

# **Opportunities for Banks to Better Serve People with Disabilities: Mining FDIC Data**

**November 20, 2019**

**Michael Morris, Executive Director**

National Disability Institute

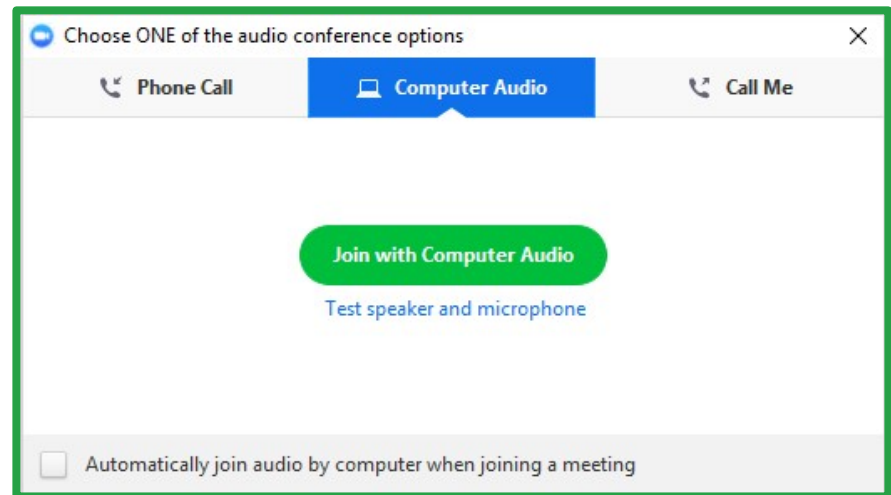
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# Disclaimer

*The views and opinions expressed in this presentation are those of the speakers and do not necessarily reflect the official policy or position of any of the government agencies or organizations mentioned.*

# Welcome



**Michael Morris**

*Executive Director*

National Disability Institute

# Keith Ernst

## Associate Director for Consumer Research and Examination Analytics, Federal Deposit Insurance Corporation (FDIC)

Keith Ernst has served as Associate Director for Consumer Research and Examination Analytics at the FDIC since 2011. This role extends a career that has spanned the intersection of research, policy and banking issues. In his present capacity, he leads a team of researchers and analysts that provides expertise to the FDIC's compliance supervision program and conducts original consumer research, including research on economic inclusion topics such as the FDIC National Survey of Unbanked and Underbanked Households. Mr. Ernst's own financial services research has been published in various outlets, including academic journals. He has presented his work at research conferences, industry events, as well as in testimony before Congress and regulatory agencies. He has previous analytic experience in secondary mortgage market operations and has served as a consultant in fair lending matters. Mr. Ernst is a graduate of Hofstra University and holds both a master's degree in public policy studies and a J.D. from Duke University.







# Economic Inclusion Research

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Keith Ernst

November 20, 2019

National Disability Institute Webinar



# Background

- **Inclusion supports confidence in the banking system**
- **Research can inform efforts to expand consumers' access and use of banks**
- **FDIC has conducted a range of survey & qualitative research as well as demonstration projects**



# FDIC National Survey of Unbanked & Underbanked Households

- **Conducted every two years since 2009**
- **Rigorously developed, field-tested and professionally administered**
- **35,000+ responses enable national, state and local estimates and demographic-based estimates**



# Survey Objectives

- **Measure inclusion through two primary metrics—banked & underbanked**
- **Include additional metrics to extend these frames (e.g., access to credit or channel use)**
- **Identify insights into opportunities to expand access and use**



# 2019 Questionnaire

- **Assisted by users, we regularly identify revisions**
- **Intensity of non-bank, alternative financial services use**
- **Satisfaction with banking relationship**
- **Streamlined to support strong response rate and data quality**



# Data Value

- **Authoritative reference**
- **Results for markets, population segments and over time**
- **Identify confluences that suggest potential opportunity**

ECONOMICINCLUSION.GOV
**FDIC**

WHAT IS ECONOMIC INCLUSION?
SURVEYS & DATA
INITIATIVES
RESOURCES



**2017 FDIC National Survey of Unbanked and Underbanked Households**

To assess the inclusiveness of the banking system, and in partial fulfillment of a statutory responsibility, the FDIC conducts biennial surveys of households to estimate the proportion of households that do not fully participate in the banking system.

The 2017 FDIC National Survey of Unbanked and Underbanked Households presents new data and insights on the size of unbanked and underbanked markets at the national, regional, state, and large metropolitan statistical area (MSA) levels.

[EXPLORE 2017 SURVEY --](#)

**SELECT GEOGRAPHY:** NATION REGION STATE MSA

**VIEW STATE DATA**

Please Select One VIEW >

**COMPARE AREAS**

[COMPARE DIFFERENT AREAS >](#)

**CREATE CUSTOM DATA TABLES & CHARTS**

Explore the full data set for the FDIC National Survey of Unbanked and Underbanked Households. Create custom tables and charts based on year, geography, topic and other variable filters.

[CREATE CUSTOM DATA TABLE --](#)

[CREATE CUSTOM CHART --](#)

**2017 SURVEY RESULTS**

In 2017, the FDIC conducted the biennial survey of unbanked and underbanked households. See the full findings here.

- [2017 Executive Summary - PDF \(PDF Help\)](#)
- [2017 Report - PDF \(PDF Help\)](#)
- [2017 Appendix Tables - PDF \(PDF Help\)](#)
- [2017 Technical Notes and Survey Revisions - PDF \(PDF Help\)](#)
- [2017 Instrument - PDF \(PDF Help\)](#)

**RELATED RESEARCH**

The FDIC conducted qualitative research regarding mobile financial services.

