NATIONAL DISABILITY INSTITUTE

BANKING STATUS AND FINANCIAL BEHAVIORS OF ADULTS WITH DISABILITIES:

Findings from the 2015 FDIC National Survey of Unbanked and Underbanked Households

NATIONAL DISABILITY INSTITUTE
Nanette Goodman, MS
Michael Morris, JD
April 25, 2017

1. A LETTER FROM NATIONAL DISABILITY INSTITUTE

Since 2006, the Federal Deposit Insurance Corporation (FDIC) has convened an Advisory Committee on Economic Inclusion to explore the current state of knowledge and potential solutions to improve the participation of underserved populations in the financial mainstream. Given their financial vulnerability, focused efforts are needed to improve the financial inclusion of individuals with disabilities and their families. Working-age adults with disabilities are two times more likely to be living in poverty than their nondisabled peers.[1] From analysis of FDIC survey results, we also know that nearly one in two adults with disabilities are unbanked and underbanked.[2]

National Disability Institute (NDI) envisions a world where people with disabilities have the same opportunities to achieve financial stability and independence as those without disabilities. More than one-fourth of families nationwide have a member with a disability.[3] This group includes people of all ages, genders, races, ethnicities and types of disability in both urban and rural areas. To meet this diversity, government, the financial services community and other stakeholders should work together to support informed decision making that empowers individuals with disabilities to have accessible and affordable choices. These choices should respect individual needs and preferences to facilitate membership and strengthen participation in the economic mainstream.

NDI is pleased to present this new report, *Banking Status and Financial Behaviors of Adults with Disabilities: Findings from the 2015 FDIC National Survey of Unbanked and Underbanked Households*, to update the baseline information we created two years ago from the 2013 FDIC National Survey data. This report offers recommendations for policy and program changes to address the challenges of access toward growing and deepening relationships between potential and existing customers with disabilities and financial institutions. The report findings should encourage collaboration among all stakeholders, including people with disabilities, government, financial technology companies, community nonprofits and the mainstream banking community to design and implement products, services and processes that improve financial inclusion, stability and mobility.

We thank the FDIC Chairman and staff for their continued commitment to advance information, education activities and other strategies that will improve financial inclusion for economically vulnerable populations, including individuals across the spectrum of disabilities and their families. We would also like to thank JPMorgan Chase, whose generous support made this research and publication possible.

Michael Morris
Executive Director
National Disability Institute

[1] Lauer, E.A. & Houtenville, A.J., 2017. Annual Disability Statistics Compendium: 2016. Durham, NH: University of New Hampshire, Institute on Disability. Accessed March 17, 2017 https://disabilitycompendium.org/

[2] FDIC (2016). 2015 FDIC National Survey of Unbanked and Underbanked Households.

[3] US Census (2005). Disability and American Families, 2000: Census 2000 Special Reports. CENSR 23. https://www.census.gov/prod/2005pubs/censr-23.pdf

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2. EXECUTIVE SUMMARY

Many households struggle to make ends meet, even as employment rates and wage levels increase in the current economic climate. Overall, the financial condition of the average American is improving, but financial challenges remain. One in five households spend more than they earn; one-third of households say they could not come up with $2,000 if an unexpected need arose.[4] These households do not meet the definition of financial well-being of the Consumer Financial Protection Bureau (CFPB), namely "a state of being wherein a person can fully meet current and ongoing financial obligations, can feel secure in their financial future, and is able to make choices that allow them to enjoy life."

Key to financial well-being is access to high quality, affordable financial services that enable a person to save, spend and borrow. For many, mainstream banking provides these needed services. Through FDIC insured savings and checking accounts, banks provide a safe place to store savings. They provide a variety of options to ease transactions, such as Automated Teller Machines (ATMs), direct deposit, automatic bill payment, paper checks and multiple methods to track spending. They facilitate access to credit through credit cards and loans.[5]

Despite the importance of banking, nine million American households (seven percent of all households) were unbanked in 2015, meaning that they did not have a bank account. An additional 24.5 million households (20 percent of all households) were underbanked, meaning they had a bank account but, in the past year, used alternative financial services: money orders, check cashing, remittances (international money transfers), pawn shops, rent-to-own programs, payday loans, refund anticipation loans and auto-title loans.

The challenges facing all households in making informed decisions about financial products and services may lead to costly mistakes that limit access to affordable financial transactions, negatively impact credit, increase debt and further impede economic inclusion.

For working-age adults with disabilities, these challenges are compounded by limited participation in the labor market, higher rates of poverty and limited education. For example, a mere 35 percent of working-age adults with disabilities are in the labor market and working compared with 78 percent of working-age adults without a disability. More than one-quarter (26 percent) of working-age adults with disabilities live in poverty compared with 11 percent of those without a disability. Only 13 percent of adults with disabilities have a bachelor's degree or higher compared with 31 percent of those without a disability.

The FDIC explains that "public confidence in the banking system is strengthened when banks effectively serve the broadest possible set of consumers." Every two years since 2009, the FDIC has conducted a national survey of unbanked and underbanked households to help inform policymakers and financial institution leaders about consumer behavior and how to better meet consumer needs. For the second time in four years, National Disability Institute further analyzed FDIC's survey results to provide a deeper understanding of the financial behavior and banking status of working-age households with disabilities and compare results with working-age households without disabilities.

FDIC's survey results document that households with a disability were more likely to be unbanked or underbanked than those without a disability, and less likely to be fully banked. Fewer than half of households with a disability were fully banked compared with 68 percent of those with no disability.[6]

This study further analyzes the FDIC survey data and shows that households with a disability have a different relationship with banks than those without a disability. This is true even when accounting for the impact of other characteristics such as race, age, income or home ownership. Households with a disability are less likely

[4] FINRA (2016). Financial Capability in the United States, 2016

[5] FDIC (2016). 2015 FDIC National Survey of Unbanked and Underbanked Households.

[6] FDIC (2016). 2015 FDIC National Survey of Unbanked and Underbanked Households.

to be banked or use mobile apps, and more likely to use cash and alternative financial services. Moreover, when they do use banks, they use them somewhat differently; for example, they prefer teller services to ATMs, or combine bank services with nonbank services. They are much less likely to avail themselves of credit and establish savings accounts that protect them against unexpected expenses. When they do have savings, they are more likely than households without a disability to keep them at home or with family and/or friends.

These differences suggest that people with disabilities face barriers to full and equal participation in the financial system that those without disabilities do not face, most likely increasing their economic vulnerability. Programs and interventions that address the banking behaviors of low-income households and households of color address some of the obstacles affecting people with disabilities, but the data show that households with a disability face additional challenges. Unfortunately, the quantitative data alone cannot provide us with a full understanding of what these challenges are and how they interact with poverty and other household characteristics. These questions would need to be addressed through qualitative research. The data reveal that, compared to households with no disability, households with a disability are:

Banking Status

- More likely to be unbanked or underbanked (46 percent versus 28 percent)
  - This disparity has persisted over time.
  - Household characteristics such as race, age, income and home ownership account for some of the difference, but not all.
  - Type of disability has little impact on banking status.
- If unbanked, more likely to have had an account in the past and less likely to open one in the future
- More likely to report lack of trust in banks and are less likely to report banks are interested in serving households like theirs

Types of Accounts and Methods to Access Accounts

- Less likely to have a savings account (59 percent versus 82 percent)
- More likely to say that they don't have enough money to keep in an account
- More likely to use tellers as their primary method of accessing their account
- Less likely to own a smart phone or have internet access at home
- Less likely to use online or mobile banking among those with access to technology

Prepaid Debit Cards

- More likely to use prepaid debit cards, which have grown in use since 2013
- More likely to receive prepaid debit cards from a government agency

Alternative Financial Services

- More likely to use alternative financial services (AFS) (both transaction and credit) (38 percent versus 25 percent), and the disparity has persisted over time
- More likely to use money orders and check cashing services, two of the most common forms of AFS

Saving for Unexpected Expenses

- Less likely to save for unexpected expenses (39 percent versus 61 percent)
- More likely to keep their savings at home or with family and/or friends rather than in a savings account

Bank and Nonbank Credit

- Twice as likely to have no credit (47 percent versus 24 percent)
- More likely to have an unmet need for credit
- More likely to feel discouraged about applying for bank credit
- More likely to use a combination of bank and nonbank credit rather than bank credit alone

Methods Used for Financial Transactions

- Less likely to use electronic payments, personal checks, debit or credit cards to pay bills
- More likely to use cash or money orders

- Less likely to receive income through direct deposit or paper check
- More likely to get direct deposit onto a prepaid card

Learning about Finances

- Equally unlikely to have asked a bank teller or customer service agency about finances or attended financial education classes or counseling (4 percent)

National Disability Institute offers recommendations in a three-part framework to engage government and the financial and disability communities to build new and improved pathways to financial inclusion for households with a disability. The three areas are **Access**, drawing customers into the banking system; **Sustainability**, keeping consumers in the banking system; and **Growth**, deepening banking relationships.

1 **ACCESS:** DRAWING CUSTOMERS INTO MAINSTREAM FINANCIAL SERVICES

A. Take Advantage of Teachable Moments: Using Publicly Funded Distribution Channels

Many working-age adults with disabilities rely on government benefits and programs as part of a social safety net for food, housing, healthcare, income and employment supports. A constellation of public and private not-for-profit providers represent essential distribution channels in regular communication with the target audience.

Public funders (Medicaid, Vocational Rehabilitation, Education) require an assessment of need to set education, employment, and/or community participation goals that results in development of individual program plans. Such individual program planning represents a teachable moment in time to assess financial health and capability, set financial goals, customize opportunities to build knowledge and skills to make informed financial decisions, and draw customers into mainstream financial services.

Each month, the Social Security Administration (SSA) communicates with over 10 million individual beneficiaries of SSI and/or SSDI and electronically transfers an income payment. The possibilities of utilizing that electronic transfer of funds as a teachable moment has extraordinary possibilities. Each beneficiary could be linked to FDIC's financial education curriculum, Money Smart, to build their critical knowledge and skills to help make better informed financial decisions.

Every week, job seekers with and without disabilities nationwide visit one of over 1,600 American Job Centers (AJCs) to seek assistance with employment opportunities and ways to increase critical skills that offer new career pathways. The Workforce Innovation and Opportunity Act (WIOA), signed into law in 2014, requires the provision of financial literacy training as a service to help a job seeker "obtain or retain employment." At a community level, there is a unique opportunity for financial institutions to collaborate with AJCs to improve access to financial education and coaching, as well as safe and secure financial products and services that recognize that informed financial decision making and economic inclusion are critical skills for successful employment.

Each of these examples of government interaction with youth and working-age adults with disabilities represent teachable moments to draw customers with disabilities into the economic mainstream. Public and private agencies in collaboration with the FDIC and federally insured depository institutions can leverage their unique strengths and resources to improve access to financial education, coaching and mainstream financial resources.

The FDIC could lead a work group with representatives of the U.S. Departments of Labor, Treasury and Education; Consumer Financial Protection Bureau, Social Security Administration, IRS and Rehabilitative Services Administration to design a roadmap of improved access to mainstream financial services, education and coaching. The priority audience for access would be youth and working-age adults with disabilities. The work group could identify specific strategies that take advantage of teachable moments to support a path into the economic mainstream in collaboration with financial institutions and community-based organizations.

The work group's recommendations for specific policy change and actions could be disseminated to all insured depository institutions, community-based organizations essential to the delivery of social and human services, people with disabilities, their families and other relevant stakeholders. Each of the participating federal agencies could issue new guidance on “teachable moments” to improve financial capability and access to mainstream financial services for the target audience that details a roadmap of cross-agency collaboration at national, state and community levels.

B. Build Trust and Transcend Compliance for Superior Customer Service

FDIC survey results continue to indicate a lack of confidence and trust in and access to mainstream financial services by more than one in four households, including those households with a disability. In 2016, National Disability Institute, in cooperation with the FDIC, Mayors’ offices, financial institutions, community nonprofit organizations and other related stakeholders in the public and private sectors, convened Financial Inclusion Summits in Seattle, Washington; Chicago, Illinois; and Columbus, Ohio, to open up greater dialogue between the disability and financial communities. The highlight of the three Summits were small round table discussions to develop recommendations to improve access and customer service for individuals across the spectrum of disabilities. The three Summits generated over 100 recommendations on both how to improve accessible and affordable products and services for people with disabilities and strategies to expand availability of financial education and coaching through community organizations.

Common themes echoed by participants emphasized a desire for superior customer service that transcends compliance requirements and new and deeper levels of cooperation and collaboration. Individuals with disabilities want to be a part of financial institution disability sensitivity training for their employees, be engaged in testing products and services before market launch and be a part of focus groups to share personal experiences, needs and expectations. In all three cities, participants with disabilities requested a commitment by financial institutions to increased recruitment, hiring, workplace accommodations and the advancement of qualified individuals with disabilities in diverse roles as part of an inclusive workforce. As recommended two years ago, financial institutions as model employers would build trust and confidence with the target audience and their extended family and friends.

Every day households are faced with financial decisions on how to make ends meet and balance short-term needs and wants with longer-term goals of a better economic future. Summit participants with disabilities want the opportunity to continue communication with financial institution leaders and decision makers through a financial inclusion work group, to design critical next steps to implement Summit recommendations. Collaborative efforts may include a designated lead problem solver at each financial institution to quickly resolve access or other types of service issues or a coordinated approach to identifying and leveraging diverse community resources to increase opportunities to build financial capabilities of the target audience. The creation of financial inclusion work groups, with the support of Mayors’ Offices on Disability, Community Affairs, Civil Rights and Finance, can build the needed bridge between the disability and financial communities. The results will transcend the Americans with Disabilities Act (ADA) and other regulatory requirements to set the stage to grow and deepen relationships.

With the support of JPMorgan Chase, additional Financial Inclusion Summits will be held in New Orleans, Louisiana, and Orlando, Florida, in 2017, as work groups in the first three cities continue to identify ways to implement recommendations. This approach could be replicated in other cities across the country to build sustainable change at individual and systems levels.

2 **SUSTAINABILITY:** KEEPING CUSTOMERS IN THE BANKING SYSTEM

A. Encourage Opening ABLE Accounts as a Pathway to Financial Inclusion

ABLE accounts are a means of disruptive innovation, changing expectations about savings and asset building. ABLE accounts offer a new opportunity that is upending the traditional acceptance of means-tested eligibility for public benefits such as SSI, Medicaid and food and health assistance that discourage savings, and, therefore, perpetuate financial instability.
The Achieving a Better Life Experience (ABLE) Act was signed into law on December 19, 2014. After eight years

of families telling their stories of financial struggle and instability as a result of the extra costs of raising a child with or living a life of disability. Congress changed the rules and presented an estimated 10 million individuals with disabilities and their families with an opportunity to become savers and investors in a better quality of life and economic future.

ABLE accounts offer new pathways to mainstream financial inclusion. For some ABLE account owners, funds growing in an account may be a critical down payment for a home or auto loan that will positively impact the terms of credit. For others, the ABLE account may be used like a checking account to cover recurring expenses, such as a monthly lease payment or therapy visit. There is a new opportunity and obligation for diverse stakeholders to deliver financial and investor education to those ABLE account beneficiaries who are, by law, also the owners of the accounts. For the first time, creating a budget, setting savings goals and understanding the responsibilities of managing credit and debt are critical knowledge and skills areas that have not been a part of public education or social and human service delivery system activities for youth and working-age adults with disabilities.

Financial institutions, in cooperation with the FDIC, can explore cross-sector strategies to build the financial capabilities of ABLE account owners. We are heartened by the efforts already underway by the FDIC to enhance Money Smart training materials to increase their relevance to this new generation of savers with disabilities. There is also an opportunity for the FDIC, Treasury, and the Securities and Exchange Commission (SEC) to coordinate efforts with the U.S. Departments of Labor, Health and Human Services, and Education, as well as the Social Security Administration, to expand financial investor education opportunities for the target audience.

