
How America Banks: Household Use of Banking and Financial Services

2019 FDIC Survey

Executive Summary
With Preface and Postscript

How America Banks: Household Use of Banking and Financial Services

2019 FDIC Survey

Mark Kutzbach

Alicia Lloro

Jeffrey Weinstein

Karyen Chu

Center for Financial Research
Division of Insurance and Research
Federal Deposit Insurance Corporation
October 2020



Table of Contents

Preface	VII
Executive Summary.....	1
Postscript: Potential Consequences of COVID-19 Pandemic on Household Use of Banking and Financial Services	10



Preface

How America Banks presents results from the 2019 *FDIC Survey of Household Use of Banking and Financial Services*, conducted in June of that year. The results therefore reflect a period of generally favorable economic conditions. The next survey will be fielded in June 2021, with a report expected in 2022.

In light of the extraordinary economic and social disruptions caused by the COVID-19 pandemic, the present report includes a postscript that draws on findings from the 2019 and earlier surveys to address possible consequences for the unbanked rate. The postscript also discusses potential pandemic-related challenges faced by households in conducting financial transactions, visiting bank branches, saving for unexpected expenses or emergencies, and obtaining credit.

Executive Summary

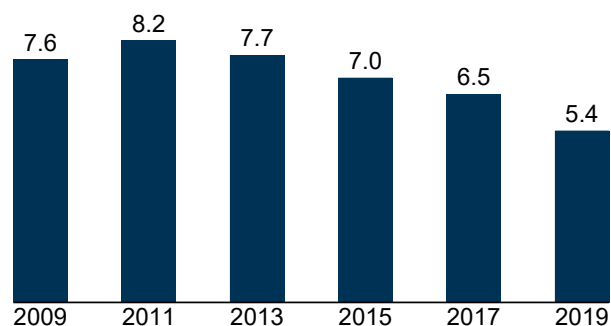
How America Banks informs the FDIC’s mission of maintaining public confidence in the U.S. financial system. The findings presented in this report come from the *FDIC Survey of Household Use of Banking and Financial Services*.¹ This survey has been conducted biennially since 2009 in partnership with the U.S. Census Bureau. The most recent survey was conducted in June 2019, collecting responses from almost 33,000 households.

This executive summary presents key results from *How America Banks*, covering bank account ownership, use of prepaid cards and nonbank financial transaction services, and use of bank and nonbank credit.

National Unbanked Rate

- An estimated 5.4 percent of U.S. households were “unbanked” in 2019, meaning that no one in the household had a checking or savings account at a bank or credit union (i.e., bank). This proportion represents approximately 7.1 million U.S. households. Conversely, 94.6 percent of U.S. households were “banked” in 2019, meaning that at least one member of the household had a checking or savings account. This proportion represents approximately 124.2 million U.S. households.
- The proportion of U.S. households that were unbanked (i.e., the unbanked rate) in 2019—5.4 percent—was the lowest since the survey began in 2009, as shown in Figure ES.1. Between 2017 and 2019, the unbanked rate fell by 1.1 percentage points, corresponding to an increase of approximately 1.5 million banked households.²
 - » About half of the decline in the unbanked rate between 2017 and 2019 was associated with improvements in the socioeconomic circumstances

Figure ES.1 National Estimates, Household Unbanked Rate by Year (Percent)



of U.S. households over this period. However, even after these improvements were accounted for, the remainder of the decline in the unbanked rate across years was statistically significant.³

- Between 2011, when the unbanked rate peaked at 8.2 percent, and 2019, the unbanked rate fell by 2.8 percentage points, corresponding to an increase of approximately 3.7 million banked households.
 - » About two-thirds of the decline in the unbanked rate between 2011 and 2019 was associated with improvements in the socioeconomic circumstances of U.S. households over this period.

