Remarks by
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Good morning. I would like to start by thanking the National Disability Institute for the invitation to be here today. NDI promotes the ideal that people with disabilities should have a fair opportunity to achieve financial stability and independence.

The goal of NDI and its partners to expand inclusion for individuals with disabilities and their families in our economy and financial system is one we can all share. At the FDIC, our focus is ensuring that all consumers have access to a banking relationship with an insured depository institution. And, as we have learned from our research, individuals with disabilities represent a sizable proportion of the population that lacks such a relationship.

In point of fact, one in five unbanked households in the United States (20.8 percent) is headed by a working-age individual with a disability. So there is good reason for NDI's efforts to convene this summit and look for ways to expand access to the financial mainstream.

Increasing households' access to safe, secure, and affordable banking services improves their ability to build assets and create wealth, makes them less susceptible to discriminatory or predatory lending practices, and can provide a financial safety net against unforeseen circumstances. In addition, confidence in the banking system grows when more consumers benefit from a banking relationship.

The FDIC works to promote economic inclusion in a variety of ways. This morning I want to focus on three in particular.

First, I would like to share what we have learned from our research about consumer access to financial services, and how developments such as the continued growth in mobile banking services might improve access for households headed by individuals with a disability.

Second, I will discuss our Safe Accounts pilot program and how it has helped expand the availability of sustainable, entry-level accounts for underserved consumers.

Finally, I want to talk about how we are engaging community-based organizations, financial institutions, and consumers to expand financial literacy and capability.

Household Survey

Let me turn first to our research. In order to have better data to help develop effective economic inclusion strategies, and in response to a statutory mandate, the FDIC periodically conducts national studies that explore households' use of financial services.

The FDIC National Survey of Unbanked and Underbanked Households is conducted in partnership with the Census Bureau every two years. It estimates the size of these populations, describes their demographic characteristics, and provides insight into opportunities to address the financial services needs of consumers.

The most recent survey results, from 2013, show that substantial portions of the population remain unbanked or underbanked:

- 7.7 percent of U.S. households do not have a bank account

- 20.0 percent are underbanked, meaning that they have a bank account but have also used alternative financial services in the past year.

Results for Demographic Groups

As in prior surveys, we found that unbanked and underbanked rates are particularly high among non-Asian minorities, households with lower income and education levels, young households, and households experiencing unemployment.

For the first time, our 2013 report showed that households headed by individuals with a disability also are less likely than the general population to have a bank account, and more likely to use alternative financial services even when banked.

Let me give you some specific figures for illustration.

Among lower-income households, those with annual incomes below $30,000, one in five (19.0 percent) are unbanked, and nearly one in four (23.8 percent) are underbanked.

For black households, more than one in five (20.5 percent) are unbanked and about a third (33.1 percent) are underbanked.

And we find that one in six Hispanic households (17.9 percent) are unbanked and nearly three in ten (28.5 percent) are underbanked.

For households headed by a working-age individual with a disability, one in six (18.4 percent) are unbanked and more than one in four (28.1 percent) are underbanked. In short, nearly half (46.5 percent) of these households rely on providers outside of the financial mainstream for some or all of their financial services.

But while these figures show that access to mainstream services continues to lag among these populations, the survey also shows that banks can serve diverse needs. Even among these groups, about half of households are fully banked. The challenge then is how to extend inclusion further.

Implications

FDIC survey results raise several important implications about ways to successfully serve diverse consumer needs.

First, we should recognize that banking status is dynamic. Many households enter and exit the banking system each year. In fact, we see that almost half of unbanked households (45.9 percent) have previously held an account.

The survey shows that many households that experienced banking transitions also had changes in their employment and income that influenced those decisions. For those exiting the banking system, one-third (34.1 percent) said that a job loss or significant drop in income contributed.

At the same time, employment changes also help explain many transitions into the banking system; one in five households that recently opened a bank account said that a new job contributed to their decision.