3 **GROWTH:** DEEPENING BANKING RELATIONSHIPS AND FOSTERING FINANCIAL EMPOWERMENT

A. Target the Economic Inclusion Potential of Mobile Financial Services

The new data reveal that more households with a disability have access to smart phones and the internet than did in the previous survey. As smart phone penetration is growing, and with the resulting access to the internet, working-age adults with disabilities are a likely target to build and deepen relationships with federally insured depository institutions. For many, such a relationship will overcome barriers of access to transportation and improve real-time management of financial resources. To make mobile banking a greater reality for the target audience, three challenges must be overcome. First, financial institutions must pay careful attention to the need for accessible design when new products and services are developed for use on mobile and web-enabled platforms. Accessible design must consider integration with assistive technologies. A second challenge is to design more personal technology solutions so that households with a disability who favor cultivating in-person relationships with bank representatives at neighborhood outlets still have a way to build a connection that is more personal. Such a challenge transcends the needs and preferences of households with a disability and requires further market research to explore the possibilities that offer a hybrid solution (similar to online personal shoppers or virtual assistants who are familiar with individual preferences and needs) to provide a more personal touch. The third — and perhaps most significant challenge — is affordability. Even when the challenges of accessible design and maintaining a personal touch are overcome, the cost of the required data plans to operate mobile applications may price out expanded participation by those households with a disability who are struggling to make ends meet.

The recognition that mobile financial services could serve as a critical pathway to economic inclusion presents a unique opportunity for further conversation between the Federal Communications Commission (FCC) and FDIC on affordability and accessibility of broadband.

B. Revisit the Definition and Oversight of Financial Inclusion

Since the last FDIC survey, one of the most significant developments in banking is the evolution of financial services by financial technology companies (Fintech). This evolution of the financial service industry has brought a wide range of new products and services to consumers that challenge traditional thinking and behavior with new access points, different approaches to credit, alternative methods to save and invest and varied choices in how one makes payments or transfer funds.

There are new questions about how to protect consumer interests regarding safety and security without imposing undue burdens on innovations capable of providing sustained benefits to customers and the broader financial system. Multiple regulatory agencies are exploring their role and seeking public comment from all related stakeholders on what approach they should take to responsible innovation.

Fintech offers significant opportunities to advance financial inclusion by providing access to financial products and services for underserved consumers. For households with a disability, Fintech can advance financial inclusion only if accessibility and affordability challenges are met in addition to safety and security concerns.

National Disability Institute recommends a convening of all related stakeholders — regulatory agencies, financial institutions, Fintech companies, community-based leaders and individuals who represent economically vulnerable populations — to revisit the current financial inclusion framework and define possible options to accelerate the availability of affordable and accessible financial products and services that are safe and secure and provide improved pathways to the economic mainstream. Such a convening places a spotlight on financial inclusion and those left behind by the evolution of the financial services industry and emerging technology innovation.[7]

Conclusion

When federally insured depository institutions effectively serve the broadest possible set of consumers, public confidence is strengthened in the banking system, which ultimately benefits everyone. This includes the approximately 9.6 million adults and 2.6 million children living in unbanked or underbanked working-age households with a disability.

There is no one solution that will change the findings gleaned from the most recent round of FDIC's survey of households. However, this report sends an important message to government, financial institutions, regulators and the disability community to work together on additional solutions that improve the availability of affordable and accessible financial products and services responsive to the needs of people with a disability. We must work together to open communication channels that increase trust and confidence in the banking system by our nation's most economically vulnerable citizens.

[7] Consumer Financial Protection Bureau (2015). Mobile financial services A summary of comments from the public on opportunities, challenges, and risks for the underserved http://files.consumerfinance.gov/f/201511_cfpb_mobile-financial-services.pdf and Office of the Comptroller of the Currency (2017) Public Comments on Exploring Special Purpose National Bank Charters for Fintech Companies https://www.occ.gov/topics/bank-operations/innovation/fintech-charter-comments.html

3. INTRODUCTION

Many households struggle to make ends meet, even as employment rates and wage levels increase in the current economic climate. Overall, the financial condition of the average American is improving, but financial challenges remain. One in five households spend more than they earn. One-third of households say they could not come up with $2,000 if an unexpected need arose.[8] These households do not meet the definition of financial well-being of the Consumer Financial Protection Bureau (CFPB), namely "a state of being wherein a person can fully meet current and ongoing financial obligations, can feel secure in their financial future, and is able to make choices that allow them to enjoy life."

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Despite the importance of banking, nine million American households (7 percent of all households) were unbanked in 2015, meaning that they did not have a bank account. An additional 24.5 million households (20 percent of all households) were underbanked, meaning they had a bank account but, in the past year, used alternative financial services: money orders, check cashing, remittances (international money transfers), pawn shops, rent-to-own programs, payday loans, refund anticipation loans and auto-title loans.

The challenges facing all households in making informed decisions about financial products and services may lead to costly mistakes that limit access to affordable financial transactions, negatively impact credit, increase debt and further impede economic inclusion.

For working-age adults with disabilities, these challenges are compounded by limited participation in the labor market, higher rates of poverty and limited education. For example, a mere 35 percent of working-age adults with disabilities are in the labor market and working compared with 78 percent of working-age adults without a disability. More than one-quarter (26 percent) of working-age adults with disabilities live in poverty compared with 11 percent of those without a disability. Only 13 percent of adults with disabilities have a Bachelor's degree or higher compared with 31 percent of those without a disability.

The FDIC explains that "public confidence in the banking system is strengthened when banks effectively serve the broadest possible set of consumers." Every two years since 2009, the FDIC has conducted a national survey of unbanked and underbanked households to help inform policymakers and financial institution leaders about consumer behavior and how to better meet consumer needs. For the second time in four years, National Disability Institute further analyzed FDIC's survey results to provide a deeper understanding of the financial behavior and banking status of households headed by working-age adults with disabilities and compare results with households headed by working-age adults without disabilities. These new findings update what we learned from FDIC's 2013 survey data and deepens the analysis to explore the further contextual relationship of disability and other individual characteristics, such as race, age, income or home ownership. This further enables the identification of additional obstacles to full and equal participation in the mainstream financial system than those faced by low-income households.

The identification of these challenges will help focus all stakeholders in the public and private sectors to design and implement new and improved strategies to establish and grow long-term relationships between consumers with disabilities and federally insured depository institutions. Such relationships will help anchor working-age adults with disabilities in the economic mainstream that brings added value to all parties.

[8] FINRA (2016). Financial Capability in the United States, 2016

[9] FDIC (2016). 2015 FDIC National Survey of Unbanked and Underbanked Households.

4. BACKGROUND AND METHODOLOGY

The full economic inclusion of all Americans, including those with disabilities, requires access to income, safe and affordable financial services, opportunities to build assets and personal control over finances. In an effort to expand economic inclusion, the FDIC biannually conducts a National Survey of Unbanked and Underbanked Households to help policymakers and leaders of financial institutions understand consumer behavior in order to better meet consumers' needs.[10]

The FDIC began conducting the survey in January 2009, and subsequent surveys were conducted in June 2011, June 2013, and June 2015. Data are collected through the Unbanked/Underbanked Supplement to the Current Population Survey (CPS). The CPS is a survey of over 50,000 U.S. households conducted monthly by the U.S. Census Bureau for the Bureau of Labor Statistics (BLS) and is representative of the U.S. civilian, non-institutionalized population of people 15 years or older. The survey is administered by field representatives across the country through both in-person and telephone interviews. In addition to being the primary source of monthly labor force statistics, the CPS is used to collect data for a variety of other studies that keep the nation informed of the economic and social well-being of its people. This is done by adding a set of supplemental questions to the monthly basic CPS questions. Supplemental inquiries vary month to month and cover a wide variety of topics in addition to banking behaviors, such as child support, volunteerism, health insurance coverage and school enrollment.

All households that participated in the June 2015 CPS were eligible to participate in the Unbanked/Underbanked Supplement. However, households whose respondents specified that they did not participate in household decisions or did not know if they had a bank account were not asked further questions and are not included in the analysis. Of the 52,801 households that participated in the June 2015 CPS, 36,189 also participated in the Unbanked/Underbanked Supplement. Of these, 25,164 were of working age (25-64). The data is weighted to be representative of the U.S. population.[11]

The CPS includes data on a variety of socio-economic and demographic characteristics including age, family income, educational attainment, employment status and others. It also includes questions (described below) to identify respondents who have a disability.

NDI has been using these questions to compare the banking status and banking experiences of working-age households with a disability to those without a disability. In 2015, we released Banking Status and Financial Behaviors of Adults with Disabilities: Findings from the 2013 FDIC National Survey of Unbanked and Underbanked Households.

This study presents results from the 2015 Survey, and delves deeper into the findings from our first report by examining the impact of disability independently and in conjunction with other household characteristics (such as age, race, income and education) and comparing changes over time. The previous report did not have the data needed to disentangle the effects of disability and these other characteristics.

NDI's report, Banking Status and Financial Behaviors of Adults with Disabilities: Findings from the 2013 FDIC National Survey of Unbanked and Underbanked Households, is available at https://www.realeconomicimpact.org/resources. FDIC analysis of these survey data is available at https://www.economicinclusion.gov/surveys/.

Defining Disability

According to the Americans with Disabilities Act, a person has a disability if he or she has a "physical or mental impairment that substantially limits one or more major life activities," has a "history or record of such an impairment" or is "perceived by others as having such an impairment."

[10] Federal Deposit Insurance Corporation (2015) 2015 FDIC National Survey of Unbanked and Underbanked Households. Accessed 2/1/2017 from https://www.economicinclusion.gov/surveys/.

[11] US Census Bureau (undated). Current Population Survey (CPS): Methodology. Accessed 2/1/2017 from http://www.census.gov/programs-surveys/cps/technical-documentation/methodology.html.

Conditions vary widely, ranging from mild to significant, and consist of physical, sensory, cognitive or developmental impairments and mental health conditions. Disabilities can occur at birth or at any time throughout one's life. The type and degree of functional limitation, the age of onset and the environment all impact how disability may affect financial behaviors. For the purpose of this report, a household is considered to be a "household with a disability" if:

The householder is between age 25 and 64 and either:

a. Indicates "yes" to any of the six-question disability sequence in the base CPS:

1. Are you deaf, or do you have serious difficulty hearing?
2. Are you blind, or do you have serious difficulty seeing, even when wearing glasses?
3. Because of a physical, mental or emotional problem, do you have difficulty remembering, concentrating or making decisions?
4. Do you have difficulty walking or climbing stairs?
5. Do you have difficulty bathing or dressing?
6. Because of a physical, mental or emotional problem, do you have difficulty doing errands alone, such as visiting a doctor's office or shopping?

b. Or is classified as "Not in Labor Force – Disabled" based on a series of questions about employment and labor force participation.

A household is classified as a household with no disability if the householder is between age 25 and 64 and neither condition (a) or (b) above is met. If the householder is not between the ages of 25 and 64, the household is not included in the analysis. The definition used in this report, described above, follows the recommendation of Burkhauser, Houtenville and Tennant in that the householder is identified as having a disability based on labor force status in addition to the six-question disability sequence.[12]

Identifying Households with a Disability

We use the term "household with a disability" to indicate the householder has a disability and is between the ages of 25 to 64, following the FDIC's methodology of categorizing households by the personal characteristics of the householder. The householder is identified at the time the survey is administered as the person (or one of the people) in whose name the housing unit is owned or maintained.[13] If there are multiple householders in a family, the householder is defined as the person who answers the door when the interviewer makes contact with the household.

This approach has limitations. First, the presence of disability in any of the household members may affect the outcomes in our study, even though our approach classifies a household as one "without a disability" even if someone other than the householder has a disability. Furthermore, the person identified as the householder can be somewhat arbitrary. If two people (such as a husband and wife) are both on the lease agreement or house deed, either would be eligible to be the "householder." This is particularly problematic for defining a household with a disability for two reasons. First, other members of the household may have a disability and, second, when there are multiple people who could be the householder, the adult with a disability may be less likely to open the door.

However, according to analysis conducted by the FDIC, categorizing a household as having a disability if any household resident (age 25 to 64) is identified as having a disability would increase the percentage of households with a disability. The FDIC found key estimates from the FDIC Unbanked/Underbanked supplement, such as the proportion of households with a disability that is unbanked are qualitatively similar using any of these alternatives.[14]

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[12] Burkhauser, R. V., Houtenville, A. J., & Tennant, J. R. (2014). Capturing the Elusive Working Age Population with Disabilities: Reconciling Conflicting Social Success Estimates from the Current Population Survey and the American Community Survey, Journal of Disability Policy Studies, (24)4: pp. 195-205

[13] The "householder" may be considered the "head of household." However, beginning in 1980 the Bureau of the Census discontinued the use of the terms "head of household" because social changes have resulted in greater sharing of household responsibilities among the adult members and, therefore, have made the term "head" increasingly inappropriate in the analysis of household and family data.

[14] 2013 FDIC National Survey of Unbanked and Underbanked Households: Appendices. Accessed 2/2/2017 https://www.economicinclusion.gov/surveys/2013household/documents/2013_FDIC_Unbanked_HH_Survey_Appendix.pdf

Comparison of Households with and without a Disability

The characteristics of households with a disability where the householder is of working age (25-64) differ significantly from households without disability. Households with a disability are more likely to be African American, older, have lower levels of education, be out of the labor force, have low-income, be living individually rather than as part of a married couple, be a non-homeowner, and be U.S. rather than foreign born (Table 1). The data also reveal that households with a disability are more likely to have stable rather than volatile incomes over the course of the year. While this may be true on average, it could be masking the long-term income volatility facing individuals whose onset of a disability occurs during their working years. The onset of a disability often leads to a significant drop in earnings, which may affect banking behaviors.[15]

The differences in the characteristics between households with and without a disability must be accounted for when we examine the impact of disability on banking. That is, it is important to determine whether differences in banking behavior are due to differences in disability status or to the differences in characteristics associated with disability. For example, if low-income people are more likely to have a disability and less likely to bank, what is the cause of lower banking rates? Is it low-income or is it having a disability? Only by accounting for the differences in the characteristics between households with and without a disability can we gain insight on whether people with a disability face unique challenges in interacting with the banking system.