[READ THE REPORT --](#)

The FDIC conducted qualitative research regarding bank efforts to increase financial inclusion.

[READ THE REPORT --](#)

The FDIC released a white paper assessing the economic inclusion potential of mobile financial services.

[READ THE WHITE PAPER --](#)

**NEW! FIVE-YEAR ESTIMATES**

Five-year estimates of unbanked and underbanked rates are computed by combining data from three consecutive surveys to generate an estimate across the time period. See the [FAQs](#) for additional information.

[GET FIVE-YEAR ESTIMATES --](#)

- **Downloads**
  - Full report
  - Executive summary
  - Appendix tables
- **Tools**
  - Custom data table
  - Custom chart
  - New: five-year estimates of unbanked and underbanked rates
- **Data page**
  - Datasets (yearly and multiyear)
  - Documentation
- **Subscribe to FDIC updates**

# Nanette Goodman

## Research Director, National Disability Institute

**Nanette Goodman** leads NDI's efforts to provide foundational research on the financial health and security of people with disabilities.

Community Development. She has produced four major reports that quantify the disparities between people with and without disabilities in their financial stability and use of financial services, and has conducted a series of focus groups to understand the challenges this population faces in accessing the banking system. In addition, she evaluates the impact and efficacy of financial empowerment programs and provides data support for NDI projects.



For the past 15 years, Ms. Goodman has been using quantitative and qualitative research methods to analyze disability policy issues in the U.S. and developing countries as an independent consultant, Research Director at Daniels and Associates and Research Associate at Cornell University Institute on Policy Research. She has written book chapters, published in peer-reviewed journals, developed policy white papers and contributed to government evaluation studies. She received her M.S. in Economics from the University of Wisconsin.



# Approach

- Used FDIC data to compare the experience of working-age households with a disability to those without disability.
  - Disaggregated by disability and socio-economic characteristics
  - Compared results to previous years
  - Analyzed data with an eye toward asking the question, “What can banks do to better serve this population?”
- Conducted seven focus groups with a cross-section of disability types, race, income, education and employment status.
  - Posed questions similar to FDIC
  - Encouraged conversation between focus group participants

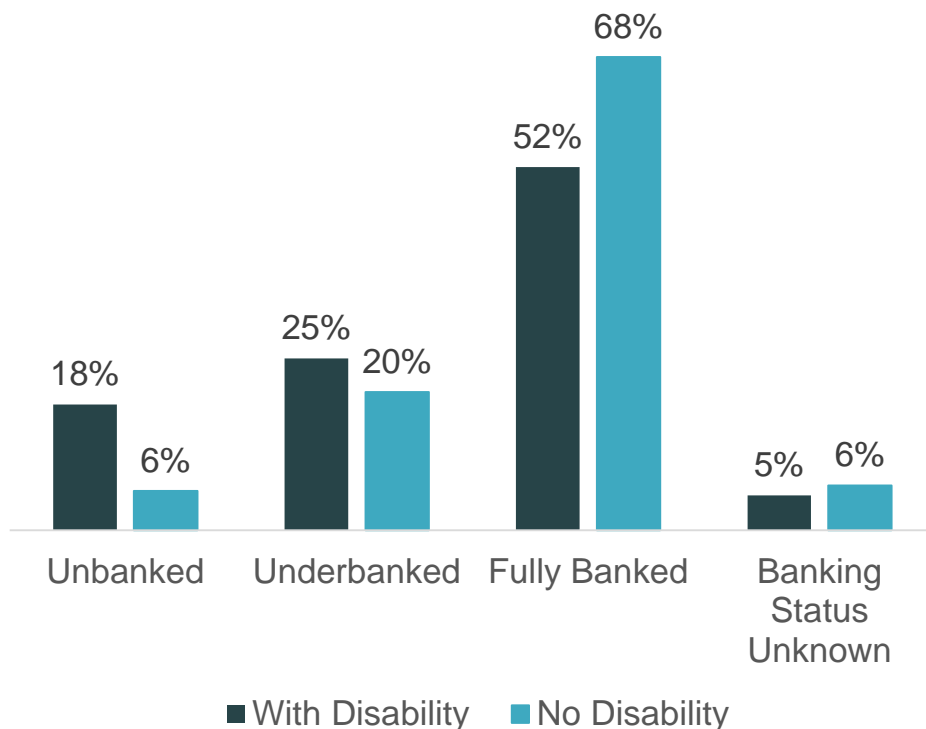
# Identifying Disability in the Survey

- Disability describes a wide range of individuals.
- Lived experience varied based on type of disability, severity, age of onset, socioeconomic and demographic characteristics
- In our analysis, disability is determined based on 7 questions
  - **Hearing:** Deaf or serious difficulty hearing
  - **Seeing:** Blind or serious difficulty seeing
  - **Cognitive:** Difficulty remembering, concentrating or making decisions because of a physical or mental or emotional issue
  - **Ambulatory:** Difficulty walking or climbing stairs
  - **Self Care:** Difficulty bathing or dressing
  - **Independent Living:** Difficulty doing errands alone
  - **Work Disability:** Not working because of a health condition or disability

