



The FDIC Podcast – How America Banks

BRIAN SULLIVAN: Welcome back to the FDIC Podcast, a place to talk about banking and how our banks effect *our* financial lives. I'm Brian Sullivan with the Federal Deposit Insurance Corporation and in this episode we're going to talk about HOW we bank today...which is to say, VERY differently than how we use to bank and not even that long ago!

During the current public health emergency, banks are still open for business but many of their lobbies are closed. These days, that personal one-on-one teller experience is largely by appointment-only. And it means that beyond using an ATM, many of us are increasingly banking online or on our personal electronic devices.

Every other year, the FDIC conducts a survey that measures household use of banking and financial services...as well as the *unbanked* population. The 2019 Survey report, titled *How America Banks*, is just out. And joining us is Karyen Chu, FDIC's Chief of Banking and Consumer Research. Karyen, thank you for being with us.

KARYEN CHU: Thank you Brian. It's my pleasure to be here.

BRIAN SULLIVAN: So what does the latest survey tell us about how we bank?

KARYEN CHU: Our survey finds that nearly 95 percent of American households had a bank account in 2019. This is the highest number of households with bank accounts since the survey was first conducted in 2009. So this is really encouraging news. And while 95 percent of households having an account is a great number, this means that about 5 percent of American households...5.4 percent to be exact... did *not* have a bank account.

BRIAN SULLIVAN: Looking at the 95 percent of families who *are* banked, what do we know about HOW they're using the banking system?

KARYEN CHU: We have been seeing a substantial increase in mobile banking from survey-to-survey, although the increase was much sharper from 2017 to 2019 than in the previous surveys. The increase this time was very broad based across the population. So, even among older households, for example, we saw a quite substantial increase in the use of mobile banking.

BRIAN SULLIVAN: So, given that we bank so differently today, even from 2017, does it make it difficult for *any* survey really to keep up the changing nature of banking?

KARYEN CHU: That’s a good question. Whenever we design our surveys, we face opposing pressures. We want to keep questions as much the same as possible so we can look at trends in the data, but we also recognize that new financial products and services are introduced every day and as usage grows among U.S. households, we want to better understand how they use these new financial products and services and how it relates to their use of banking services.

For example, in the 2019 survey, we’ve added some new questions such as a question about peer-to-peer payments and we will continue, as we conduct the survey every other year, we will look to expand its focus.

BRIAN SULLIVAN: Peer-to-peer payments are, I pay *you* on my phone, essentially.

KARYEN CHU: Yes.

BRIAN SULLIVAN: Okay. Why is it that some people don’t even have the most basic checking account?

KARYEN CHU: Well, since the survey began, we have asked unbanked households the reasons that they do not have a bank or credit union account. In 2019, the most frequently given main reason was “Don’t have enough money to meet minimum balance requirements.” About 3-in-10 unbanked households gave this as their main reason for not having an account.

The second most commonly cited main reason for not having a bank account was “Don’t trust banks” and almost 1-in-6 unbanked households selected that as their main reason for not being banked.

BRIAN SULLIVAN: So, I’m glad you brought up the trust issue because recently, I sat down with Nikita Pearson...Nikita currently leads FDIC’s Office of Minority and Women Inclusion. She’s a fierce advocate for getting people banked and as we were talking, the conversation turned to her own experience growing up in rural Georgia and she shared some of her family pictures...

NIKITA PEARSON:

“This is my great grandmother. I call her Granny. When I was growing up, she used to walk around with a nightgown on and she had this big wad of money in her pocket. My great grandmother, she didn’t trust banks and so, because of that, she would cash her check and she would keep it all into her pocket and she was like that til the day she passed.”

BRIAN SULLIVAN: Karyen, does this mean that unbanked households, like Nikita’s great grandmother’s story, are...that folks are just not interested in having a bank account?

KARYEN CHU: So, the 2019 survey found that roughly 1-in-4 unbanked households were actually very or somewhat interested in having a bank account. And among households that were *unbanked* in 2019 but last had a bank account sometime within the past 12 months, almost half of them said they were very or somewhat interested in having a bank account.

