# Overview of the 2009, 2011 and 2013 FDIC National Survey of Unbanked and Underbanked Households

Including Results for **Massachusetts**

FDIC Community Affairs

Boston Area Office

The Boston Community Affairs staff acknowledges the members of the *Unbanked Study Team*: Susan Burhouse, Sarah Campbell, David Chapman, Keith Ernst, Ryan Goodstein, Leneta Gregorie, Yazmin Osaki, Luke Reynolds and Sherrie Rhine, and Eric Robbins. Ms. Osaki was especially helpful by providing the presentation template, additional data, and guidance.

# Geographies

This presentation reflects multiple geographies:

- The entire U.S.
- State of Massachusetts
- Two Metropolitan Statistical Areas* ("MSAs") –
  - Boston-Cambridge-Quincy ("Boston MSA")
  - Providence-Fall River-Warwick ("Fall River MSA")

MSA-level data should be considered in light of the limited sample size of certain data points. The Community Affairs staff recommends that the information provided below be reviewed in conjunction with the Survey Report and Appendix (see: https://www.economicinclusion.gov/)

* Metropolitan…statistical areas…are geographic entities defined by the U.S. Office of Management and Budget (OMB) for use by Federal statistical agencies in collecting, tabulating, and publishing Federal statistics…A metro area contains a core urban area of 50,000 or more population… Each metro… area consists of one or more counties and includes the counties containing the core urban area, as well as any adjacent counties that have a high degree of social and economic integration (as measured by commuting to work) with the urban core.

(source: http://www.census.gov/population/metro/)

# Background

- Objectives and statutory mandate
- FDIC Household Survey
  - Administered in June 2013 to nearly 41,000 households
  - Released November 2014
  - 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 released December 2012

# FDIC Household Survey Highlights

# Revised Underbanked Definition

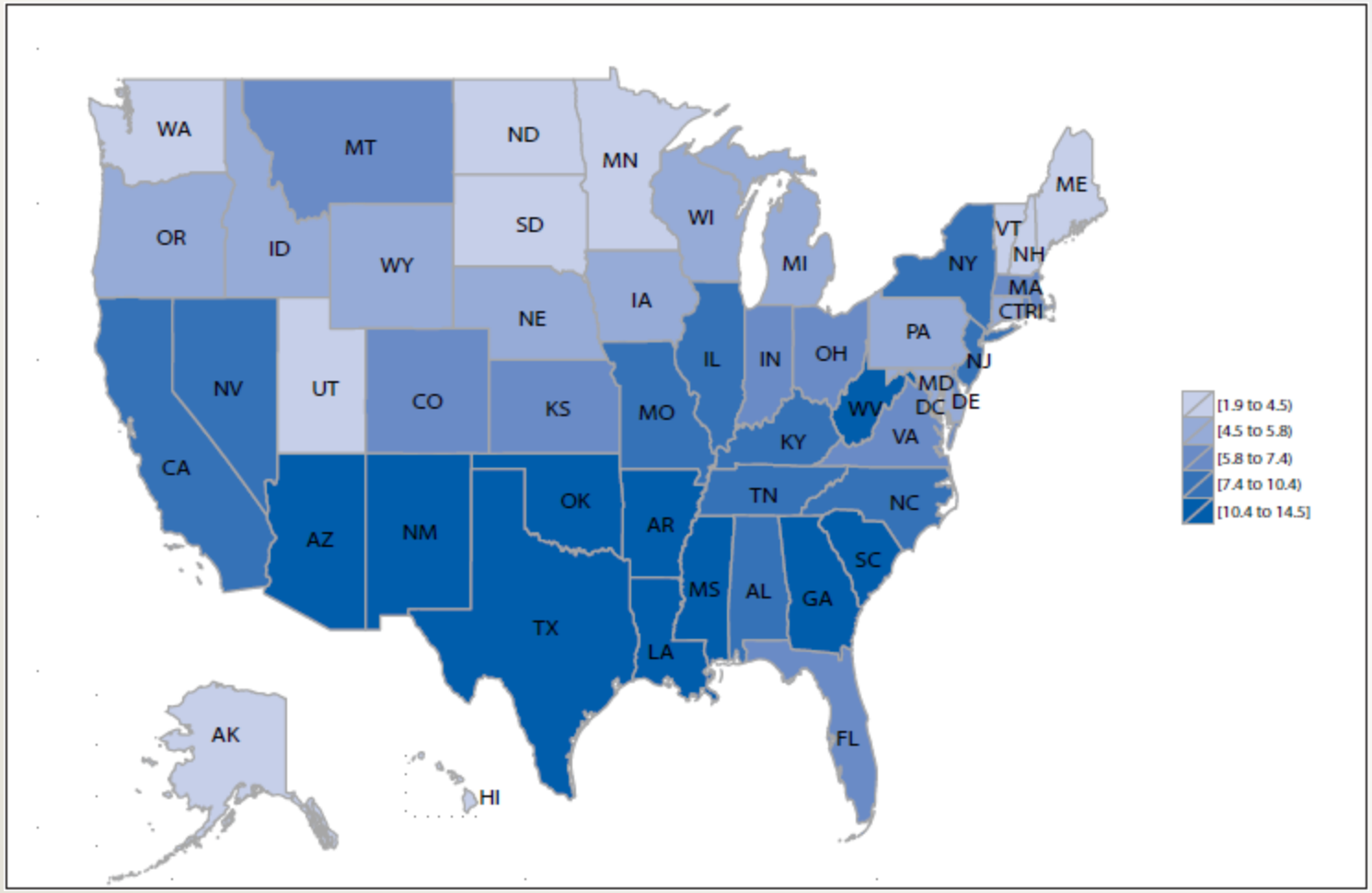
<table>
<tr><th rowspan="2">Non-bank<br>AFS Product</th><th colspan="3">Survey Year</th></tr>
<tr><th>2013</th><th>2011</th><th>2009</th></tr>
<tr><td>Money Order</td><td rowspan="7">Used in the Last Year</td><td rowspan="6">Used in the Last Year</td><td rowspan="4">Used at least once or twice a year</td></tr>
<tr><td>Check Cashing</td></tr>
<tr><td>Payday Loan</td></tr>
<tr><td>Pawn Shop</td></tr>
<tr><td>Rent-to-Own</td></tr>
<tr><td>RALs</td><td>Used in past 5 yrs</td></tr>
<tr><td>International Remittance</td><td rowspan="2">Not Included</td></tr>
<tr><td>Auto Title Loan</td><td>Not Included</td></tr>
</table>

# Unbanked and Underbanked Rates by Demographic Groups

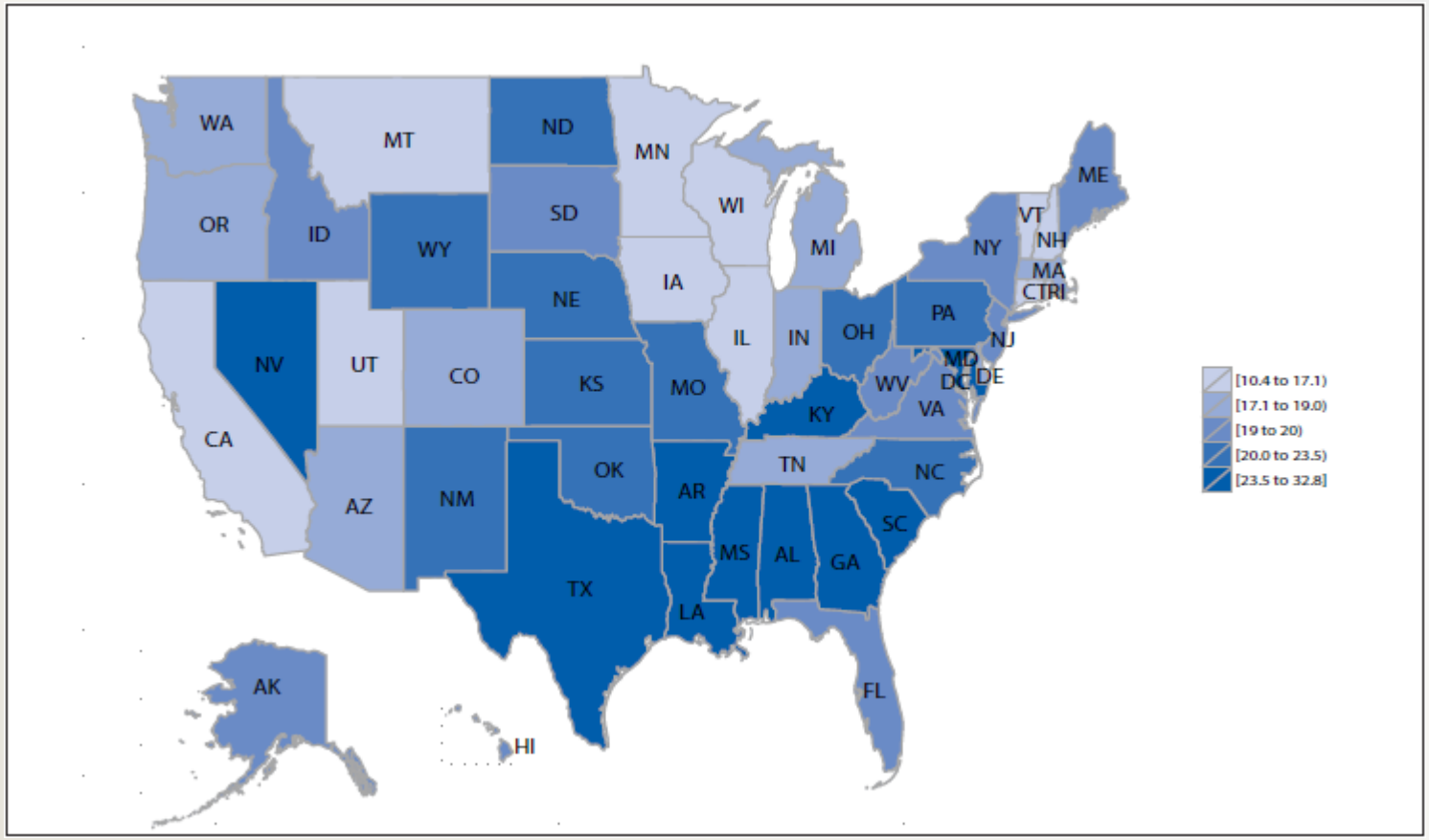
# Banking Status of Select Groups: U.S. & MA 2013

| Select Demographic Groups | Percent Unbanked | | Percent Underbanked | | Percent Fully Banked | |
|---|---|---|---|---|---|---|
| | US | MA | US | MA | US | MA |
| All households | 7.7 | 5.8 | 20.0 | 17.2 | 67.0 | 72.3 |
| Blacks | 20.5 | 29.3 | 33.1 | 42.9 | 40.0 | 27.8 |
| Hispanics | 17.9 | 28.6 | 28.5 | 37.4 | 48.4 | 29.4 |
| Asian | 2.2 | 2.3 | 17.9 | 13.2 | 73.4 | 77.2 |
| American Indian/Alaskan | 16.9 | - | 25.5 | - | 53.0 | - |
| Hawaiian/Pacific Islander | 6.1 | - | 25.1 | - | 64.5 | - |
| White non-Black non-Hispanic | 3.6 | 1.8 | 15.9 | 13.2 | 75.4 | 80.1 |

# UNbanked Households by State 2013



# UNDERbanked Households by State 2013



# Household Demographic Composition by Banking Status

# Household Composition by Banking Status

- The share of unbanked and underbanked households varied substantially by geography
- The Southern region had the highest unbanked and underbanked rates (9.2 percent and 23.5 percent, respectively).
- In fact, while 38 percent of U.S. households lived in the South, approximately 44 percent of unbanked and underbanked households lived there.
- The Midwest region had the lowest unbanked and underbanked rates (6.4 percent and 16.9 percent).
- Relative to 2011, four states experienced statistically significant declines in unbanked rates: Alaska (from 5.2 percent to 1.9 percent), North Dakota (from 5.3 percent to 2.8 percent), Texas (from 12.8 percent to 10.4 percent), and Michigan (from 7.7 percent to 5.7 percent).