Table 1: Household Characteristics by Disability Status

Household Characteristic	With Disability	No Disability
All	100	100
Race/Ethnicity		
Black	22	14
Hispanic	10	15
Asian	2	6
White	63	64
Other	3	1
Age		
25-34 years	10	25
35-44 years	15	25
45-54 years	30	26
55-64 years	46	24
Education		
No High School Degree	20	8
High School Degree	34	23
Some College	32	29
College Degree	14	40
Employment status		
Employed	24	83
Unemployed	3	4
Not in labor force	73	14

[15] Meyer, BD & Mok, WKC (2013) Disability, Earnings, Income and Consumption. NBER Working Paper No 18869. http://www.nber.org/papers/w18869

Household Characteristic	With Disability	No Disability
Family income		
Less than $15,000	39	8
$15,000 to $30,000	23	12
$30,000 to $50,000	16	19
$50,000 to $75,000	10	20
At least $75,000	12	40
Household type		
Married couple	31	53
Unmarried female-headed family	16	13
Unmarried male-headed family	6	5
Female individual	23	12
Male individual	24	16
Homeownership		
Homeowner	46	63
Non-homeowner	54	37
Metropolitan status		
Metropolitan area - principal city	27	30
Metropolitan area - balance	35	45
Not in metropolitan area	20	12
Not identified	18	13
Monthly income volatility		
Income was about the same each month	74	69
Income varied somewhat or a lot	19	25
Unknown	7	7
Nativity		
U.S. born	93	82
Foreign born citizen or non-citizen	7	18
Disability Type*		
Hearing	17	
Vision	12	
Cognitive	29	
Ambulatory	50	
Self-Care	13	
Independent Living	24	
Work Disability	59	

See Appendix Table A.1 for estimates by additional household characteristics
**Disability type sums to more than 100 because respondents may fit into more than one category*

5. BANKING STATUS

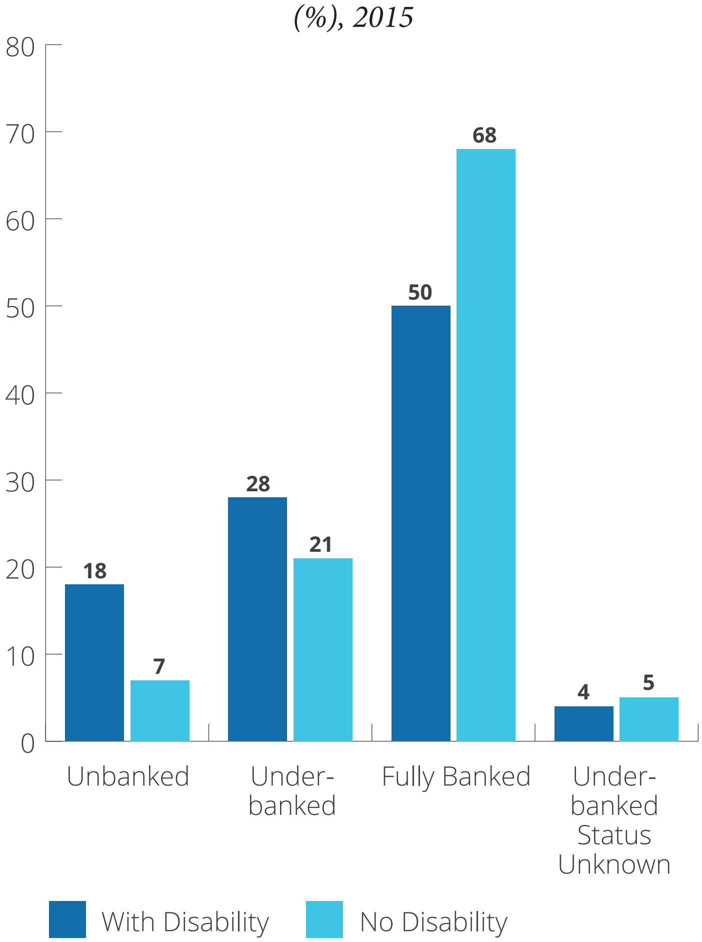
The FDIC classifies households into three groups:

UNBANKED: No one in the household had a checking or savings account.

UNDERBANKED: The household had a checking or savings account and also used at least one product or service from an alternative financial services (AFS) provider in the past 12 months for transactions (e.g. money orders, check cashing, international remittances) or credit (e.g. payday loans, tax refund anticipation loans, rent-to-own services, pawn shop loans or auto-title loans).

FULLY BANKED: The household had a bank account and did not use AFS in the past 12 months.

Figure 1: Household Banking Status by Disability Status (%), 2015



In 2015, more than two million working-age households with a disability were unbanked. Households with a disability were almost three times as likely to be unbanked as households with no disability (18 percent of households with a disability compared with seven percent of households with no disability).

An additional 3.3 million working-age households with a disability were underbanked. These are households that have a bank account, but used a service that either (1) the bank does not offer, (2) the bank offers but the household does not qualify, or (3) the service is offered elsewhere at a lower price or with more convenience. Only half of households with a disability — 5.8 million households — were fully banked compared with two-thirds (68 percent) of those without a disability (Figure 1).

Changes between 2011 and 2015

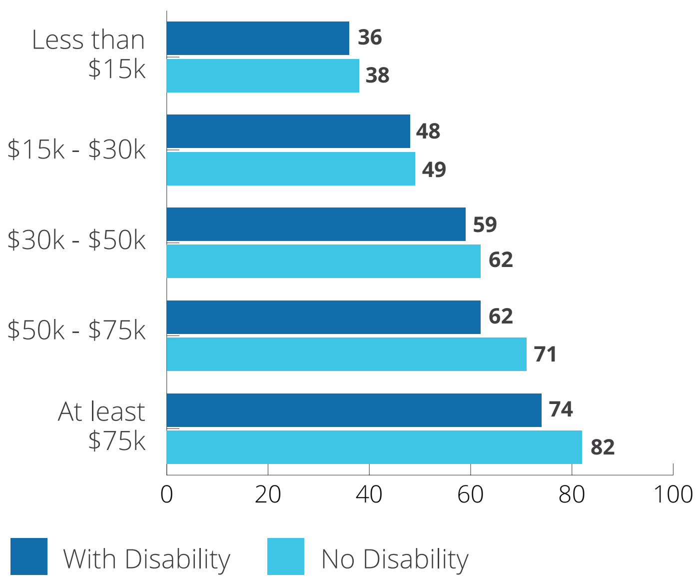
The unbanked rate declined incrementally between 2011 and 2015 for both households with and without a disability. However, the disparity in banking status between households with and without a disability has persisted over time. In 2011, 18.9 percent of households with a disability were unbanked compared with 7.4 percent of those without a disability. This 11.5 percentage point gap declined only slightly to 11.1 percentage points in 2015 with 17.6 percent of households with a disability and 6.5 percent of those without being unbanked (Table 2).

Banking Status by Disability Status and Household Characteristics

The factors associated with being unbanked or underbanked were similar for households with and without a disability. Unbanked and underbanked rates were higher among households of color and those with lower incomes and less education, as well as for younger householders and those with volatile incomes. For householders with each characteristic, households with disability were more likely to be unbanked or underbanked. For example, households of color were more likely to be unbanked or underbanked than white households, but households of color with disability were even more likely to be unbanked or underbanked than households of color with no disability (Table 3). Individuals in multiple at-risk groups are especially likely to not be fully banked. For example, only 24 percent of low-income African Americans with disabilities are fully banked, as is 27 percent of young households (under 34) with low levels of education (high school degree or less).

The percentage of households that are fully banked increases with income (Figure 2). At the same time, the disparity between households is larger in higher income groups. Households without a disability were two percentage points more likely to be banked than those with a disability (38 percent of households without disability and 36 percent of households with a disability were fully banked). In the highest income group, households without a disability were seven percentage points more likely to be fully banked (82 percent of households without a disability and 74 percent of those with a disability). This indicates that as low-income becomes less of a barrier to being fully banked, other disability-related factors continue to affect banking status.

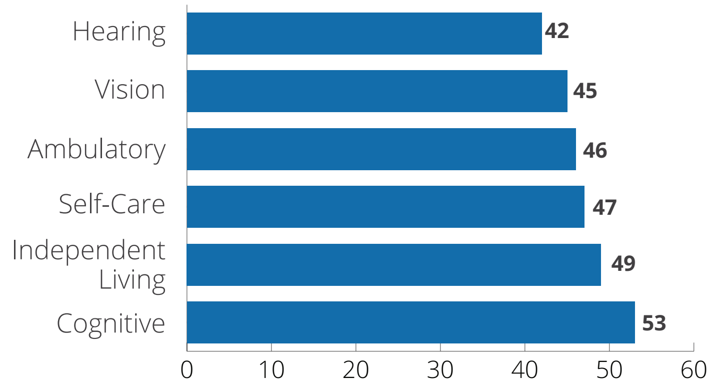
Figure 2: Percentage of Households Fully Banked by Income and Disability Status, 2015



Banking Status by Disability Type

Householders with hearing impairments are less likely to be unbanked or underbanked than those with difficulties with independent living (e.g., doing errands alone such as visiting a doctor's office or shopping) or cognitive disabilities (difficulty concentrating, remembering or making decisions.) Although these differences are statistically significant, the variation is relatively modest.

Figure 3: Unbanked or Underbanked by Disability Type (%), 2015



Interaction of Disability and Other Household Characteristics

Householders with a disability differ from those without a disability on a number of characteristics that affect their odds of being fully banked. Households with a disability have lower incomes and do not own their homes, which make them more likely to be unbanked or underbanked; however, they tend to be older and have more stable incomes, making them more likely to be fully banked.

Statistical techniques allow us to separate the effects of disability versus the effects of these other characteristics so we can estimate the independent impact of disability. When applying this multivariate analysis, we find that 70 percent of the difference between the fully banked rate of people with a disability compared to those without a disability is explained by the difference in socioeconomic characteristics, and the other 30 percent is explained by the presence of a disability. Thus, if households with a disability had the same characteristics as households without a disability (e.g. same age, race, etc.) the observed gap in banking rates between households with and without a disability would shrink from 18 percentage points (50 percent versus 68 percent) to only six percentage points (62 percent versus 68 percent). One-third of the gap between households with and without a disability is due to disability rather than other characteristics.[16]

[16] Based on the Blinder-Oaxaca decomposition method.

Previous Banking Status

Among households who are currently unbanked, households with a disability were more likely than those without a disability to have had a bank account in the past. This may indicate that they are more likely to be cycling in and out of the banking system rather than be permanently unbanked, or it may be a reflection of a drop in income after the onset of a disability (Figure 4).

Future Banking Plans

Compared to those without a disability, unbanked households with a disability are less likely to open an account in the next 12 months. Only 22 percent of unbanked households with a disability are either very likely or somewhat likely to open an account in the next year compared with 28 percent of households without a disability (Table 4).

Figure 4: Previous Banking Status of Unbanked Households by Disability Status, 2015

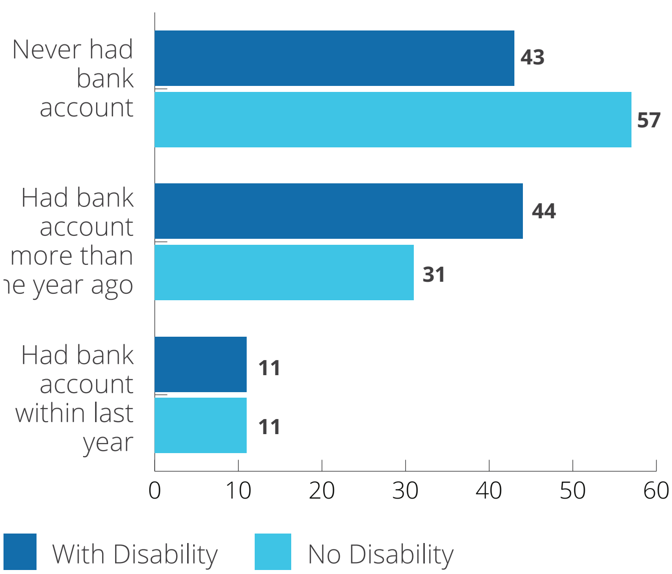


Table 4: Likelihood of Opening a Bank Account in the Next 12 Months by Disability Status, 2015

Likelihood	With Disability	No Disability
Not at all likely	56	46
Not very likely	16	19
Somewhat likely	13	18
Very likely	9	10

Among households with a disability who had a bank account in the past (either within the last year or more than one year ago), 30 percent are very or somewhat likely to open an account in the next year. In contrast, only 13 percent of those who have never had an account are likely to open one (Figure 5).

Many unbanked households have previously been banked or they plan to open accounts in the next year, indicating they are cycling in and out of banking. Unbanked households with a disability are more likely than others to be cycling in and out of banks. (Figure 6).

Figure 5: Somewhat Likely or Very Likely to Open a Bank Account in the Future by Previous Banking and Disability Status

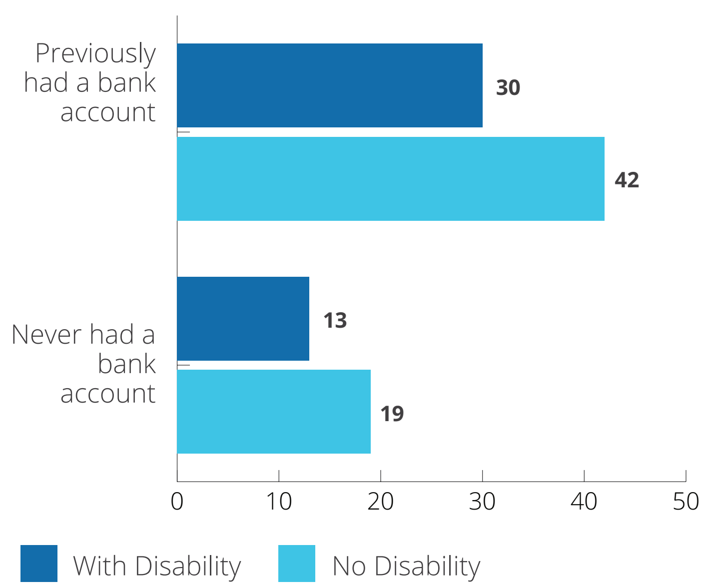


Figure 6: Former Banking Status and Future Banking Plans among Unbanked Households by Disability Status, 2015

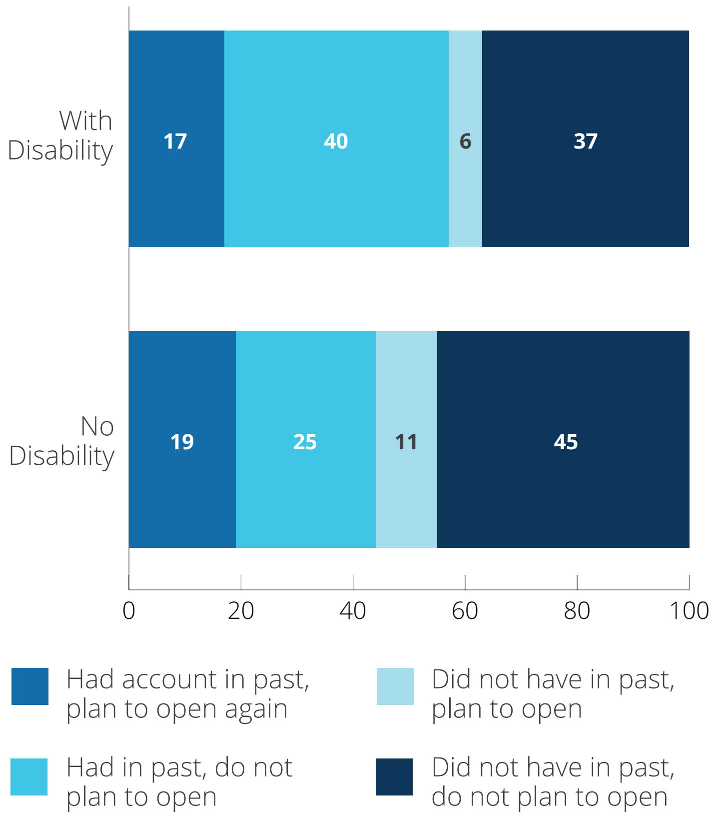
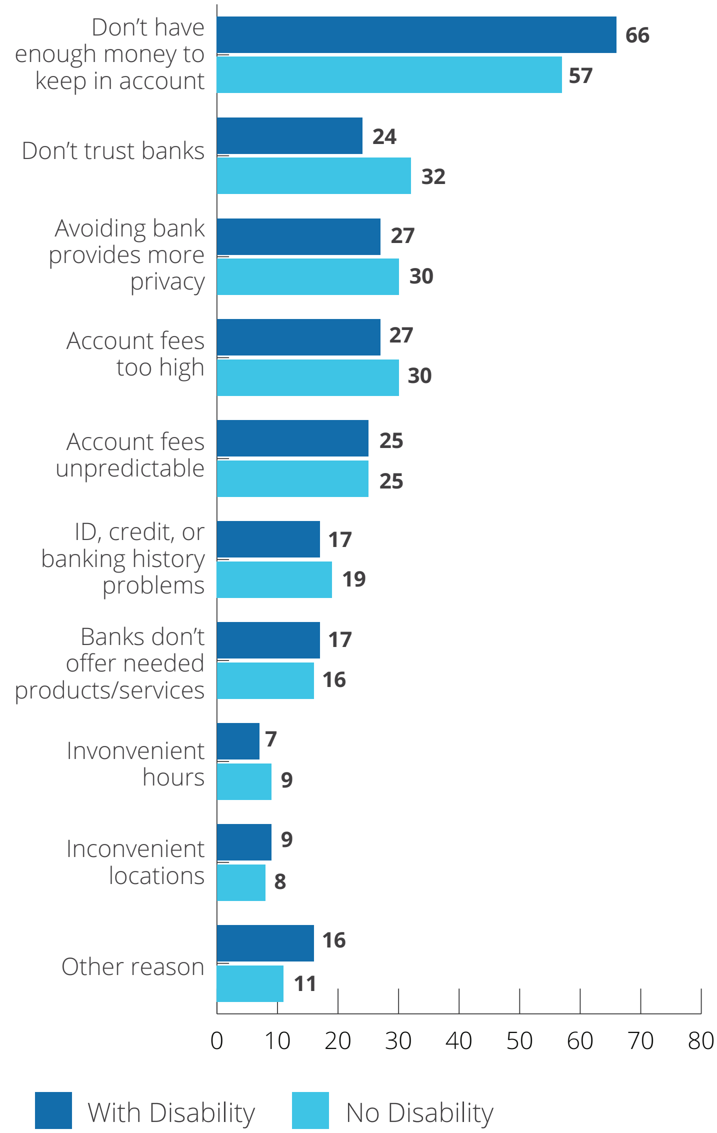


Figure 7: Reasons for Being Unbanked by Disability Status



Reasons for Being Unbanked

When asked why they did not have a bank account, survey respondents most commonly said they "do not have enough money to keep in an account." Fifty-seven percent of unbanked households without a disability and 66 percent with a disability cited this reason. One-quarter of unbanked households with a disability reported not trusting banks, had privacy concerns, or had the perception that account fees are too high or unpredictable (Figure 7).

