Unbanked and Underbanked Consumers in the U.S., 3rd Edition

Description:

The convergence in technology, mobile communications and regulatory change is shaping how banking and alternative financial services (AFS) providers tailor products and services to unbanked and underbanked consumers, while also causing lines to blur between P2P and remittances and between checking accounts and prepaid cards. In the process, traditional definitions of “unbanked” are being joining by such phrases as “the new middle class” and “tech-savvy college students,” changing target audiences accordingly. Meanwhile, the use of AFS products and services has entered the mainstream, with more than 3 in 10 U.S. adults using at least one type of AFS product in the last 12 months, underscoring the market opportunity for banks and non-banks alike in helping to meet underbanked consumers’ needs.

Unbanked and Underbanked Consumers in the U.S. analyzes trends shaping banking and alternative financial services products and services tailored to unbanked and underbanked consumers, giving industry participants the guidance they need to stay abreast of this growing and evolving market. The report assesses the following:

- The characteristics of unbanked and underbanked consumers, including trending the percentage of consumers who are personally unbanked and are non-institutional unbanked, by demographic, for the period 2005-2013.
- Via proprietary consumer survey analysis, underbanked, unbanked & unbanked alternative financial services (AFS) users, by demographic; the payment methods they use; and the alternative financial services they use.
- AFS usage overlap and usage frequency overlap, as well as 2000-2013 unbanked and are non-institutional unbanked bill payment method trends.
- Unbanked/underbanked banking product trends, by using FIDC survey data exploring why the unbanked do not have accounts; using proprietary survey data to explore unbanked, underbanked and fully banked account opening motivators; and exploring challenges and trends related to bank account penalty fees, small dollar bank loans, lines of credit, and account transparency.
- How Model Safe Accounts are being applied in the marketplace, including the Citibank Access Account and the KeyBank Access Account; and we assess non-bank entrance via prepaid accounts that behave like checking accounts, including American Express’ Bluebird and Green Dot’s GoBank.
- Trends shaping the alternative financial services industry, including check cashing, consumer loans, pawn loans, car title loans, and remittances, with accompanying participant analysis.
- How and why banks and nonbanks are using general purpose reloadable prepaid cards to reach the unbanked and underbanked, including drivers and challenges; and prepaid card innovation, including Chase Liquid and PNC SmartAccess; and assess government issued prepaid card and employer payroll card trends.
- The prevalence of smartphone access among unbanked and underbanked U.S. adults, including the relationship between unbanked status and smartphone ownership patterns among key unbanked and underbanked demographics; and we assess unbanked and mobile trends in Mexico.

Contents:

Executive Summary
Report Scope
Report Summary
Characteristics of Unbanked and Underbanked Consumers
The unbanked
The non-institutional unbanked
Unbanked demographic trends
Drawing distinctions between underbanked, unbanked & unbanked AFS users
Use of financial products and services
Alternative financial services users, by type of service
Usage overlap among AFS loan products
Method of bill payment: trends
Among unbanked
Among non-institutional unbanked
Unbanked/Underbanked Banking Product Trends
Why the unbanked do not have bank accounts
What would motivate the unbanked, underbanked and fully banked to open bank accounts?
Addressing bank account penalty fees
Addressing small dollar bank loans and lines of credit
Banks make strides with account transparency
Model Safe Accounts: trickling into the mainstream; poised for transformation
Citibank Access Account
KeyBank Access Account
But non-banks enter space with compelling propositions
American Express: Bluebird
Green Dot: GoBank
Alternative financial services
Check cashers
Consumer loans
Pawn loans
Car title loans
Remittances
AFS industry participants
Prepaid cards
General purpose reloadable prepaid cards
Market size and growth
Drivers and challenges
Prepaid card innovation
Government-issued prepaid cards
Employer payroll cards
Mobile and international trends
Chapter 1: Characteristics of Unbanked and Underbanked Consumers
Summary analysis
FDIC household analysis sets the stage
Packaged Facts analysis: personally unbanked & non-institutional unbanked
The unbanked
The non-institutional unbanked
Unbanked demographic trends
Drawing distinctions between underbanked, unbanked & unbanked AFS users
Use of financial products and services
Alternative financial services users, by type of service
Usage overlap among AFS loan products
Method of bill payment: trends
Among unbanked
Among non-institutional unbanked
Setting the stage: FDIC survey findings
Key findings
Use of alternative financial services
Packaged Facts’ long-term trend analysis
2005-2013 unbanked and “non-institutional unbanked” trends
HH income and race/ethnicity influence results
Unsettling trends among young adults and female household heads
Table 1-1: Unbanked Consumers, by Demographic, 2005-2013
Almost half of unbanked have not used a traditional financial institution in past 12 months
These “non-institutional unbanked” consumers represent almost 20% of adults
Percentage of “non-institutional unbanked” also on the rise
Table 1-2: Non-Institutional Unbanked Consumers, by Demographic, 2005-2013
Hispanic/Latino unbanked & non-institutional unbanked
Hispanic unbanked
Table 1-3: Unbanked: All Consumers vs. Hispanic Consumers, by HH Income Bracket, 2005-2013
Hispanic non-institutional unbanked
Table 1-4: Non-Institutional Unbanked: All Consumers vs. Hispanic Consumers, by HH Income Bracket, 2005-2013
Full-time employment relationship to unbanked & non-institutional unbanked
Table 1-5: Percent of Unbanked & Non-Institutional Unbanked: All Consumers vs. Full-Time Employed, 2005-2013
Regional and state-by-state analysis: 2013
Table 1-6: Percentage of Unbanked Consumers, by Nielsen Marketing Region, 2013
Table 1-7: Percentage of Unbanked Consumers, by State, 2013
Our 2013 unbanked/underbanked/fully banked/AFS user analysis
Drawing distinctions between underbanked, unbanked and unbanked AFS users
Our findings
Table 1-8: Fully Banked, Banked, Underbanked, Unbanked, Alternative Financial Services (AFS) Users & Unbanked AFS Users, by Demographic, 2013
Use of financial products and services
Underbanked and unbanked use of payment instruments
Underbanked and AFS users vs. unbanked and unbanked AFS users
Table 1-9: Use of Payment Instruments & Loans: Fully Banked, Banked, Underbanked, Unbanked, Alternative Financial Services (AFS) Users & Unbanked AFS Users, 2013
Alternative financial service users, by type of service
Check cashing most prevalently used
Table 1-10: Alternative Financial Services: Use in Last 12 Months, by Type; Have Payroll Card, 2013
HH income and race/ethnicity influence check cashing, money order, and pawn use
Table 1-11: Alternative Financial Services Use: Check Cashing, Money Order Purchasing, Pawning & Payday Loans in Last 12 Months, by Demographic, 2013
Cross-use of AFS loan products
Introduction
Most people use more than one AFS product
Significant usage overlap among AFS loan products
High-frequency usage of one loan: correlations to high-frequency use of others
High-frequency auto title loan usage a different story
Table 1-12: Consumers' Use & Cross-Use of Alternative Financial Services, by Type & Frequency of Use, 2012
Unbanked use of AFS loans higher than average