# UNbanked Households

# Racial Distribution of Unbanked: U.S. and MA 2009-2013

| | National | MA | | |
|---|---|---|---|---|
| Race | 2013 | 2013 | 2011 | 2009 |
| Black | 20.5% | 29.3% | 14.1% | 16.6% |
| Hispanic | 17.9% | 28.6% | 24.0% | 14.8% |
| White | 3.6% | 1.8% | 2.4% | 2.4% |
| Other | 25.2% | 2.3% | 9.9% | 3.2% |

# Age Distribution of Unbanked: U.S. and MA 2009-2013

| | National | MA | | |
|---|---|---|---|---|
| Age | 2013 | 2013 | 2011 | 2009 |
| 15 - 34 | 28.2% | 9.5% | 8.5% | 4.8% |
| 35 - 44 | 9.0% | 7.8% | 3.7% | 8.0% |
| 45 - 54 | 7.5% | 4.4% | 5.9% | 3.3% |
| 55 - 64 | 5.6% | 6.0% | 2.7% | 3.7% |
| 65 or older | 3.5% | 2.3% | 3.7% | 1.2% |

# Income Distribution of Unbanked: U.S. and MA 2009-2013

| | National | MA | | |
|---|---|---|---|---|
| Income | 2013 | 2013 | 2011 | 2009 |
| under $15,000 | 27.7% | 24.3% | 20.9% | 24.8% |
| $15,000 - $30,000 | 11.4% | 7.4% | 10.0% | 5.7% |
| $30,000 - $50,000 | 5.1% | 4.1% | 0.0% | 2.2% |
| $50,000 - $75,000 | 1.7% | 3.5% | 1.8% | 1.2% |
| At least $75,000 | 0.5% | 40.0% | 0.0% | 0.0% |
| Unknown | 0.0% | 0.0% | 0.0% | 2.2% |

# Education Distribution of Unbanked: U.S. and MA 2009-2013

| | National | MA | | |
|---|---|---|---|---|
| Education | 2013 | 2013 | 2011 | 2009 |
| No HS Degree | 25.1% | 17.4% | 23.0% | 18.8% |
| HS Degree | 10.8% | 13.0% | 6.1% | 6.6% |
| Some College | 5.6% | 6.1% | 4.2% | 2.9% |
| College Degree | 1.1% | 0.3% | 0.9% | 0.3% |

# UNDERbanked Households

# Racial Distribution of Underbanked US and MA 2009-2013

| | National | MA | | |
|---|---|---|---|---|
| Race | 2013 | 2013 | 2011 | 2009 |
| Black | 33.1% | 42.9% | 34.8% | 12.3% |
| Hispanic | 28.5% | 37.4% | 26.9% | 19.5% |
| White | 15.9% | 13.2% | 11.8% | 11.0% |
| Other | 68.5% | 13.2% | 9.6% | 9.1% |

# Age Distribution of Underbanked: U.S. and MA 2009-2013

| | National | MA | | |
|---|---|---|---|---|
| Age | 2013 | 2013 | 2011 | 2009 |
| 15 - 34 | 55.5% | 25.7% | 15.0% | 12.6% |
| 35 - 44 | 23.8% | 20.7% | 12.5% | 12.1% |
| 45 - 54 | 21.9% | 22.7% | 14.7% | 14.0% |
| 55 - 64 | 17.7% | 11.4% | 23.7% | 9.6% |
| 65 or older | 11.6% | 6.7% | 7.4% | 8.6% |

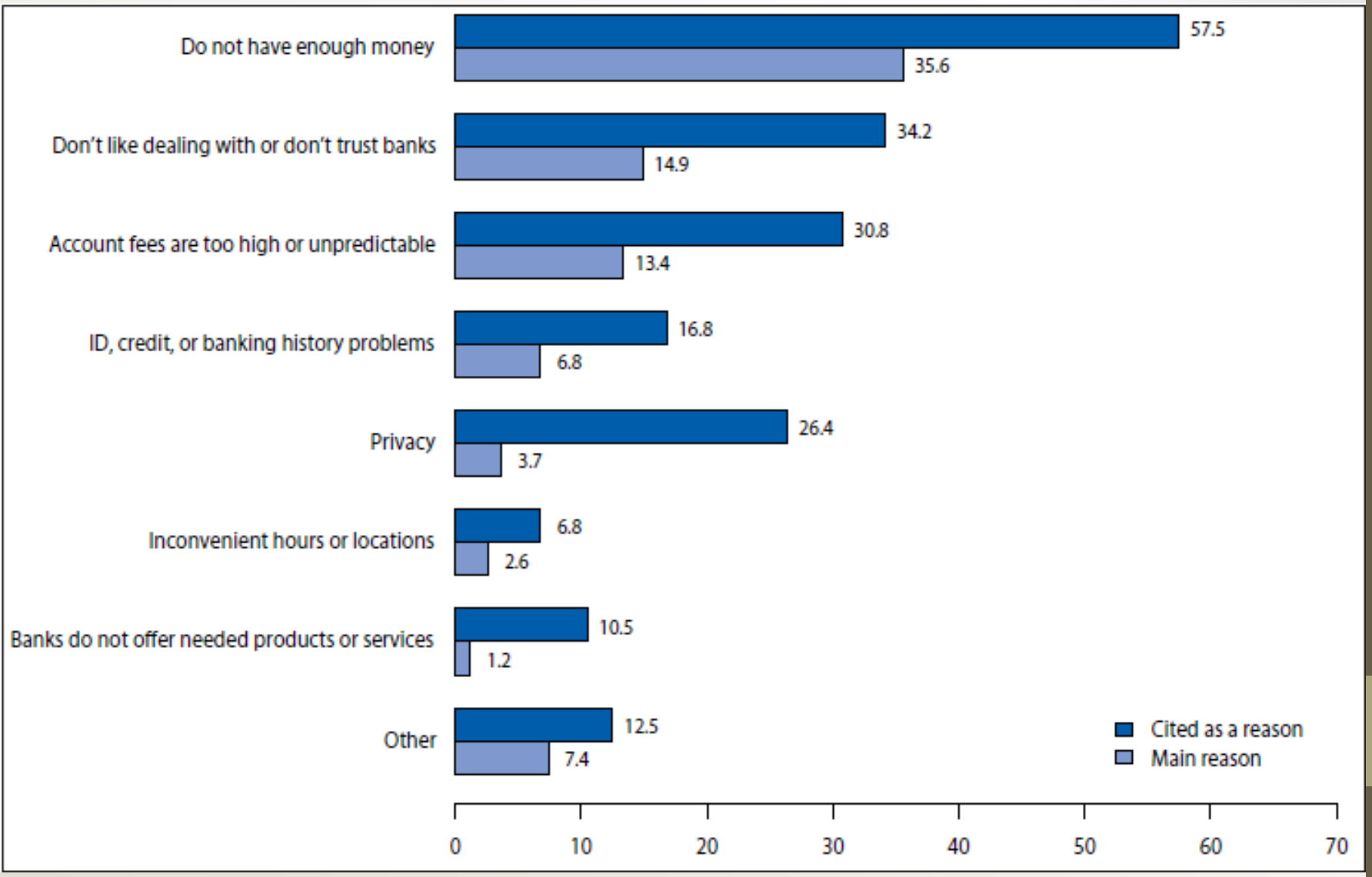
# Income Distribution of Underbanked: U.S. and MA 2009-2013

| | National | MA | | |
|---|---|---|---|---|
| Income | 2013 | 2013 | 2011 | 2009 |
| under $15,000 | 22.4% | 17.1% | 20.4% | 18.1% |
| $15,000 - $30,000 | 25.0% | 30.1% | 18.2% | 11.7% |
| $30,000 - $50,000 | 23.3% | 18.9% | 19.1% | 15.0% |
| $50,000 - $75,000 | 19.8% | 18.6% | 13.5% | 15.5% |
| At least $75,000 | 13.6% | 12.4% | 6.8% | 7.9% |
| Unknown | 0.0% | 0.0% | 0.0% | 7.1% |

# Education Distribution of Underbanked: U.S. and MA 2009-2013

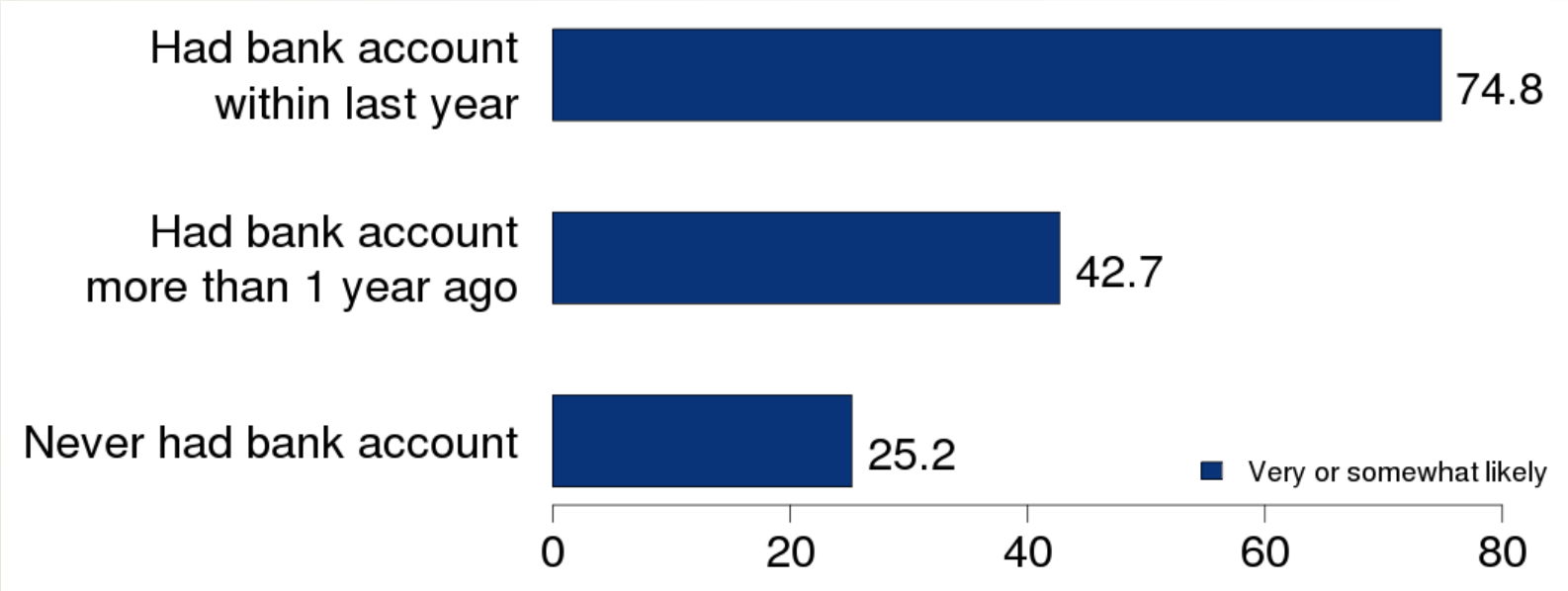
| | National | MA | | |
|---|---|---|---|---|
| Education | 2013 | 2013 | 2011 | 2009 |
| No HS Degree | 24.1% | 14.4% | 21.8% | 15.5% |
| HS Degree | 21.9% | 23.0% | 16.2% | 14.9% |
| Some College | 23.0% | 23.1% | 15.1% | 15.9% |
| College Degree | 14.3% | 11.4% | 10.8% | 6.2% |

# Main Reason Households are Unbanked: U.S. 2013



# Likelihood of Opening an Account

## Unbanked Households by Previous Banking Status






**Note: Numbers are based on percent unbanked/underbanked/fully banked in the specific demographic group (i.e., 21.4% of blacks are unbanked)

# Household Banking Status Transitions

| | 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 |

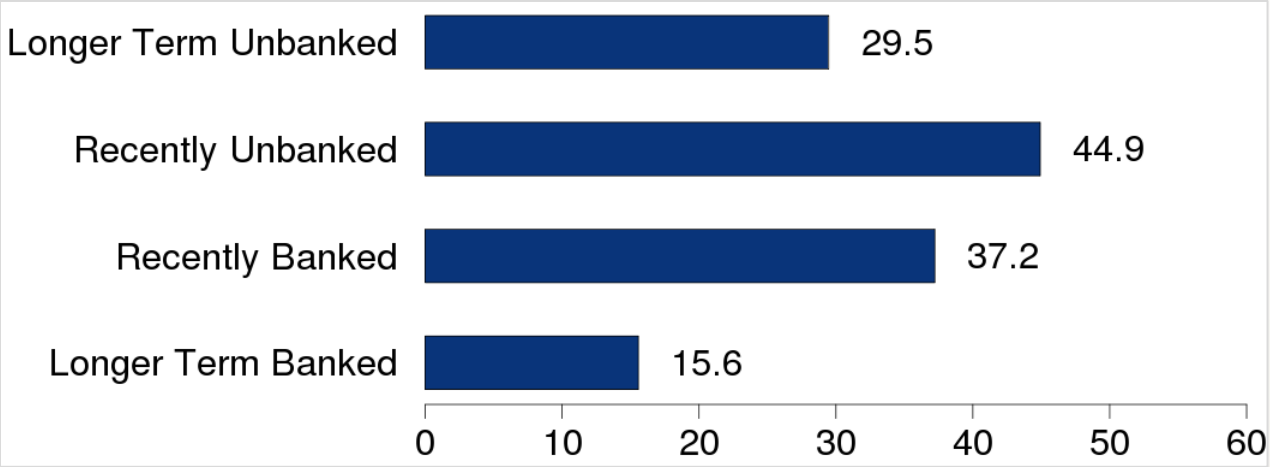
Note: "Recently Unbanked" indicates that the household became unbanked within the last year, while "Recently Banked" indicates that the household became banked within the past year. Excludes households with missing information on recent bank status or incidence of life events.

