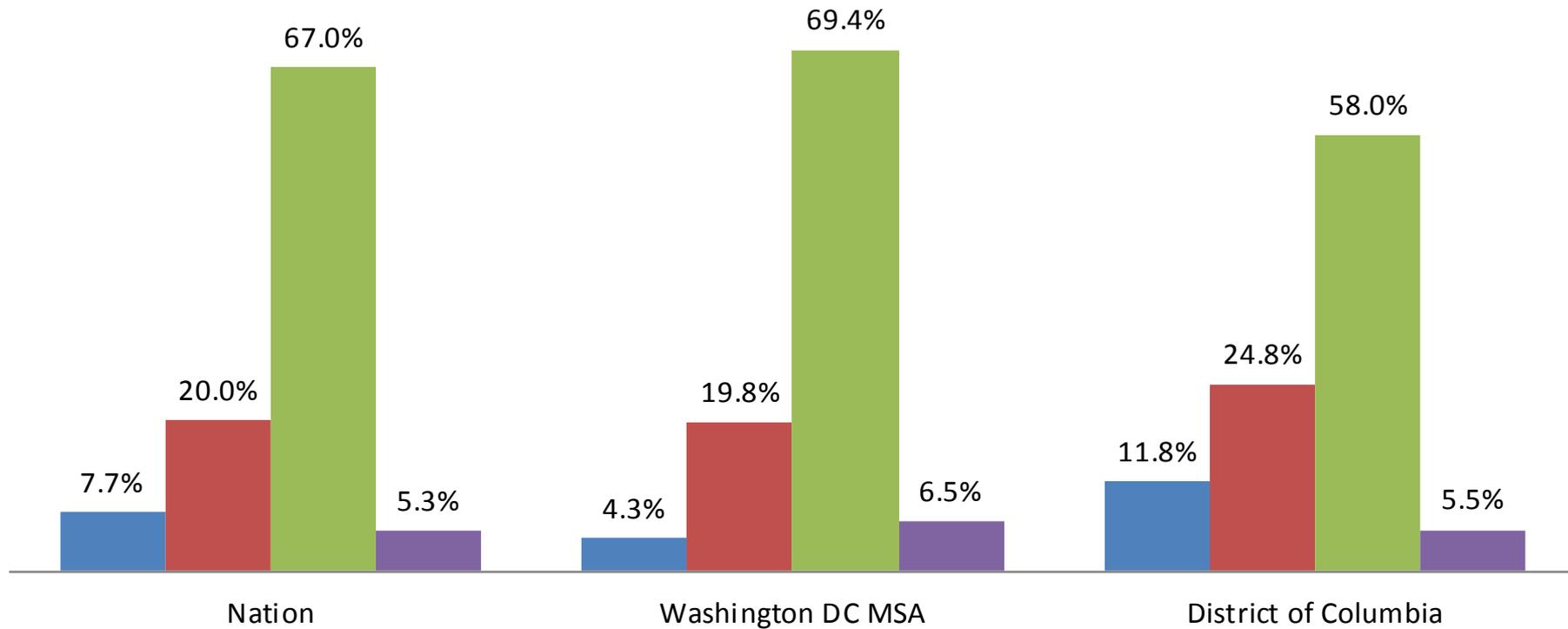
Please explore: www.economicinclusion.gov

