



The Unbanked

FDIC CHAIRMAN MARTIN J. GRUENBERG:

Hi, I'm Martin Gruenberg, chairman of the FDIC. I'm pleased to introduce this podcast on the release of the FDIC's 2023 National Survey of Unbanked and Underbanked households. Since 2009, the FDIC has partnered with the Census Bureau to conduct the largest, most reliable survey of who is unbanked and underbanked in the United States.

Because this survey is large, nearly 30,000 households participate in it, it gives us granular information on the unbanked population in the United States, not only at the national level, but state-by-state and by large metropolitan areas. It also allows us to break down the unbanked population demographically to give us a line of sight into subgroups of the U.S. population.

The bottom line to this year's survey is that we have continued to make progress in lowering the unbanked population in the United States since the survey was first started. The unbanked population in this most recent survey was 4.2%. That is down from the peak in 2011 of 8.2%, nearly a 50% reduction. However, as the survey has found from the beginning, there are significant disparities within the U.S. population of who is unbanked. African-American, Hispanic, lower income, disabled, and single-parent households have significantly higher unbanked rates than the overall population. Although the unbanked rates for those groups have also come down significantly since the survey was started.

This survey tells an important story about who in the United States has access to the banking system. This, in many ways is the starting point for economic opportunity. Providing a safe, secure means of engaging in financial transactions, saving and gaining access to credit.

So with that, let me turn this podcast over to Keith Ernst and Yan Lee, who oversaw the survey for the FDIC, and to Brian Sullivan from the FDIC Office of Communications, who will serve as host.

BRIAN SULLIVAN: Mr. Chairman, thank you. And as the Chairman mentioned, here to dive more deeply into the findings of the FDIC'S latest national survey is Keith Ernst and Yan Lee with the FDIC is Consumer Research Group. Welcome to you both. And Keith, to begin with you...big picture...why do we even care that U.S. households have bank accounts or not?

KEITH ERNST: A bank account is fundamental to being able to participate in and benefit from the U.S. economy. For most people having a bank account, it's something they take for granted. They opened that bank account years ago, maybe even as a child.

BRIAN SULLIVAN: Mister Chairman, thank you...and as the Chairman mentioned, here to dive into the findings of the FDIC's 2023 National Survey of Unbanked and Underbanked Households are Keith Ernst and Yan Lee with the FDIC's Consumer Research Group. Welcome to you both.

BRIAN SULLIVAN: Keith, let's begin with the big picture. Why do we even care that U.S. households have bank accounts or not?

KEITH ERNST: A bank account is fundamental to being able to participate in and benefit from the U.S. economy. For most people, having a bank account is just something they take for granted. They open that bank account years ago, maybe even as a child. Now it's where their paycheck goes. It's how they pay their bills. It's how they save for an emergency. It's also often going to be the place where they build and access credit. When someone doesn't have a bank account, it's not as if they don't have these needs. So, people end up having to find solutions for each of these issues. Too often, those solutions aren't as affordable, safe or as reliable as a bank account.

BRIAN SULLIVAN: Right. The premise is, and if I'm hearing you correctly, it's better to be bank than not to be banked.

KEITH ERNST: Right. I mean, think about people who aren't banked or think about yourself. When was the last time you waited in line to cash a paycheck and then waited in another line to take that cash and pay a bill, paying a fee both times for the privilege of doing that?

BRIAN SULLIVAN: Let's get into let's get into the numbers themselves. Yan, most of us have bank accounts, right? But you still measure the share of U.S. populations that don't.

YAN LEE: That's right. The big reveal is that this year in the 2023 household survey, we find that 4.2% of U.S. households don't have a checking or savings account at a bank or credit union. That's what we call the unbanked rate. That translates to about 5.6 million households.

BRIAN SULLIVAN: ...And that's a historic low.

YAN LEE: ...that remains at historic lows. The last time in 2021, the rate was 4.5%. So that's statistically not different from last time. But definitely, it remains at a historic low.