- 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

# Banking Status Transitions: Incidence of Life Events

- The 2013 survey asked new questions about major life events and how these may have contributed to households' changes in banking status
- Certain financial life events occurred disproportionately among the recently unbanked and recently banked in the last 12 months, indicating that such households face greater economic volatility

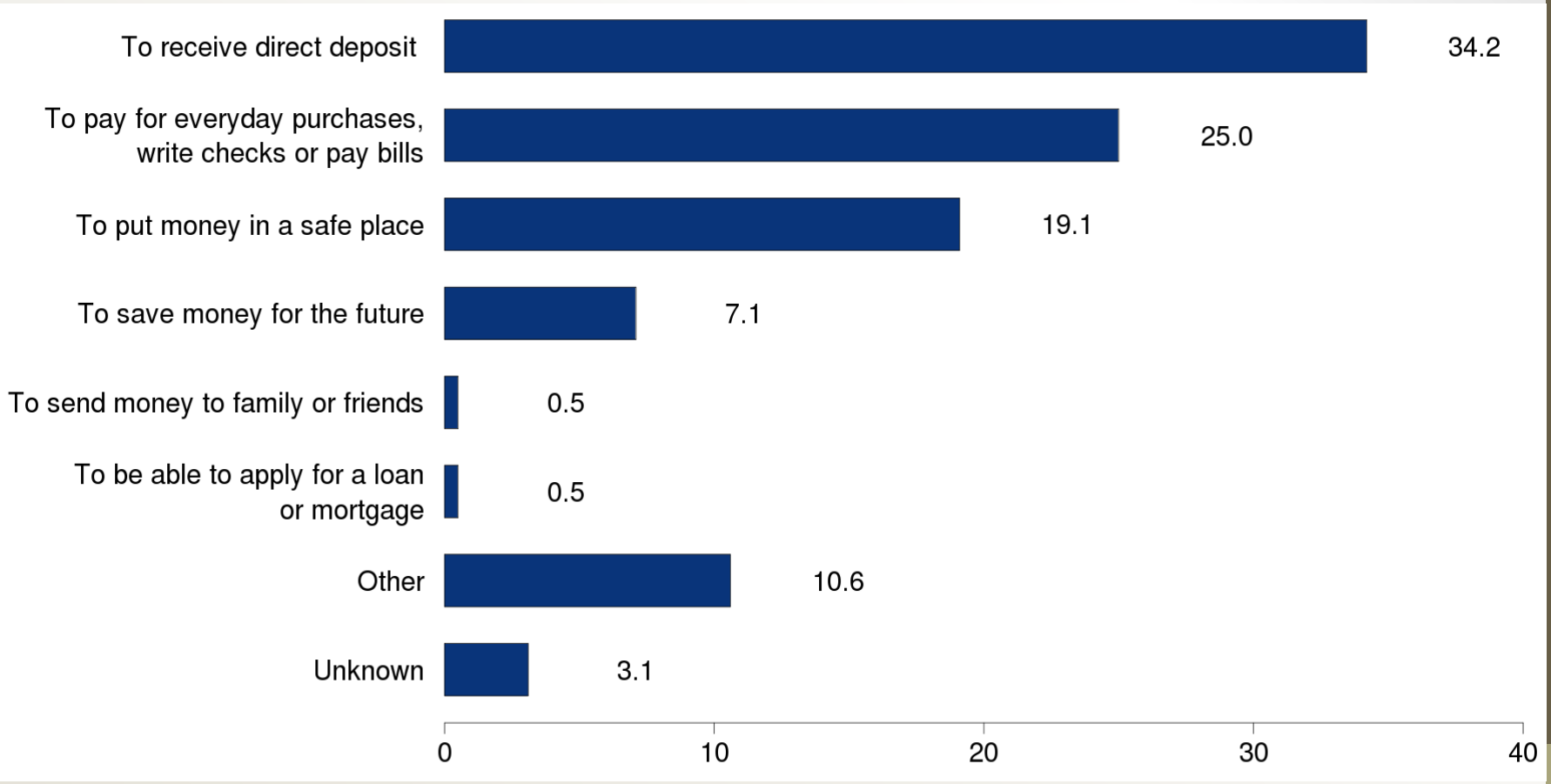
**Incidence of Significant Income or Job Loss**



# 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

# Recently Banked: Main Reason for Opening the Account

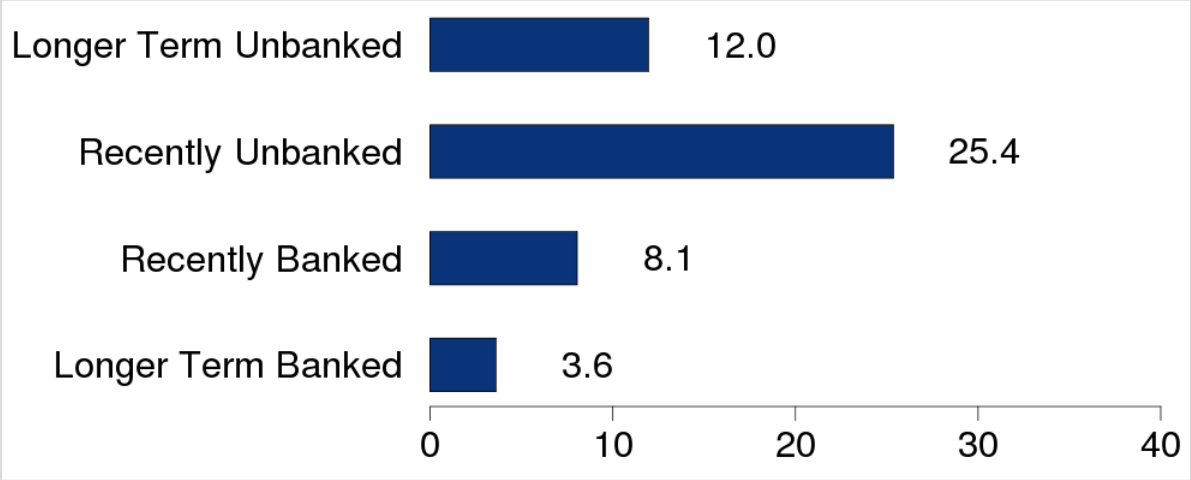


# Household Characteristics by Banking Status Transitions

- Relative to the longer-term banked, a higher proportion of recently unbanked and recently banked households had characteristics associated with being unbanked (e.g. lower income and educational attainment)

- Certain characteristics are disproportionately represented among recently unbanked households

**Household Unemployment % by Banking Status Transitions**



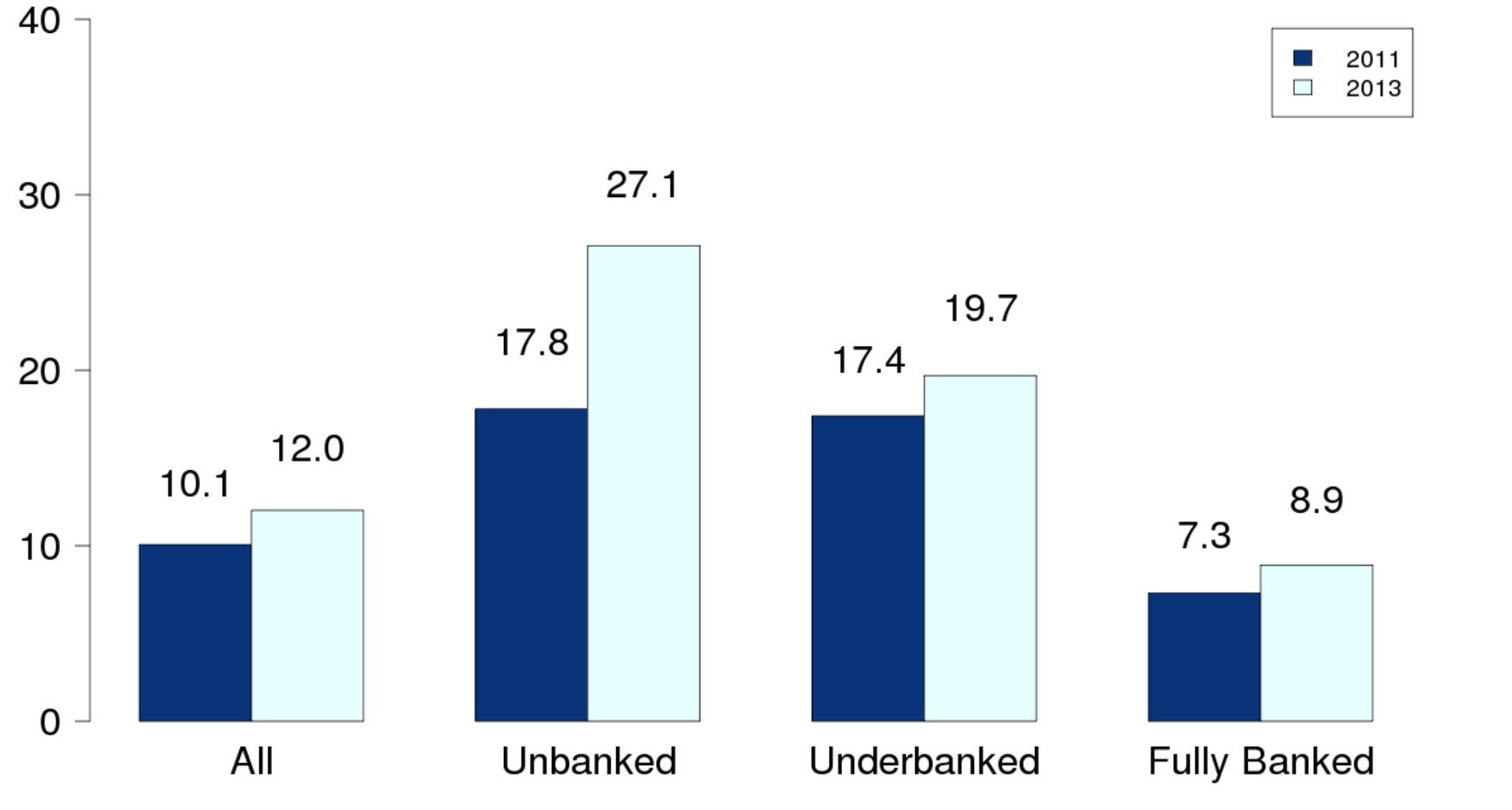
# Prepaid Debit Cards

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.