Unbanked Rates by Household Characteristics and Geography

- Consistent with the results of previous surveys, in 2019 unbanked rates varied considerably across the U.S. population.⁴ For example, unbanked rates were higher among lower-income households, less-educated households, Black households, Hispanic households, American Indian or Alaska Native

¹ Before 2019, the survey was named *FDIC National Survey of Unbanked and Underbanked Households*. The new survey name describes the content of the survey, which asks a nationally representative sample of U.S. households about their use of banking and financial services.

² All differences discussed in the text are statistically significant at the 10 percent level unless noted otherwise. In other words, there is a 10 percent or lower probability that the difference observed in the survey is due to chance.

³ A linear probability model was estimated to account for changes between 2017 and 2019 in the distribution of households across the household-level characteristics shown in Table 3.4. About half of the difference in the unbanked rate between 2017 and 2019 was associated with changes in the socioeconomic characteristics of households (annual income level, monthly income volatility, employment status, homeownership status, and educational attainment) over this period. Adding controls for the remaining demographic characteristics shown in Table 3.4 had little effect on the remainder of the difference in the unbanked rate.

⁴ For person-level characteristics, such as race, age, and education, the characteristics of the owner or renter of the home (i.e., the householder) are used to represent the household. For convenience, abbreviated language is used in referring to certain household characteristics. For example, the term “Hispanic household” refers to a household for which the householder identifies as Hispanic or Latino regardless of race, and the term “Black household” refers to a household for which the householder identifies as Black or African American alone and not Hispanic or Latino. The term “working-age disabled household” refers to a household for which the householder has a disability and is between the ages of 25 and 64. See Appendix 1 for additional details.

households, working-age disabled households, and households with volatile income.⁵

- For most segments of the population, unbanked rates in 2019 were lower than or similar to unbanked rates in recent years.
 - » Recent declines have been particularly sharp for Black and Hispanic households. Specifically, 13.8 percent of Black households were unbanked in 2019, down from 16.8 percent in 2017 and 18.5 percent in 2015. Among Hispanic households, 12.2 percent were unbanked in 2019, down from 14.4 percent in 2017 and 16.3 percent in 2015.⁶ Despite the improvements in unbanked rates for Black and Hispanic households, unbanked rates in 2019 for these households remained substantially above the unbanked rate for White households (2.5 percent).
- The unbanked rate for working-age disabled households was roughly constant between 2011 and 2017: 18.9 percent in 2011, 18.4 percent in 2013, 17.6 percent in 2015, and 18.1 percent in 2017. In 2019, while still much higher than the unbanked rate for working-age nondisabled households (4.5 percent), the unbanked rate for working-age disabled households (16.2 percent) declined to its lowest level since 2011.⁷
- Regional variation in unbanked rates was similar in 2019 to previous years, with unbanked rates highest in the South. The unbanked rate in the South in 2019 was 6.2 percent, compared with 5.0 percent in the Midwest, 4.9 percent in the West, and 4.7 percent in the Northeast.⁸ However, differences in unbanked rates between the South and the other regions have narrowed in recent years.

- Unbanked rates also varied by the metropolitan status of a household's residence. In 2019, 8.1 percent of urban households were unbanked, compared with 6.2 percent of rural households and 3.7 percent of suburban households.⁹ These unbanked rates were lower than in 2017.

Unbanked Households: Previous Bank Account Ownership

- As discussed in previous reports, bank account ownership is not static. Among unbanked households in 2019, half (50.4 percent) had had a bank account at some point in the past (i.e., had previously been banked), slightly higher than in previous years (47.0 percent in 2017 and 47.3 percent in 2015).

Unbanked Households: Interest in Having a Bank Account

- As shown in Figure ES.2, among unbanked households in 2019, more than half (56.2 percent) were not at all interested in having a bank account, while 24.8 percent were very or somewhat interested.
 - » These estimates are qualitatively similar to those from the 2017 survey, though changes in the wording of the survey question do not allow for direct comparisons.¹⁰
- Interest in having a bank account was higher among households that had previously been banked, especially those with more recent account ownership. Interest was also higher among Black unbanked households, compared with White unbanked households.

