

The CFSI Underbanked Consumer Study

Underbanked Consumer Overview & Market Segments

Fact Sheet

Released: June 8, 2008

Introduction

The purpose of the study was to conduct a segmentation analysis of underbanked and unbanked consumers based on attitudes, behaviors and experiences relative to both formal and informal financial services, products, and institutions. Four industry leaders co-sponsored the study with CFSI: Citi, Fidelity National Information Services, H&R Block, and MasterCard. The study was executed by Experian Consumer Research.

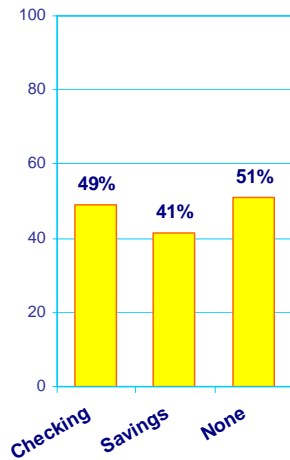
The national study included 2,799 underbanked adults 18 or older. The results have been weighted back to the U.S. population proportionally, ensuring national representation. Underbanked is defined as “may have current checking account and/or current savings account if individual made one or more non-bank financial transactions in the past 30 days.” Unbanked is defined as “no current checking account and no current savings account.” We use the word underbanked to include un- and underbanked.

Demographics and Characteristics

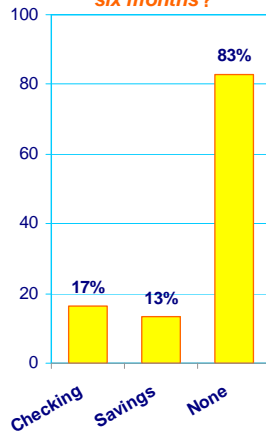
- US underbanked population: 40 million households (106 million individuals)
- Household Income: \$26,390 (median), \$47,500 (mean)
Note: 18% of survey did not provide household income
- Ethnicity:
White (Non-Hispanic)60%, Hispanic- 19%, Black(Non-Hispanic)-16%, Other- 5%
- Homeownership: 63% own, 28% rent, 8% live rent free
- Adults living in household: Three (mean)
- Marital Status: 29% never married, 27% married,16% divorced/separated, 8% widowed
- Children in household: 45% yes
- Employment:
Status: 47% Full-time, 11% Part-time, 41% Not-employed
Reason for unemployment: Retired and homemakers make up 52% of those not currently employed

Bank Account Ownership

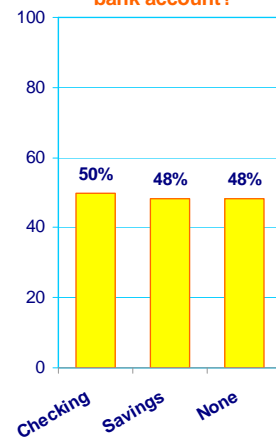
Do you *currently* have a bank account?



If you do not currently have a bank account, have you had an account in the *last six months*?



If you have not had an account in the last six months, have you ever had a bank account?



- Paying bills is the top reason for owning a checking account, yet cash is still the most common form of payment for bills and all payments
- Saving money is the top reason for a savings account; Latinos view keeping their money secure as the top priority
- The perception of not having enough money to make the account useful is the top reason given for not having a bank account

Preferred Service Provider

Almost 80% of underbanked consumers are satisfied with their preferred service provider

Most preferred to use for financial transactions	Percentage
Bank or credit union stand alone branch	35
Bank or credit union inside a store	8
Supermarket/grocery store	24
Check cashing outlet/currency exchange	6
Payday lender	0
Pawn shop	1
Convenience store	6
Drug Store	2
Liquor Store	2
Discount/dollar store	3
Super center/club store	6
Department Store	2
Auto title lender	1
None	2
No Response	2

Top reasons for financial outlet satisfaction:

- It doesn't take a lot of time (28%)
- The people who work there are always helpful (26%)
- I am treated with respect (22%)