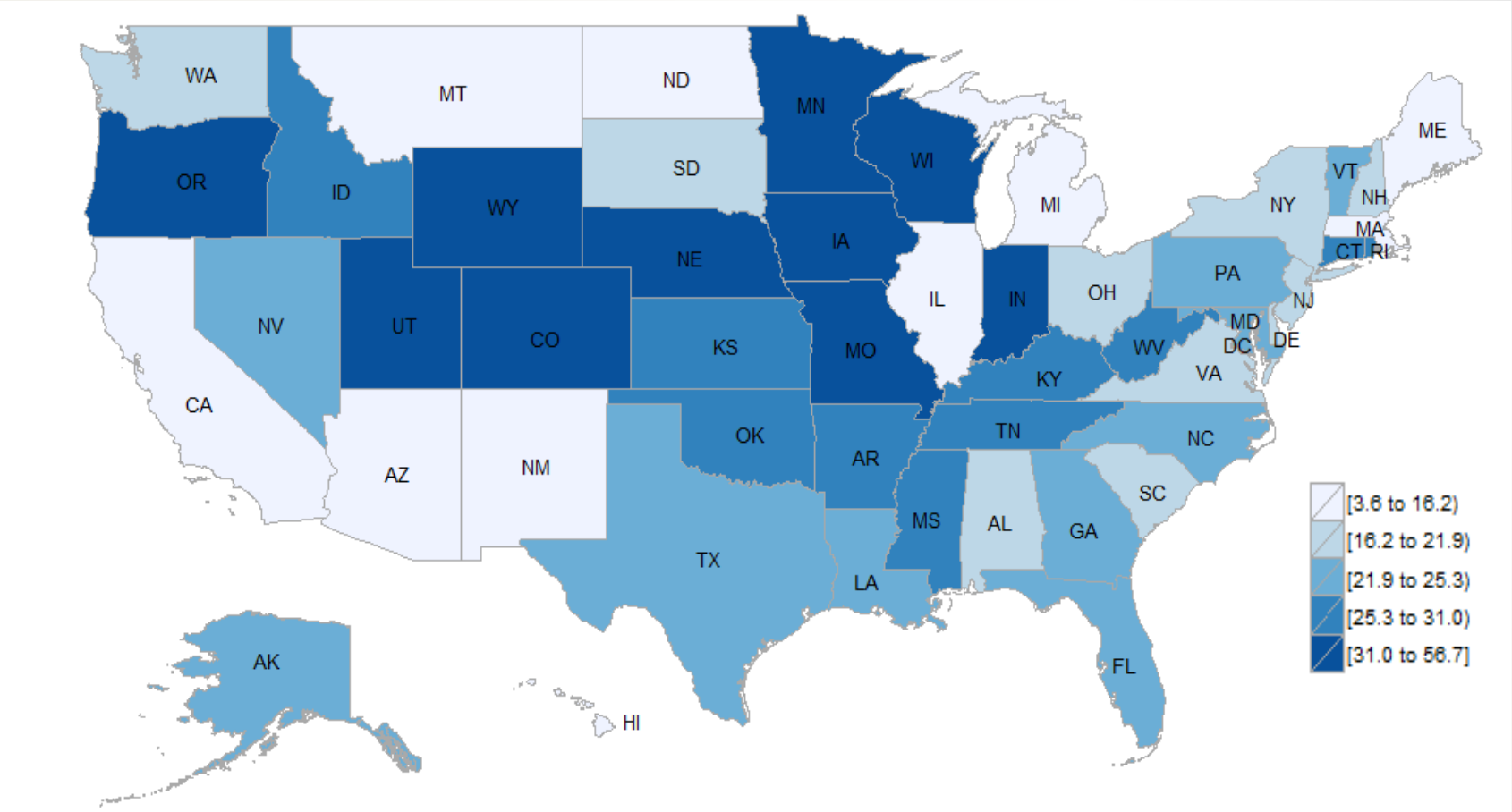
They are not linked to a checking or savings account and may have logos such as MasterCard, VISA, Discover, or American Express.

They do not include phone cards, gift cards for a particular store or service, or cards that you cannot add more funds onto.

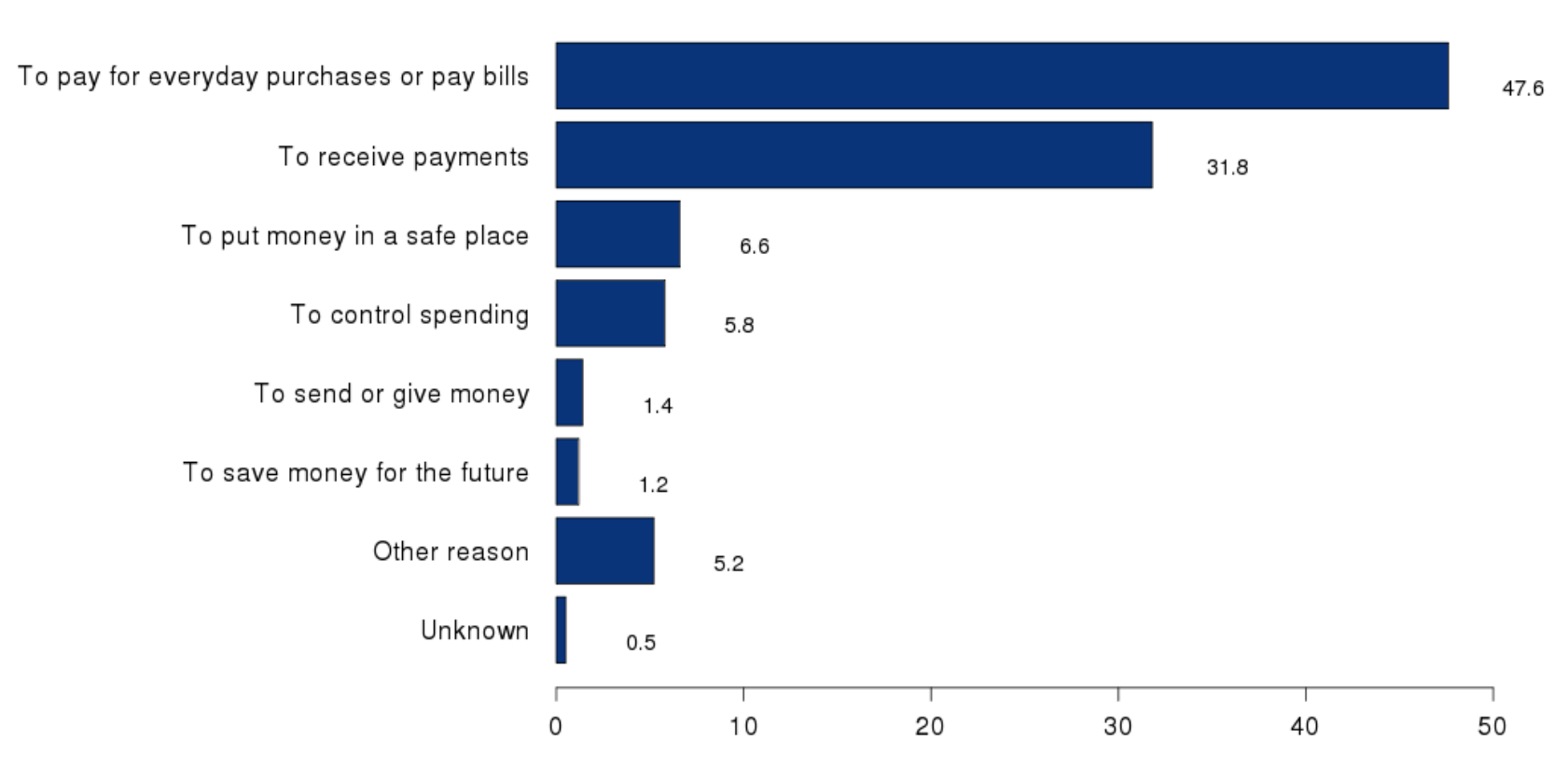
# Households that Had Ever Used Prepaid Cards by Banking Status and Year



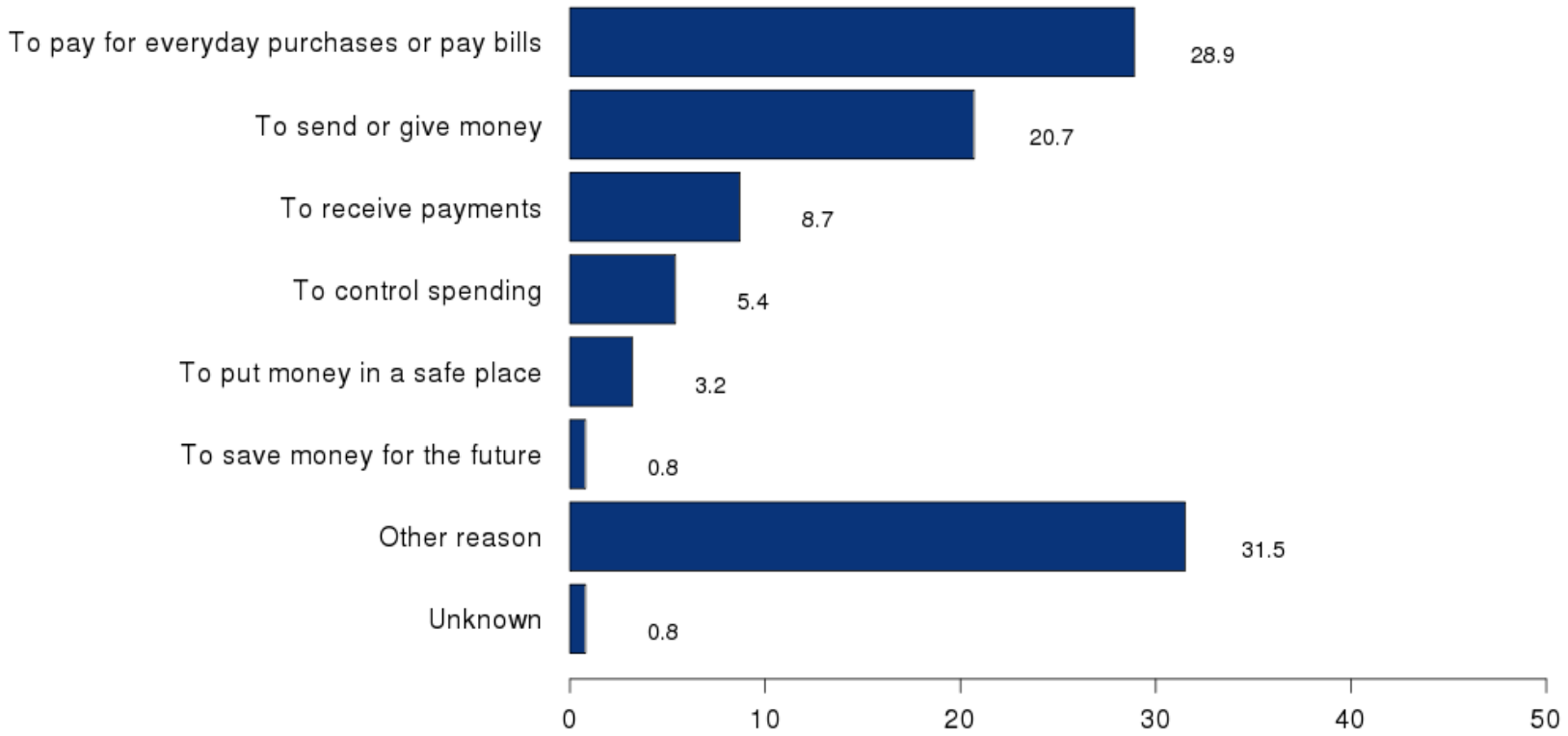
# Share of Unbanked Households that Used Prepaid Cards in the Last 12 Months



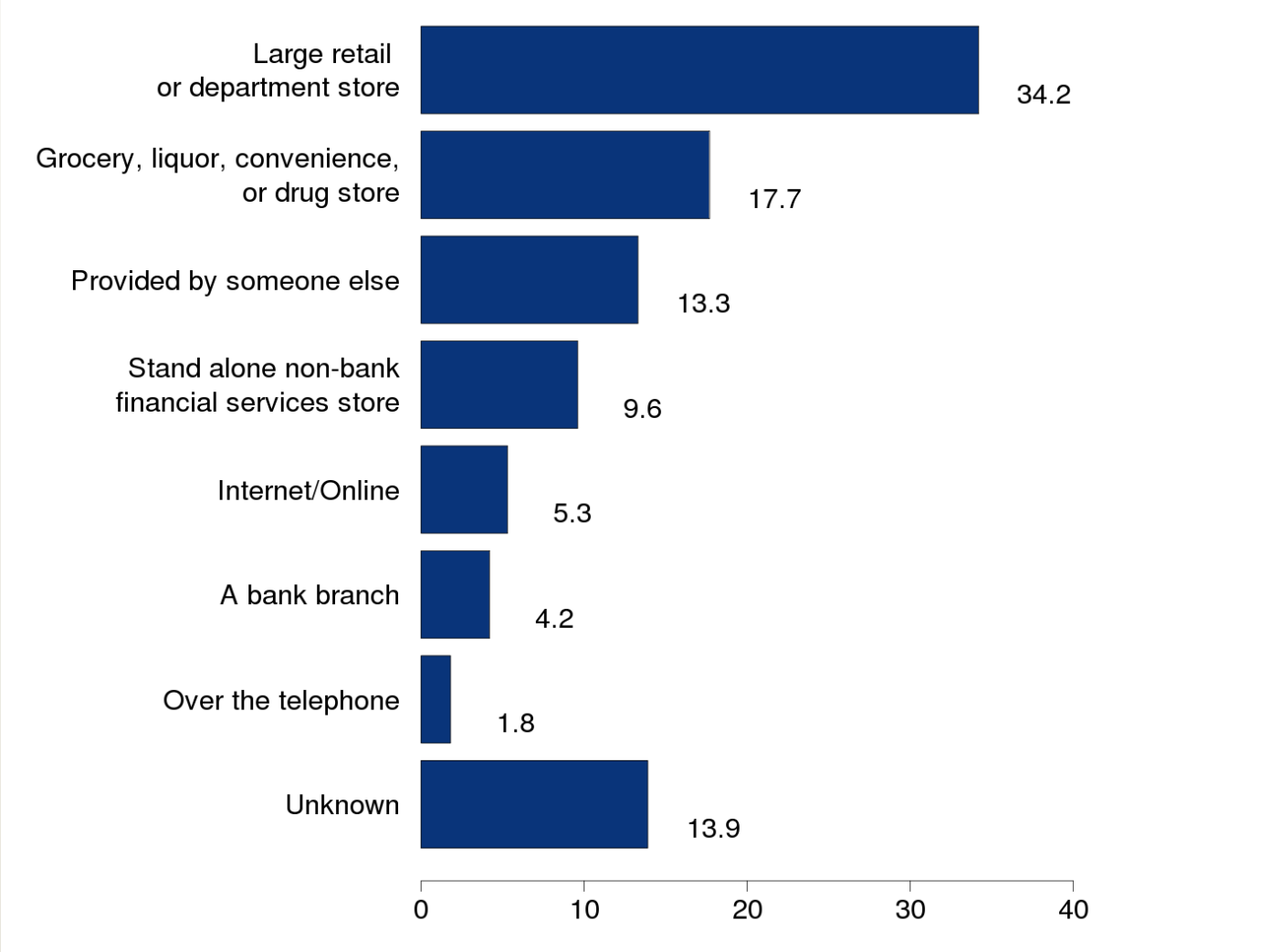
# Main Reason Households Used Prepaid Cards in the Last 12 Months Unbanked