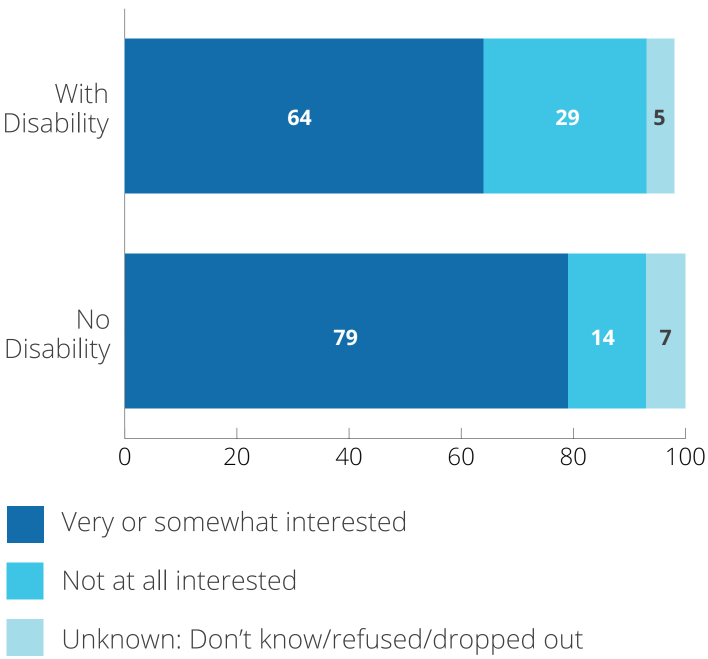
With two exceptions, unbanked households with and without a disability cite similar reasons for being unbanked. Higher proportions of households with a disability said they don't have enough money to keep in an account (66 versus 57 percent). A smaller proportion cited lack of trust in banks (24 versus 32 percent). The disparity in responses may be related to income, but small sample sizes do not allow this analysis.

"How Interested Are Banks in Serving Households Like Yours?"

The 2015 FDIC survey included the following new question: "How interested are banks in serving households like yours?"

Almost one-third of households with a disability said banks were "not at all interested" in serving households like theirs — more than double the rate of households with no disability (Figure 8).

Figure 8: "How Interested Are Banks in Serving Households Like Yours?" by Disability Status



This disparity persists across other household characteristics (Table 5). For example, low-income households, regardless of disability, are much more likely to think banks are not interested in serving them, but this feeling is more prevalent in low-income households with disability.

More than half of unbanked households (60 percent of households with a disability and 55 percent of households without a disability) believe that banks are not at all interested in serving them (Table 5). This perception may impact their willingness to use banks and be related to the finding (Figure 7) that a large percentage of unbanked households "don't trust banks."

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Table 2: Household Banking Status by Disability Status and Year

	Unbanked		Underbanked		Fully Banked		Unknown	
Year	With Disability	No Disability	With Disability	No Disability	With Disability	No Disability	With Disability	No Disability
2011	18.9	7.4	26.9	21.1	51.8	68.7	2.4	2.8
2013	18.4	7.2	28.0	20.8	49.2	67.2	4.5	4.8
2015	17.6	6.5	27.8	20.1	50.3	68.6	4.3	4.8

Table 3: Household Banking Status by Disability Status and Household Characteristics (%), 2015

	Unbanked		Underbanked		Fully Banked	
Household Characteristic	With Disability	No Disability	With Disability	No Disability	With Disability	No Disability
All	18	7	28	21	50	68
Race/Ethnicity						
Black	35	16	30	32	32	47
Hispanic	20	17	31	30	43	48
Asian	15	3	23	22	55	68
White	11	2	27	16	57	78
Other	15	10	32	27	49	57
Age						
25-34 years	29	10	27	24	42	62
35-44 years	21	8	31	22	44	65
45-54 years	19	5	30	20	47	71
55-64 years	13	4	27	16	55	75
Education						
No High School Degree	31	29	28	30	37	38
High School Degree	20	10	29	25	46	60
Some College	13	5	30	23	54	67
College Degree	5	1	24	15	68	79
Family income						
Less than $15,000	32	32	29	26	36	38
$15,000 to $30,000	15	17	32	29	48	49
$30,000 to $50,000	9	6	29	27	59	62
$50,000 to $75,000	3	2	28	22	62	71
At least $75,000	1	0	21	13	74	82
Other	31	18	10	36	37	46

See Appendix Table A.2 for estimates by additional household characteristics

Table 5: "How Interested Are Banks in Serving Households Like Yours?" by Household Characteristics and Banking Status, 2015

	Very or Somewhat Interested		Not at all interested	
Household Characteristic	With Disability	No Disability	With Disability	No Disability
All	64	79	29	14
Race/Ethnicity				
Black	56	71	36	21
Hispanic	58	69	34	23
Asian	66	78	20	12
White	67	83	26	11
Other	66	74	24	17
Age				
25-34 years	58	77	36	15
35-44 years	58	77	35	16
45-54 years	63	80	29	13
55-64 years	67	81	26	13
Education				
No High School Degree	53	61	39	30
High School Degree	59	74	33	19
Some College	69	79	25	14
College Degree	76	85	17	8
Employment status				
Employed	74	80	20	13
Unemployed	60	69	31	23
Not in labor force	60	74	32	19
Family income				
Less than $15,000	52	60	39	31
$15,000 to $30,000	59	67	33	24
$30,000 to $50,000	73	76	22	18
$50,000 to $75,000	81	82	12	12
At least $75,000	82	87	13	7
Banking Status				
Unbanked	30	33	60	55
Underbanked	69	81	28	15
Fully Banked	75	86	21	11

See Appendix table A.3 for estimates by additional household characteristics.

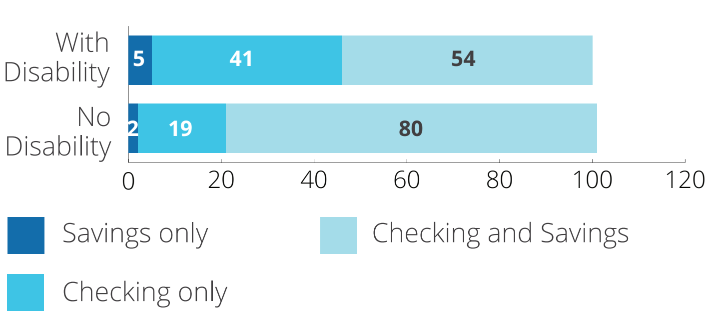
6. BANKED HOUSEHOLDS: TYPES OF ACCOUNTS AND METHODS USED TO ACCESS ACCOUNTS

Types of Accounts

Checking and savings accounts each offer different services, and it is the combination of the two types of accounts that allows households to maximize the value of a banking relationship. Households with a disability are much more likely to have only a checking account or savings account rather than both checking and savings accounts (Figure 9). This indicates that banked households with a disability may be underutilizing the advantages of being banked. Checking accounts are designed to ease transactions through checks, online bill paying services and ATMs, while savings accounts are designed to hold money for safekeeping (with a small but guaranteed rate of return). Savings accounts encourage account holders to save for unexpected expenses or emergencies by separating them from the checking accounts while avoiding the risk of storing savings at home. Most banks offer automated savings tools to encourage more savings.

Patterns of checking and savings account ownership have fluctuated slightly between 2011 and 2015 for banked households with and without a disability, but there is no clear pattern emerging. The disparity between households with and without a disability has persisted over time. Households with a disability have remained 20 percentage points less likely to have savings accounts than households without a disability (Table 6).

Figure 9: Types of Accounts Owned by Banked Households



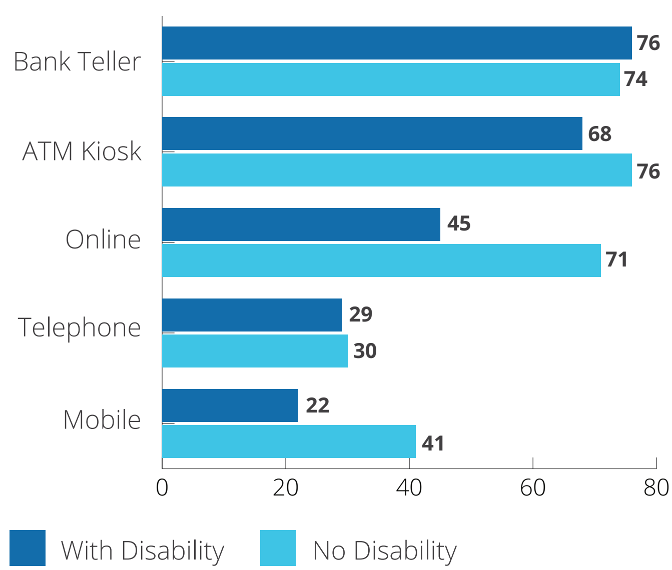
The type of accounts owned by households varies by household characteristics. Households with higher incomes, higher levels of education, stable income and who are White or Asian are more likely to have both a checking and savings account. However, the disparity between households with and without a disability persists across these household characteristics. Regardless of characteristics, households with a disability are much more likely to have a savings account or a checking account, but not both (Table 7).

Methods Used to Access Accounts

Understanding how households currently access their accounts can inform financial services providers about how best to serve their customers with existing services and new innovations. The FDIC Survey asked banked households to identify all the methods they used to access their accounts and also the most common ("primary") method used.

The teller at the bank branch is the most common method of accessing accounts for three-quarters of households with and without a disability. While both groups are equally likely to use a bank teller, households with a disability were less likely to use the ATM and much less likely to use online or mobile options (Figure 10).

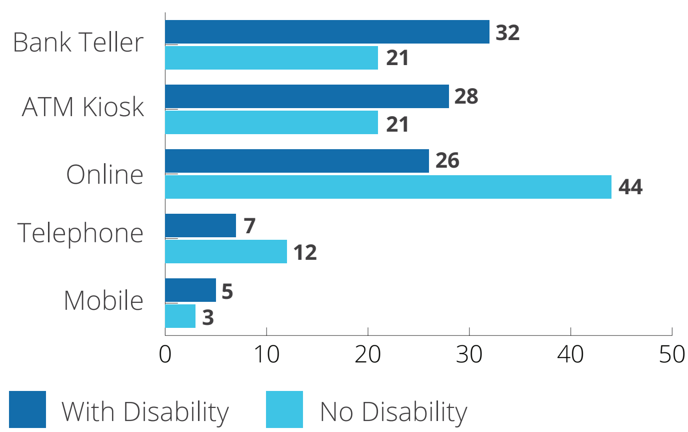
Figure 10: All Methods Used to Access Bank Accounts by Disability Status



See Appendix table A.5 for estimates by household characteristics

An analysis of the primary method used to access bank accounts tells a different story. One-third of banked households with a disability use the bank teller as the primary method of accessing their account compared to only one-fifth of households without a disability, indicating that the bank branch is vitally important to the disability community. At the same time, more than half of households with no disability were using online or mobile options (44 percent used online and 12 percent used mobile) compared with only one-third of households with a disability (26 percent online and 7 percent mobile) (Figure 11).

Figure 11: Primary Method Used to Access Bank Accounts by Disability Status, 2015



Between 2013 and 2015, households with and without a disability decreased their use of bank tellers and ATM kiosks and increased their use of online and mobile options as the main method of accessing their accounts. However, households with a disability are making this shift at a slower pace, increasing the disparity in the use of online and mobile options (Table 8).

Access to Internet and Smart Phones

Some of the disparity in the use of online and mobile bank services results from differences in access to technology between households with and without a disability.

Compared to those without a disability, households with a disability were much less likely to have access to a smart phone or home internet. Although the gap in smart phone access diminished somewhat between 2013 and 2015; in 2015, only 54 percent of households with disability had a smart phone compared to 80 percent of households without disability. In addition, this disparity is apparent in access to home internet. Only 55 percent of households with disability and 79 percent of those without disability have internet access at home (Table 9).

Access to smart phones and internet at home and the disparity between households with and without a disability varies by household characteristics. Younger households with and without a disability are more likely to have smart phones than older households. The disparity increases with age. While 70 percent of young households with a disability have a smart phone, 85 percent of young households with no disability have such access (a 15 percentage point difference). Among older households (55-64), the disparity is 24 percentage points (45 percent of older households with a disability and 69 percent of older households without a disability).

Low-income households with and without a disability have less access to both smart phone and internet technologies. The disparity between households with and without a disability decreases with income (Table 10).

Implications of Access to Technology on Methods of Accessing Accounts

Having easy access to technology (owning a smart phone or having internet access at home) significantly increases the chance of using that technology as one of the methods to access a bank account. One-third of households with a disability who own a smart phone use mobile banking to access their accounts, compared with only three percent of households with a disability who do not have a smart phone. Almost two-thirds of households with a disability who have internet access at home access their account online compared with only 10 percent of those without such access.

Even with the technology, households with a disability are less likely to use it to access their accounts than households without a disability. Among households who own smart phones, 34 percent of those with a disability use mobile banking compared with 46 percent of those without a disability. Among households with internet access at home, 64 percent of those with a disability use online banking compared with 77 percent of those without a disability. This is particularly concerning as mobile and online features expand to provide a range of services that could help households with a disability, such as account alerts and budgeting tools.

