



Emerging Payment Alternatives for the Unbanked and Underbanked

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Agenda

- ✓ Payments Landscape and the Fed's Role
- ✓ Who are the unbanked and underbanked and why?
- ✓ Prepaid cards as an alternative for low and moderate income consumers
- ✓ Emerging Mobile Payments
- ✓ Questions and Answers

Disclaimer

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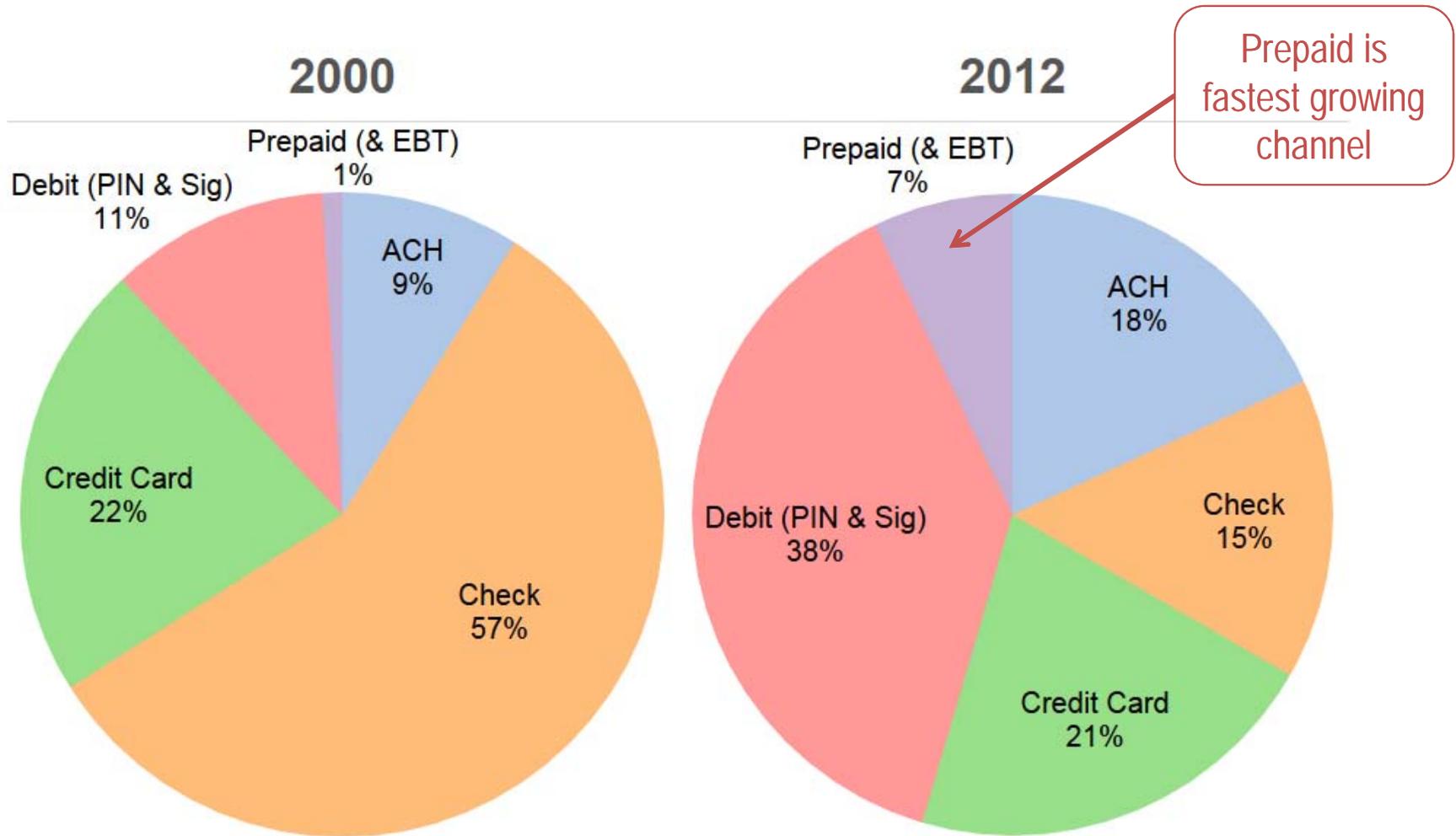
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Why is the FED at the table?