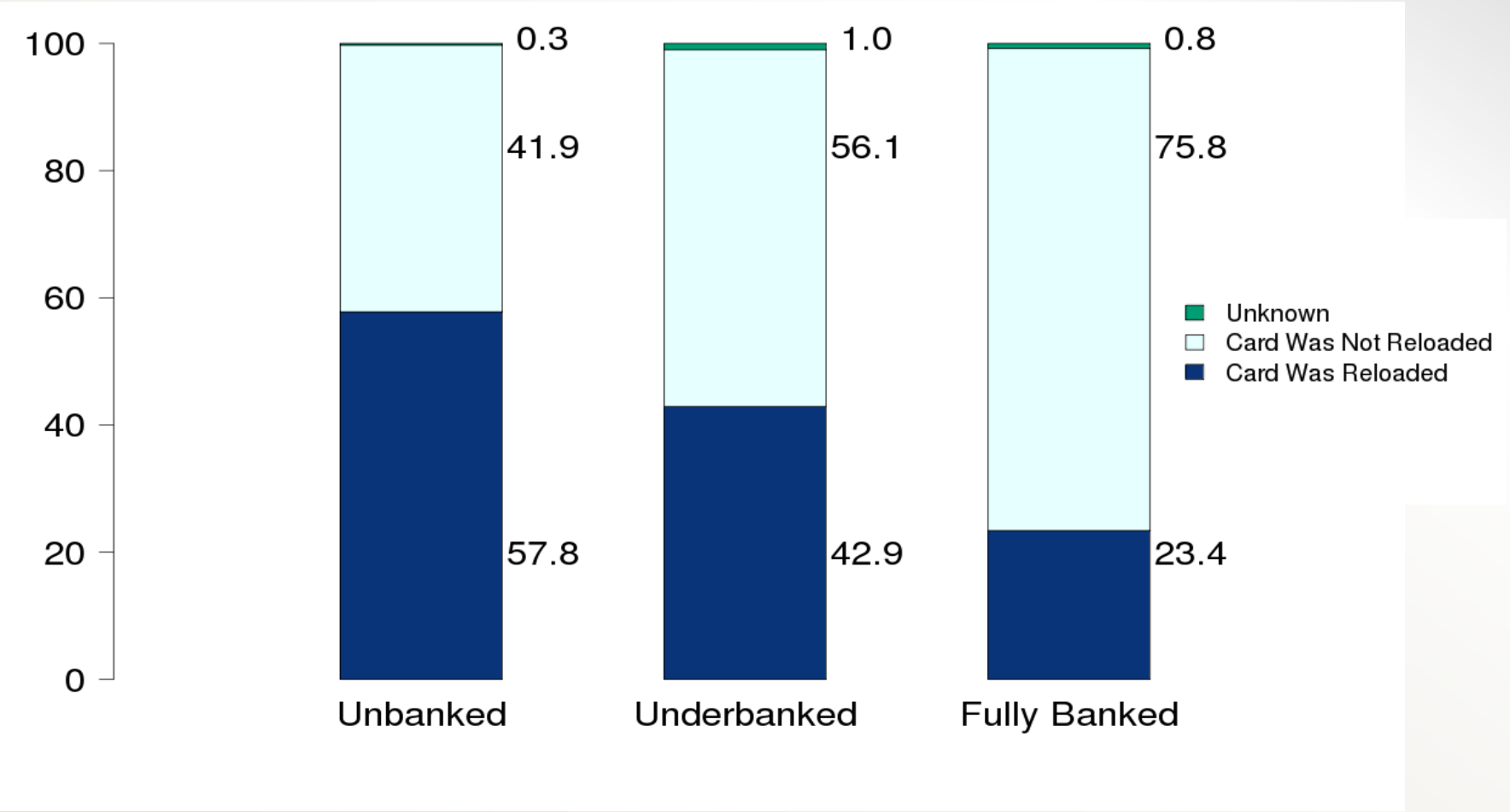
# Main Reason Fully Banked Households Used Prepaid Cards in the Last 12 Months
# Fully Banked



# Sources of Prepaid Cards - Unbanked Households



# Share of Prepaid Cards Reloaded in Last 12 Months by Banking Status



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

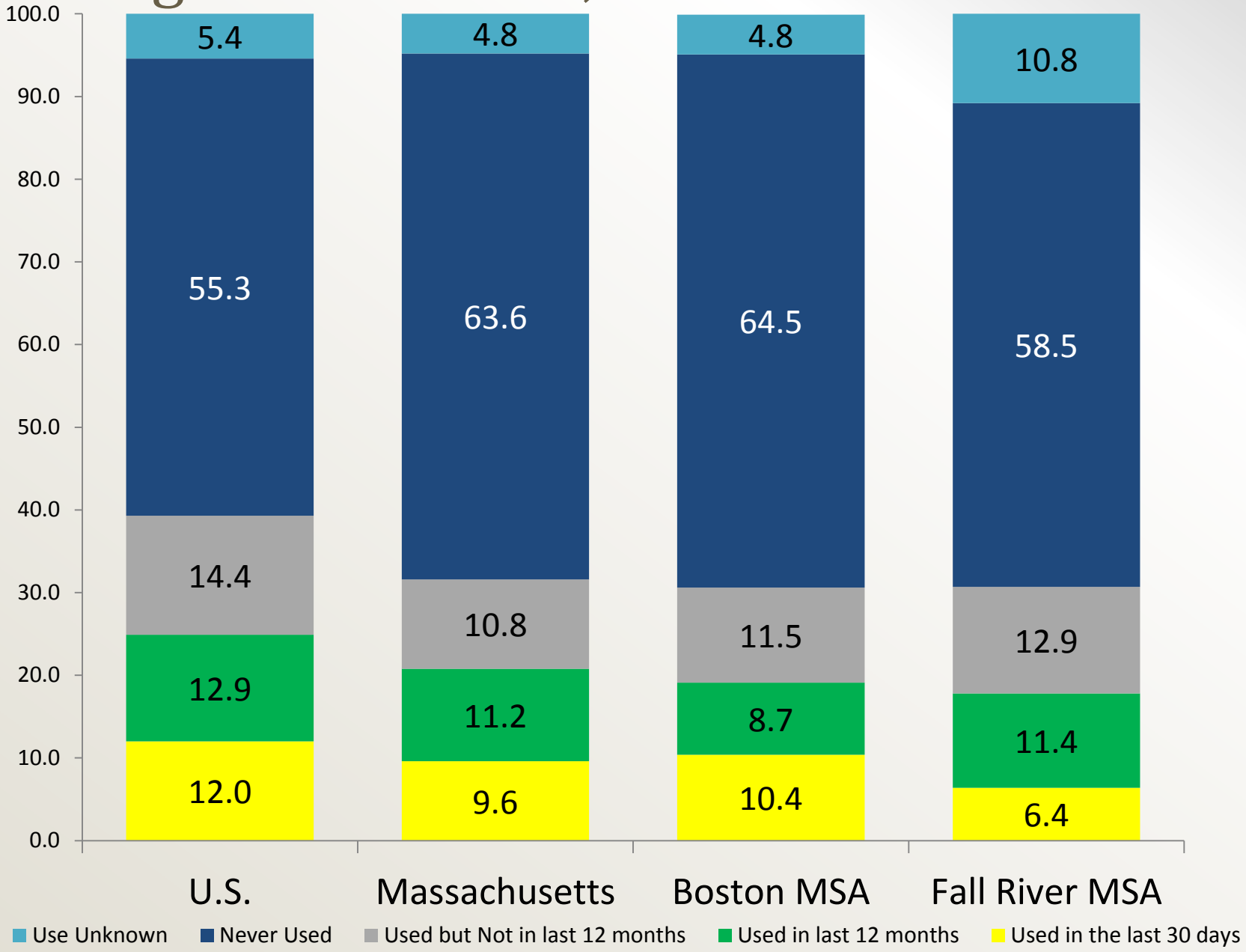
- 76 percent of Unbanked Prepaid Card Users have also used transaction AFS in the last 12 months.
- One third of Unbanked Prepaid Card Users have also used credit AFS in the last 12 months

# 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

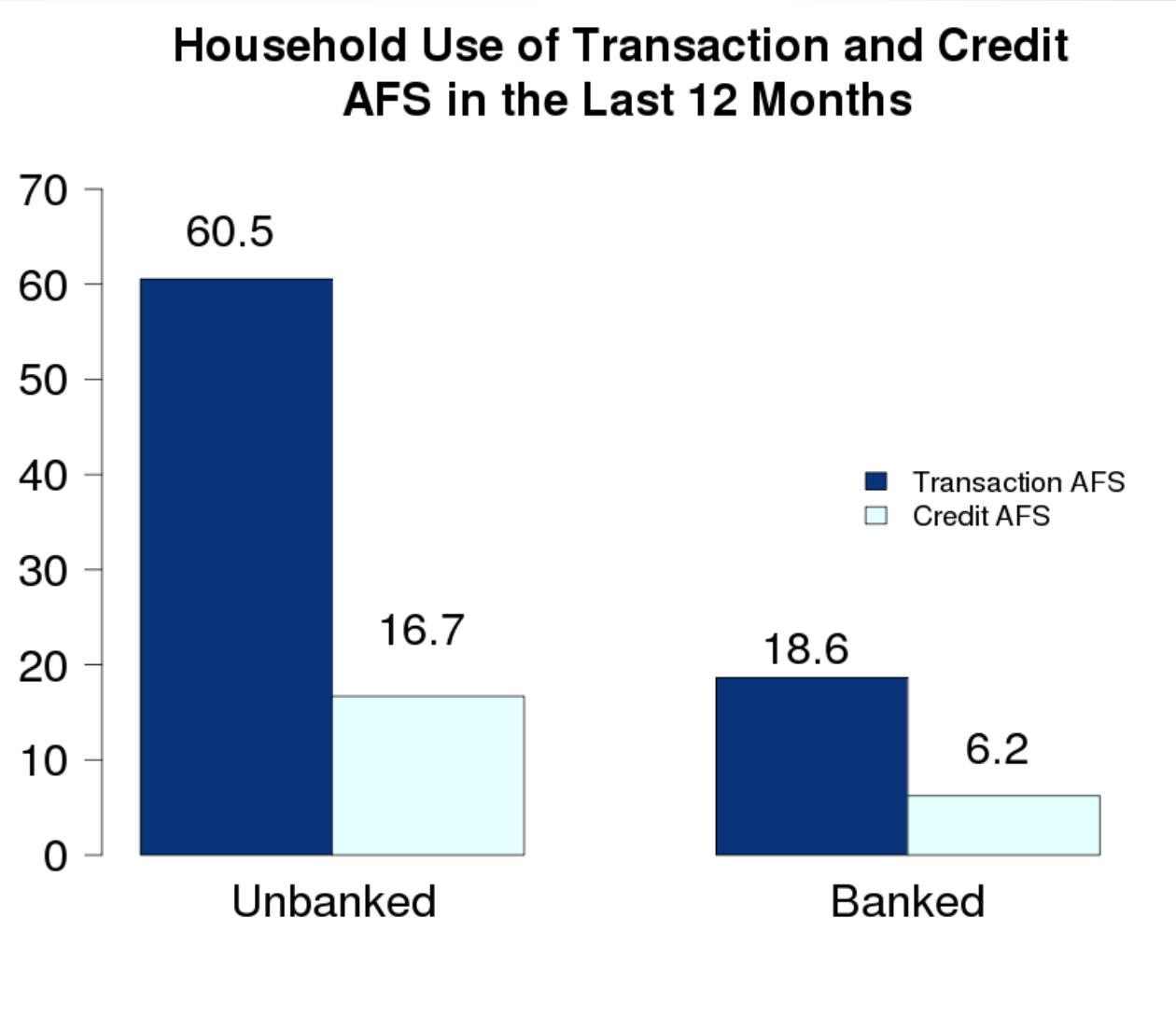
# Use of Alternative Financial Services

# Timing of AFS Use: US, MA and MSAs 2013



# Household Use of Alternative Financial Services

| Products or Services Obtained from Non-Bank Alternative Financial Services Providers | |
|---|---|
| Money Orders<br>Check Cashing<br>Remittances | Transaction AFS |
| Payday Loans<br>Pawn Shop<br>Rent-To-Own<br>Refund Anticipation Loans<br>Auto Title Loans | AFS Credit |


