

SUPPORTING STATEMENT (Revised)
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 2013 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 and second surveys and as a consequence of suggestions received in response to a Federal Register notice (77 FR 64337) published on October 19, 2012, seeking comments on whether changes to the existing instrument would be desirable and, if so, to what extent.

Based on past survey experience and feedback received in response to the 2011 survey from experts in the economic inclusion field, the FDIC has included additional questions. These questions are mainly intended to increase our understanding of households' transitions into and out of the banking system, the channels through which households' access financial services (including mobile technologies and the internet), the use of auto title loans, and the use of prepaid cards.

In order to keep the survey instrument short and accommodate the new questions, a number of questions have been dropped from the survey. These questions include: detailed (follow up) reasons why households are unbanked, reasons why households would open an account in the future, the main reasons for using alternative financial services (AFS), the number of times AFS have been used in the last 30 days, and use of payroll cards. A detailed description of the revisions made to the survey can be found in Attachment A-2 and A-3.

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 (CAPI) for conducting in-person interviews and computer-assisted telephone interviewing (CATI) for conducting telephone interviews.

4. Efforts to Identify Duplication

Other than the Household Survey, 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 October 19, 2012 (77 FR 64337), the FDIC issued an initial request for comment on possible revisions to the 2013 National Survey of Unbanked and Underbanked Households. The FDIC received five comments related to this survey effort. All commenters were supportive of efforts to bring unbanked and underbanked households into the financial mainstream.

One commenter suggested that the FDIC drill down further on the reasons for not using conventional/traditional financial institutions and suggested that income, judgments, liens, felony convictions, and “choice” (ie, personal preference) are possible reasons for being unbanked. The FDIC continues to revise the survey instrument to better capture the full range of reasons why households do not have bank accounts. Answer options for this question have been clarified and streamlined. The 2013 survey adds an answer option that intends to capture households that feel that not having a bank account provides more privacy for personal finances. And, the 2013 survey asks households to select all applicable

reasons for not having an account, but also indicate the most important reason, which will allow us to capture a more complete set of reasons. Several comments related to the need to better understand households' use of prepaid cards, including the cards' cost structures, and the use of direct deposit in conjunction with prepaid cards. One commenter further suggested that the FDIC consider an alternative unbanked definition that excludes households that regularly use prepaid cards. The FDIC agrees that the use of prepaid cards is relatively high, and increasing, among unbanked and underbanked households. In response, the revised Household Survey asks a number of new questions about prepaid cards that seek to capture the timing of households' prepaid card use, the reasons for using these cards, where they are purchased and how they are accessed and loaded.

Another commenter mentioned the need to better understand households' financial decision-making, especially related to the choice between financial services or products such as: direct deposit vs. check-cashing, prepaid card vs. bank account. The FDIC agrees that this is an area of interest, but capturing this information would require more substantial revisions to survey than we are able to accommodate given the timeframe for the 2013 survey. This comment will be considered in future survey efforts.

Another suggestion referred to gaining further detail on the competitive advantages and disadvantages of financial service providers. The 2013 Household survey includes questions about what methods households use to access bank accounts, as well as locations used to access alternative financial services. This information should provide additional information regarding consumer preferences for accessing financial services.

Another comment requested that financial education questions be added to the survey. The FDIC recognizes the value of assessing financial education levels in conjunction with the use of financial services and products. However, financial education is difficult to measure at the household level. A good financial education assessment requires including a set of questions that test the respondents' financial capability, which might or might not be representative of that of the household.

Another commenter requested that the survey provide results for smaller demographic groups, and allow for more cross tabulations of data, and suggested having the Household Survey be a part of the American Community Survey (ACS) as opposed to the Current Population Survey (CPS). The FDIC recognizes the value of having questions regarding banking status administered as part of the ACS, as the ACS's large sample size would allow for analysis at smaller demographic and geographic levels. The FDIC may investigate proposing new ACS content through the content change process managed by OMB and the Census Bureau. However, the current data collection, as part of the CPS, does allow for many meaningful analyses of demographic groups. In many cases, individual users can use the public use dataset from the Census Bureau to perform

a wide variety of demographic analyses, including some that may be more detailed than the FDIC published in its own reports on the Household Survey.

The FDIC also received suggestions regarding the implementation of the survey. The commenter suggested that an in-person survey would facilitate data collection. The Household Survey is a supplement to the Census Bureau's Current Population Survey which is predominantly an in-person survey.

On March 19, 2013 (78 FR 16854), the FDIC issued a notice of submission of the revised survey instrument to OMB, with a second request for comments. One comment was received in response to the notice. The commenter was of the opinion that during difficult economic times, the focus should be on reduced spending of taxpayer funds. The commenter suggested that, in the absence of a Congressional mandate on the frequency of the survey effort, the FDIC should delay the next administration of the survey for another five years, rather than conduct the survey every year. In response, the FDIC notes that it receives no Congressional appropriations; it is funded by premiums paid by banks and thrift institutions for deposit insurance coverage and by earnings on investments in U.S. Treasury Securities. In addition, the FDIC notes that section 7 of the Act expressly states that the FDIC shall conduct a "bi-annual" survey, which the FDIC has interpreted to mean a "biennial" survey, and that the FDIC has, in accordance with this mandate, conducted the survey every two years.

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: 45,000*.

Average time per response: 12 minutes (0.2).

Total burden = 45,000 x 0.2 = 9,000.

*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 84 percent achieved for the January 2011 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 annual cost to the FDIC is approximately \$650,000.

15. Reason for Change in Burden

We estimate that the revisions made to the survey instrument increased the average response time by 2 minutes. Moreover, the estimated number of respondents has been reduced by 1500 to reflect the 84 percent response rate obtained in the June 2011 Household Survey. Therefore, the net increase of 1,250 hours reflects an adjustment of -250 hours and a program change of +1500 hours.

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 Survey of Unbanked and Underbanked Households
- A2. Description of the revisions to the 2011 FDIC National Unbanked and Underbanked Household Survey
- A3. Redlined version of the survey instrument highlighting differences relative to the 2011 survey.
- A4. 2011 FDIC National Survey of Unbanked and Underbanked Households Report
- 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>)