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FDIC Study on Unbanked – CBA Plans Working Group

The FDIC recently released the results of a nationwide survey of FDIC-insured depository institutions to assess their efforts to serve the unbanked and underbanked. The 2008 survey was sent to a national sample of about 1,300 FDIC-insured banks and thrifts; 54 percent of the banks responded.

CBA's past research found that a significantly higher percentage of our surveyed member banks offered banking products to the unbanked.

Though not in the survey, Wal-Mart recently strengthened its efforts to reach out to the unbanked by reducing the initial, monthly and reloading costs of its prepaid debit card. The retailer launched its prepaid payment card to appeal to a large segment of customers who do not have bank accounts and it expects to significantly increase consumer usage by cutting the costs associated with the service.

In light of these events, CBA will plan a working group on the unbanked. Please let us know if you are interested in participating by contacting David Pommerehn (dpommerehn@cbanet.org).

Summary of FDIC Study

The study recommends setting a goal for lowering the number of unbanked and underbanked individuals in the U.S along with the creation of a national taskforce to oversee this process. Another recommendation was to further explore the development of a safe and affordable electronic bank account (similar to a prepaid or debit card) that cannot be overdrawn. In addition, it was recommended that the role of credit check screening systems, such as ChexSystems, as a barrier to opening up basic savings accounts be examined and policy solutions developed.

Objectives and Findings:

Education and Outreach:

- Financial education is the primary vehicle for serving the unbanked/underbanked populations and is essential to help them make informed decisions.
- 63 percent of banks offer basic financial education materials, but far fewer of them provide more effective forms of outreach and education.
- Employers and community organizations can provide important insights to banks seeking to assess and understand the needs of the unbanked market.
- Partnerships with third-party organizations that leverage core competencies can supplement and complement bank initiatives to provide outreach and serve the community.

- Building strong relationships with trusted community organizations presents valuable opportunities for banks to establish their presence and increase awareness in their service areas.
- Developing and executing successful strategy requires innovative approaches that involve stakeholders both within and outside the banks.

Obstacles and access:

- Some requirements for opening bank accounts can prevent unbanked individuals from utilizing mainstream banking services. 87 percent of banks require a credit check such as ChexSystems in order to open an account, which impacts unbanked individuals with poor credit histories. The vast majority of banks also require either a driver's license or passport.
- Banks must recognize changes in customer demographics. They must also assess obstacles in their market area and address them accordingly.
- Offering banking services in a less formal setting or more convenient location can help the unbanked feel more comfortable with financial institutions.
- Providing greater and more varied means of access (e.g. extended hours, web/phone access) also encourages unbanked individuals to become customers.
- Bank employees play an important role in welcoming unbanked customers and making them feel at ease by assuaging misperceptions about banks, showing sensitivity to their needs, and communicating in their native languages.
- The top three challenges cited by banks to serving this market were "profitability," "regulatory barriers" and "fraud concerns."

Products and Services:

- 62 percent of banks offer basic checking accounts that do not require a minimum balance. Approximately half of banks offer check cashing and fewer offer other services popular among the unbanked such as money orders, bill payment, prepaid cards and check cashing kiosks.
- Entry-level products provide valuable opportunities for unbanked individuals to re-establish credit-worthiness and re-enter the economic mainstream while increasing control and reducing risk to banks.
- Rather than closing accounts due to mismanagement, second chance accounts help banks retain existing customers.
- Certain banking products can be advantageous to unbanked individuals and can provide more benefits than those offered by alternative service providers.
- Banks can better serve unbanked consumers by developing debit card-based accounts and prepaid cards to meet their needs.

Link to full report: [Banks' Efforts to Serve the Banked and Underbanked for The Federal Deposit Insurance Corporation - PDF](#)

If you have any questions or comments, contact David Pommerehn, Counsel, Legislative & Regulatory Affairs at dpommerehn@cbanet.org.