

SUPPORTING STATEMENT
National Survey of Unbanked and Underbanked Households
3064-0167

The Federal Deposit Insurance Corporation (FDIC) is requesting approval from the Office of Management and Budget (OMB) to revise its National Survey of Unbanked and Underbanked Households (“Household Survey”), which is administered as a supplement to the Bureau of the Census’ Current Population Survey (CPS). The survey is conducted in response to a Congressional mandate and collects 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 are 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 provides an estimate of the numerical and financial size of the unbanked market in the United States. The Household Survey is the first nationally- and regionally-representative survey of this type for the United States.

A. JUSTIFICATION

1. Circumstances and Need

The Federal Deposit Insurance Corporation (FDIC) is requesting approval from OMB to revise the Household Survey instrument, first administered as a supplement to the January 2009 CPS and next scheduled to be administered as a supplement to the June 2011 CPS. The survey is 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 (“the Act”), 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 prevent unbanked individuals from establishing conventional accounts.

To meet this statutory requirement, the FDIC designed two complementary national surveys: (1) a national survey of FDIC-insured financial institutions (banks) designed to gather information regarding their efforts to meet the needs of the unbanked and underbanked; 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 A1 and A2). The bank survey was approved and assigned OMB control number 3064-0158. This statement relates to the Household Survey effort.

The FDIC is proposing to revise its Household Survey instrument to take advantage of lessons learned from administration of the first survey and as a consequence of suggestions received in response to a Federal Register notice (75 FR 20357) published on April 19, 2010, seeking comments on whether changes to the existing instrument would be desirable and, if so, to what extent.

The changes to the survey made as the result of lessons learned are minor and include revisions to terminology to enhance clarity, reordering of some of the questions to improve flow, and collapsing several questions into one to reduce complexity and redundancy. Examples of revisions to terminology to enhance clarity include changing “using a payday loan” in question 22 of the initial survey to “using a payday lender” and changing “mainstream financial institution” to “bank.” An example of reordering questions to improve flow is that questions 1, 2, and 3 in the first survey are now questions 2, 1, and 1a in the revised survey to provide a more logical introduction to the survey supplement. As for collapsing several questions into one, an example is that questions 7b, 8b, and 9b in the initial survey separately asked respondents to indicate whether their reasons for not having a bank account were related to customer service issues, financial issues, or for other reasons. The revised survey condenses questions 7b, 8b, and 9b into one question, question 5, that offers customer service, financial, and other issues as possible reasons for not having a bank account.

The changes to the survey made as the result of suggestions received in response to the FDIC’s request for comments are explained more fully in the discussion of “Consultation with Persons Outside the FDIC” below.

2. Use of Information Collected

The FDIC uses the information collected from the survey to produce studies 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 are 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 CPS data using computer-assisted methods. Specifically, it uses computer-assisted personal interviewing (9CAPI) for conducting in-person interviews and computer-assisted telephone interviewing (CATI) for conducting telephone interviews.

4. Efforts to Identify Duplication

There is currently no single source of 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, these studies have focused on either narrow geographic areas within the United States, often including limited subsets of the unbanked and underbanked population, or extremely broad, nationally aggregated survey data measures for the unbanked population that do not collect information about underbanked household activity.

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's statutory mandate requires the conduct of studies every two years 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.

7. Special Circumstances

There are no special circumstances.

8. Consultation with Persons Outside the FDIC

On April 19, 2010, the FDIC published a notice seeking comment for 60 days on possible revisions to the survey. One comment was received from a non-profit organization. The commenter offered a number of suggestions for revising the Household Survey based on its own ongoing survey of the financial behaviors of similarly situated unbanked and banked families in certain low-income neighborhoods in the City of Los Angeles.