Unbanked high-frequency usage of one loan: correlations to high-frequency use of others
Table 1-13: Unbanked Consumers' Use & Cross-Use of Alternative Financial Services, by Type & Frequency of Use, 2012
Underbanked use of AFS loans most prevalent
Underbanked high-frequency usage of one loan: correlations to high-frequency use of others
Table 1-14: Underbanked Consumers' Use & Cross-Use of Alternative Financial Services, by Type & Frequency of Use, 2012
Bill payment preferences
Prepaid cards gaining traction as bill payment method
Check usage declines during 2005-2013 but remains prevalent
Online bill payment, credit cards, debit cards/prepaid card use rise; cash make a comeback
Table 1-15: Consumer Household Bill Payment Preferences: Cash, Check, Credit Card, Debit/Prepaid, Money Order, Online Bill Pay, 2009-2013
Among unbanked debit/prepaid cards a big bill payment winner
But cash remains important bill payment method
Table 1-16: Unbanked Household Bill Payment Preferences: Cash, Check, Credit Card, Debit/Prepaid, Money Order, Online Bill Pay, 2009-2013
Non-institutional unbanked rely heavily on cash; higher growth rate noted
Table 1-17: Unbanked w/ No Banking Relationship Household Bill Payment Preferences: Cash, Check, Credit Card, Debit/Prepaid, Money Order, Online Bill Pay, 2009-2013
Chapter 2: Unbanked/Underbanked Banking Product Trends
Summary analysis
Why the unbanked do not have bank accounts
What would motivate the unbanked, underbanked and fully banked to open bank accounts?
Addressing bank account penalty fees
Addressing small dollar bank loans and lines of credit
Banks make strides with account transparency
Model Safe Accounts: trickling into the mainstream; poised for transformation
Citibank Access Account
KeyBank Access Account
But non-banks enter space with compelling propositions
Bluebird
GoBank
Bank accounts: usage challenges and motivations
Why people do not have bank accounts
Need
High bank account fees/minimum balance requirements
Table 2-1: All Adults, Unbanked & Non-Institutional Unbanked: Percent Uncomfortable Trusting Money to a
Bank, Agree a Lot & Any Agree, 2008-2013
Demographic analysis: race/ethnicity
Table 2-2: Reason Household is Unbanked, by Race/Ethnicity, 2011
Demographic analysis: HH income
Table 2-3: Reason Household is Unbanked, by HH Income, 2011
Demographic analysis: Nativity and Spanish-only spoken in home
Table 2-4: Reason Household is Unbanked, by Nativity and Spanish-Only Spoken in Home, 2011
Proprietary consumer survey analysis: account opening motivators
Unbanked: Lack of funds & prepaid options influence motivation
Underbanked influenced by range of motivations—more so than banked consumers
Table 2-5: Motivators to Open Bank Account: Unbanked, Underbanked & Fully Banked, 2013
Why is a bank account important?
Electronic banking affects need for banking account
But today’s checking accounts make lower-income consumers more vulnerable to fees
Overdraft concerns linger
Overdraft fees versus NSF fees
Overdrawing accounts still persists
More and more consumers denied account access?
New York attorney general looks into it
Bank account innovation
Deposit advances
Under fire
Table 2-6: Comparison: Conventional Payday Loan vs. Bank Deposit Advance Loan, 2013
FDIC guidance clears the air
Lines of credit
Key Basic Line of Credit
Table 2-7: Key Basic Line of Credit: Characteristics, 2013
Fee transparency
Checking account fee transparency improving
FDIC Model Safe Accounts
Encourage adoption of “checkless” checking
Table 2-8: FDIC Model Safe Accounts: Core Features/Fees & Auxiliary Services and Fees, 2013
Cost to banks: low
Bank innovation
In practice: Citi Access Account
New York City pilot
Marketing approach
Account profitability
Distinguishing feature: remittance
In practice: KeyBank Access Account
An “access” account
Positive uptake, strong account growth
Illustration 2-1: KeyBank Access Account: Web Marketing Graphic, 2013
Comparing KeyBank Access Account customers to its mass customers
Illustration 2-2: KeyBank Access Account: Rates and Fees
Table 2-9: KeyBank Access Account: Characteristics & Metrics, 2013
Non-bank innovation
In practice: American Express’s Bluebird
Bluebird helps set the bar
Illustration 2-3: “Say hello to Bluebird” Marketing Graphic, 2013
Features
Table 2-10: American Express Bluebird: Fees and Characteristics, 2013
Targeting the “alternative-to-banking category”
Target audience: The new middle class
The addressable alternative-to-banking market
How can they offer it so cheaply?
Reception
In practice: Green Dot’s GoBank
Target audience
Illustration 2-4: Green Dot GoBank Web Marketing Graphic, 2013
Voluntary monthly fee
Chapter 3: Alternative Financial Services