# Characteristics of Households with a Disability

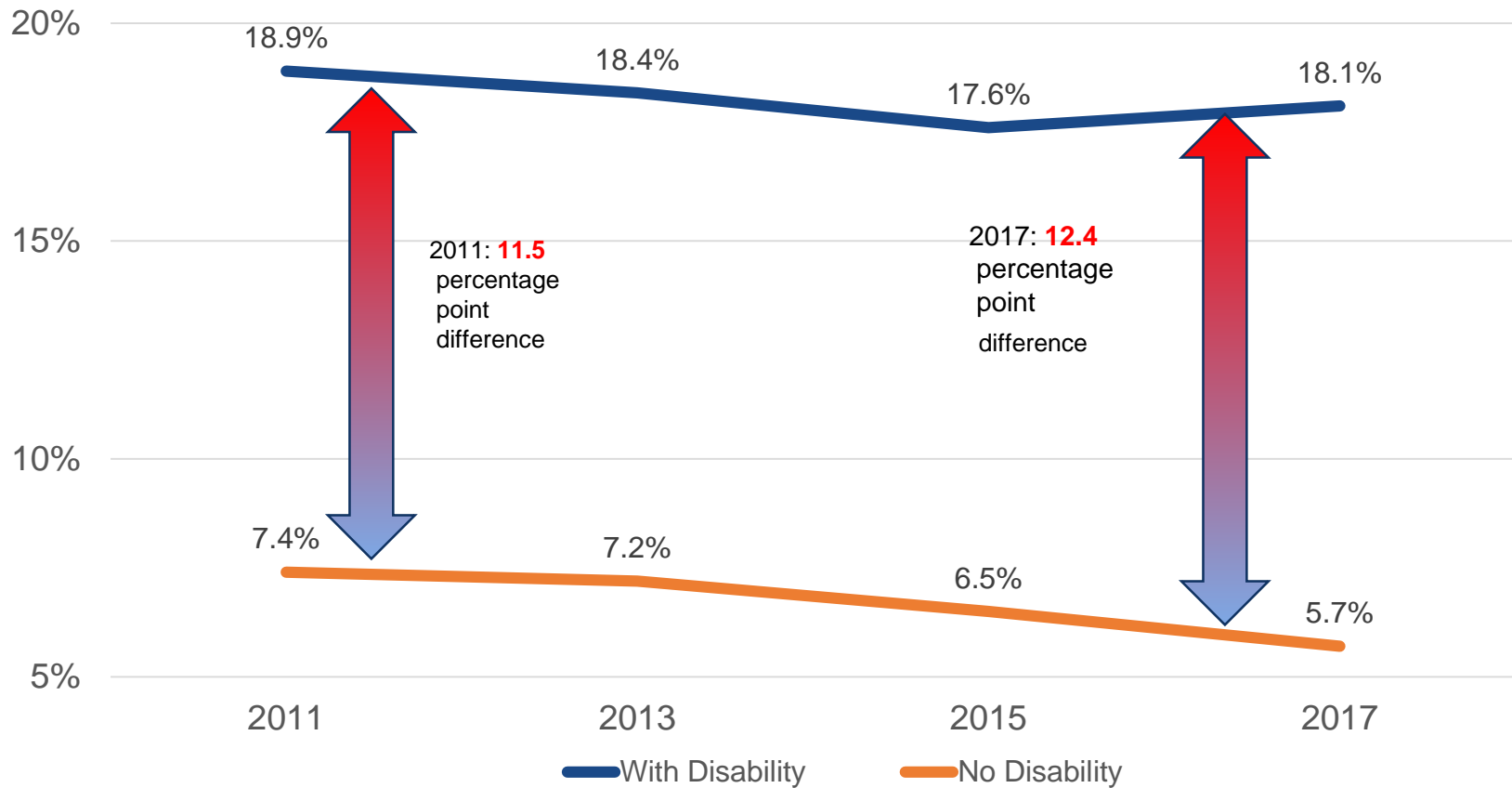
- Like other socio-economic and demographic characteristics of the household, disability is determined by the status of the “householder.”
- Although disability exists in households across the socioeconomic spectrum, households with disability are:
  - Disproportionately lower income,
  - More likely to be older, and
  - Tend to have lower levels of education.

