Remarks by Chairman Jelena McWilliams to the 10th Annual Consumer Research Symposium

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Welcome

Good morning and welcome to the 10th annual Consumer Research Symposium.

Let me start by thanking the organizers. I know preparing this event requires a lot of work, and this statement is especially true today because we are holding the event virtually for the first time. Work on this year's symposium has been led Karyen Chu, Chief of the Banking and Consumer Research section in the FDIC's Center for Financial Research, or CFR. We also appreciate the hard work of our CFR economists on the organizing committee: Nick Frazier, Ryan Goodstein, and Jeff Traczynski. Finally, I want to recognize the work of Neeta Allagh, Donna Vogeland David Spanburg for handling the website and the technology for our event today.

I would also like to acknowledge the CFR's work more broadly. It is the channel through which the FDIC engages with the academic community. In addition to major events like this one today, the CFR hosts an active seminar series, publishes a working paper series, and offers opportunities for Ph.D. Summer Fellows and Visiting Scholars to come to Washington D.C. to engage with CFR economists for an extended period. I encourage the researchers in our audience to pursue these opportunities.

Overview/Themes of the Symposium

Our goals for the Symposium are twofold: first, to provide a platform for academic research in the field of consumer finance; and second, to expand our understanding of, and capabilities in, this research field. I want to emphasize the importance of research to the FDIC: high-quality research is vital for good policymaking. As policymakers and regulators, we look both to our own research and to the research conducted by you to inform our discussions, deliberations, regulations, and general policymaking.

The Consumer Research Symposium is an integral part of our engagement with the research community. We are eager to exchange ideas and views on topics of mutual interest. This year's event marks a milestone: the 10th Annual Symposium. The Symposium has come a long way in ten years. It has grown into a well-established outlet for high-quality research, reflecting the growth of consumer finance research more broadly.

Over the years, the Symposium has had a number of panels on major topics in consumer finance, including household consumption and savings decisions, regulation of consumer credit markets and the effects on households, and behavioral economics, which recognizes that people are not perfectly rational and may make mistakes. Many of the papers featured in the Symposium over the years have been published in leading academic journals. And I am particularly happy that our symposium has featured a number of sessions over the years on the unique challenges and opportunities faced by lower-income households, and on making the banking system more inclusive for all.

FDIC Survey of Household Use of Banking and Financial Services

I would like to turn our attention to the FDIC's work on unbanked households and understanding how America banks. Most notably, as many of you know, the FDIC has conducted a biennial survey of households since 2009, in partnership with the Census Bureau, which provides reliable national and state-level estimates of unbanked rates, as well as the use of bank and nonbank financial services by all households.

Results from our last survey conducted in 2019 will be released next week on Monday in a report titled "How America Banks: Household Use of Banking and Financial Services." The report will be available for download from our website, and our staff will be presenting highlights from the report at the FDIC's Committee on Economic Inclusion on October 22. The meeting will be webcast publicly and I encourage you to tune in!

I want to save most of the key results from the 2019 survey for our release on Monday. However, I will say that most of the trends that we have observed in previous surveys continued with the 2019 survey. And despite just having said that I want to save key results for next week, there are a few trends and takeaways that I would like to highlight today.

The 2019 survey included a new question on a household's satisfaction with their primary bank. I think all of the community bankers here today will find it encouraging that 97 percent of banked households were very or somewhat satisfied with their primary bank. Regarding how households access their bank accounts, we found that mobile banking overtook online banking as the primary means by which households access their bank account. The use of mobile banking as a primary method of account access increased sharply from 16 percent in 2017 to 34 percent in2019. In contrast, online banking decreased from 36 percent in 2017 to 23 percent in 2019. We also found that the use of bank tellers as the primary method of account access continued to decline, from 24 percent in 2017 to 21 percent in 2019.

The 2019 survey asked all households – both banked and unbanked – about their use of nonbank financial transaction services such as money orders, check cashing, bill payment services, and peer-to-peer payment services. The transaction service that was most commonly used by households was peer-to-peer, followed by money orders and check cashing.

Policymakers have had a longstanding interest in ensuring equal access and expanding access to credit. Our survey asked households about their use of bank credit and nonbank credit. Bank credit includes credit cards and personal loans or lines of credit from banks, while nonbank credit includes payday, auto title, pawn shop or tax refund anticipation loans, and rent-to-own services. Our survey found that the share of households that used bank credit increased in 2019, while the share of households that used nonbank credit decreased. The increased use of bank credit and the declining use of nonbank credit found in the survey occurred broadly across different segments of the population.

We also asked households about savings, which we know can help households better manage unexpected expenses or emergencies. To gain insight into these issues, households were asked whether they set aside any money in the past 12 months that could be used for unexpected expenses or emergencies, even if the funds were later spent. Households were asked to consider only funds that could have been spent easily and not to include retirement or other long-term savings. In 2019, nearly two-thirds of households saved for unexpected expenses or emergencies in the past 12 months. However, the survey found that saving rates for unexpected expenses or emergencies continued to be much lower among unbanked households. In 2019, about one-quarter of unbanked households saved for unexpected expenses or emergencies, compared to about two thirds of banked households.

I would be remiss if I did not acknowledge that our survey was conducted before the pandemic hit in 2020. We know the events of 2020 will affect how America banks and uses transaction services, but we do not know what the "new normal" will look like or what structural changes may occur as a result of the pandemic. Households likely will engage banking and financial services in new and different ways.

Our next survey will be conducted in 2021. We plan on asking households specific questions that will capture their response to the pandemic. However, we can make a few predictions about some of the likely effects based on the results of prior surveys. First and foremost, findings from multiple years of the survey suggest that the unbanked rate is likely to rise as the unemployment rate rose from its level prior to the pandemic. Households without a paycheck tend to be banked at lower rates than those with a paycheck. The economic ramifications of the pandemic will likely have an outsize impact on households without an adequate savings cushion or without access to responsible, affordable credit.

Social distancing guidelines have made it more challenging for customers to visit a bank branch and to use paper instruments such as cash or money orders to conduct financial transactions. These guidelines, in turn, may also reinforce the trend of households interacting with their bank through mobile devices, which would further increase both households' and financial institutions' reliance on technology.

Conclusion

As I conclude, I would like to thank the presenters, discussants, and moderators at today's Symposium. This year, we received about 180 paper submissions in response to our "Call for Papers." This is a new high for us, and it underlines the importance of this Symposium to the field of Consumer Finance. Only 10 papers were selected for this year's program. This speaks to how competitive the field is and the quality of the papers that will be presented here today. I congratulate the authors of the papers that were accepted.

We have several interesting panels today arranged around the following timely and important topics:

- How households manage their assets, repay their debts, and respond to income shocks,

- How consumers can save more and spend less on fees,
- How policies affect access to credit across the income distribution, and
- How mortgage terms affect the financial well-being of households.

This year the number of registrations nearly doubled to just under 300. This is a record number for the Symposium. I want to thank all of you in the audience for attending today – even if I can't see you in person. We have an excellent mix of people from a variety of different backgrounds, including regulators and policymakers, as well as participants from nonprofit institutions, academic institutions, and the private sector. We encourage all of you to share your perspectives on the research discussed today and its practical implications. We value the perspectives that all of you bring to the discussion.

I am sure our organizers will go through the means by which we can interact with each other and ask questions in this virtual format. I look forward to a robust discussion. Now, let's get started.