2013 Unbanked and Underbanked Rates

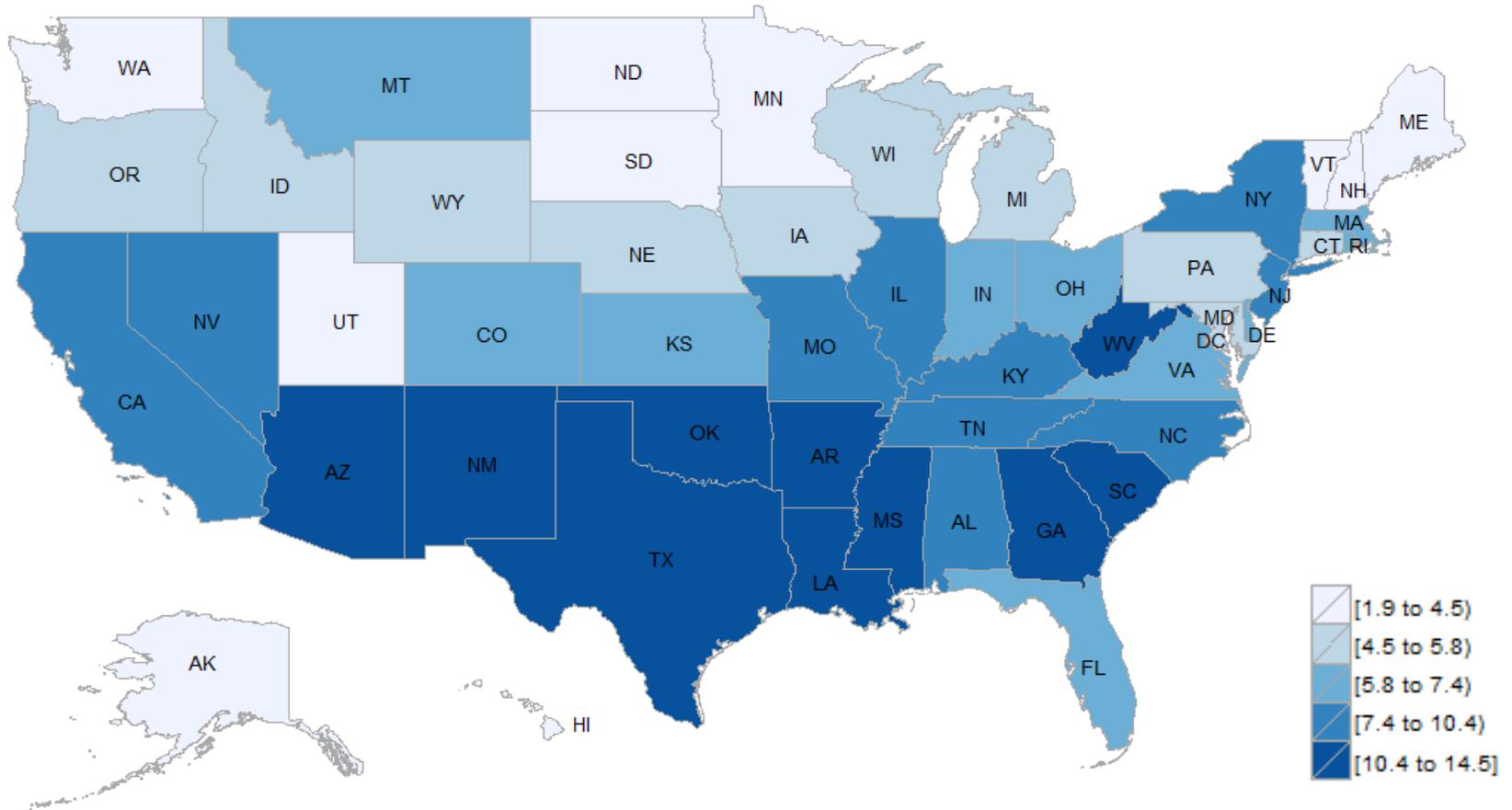


2013 Unbanked and Underbanked Rates

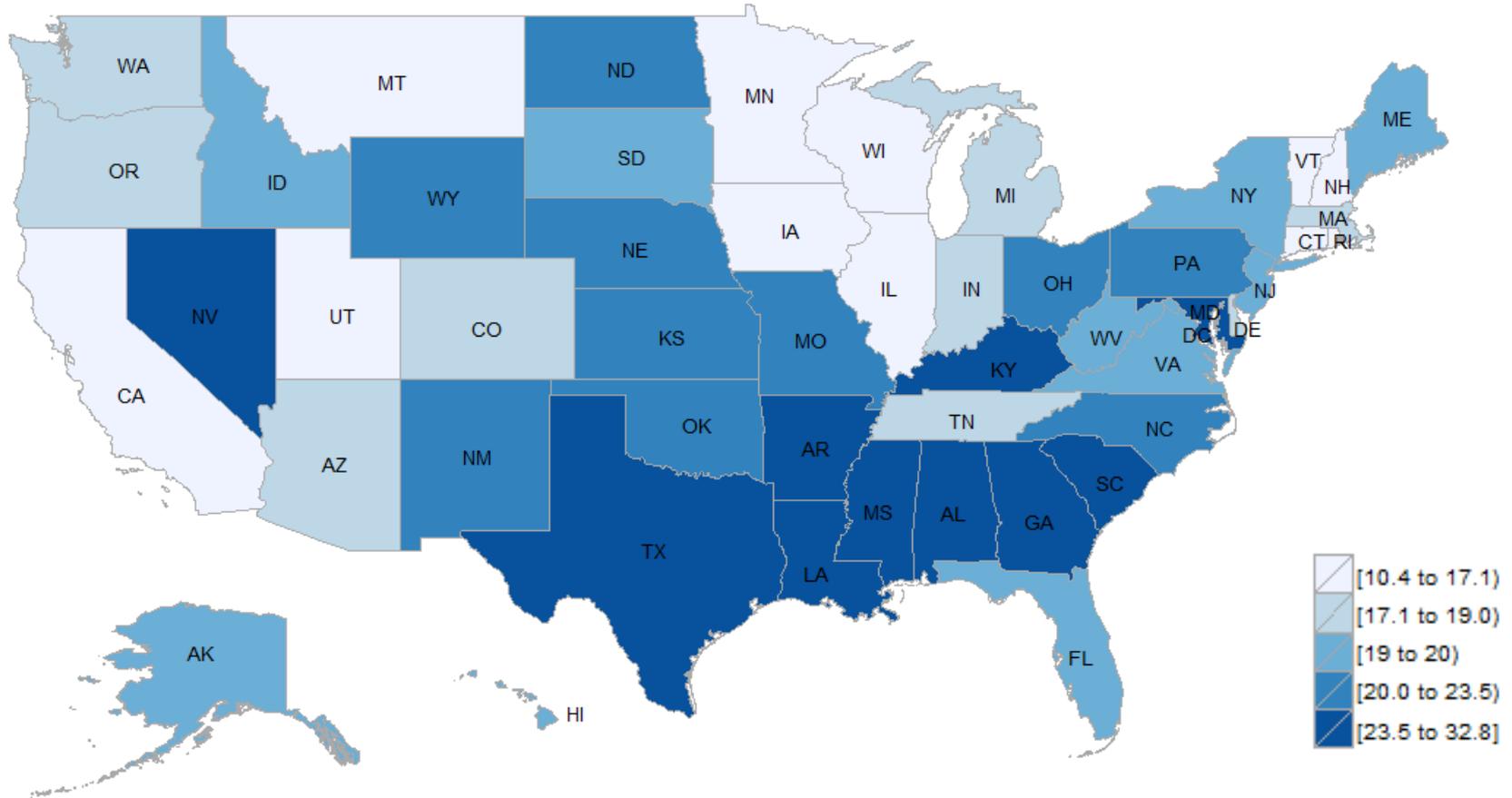
■ Unbanked ■ Underbanked ■ Fully Banked ■ Underbanked Status Unknown