# Banking Status

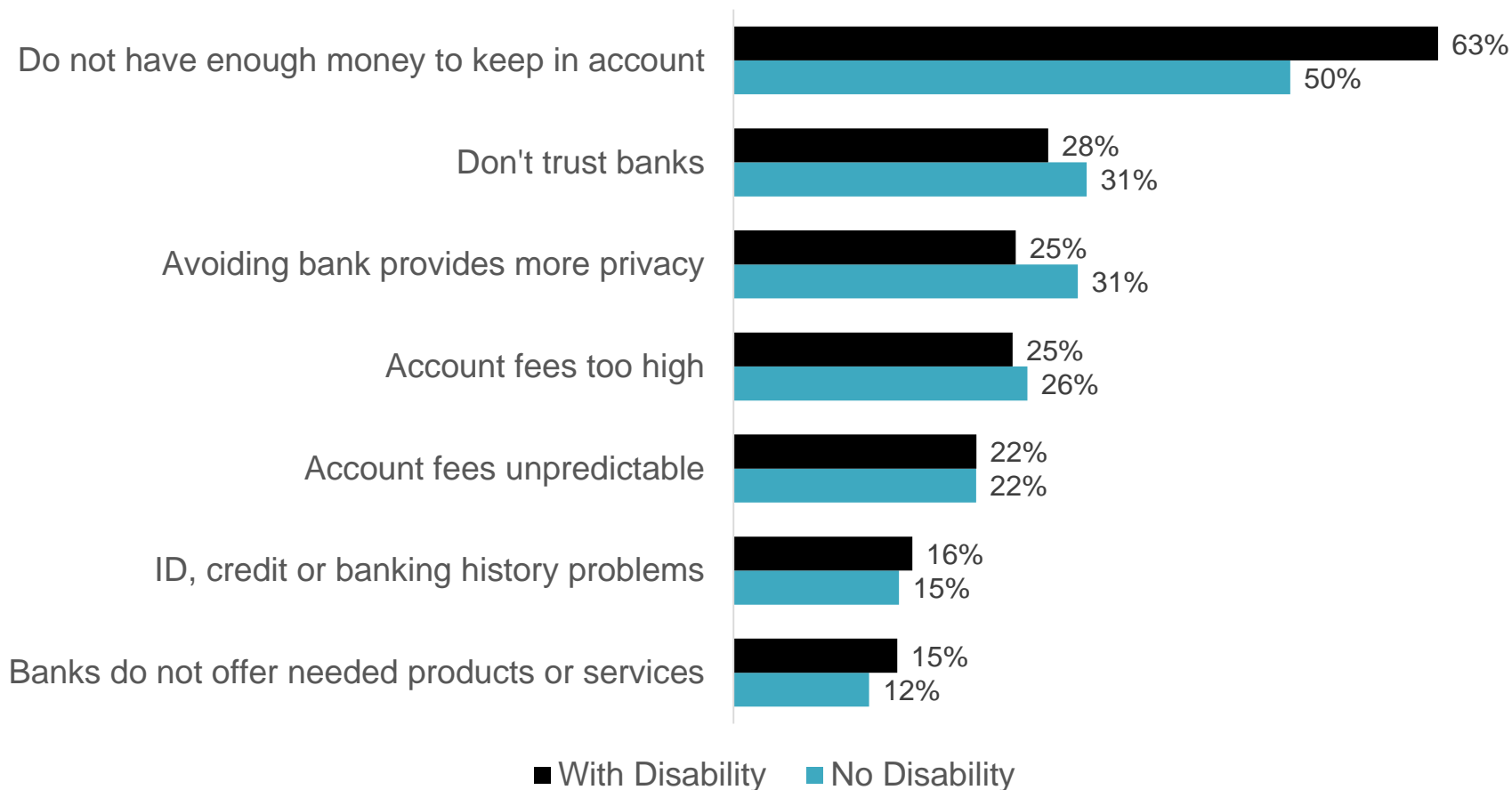


- Households with a disability were three times as likely to be unbanked as households with no disability
- 25 percent of households have a bank account, but used a service that either: (1) the bank does not offer; (2) the bank offers, but the household does not qualify; or (3) is offered elsewhere at a lower price or with more convenience.
- Even when controlling for other characteristics, households with disabilities are less banked than those without disabilities.