Summary analysis

Check cashers
Consumer loans
Pawn loans
Car title loans
Remittances

AFS industry participants
Alternative financial services: usage and reasons for use

Proprietary analysis
Table 3-1: Fully Banked, Banked, Underbanked, Unbanked, Alternative Financial Services Users & Unbanked AFS Users, 2013

FDIC analysis
Reasons for using AFS
Transaction-based AFS
Reasons for using transaction-based AFS
Credit-based AFS
Reasons for using credit-based AFS
How DFC Global Corp. segments its customers
Regulation significantly affects access and use of products
Example: payday loans

Industry trends
Diversification
Online growth
Self-service kiosks
For credit unions, too
Expanding MTO locations
Prepaid, prepaid, prepaid
Check cashing
Unbanked and underbanked receive income as paper checks
Check cashing stores still very relevant
Provision of additional alternative financial services a draw
Table 3-2: Unbanked, Underbanked & Fully Banked Who Receive Income as Checks & Who Use Check Cashing Stores: Population and Share, 2012

A costly proposition
Table 3-3: Average Percent Charged by Check Cashers, by Dollar Amount and Type of Check, Massachusetts, 2012
Basic bank accounts a less costly alternative
Important limitations: what about overdrafts?
Table 3-4: Fee Comparison: Check Cashing vs. Massachusetts Basic Banking, by Income, 2012
Consumer loans
Payday loans
Payday loans causing overdrafts?
Storefront versus online borrowers
Payday consumer complaints given voice?
Payday lenders pivot to installment loans
Pawn loans
Product expansion and diversification
Pawn, payday and prepaid—with rewards!
Is a prepaid card that incents pawn and payday loan use a good idea?
Table 3-5: CashPass Prepaid MasterCard Fees & Platinum Club Rewards Program, 2013
Car title loans
Table 3-6: Car Title Loan Characteristics
Remittances
Operators
Channels
Behind in online
Population universe: domestic and international P2P/remittance