Unbanked Households: Reasons for Not Having a Bank Account

As in previous years, the 2019 survey asked unbanked households about their reasons for not having a bank account. Patterns are similar to those reported in previous years.

⁵ For monthly income volatility, all households were asked whether their income over the past 12 months was about the same each month, varied somewhat from month to month, or varied a lot from month to month. The term "volatile income" refers to a household with income that varied somewhat or a lot from month to month.

⁶ About 70 percent of the decline in the unbanked rate for Black households and about 60 percent of the decline in the unbanked rate for Hispanic households between 2015 and 2019 were associated with changes in income and the other household characteristics shown in Table 3.4. After these changes were accounted for, the remainder of the decline in the unbanked rate for Black households was not statistically significant, while the remainder of the decline in the unbanked rate for Hispanic households was statistically significant.

⁷ About half of the decline in the unbanked rate for working-age disabled households between 2011 and 2019 was associated with changes in income and the other household characteristics shown in Table 3.4 (except for monthly income volatility, which was not available for 2011). After these changes were accounted for, the remainder of the decline in the unbanked rate for working-age disabled households was no longer statistically significant.

⁸ Differences in unbanked rates between the South and each of the other three regions in 2019 were associated primarily with differences in income and other characteristics of U.S. households. These geographical differences were no longer statistically significant after differences in the other household characteristics shown in Table 3.4 were accounted for.

⁹ For the purposes of this report, a household is classified as urban if the household resides in a principal city of a metropolitan area, suburban if the household resides in a metropolitan area but not in a principal city, and rural if the household does not reside in a metropolitan area. In 2019, 29.2 percent of households were classified as urban, 43.6 percent as suburban, and 13.0 percent as rural. (See Table 3.4.) For the remaining 14.2 percent of households, the U.S. Census Bureau suppressed specific urban, suburban, and rural status to maintain confidentiality, though most of these households were either urban or suburban.

¹⁰ The 2019 survey asked unbanked households how interested they were in having a bank account (with no specific time horizon), while the 2013–2017 surveys asked unbanked households how likely they were to open a bank account in the next 12 months. In 2017, 58.7 percent of unbanked households were not at all likely, 16.3 percent were not very likely, 15.6 percent were somewhat likely, and 9.5 percent were very likely to open an account in the next 12 months.

Figure ES.2 Interest in Having a Bank Account, Among Unbanked Households, by Previous Bank Account Ownership, 2019 (Percent)