# Unbanked Rate: Disability Gap Is Increasing



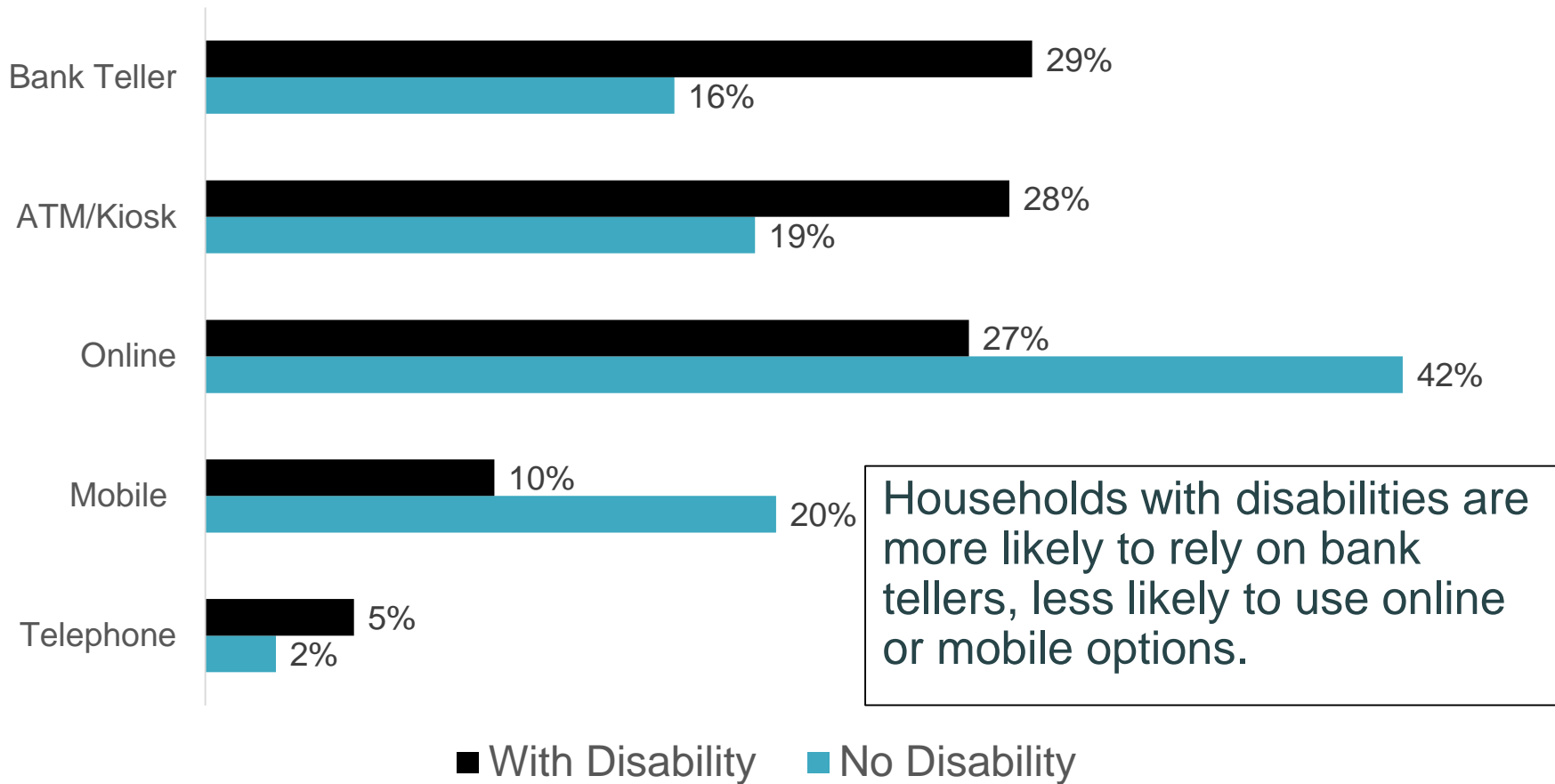
# Reasons for Being Unbanked



# Reasons for Being Underbanked—Focus Group Findings

- Used check cashing services so they could get immediate access to their funding rather than wait for the check to clear at the bank.
  - Delay resulted in overdraft fees
  - Overdraft fees were significant
- Used non-bank money orders
  - Avoided overdraft fees because funds were taken from the account immediately so there were no “pending charges”
  - Provided immediate proof that a bill had been paid
- Felt Unwelcome by their bank
  - Dismissed by bank staff because of income status or disability

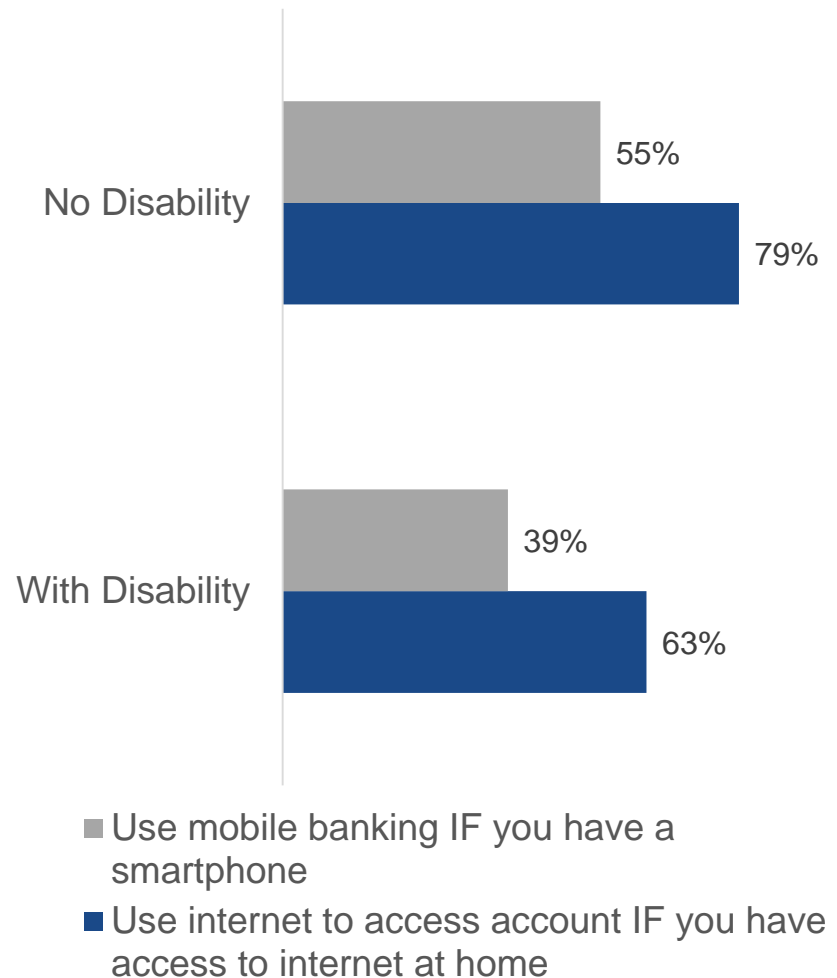
# Primary Method Used to Access Bank Accounts





# Use of Online and Mobile Technology among those who have access

- People with disabilities less likely to have access to smartphone and internet, but disability gap has been declining since 2013.
- But...among those with access to the technology, people with disabilities are less likely to use it for banking.
- Disability gap in use of mobile phones for banking has grown slightly since 2015.