It's worth noting that there are some differences in the results for those with disabilities. These households were less likely to say that employment changes contributed to opening or closing a bank account in the past year. On the other hand, they were more likely to cite direct deposit as a reason for establishing an account. Nearly half of recently banked households headed by an individual with a disability said they opened the account mainly to receive direct deposit of a paycheck or benefits.

Taken together, these results suggest that interventions or product features designed to help households maintain and renew their banking relationships through economic challenges may reduce unbanked rates over time.

This may mean, for example, reaching out to consumers starting new jobs or enrolling in benefits programs with opportunities to open an account. It may also mean structuring a bank account to waive fees if the consumer uses bill pay services in a month, rather than requiring them to maintain a certain balance, which can be difficult for households experiencing unemployment or who are receiving certain benefits.

A second implication from the survey findings is that mobile financial services—or MFS for short—offer intriguing possibilities for helping to expand economic inclusion.

MFS can provide account information from virtually any location, at any time. Along with this information, MFS can provide tools consumers can use to manage their finances, conduct transactions, and avoid potential problems such as overdrafts, late fees, and fraud. As a result, this technology has the potential to make banking relationships more convenient and sustainable for households that otherwise may experience such concerns.

Our survey with the Census Bureau shows widespread use of mobile phones across the population.

More than two-thirds (68 percent) of unbanked households and more than 90 percent of underbanked households own a mobile phone. While smartphone ownership lags somewhat among the unbanked (33.1 percent), underbanked households (64.5 percent) are actually more likely to have a smartphone than the fully banked (59.0 percent).

And, in fact, underbanked mobile phone users are actually more likely to have used mobile banking and are more likely to rely on it as their primary banking method than fully-banked households.

But, though we know that mobile services are being rapidly adopted by a wide variety of consumers and institutions, it is not clear whether the technology's full potential is being leveraged to expand inclusion in the banking system. A white paper that the FDIC released last year noted that MFS likely will only recognize its economic inclusion potential when thoughtfully designed and integrated into a bank's overall strategy.

Notably, households headed by individuals with disabilities are less likely to use mobile banking.

Smartphone ownership is somewhat low among these households—less than 40 percent report having a smart phone. Even among banked households, those headed by an individual with a disability were only half as likely to use mobile banking relative to others (14 versus 30 percent). This difference suggests an opportunity to learn whether and how mobile technology can be better used as a tool for financial inclusion for individuals with disabilities.

The third and final implication from the survey relates to the fast-growing use of prepaid debit cards among the unbanked and underbanked.

Between 2009 and 2013, the proportion of unbanked households that indicated they had ever used a prepaid card more than doubled; the most recent data show that more than one in four unbanked households have used a prepaid card at some point (27.1 percent).

In fact, in 2013, a majority of all households (55.0 percent) using prepaid cards in the previous 12 months were either unbanked or underbanked.

Relevant to our focus here, more than one in ten households (13.4 percent) that used a prepaid card in the last year was headed by an individual with a disability.

Moreover, consumers using prepaid cards generally report that they received them from nonbank sources, but are using them to conduct the same sort of day-to-day transactions associated with bank accounts.

It may be interesting then to learn that almost half (46.5 percent) of unbanked households that used prepaid cards in the last year report that they are somewhat or very likely to open a bank account in the future.

All told, these results suggest that there are opportunities to meet these consumers' needs in the banking system.

Safe Accounts Initiative

Let me turn now to our Safe Accounts Initiative.

An account relationship is fundamental to participating in the mainstream banking system. In many ways, opening an account with an insured bank is a stepping-stone to economic opportunity. But it is critical that consumers are matched with accounts that meet their needs.

To facilitate sustainable banking relationships, the FDIC developed a Model Safe Account template. The template describes transaction and savings accounts that are transparent, low cost, easy to understand, backed by established consumer protections, and insured by the FDIC.

