

SUPPORTING STATEMENT
National Survey of Unbanked and Underbanked Households
(new collection)

The Federal Deposit Insurance Corporation (FDIC) is requesting approval from the Office of Management and Budget (OMB) to sponsor a National Survey of Unbanked and Underbanked Households as a supplement to the Bureau of the Census' Current Population Survey (CPS) in January 2009. The survey effort is being conducted in response to a Congressional mandate and will collect basic data about individuals who do not have an account at a bank or credit union (the "unbanked") and individuals who have a deposit account but also rely on alternative, non-bank financial service providers (such as check cashing firms) for transaction or credit services (the "underbanked"). Respondents to the survey will be classified as unbanked or underbanked based on their responses to the survey questions. When paired with answers to demographic questions in the CPS, the survey will provide an estimate of the numerical and financial size of the unbanked market in the United States. The proposed data collection is a new collection and would represent the first nationally- and regionally-representative data collection of this type for the United States.

A. JUSTIFICATION

1. Circumstances and Need

The Federal Deposit Insurance Corporation (FDIC) is requesting approval from the Office of Management and Budget (OMB) to sponsor a supplemental information collection to the Census Bureau's Current Population Survey (CPS). The survey is being conducted as part of the FDIC's response to a Congressional mandate contained in section 7 of the Federal Deposit Insurance Reform Conforming Amendments Act of 2005 (Pub. L. 109-173), which requires the FDIC to conduct ongoing surveys on "efforts by insured financial institutions to bring those individuals and families who have rarely, if ever, held a checking account, a savings account, or other type of transaction or check cashing account at an insured depository institution (the "unbanked") into the conventional finance system." The mandate further requires the FDIC to estimate the size and worth of the unbanked market in the United States and to identify the cultural, language and identification issues and transaction costs that most prevent unbanked individuals from establishing conventional accounts.

To meet this statutory requirement, the FDIC has designed two complementary national surveys: (1) a survey questionnaire designed to obtain from a nationally-representative cross-section of banks information regarding their efforts to meet the needs of the unbanked and underbanked; supplemented by a limited number of case studies of innovative approaches employed by banks to service the unbanked and underbanked populations; and (2) a national survey of households designed to help the FDIC address statutory questions and factors regarding the size and worth of the unbanked market in the United States and cultural and economic barriers inhibiting their use of products and services offered by insured depository institutions

(Attachments A).The bank survey has been approved by OMB, assigned control number 3064-0158, and is currently underway. This statement relates to the household survey effort.

2. Use of Information Collected

The FDIC will use the information collected from the survey to produce a study on the number and the demographic characteristics of unbanked and underbanked consumers in the United States and the factors that may inhibit their use of products and services offered by insured depository institutions. The results will be published and used to inform policymaking on issues related to economic inclusion and bank efforts to serve the unbanked and underbanked.

3. Use of Technology to Reduce Burden

The Census Bureau collects demographic data using computer-assisted interviewing. The Census Bureau considers use of personal visits and telephone interviews using computer-assisted telephone interviewing and computer-assisted personal interviewing the most appropriate collection methodology given existing information technology.

4. Efforts to Identify Duplication

There is currently no single source of basic national, metropolitan, and state-level data for the United States on the number of unbanked and underbanked households, their demographic characteristics, and the factors preventing or limiting their use of insured depositories. While a number of studies and surveys have been conducted on the general topic of the unbanked and underbanked households, to date, these studies have generally focused on narrow geographic areas within the United States or limited subsets of the unbanked and underbanked population.

5. Minimizing the Burden on Small Entities

The collection of information does not involve small businesses or other small entities .

6. Consequences of Less Frequent Collection

FDIC may pursue a similar survey effort in the future to fulfill its statutory mandate to collect this type of information every two years.

7. Special Circumstances

There are no special circumstances.

8. Consultation with Persons Outside the FDIC

On May 19, 2008, the FDIC published a notice seeking comment on the survey for 60 days. One comment was received from a banking trade organization. The commenter expressed general support for the survey, noting that the banking industry is actively searching for ways to expand the universe of bank customers by identifying ways to transition unbanked consumers into users of mainstream products and services. The commenter indicated that the survey data would enhance these private initiatives to develop financial services for unbanked and underbanked consumers. The commenter did, however, express concern that certain questions may be phrased in such a way as to unintentionally steer respondents to certain answers which are critical of banks and that several questions offer the failure of banks to provide check cashing services, a service banks usually provide to their account holders, as a possible reason for not having or closing a bank account. To mitigate the possibility of unintentional steering, the commenter suggested that the FDIC consult with experts in the field of polling to determine whether there are more neutral and reliable ways to elicit the information sought. The commenter further suggested that the FDIC eliminate failure to provide check cashing services as a possible answer to questions probing the reasons a respondent does not have or has closed an account.