Household Use of Transaction and Credit AFS in the Last 12 Months
70
60
50
40
30
20
10
0
60.5
16.7
18.6
6.2
Transaction AFS
Credit AFS
Unbanked
Banked

# Locations From Which Households Obtained Transaction AFS

- Most common locations:
  - Grocery, liquor, convenience and drug stores
- Relatively large proportions also obtained transaction AFS from large retail/department stores
- Larger proportions of unbanked households, compared with underbanked households, obtained their transaction AFS from stand-alone AFS providers

# Use of Banking Services

# Methods Used To Access Bank Account In Last 12 Months

Methods

- Bank Teller
- ATM/Kiosk
- Online Banking
- Telephone Banking
- Mobile Banking

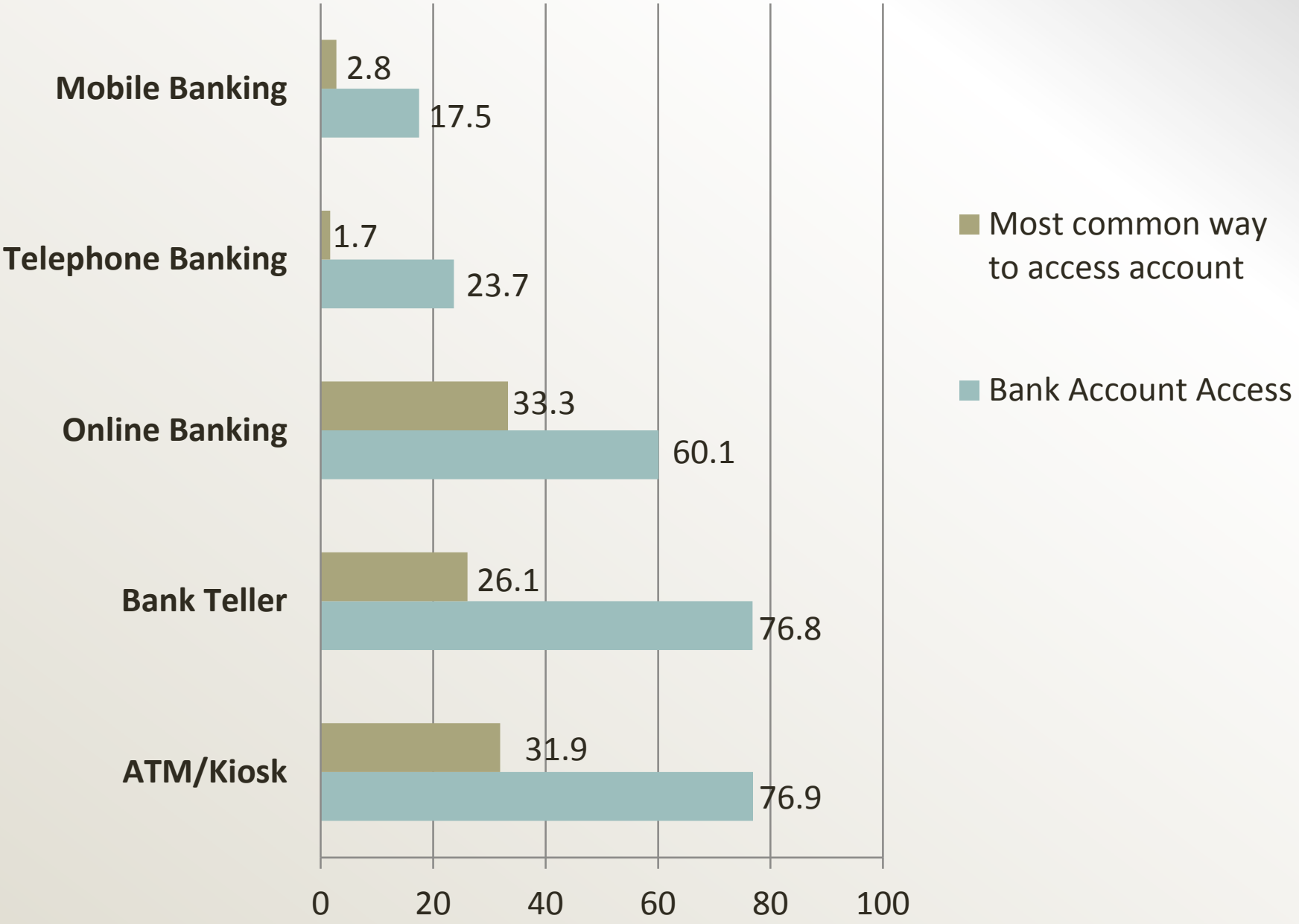
- All methods used
- Primary (most commonly used) method

# Banking Methods

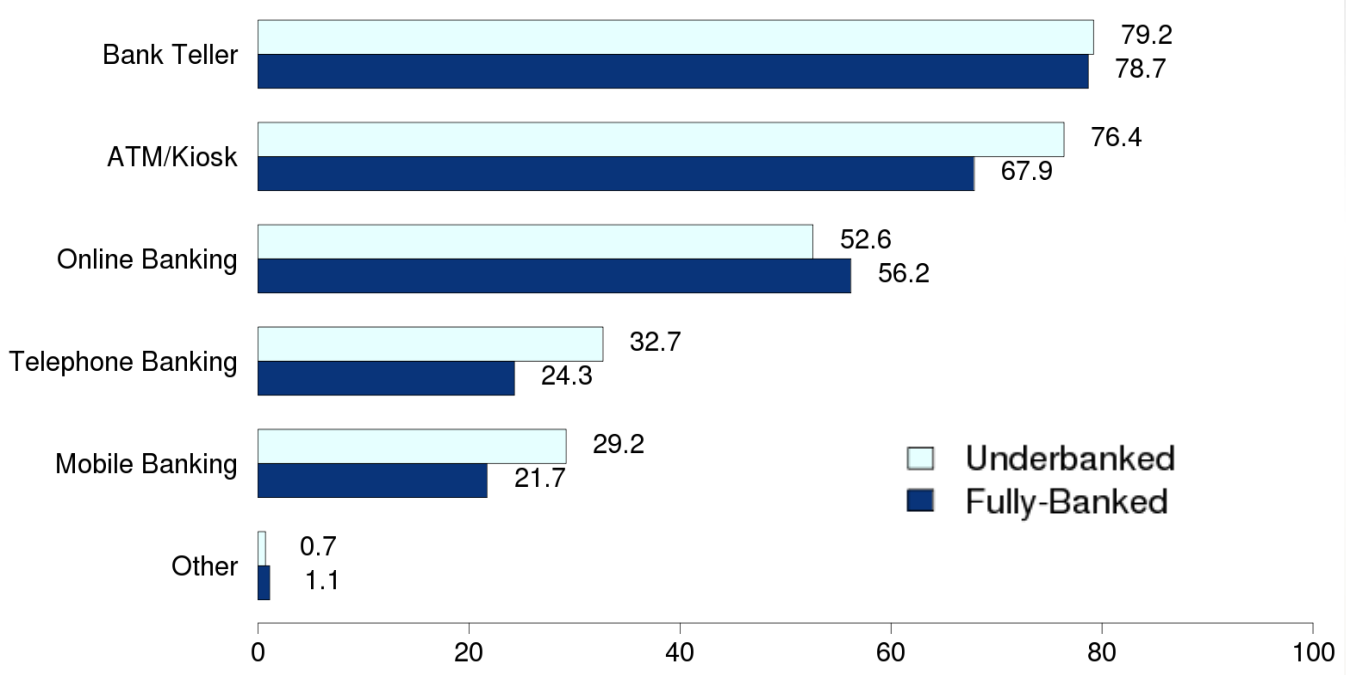
- Most banked households used multiple methods to access their bank accounts
  - 71.1 percent used 2 or more methods
  - 47.9 percent used 3 or more methods

# Banking Methods

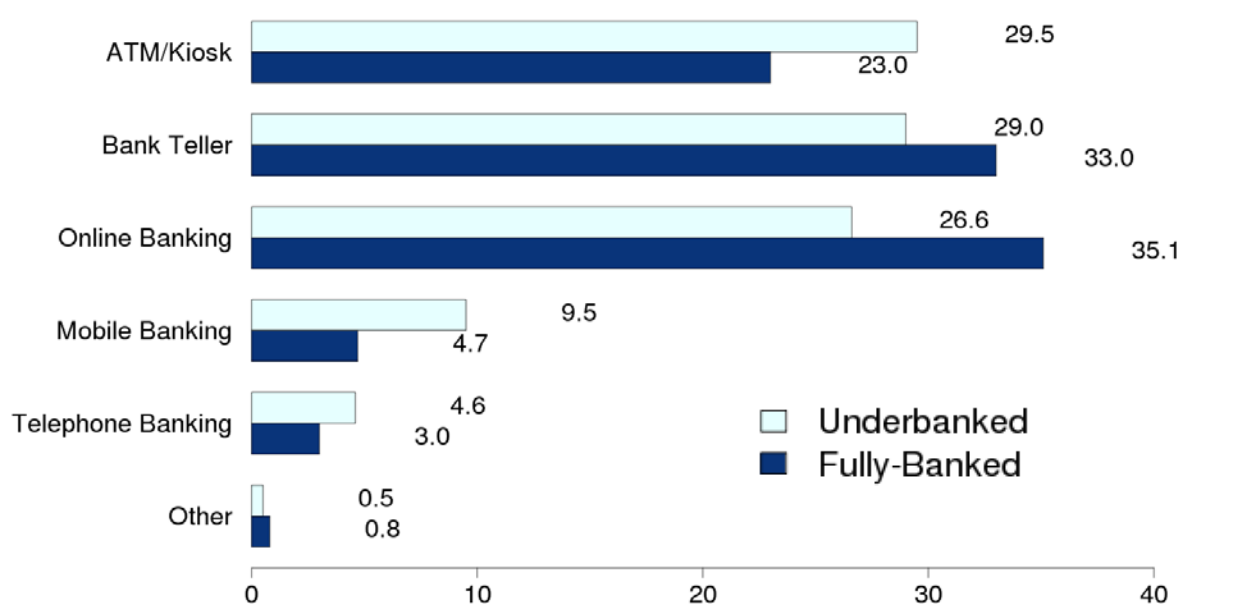
- Most banked households used multiple methods to access their bank accounts



