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OCCASIONAL PAPER

New Findings on the Unbanked in America

Results from the 2011 American Life Panel Survey

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Lack of access to appropriate financial products and services can exacerbate financial difficulties. Compared to such alternative financial services providers as check cashers, banks and savings associations typically provide opportunities to conduct financial transactions at lower-cost terms. Having a bank account also increases security, reduces vulnerability to theft, and supports the building of skills and experience that contribute to overall financial capabilities [1] [2].

In an early 2009 survey, the Federal Deposit Insurance Corporation (FDIC) found that 8 percent of American households were unbanked while the FINRA Financial Capability Survey, conducted in mid-2009, reported a higher unbanked rate of 12% among American adults. In both surveys, unbanked respondents were disproportionately low income and/or minority [1] [3].

Against the backdrop of a rapidly evolving economic outlook for the United States as a whole, timely data are essential for policymakers and practitioners: data from even a few years ago may not adequately reflect current conditions. *New data collected by the RAND Corporation show a high prevalence of unbanked individuals in 2011, highlighting that this issue remains a continuing policy priority.*

Summary Findings

The fraction of American households that have no savings or checking bank accounts (i.e., are unbanked) has long been a concern for policymakers. In the current economic environment, new and timely data are critical to understanding the development of this issue.

Estimates from a nationally representative sample of individuals, RAND's American Life Panel (ALP), suggest that in 2011:

- 15.5 percent of the population is unbanked.
- Socioeconomically disadvantaged individuals are considerably more likely to be unbanked.
- Unbanked respondents cite both financial barriers and personal preference as reasons for not having a bank account.

Results from the 2011 American Life Panel

From May through August of 2011, the RAND Center for Financial and Economic Decision Making, a part of the RAND Corporation's Labor and Population research division, fielded a web-based survey to provide a comprehensive, updated picture of American households' financial well-being using the American Life Panel (ALP), a panel of respondents age 18 and over. As of August 31, 2011, a detailed survey of financial capability had been completed by 3,061 individuals. Because respondents via the Internet tend to have higher income and education, the data were weighted to ensure representativeness.

The unbanked rate reported in the 2011 ALP is significantly higher than the rates reported in previous research. Overall, 15.5 percent of the (weighted) respondent population reported having no bank account. This figure is a third higher than the fraction of unbanked adults reported by the 2009 FINRA survey. The 2011 ALP also shows that *16.4 percent of respondents are not confident in their ability to access the financial products and services that they need* (see Figure 1).

The percentage unbanked in the 2011 ALP varies with socioeconomic status. The data show that 36 percent of respondents with reported income under $30,000 were unbanked, versus 7 percent of those above this threshold; 24 percent of respondents with a high school degree or less were unbanked, versus 9 percent of those with more than a high school degree.

A key finding of the FDIC survey was the degree to which racial and ethnic disparities existed. In 2009, the data showed that 21.7 percent of black and 19.3 percent Hispanic households were unbanked, compared to about 3.3 percent of white and 3.5 percent of Asian households. *The 2011 ALP shows persistent*

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Figure 1
I Am Confident in My Ability to Access Financial Products and Services That I Need

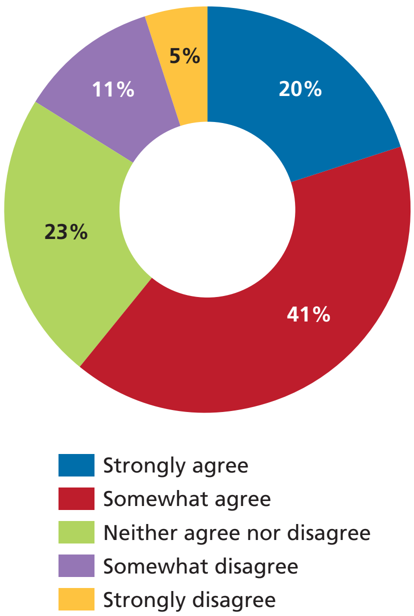
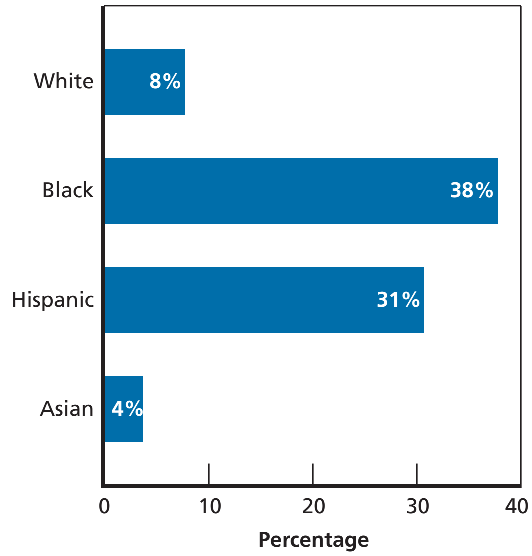


Figure 2
Percentage Unbanked, 2011



disparities for all these racial and ethnic groups, with about one in three black and one in three Hispanic respondents unbanked (see Figure 2). Men and women were equally likely to be unbanked.

Finally, unbanked respondents were asked to give the top three reasons for their not having a bank account. Most frequently, respondents reported that they did not have enough money (58 percent). Further analysis shows that external barriers to access are important: 23 percent said that they could not get an account from any bank. Forty-three percent cited fees and service charges, 32 percent cited overly high minimum balance requirements, and 24 percent cited physical access (hours and location). At the same time, for a significant fraction, having no bank account was a matter of preference and/or perceived needs: Thirty-five percent reported that they did not need or want a bank account, and 40 percent said they did not like dealing with banks. ■

Data and Methodology

This occasional paper presents summary data from the American Life Panel, a series of web-based surveys administered by RAND Labor and Population. At present, the American Life Panel is composed of approximately 4,000 respondents age 18 and older. At least once a month, respondents are asked to complete an online questionnaire. Respondents are paid an incentive of $20 for every 30 minutes of interview time. Participants are recruited from respondents to the monthly survey conducted by the Survey Research Center at the University of Michigan and other survey programs that survey representative samples of U.S. consumers. Data presented in this paper were collected in one survey wave, MS 189, fielded from May–August 2011. Results have been weighted using post-stratification weights, so that the distribution of age, sex, education, ethnicity, and income in the American Life Panel approximates that observed in the Current Population Survey. The data collection and research are funded by the National Institute on Aging.

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OP-369-1-NIA (2012)

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