

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

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 U.S. Census Bureau’s Current Population Survey (CPS). The survey is a key component of the FDIC’s efforts to comply with 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 household characteristics questions in the CPS, the survey provides an estimate of the numerical and financial size of the unbanked and underbanked market in the United States. The Household Survey is the only nationally- and state-representative survey of this type for the United States.

A. JUSTIFICATION

1. Circumstances and Need

The Federal Deposit Insurance Corporation (FDIC) recognizes that public confidence in the banking system is strengthened when banks effectively serve the broadest possible set of consumers. As a result, the agency is committed to increasing the participation of unbanked and underbanked households in the financial mainstream by ensuring that all Americans have access to safe, secure, and affordable banking services. The Household Survey is one contribution to this end.

The FDIC has administered the Household Survey approximately every two years as a supplement to the CPS since January 2009. The FDIC is requesting approval from OMB to revise the Household Survey instrument scheduled to be administered as part of the June 2015 CPS.

The Household Survey is also a key component of the FDIC’s efforts to comply with 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 obtain this information, the FDIC partnered with the U.S. Census Bureau, which administered the Household Survey supplement to households that participated in the January 2009, June 2011, and June 2013 CPS. The results of these surveys were released to the public in December 2009, September 2012, and October 2014, respectively.

The Household Survey has yielded nationally-representative data, not otherwise available, on the size and characteristics of the population that is unbanked or underbanked, the use by this population of alternative financial services (AFS), and the reasons why some households do not make greater use of mainstream banking services. The Household Survey is the only population-representative survey conducted at the national level that provides state-level estimates of the size and characteristics of unbanked and underbanked households for all 50 states and the District of Columbia. An executive summary of the results of the first three Household Surveys, the full reports, and the survey instruments can be accessed through the following link: <http://www.economicinclusion.gov/surveys/>.

The FDIC is proposing to revise its Household Survey instrument to take advantage of lessons learned from administration of the previous three surveys and as a consequence of suggestions received in response to a Federal Register notice (80 FR 3234) published on January 22, 2015, seeking comments on whether changes to the existing instrument would be desirable and, if so, to what extent.

Based on past survey experience, feedback received in response to the 2013 survey, and recent research focused on economic inclusion topics, the FDIC has revised the Household Survey for 2015. The revisions preserve successful elements of the 2013 survey, reorganize and revise existing questions, and add questions to gain new insights. These new and revised questions provide a comprehensive view of households' use and sources of financial services related to transactions, credit, and savings. The questions will also increase our understanding of the extent to which use of non-bank alternative financial services is typical rather than incidental, and provide information on additional household characteristics that could influence financial services use, such as income volatility, and households' perceptions about banks.

In order to keep the survey instrument short and accommodate the new questions, a number of questions were dropped from the survey, many of them questions for which responses were not expected to differ from the 2013 responses. For example, questions on recent events that might explain transitions in and out of the banking system (e.g., changes in income, marital status, residence, etc.) and questions on where households obtained the AFS that they used were removed. In addition, questions were restructured to focus on households' use and sources of financial services in a typical month in the last year, which allowed the removal of questions

that asked about the use of AFS for other timeframes (i.e., ever or in the last 30 days). Other questions that were dropped include use of specific mobile banking activities that was removed due to survey-length constraints. Revisions made to the survey can be found in Attachment A-2.

2. Use of Information Collected

The FDIC uses the information collected from the survey to produce studies on the number and the characteristics of unbanked and underbanked households 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 also to inform bank efforts to serve the unbanked and underbanked. The survey results and corresponding data are publicly available at: www.economicinclusion.gov.

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 characteristics, and the factors preventing or limiting their use of financial services offered by 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. In addition, these other studies and surveys do not collect information about households' use of AFS.

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 January 22, 2015 (80 FR 3234), the FDIC issued an initial request for comment on possible revisions to the Household Survey. The FDIC received three comments related to this survey effort.

One of the commenters suggested that the FDIC collect information on household asset levels. The commenter noted that this would allow retail banks that use asset levels in their segmentation and strategy work to easily incorporate data from the 2015 Household Survey into their analyses. The FDIC seeks to provide insights from the Household Survey to inform efforts to better meet the needs of underserved consumers, and strongly encourages use of the survey data by financial institutions and other stakeholders. The FDIC is concerned, however, that households' asset holdings may be sensitive information for many households and that asking for this information may reduce participation in the survey. In all of the surveys to date, including the 2015 survey, there are no survey questions that ask households for specific dollar amounts regarding saving, assets or spending. The 2015 Household survey does contain some new questions that will help us better understand households' savings behavior, including ways in which households save money, and their ability to meet their monthly obligations. Detailed data on households' asset holdings are available from other sources, such as the Federal Reserve's Survey of Consumer Finances.

One commenter cautioned against the use of online methods for conducting the Household Survey. The Household Survey is an interviewer-administered survey conducted by the Census Bureau in-person or by telephone.

One commenter recommended that the 2015 Household Survey retain as many questions as possible from the 2013 Survey, including questions on prepaid cards, direct deposit and reasons for not having a bank account, to allow local and national Bank-On programs to measure the impact of their efforts. The FDIC values the ability to compare results over time and the 2015 Survey retains successful elements of the previous surveys, including the core unbanked and underbanked measurements, while also reorganizing and adding questions to gain new insights relevant to serving a diverse range of consumers. The 2015 retains many questions from previous surveys and continues to collect information on the use of prepaid cards, direct deposits, and the reasons for not having a bank account.

One commenter suggested the addition of specific questions to measure household financial fragility to help understand the connections between emergency savings and banking access (i.e., household's ability to access \$2000). The 2015 Household survey does not include this particular question due to the need to keep

the average length short to reduce non-response. However, it contains a number of new questions that will help us better understand households' financial condition. Specifically, the survey will ask about ways in which households save money, their ability to meet their monthly obligations, their income volatility, and their access to mainstream credit.

One commenter encouraged the FDIC to offer training to municipalities and others on how to use and maximize the opportunities offered by the custom table generator at www.conomicinclusion.gov. The FDIC's Community Affairs staff work with local stakeholders to disseminate information about how to use and access the survey data, including the use of the table generator tool in www.economicinclusion.gov. The FDIC will continue to make sure that this information is regularly shared in presentations and outreach materials.

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 C1 and C2). 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: 42,000*.

Average time per response: 12 minutes (0.2).

Total burden = 42,000 x 0.2 = 8,400.

*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 77 percent achieved for the January 2013 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 \$760,000.

15. Reason for Change in Burden

We estimate that the revisions made to the survey instrument did not impact the average response time. However, the estimated number of respondents has been reduced by 3,000 to reflect the 77 percent response rate obtained in the June 2013 Household Survey. The decrease in the number of expected respondents reduces the estimated burden by 600 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. 2015 FDIC National Survey of Unbanked and Underbanked Households
- A2. Redlined version of the survey instrument highlighting differences relative to the 2013 survey.
- A3.A. 2013 FDIC National Survey of Unbanked and Underbanked Households Report
- A3.B. 2013 FDIC National Survey of Unbanked and Underbanked Households Report- Appendices
- 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>)