2013 Unbanked Rates by State

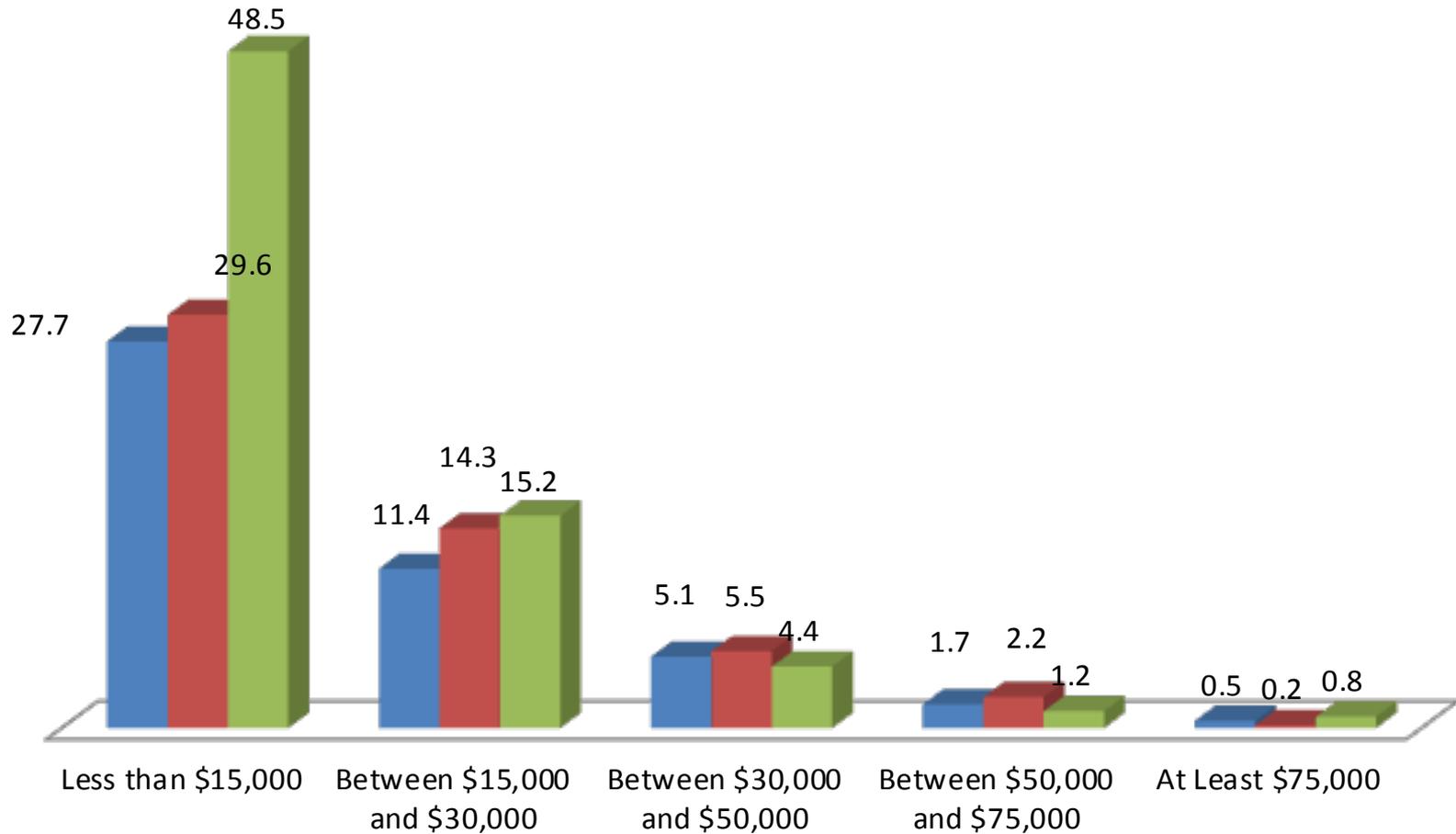


2013 Underbanked Rates by State



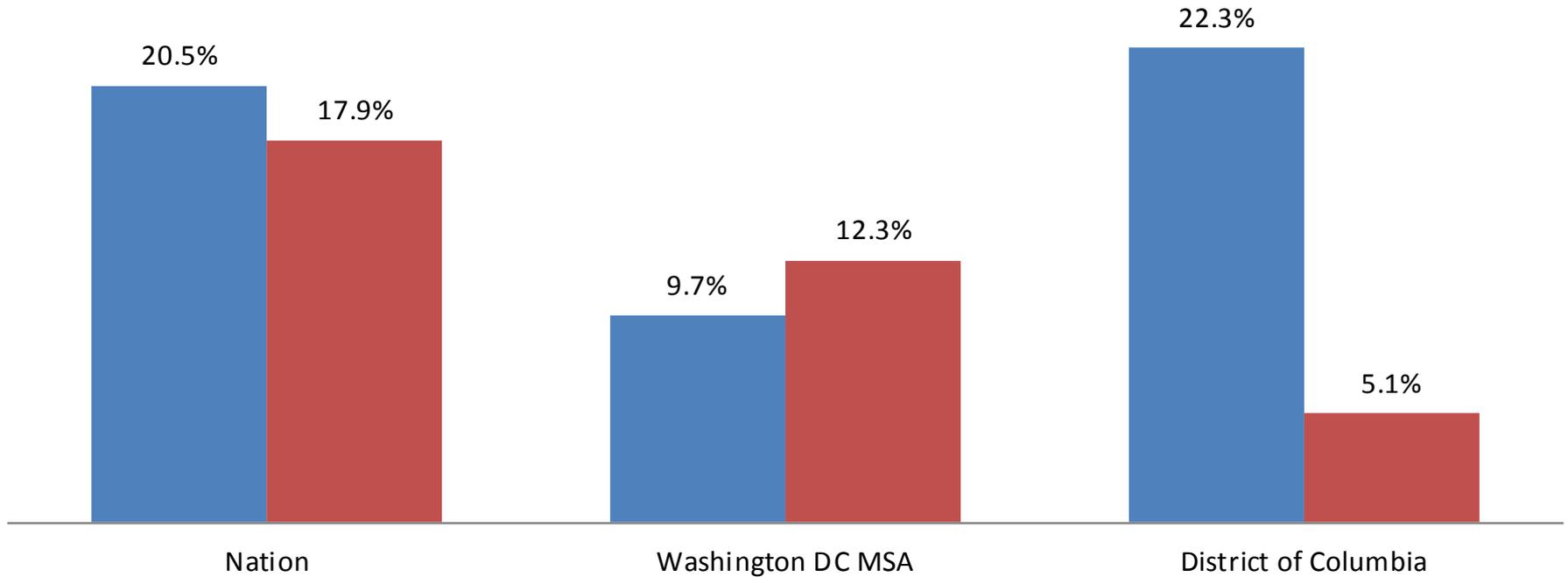
2013 Unbanked Rates by Family Income

■ National ■ Washington DC MSA ■ District of Columbia



2013 Unbanked by Race

■ Black ■ Hispanic



Note: Not enough observations to provide estimates for other minority races.

Select Demographic Groups National Level

Select Demographic Groups	Unbanked	Underbanked	Fully Banked
	2013 National Survey		
All households	7.7	20.0	67.0
Blacks	20.5	33.1	40.0
Hispanics	17.9	28.5	48.4
Foreign-born noncitizens	22.7	28.0	43.9
Unemployed householder	23.0	25.3	47.8
Income below \$15,000	27.7	22.4	45.2
Unmarried female family households	18.4	29.2	47.5
Householder ages 15-24 years	15.7	30.8	48.8
Disabled	18.4	28.1	49.0
Not Disabled	7.2	21.1	66.8

Select Demographic Groups

MSA Level

Select Demographic Groups	Unbanked	Underbanked	Fully Banked
	2013		
All households	4.3	19.8	69.4
Blacks	9.7	35.2	48.5
Hispanics	12.3	21.7	56.9
Foreign-born noncitizens	14.9	24.8	50.4
Unemployed householder	18.3	47.1	32.4
Income below \$15,000	29.6	22.8	40.6
Unmarried female family households	10.5	26.0	57.1
Householder ages 15-24 years	7.3	29.0	54.7
Disabled	20.0	33.8	41.9
Not Disabled	3.8	19.2	70.2