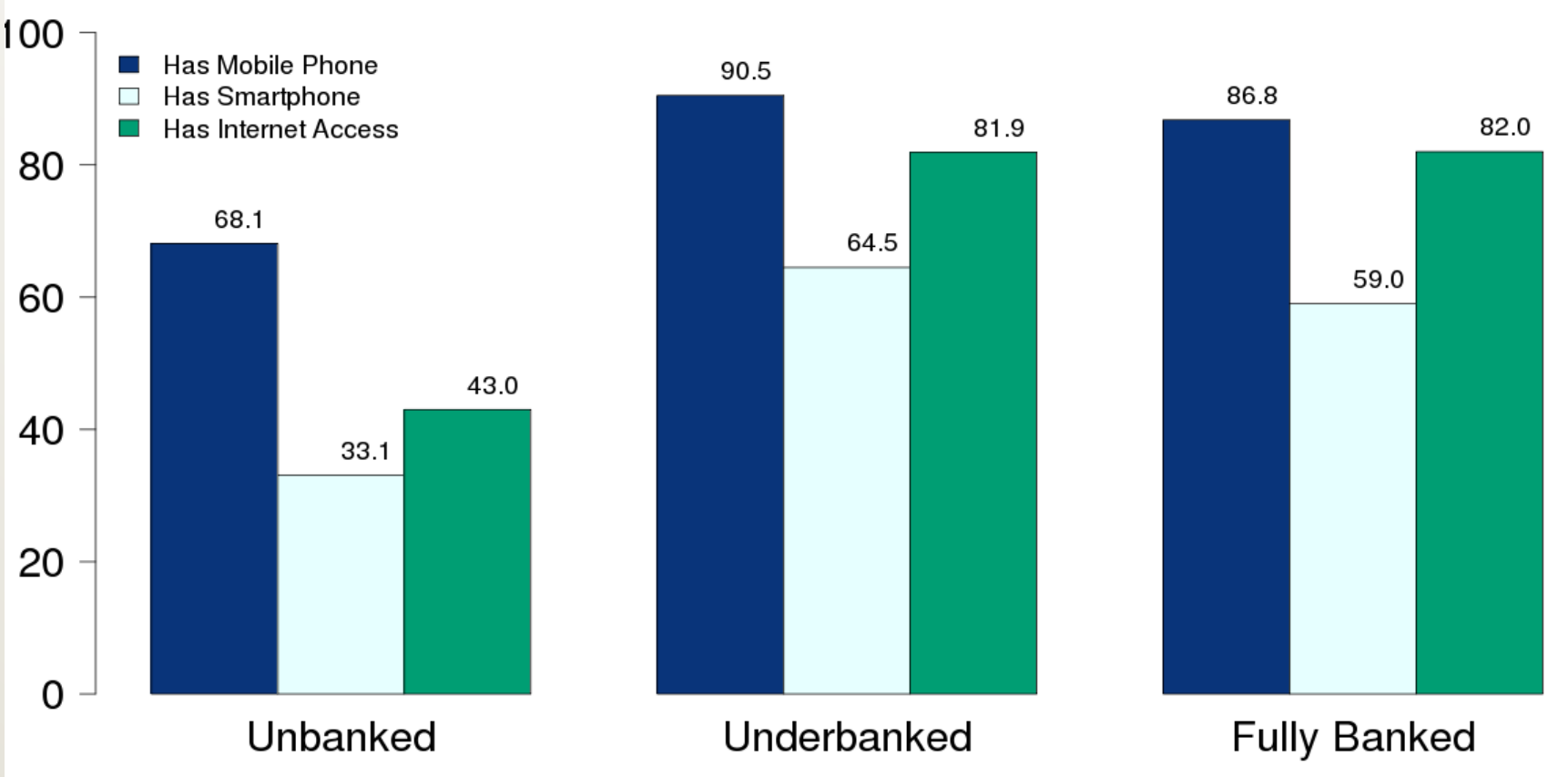
# All Methods Used To Access Bank Account



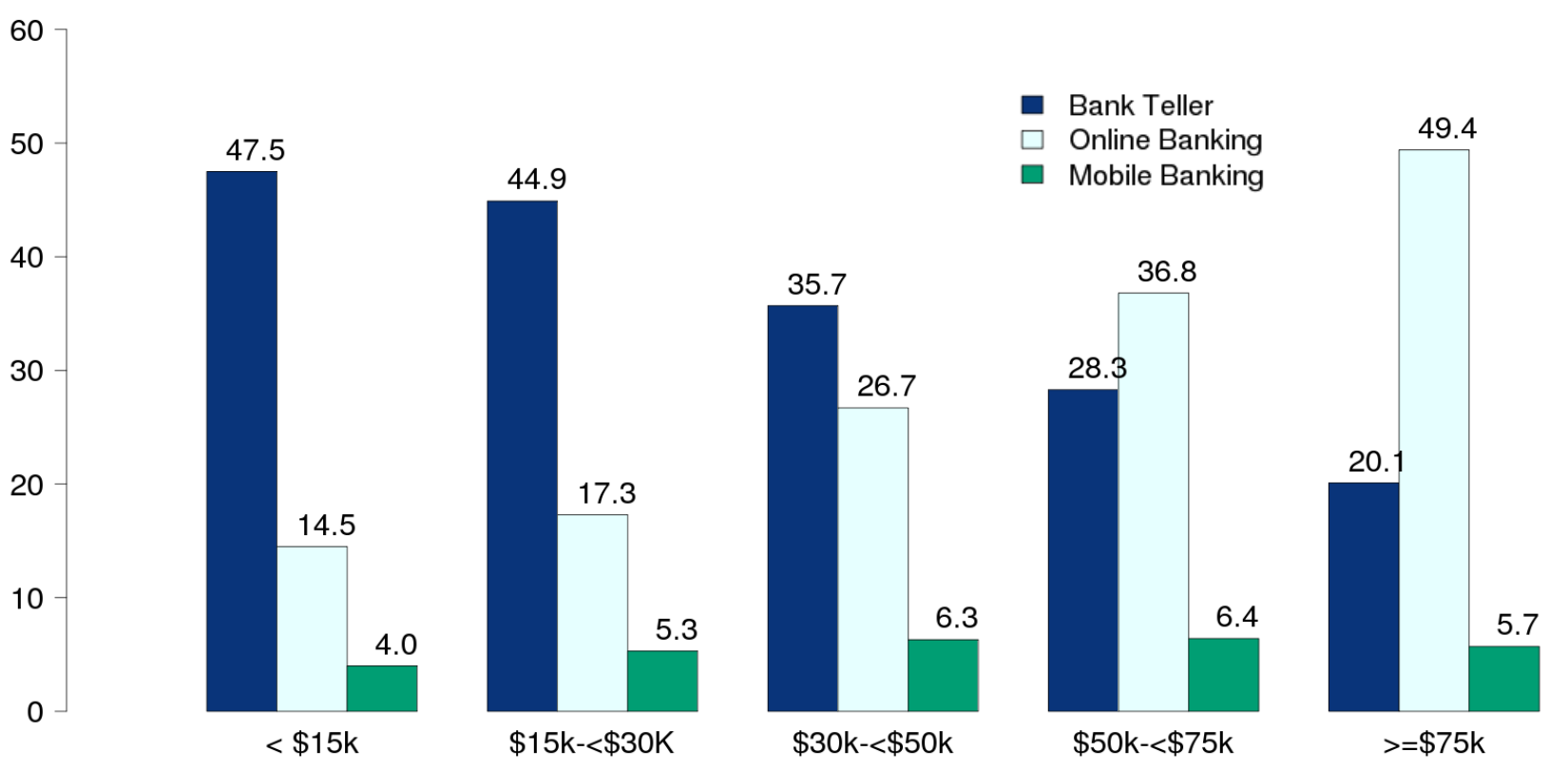

# Primary Method Used To Access Bank Account



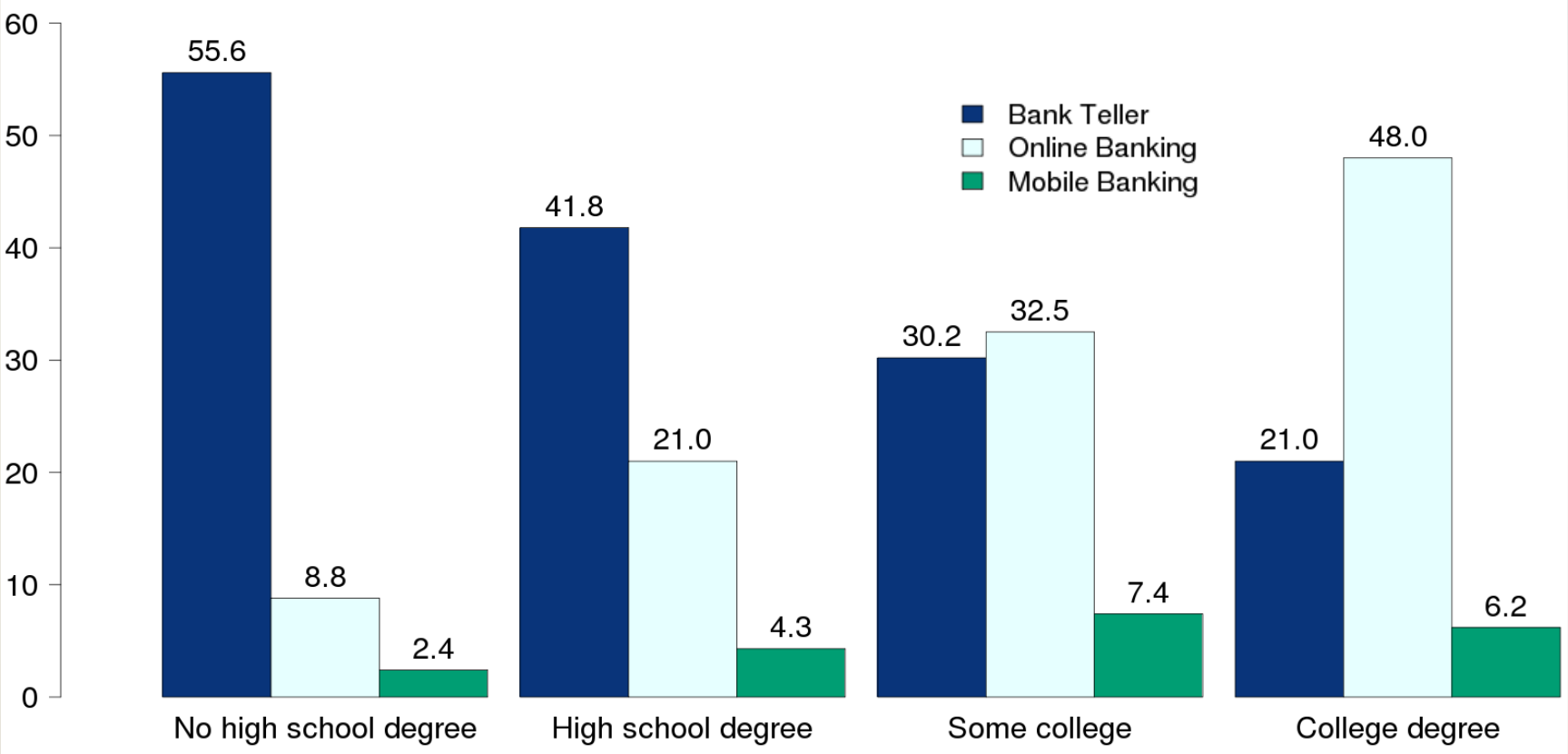
# Access to Mobile Phones, Smartphones, And The Internet