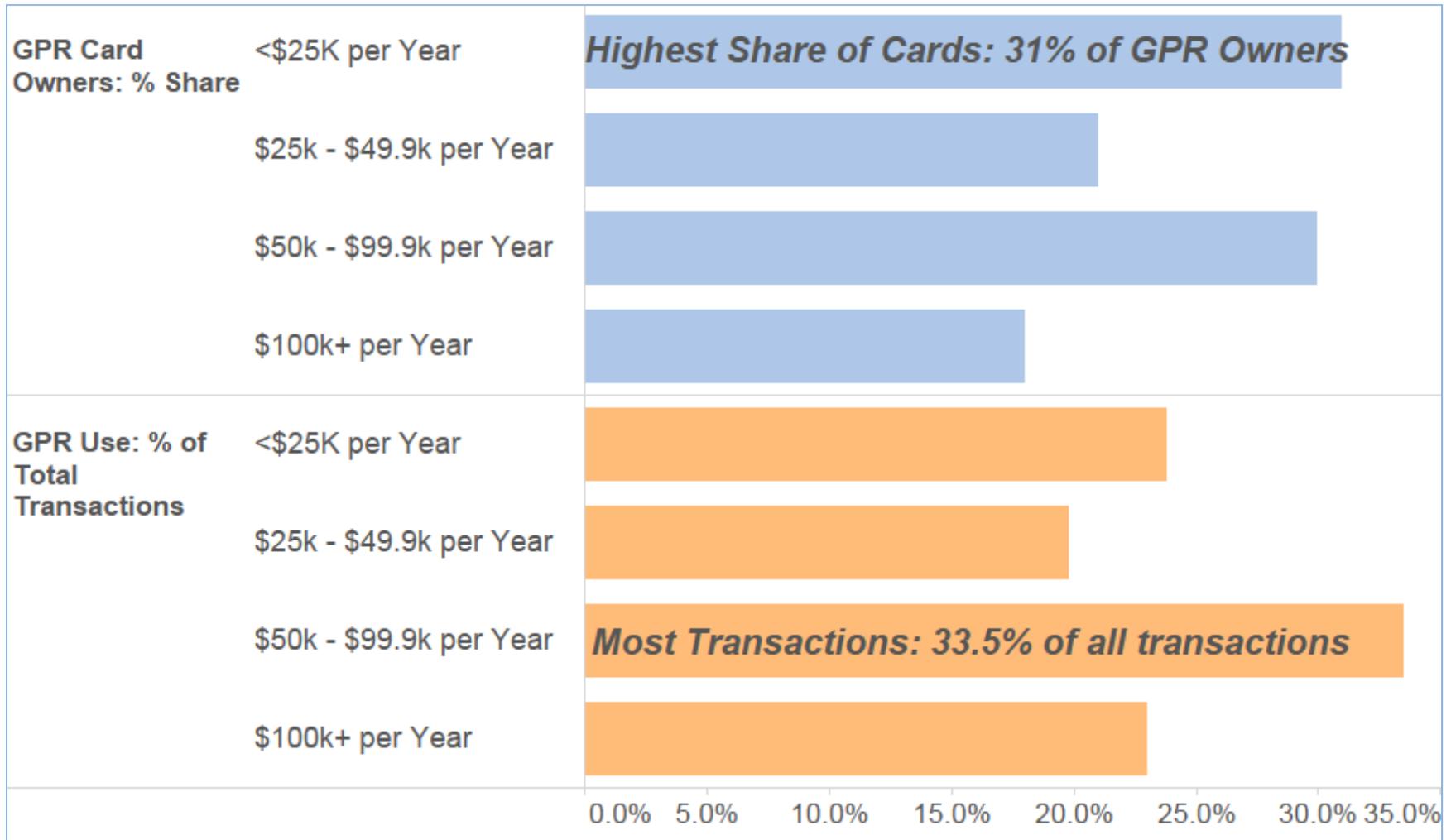
We're executing on the financial services mission to foster the **integrity, efficiency and accessibility** of the U.S. payment system.