Select Demographic Groups District of Columbia

Select Demographic Groups	Unbanked	Underbanked	Fully Banked
	2013		
All households	11.8	24.8	58.0
Blacks	22.3	36.8	34.3
Hispanics	5.1	30.2	59.0
Foreign-born noncitizens	6.2	34.1	54.8
Unemployed householder	44.8	21.2	25.7
Income below \$15,000	48.5	19.1	30.8
Unmarried female family households	33.2	42.3	18.6
Householder ages 15-24 years	17.1	21.9	61.0
Disabled	42.4	23.6	25.4
Not Disabled	8.1	25.5	60.9

New Questions 2013

Internet Access	Smartphone
<i>Has access</i>	<i>Smartphone</i>
<i>Does not have access</i>	<i>Non-Smartphone</i>
<i>Unknown</i>	<i>No Mobile Phone</i>
Methods that Households access accounts	Unknown
<i>Bank Teller</i>	<i>Mobile Phone</i>
<i>ATM/Kiosk</i>	<i>Has mobile phone</i>
<i>Telephone Banking</i>	<i>Does not have mobile phone</i>
<i>Online Banking</i>	<i>Unknown</i>
<i>Mobile Banking</i>	
<i>Other</i>	
<i>Unknown</i>	

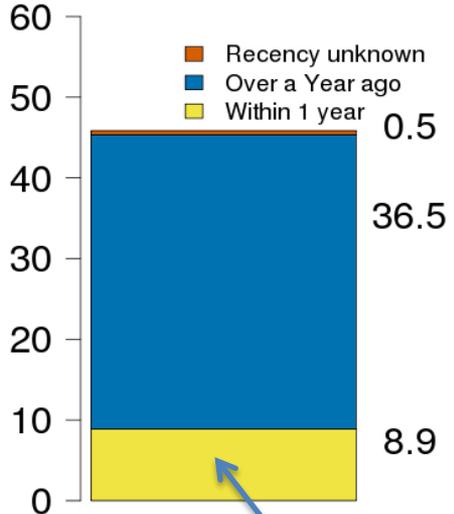
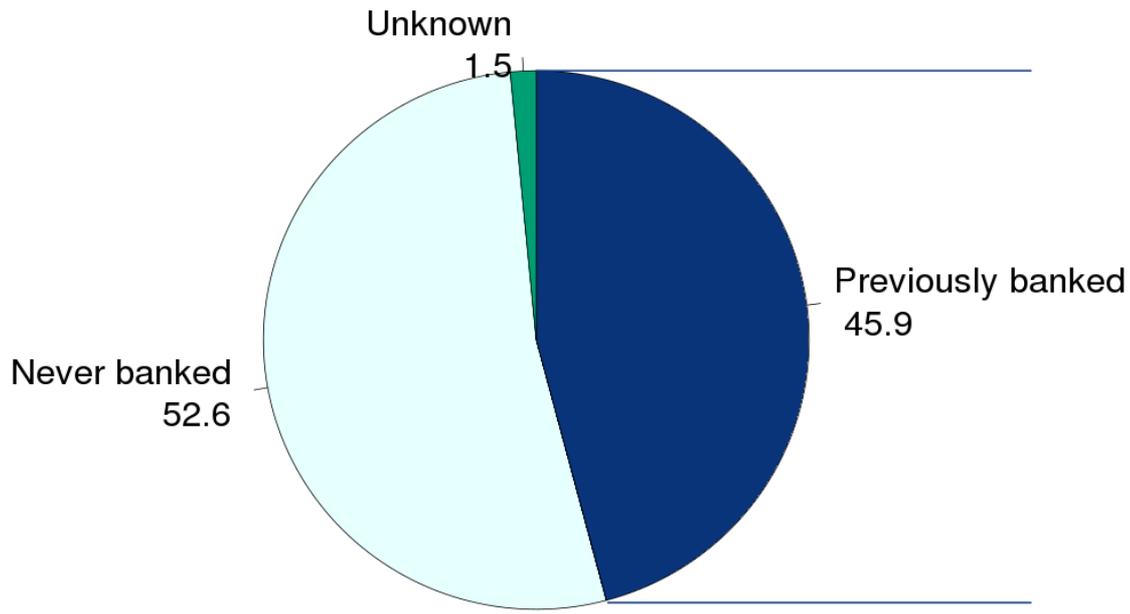
For more details about what is new, go to “B. What is new” p. 13 “2013 FDIC National Survey of Unbanked and Underbanked Households Report, Oct. 2014”
Retrievable at: <https://www.fdic.gov/householdsurvey/2013report.pdf>

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6. **Implications**

Unbanked Households: Previous Banking Status

Nation



"Recently Unbanked"

Household Banking Status Transitions

Nation

	All	Longer-term Unbanked	Recently Unbanked	Recently Banked	Longer-term Banked
Number of Households (1000s)	115,893	7,973	811	1,816	105,292
Percent of Households	100.0	6.9	0.7	1.6	90.9

Note: "Recently Unbanked" indicates that the household became unbanked within the last year, while "Recently Banked" indicates that the household became banked within the past year. Excludes households with missing information on recent bank status or incidence of life events.

- The 2013 survey includes a new question about recent entrances into the banking system, allowing us to categorize households by banking status over the past year
- A non-trivial number of households either entered or exited the mainstream banking system in the past year

