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

EITC Forum South Carolina
May 21, 2015

By:
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FDIC Community Affairs Officer, Atlanta Region
Background

- Objectives and statutory mandate
- 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 underbanked 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
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. economicinclusion.gov
7. Implications
8. Safe Account Template
## Revised Underbanked Definition

<table>
<thead>
<tr>
<th>Non-bank AFS Product</th>
<th>Survey Year</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2013</td>
</tr>
<tr>
<td>Money Order</td>
<td>Used in the Last Year</td>
</tr>
<tr>
<td>Check Cashing</td>
<td></td>
</tr>
<tr>
<td>Payday Loan</td>
<td></td>
</tr>
<tr>
<td>Pawn Shop</td>
<td></td>
</tr>
<tr>
<td>Rent-to-Own</td>
<td></td>
</tr>
<tr>
<td>RALs</td>
<td></td>
</tr>
<tr>
<td>International Remittance</td>
<td></td>
</tr>
<tr>
<td>Auto Title Loan</td>
<td></td>
</tr>
</tbody>
</table>

Not Included

Division of Depositor and Consumer Protection
Geographies Included

• National estimates
• The State of South Carolina

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

**Nation**
- Fully Banked: 67.0%
- Underbanked: 20.0%
- Unbanked: 7.7%
- Banked, Underbanked Status Unknown: 5.3%

**South Carolina**
- Fully Banked: 62%
- Underbanked: 26%
- Unbanked: 10%
- Banked, Underbanked Status Unknown: 2%

**Note**: Not enough observations to provide estimates at the MSA and County Level in South Carolina
Unbanked Rate by Year

2009  2011  2013

National
7.6  8.2  7.7

South Carolina
10.3  9.3  10.5
2013 Unbanked Rates by State
2013 Underbanked Rates by State
2013 Unbanked Rates by Family Income

- Less than $15,000: National 27.7%, South Carolina 26.7%
- Between $15,000 and $30,000: National 11.4%, South Carolina 15.9%
- Between $30,000 and $50,000: National 5.1%, South Carolina 3.3%

Note: Not enough observations to provide estimates for income bracket between $50K and $75K in South Carolina
## Select Demographic Groups

<table>
<thead>
<tr>
<th>Select Demographic Groups</th>
<th>Unbanked</th>
<th>Underbanked</th>
<th>Fully Banked</th>
<th>Unbanked</th>
<th>Underbanked</th>
<th>Fully Banked</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2011 National Survey</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>All households</td>
<td>8.2</td>
<td>20.1</td>
<td>68.3</td>
<td>7.7</td>
<td>20.0</td>
<td>67.0</td>
</tr>
<tr>
<td>Blacks</td>
<td>21.4</td>
<td>33.9</td>
<td>41.6</td>
<td>20.5</td>
<td>33.1</td>
<td>40.0</td>
</tr>
<tr>
<td>Hispanics</td>
<td>20.1</td>
<td>28.6</td>
<td>48.7</td>
<td>17.9</td>
<td>28.5</td>
<td>48.4</td>
</tr>
<tr>
<td>Foreign-born noncitizens</td>
<td>22.2</td>
<td>28.9</td>
<td>45.8</td>
<td>22.7</td>
<td>28.0</td>
<td>43.9</td>
</tr>
<tr>
<td>Unemployed household</td>
<td>22.5</td>
<td>28.0</td>
<td>47.5</td>
<td>23.0</td>
<td>25.3</td>
<td>47.8</td>
</tr>
<tr>
<td>Income below $15,000</td>
<td>28.2</td>
<td>21.6</td>
<td>47.6</td>
<td>27.7</td>
<td>22.4</td>
<td>45.2</td>
</tr>
<tr>
<td>Unmarried female family households</td>
<td>19.1</td>
<td>29.5</td>
<td>48.4</td>
<td>18.4</td>
<td>29.2</td>
<td>47.5</td>
</tr>
<tr>
<td>Householder ages 15-24 years</td>
<td>17.4</td>
<td>31.0</td>
<td>49.7</td>
<td>15.7</td>
<td>30.8</td>
<td>48.8</td>
</tr>
<tr>
<td></td>
<td>2013 National Survey</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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Division of Depositor and Consumer Protection
## New Questions 2013