Card Payments are 66% of Non Cash Payments



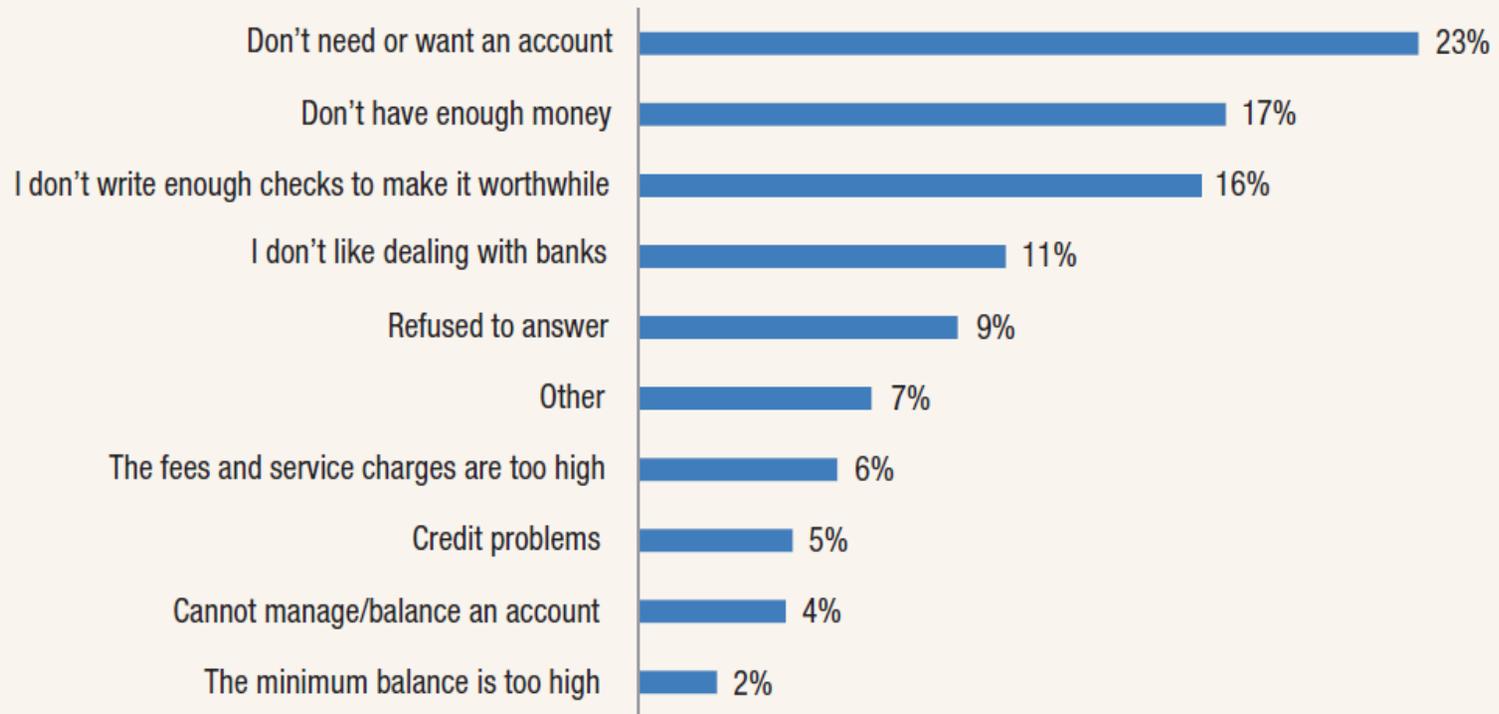
Source: 2000 and 2012 Federal Reserve Payments Studies

Distribution of General Purpose Reloadable (GPR) Cards and Transaction Share by Income Group



Why are Consumers Unbanked?

Figure A. Most important reason for not having a checking, savings, or money market account



Who are the Underbanked?