# Methods Used to Access Accounts: Focus Group Highlights

## Bank Branch

- + Like to develop a personal relationship to solve problems when they arise
- + Resistance to Change “I like the old style of banking”
- Some reported biased attitudes, issues with physical accessibility, challenges using the flat touch screen in the branch

## ATM

- + Convenient
- Some felt unsafe
- Confusion about the use of audio prompt

## Automated Phone

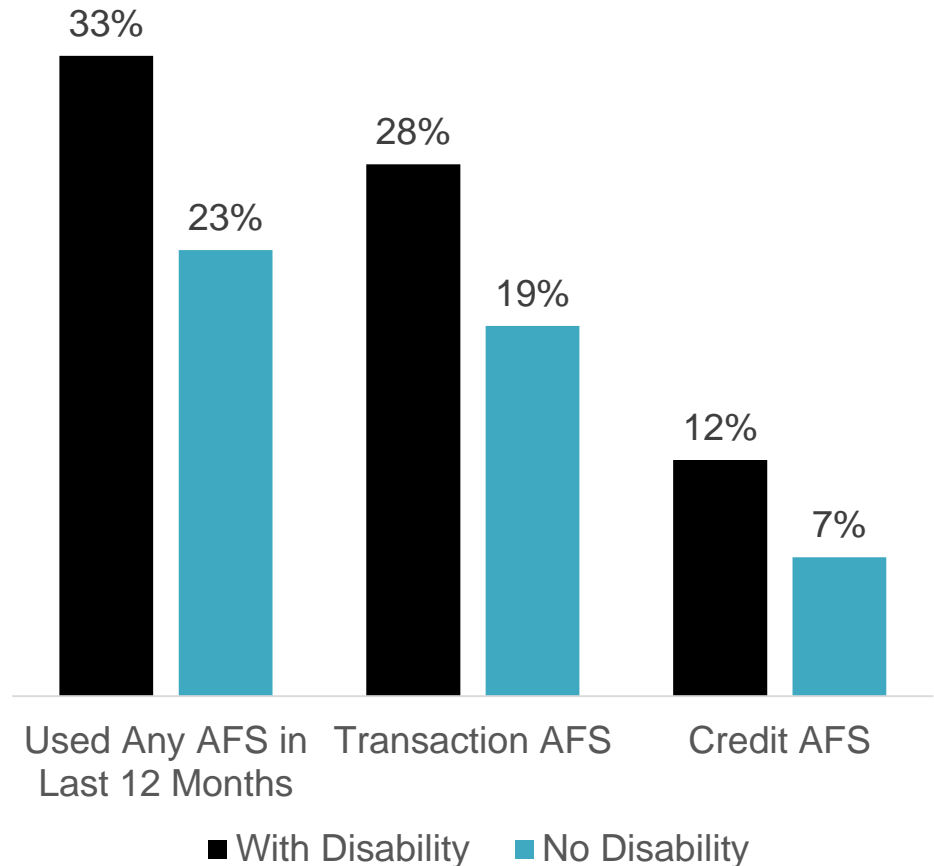
- + Convenient
- Deaf users frustrated that banks often won't take calls from video relay service

## Online and Mobile

- + Convenient
- + Switch to electronic statement positive for people who are blind
- Can be difficult to navigate
- Not always fully accessible
- “When the website changes, you have to learn it all over again. It's a learning process that can be time consuming”

# Use of Alternative Financial Services

- Transaction AFS - Money orders, check cashing, remittances
- Credit AFS - Pawn shops, payday loans, rent to own, refund anticipation loans
- Focus Groups:
  - Participants understood the dangers of credit AFS, but the few who used it felt they didn't have a choice.
  - Chose to use money orders and check cashers for reasons identified earlier.