BRIAN SULLIVAN: Well, so that's that sounds like good news. But if I may point out, one of the things that jumps out in the report is that while the unbanked numbers have improved over the last decade, there are still some demographic groups that consistently seem to be, how shall I say, *less* included in the banking system. So, who are these households and what do we know about their experiences?

YAN LEE: Yeah, that's a great question, Brian. But before I answer that, let's just take a big picture step and look at the overall. So, one thing we really tried to do this year is just kind of have a more comprehensive focus. So, before I answer your question, I'll share a little bit about how the unbanked rate has changed over time.

So in the past 10 years or so, the unbanked rate has fallen by one half for all households. And that's actually also true for a number of household groups that have historically been more unbanked. For example, African-American households, Hispanic households. So big picture, for most groups in the United States, the unbanked rate has fallen by a half in the past decade.

But to your point, getting back to your question, there are still big differences across groups...

BRIAN SULLIVAN: ...gaps.

YAN LEE: ...big gaps. So, for example, comparing African-American or Hispanic households to White households...less educated households to more educated households...lower income to higher income...or those working age households with a disability to those households that are working age without a disability...there's big differences in between groups relative to their counterparts.

BRIAN SULLIVAN: Right. Well, if you if you step back and look at the big numbers, Keith, it strikes me as good news.

KEITH ERNST: Right. I mean, overall, as Yan is getting at, the story here is a good one. We're seeing increased participation in the banking system. The unbanked rate dropped in half over the last decade, both overall and among these groups Yan is talking about. So just to illustrate it...for Black households, for example, we saw the unbanked rate drop from 21.4% to 10.6%. Now, that's a big drop, but 10.6% still means one-in-ten households, Black households in this country, is unbanked. So we're both seeing sort of evidence of just tremendous progress over the decade but still some gaps and concerns that definitely remain.

BRIAN SULLIVAN: And like in former, previous surveys, you asked the question why people aren't banked. Right. And again, tell us why.

KEITH ERNST: The reasons people give us for being unbanked have been fairly consistent over time. So, they often cite a lack of money to meet minimum balance requirements as an example of the reason they're not banked. They have cited concerns around privacy, trust, around fees. These are the things that keep households sort of on the sidelines, if you will, and from participating in the banking system.

BRIAN SULLIVAN: Well, Yan, don't the households without any connection to the banking system still use financial products and services that are out there that are *not* provided by banks?

YAN LEE: That's for sure. So, you know, we are seeing a lot of different options available in the marketplace these days that maybe weren't available about 10 years ago. So, for example, there's non-bank online payment apps...that's your Venmo, your PayPal, right? Most households use that. There are prepaid cards, right? So, both banked and unbanked households use these different services, but they might use them in different ways.

KEITH ERNST: You know, I think even backing away from the numbers, one of the really interesting things that comes through in this survey is this picture of an increasingly complicated landscape of financial services and choices available to consumers. And that consumers are finding their way through these choices and meeting their needs in all sorts of different ways.

Now, the unbanked, since they don't have a bank account, are going to be using them in ways that are a little bit different than banked households. Banked households, maybe using them for convenience, whereas *unbanked* households may be using them to meet core needs. I may pay bills using the bill pay option from my bank. An unbanked household may pay bills using, you know, one of these online payments service providers because that's the tool that's available to them.

BRIAN SULLIVAN: How should we think about the findings of this year's survey through the lens of economic inclusion?

YAN LEE: I think the best way to think about it is that it's both/and...so we've seen tremendous improvements in economic inclusion. So, a lot more households are banked today than ten years ago. But there's still a lot of gaps, right? We want to recognize that lots of households are now more included in the banking system. But there's also disparities.

KEITH ERNST: One of the things that comes out in this year's report, and something we've been focused on lately, is another key aspect of diversity in the banked population is... you have this one group out there... and we spent some time talking about them already... that is sort of tech savvy, using apps and using a variety of solutions to meet their needs among the unbanked. But then you also, the other group among the unbanked, who's relying entirely on cash, as far as we can tell in the survey, to meet their needs. They're getting paid in cash probably, they're paying their bills in cash, their savings are maybe an envelope with, you know, again, in cash. And you just have this diversity and unless you understand that...and understand which population segments are and in which buckets...you're going to have a hard time developing and targeting your solutions to people who could benefit from them. And so really what this survey does, what the data does, it provides for the factual basis for everybody to decide where the opportunities are for us to do more.