According to Javelin Strategy & Research:

- Are younger
- Are more likely to be Latino or Black than is common in the total population
- Have higher rates of unemployment
- Are more likely to live in cities (42% vs. 34% of all consumers)
- Have lower incomes
- Have a greater number of early adopters

Unbanked and Underbanked Use of Prepaid Cards

According to the FDIC:

- In the last 12 months:
 - 22.3 % of unbanked households used a prepaid card
 - 13.1 % of under banked
 - 5.3 % of fully banked households
- In 2013, more than a quarter (27.1 %) of unbanked households reported prepaid card use, up from 17.8% in 2011 and 12.2% in 2009.

CFPB Proposes New Rules for Prepaid Debit Cards to Facilitate Comparison Shopping

- Two “Know Before You Owe” disclosures:
 1. Brief features statement using standardized, plain-language format.
 2. In depth statement including potential fees.



- Regulation:
 - Improves consumers’ free access to account balance information
 - Requires issuers to post their account agreements online
 - Creates error-resolution procedures
 - Provides protections when cards are lost or used fraudulently
 - Strictly controls credit products linked to prepaid card accounts

2014 Consumer Reports: Prepaid Cards Used as a Bank Account Substitute

Evaluating on Value, Fee Accessibility & Clarity, Convenience and Safety

● Excellent ● Very Good ○ Good ◐ Fair ● Poor

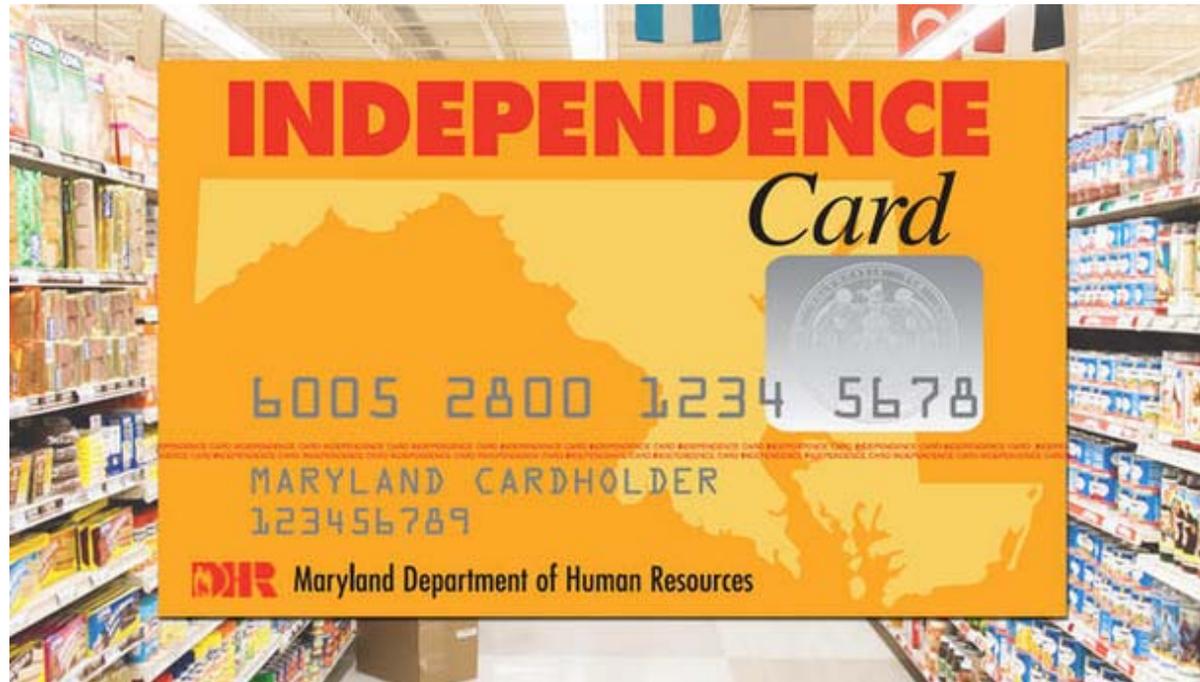
	PREPAID CARD	SCORE				
Rec.			Value	Fee Accessibility & Clarity	Convenience	Safety
✓	Bluebird (American Express and Walmart)	88	●	●	◐	●
✓	Chase Liquid (Visa)	86	○	●	◐	●
✓	American Express Serve	85	◐	●	◐	●
✓	Prepaid Visa RushCard, RushUnlimited Plan (issued by The Bancorp Bank)	83	◐	●	●	●
✓	Green Dot Prepaid Visa (issued by Green Dot Bank)	83	○	◐	●	●