BRIAN SULLIVAN: Do we bank very differently based upon where we live?

KARYEN CHU: Well, one of the questions that we asked in the survey is whether you physically visited a bank branch in person to talk to a teller or to transact in person and we find that, just like in previous years, in the 2019 survey, people who live in rural areas are much more likely to visit a bank branch in person and are much more likely to visit many times such as ten or more times in a year.

When we look at the *unbanked* population in 2019, we see regional variations just like we have in previous years. For example, the unbanked rates were highest in the South though the differences between the South and other regions have narrowed in recent years.

BRIAN SULLIVAN: So, it's encouraging more and more households are part of our banking system but if we can look a little more deeply into those households that aren't...does anything really leap out at you in those data?

KARYEN CHU: We continue to see significant differences based on race and ethnicity. For instance, while the number and percentage of black and Hispanic households with bank accounts have increased, they continue to lag behind white households. For example, approximately 14 percent of Black households and 12 percent of Hispanic households did not have bank accounts in 2019. That compared with less than 3 percent among White households.

BRIAN SULLIVAN: Wow. This brings me to a point I brought up recently with FDIC Chairman Jelena McWilliams who, for those who don't know, came to this country as an 18-year-old woman, unbanked and feeling very much as though she didn't belong in our financial system. Now, here we are some years later, leading one of the federal agencies that regulates banks. And I asked her to reflect back to those early days and if there is any lesson she might share with those who, like her, feel like they don't belong.

CHAIRMAN JELENA MCWILLIAMS:

“The lesson here is to be part of the system and frankly at the FDIC, we have been focused on how can we make more consumers a part of the system. And, you know, in the last few months there has been a great amount of discourse about equality in the United States and inclusion and what does that mean for people. And I would say that a lot of people who come to the United States have different stories...some are similar to mine, some are slightly different but you don't necessarily always feel like you belong and there are certainly people who are born and raised in this system who don't always feel like they belong. And so the way to make the system work for everybody...and this is what I call a financial system of 'belonging'...you want people to be invested in the system because the system works for them. And it's kind of a symbiotic relationship where the more the system works for them, the more they're invested in the system. And where you want to get is that the system works for everybody.”

BRIAN SULLIVAN: FDIC Chairman Jelena McWilliams on being a part of the financial system.

Karyen, the FDIC survey is based on 2019 data. SO much has happened since even last year. I know you don't have a crystal ball, but what can we say about how our current economic climate may impact both the banked and the unbanked in this country?

KARYEN CHU: I absolutely do not have a crystal ball. But I can say that the current economic challenges are likely to contribute to a rise in the number and percent of U.S. households that are unbanked. In our 2021 survey, we have added some questions to gather data on whether households have opened or closed accounts as a result of changes in their economic circumstances due to the pandemic.

It is also possible that because of the pandemic, more households that have bank accounts may use mobile banking as a primary access point to the banking system. So, for example, even my 86-year-old mother-in-law has learned how to deposit checks using her mobile phone since the onset of our public health emergency. Our just-released report *How America Banks* does include a postscript in which we discuss some of these possible effects of the pandemic.

BRIAN SULLIVAN: So, it's coming as no surprise that more and more of us are using our phones. We're using our mobile devices for everything else, why not to bank? You've seen a doubling of mobile banking just between 2017 and 2019...and you expect that to continue?

KARYEN CHU: Yes.

BRIAN SULLIVAN: ...and fueled, at least in part, by this pandemic?

KARYEN CHU: Yes, definitely.

BRIAN SULLIVAN: To read the FDIC's report, *How America Banks*, along with a wealth of data and other information...even broken down by region, state, or metropolitan area...visit [economicinclusion.gov](https://www.economicinclusion.gov). Karyen, any final thoughts about this year's survey, anything that struck you?

KARYEN CHU: Read the report!

BRIAN SULLIVAN: Karyen, thank you for being with us.

KARYEN CHU: Thank you!