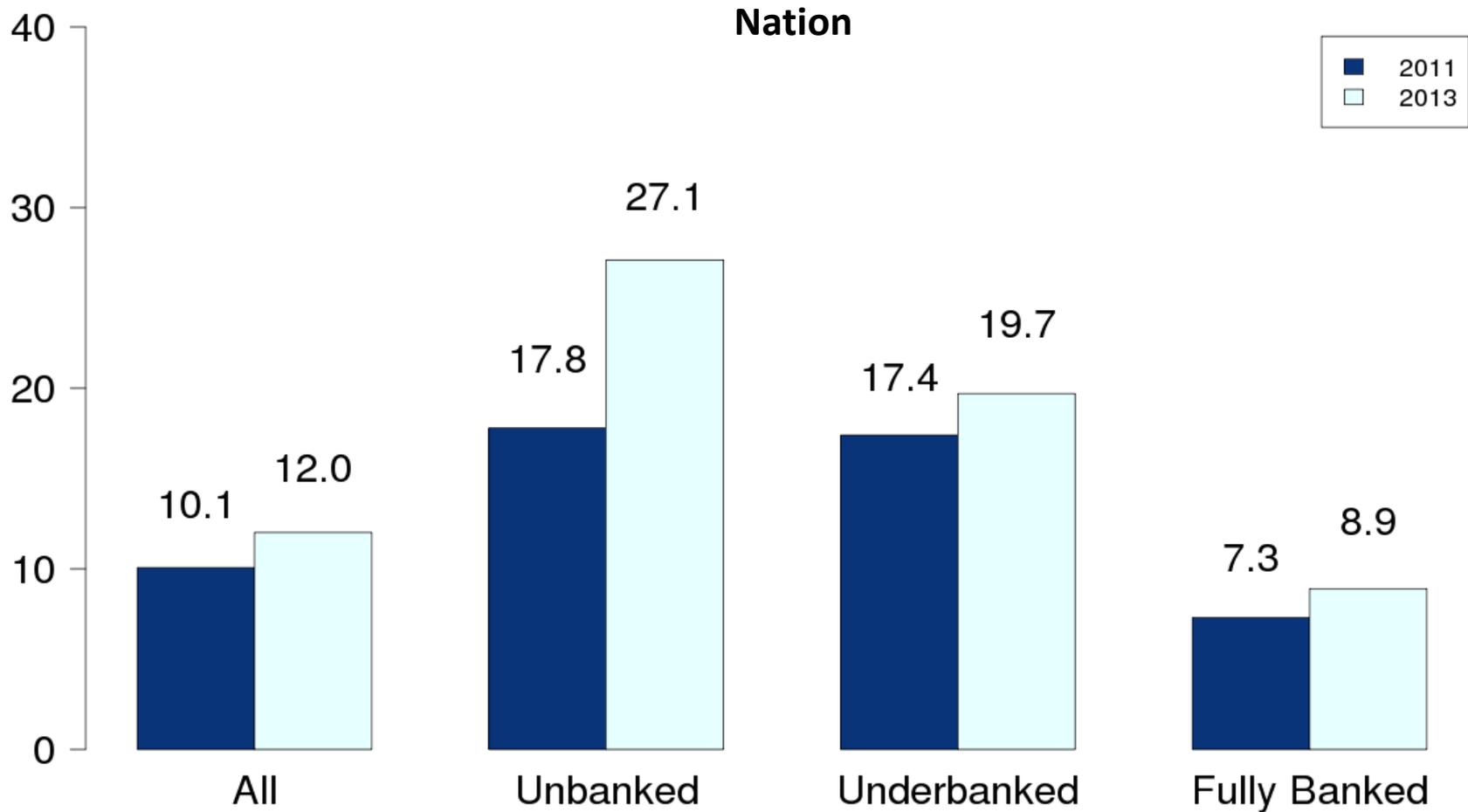
Changes in Banking Status and Incidence of Selected Life Events

- Most households that experienced a major financial life event did not change banking status
- But among households that did change banking status, financial life events were commonly cited as a contributing factor
 - Among households that recently became unbanked, 34 percent experienced either a significant income loss or a job loss that they said contributed to the account closing
 - Among households that recently became banked, 19 percent reported that the new job contributed to their account opening
 - Many were becoming banked due to a direct deposit (reasons for becoming banked)

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Households that Had Ever Used Prepaid Cards by Banking Status and Year



Use of Prepaid Cards and Alternative Financial Services (AFS) and Bank Accounts

- 76 percent of Unbanked Prepaid Card Users have also used transaction AFS in the last 12 months.
- One third of Unbanked Prepaid Card Users have also used credit AFS in the last 12 months.
- More than two thirds (68%) of Unbanked Prepaid Card Users had a bank account in the past.
- Almost half (47%) of Unbanked Prepaid Card Users report that they are very likely or somewhat likely to open a bank account in the future.

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Household Use of Alternative Financial Services

Products or Services Obtained from Non-Bank Alternative Financial Services Providers