More than 4 in 10 international remitters unbanked
Table 3-8: Percentage U.S.-to-International Money Senders Who Are Unbanked & Non-Institutional
Unbanked, 2005-2013
Western Union and MoneyGram most prevalently used, but other methods gaining ground
Table 3-9: U.S. Adults Who Send Money: U.S.-to-International, Methods Used in Past 12 Months, 2010-2013
Convergence of P2P and remittances
PayPal international remittances
Remittance costs declining
Costs of remittances at banks decline—now cheaper than a money transfer operator
Graph 3-1: Cost to Send $200 from U.S. to Mexico: Fees, Exchange Rate Margin & Total Cost, Q1 2010 to Q1 2013
Online methods generally cheapest; banks are in the middle
Table 3-10: Cost to Send $200 from U.S. to Mexico, by Remittance Service: Q1 2013
Proprietary survey analysis: U.S. immigrants remitting to Mexico
Respondent analysis
Low HH incomes do not stop remitters from sending significant amounts
Connected to the internet and mobile; higher smartphone penetration than U.S. average
Majority are banked
Table 3-11: U.S. Mexican Immigrant Remitters: Basic Demographics, Banking Relationships & Amount
Sent: 2013
But internet-driven methods to send money are not used
Face-to-face transfers lend sense of security and trust
And few use banks to send money
Western Union: a popular choice, but complaints about cost
Table 3-12: U.S. Mexican Immigrant Remitter’s Primary Method of Sending Money to Mexico: 2013
Table 3-13: U.S. Mexican Immigrant Remitters: Primary Method of Receipt in Mexico: 2013
Cross tabbing notes
Qualitative participant assessments
Maria’s priorities: security for recipient; convenience and cost for sender and recipient
Miguel’s priorities: building a home in Mexico and gauging the exchange rate
Teresa: convenience and cost drive the decision
Carlos: no banking relationship, paid in cash, and an Intermex user
Industry participants
Advance America/Grupo Elektra
Table 3-14: Advance America/Grupo Elektra Location, Q1 2012 vs. Q1 2013
Cash America
Growth strategy and product trends
Revenue passes $1 billion
DFC Global Corp.
U.S. footprint
Product trends
United States sales performance
EZCORP
U.S. footprint
Consumer loan activities
Kiosks
U.S. consumer lending performance
MoneyGram
Balancing emerging services with cash-to-cash core
Walmart remains big business
Expanding its retail footprint
Kiosk acquisition
Online and mobile expansion
Tying up with PayPal
Bill payment services
U.S. to U.S. & U.S. to international transaction trends
Western Union
Consumer-to-consumer services
Prepaid platform
Table 3-15: Western Union MoneyWise Prepaid Card Fees, 2013
Table 3-16: Walmart MoneyCard Basic, Preferred and Plus Prepaid Card Fees, 2013
Account-to-account remittances
Performance trends
Retail and mobile expansion
U.S. digital gaining traction
Stickier customers
Money transfer app
World Acceptance Corp
Products and services
Disruptors
Xoom
An enticing value proposition
Mobile leadership
Overcoming security concerns
Start-ups harness technology to enhance remittance/money transfer process
Chapter 4: Prepaid Cards
Summary analysis
General purpose reloadable prepaid cards
Market size and growth
Drivers and challenges
Prepaid card innovation
Government-issued prepaid cards
Employer payroll cards
General purpose reloadable prepaid cards
Fast growing product segment
Market opportunity
Consumer, corporate and government growth
Increasingly prevalent among unbanked
Table 4-1: Prepaid Card Use in Last 12 Months: All Adults, Unbanked & Institutional Unbanked, 2010-2013
Industry growth drivers
Prepaid debit exception
Durbin Amendment court battles could generate more interest in prepaid
Ramifications for unbanked
Good choice for inexperienced, overdrafting consumer?
Less expensive to use than checking accounts?
Challenges
CFPB assessment and regulation
Electronic in, but cash out
Prepaid cards not “sticky” without direct deposit
Where is the relationship?
Prepaid ATM fee advantage
Bank prepaid innovation
In practice: Chase Liquid
Low cost to bank
Marketing approach
Simplicity, low cost and transparency
Table 3-10: “How Chase Liquid Works”: Web Marketing Graphic, 2013
Target audience
Table 4-2: Chase Liquid Customers: New to Bank vs. Existing, Banking History & Banked Status, 2013
How many “newly” banked customers is Chase Liquid really bringing into the banking fold?
In practice: PNC SmartAccess
Illustration 4-1: PNC SmartAccess Web Marketing Graphic, 2013
What about bill payment?
Migration to traditional checking accounts is possible
Non-bank prepaid innovation
Green Dot
Location expansion
Product expansion
Tiered pricing and features targeting specific groups, to drive usage and retention
Table 4-3: Walmart MoneyCard Card Fee Plan, Basic, Plus and Preferred Card Options, 2013
Adding affinity cards
Government-issued prepaid cards
Widening scope of distribution
Prepaid cards disperse 13% of government funds
Revenue and fee generation
Cash rules
Direct Express
Electronic mandate phasing out paper checks
A model card?
And a great deal for users
But for the market, too good of a deal?
Table 4-4: Direct Express Prepaid Debit Card Fee Analysis, 2013
PayPerks
How it works
Widening reach
Employer payroll cards
Fee concerns and forced acceptance
Followed by a warning
Chapter 5: Mobile and International Trends
Summary analysis
United States
Who's got a smartphone?
Table 5-1: Percent of U.S. Adults Owning Mobile Phones & Smartphones, with Smartphone Share, by Demographic, 2012-2013
Unbanked status does not significantly alter smartphone ownership patterns
Table 5-2: Percent of All Unbanked & Non-Institutional Unbanked Adults Who Use a Smartphone, by Demographic, 2013
Mexico
Graph 5-1: Financial Institution & Mobile and Electronic Payment Opportunity Analysis: 2012
Challenge: the rural and impoverished
Poverty is a part of the equation
Graph 5-2: Poverty in Mexico, 2012
Table 5-3: Mexico Urban and Rural Poverty headcount Ratio: 2011
Lots of mobile phones, little financial inclusion
Government data reveals seeds of online banking usage
A strong, entrenched cash culture
Table 5-3: Cash, Credit Card, Debit Card, Prepaid Card, Check & Money Order Usage, by Consumer Expenditure Category: 2013
Global payment networks
VisaNet and mobile banking
Appendix
Methodology
Consumer survey methodology
Terms and definitions
Unbanked and underbanked
Other terms and definitions