<table>
<thead>
<tr>
<th>Internet Access</th>
<th>Smartphone</th>
</tr>
</thead>
<tbody>
<tr>
<td>Has access</td>
<td>Smartphone</td>
</tr>
<tr>
<td>Does not have access</td>
<td>Non-Smartphone</td>
</tr>
<tr>
<td>Unknown</td>
<td>No Mobile Phone</td>
</tr>
</tbody>
</table>

**Methods that Households access accounts**

<table>
<thead>
<tr>
<th>Method</th>
<th>Access Type</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bank Teller</td>
<td>Mobile Phone</td>
</tr>
<tr>
<td>ATM/Kiosk</td>
<td>Has mobile phone</td>
</tr>
<tr>
<td>Telephone Banking</td>
<td>Does not have mobile phone</td>
</tr>
<tr>
<td>Online Banking</td>
<td>Unknown</td>
</tr>
<tr>
<td>Mobile Banking</td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td></td>
</tr>
<tr>
<td>Unknown</td>
<td></td>
</tr>
</tbody>
</table>

Agenda

1. Unbanked and Underbanked Estimates
2. Household Banking Status Transitions
3. Checking and Savings Account Ownership
4. Prepaid Cards
5. Non-bank Alternative Financial Services Use
6. Technology and Banking Methods
7. economicinclusion.gov
8. Implications
Unbanked Households: Previous Banking Status

Nation

- Never banked: 52.6%
- Previously banked: 45.9%
- Unknown: 1.5%

"Recently Unbanked"
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.

### Household Banking Status Transitions

<table>
<thead>
<tr>
<th></th>
<th>All</th>
<th>Longer-term Unbanked</th>
<th>Recently Unbanked</th>
<th>Recently Banked</th>
<th>Longer-term Banked</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of Households (1000s)</td>
<td>115,893</td>
<td>7,973</td>
<td>811</td>
<td>1,816</td>
<td>105,292</td>
</tr>
<tr>
<td>Percent of Households</td>
<td>100.0</td>
<td>6.9</td>
<td>0.7</td>
<td>1.6</td>
<td>90.9</td>
</tr>
</tbody>
</table>

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.
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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Prepaid Debit Cards

- General-purpose prepaid debit cards can be used to withdraw cash at ATMs, deposit checks, and receive direct deposits. Users can keep adding money onto the cards and use them to make purchases and pay bills anywhere credit cards are accepted.
- They are not linked to a checking or savings account and may have logos such as MasterCard, VISA, Discover, or American Express.
- They do not include phone cards, gift cards for a particular store or service, or cards that you cannot add more funds onto.
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Households that Had Ever Used Prepaid Cards by Banking Status and Year

<table>
<thead>
<tr>
<th>Category</th>
<th>2011</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>All</td>
<td>10.1</td>
<td>12.0</td>
</tr>
<tr>
<td>Unbanked</td>
<td>17.8</td>
<td>27.1</td>
</tr>
<tr>
<td>Underbanked</td>
<td>17.4</td>
<td>19.7</td>
</tr>
<tr>
<td>Fully Banked</td>
<td>7.3</td>
<td>8.9</td>
</tr>
</tbody>
</table>
Unbanked Prepaid Card Users – Bank Account Usage

• 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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Use of Prepaid Cards and Alternative Financial Services (AFS)

• 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.
Household Use of Alternative Financial Services

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

Money Orders
Check Cashing
Remittances

Payday Loans
Pawn Shop
Rent-To-Own

Refund Anticipation Loans
Auto Title Loans

Transaction AFS

AFS Credit
Household Use of Alternative Financial Services

Recency of Household AFS Use, 2013

- Last 2-12 months: 12.9
- Last 30 days: 12.0
- Used Over a year ago: 14.4
- Never used: 55.3
- Unknown: 5.4

Nation
2013 Alternative Financial Services Use in the last 12 months

- Nation
  - Has Used: 24.9%
  - Has Not Used: 69.3%
  - Unknown: 5.8%

- South Carolina
  - Has Used: 32.3%
  - Has Not Used: 64.9%
  - Unknown: 2.8%
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8. Implications
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
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