Government Use of Prepaid Cards



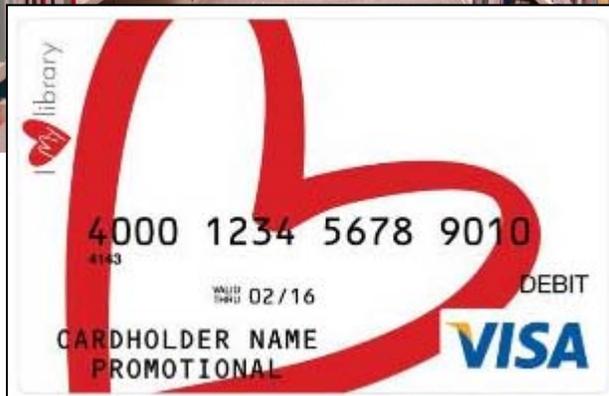
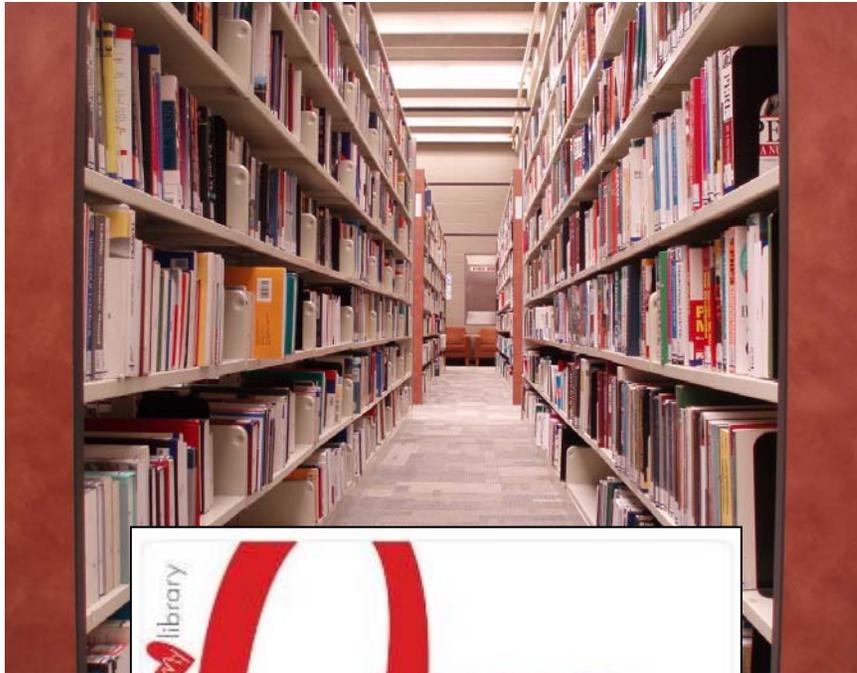
- Provided to Social Security and Supplemental Security income check recipients who have not signed up for direct deposit.

EBT Cards Issued by USDA to Over 23 Million Low Income Households (2013)



- Functions like prepaid debit cards
- Govt. mandate for EBT will continue to influence growth; WIC will use EBT in 2020

Frederick County Library Pilots New Library/Debit Cards



- Functions as a library card
- Can be activated as a prepaid debit card
- Transparent fee structure tied to library's financial literacy programming
- Provides fee revenues to the library