The transaction accounts are structured around account-based debit cards. By using card-based and electronic transactions, costs are lower for institutions, overdraft or insufficient fund fees are eliminated for consumers, and consumers develop a full banking account relationship with low fees and low minimum-balance requirements. Nine banks piloted the accounts for one year.

Recently, some banks, including both regional and large money center banks, have introduced accounts consistent with the Safe Accounts structure.

Others have demonstrated that insured institutions can use prepaid cards as a tool that leads to meaningful banking relationships. Following the principles of the Safe Account, these card products can help consumers meet basic transactional needs while providing security for their funds and access to a range of products and services.

FDIC analysts estimate that 78 percent of the U.S. population lives in a county with one or more branches of banks known to offer Safe Accounts. But access alone is not enough to ensure that consumers will take advantage of the opportunities provided by these accounts.

Financial Education and Outreach

This observation brings me to the last topic: how the FDIC engages community-based organizations, financial institutions, and consumers in efforts to expand financial literacy and capability. In one example, the FDIC currently is partnering with Bank On programs in cities around the country to expand access to affordable transaction accounts.

Another important contribution by the FDIC in this area is the Money Smart Financial Education Program. This effort helps consumers, especially low- and moderate-income consumers and small businesses, enhance their financial skills and create positive banking relationships. Nearly 2.8 million consumers have used the program since 2001.

For many in the United States, especially those outside the financial and economic mainstream, financial education introduces the benefits of a bank account and provides the basic skills necessary to make sound financial decisions.

To be successful, these financial education materials must be easily accessible. To this end, we make Money Smart resources available in multiple languages and formats, including large print, braille, and through podcasts. And, our online resources, including self-paced segments, meet federally-mandated accessibility standards. And because we train instructors who can use Money Smart materials to teach consumers, the FDIC includes implementation resources and tips for teachers and instructors to use to engage individuals with disabilities.

All of these resources and materials are available – for free – by starting at our website – fdic.gov/moneysmart. In fact, through this website, you will find new resources that involve parents, other family members, and caregivers in the learning process for young people.

In addition to making these materials widely available, our community affairs staff in FDIC regional and area offices play a key role in addressing the needs of individuals with disabilities. For example, our Dallas region has been working with REACH (Rehabilitation, Education, and Advocacy for Citizens with Handicaps) – a nonprofit organization serving North Texas. As a result, REACH is using the FDIC Money Smart curriculum to provide financial education and increase the financial resilience of students transitioning from high school to independent living. I'm sure that others in this room could share their own stories of working to expand access.

Conclusion

While we have made a lot of progress in recent years, it is clear that there is a great deal more that needs to be done.

More financial institution partners are needed to ensure that consumers can readily find convenient options.

We also depend on other partners to identify and help initiate strategies to educate and connect consumers to banking options that will meet their needs. NDI's recent announcement that it is working with the Consumer Financial Protection Bureau is an example that comes to mind. The initiative aims to blend financial education, counseling, and support services to help individuals with disabilities set and achieve financial goals, such as better credit scores and increased savings.

NDI's work with the FDIC is another good example. Researchers and experts, including staff from NDI, advised the FDIC as we devised methods for using our data to provide estimates for individuals with a disability.

We have also learned from research NDI co-published with Syracuse University using FDIC household survey data. That research concludes that financial institutions can do more to make their products and services more accessible to individuals with disabilities.

And today I am pleased to announce that NDI has agreed to help the FDIC find ways to improve access to banking services. To this end, at the fall meeting of our Advisory Committee on Economic Inclusion, a panel will be convened to identify additional opportunities for financial institutions to better serve individuals with disabilities. This will be a focus and priority for the FDIC going forward.

In conclusion, let me thank you for the work you do and for the leadership you have provided in this area. Further, let me underscore the commitment of the FDIC to partner with you to expand access to the banking system for people with disabilities. I would welcome your comments and questions.

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