

Who Are the Unbanked/ Underbanked consumers in Ogden City?

Weber State University
October 2009
Study Proposal



Cottages of Hope

Mission:

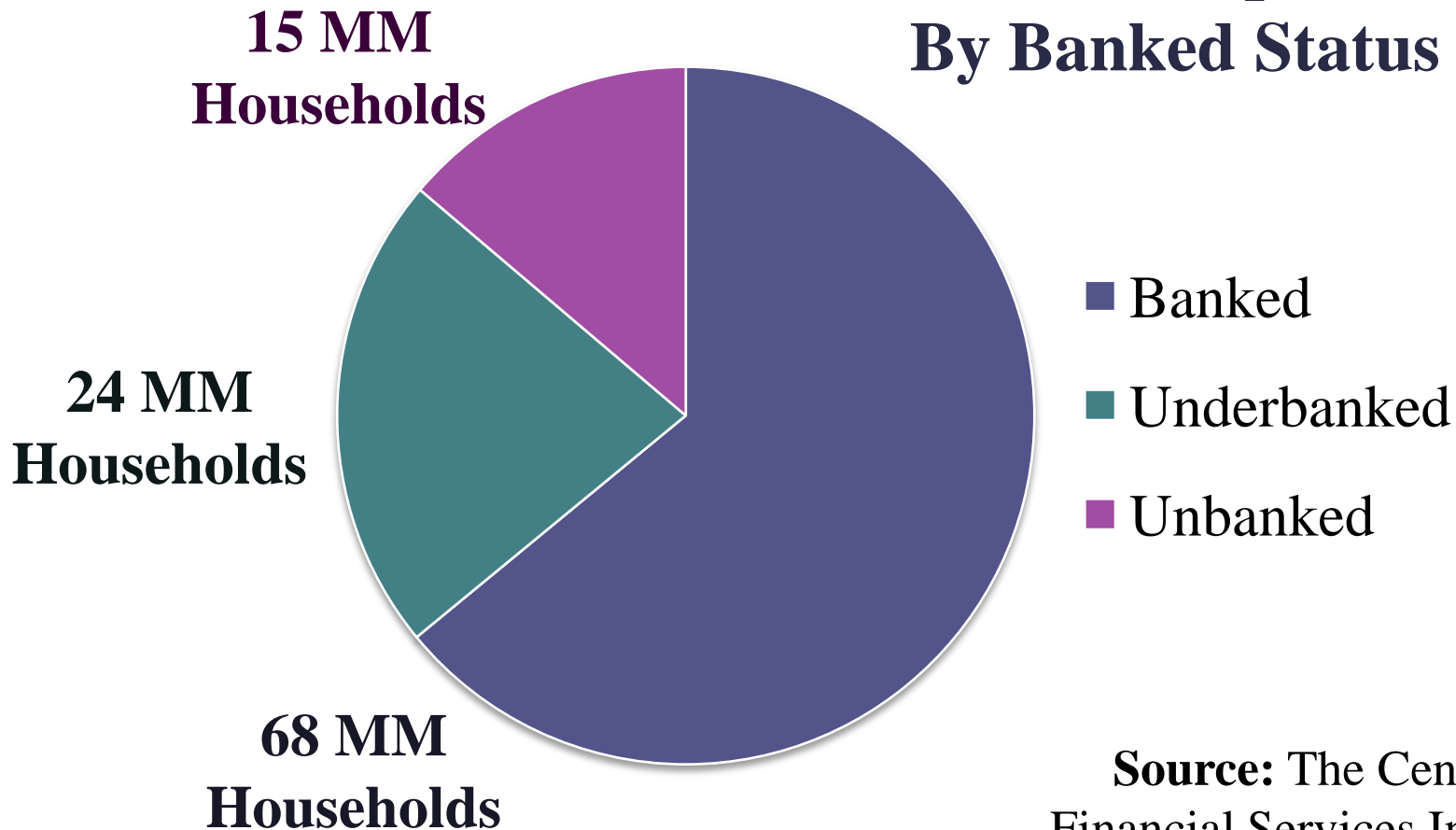
We provide a no cost, step by step program that will assist low-to-moderate income households in obtaining increased levels of financial stability through greater household income and better financial management

Summary of Services:

We provide workforce development, education support, and career planning services that lead to greater household income. In addition we offer financial counseling and education to assist families with identifying and prioritizing their financial resources.