YAN LEE: I'm going to give an example. During the pandemic, my grandmother passed away...March 15, 2020. She was 103 years old. I went to New York that Sunday and, you know, helping my parents pay for the funeral. New York City was totally shut down. My mom needed to pay for the funeral. She went to her bank, so she was banked but basically, there are these long lines to get cash. And I said to her, "You need to get a bank account where it's like linked to my accounts, where you can get money from an ATM, where you can use an app." So, she didn't close her old account, but I had to talk her into opening a more convenient account, right? Since then, she's been delighted. So to answer your question, I wish that people knew that the banking system could work for them, that it can be more useful, more convenient... can make your life easier.

BRIAN SULLIVAN: You saw in that moment the effect of not being connected to the banking system.

YAN LEE: That's right. She had a bank account, but it was not as useful and convenient. So now it's kind of like people with minivans...people with minivans now notice every minivan. Now my mom notices every bank with an ATM, and she says, "Oh, that's my bank!" She didn't notice it before. It was not meaningful to her, but now, she checks it on her phone. She's like, this is so great. It's so awesome. Didn't even know it existed right before.

KEITH ERNST: You know, one of the stories that goes along with this that is sort of interesting and we're following through the data...we started out by noting we continue to remain at historic lows in the unbanked rate, right? That's not something that necessarily is assured of happening sort of all the time going forward. And in fact, one of the things we were interested to watch going in was whether we would see an uptick. A lot of people entered the banking system during the pandemic. You know, Yan was talking about sort of those times, in part to receive a government payment...Economic Impact Payments and other payments were sort of a much bigger part of the story. And so, you know, there was a theory out there that maybe some of these households will close the accounts. I mean, these payments aren't continuing to come. You know, maybe the accounts aren't going to be.

BRIAN SULLIVAN: ...and you didn't notice that.

KEITH ERNST: And we didn't we didn't see that in the data. There's nothing in the data consistent with that story and that sort of good news. And we would hope if people are matched to accounts that meet their needs and delivering value, that they would sustain those relationships...and so that's one of the things we were looking for in this year's survey.

YAN LEE: So, echoing what Keith just said earlier. I want to point out that even though lots of folks now use mobile banking apps, right? So, you know, once a month I do that. I pay my bills in five minutes. I feel so good. But the fact is, over 90% of banked households still go, at least once, to their bank branch to talk to a teller. What does that tell you? That means when you need to get a problem solved, you go in and talk to a human being.

BRIAN SULLIVAN: So, Keith, maybe to give you the final word, what resources are there out there that are available to bankers and to bank customers to help them navigate the banking system?

KEITH: Right. And especially thinking about people who are on the sidelines and what options do they have for learning more? The FDIC has a wealth of resources. I suggest starting at [FDIC.gov/getbanked](https://www.fdic.gov/getbanked). There consumers can learn about the benefits of having a bank account. Different things they might want to keep in mind. They can even find links to nonprofit and trade organizations that maintain list of banks offering low-cost accounts. So that sort of, you know, example of what the FDIC has to offer.

I also will say in sort of local communities across the country, people can find resources. Before this podcast, I just sort of went in and did an Internet search and said, you know, I want to open a bank account in Baltimore. There's a group I found that's called [BankOnMaryland.org](https://www.BankOnMaryland.org) and there are others. Baltimore City had something called a Financial Empowerment Center, and these are examples of local resources people can turn to find out, all right, what's available in my community and what might be a good match for me and my family's needs.

BRIAN SULLIVAN: Well, Keith Ernst and Yan Lee with the FDIC Consumer Research Group, thank you both so much for coming back and once again, talking about this very important national survey that you guys release every two years. Thank you again so much.

YAN LEE/KEITH ERNST: Thanks for having us, Brian. Great to be with you.