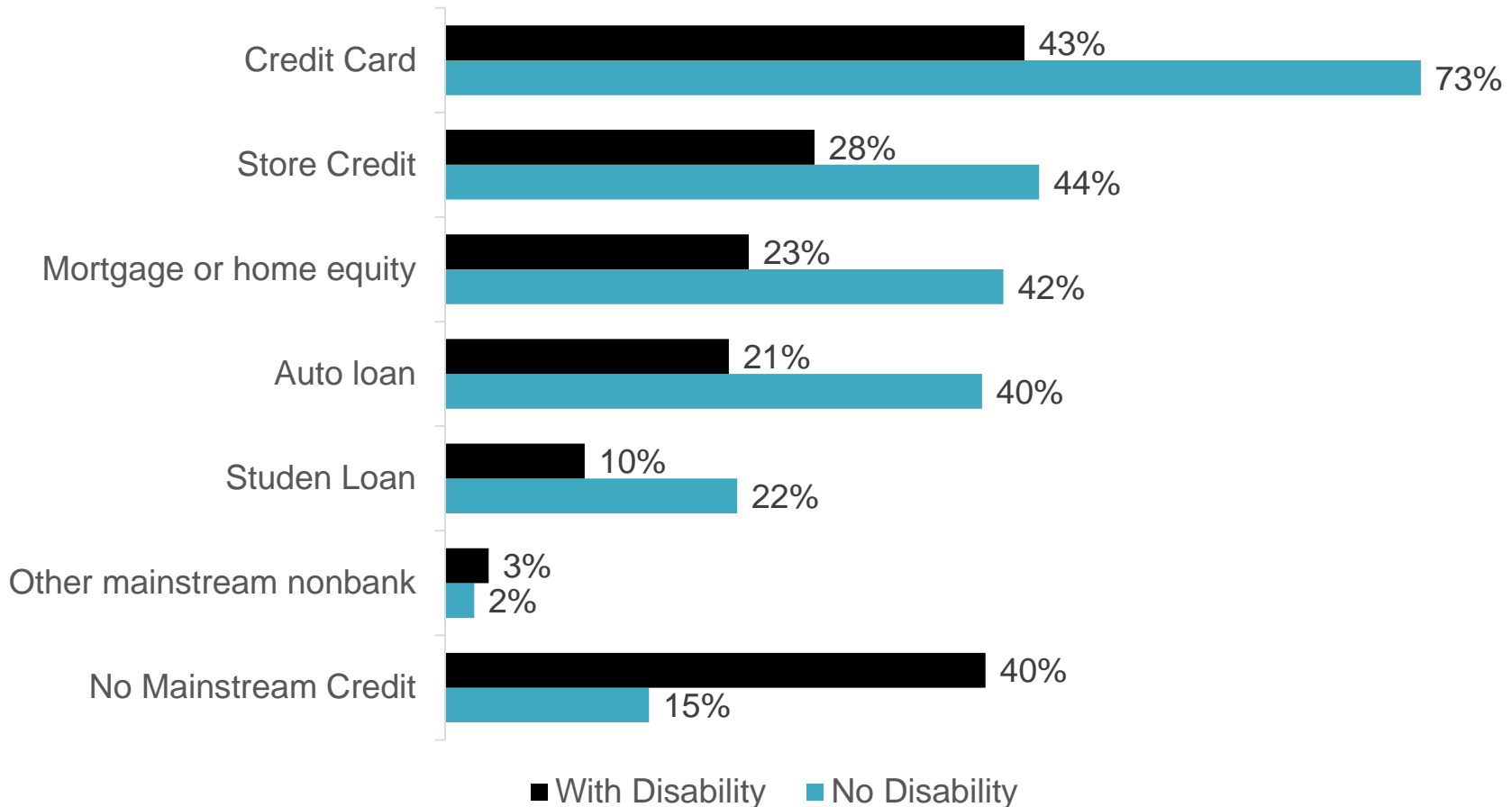
# Saving for Unexpected Expenses

- 39% of households with a disability and 63% of households with no disability saved for unexpected expenses or emergencies in the past 12 months.
- Households with disability are less likely to save than those without disability with the same income.
- Focus groups cited two primary reasons for their lack of savings: (1) having insufficient funds and (2) fear of losing SSI benefits.
- Even when they did save, households with a disability were less likely to use a savings account and more likely to keep savings at home or with friends.

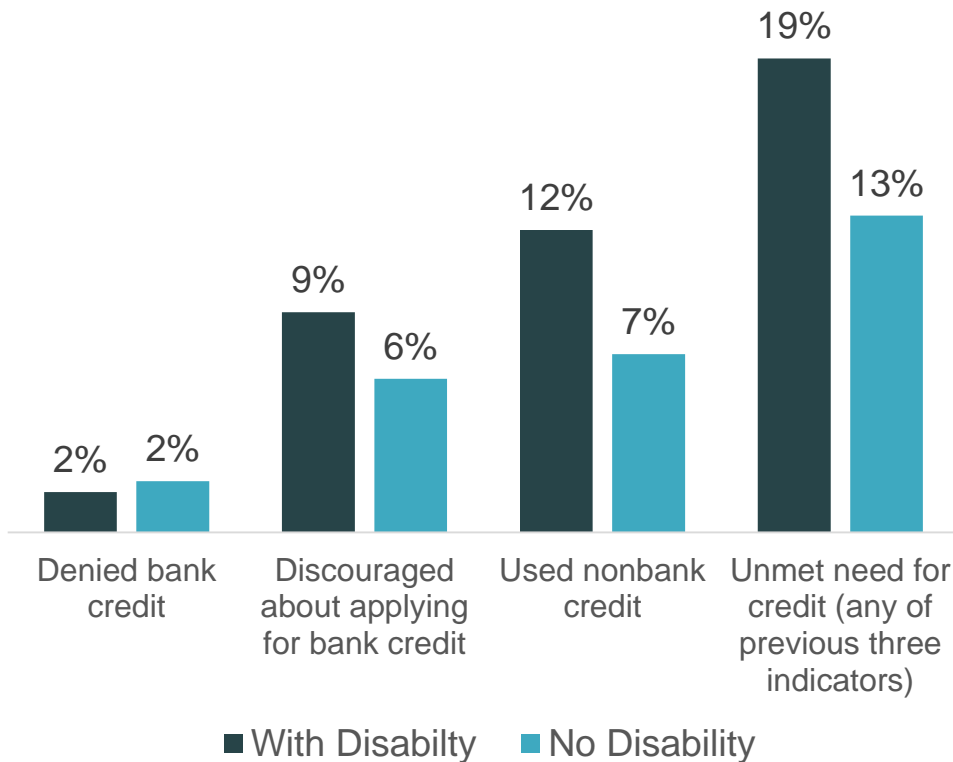
Household Characteristic	With Disability	No Disability
All	38%	63%
Family income		
Less than \$15,000	19%	35%
\$15,000 to \$30,000	32%	41%
\$30,000 to \$50,000	49%	55%
\$50,000 to \$75,000	56%	66%
At least \$75,000	69%	76%

# Use of Mainstream Credit

Households with disabilities are much less likely to use any mainstream loan/credit products