Money Orders
Check Cashing
Remittances

Transaction AFS

Payday Loans
Pawn Shop
Rent-To-Own

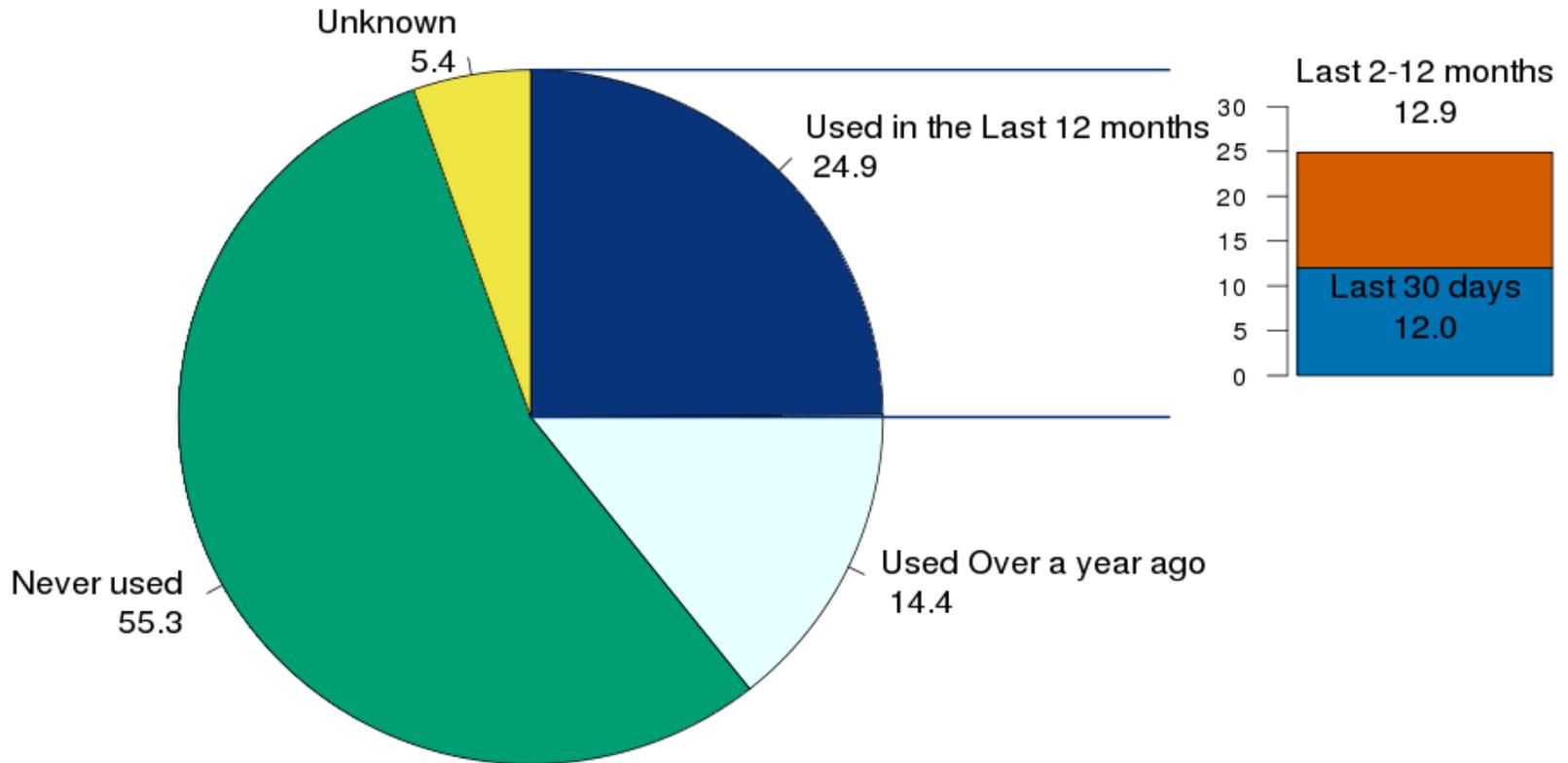
AFS Credit

Refund Anticipation Loans
[Auto Title Loans](#)

Household Use of Alternative Financial Services

Recency of Household AFS Use, 2013

Nation



Use of Alternative Financial Services within selected demographics

Alternative Financial Services (AFS) Use, Selected Categories, Nation

Select Demographic Groups	Has Used	Has not Used	Unknown	Has Used	Has not Used	Unknown
	AFS Transaction Use, Last 12 months			AFS Credit Use, Last 12 months		
All households	21.9	72.9	5.2	7.0	87.2	5.8
Blacks	41.9	50.7	7.4	13.6	77.9	8.5
Hispanics	36.8	57.5	5.7	9.4	84.2	6.4
Unemployed householder	35.6	60.4	4	16.0	78.8	5.2
Income below \$15,000	35.4	58.9	5.7	11.4	82.0	6.6
15 to 24 years	37.2	58.1	4.7	12.5	82.5	4.9
25 to 34 years	29.5	65.7	4.8	10.7	84.0	5.3

Use of Alternative Financial Services within selected demographics

District of Columbia

Alternative Financial Services (AFS) Use, Selected Categories, State Level

Select Demographic Groups	Has Used	Has not Used	Unknown	Has Used	Has not Used	Unknown
	AFS Transaction Use, Last 12 months			AFS Credit Use, Last 12 months		
All households	28.4	65.1	6.5	3.8	88.7	7.4
Blacks	44.6	46	9.4	5.9	82.4	11.6
Hispanics	33.8	62.2	4	2.6	93.8	3.6
Unemployed householder	37.1	45.1	17.9	11.0	79.4	9.6
Income below \$15,000	43	49.2	7.8	3.5	88.2	8.4
15 to 24 years	22.6	75.5	1.9	13.8	84.3	1.9
25 to 34 years	24.6	69.9	5.5	1.8	91.1	7.0

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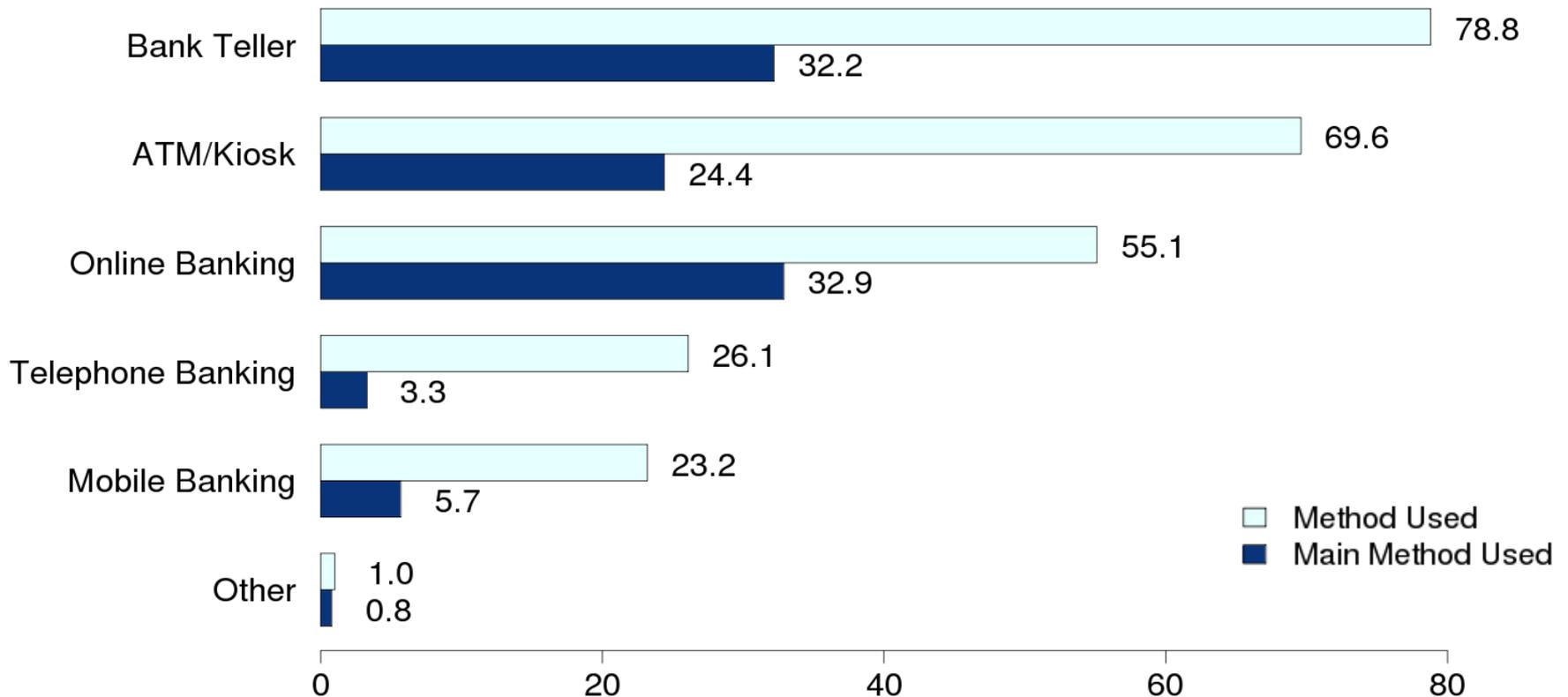
Methods Used To Access Bank Account In Last 12 Months