**Banking Methods**

**Nation**

- **Bank Teller**: 78.8% (Method Used: 32.2%)
- **ATM/Kiosk**: 69.6% (Method Used: 24.4%)
- **Online Banking**: 55.1% (Method Used: 32.9%)
- **Telephone Banking**: 26.1% (Method Used: 3.3%)
- **Mobile Banking**: 23.2% (Method Used: 5.7%)
- **Other**: 1.0% (Method Used: 0.8%)
Primary Method Used To Access Bank Account by Banking Status

<table>
<thead>
<tr>
<th>Method</th>
<th>Nation</th>
<th>Underbanked</th>
<th>Fully-Banked</th>
</tr>
</thead>
<tbody>
<tr>
<td>ATM/Kiosk</td>
<td>23.0</td>
<td>29.5</td>
<td></td>
</tr>
<tr>
<td>Bank Teller</td>
<td>29.0</td>
<td>33.0</td>
<td></td>
</tr>
<tr>
<td>Online Banking</td>
<td>26.6</td>
<td>35.1</td>
<td></td>
</tr>
<tr>
<td>Mobile Banking</td>
<td>4.7</td>
<td>9.5</td>
<td></td>
</tr>
<tr>
<td>Telephone Banking</td>
<td>4.6</td>
<td>3.0</td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td>0.5</td>
<td>0.8</td>
<td></td>
</tr>
</tbody>
</table>
Access to Mobile Phones, Smartphones, And The Internet

Nation

- Has Mobile Phone
- Has Smartphone
- Has Internet Access

Unbanked
- Has Mobile Phone: 68.1%
- Has Smartphone: 33.1%
- Has Internet Access: 43.0%

Underbanked
- Has Mobile Phone: 90.5%
- Has Smartphone: 64.5%
- Has Internet Access: 81.9%

Fully Banked
- Has Mobile Phone: 86.8%
- Has Smartphone: 59.0%
- Has Internet Access: 82.0%
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www.economicinclusion.gov

- Tools
  - Custom Data Tool
  - Compare Tool

- Data Page
  - Datasets (yearly and multiyear)
  - Data Documentation

- Subscribe to FDIC Update
Custom Data Table Tool

To assess the inclusiveness of the banking systems, and in partial fulfilment 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.

You can use this tool to explore the data from all National Household surveys conducted.

1. Select Geography

- State:
- California

2. Select Year

- 2013

3. Select Analysis Variable

- See frequently used variables
- See all variables

- First Select Topic: Unbanked and Underbanked
- Then Select Variable: Future Banking Plans

To generate a table with your selected variable by Demographics, press the Get Table button below.
You can customize the row variables and filter the data further after the table has been generated.
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**Implications**

2013 survey and data availability help identify:

- Factors leading households to transition into or out of a banking relationship
- Methods used to access insured depository institutions (teller, online, mobile)
- Opportunities to use technology to promote economic inclusion (access to internet, mobile phone, smartphone)
- Opportunities to serve unbanked populations (15-24 and 25-34/Millenials have the highest percentages of unbanked)
- Data Set availability allows for custom analysis of select demographic groups in different geographies and times (2009, 2011 and 2013 surveys) up to MSA levels.

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)
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. $3-$5 monthly fee or fee waiver with direct deposit or bill pay
  ✓ Card-based electronic access
  ✓ Free: direct deposit, automatic saving, online access
  ✓ No insufficient funds or overdraft fees
Pilot Results: Transaction Accounts

• Account retention was in line with other transaction accounts. A large proportion of account holders – about 80% -- were retained over the year.
• Average opening balance among banks was $244, ranging from $200 to $400.
• Average monthly balance among banks was $243, ranging from $200 to $300.
• Costs were generally reported as the same or lower due to card-based features, measurement varied.
Recent Developments

- Institutions continue to implement accounts consistent with the Safe Account Template
- Card-based transaction accounts
- Two regional institutions
- Two very large national banks
- Pre-paid cards that encourage banking relationships
- Details (including presentation video) at [www.fdic.gov/about/comein/index.html](http://www.fdic.gov/about/comein/index.html)
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