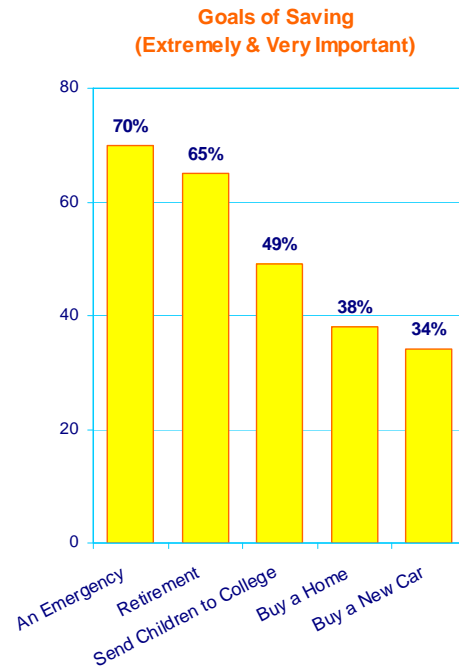
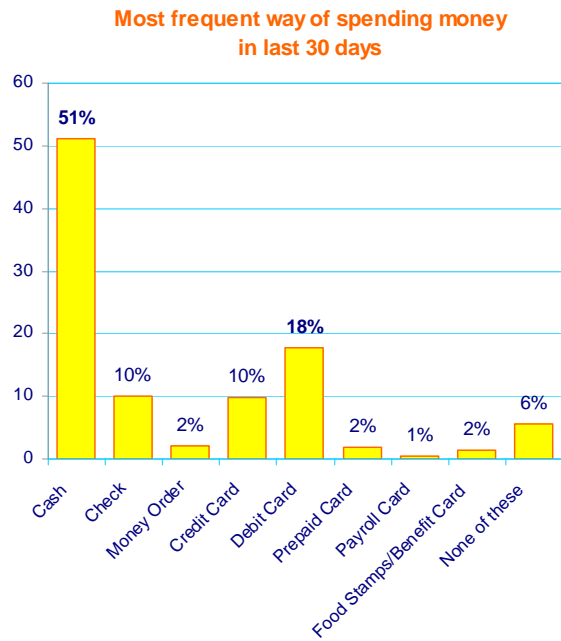
Top reasons for financial outlet dissatisfaction:

- The fees are too high (35%)
- Making transactions takes too long (13%)
- I'm never sure how to do what I need to do (10%)

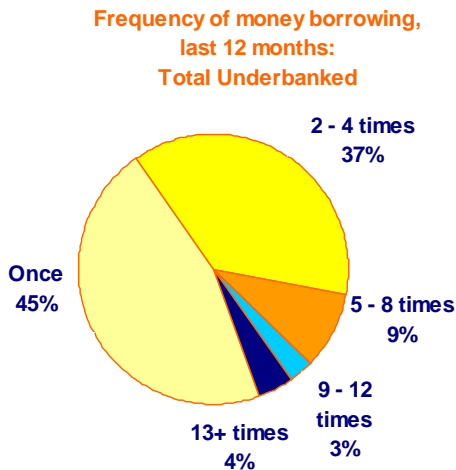
43% prefer a bank (Bank or credit union stand alone branch, or Bank or credit union inside a store)

37% prefer a retailer (Supermarket/grocery store, Convenience store, Drug Store, Discount/dollar store, Department Store)

Underbanked Consumer Spending, Saving, Borrowing



Of those surveyed, 28% of all underbanked consumers have borrowed money in the last 12 months. Unbanked consumers are slightly less likely to have borrowed in the last year.



Reasons for borrowing in past 12 months	Percentage
Pay Utility Bills	17
Towards My Living Expenses	17
Purchase Car	17
Pay Rent	13
Other	13
Fix a Car	11
Pay Back Money I Owed	11
Home Repairs	10
Help Out a Family Friend Member/Relative	10
Travel	8
Education	8
Pay Medical Bills	7
Vacation	6
Invest in a New/Existing Business	5
Help Out a Friend	4
For Furniture, Appliance, etc.	4
Meet My Payroll Needs	3
Avoid Bankruptcy	1

Underbanked Consumer Credit Score

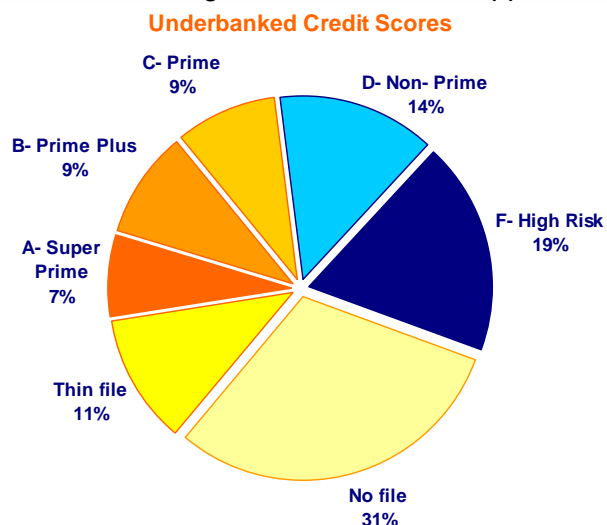
Names and addresses were obtained for 79% of survey respondents, enabling credit scores to be appended to study results.