- Methods
 - Bank Teller
 - ATM/Kiosk
 - Online Banking
 - Telephone Banking
 - Mobile Banking
- All methods used
- Primary (most commonly used) method

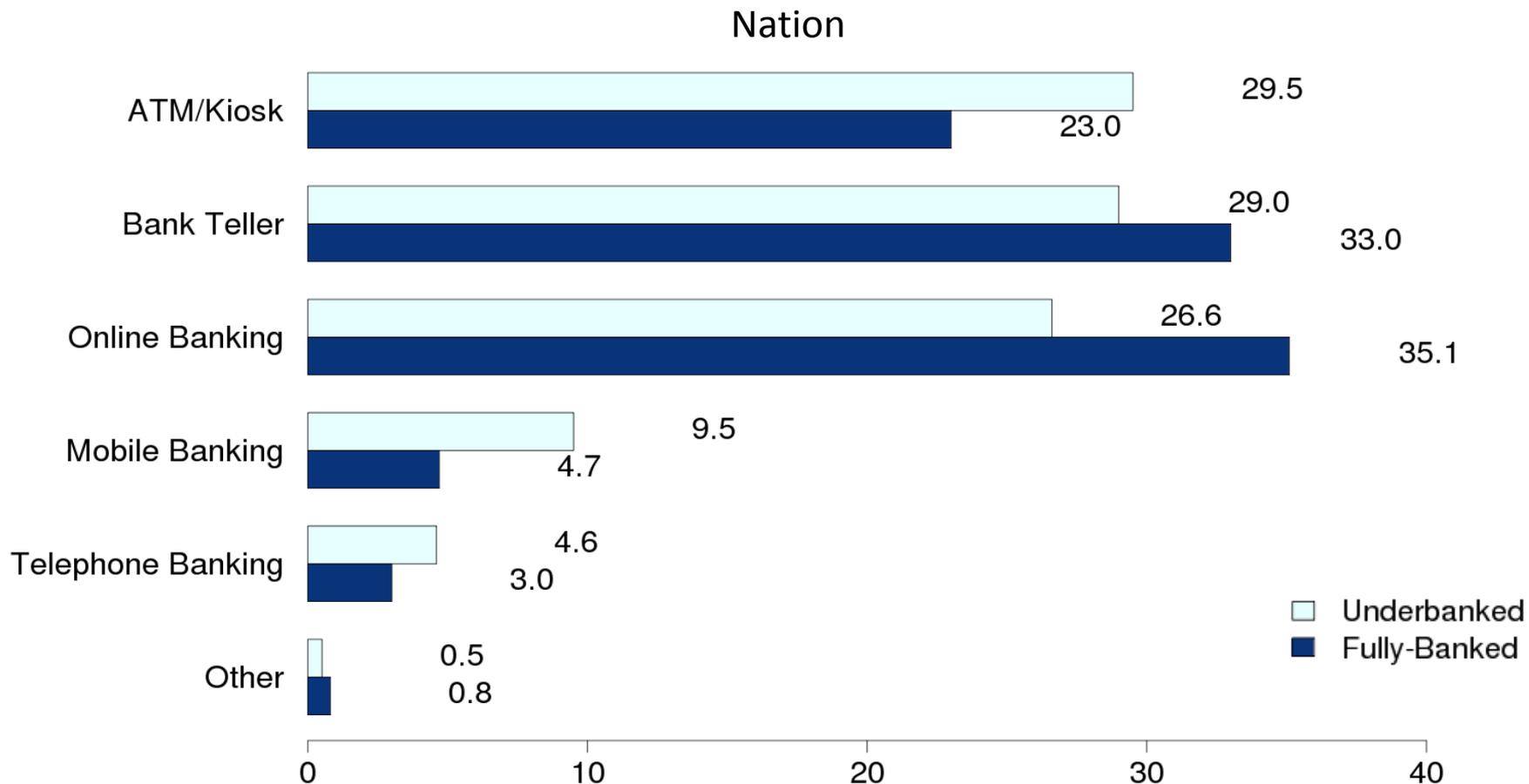
Banking Methods

Nation

- Most banked households used multiple methods to access their bank accounts
 - 71.1 percent used 2 or more methods
 - 47.9 percent used 3 or more methods