Figure 12: Use of Online and Mobile Technology as a Method to Access Bank Accounts by Access to Technology and Disability Status, 2015

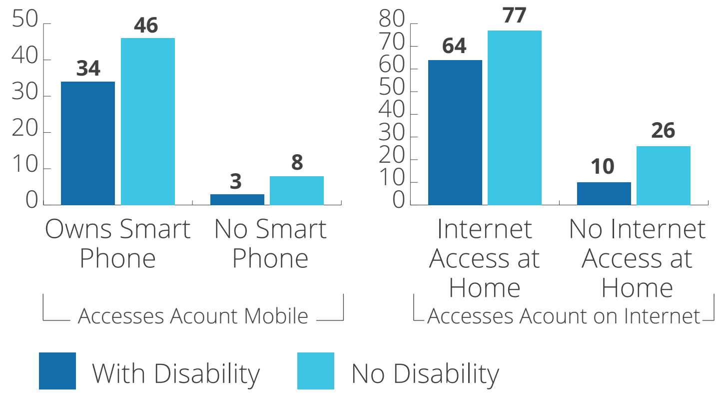


Table 6: Types of Accounts Owned by Banked Households by Disability Status and Year

	Unbanked		Underbanked		Fully Banked					
Year	With Disability	No Disability	With Disability	No Disability	With Disability	No Disability	With Disability	No Disability	With Disability	No Disability
2011	56.8	77.9	5.1	1.8	38.1	20.3	61.9	79.7	94.9	98.2
2013	52.3	77.6	6.1	1.8	41.6	20.6	58.4	79.4	93.9	98.2
2015	53.6	79.9	4.9	1.6	41.4	18.5	58.6	81.5	95.1	98.5

Table 7: Types of Accounts Owned by Banked Households by Household Characteristics and Disability Status, 2015

	Checking and Savings		Savings Only		Checking Only	
Household Characteristic	With Disability	No Disability	With Disability	No Disability	With Disability	No Disability
All	54	80	5	2	41	19
Race/Ethnicity						
Black	48	72	8	3	44	25
Hispanic	49	68	10	3	41	30
Asian	80	81	0	1	20	18
White	55	84	4	1	42	15
Other	61	79	5	3	35	19
Age						
25-34 years	69	79	4	2	27	20
35-44 years	59	80	7	1	34	19
45-54 years	54	81	5	1	42	18
55-64 years	49	81	5	2	46	17

	Checking and Savings		Savings Only		Checking Only	
Education						
No High School Degree	30	52	12	4	59	44
High School Degree	47	69	5	3	48	28
Some College	63	80	3	2	35	19
College Degree	74	90	2	1	25	10
Family income						
Less than $15,000	30	57	9	4	61	39
$15,000 to $30,000	48	56	6	4	47	40
$30,000 to $50,000	65	72	3	2	32	26
$50,000 to $75,000	74	82	1	1	26	17
At least $75,000	87	92	1	1	12	8

See Appendix table A.4 for estimates by additional household characteristics.

Table 8: Primary Method Used to Access Bank Accounts by Disability Status and Year

	2013		2015		Percentage Point Difference between 2013 and 2015		Disparity between Households with and Without a disability	
Method	With Disability	No Disability	With Disability	No Disability	With Disability	No Disability	2013	2015
Bank Teller	35.6	24.5	32.4	20.6	-3.2	-4.0	11.1	11.9
ATM Kiosk	29.3	25.0	27.7	20.5	-1.6	-4.5	4.3	7.2
Online	24.8	39.7	25.9	43.8	1.1	4.1	-14.9	-17.8
Mobile	2.7	6.9	6.6	11.9	3.9	5.0	-4.2	-5.3
Telephone	5.3	2.9	5.4	2.5	0.1	-0.5	2.3	2.9

Table 9: Access to Phone and Internet by Disability Status, 2013 and 2015

	With Disability		No Disability		Percentage Point Difference between Households with disability and Households with No disability	
Type of Access	2013	2015	2013	2015	2013	2015
Smart Phone	39.4	54.3	68.1	78.8	28.7	24.4
Other Mobile	38.2	25.1	19.9	9.5	-18.3	-15.6
No Mobile Phone	16.7	13.2	7.1	5.0	-9.6	-8.2
Internet at home	N/A	55.4	N/A	79.4	N/A	24.0

N/A Comparable question not included on the 2013 FDIC Survey

Table 10: Smart Phone and Internet Access at Home by Disability Status and Household Characteristics, 2015

	Smart Phone		Internet at home	
Household Characteristic	With Disability	No Disability	With Disability	No Disability
All	54	79	55	79
Race/Ethnicity				
Black	49	74	38	67
Hispanic	56	72	51	65
Asian	59	81	73	85
White	56	81	62	85
Other	63	79	57	73
Age				
25-34 years	70	85	60	78
35-44 years	69	82	63	79
45-54 years	57	79	54	81
55-64 years	45	69	53	79
Education				
No High School Degree	36	58	31	48
High School Degree	49	72	49	70
Some College	64	80	66	81
College Degree	71	86	80	90
Employment status				
Employed	76	81	73	81
Unemployed	54	73	58	69
Not in labor force	47	67	50	73
Family income				
Less than $15,000	37	61	32	51
$15,000 to $30,000	53	65	55	60
$30,000 to $50,000	65	75	73	74
$50,000 to $75,000	70	81	78	85
At least $75,000	84	87	88	91
Banking Status				
Unbanked	34	49	25	31
Underbanked	64	84	59	79
Fully Banked	60	85	68	89
Unknown	9	15	12	15

7. PREPAID DEBIT CARDS

Reloadable prepaid debit cards allow consumers to withdraw cash at ATMs, make purchases, accept direct deposits and deposit checks. The use of these cards is particularly appealing to consumers who are unbanked since they can load dollars directly onto the card and then use the balance for purchases. Compared to credit cards and bank debit cards, they may help the consumer curb spending and avoid credit card debt and bank overdraft fees since it is not possible to spend more than the amount of money loaded on the card.

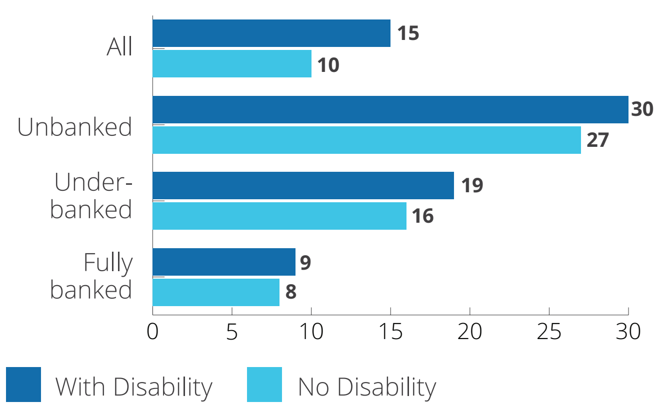
While the cards can provide these benefits, many have major drawbacks. They often charge excessive fees for everything from set-up to reloading and, unlike using a credit card, using a debit card does not allow the consumer to build a credit history.

Use of Prepaid Cards

Households with disability are more likely to use prepaid cards, with lower income households more likely to use them (15 percent of households with a disability compared with 10 percent of households with no disability).

The use of prepaid cards is most prevalent among unbanked households. Thirty percent of unbanked households with a disability and 27 percent of unbanked households without a disability used a prepaid card in the past 12 months (Figure 13).

Figure 13: Prepaid Card Use in the Past 12 Months by Disability and Banking Status, 2015



Growth in Prepaid Card Use

The use of prepaid cards grew considerably between 2013 and 2015 for households with and without a disability.

The proportion of households with a disability that used a prepaid card increased from 12 to 15 percent while the proportion of households with no disability that used a card increased from nine to 10 percent (Table 11).

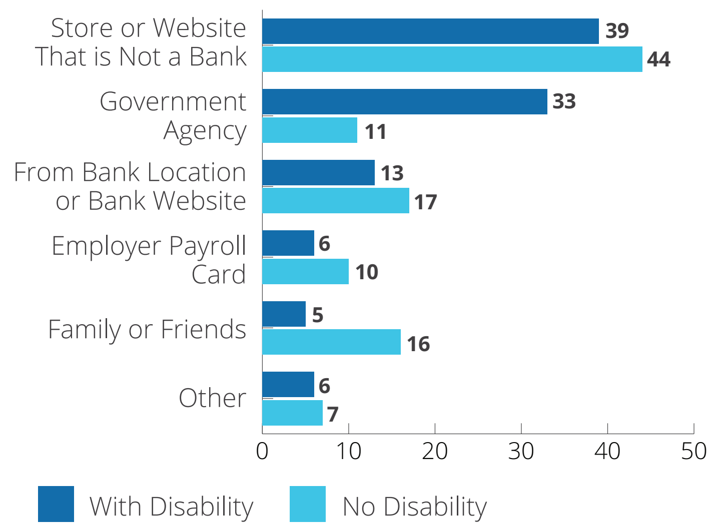
Table 11: Prepaid Card Use by Disability Status, 2013 and 2015

Year	With Disability	No Disability
2013	12.4	8.7
2015	15.2	10.4

Sources of Prepaid Cards

Households that used prepaid cards obtained them from a variety of sources. The most common source was a store or website that is not a bank.

Figure 14: Sources of Prepaid Cards for Households That Used Prepaid Cards in Past 12 Months



Sources of prepaid cards differed by disability status. One-third of households with a disability obtained the prepaid card from a government agency, compared to only 11 percent of households with no disability (Figure 14). This is not surprising since beneficiaries of federal cash benefit programs (Social Security Disability Insurance, Supplemental Security Income or veterans cash benefits) are required to receive payments electronically. Unbanked beneficiaries who cannot receive a direct deposit to a bank or credit union can receive the benefits onto a Direct Express Debit Master Card.

8. ALTERNATIVE FINANCIAL SERVICES

The survey asks households about their use of alternative financial services (AFS) in the last 12 months to conduct a transaction or access credit. Specifically, the survey asks if they went to a place other than a bank to send a money order, cash a check or send an international remittance (Transaction AFS). Respondents were also asked if they have used pawn shops, rent-to-own services, payday loans, refund anticipation loans and auto-title loans (Credit AFS). Responses to these survey questions are used to classify banked households into "underbanked" or "fully banked."

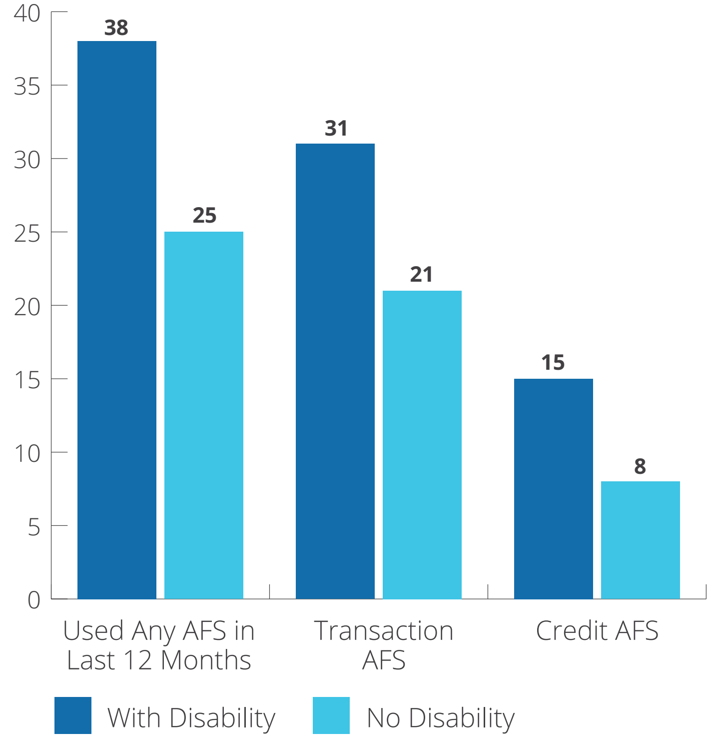
While some nonbank financial service providers offer convenient services and easy access to cash, their services can carry high costs, limiting low-income families' ability to accumulate assets and establish a credit history.

Thirty-eight percent of households with a disability used an AFS in the last 12 months. Almost one in three used a transaction AFS (most commonly money orders and check cashing) and 15 percent used credit AFS (most commonly pawn shops) (Figure 15).

More than one-fourth (27 percent) of households with a disability and 15 percent of households with no disability use money orders (Table 12). Money orders are a prepaid guaranteed form of payment that require a buyer to pay for the money order using cash or another form of guaranteed funds. While money orders can be issued by banks, they are usually sold for a lower cost at many locations including post offices, grocery stores and convenience stores.

Ten percent of households with a disability and six percent of households with no disability use check cashing services. These services vary widely from mom-and-pop outlets to publicly traded companies.[17] The charge for cashing a check also varies and can be expensive. Some charge a flat fee for checks up to a certain amount, while others charge a percentage of the check value or a flat fee plus a percentage fee.

Figure 15: Use of Alternative Financial Services in the Last 12 Months by Disability Status, 2015



Only two percent of households with a disability send remittances abroad, compared with five percent of households with no disability. Because households with a disability are less likely than others to be foreign born, remittances are less of an issue for them.

Credit AFS is much less common, but more concerning. Not only do alternative credit services tend to charge high interest rates, but they do not allow the user to establish a credit history, limiting their ability to qualify for less expensive mainstream credit in the future. Compared to households with no disability, households with a disability are much more likely to use such services.

Households with a disability are almost three times more likely to use pawn shops than those without a disability (five percent compared with two percent). Pawn shops offer secured loans to people, with items of personal property used as collateral. Pawned items can usually be redeemed within a certain period of time for some agreed upon amount of interest. If the loan is not paid, the pawn broker offers the item for sale. Pawn shops are generally state regulated, and finance

[17] https://www.fdic.gov/bank/analytical/quarterly/2009_vol3_1/FDIC140_QuarterlyVol3No1_AFS_FINAL.pdf

charges can vary from five percent to 25 percent per month plus additional per-month service charges.[18]

Households with a disability are twice as likely to use rent-to-own services than those with no disability (four percent compared with two percent). Rent-to-own businesses sell big ticket consumer products, such as furniture, computers, appliances and electronics under rental-purchase agreements where consumers take possession of the product, pay weekly or monthly installments, often with very high interest rates, and own the goods at the end of the agreement.

Households with a disability are twice as likely to use payday loans as households with no disability (four percent compared with two percent). Payday loans are typically small dollar, short-term loans (often two weeks to a month) provided to consumers with previous payroll and employment records. The loans are secured by a claim to the borrower's bank account with a post-dated check or electronic debit authorization. Payday loans are due in full on the borrower's next payday. If the borrower cannot pay off the full loan plus interest, they pay a fee to extend the due date or pay back the loan, but often quickly take out a new one to cover other expenses.[19] Eighteen states and the District of Columbia effectively prohibit payday loans by limiting the APR to rates below what is economically viable for the lender. Four states regulate fees and the remaining 32 allow high cost lending.

Households with a disability are more likely than those without a disability to use tax refund anticipation loans and auto-title loans. Refund anticipation loans allow tax filers to receive funds from their tax refund quickly. High tax preparation and other fees may be deducted. Given that clients using free tax programs can get their refunds within the same timeframe when they choose direct deposit,[20] this practice is troubling. Auto-title loans are secured loans where borrowers use the vehicle title as collateral. If the borrower defaults on payments, the lender can repossess their vehicle and sell it to repay the outstanding debt. These loans are typically short-term and tend to carry higher interest rates than other sources of credit.

Table 12: Use of Specific Alternative Financial Services by Disability Status

Type of Service	With Disability	No Disability
Transaction AFS		
Money Orders	27	15
Check Cashing	10	6
Remittances	2	5
Credit AFS		
Pawn Shops	5	2
Rent-to-Own	4	2
Payday Loans	4	2
Refund Anticipation Loans	4	3
Auto-title Loans	2	1

The use of AFS declined slightly between 2013 and 2015 for households with and without a disability driven by a decline in use of money orders and check cashing services (Table 13).