The commenter also suggested that the FDIC expand the survey, to elicit more detailed information in a number of areas, including the attitudes of the unbanked toward financial education opportunities; the reasons some consumers prefer to operate on a cash basis; what consumers like and dislike about payroll cards and other pre-paid products and the extent to which users of such products tend to be interested in opening checking or savings accounts; and the extent to which price and other factors affect the choices made by unbanked consumers when shopping for financial products and services. Finally, the commenter noted that the survey does not include questions of a demographic nature such as the respondent's age, education, income, line of work, ethnicity, or how long he or she has resided in the country. The commenter, therefore, requested that the FDIC incorporate demographic questions into the survey or clarify that such questions will be included as part of the regularly scheduled questions asked by census takers.

In its development of the survey questions for the National Survey of Unbanked and Underbanked Households, the FDIC attempted to balance its statutory mandate to identify the factors that appear to prevent unbanked individuals from establishing accounts with insured depository institutions and the demographic characteristics of the unbanked population against the need to minimize burden on respondents. To achieve this balance and to ensure that the questions were structured in a way to minimize bias, the FDIC consulted with a nationally recognized polling firm with expert credentials in qualitative and quantitative research and analysis. The FDIC also worked closely with a cognitive testing expert on the faculty of the University of Connecticut and with staff of the Census Bureau's Demographic Surveys Division and the Labor Department's Bureau of Labor Statistics. After two rounds

of cognitive testing with corresponding adjustments to survey questions, the FDIC is confident that the survey questions are structured in a way that minimizes possible skewing of survey results.

With respect to suggested deletion of failure to provide check cashing services as a potential response to questions seeking information on the reasons for not having or closing an account, the FDIC is aware that such services are usually extended to bank customers. However, provision of such services to account holders is not always the case and, in many instances, may be restricted by several factors such as account standing and the institution on which the check is drawn. Therefore, the FDIC believes that failure to provide check cashing services is a valid response option for questions seeking to determine the reasons for not having or closing an account.

Regarding the suggestion that the FDIC expand the survey to elicit more detailed information in a variety of areas, the FDIC agrees that the utility of the survey would be enhanced by the addition of questions that would provide more depth on factors underlying consumer choices and preferences with respect to financial products and services. However, the FDIC is constrained by Census Bureau limits on the length of the survey. Perhaps these issues can be explored in future survey efforts.

On the demographic issues raised by the commenter, the FDIC has clarified in its 30-day *Federal Register* notice that demographic information about respondents is collected by the Current Population Survey, eliminating the need for such questions to be included in the supplemental survey. Respondents to the survey will be classified as unbanked or underbanked based on their responses to the survey questions, thereby providing the FDIC with the means to calculate the size of those populations.

9. Payment or Gift to Respondents

No gifts will be given to respondents.

10. Confidentiality

The Census Bureau will collect data in compliance with the Privacy Act of 1974 and the OMB Circular A-130. New and returning households receive an advance letter approximately one week before the initial start of the CPS interview (see Attachment B). The letter includes the information required by the Privacy Act of 1974, explains the voluntary nature of the survey, and states the estimated time required for participating in the survey. Field representatives (FRs) must ask if the respondent received the letter and, if not, provide a copy and allow the respondent sufficient time to read the contents. Also, FRs provide households with the pamphlet, *How the Census Bureau Keeps Your Information Strictly Confidential* and *Fact Sheet for the Current Population Survey* (Attachments C). All

information given by respondents to Census Bureau employees is held in strict confidence under Title 13, United States Code, Section 9. Each Census Bureau employee has taken an oath to that effect and is subject to a jail penalty or substantial fine if he or she discloses any information. The FDIC will receive a microdata file containing the full battery of labor force and demographic data along with data from the supplemental survey. The actual identities of survey respondents will not be included in the data file received by the FDIC.

11. Information of a Sensitive Nature

The study conforms to privacy rules and Census Bureau criteria and does not request any information of a sensitive nature.

12. Estimate of Annual Burden

Number of respondents: 54,000.

Average time per response: 10 minutes (0.16666 hours).

Total burden = 54,000 x 0.166 = 8,999.

13. Capital, Start-up, and Operating Costs

There are no anticipated capital, start-up, or operating costs.

14. Estimates of Annualized Cost to the Federal Government

The estimated cost to the FDIC is approximately \$750,000.

15. Reason for Change in Burden

This is a new collection.

16. Publication

The findings of this survey will be published by the FDIC.

17. Exceptions to Expiration Date Display

The FDIC has been advised that the Census Bureau has requested a waiver of the requirement to display the expiration for the CPS because the respondents' length of participation in the CPS is not likely to coincide with the expiration date of this clearance. To avoid confusion that may arise from this fact and given that the CPS has been in place for over 50 years and the basic CPS interview has remained relatively unchanged over the past 8 1/2 years, we request a waiver of the requirement to display the expiration date.

18. Exceptions to Certification

None.

ATTACHMENTS

- A1. FDIC National Unbanked and Underbanked Household Survey (English version)
- A2. FDIC National Unbanked and Underbanked Household Survey (Spanish version)
- B. Current Population Survey – Advance Letter and Frequently Asked Questions
- C1. Current Population Survey Confidentiality Brochure
- C2. Fact Sheet for the Current Population Survey
- D. Current Population Survey Design and Methodology Overview, October 2006 (available at the following link: <http://www.census.gov/prod/2006pubs/tp-66.pdf>)