Although noting the strict time constraints for CPS supplemental surveys, the commenter nevertheless suggested adjustments to the survey to enhance the quality, utility, and clarity of the information to be collected; as well as to minimize the burden of the information collection on respondents. More specifically, with respect to enhancing the quality, utility, and clarity of the information to be collected, the commenter suggested that the FDIC modify the survey to better (1) estimate the number of wage earners in a given household by asking how many householders earn income and how many of those earners have either a checking or

savings account; (2) document the form of income by asking how the respondent is paid, whether any earned income is deposited into a bank account before being spent and, if paid by direct deposit, how the employer influenced the respondent or the respondent influenced the employer to use direct deposit; (3) document saving behavior by asking the respondent whether they would characterize their financial condition as making enough to pay bills and save, making enough to pay bills but not save the future, or not making enough to pay regular bills; (4) document usage of alternative financial services (AFS) among the banked by asking how many years the respondent has regularly used AFS and how frequently; (5) document the lost opportunity of the unbanked by asking about the frequency and size of remittance transfers and whether respondents have recently filed income taxes, or requested the earned income tax credit; (6) measure the subsets of the unbanked by asking questions designed to determine whether they were never banked, abandoned banking, or were expelled from banking; and (7) measure the extent to which overdraft fees are a barrier to stable banking relationships by asking about the amount of overdraft fees incurred by the respondent in the preceding year and whether the respondent would like to be warned of potential overdrafts before they occur. With respect to minimizing burden of the information collection on respondents, the commenter suggested that the FDIC (1) document technology and language divides by asking respondents about comfort with reading and writing in English, access to and comfort with using computers, and cell phone capabilities to access email, the internet, and other data online; and (2) adjust its methodology and/or results to reflect the difficulty of counting the unbanked and underbanked using the current methodology.

The FDIC is appreciative of the commenter's observations and recommendations and has incorporated several of the suggestions into the revised survey instrument. For example, the FDIC has included in the revised survey, questions to determine whether each member of the household has a checking or savings account; use of specific AFS transaction services within the past 12 months and frequency of use within the previous 30 days and use of certain AFS credit products within the previous 12 months; household use of remittances, including the frequency of and the reasons for use; and previous banking status of unbanked households and the reasons for becoming unbanked. In some cases, the commenter's exact questions were not incorporated into the survey, but the revised survey does include questions designed to elicit similar kinds of information. As an example, instead of asking the previously banked whether they left their bank voluntarily or whether the bank closed their account, the revised survey contains a follow-up question that asks about previous banking status, with a follow-up question for the previously banked as to why they became unbanked. One of the possible reasons for becoming unbanked is that the bank closed the account. As another example, rather than asking respondents to provide their perceptions as to whether they earn enough money to pay their bills and save, the revised survey asks respondents who report use of AFS credit products whether their main reason for borrowing was to cover basic living expenses. In other cases, some of the data the commenter suggested be gathered through the FDIC supplement, such as data on household income and

expenses and whether English is the primary language spoken at home, will be available from responses to questions included in the basic CPS. Finally, although the FDIC agrees that it may be useful to gather data on the form of income, income tax filings, requests for the earned tax credit, overdraft fees, respondent preferences regarding notice of potential overdrafts, and access to technology, including questions to obtain this information is just not feasible given the time constraints for the FDIC Supplement to the CPS.

The FDIC respectfully disagrees with the commenter's suggestion of the need to adjust the Household Survey methodology and/or results to reflect the difficulty of counting the unbanked and underbanked using the current methodology. The CPS sample is scientifically designed to measure demographic and labor force characteristics of the entire non-institutionalized civilian population that is 16 years old or older, and therefore should provide precise estimates of the number and percent of unbanked and underbanked households. In addition, the release of survey data allows users to make statistical adjustments based on any additional information available for a particular locality.

The FDIC's response to the commenter's suggestions is set forth more fully in its 30-day notice of submission to OMB of revisions to the Household Survey.

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: 46,500*.

Average time per response: 10 minutes (0.167).

Total burden = $46,500 \times 0.166 = 7,750$.

*Note: The estimated number of respondents is based on the assumption that the percentage of CPS respondents also responding to the Household Survey will be roughly equivalent to the response rate of approximately 86 percent achieved for the January 2009 survey.

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 \$500,000.

15. Reason for Change in Burden

The burden reduction of -1250 is the result of an adjustment (-7500) in the estimated number of respondents to reflect the 86 percent response rate for the January 2009 Household Survey.

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>)