The use of AFS differs by household characteristics. The use of AFS declines as income and education level increases. Lower income households with a disability are slightly more likely to use AFS than those without a disability, while a larger disparity is evident among higher income households.

Banking status has a large impact on the use of AFS. Among banked families, households with a disability are much more likely to use AFS. More than one-third (35 percent) of banked households with a disability use AFS compared with 22 percent of banked households without a disability (Table 14). This means that even though they have a bank and have access to the services the bank offers, they are still using AFS.

[18] http://www.bankrate.com/finance/personal-finance/pawnshop-101-what-you-need-to-know-1.aspx

[19] http://www.pewtrusts.org/~/media/legacy/%20uploadedfiles/pcs_assets/2012/pewpaydaylendingreportpdf.pdf

[20] http://www.eitcoutreach.org/learn/tax-filing/rals/

Use of AFS among Underbanked Households with a Disability

While some households use AFS rather than establish a banking relationship (the unbanked), others are connected to a bank, but still choose nonbank financial services (the underbanked). Looking at the use of AFS among these underbanked households provides additional insight on the type of services bank customers find inadequate.

Sixty percent of households with a disability classified as underbanked were not considered fully banked solely because they used AFS for transactions; the majority of this group used only nonbank money orders. For households needing a guaranteed form of payment, nonbank money orders are likely less costly than a money order or cashier's check from a bank.[21] A smaller percentage of the underbanked used only check cashing services. While check cashing services may be expensive, they offer consumers immediate access to their funds, in contrast to banks which "hold" the check for up to five days before cash is available for withdrawal.[22] A small percentage of underbanked households with a disability use only remittance services. A number of nonbank alternatives (including storefront location and online services) provide remittance services for a lower cost than bank wire fees.[23]

The other 40 percent of underbanked households with a disability used either credit AFS only (20 percent) or a combination of credit and transaction AFS (20 percent). The majority used only one type of credit AFS. Underbanked households with a disability did not show a strong preference between rent-to-own services, refund anticipation loans, pawn shops and payday loans, but are less likely to use auto-title loans.

Credit AFS tend to carry high interest rates and often trap users in a cycle of debt. In addition, AFS is not connected to credit bureaus so users who are able to pay off the debt do not benefit from an increased credit score that may allow them to borrow at a lower rate in the future. However, credit AFS offer consumers access to small dollar loans that may be otherwise unavailable; most banks do not provide small dollar loans. Low- and moderate-income households often use credit cards, with high interest rates, to extend themselves credit. However, only one-third of underbanked households with a disability even have a credit card.

Table 13: Use of Alternative Financial Services by Disability Status, 2013 and 2015

	Any AFS		Transaction AFS		Credit AFS	
Year	With Disability	No Disability	With Disability	No Disability	With Disability	No Disability
2013	38.7	26.0	32.8	22.7	14.5	7.4
2015	38.0	24.5	31.4	20.7	14.6	7.8

[21] https://www.mybanktracker.com/news/cashiers-check-fee-comparison-top-10-us-banks, https://www.mybanktracker.com/news/2013/11/11/comparing-post-office-bank-western-union-money-order-fees/

[22] Servon

[23] http://www.consumerreports.org/cro/2012/03/the-best-ways-to-send-money-abroad/index.htm

Table 14: Use of Alternative Financial Services by Household Characteristics and Disability Status, 2015

	Used any AFS in last 12 Months		Transaction AFS		Credit AFS	
Household Characteristic	With Disability	No Disability	With Disability	No Disability	With Disability	No Disability
All	38	25	31	21	15	8
Race/Ethnicity						
Black	51	42	45	37	15	14
Hispanic	38	40	33	36	13	10
Asian	37	23	32	21	8	4
White	33	17	26	13	14	6
Other	40	34	34	29	22	15
Education						
No High School Degree	43	48	36	43	17	13
High School Degree	41	31	33	26	17	11
Some College	37	26	32	21	13	9
College Degree	26	15	21	13	9	4
Employment status						
Employed	33	24	27	20	13	8
Unemployed	42	38	38	32	19	14
Not in labor force	40	25	33	21	15	8
Family income						
Less than $15,000	46	45	39	39	17	14
$15,000 to $30,000	41	40	34	35	17	13
$30,000 to $50,000	33	31	25	25	15	11
$50,000 to $75,000	29	23	24	19	8	7
At least $75,000	21	13	18	11	7	4
Banking Status						
Unbanked	55	61	49	58	19	17
Banked (underbanked or fully banked)	35	22	28	18	14	7

See Appendix table A.9 for estimates by additional household characteristics

9. SAVING FOR UNEXPECTED EXPENSES

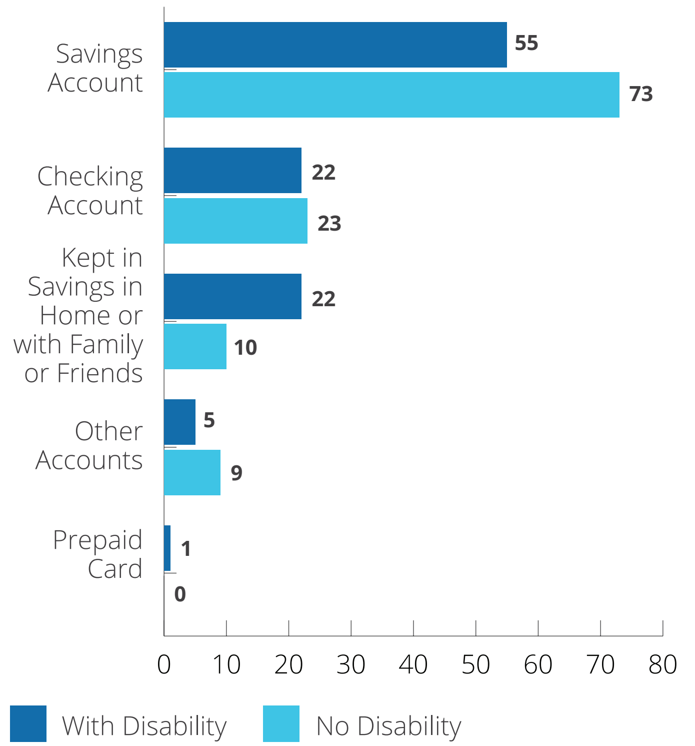
Recognizing that savings can help households manage unexpected expenses or emergencies, the 2015 FDIC survey asked the respondent: "Even if you spent it, did you (or anyone else in your household) set aside any money in the past 12 months that could be used for unexpected expenses or emergencies? I'm only asking about funds that could be easily spent, if necessary, and am not asking about retirement or other long-term savings."

Thirty-nine percent of households with a disability and 61 percent of households with no disability saved for unexpected expenses or emergencies in the past 12 months.

Rates of savings varied by household characteristics. Among households with and without a disability, saving rates were lower among households of color and less educated, non-working and lower income households. For each of these characteristics, households with a disability were even less likely to save than those without a disability. For example, 34 percent of households without a disability with incomes less than $15,000 saved, compared with only 23 percent of households with a disability in the same income group (Table 15).

Among households that saved for unexpected expenses or emergencies, savings accounts were the most common method of savings, followed by checking accounts and keeping savings in home or with family and/or friends. Households with a disability were much less likely than those without a disability to use a savings account and more likely to keep savings at home or with family and/or friends (22 percent compared with less than 10 percent of those without disability) (Figure 16).

Figure 16: Savings Methods for Households That Saved by Disability Status, 2015



See Appendix Table A.11 for estimates by household Characteristics

One of the primary goals of banking is to provide a safe place for savings. Among those who save, households who are unbanked tend to keep their savings in their home or with family and/or friends or on a prepaid card, whereas those who are banked tend to use savings or checking accounts.

It is striking that even among those who are banked, households with a disability are twice as likely than households without a disability to keep savings in home or with family and/or friends. Both the rate of savings and the method of savings may be affected by asset limitation requirements imposed by some means-tested programs on which many people with a disability rely (Table 16).

Table 15: Saving for Unexpected Expenses by Disability Status and Household Characteristics

Household Characteristic	With Disability	No Disability
All	39	61
Race/Ethnicity		
Black	34	49
Hispanic	32	45
Asian	35	55
White	41	68
Other	48	62
Age		
25-34 years	47	62
35-44 years	35	61
45-54 years	37	62
55-64 years	40	61
Education		
No High School Degree	19	32
High School Degree	35	51
Some College	47	62
College Degree	58	73
Employment status		
Employed	59	64
Unemployed	49	43
Not in labor force	32	53
Family income		
Less than $15,000	23	34
$15,000 to $30,000	35	43
$30,000 to $50,000	46	54
$50,000 to $75,000	57	65
At least $75,000	71	75
Banking Status		
Unbanked	16	22
Underbanked	43	58
Fully banked	44	66
Status unknown	52	62

See Appendix Table A.10 for estimates by additional household characteristics

Table 16: Saving Method by Banking Status and Disability, 2015

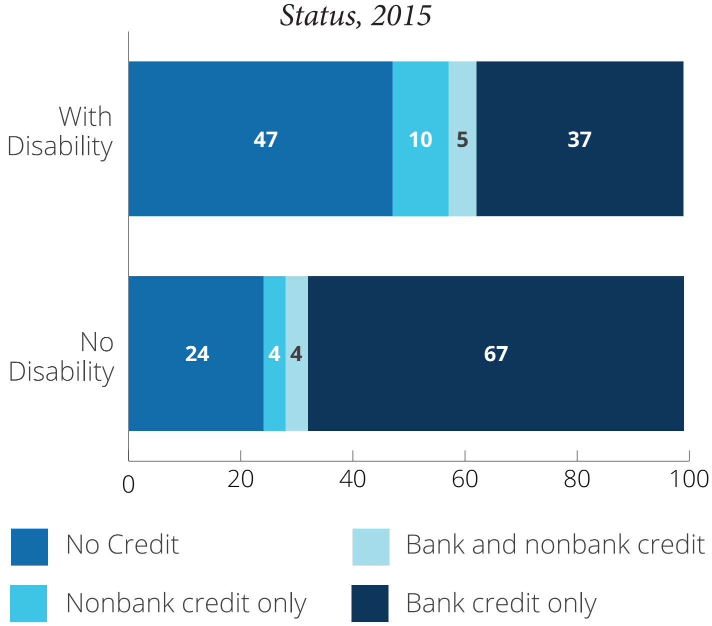
	Checking Account		Savings Account		Prepaid Card		Kept in Savings in home, or with family or friends	
Method	With Disability	No Disability	With Disability	No Disability	With Disability	No Disability	2013	2015
Unbanked	<1	1	<1	3	15	11	72	67
Underbanked	25	24	54	68	2	1	27	14
Fully banked	24	24	62	76	<1	<1	14	7

10. BANK AND NONBANK CREDIT

Access to credit is a key component to financial inclusion as it allows consumers to spread out the cost of a major purchase or weather an adverse economic event. In order to fully understand the use of credit, the 2015 FDIC survey included a new series of questions on bank credit to supplement other questions on nonbank credit. Specifically, it asked whether the household has bank credit, including a credit card (Visa, MasterCard, American Express or Discover) or a personal loan or line of credit from a bank (not including student loans or loans taken out to make major purchases like a house or car), and whether they had applied for bank credit, the result of that application, and whether they thought about applying for bank credit, but did not because they thought they might be turned down.

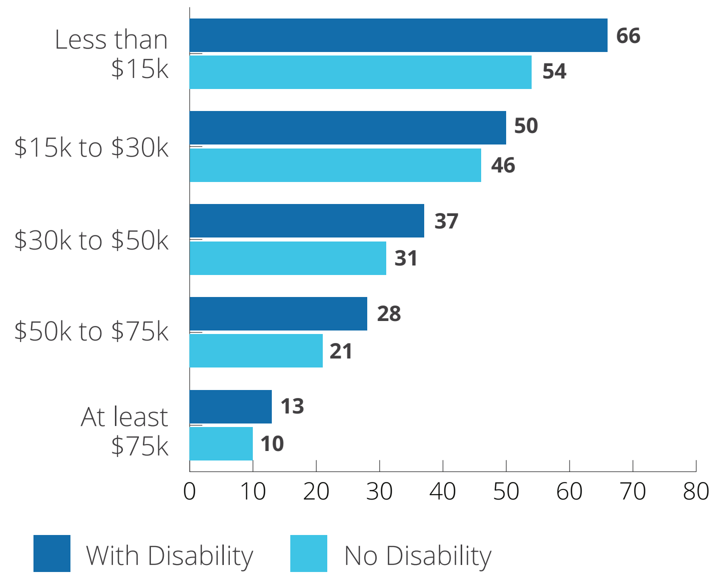
Almost half of households with disability (47 percent) had no credit compared with one-quarter (24 percent) of households with no disability. While two-thirds (67 percent) of households with no disability had bank credit only, households with a disability were more likely to use nonbank credit or a mix of bank and nonbank credit.

Figure 17: Bank and Nonbank Credit by Disability Status, 2015



Compared with households without disability, those with a disability are less likely to have any credit regardless of income level (Figure 18). Those without credit may lack the financial history to establish a strong credit score even though they may be consistently paying rent or bills. The lack of a high credit score can influence an individual's ability to receive a loan and are often needed to obtain employment.[24]

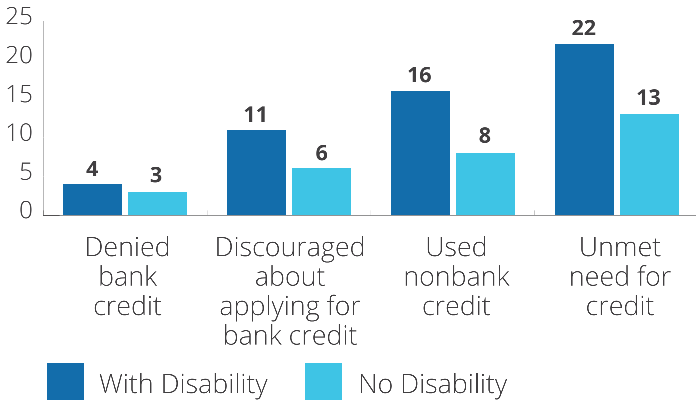
Figure 18: No Credit by Income and Disability Status 2015



A household is considered to have an unmet need for credit if they: (1) applied for bank credit and were denied; (2) felt discouraged about applying for bank credit; or (3) used any nonbank credit product. To obtain the unmet need for credit, survey respondents were asked the following: "Was there any time in the past 12 months that you or someone else in your household thought about applying for a new credit card, or a personal loan or line of credit at a bank, but changed your mind because you thought you might be turned down?" Survey respondents were also asked if they used any nonbank credit, such as a tax refund or payday loan. Based on this definition, 22 percent of households with a disability and 13 percent of households without a disability have an unmet need for credit (Figure 19).

[24] Society for Human Resource Management (2012). Background Checking—The Use of Credit Background Checks in Hiring Decisions. https://www.shrm.org/hr-today-trends-and-forecasting/research-and-surveys/Pages/creditbackgroundchecks.aspx

Figure 19: Unmet Need for Credit by Disability Status, 2015



See Appendix table A.13 for estimates by household characteristics

11. HOW HOUSEHOLDS CONDUCT THEIR FINANCIAL TRANSACTIONS IN A TYPICAL MONTH

One of the principal benefits of having a bank account is to simplify and expedite financial transactions, such as paying bills and receiving income.

Methods of Paying Bills

The 2015 survey included a number of new questions about the methods that households use to pay their bills, and the extent to which they use bank methods (electronic payment from bank, personal check or credit card) and nonbank methods (cash, nonbank money order and prepaid card).