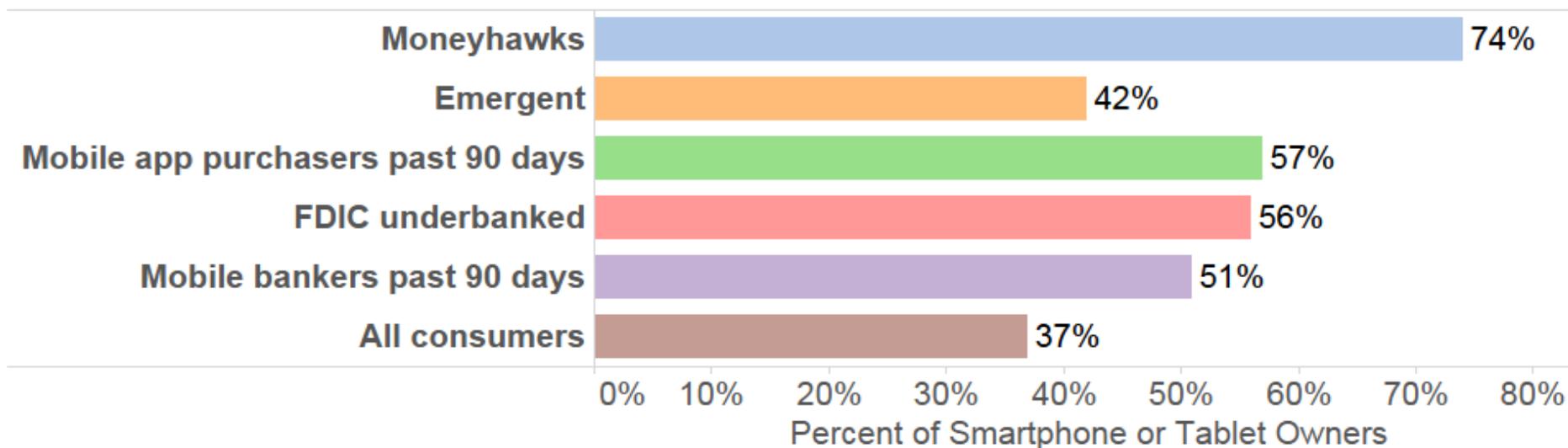
“I Love My Library” Prepaid Visa Debit Card

Underbanked Use of Mobile

According to FDIC,

- Underbanked are more likely to use mobile banking than the fully banked population
- Almost 2/3 of underbanked households with mobile phones are likely to have smartphones.

Likelihood of Using Mobile Contactless Payments (Next 12 Mos.) by Consumer Type



Source: "Mobile Wallets & Strategy: How the Game Changes with Apple Pay" ~Javelin Study & Research

PayNearMe (PNM): How it Works



Get a paycode from the Merchant payee (available online)