The results are:

- **25%** had a prime credit score
- **42%** had thin or no credit file
(These consumers cannot be scored)
- **33%** were considered subprime

Underbanked consumers generally have an accurate perception of their credit scores:

- Among those with self-perceived poor credit, 99.1% are non-match/no score or have a VantageScore of “High Risk” or “Non-Prime”
- Among those with a VantageScore of “Super Prime”, 88.8% perceive themselves as having “Excellent” credit



Underbanked Consumer Segment Characteristics

Eight unique segments of the underbanked consumer market have been identified. Within each segment, information regarding market segment size, propensity for financial products, desired marketing and communication approaches, financial service experiences, demographic trends have been evaluated to create market segment descriptions critical for the successful development and implementation of products, marketing and distribution, and risk management strategies targeted towards the underbanked consumer.

Market Segment Descriptions

“Cash is King”: Consumers who are most likely to rely on cash for their financial transactions. They are the least likely to have (or have had) checking or savings accounts. Cash Is King have much lower household incomes than other segments and are more apt to be struggling to make ends meet. This group, is highly unlikely to make financial transactions in a bank or credit union.

“The Next Wave”: This is a group that is trying their best cover their needs and they are also hoping to reach financial goals like owning their own home. This group is more likely to make non-bank financial transactions, they are also less likely to currently have checking or savings accounts and cash plays an important role. They do want to save money and are interested in earning interest.

“The Strivers”: Strivers are a financially aggressive group who take an active role in their money management. They are active users of checking/savings accounts and make many financial transactions. They like having checking accounts so they can keep track of their spending and it makes it easier to pay bills – while savings accounts keep their money secure. While more than half of The Strivers have a checking account, some do not – and reasons for that include concerns about their personal information.

“Middle of the Road”: Middle of the Road adults are also active financial money managers. Nearly 70% currently have a checking account and nearly 60% a savings account. They have these accounts in order to facilitate paying bills and make purchases easier. The Middle of the Roads are less likely to have come from families who have banked. Those in the group that do bank (the majority) are most likely to make their financial transactions in a stand alone bank or credit union. This is their preference because they can do what they need to quickly and they find the employees most friendly and helpful.

“My Way”: The My Way group are more likely than other groups to have a checking and savings account. They enjoy the ease of paying bills and making purchases with checks and indicate that earning interest is a key reason for their savings account. This group makes frequent bank and non-bank transactions at various places – including convenience stores. My Way consumers want transactions done quickly, conveniently, and safely. They don’t want any hidden fees or high minimum balances.

“The Savers”: As the name implies, saving money is their key reason for these consumers to have bank accounts. About half of Savers have a checking and/or savings account. Keeping money secure is also a key reason for these accounts. Among those Savers who do not have a checking or savings account, they cite the security of their personal information as their #1 concern. Savers make more frequent transactions at non-bank places like supermarkets, convenience stores and discount/dollar stores. They look for access to information on products and services – either through classes or brochures. The Savers are less likely to borrow money. Keeping themselves and their spending in check is key.

“Almost There”: Members of “Almost There” are more likely than others to be part of traditional financial institutions via a checking account – over 60% have them – which they like to have to make bill paying easier and to keep track of their spending. A smaller portion of Almost Theres have savings accounts. They are more comfortable making transactions in a bank/credit union than non-bank institutions. They rate their experience with their bank more positively than the average adult and are likely to keep returning. They prefer banks or credit unions that are contained within a store rather than stand alone buildings.

“Borrowers”: This group’s name is indicative of the fact that they borrow money frequently and for a variety of reasons. They have had student loans, personal loans, lines of credit, home equity loans, payday loans, auto loans – all at higher rates than the average adult. In fact, this group is more than twice as likely to have borrowed money in the past year. The amount they borrow tends to be lower (under \$1000), but again, they are more likely to borrow from their bank than a family or friend. Borrowers make above average transactions at a variety of places including banks/credit unions, supermarkets, convenience stores, drug stores and super centers. 70% have a checking account and almost 60% have a savings account.