Households with a disability are less likely to use electronic payments or personal checks and more likely to use cash or nonbank money orders (Figure 20). This is due, in large part, to banking status, but even among those who are banked (underbanked or fully banked), households with a disability are less likely to use any banking method (electronic payments from their bank accounts, personal checks, credit card or debit card) and more likely to use nonbank options (Table 16).

Figure 20: Methods Used to Pay Bills in a Typical Month, 2015

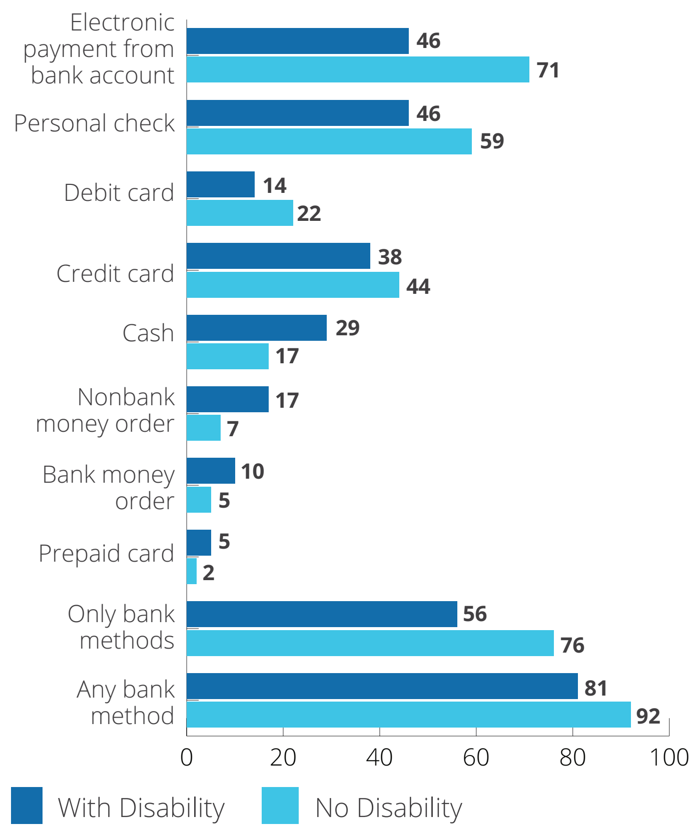


Table 18: Methods Used to Receive Income in a Typical Month by Banking Status and Disability Status, 2015

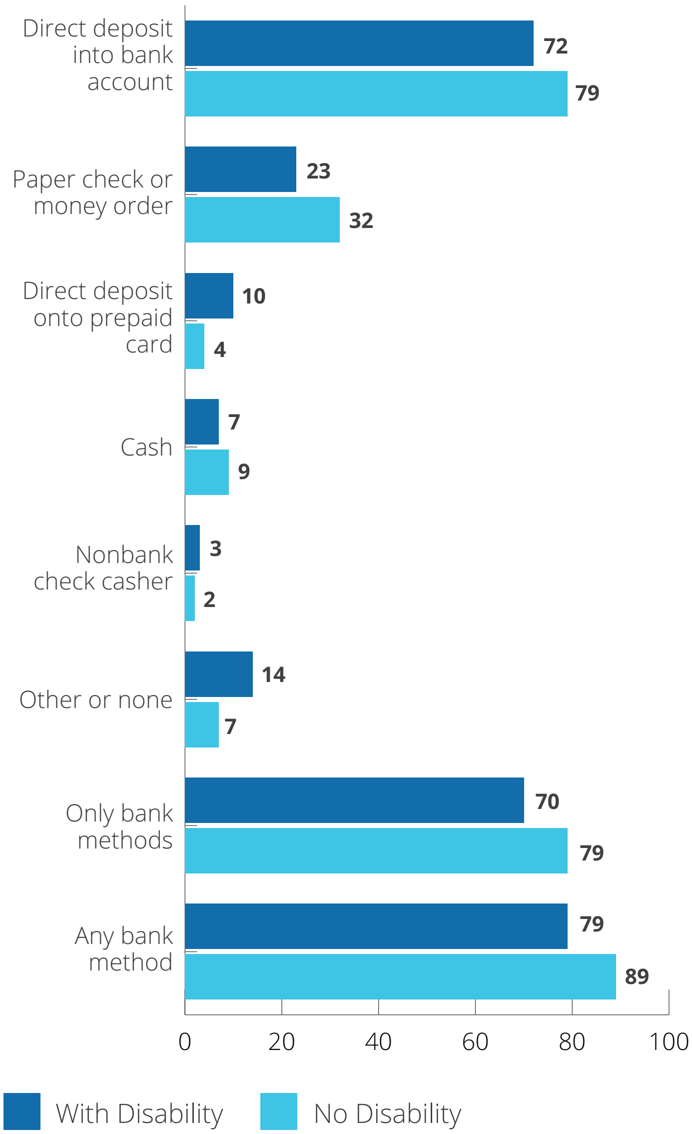
	Checking Account		Savings Account		Prepaid Card	
Method	With Disability	No Disability	With Disability	No Disability	With Disability	No Disability
Direct deposit into a bank account	4	3	86	80	87	86
Paper check or money order	27	47	26	37	21	29
Direct deposit onto prepaid card*	31	27	9	6	4	2
Cash	12	30	8	12	6	7
Nonbank check casher	10	21	4	4	0	0
Other*	45	31	2	2	1	1
None	40	22	5	4	4	4
Any bank method	4	3	92	92	94	95
Only bank methods	3	2	77	75	85	86

**Because of a glitch in the administration of the survey, the category of direct deposit onto a prepaid card is likely understated and the category "other" overstated among unbanked households: http://www2.census.gov/programs-surveys/cps/techdocs/cpsjun15.pdf*

Methods of Receiving Income

Households with a disability were less likely to receive income through direct deposit or paper check and more likely to get direct deposit onto a prepaid card (Figure 21).

Figure 21: Methods Used to Receive Income in a Typical Month by Disability Status, 2015

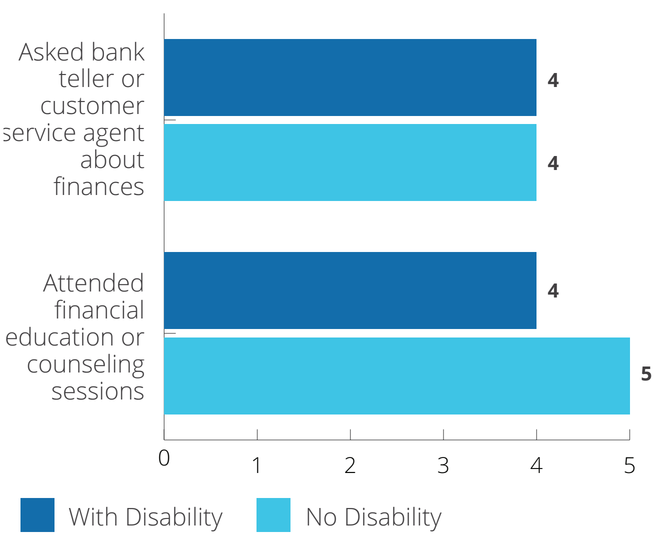


12. HOUSEHOLD LEARNING ABOUT FINANCES: THE ROLE OF BANKS

Banks can provide financial information to increase their customers' financial literacy skills. The 2015 survey included new questions about whether households have asked a bank teller or customer service agent about finances or attended financial education classes or counseling. For those who had attended a class, the survey asked if the respondent had learned about the class from the bank.

Only small portions of households with and without a disability had sought financial information from the bank (four to five percent) or attended financial education or counseling sessions (four to five percent) (Figure 22). The difference between households with and without a disability is not significant. One in five of those with and without a disability who attended education or counseling sessions learned about those services from the bank. The sample size does not permit analysis of these questions for households with a disability by other household characteristics.

Figure 22: Household Learning about Finances, 2015



13. CONCLUSION AND IMPLICATIONS

FDIC's biannual national survey of households is an important strategy to deepen understanding of the banking status and financial behavior of the American public, as changes appear over time. The survey responses allow for further analyses of trends in financial behavior with data disaggregated by individual characteristics defined by age, gender, race, educational achievement, employment status and disability.

This study builds on the FDIC data analysis conducted by NDI researchers two years ago regarding the banking status and financial behavior of adults with a disability. What is apparent from the new FDIC data is that adults with a disability remain unbanked and underbanked at higher rates than their nondisabled peers, even when adjusting for socioeconomic and demographic characteristics. The disturbing trend continues that adults with a disability are more likely to use alternative financial services both for transactions and credit. Despite the continued growth of the use of mobile banking, adults with a disability who use smart phones are still less likely to access their accounts on their mobile phones. With high unemployment, individuals with a disability are less likely to save for unexpected expenses and more likely to keep their savings at home or with family and/or friends rather than in a savings account.

Based on new questions asked by FDIC about the methods that households use to pay their bills, the survey results reveal that households with a disability are less likely to use bank products and services than their nondisabled peers. Rather than use electronic payments from a bank, writing a personal check or paying with a credit card, households with a disability were more likely to use nonbank methods by paying with cash, a nonbank money order or using a prepaid card. Even among those households with a disability who were fully banked, they were still less likely to pay with a bank product or service and more likely to use nonbank options.

Households with a disability were more likely to have an unmet need for credit. Access to credit is an important element of financial inclusion. Credit can help purchase and build assets or absorb the shock of an adverse economic event. New questions were asked by the FDIC about whether the household has bank credit, including a credit card or a personal loan or a line of credit from a bank. Households were also asked about whether they had applied for bank credit and what the result was, and if they were not applying for bank credit because they thought they would be turned down. Households with a disability were twice as likely to have no credit, as compared to their nondisabled peers (47 versus 24 percent). Households with a disability were more likely to use bank and nonbank credit. Only 37 percent reported using a bank exclusively to meet credit needs, as compared to 67 percent of households with no disability that had bank credit only and did not use nonbank avenues for credit needs. Households with a disability were more likely to feel discouraged about applying for bank credit.

New survey questions asked households about learning to make more informed financial decisions by either asking bank tellers or customer service representatives about finances or attending financial education classes or counseling sessions. Survey results revealed no significant differences for households with a disability from their nondisabled peers. Only four percent of households with and without a disability have participated in financial education classes or counseling sessions. Neither group has sought help often – or ever – in better understanding their finances by asking for assistance from bank representatives.

The composite picture of households with a disability and their financial behavior and banking status presents an economically vulnerable population making financial decisions that perpetuate financial instability, without gaining the benefits of regular participation in the economic mainstream. Survey results are not significantly different than revealed by data analysis two years ago. The findings indicate a continued reliance on nonbank products and services that offer no pathway out of poverty and potential for greater exploitation.

For too many working-age adults with disabilities, the services and supports offered by social and human service delivery systems do not assess financial health, encourage financial goal-setting or help build a personal pathway out of poverty. There are myriad programs to help set employment goals and support integrated competitive employment outcomes. However, there is confusion that employment is an end goal rather than a means to reduce dependence on public benefits and build longer term financial health and economic self-sufficiency.

There is a need to reframe supports and services to build financial capability, stability and well-being. Financial capability is about applying the knowledge and skills to make informed decisions when it comes to one's finances. Financial stability is the outcome of combining the knowledge and actions to make positive financial decisions. For individuals with and without disabilities, financial stability produces increased long-term planning, improved physical and mental health and greater participation in the economic mainstream.[25]

The survey results continue to reinforce what we know about limited access to financial education and counseling by households and a continued growing reliance on alternative financial services by households with a disability. For many, means-tested public benefits for income, healthcare, food and housing has created a disincentive to work, earn and save income and build assets. A dependence on public benefits becomes a trap that requires staying poor to staying eligible, which poses a significant barrier to financial inclusion.

There is an opportunity to rethink approaches, structures, policies and processes that change thinking and behavior at both individual and systems levels. The goal of financial health and well-being, as a result of financial inclusion, requires the attention, cooperation and investment of government and financial institutions with the engagement of social and human service delivery partners. Policy reframing that sets a minimum standard for a low-cost checking account, requirements for the increased availability of small dollar loans, integration of financial counseling and coaching as an essential element of human service delivery, universal access to broadband to support mobile banking, recalibration of credit scores with nontraditional approaches and easy access to open ABLE tax-advantaged savings accounts, without adversely impacting means-tested eligibility for public benefits, are examples of policy and practice realignment that raise the bar of expectations for all relevant stakeholders.

These goals are neither beyond our reach or expectations. They represent the next generation of opportunity to embrace the possibilities of financial inclusion as a cornerstone of financially insured depository institutions. The result will be a new level of trust by all consumers and a more inclusive economic mainstream.

These findings provide evidence of an important need to open new avenues of communication between the disability and financial communities. There is a need to: 1) explore new approaches of marketing and outreach to households with a disability to build a new level of trust, 2) better explain and orient potential and existing customers with a disability to the varied and changing choices of bank products and services, and 3) improve the affordability and accessibility of mainstream financial services.

Recommendations

In the 2015 National Disability Institute report on *Banking Status and Financial Behaviors of Adults with Disabilities*, a framework offered by the FDIC Advisory Committee on Economic Inclusion was adopted to divide recommendations into three parts: Access – drawing customers into the banking system; Sustainability – keeping consumers in the banking system; and Growth – deepening banking relationships. NDI again adopts this three-part framework to propose recommendations that are informed by the knowledge created by analysis of this most recent FDIC national survey data of unbanked and underbanked households.

1 **ACCESS:** DRAWING CUSTOMERS INTO MAINSTREAM FINANCIAL SERVICES

A. Take Advantage of Teachable Moments: Utilization of Publicly Funded Distribution Channels

Two-thirds of working-age adults with disabilities rely on government benefits and programs as part of a social safety net for food, housing, healthcare, income and employment supports. A constellation of public and private not-for-profit providers represent essential distribution channels in regular communication with the target audience.

[25] American Psychological Association (2015). Stress in America: Paying with our Health. https://www.apa.org/news/press/releases/stress/2014/stress-report.pdf

For individuals with disabilities, multiple public funders (Medicaid, Vocational Rehabilitation, Education) require an assessment of need to set education, employment and/or community participation goals that result in development of individual program plans.

Such individual program planning represents a teachable moment in time to assess financial health and capability, set financial goals, customize opportunities to build knowledge and skills to make informed financial decisions and draw customers into mainstream financial services.

Each month, Social Security Administration communicates with more than 10 million individual beneficiaries of SSI and/or SSDI and electronically transfers an income payment. The possibilities of utilizing that electronic transfer of funds as a teachable moment has extraordinary possibilities. Each beneficiary could be linked to FDIC's Money Smart to build their critical knowledge and skills and help make better informed financial decisions.

Every week, job seekers with and without disabilities nationwide visit one of over 1,600 American Job Centers (AJCs) to seek assistance with employment opportunities and ways to increase critical skills that offer new career pathways. The Workforce Innovation Opportunity Act (WIOA) signed into law in 2014 requires, for the first time, the provision of financial literacy training as a service to help a job seeker "obtain or retain employment." At a community level, there is a unique opportunity for financial institutions to collaborate with the AJCs to improve access to financial education and coaching, as well as safe and secure financial products and services which recognize that informed financial decision making and economic inclusion are critical skills for successful employment.

Each of these examples of government interaction with youth and working-age adults with disabilities represent teachable moments to help draw customers with disabilities into the economic mainstream. Public and private agencies, in collaboration with the FDIC and federally insured depository institutions, can leverage their unique strengths and resources to improve access to financial education and coaching, as well as financial products and services.

The FDIC could lead a work group with representatives from the U.S. Departments of Labor, Treasury and Education; Consumer Financial Protection Bureau, Social Security Administration, IRS and Rehabilitative Services Administration to design a roadmap of improved access to mainstream financial services, education and coaching. The priority audience for access would be youth and working-age adults with disabilities. The work group should collaborate with financial institutions and community-based organizations to identify specific strategies to support a path into the economic mainstream.