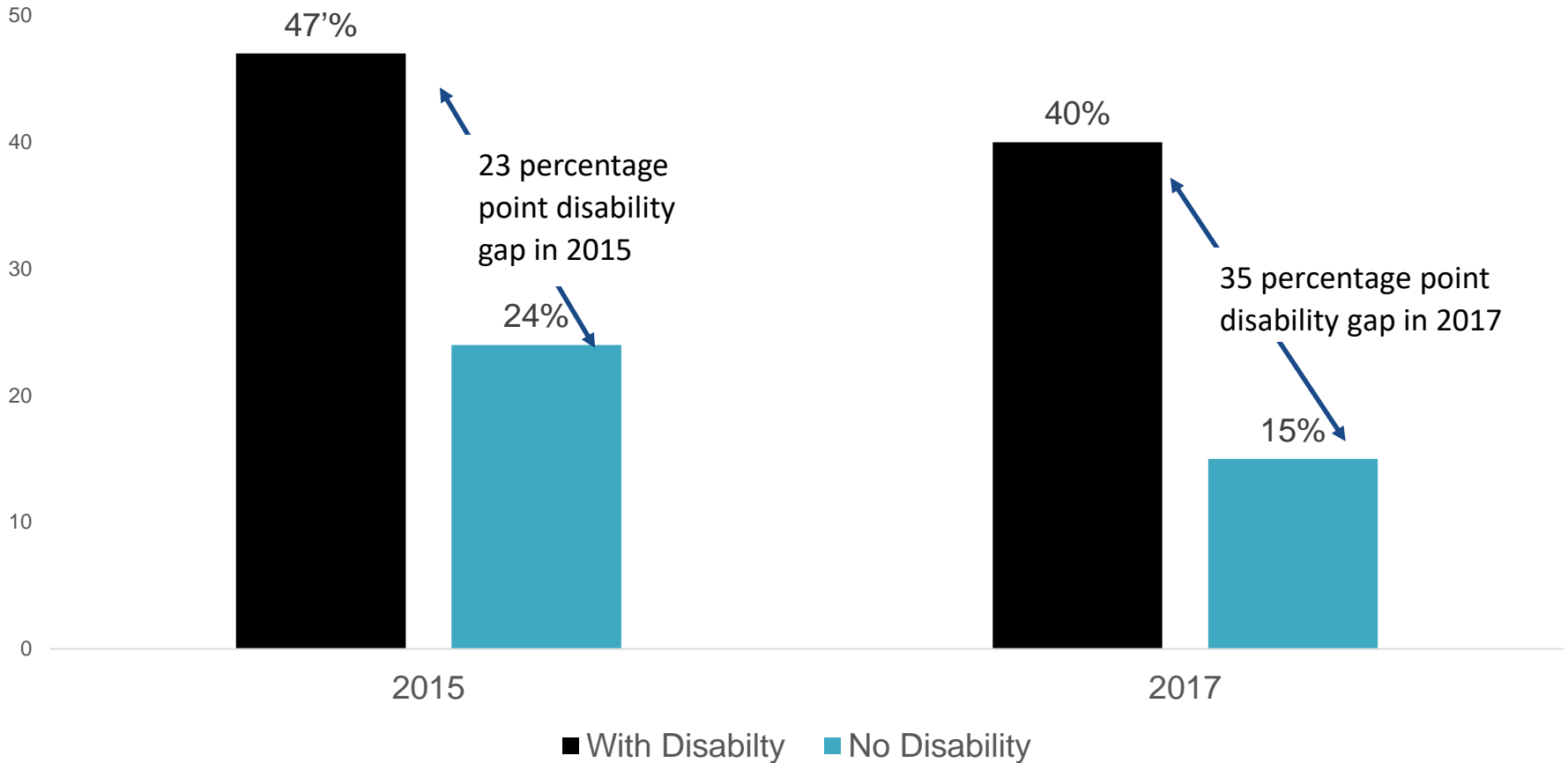
# Unmet Need for Credit



- 19 percent of households with a disability have an unmet need for credit.
- Focus Groups: People are credit constrained because of:
  - Low credit scores,
  - Obtained credit before the onset of disability. Onset of disability forced them to reduce their work hours or leave their job making it challenging to pay off debt.

# Percentage of Households with No Mainstream Credit Products

## Disability Gap Increased between 2015 and 2017



# Implications

- **Access: Drawing Customers into Mainstream Financial Services**
  - Take Advantage of Teachable Moments: Using Publicly Funded Distribution Channels
  - Build Trust and Transcend Compliance for Superior Customer Service
- **Sustainability: Keeping Customers in the Banking System**
  - The Modernization of the Community Reinvestment Act (CRA)
  - Encourage Opening ABLE Accounts as a Pathway to Financial Inclusion
- **Growth: Deepening Banking Relationships and Fostering Financial Empowerment**
  - Target the Economic Inclusion Potential of Mobile Financial Services
  - Revisit the Definition and Oversight of Financial Inclusion



# Audience Questions

# Questions

1. Every two years, the FDIC works with the Census Bureau to learn more about the financial behavior of unbanked and underbanked households. Over the last six years, what are important trends you can share with our audience?
2. There is increased reliance on online banking rather than physical branch delivery of financial services. Is this helping reduce the numbers of unbanked households or is it creating further challenges?
3. Access to credit is a systemic problem for low-income individuals with disabilities with great reliance on alternative financial services. What banks can do to change this picture?
4. Over the past six years, there has been little progress in moving LMI people with disabilities from unbanked and/or underbanked status. Do we have any knowledge as to why?

## Questions (continued)

5. Keith, any things you can share about new questions in the 2019 survey and what new things may be learned?
6. Nanette, are there research questions that you can share that would help fill in gaps about what we need to know about financial behavior of people with disabilities?
7. Keith, how has this biannual survey informed bank decisions on products and services?
8. Nanette and Keith, any closing comments?

# Download the Report



[nationaldisabilityinstitute.org/wp-content/uploads/2019/11/ndi-banking-report-2019.pdf](https://nationaldisabilityinstitute.org/wp-content/uploads/2019/11/ndi-banking-report-2019.pdf)

# Thank You!

To learn more about the Center for Disability-Inclusive Community Development, please visit <https://www.nationaldisabilityinstitute.org/disability-inclusive-community-development/>.

For more information about the Center, please contact ...

**Michael Morris**

Executive Director

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