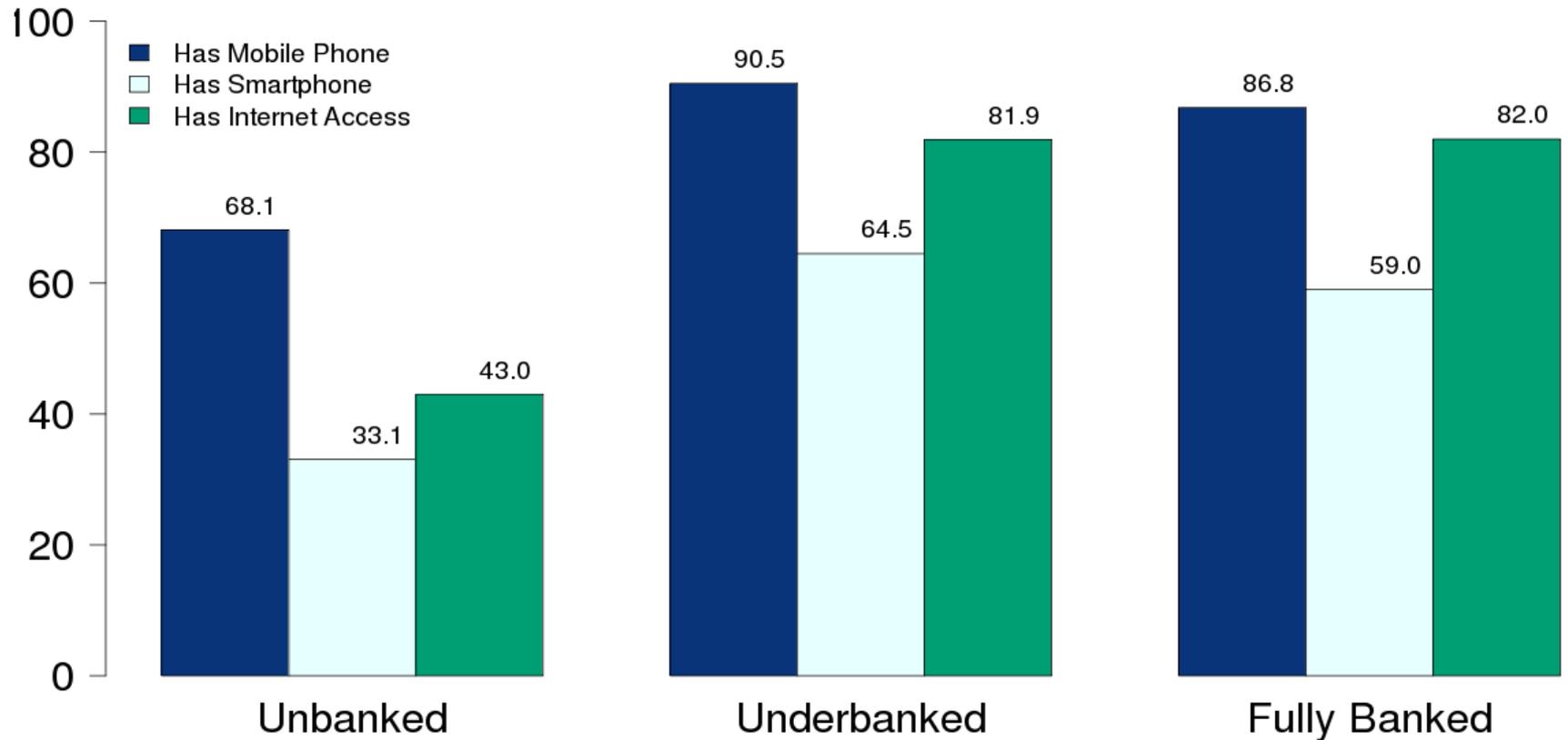


Primary Method Used To Access Bank Account by Banking Status



Access to Mobile Phones, Smartphones, And The Internet

Nation



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Implication# 1. Helping households maintain and renew banking relationships through economic transitions may reduce unbanked rates over time.

- Recently unbanked households:
 - 1 in 3 cited job or job or income loss as a contributing factor
- Market Opportunities
 - Product design and fee structures
 - Assistance during transitions and workforce development
 - Targeted outreach and education

Implication# 1. Helping households maintain and renew banking relationships through economic transitions may reduce unbanked rates over time.

- Recently banked households:
 - 1 in 5 cited a new job as a contributing factor
 - 1 in 3 opened account to use direct deposit
- Direct Deposit
 - Employer benefits – lower costs
 - Employee education
 - Banker-employer relationship and banker-employee relationship

Implication# 2. Opportunities may exist to meet unbanked – including prepaid card user’s -- needs within the banking system.

- Many unbanked households have a need and demand for financial services:
 - 4 of 5 unbanked prepaid card users use them to receive and make payments
- Value proposition of bank accounts
 - Safe Accounts

Safe Account Template

- ❖ Purpose: To help meet the needs of 25 percent of U.S. households that are either unbanked or underbanked and serve as an on-ramp to mainstream institutions.
- ❖ Development: Advisory Committee on Economic Inclusion
- ❖ Core features:
 - Insured deposits with consumer protections
 - Transparent charges
 - Reduced minimum to open: e.g. \$10-20
 - Low-costs with fees that are proportional to costs: e.g. Up to \$5 monthly fee or fee waiver with direct deposit/bill pay
 - Card-based electronic access
 - Other features: savings options, financial education

Recent Developments

- ❖ Institutions continue to implement accounts consistent with the Safe Account Template
- ❖ Card-based transaction accounts
 - Fees that are waived for customers who use direct deposit or automated bill pay
- ❖ Pre-paid cards that encourage banking relationships
 - Complete access to bank customer service
 - Free bank ATM and customer service access
- ❖ Details (including presentation video) at www.fdic.gov/about/comein/index.html

Implication# 3. Mobile banking has potential to expand economic inclusion but branches continue to be important.

- ❖ Economic Inclusion Potential of MSF
 - Underserved consumers value convenience
 - Anytime, anyplace, actionable account information of mobile technology
- ❖ Mobile technology is prevalent among the underbanked
- ❖ Opportunities to make mobile banking more accessible and relevant to underserved consumers:
 - Transaction speed
 - Real time information
- ❖ Branches are still important

Summary of Implications

- ❖ **Factors leading households to transition into or out of a banking relationship:** Major causes to join include direct deposit and job gain.
- ❖ **Methods used to access insured depository institutions** (teller, online, mobile) are diverse.
- ❖ **Opportunities to use technology to promote economic inclusion:** Access to internet, mobile phone, smartphone are highest among underbanked.
- ❖ **Opportunities to serve unbanked populations:** 15-24 and 25-34/Millennials have the highest percentages of unbanked and so do disabled households.
- ❖ **Other factors to consider:** Communities that are disproportionately unbanked and underbanked may benefit from multiple trusted pathways to being banked.

For a detailed presentation about the conclusions of the 2013 Survey, go to the FDIC Website and view the pre-recorded presentation of the comE-IN Meeting (Oct. 2014)

ECONOMICINCLUSION.GOV **FDIC**

WHAT IS ECONOMIC INCLUSION? SURVEYS & DATA INITIATIVES RESOURCES NEWS AND UPDATES

2013 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 2013 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. This is the third installment of the report.

EXPLORE 2013 SURVEY →

SELECT GEOGRAPHY: NATION REGION STATE MSA

VIEW MSA DATA
Please Select One
VIEW >

COMPARE AREAS
COMPARE DIFFERENT AREAS >

CREATE CUSTOM DATA TABLES
Explore the full data set for the FDIC National Survey of Unbanked and Underbanked Households. Create custom tables based on year, geography, topic and other variable filters.
CREATE CUSTOM DATA TABLE →

2013 SURVEY RESULTS
In 2013, the FDIC conducted the third biennial survey of unbanked and underbanked household and the efforts of banks to serve these populations. See the full findings here.
2013 Executive Summary - PDF (PDF Help)
2013 Full Report - PDF (PDF Help)

RELATED RESEARCH
The FDIC released a white paper assessing the economic inclusion potential of mobile financial services.
READ THE WHITE PAPER →

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