Ordering:
Order Online - http://www.researchandmarkets.com/reports/2860044/
Order by Fax - using the form below
Order by Post - print the order form below and send to

Research and Markets,
Guinness Centre,
Taylors Lane,
Dublin 8,
Ireland.
Fax Order Form
To place an order via fax simply print this form, fill in the information below and fax the completed form to 646-607-1907 (from USA) or +353-1-481-1716 (from Rest of World). If you have any questions please visit http://www.researchandmarkets.com/contact/

Order Information
Please verify that the product information is correct and select the format(s) you require.

- Product Name: Unbanked and Underbanked Consumers in the U.S., 3rd Edition
- Web Address: http://www.researchandmarkets.com/reports/2860044/
- Office Code: SCBRECQC

Product Formats
Please select the product formats and quantity you require:

<table>
<thead>
<tr>
<th>Quantity</th>
<th>Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>Electronic (PDF) - Single User:</td>
<td>USD 4050</td>
</tr>
<tr>
<td>Hard Copy:</td>
<td>USD 4900 + USD 58 Shipping/Handling</td>
</tr>
<tr>
<td>Electronic (PDF) - Enteprisewide:</td>
<td>USD 9000</td>
</tr>
</tbody>
</table>

* Shipping/Handling is only charged once per order.

Contact Information
Please enter all the information below in BLOCK CAPITALS

<table>
<thead>
<tr>
<th>Title:</th>
<th>Mr ☐</th>
<th>Mrs ☐</th>
<th>Dr ☐</th>
<th>Miss ☐</th>
<th>Ms ☐</th>
<th>Prof ☐</th>
</tr>
</thead>
<tbody>
<tr>
<td>First Name:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Last Name:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Email Address: *</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Job Title:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Organisation:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Address:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>City:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Postal / Zip Code:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Country:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Phone Number:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fax Number:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

* Please refrain from using free email accounts when ordering (e.g. Yahoo, Hotmail, AOL)
Payment Information

Please indicate the payment method you would like to use by selecting the appropriate box.

☐ Pay by credit card: You will receive an email with a link to a secure webpage to enter your credit card details.

☐ Pay by check: Please post the check, accompanied by this form, to:
Research and Markets,
Guinness Center,
Taylors Lane,
Dublin 8,
Ireland.

☐ Pay by wire transfer: Please transfer funds to:
Account number 833 130 83
Sort code 98-53-30
Swift code ULSBIE2D
IBAN number IE78ULSB98533083313083
Bank Address Ulster Bank,
27-35 Main Street,
Blackrock,
Co. Dublin,
Ireland.

If you have a Marketing Code please enter it below:

Marketing Code: ______________________

Please note that by ordering from Research and Markets you are agreeing to our Terms and Conditions at http://www.researchandmarkets.com/info/terms.asp

Please fax this form to:
(646) 607-1907 or (646) 964-6609 - From USA
+353-1-481-1716 or +353-1-653-1571 - From Rest of World