The recommendation for specific policy change and actions could be disseminated to all insured depository institutions, community-based organizations essential to the delivery of social and human services to people with disabilities and their families and other relevant stakeholders. Each of the participating federal agencies could issue new guidance on "teachable moments" to improve financial capability and inclusion that details a roadmap of cross-agency collaboration at national, state and community levels.

B. Build Trust and Transcend Compliance for Superior Customer Service

FDIC survey results continue to indicate a lack of confidence in financial institutions by more than one in four households, including those households with a disability. In 2016, National Disability Institute, in cooperation with the FDIC, Mayors' offices, financial institutions, community nonprofit organizations and other related stakeholders in the public and private sectors, convened Financial Inclusion Summits in Seattle, Washington; Chicago, Illinois; and Columbus, Ohio, to open up greater dialogue between the disability and financial communities. The highlight of the three Summits were small roundtable discussions to develop recommendations to improve access and customer service for individuals across the spectrum of disabilities. The three Summits generated over 100 recommendations on both how to improve accessible and affordable financial products and services for people with disabilities and strategies to expand availability of financial education and coaching through community organizations.

Common themes echoed by participants emphasized a desire for superior customer service that transcends compliance requirements and new and deeper levels of cooperation and collaboration. Individuals with disabilities want to be a part of financial institution disability sensitivity training for their employees, be engaged in testing products and services before bringing to market and be a part of focus groups to share personal experiences, needs and expectations. In all three cities, participants with disabilities wanted to see a commitment by financial institutions to increase recruitment, hiring, accommodation and advancement of qualified individuals with disabilities in diverse roles as part of an inclusive workforce. As recommended two years ago, financial institutions as model employers would build trust and confidence with the target audience and their extended family and friends.

Every day households are faced with financial decisions on how to make ends meet and balance short-term needs and wants with longer term goals of a better economic future. Summit participants with disabilities wanted the opportunity to continue communication with financial institution leaders and decision makers through a work group to design critical next steps to implement Summit recommendations. Collaborative efforts may include a designated lead problem solver at each financial institution to quickly resolve access or other types of service issues, or a coordinated approach to identifying and leveraging diverse community resources to increase opportunities to build financial capabilities of the target audience. The creation of financial inclusion work groups, with the support of Mayors' Offices on Disability, Community Affairs, Civil Rights and Finance can build the needed bridge between the disability and financial communities. The results will transcend ADA and other regulatory requirements to set the stage to grow and deepen relationships.

With the support of JPMorgan Chase, additional Financial Inclusion Summits will be held in New Orleans, Louisiana, and Orlando, Florida, in 2017, as work groups continue this year to identify ways to implement recommendations. With the engagement of FDIC, Mayors' Offices, financial institution representatives and disability leaders in the nonprofit community, this approach could be replicated in other cities across the country to build sustainable change at individual and systems levels.

2 **SUSTAINABILITY:** KEEPING CUSTOMERS IN THE BANKING SYSTEM

A. Encourage Opening ABLE Accounts as a Pathway to Financial Inclusion

Disruptive innovation is a term used to describe a new approach to meet consumer demand that upends traditional supply approaches that impact choice, price, quality and targeted markets. Uber has changed traditional notions of consumer behavior regarding public and private transportation choices. Airbnb has changed traditional choices of places to stay for one night or short-term, upending the hospitality industry. ABLE accounts are a means of disruptive innovation, changing expectations about saving and asset building for people with disabilities with new choices outside traditional thinking of acceptance of the terms of means-tested eligibility for public benefits such as SSI, Medicaid and food and health assistance.

The Achieving a Better Life Experience (ABLE) Act was signed into law on December 19, 2014. After more than eight years of families telling their stories of financial struggle and instability, as a result of the extra costs of raising a child with or living a life of disability, Congress changed the rules and presented an estimated 10 million individuals with disabilities and their families with an opportunity to become savers and investors in a better quality of life and economic future.

For the first time, individuals receiving SSI and Medicaid are not restricted by a $2,000 asset limit or fear loss of these critical public benefits. In addition, funds distributed from an ABLE account for coverage of qualified disability expenses are allowed to grow tax-free with eligible individuals with disabilities and their families having investment choices offered by different state ABLE programs. This is a large step forward, for many of these individuals and families, to go from using money solely for transactions to becoming savers and investors and making decisions that match short- and long-term financial goals.

The FDIC survey data reported that the greatest reason households with a disability did not have a bank account was lack of financial resources. The opportunities to reevaluate how to bring unbanked and underbanked customers into the financial mainstream may be impacted significantly by this new market opportunity. Since mid-year 2016, 18 states have opened ABLE programs. All of these state programs (except for Florida and Kentucky which only offer ABLE accounts to state residents) offer potential ABLE account owners and beneficiaries nationwide an array of saving and investment options. Several federally insured depository institutions are offering low or no risk saving options to be a choice for ABLE accounts funds in several state ABLE programs. In other states, relationships between the state ABLE program and banks are creating simple, direct deposit opportunities from savings and checking accounts for the account owner, family and friends to an ABLE account on a one time basis or repeated monthly money transfers.

For ABLE account owners, funds growing in an account may be a critical down payment for a home or auto loan that will positively impact the terms of credit. For others, the ABLE account may be used like a checking account to cover recurring expenses, such as a monthly lease payment or therapy visit. From these multiple perspectives, ABLE accounts become a new pathway to mainstream financial inclusion. For ABLE account beneficiaries who are, by law, also the owners of the accounts, there is a new opportunity and obligation on diverse stakeholders to deliver financial and investor education. For the first time, creating a budget, setting savings goals and understanding the responsibilities of managing credit and debt are critical knowledge and skill areas. Historically, these have not been a part of public education or social and human service delivery system activities for students and youth and working-age adults with disabilities.

Financial institutions, in cooperation with the FDIC, can explore cross-sector strategies to build the financial capabilities of ABLE account owners. We are heartened by the efforts already underway by the FDIC to edit and supplement the Money Smart training materials to enhance their relevance to this new generation of savers with disabilities. There is the opportunity for the FDIC, Treasury and the SEC to coordinate efforts with the U.S. Departments of Labor, Health and Human Services and Education, as well as the Social Security Administration, to expand financial investor education opportunities for the target audience.

3 **GROWTH:** DEEPENING THE BANKING RELATIONSHIPS AND FOSTERING FINANCIAL EMPOWERMENT

A. Target the Economic Inclusion Potential of Mobile Financial Services

Two years ago, FDIC data reported on the developing trend to move from banking relationships in the traditional brick-and-mortar retail outlets to the use of smart phones and the internet for a wide array of financial services and preferred means of communication. Whether making a deposit, receiving real-time or monthly statements, paying a bill, transferring funds, applying for credit or a growing number of other services, the relationship between a customer and financial institutions has been profoundly changed by technology. The most recent FDIC data indicates the trend is continuing. However, for households with a disability, there has not been significant movement from the traditional relationship with financial institutions at a neighborhood retail outlet to increased use of smart phones and the internet as the preferred method of communication and point of service. As with the results two years ago, the data once again revealed that households with a disability were less likely to have access to a smart phone and the internet. However, the most current data also indicated that, even when individuals with a disability did have access to smart phones, they still relied on traditional methods to communicate and conduct banking activities. For households with a disability that were fully banked, they expressed their comfort level and confidence with personal relationships that had been cultivated and grown with tellers and customer service representatives at their neighborhood branch.

The new data reveals that more households with a disability do have more access to smart phones and the internet than they did in the previous survey. As smart phone penetration is growing, and with the resulting access to the internet, working-age adults with disabilities are a likely target to build and deepen relationships with federally insured depository institutions. For many, such a relationship will overcome barriers of access to transportation and improve real-time management of financial resources. To make mobile banking a greater reality for the target audience, three challenges must be overcome. First, financial institutions must pay careful attention to the need for accessible design when new products and services are developed to be used on mobile and web-enabled platforms. Accessible design must consider integration with assistive technologies. A second challenge is to explore ways to make technology solutions more personal so that households with a disability, who favor the in-person relationships cultivated with bank representatives at neighborhood outlets, still have a way to build a connection that is more personal. Such a challenge transcends the needs and preferences of households with a disability and requires further market research to explore the range of possibilities that offers a hybrid solution (similar to online personal shoppers or virtual assistants who are familiar with individual preferences and needs) to provide a more personal touch. The third – and perhaps most significant challenge – is affordability. Even when the challenges of accessible design and maintaining a personal touch are overcome, the cost of the required data plans to operate mobile applications may price out expanded participation by households with a disability who are struggling to make ends meet.

The recognition that mobile financial services could serve as a critical pathway to economic inclusion presents a unique opportunity for further conversation between the Federal Communications Commission (FCC) and FDIC on affordability and accessibility of broadband.

B. Revisit the Definition and Oversight of Financial Inclusion

Since the last FDIC survey, one of the most significant developments in banking is the evolution of financial services by financial technology companies (Fintech). This evolution of the financial service industry has brought a wide range of new products and services to consumers that challenge traditional thinking and behavior with new access points, different approaches to credit, alternative methods to save and invest and varied choices to change the way to make payments or transfer funds. There are new questions about how to protect consumer interests regarding safety and security without imposing undue burdens on innovations capable of providing sustained benefits to customers and the broader financial system. Multiple regulatory agencies are exploring their role and seeking public comment from all related stakeholders on what the approach to responsible innovation should be.[27]

Fintech offers significant opportunities to advance financial inclusion by providing access to financial products and services for underserved consumers. For households with a disability, Fintech can advance financial inclusion only if accessibility and affordability challenges are met, in addition to safety and security concerns.

The challenges of unequal access and use of financial products and services highlighted by the FDIC survey results could be mitigated by new technologies and their application.

The supervisory and regulatory framework that protects consumers against discriminatory lending practices and sets high standards of safety and soundness to be met by national banks, federal savings associations and credit unions must also be applied to Fintech companies.

The Office of Controller of the Currency (OCC) and other regulatory agencies have a unique opportunity to encourage responsible innovation in the use of technology applications and platforms to expand access to essential financial services for economically vulnerable populations, including households with a disability. A financial inclusion framework for Fintech companies could be part of a revisit of approach to supervise all financial institutions and their responsibilities to underserved communities.

National Disability Institute recommends a convening of all related stakeholders – the regulatory agencies, financial institutions, Fintech companies, community-based leaders and individuals who represent economically vulnerable populations – to revisit the current financial inclusion framework and define possible options to accelerate availability of affordable and accessible financial products and services that are safe and secure and provide improved pathways to the economic mainstream. This convening should be

[27] Consumer Financial Protection Bureau (2015). Mobile financial services A summary of comments from the public on opportunities, challenges, and risks for the underserved http://files.consumerfinance.gov/f/201511_cfpb_mobile-financial-services.pdf and Office of the Comptroller of the Currency (2017) Public Comments on Exploring Special Purpose National Bank Charters for Fintech Companies https://www.occ.gov/topics/bank-operations/innovation/fintech-charter-comments.html

informed by a qualitative research study that describes the type of barriers that households with disabilities face in accessing the financial mainstream. Such a convening puts a spotlight on financial inclusion and those left behind by the evolution of the financial services industry and emerging technology innovation.

Conclusion

When federally insured depository institutions effectively serve the broadest possible set of consumers, public confidence is strengthened in the banking system, which ultimately benefits everyone. This includes the approximately 9.6 million adults and 2.6 million children living in unbanked or underbanked households with a disability.

There is no one solution that will change the findings gleaned from the most recent round of FDIC's survey of households. However, this report sends an important message to government, financial institutions, regulators and the disability community to work together on additional solutions that improve the availability of affordable and accessible financial products and services responsive to the needs of people with disabilities. We must work together to open communication channels that increase trust and confidence in the banking system by our nation's most economically vulnerable citizens.

The Appendix to this report can be found in the Document Library section of the National Disability Institute website at http://www.realeconomicimpact.org/docslisting.aspx.

14. ABOUT THE AUTHORS

Nanette Goodman, M.S., is the Senior Researcher at National Disability Institute, where she conducts quantitative and qualitative analysis of policies affecting the financial stability of people with disabilities. She has written on poverty and race, financial education in American Job Centers, the use of the Earned Income Tax Credit among people with disabilities and complexities and opportunities in the disability employment system. Ms. Goodman provides technical assistance to Department of Labor's Office of Disability Employment Policy (ODEP) through the LEAD Center. Prior to joining NDI, she conducted researched disability policy issues in the U.S. and developing countries as an independent consultant, a Senior Policy Advisor at ODEP and a Research Associate at the Cornell University Institute for Policy Research. She gained insights into the importance of public policy by raising a child with a disability. Ms. Goodman received an M.S. in Economics from the University of Wisconsin and a B.A. in Economics and Public Policy from the University of Pennsylvania.

Michael Morris, J.D., is the founder and Executive Director of National Disability Institute. He is a former legal counsel to the U.S. Senate Subcommittee on Disability Policy and is a key architect of the ABLE Act. He serves as a subject matter expert on financial inclusion and poverty reduction concerning people with disabilities to the FDIC, IRS, Federal Reserve Bank of Atlanta, National Council on Disability and multiple state ABLE programs. He was the first Kennedy Foundation Public Policy Fellow and worked in the office of Senator Lowell Weicker (CT).

Mr. Morris is the co-founder of the Real Economic Impact Tour and Network which, since 2005, has assisted more than two million low-income individuals with disabilities access the Earned Income Tax Credit and receive more than $2.3 billion dollars in tax refunds. He received his undergraduate degree in political science with honors from Case Western Reserve University in Cleveland, Ohio, and his law degree from Emory University School of Law in Atlanta, Georgia.

Mr. Morris co-authored two publications for the National Council on Disability: The State of 21st Century Long Term Services and Supports: Financing and Systems Reform for American with Disabilities (2005), and The State of 21st Century Financial Incentives for Americans with Disabilities (2008). He is co-author of Tax Credits and Asset Accumulation: Findings from the 2004 NOD Harris Survey of Americans with Disabilities published in Disabilities Studies Quarterly (2005), which reported on research findings from the inaugural Disability and Rehabilitation Research Projects (DRRP) on Asset Accumulation. In 2014, he co-authored the National Report on the Financial Capability of Adults with Disabilities, based on data analyzed from the FINRA Financial Investment Education Foundation. In 2015, he co-authored the Banking Status and Financial Behaviors of Adults with Disabilities report, based on data analyzed from the FDIC's National Survey of Unbanked and Underbanked Households.

In 2016, Mr. Morris helped establish the ABLE National Resource Center, a collaborative of 25 of the leading national nonprofit disability organizations. The Center's website is the leading independent source of information about state ABLE programs and is on pace in 2017 to have one million visitors (www.ablenrc.org). He is the author of a monthly blog on the *Huffington Post* with a large national audience that presents a unique perspective on disability in America.

National Disability Institute (NDI), since its establishment 12 years ago, has emerged as one of the leading national nonprofit organizations dedicated to advancing financial inclusion and economic self-sufficiency for individuals across the spectrum of disabilities and their families (www.realeconomicimpact.org). The majority of NDI staff and Board of Directors have personal experience with disabilities as individuals, siblings and parents. With public funders (U.S. Departments of Labor, Education, Health and Human Services and Social Security Administration) and private support (JPMorgan Chase, Bank of America, Wells Fargo, Citibank, TD Bank, Walmart Foundation), NDI implements more than 20 projects at national, state and local levels that are improving financial capability and independence with partnerships between the disability and financial communities.

This report was made possible through the generous support of JPMorgan Chase.

National Disability Institute
1667 K Street, NW - Suite 640
Washington, DC 20006
202.296.2040

RealEconImpact @RealEconImpact