Nearly 40 million U.S. households – 73 million people – are financially underserved

US Adult Population By Banked Status



Source: The Center for Financial Services Innovation

Study Details & Objective

Explore the Who, What, and Why of the:

- Demographics of unbanked and attitudes towards mainstream and alternative financial services
- Financial services currently used (mainstream and alternative) with their related fee structures
- Barriers to opening, using, and keeping an account
- Potential motivators / ways to overcome obstacles
- General data of the banking landscape in our community.

With the intent of designing more effective programs, products, and services leading to increased number of properly banked households in Ogden.

Likely Profile of the Consumer

Other studies show:

- Below average income and education
- Likely reside in urban areas
- Disproportionately nonwhite
- Lack proper documentation
- Prefer convenience & perceived low cost of alternative financial services

How does this look for Ogden?

Bank On San Francisco

There's been this idea that if only we publicize checking accounts and bank services, the unbanked will join the banking system. *But we've found through our research and focus groups that it isn't true...* By Ben Magan, CEO of EARN

“Exploring The World of Micro Financing”

Published by Kirsten Weiss, 24 Sep 2009

www.MyKro.org

The Unbanked Market In SF

Study results

- Approximately 50,000 unbanked consumers in San Francisco
- Approximately 25% of households earning \$30,000-\$45,000 in San Francisco are unbanked
- Likely to be between 18-35
- Mostly Hispanic and African American consumers, need to account for Spanish speaking customers and barriers
- Without a bank account, the average person will spend 5% of their income at check cashers each year

Financial Providers in SF

The banking landscape is primarily large banks.

- 220 bank branches (9 banks constitute more than half of the branches)
- 38 credit union branches (many have a restrictive membership charter)
- 64 check cashers (not including payday lenders)

Bank on San Francisco has helped San Franciscans open over 25,000 accounts since beginning in 2006.

www.bankonsf.org



EVERYONE DESERVES A CHANCE.
LEARN HOW YOU CAN OPEN A BANK ACCOUNT TODAY.



Potential Outcomes For Ogden

Understanding of Local Consumer

- Demographic profiles un/underbanked population
- Consumer attitudes and motivations toward banking
- Barriers to opening, using, and keeping banking privileges
- Current banking methods including alternative options

Understanding of Banking Environment

- Availability of mainstream and alternative institutions
- Classification into size and service options
- Description of banking fees by type of service

Definitions

Unbanked

Describes individuals that do not have a checking or savings account at a mainstream financial institution. Operate outside the banking mainstream.

Underbanked

Describes those that have a traditional account, however have or continue to use services provided by alternative financial institutions, typically at a higher cost. Connected, but not fully operating inside banking mainstream.

Justification For Local Study

“New and unique data...shows that the conventional wisdom regarding the unbanked is overly simplistic at best, and in many ways, simply inaccurate. For instance, many financial institutions may be surprised to learn that more than half of the unbanked have attended college, or that only a third of them are rated as having sub-prime credit scores.

“Strategic Viewpoints for SUCCESS”

Edgar, Dunn & Company – INSIGHT

December 2007

www.edgardunn.com

Impact On Households

Direct Costs

Fees related to check-cashing, bill payment, and alternative credit transactions.

Indirect Costs

Operating in cash, or by using alternative institutions can only hurt credit scores. (No upside)

Inefficient / Insecure savings strategies

Decreased availability traditional credit leads to increased priced alternative lending options

Lack of investment opportunities (CD's)

Impact On Community

Insecure Savings

Cash in mattress - Increased levels of theft

If the house burns down, or is flooded, savings could be lost

Access to Credit

Decreased ability to acquire constructive assets

Increased number of households filing for bankruptcy

Ogden is #1 in State (per capita use of payday lenders)

50% of Utah small claims cases are related to payday lending (an alternative form of credit)



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Thank You...Questions?