

Revisions to the FDIC National Survey of Unbanked and Underbanked Households March 12, 2013

This document presents proposed revisions to the 2011 FDIC National Survey of Unbanked and Underbanked Households (household survey). The proposed survey incorporates revisions resulting from cognitive testing conducted in February 2013 by the U.S. Census Bureau. A second round of cognitive testing will take place in March 2013. Subject to OMB's approval the survey will be implemented in June 2013.

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.

As appropriate, the FDIC referred to existing survey instruments when formulating new questions. In particular, for questions regarding consumers' use of mobile phones or the Internet, the FDIC consulted with the Federal Reserve team who recently conducted surveys on mobile financial services in 2011 and 2012.

A number of questions have been dropped from the survey instrument in order to accommodate new questions while keeping the survey short. 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.

In a few cases, the FDIC improved the wording of existing questions or added answer options. The enclosed redlined survey document indicates the text revisions, the deleted questions (in gray highlight), added questions (yellow highlight), and includes references to existing surveys used to formulate some of the new questions noted as comments.

The sections below list the major revisions made to the survey instrument.

I. Additional or Revised Questions

- a. Several questions were added to help the FDIC better understand households' transitions into and out of the banking system.
 - Q2e-2f identify households that were unbanked but became banked in the last year, and their reasons for opening an account.
 - Q49-Q49b identify life events that could potentially trigger a change in household banking status. Similar answer choices were used by the Pew Research Center in a 2004 study⁴. Cognitive testing helped fine tune the wording of the answer option.
- b. Additional questions were incorporated to help the FDIC understand both the methods households are using and locations where households are accessing bank accounts and other financial services. In particular, the FDIC has identified a need to assess the extent to which the Internet and mobile technologies are becoming ways for households to access financial services.

- Q2g¹-Q2i², Q45, and Q45b identify the channels households use to access their bank accounts or prepaid card accounts, including methods such as the internet and mobile phones. In order to provide context to internet or mobile phone options, the survey asks whether households have access to the internet and the use of mobile phones/smartphone (Q46-Q48). Q2i, Q45b, and Q46- Q48 are based on a 2012 Federal Reserve instrument².
 - Q13b, Q19b, Q24b, Q28b, Q43 identify the locations where households are accessing prepaid accounts and AFS (e.g., big box stores, supermarkets, AFS providers). Cognitive testing helped inform the wording and the options to include in the location questions.
- c. The proposed 2013 survey instrument streamlines questions about the reasons for not having an account. The proposed revisions remove the detailed reasons (Q6a to Q6f). Instead, the survey asks one question that captures all reasons for being unbanked (Q5) and then asks the respondent to identify the main reason (Q6). The answer options have been slightly revised. In the 2011 survey, about two thirds of households mentioned 'do not have enough money' or 'do not need or want an account' as the main reason for not having an account. The interpretation proved difficult as some of the other answer options could also be interpreted as reasons why households do not need or want an account. To aid interpretation of the results going forward, the proposed revision deletes 'do not need or want an account' as an answer option. The answer option 'do not have enough money' is changed to 'do not have enough money to keep in an account or meet a minimum balance'. We have also added 'Not using a bank provides more privacy for my personal finances' as an answer option, as was suggested by a number of different sources.

In addition, the following revisions were made as a result of cognitive testing: Added a leading statement to Q5 to reduce respondent sensitivity to this question. Each answer option requires a yes/no/DK/ref answer to better capture respondents' reactions to each answer option.

- d. The proposed instrument includes new questions regarding households' use of auto title loans. These products are high-priced, short-term loans secured by the borrower's personal vehicle. A 2009 FINRA survey reported that auto title loans are as prevalent as refund anticipation loans (6 percent of households had used them in the last 5 years), implying that they should be included in the survey. Input from cognitive testing and 2011 FINRA survey were used to develop the wording for this question.
- Q38-Q38c replicate the series of questions asked about the timing and use of other AFS for auto title loans.
- e. The proposed revisions include more detailed questions regarding prepaid cards, which, according to the 2009 and 2011 FDIC surveys, are more heavily used by unbanked and underbanked households. These new questions on prepaid card use follow the same series of questions used to ask about the timing and location of AFS use (Q39²-Q41, Q43). In addition, Q42 and Q42b ask about the reasons for using a prepaid card using the same structure used in Q5 and Q6.
- Q44² identifies households that use prepaid cards on a more 'permanent' basis. Reloading the card with funds is an indication that households might be using this instrument more like a checking account, as opposed to a short-term financial instrument that gets disposed of once the initial funds are spent or withdrawn. This question is again a replication of one used by the Federal Reserve in 2012.

- Q45-Q45b explore the methods by which households access their prepaid card account (parallel to questions Q2g¹ and Q2i² in the bank account section). In particular, Q45b assesses the use of prepaid cards via mobile technology. Questions about the use of mobile phone were included in this section because prepaid cards are commonly offered by providers of mobile financial services, especially those targeting underserved consumers.
- f. The proposed instrument adds questions to identify households that receive direct deposit or automatic transfers into their accounts, and further identifies the types of account into which these transfers/deposits are made (Q2c- 2d). Evidence suggests that direct deposit is associated with account tenure ('account stickiness'), and can result in lower bank account fees and/or balance requirements.
- g. Additional minor revisions that resulted from cognitive testing include:
- Question 7 was reworded to ask about the likelihood of opening an account 'within the next 12 months' as opposed to 'in the future'.
 - The question about the use of remittances (Q20) reiterates that the survey is asking for sending money internationally, as opposed to domestically. Added 'to relatives or friends outside the US' in the question instructions.
 - The rent-to-own question (Q35) includes an additional instruction to differentiate this financial service from other forms of payment or credit services: "I am not talking about leasing cars or other installment payment plans that require credit check or layaway plans."
 - In the prepaid card questions, cognitive testing results indicated that respondents were not sure whether to consider prepaid cards that are funded by someone else (e.g., government agency). The description of prepaid cards, as well as the question about re-loading the card (Q44) explicitly state that the card could be loaded by the household or "by anyone else".

II. Deleted Questions

In order to keep the survey short, a number of questions have been dropped from the survey instrument. These include:

- a. Detailed (follow up) reasons why households are unbanked (Q6a-Q6f). Very few respondents were asked these questions.
- b. Reasons for wanting to open a bank account in the future (Q8). This question is being replaced by Q2f which asks households that actually opened an account in the past 12 months why they did so, as opposed to asking households that might open an account in the future why they would want to do so.
- c. The reason for using alternative financial services (AFS) (Q13, Q19, Q24, Q28, Q32, and Q37). The results have been similar in 2009 and 2011 survey and we do not anticipate that these results would change notably in the short term.
- d. The number of times AFS have been used in the last 30 days (Q12, Q17, Q18, Q23). Dropped mainly to keep the survey short.
- e. The use of payroll cards (Q38). These are used by a very small proportion of households (3 percent).

References to Other Surveys

¹Boston Federal Reserve. Survey of Consumer Payment Choice, 2009

²Federal Reserve. Consumers and Mobile Financial Services, 2012

³Financial Industry Regulatory Authority. Financial Capability Survey, 2009

⁴Princeton Survey Research Associated for Pew Internet and American Life Project, 2004