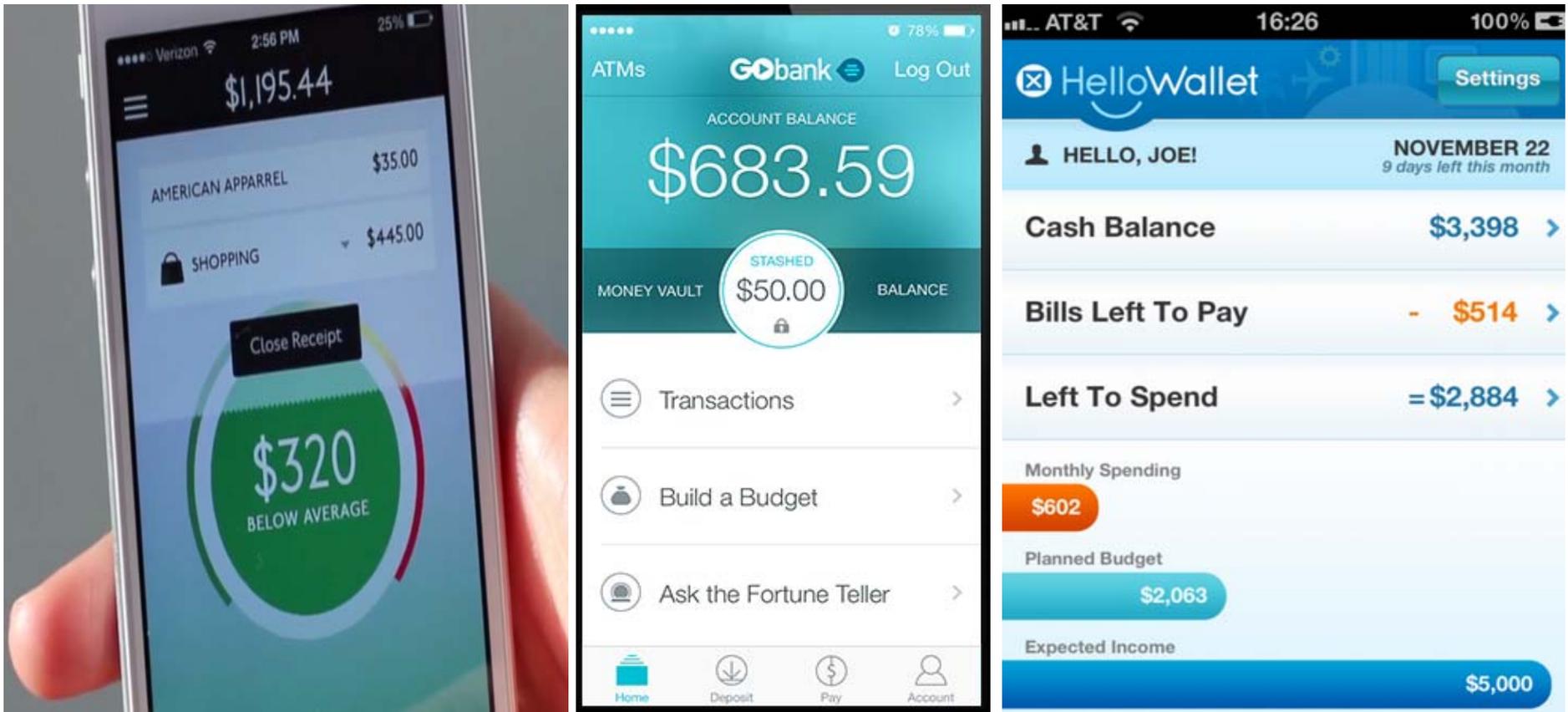


Present paycode & make cash payment at POS; receive receipt

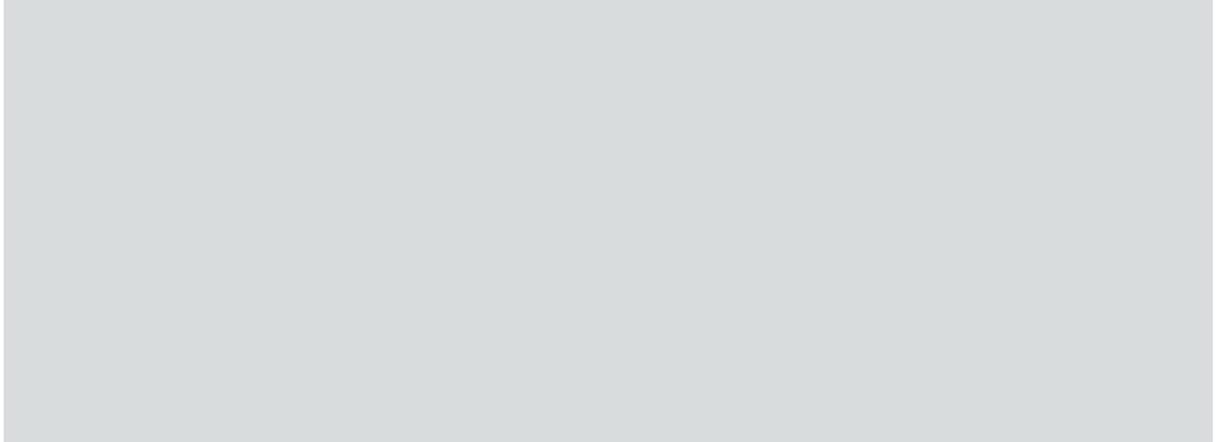


PNM transfers funds to payee via ACH

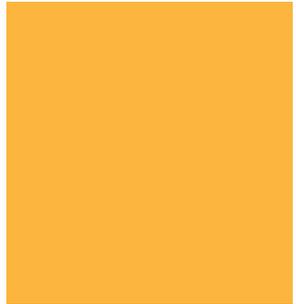
Alternative Payment Choices Include Budgeting Tools and Spending Advice



“Remember that time you won the lottery? I don’t either.” ~ GoBank’s Fortune Teller



Questions?



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