# Primary Use of Bank Tellers, Online Banking and Mobile Banking By Income



# Primary Use of Bank Tellers, Online Banking and Mobile Banking By Education



# Use of One Banking Method and Use of Multiple Methods

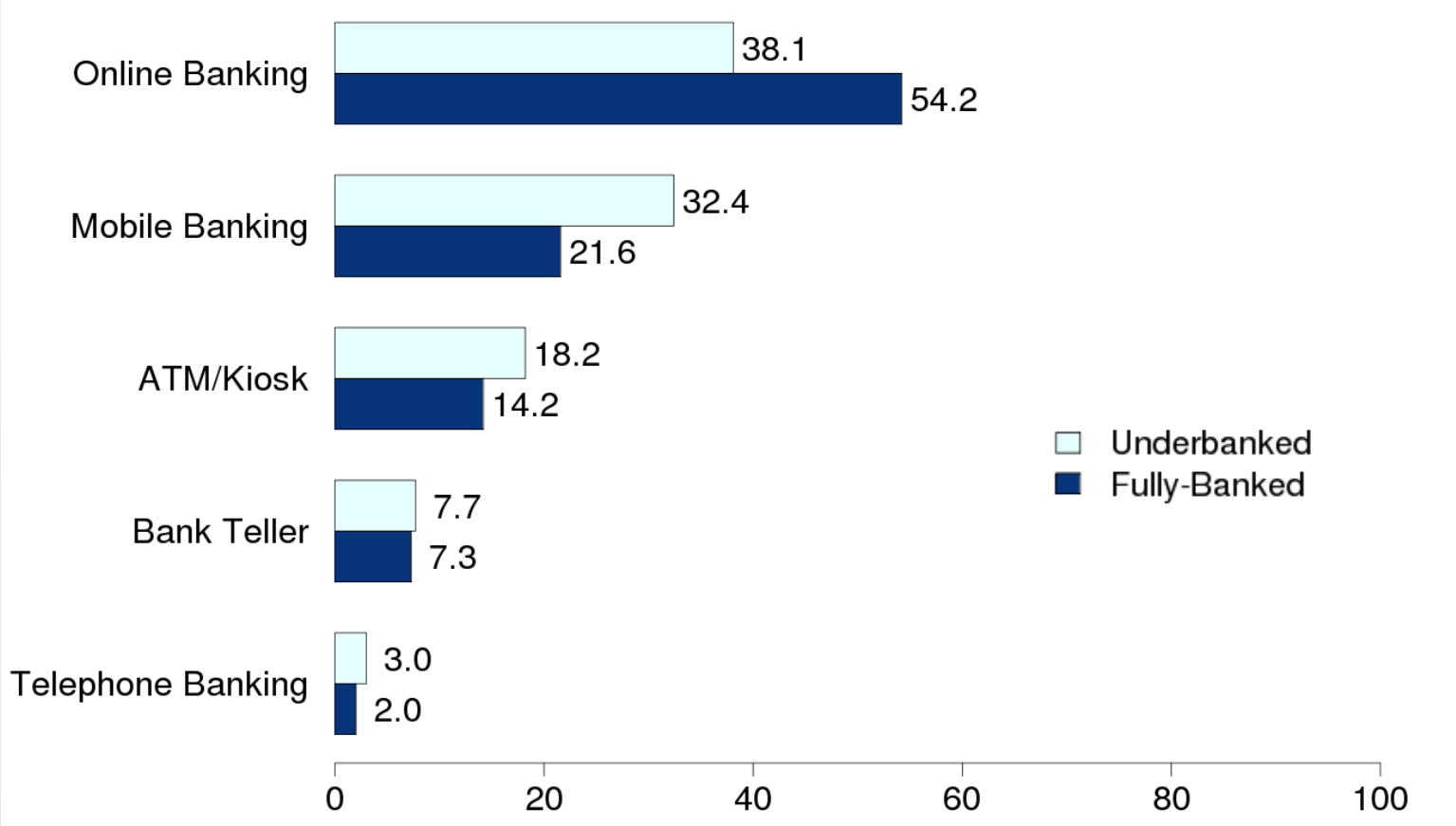
## Use of Bank Tellers Only

- More likely to be age 65 or above
- More likely to have income under $30,000
- More likely to have lower levels of education

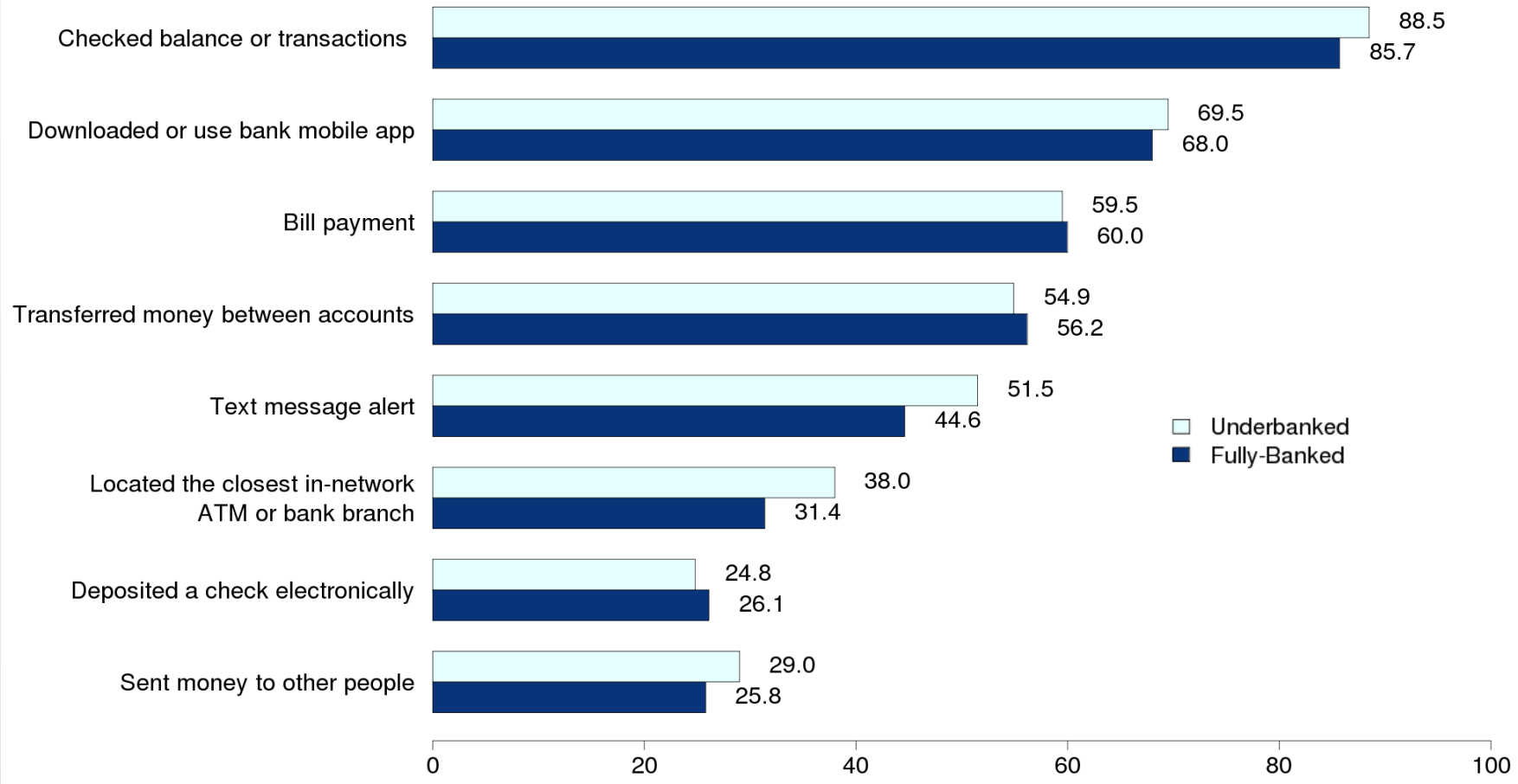
## Households That Primarily Used Online Banking or Mobile Banking

- More than 7 in 10 of these households also used a bank teller in the last year

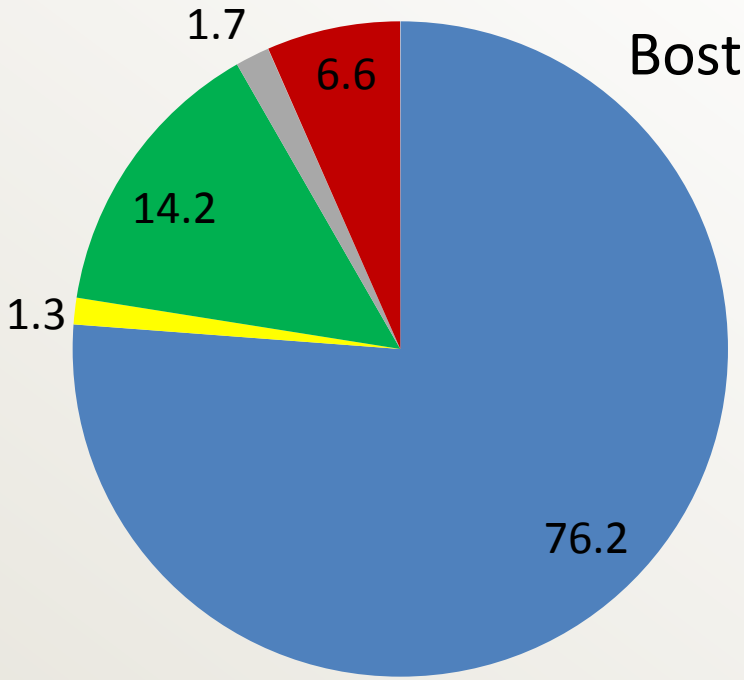
# Households That Used Mobile Banking: Primary Banking Method

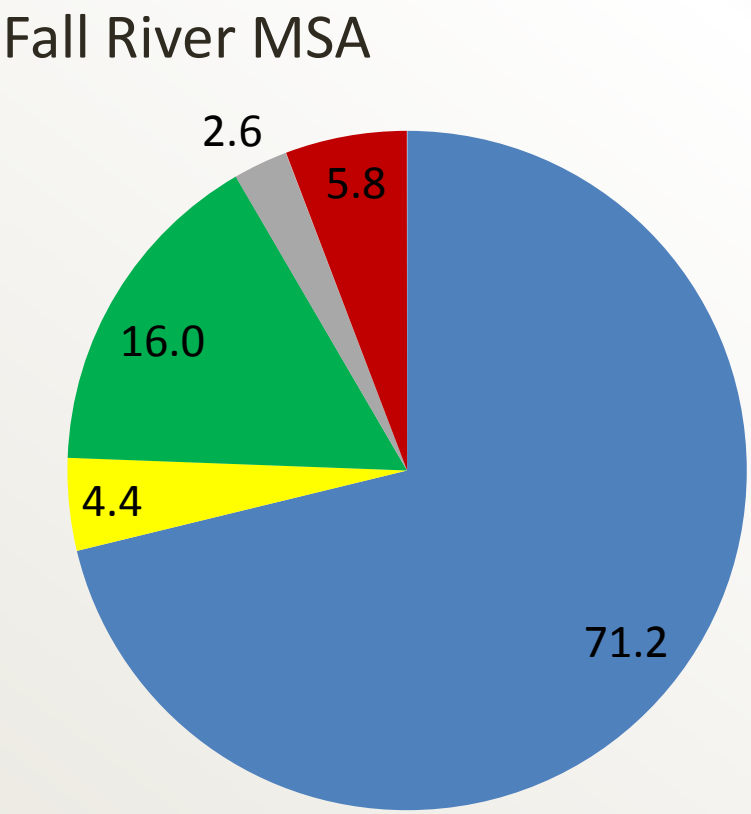


# Types of Mobile Banking Activity By Banking Status



# Account Ownership: MSAs 2013




Checking & Savings % | Savings Only % | Checking Only % | Banked - Account Unknown % | UNBanked %

# Implications

(Illustrated by U.S. – level data)

The 2013 survey results suggest implications for policymakers, financial institutions and other stakeholders who are working to improve access to mainstream financial services.

# Implication 1

- **Helping households maintain and renew banking relationships through economic transitions may reduce unbanked rates over time.**
  - **Recently unbanked:**
    - 1 in 3 cited job or income loss as a contributing factor
  - **Market opportunities**
    - Product design and fee structures
    - Targeted outreach and education
  - **Recently banked:**
    - 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

# Implication 2

- **Opportunities may exist to meet unbanked prepaid card users' 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

# Implication 3

- **Mobile banking is a potential tool to expand economic inclusion but branches continue to be important.**

- Economic Inclusion Potential of MFS
  - Underserved consumers value convenience
    - Anytime, anyplace, actionable account information of mobile technology

- Mobile technology is prevalent, particularly among the underbanked

- Underbanked  are more likely to use mobile banking

# Implication 3 (cont.)

- **Mobile banking is a potential tool to expand economic inclusion but branches continue to be important.**

- Economic Inclusion Potential of MFS
  - Opportunities to make mobile banking more accessible and relevant to underserved consumers
    - dependence on online banking
    - transaction speed
    - real time information

- Branches continue to be important
  - Rethink banking delivery channels (mobile banking and branches) in a comprehensive way

# Summary Findings – U.S. 2013

- 7.7 percent of households in the United States were unbanked in 2013
- 20.0 percent of U.S. households were underbanked in 2013
- Nearly eight percent (7.9) of all households used prepaid cards in the last 12 months
- Overall, 23.2 percent of banked households used mobile banking in the last 12 months, and a greater share of underbanked households (29.2 percent) than fully banked households (21.7 percent) had used mobile banking.

# LINKS TO REPORT

- Executive Summary

https://www.economicinclusion.gov/surveys/2013household/documents/2013_FDIC_Unbanked_Underbanked_HH_Survey_ExecSumm.pdf

- Full Report

https://www.economicinclusion.gov/surveys/2013household/documents/2013_FDIC_Unbanked_HH_Survey_Report.pdf

More information about the FDIC's economic inclusion efforts are available at

http://www.economicinclusion.gov/

# Thank you

**Contacts:**

**Tim DeLessio,** Community Affairs Officer
(781) 794-5632
tdelessio@fdic.gov

**Paul Horwitz,** Community Affairs Specialist
(781) 794-5635
phorwitz@fdic.gov

**Kip Child,** Community Affairs Specialist
(781) 794-5636
kchild@fdic.gov