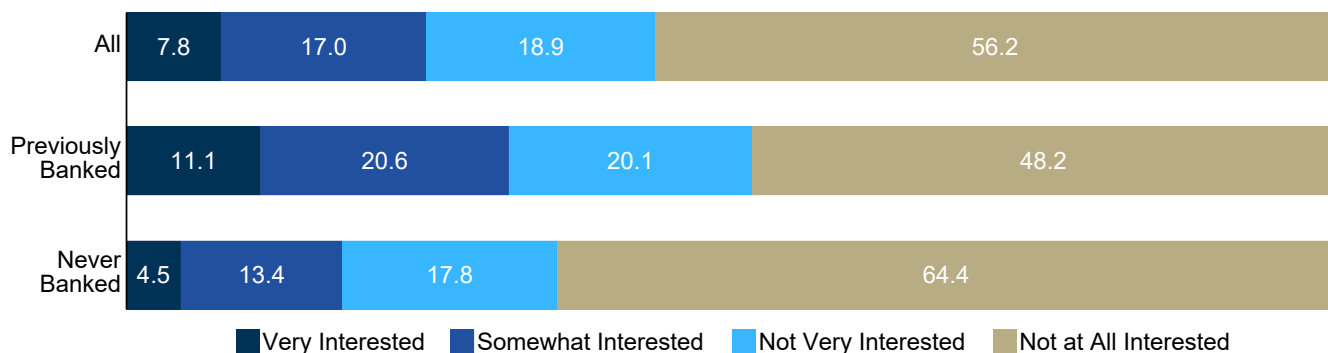
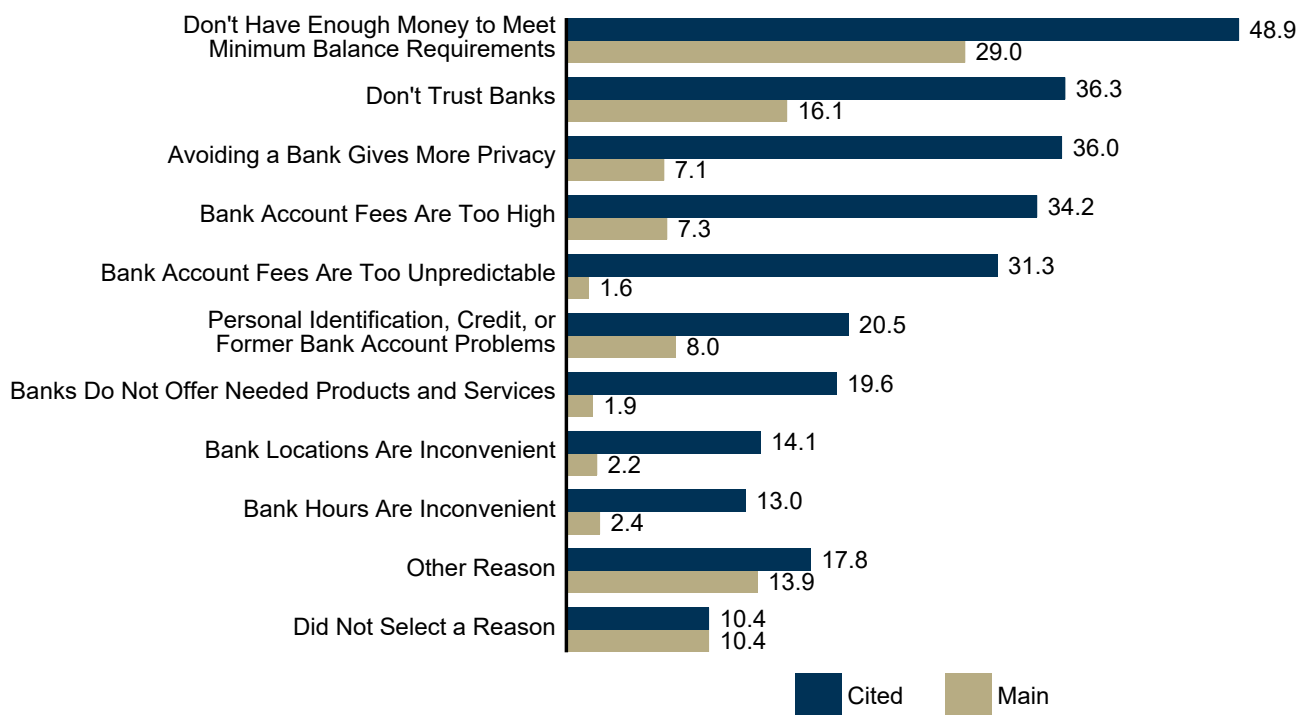


Figure ES.3 Reasons for Not Having a Bank Account, Among Unbanked Households, 2019 (Percent)



- As illustrated in Figure ES.3, about half of unbanked households cited “Don’t have enough money to meet minimum balance requirements” as a reason for not having an account—the most cited reason. This reason was also the most cited *main* reason for not having an account.
- “Don’t trust banks” was cited by approximately one-third of unbanked households as a reason for not having an account and was the second-most cited main reason.

Unbanked Households: Satisfaction With Most Recent Bank and Clarity of Banks’ Communications About Account Fees

To complement existing questions on reasons for not having a bank account, the 2019 survey included new questions on unbanked households’ satisfaction with their most recent bank and on their perceptions of how clearly banks in general communicate account fees.¹¹

- Among unbanked households that had previously been banked, 24.3 percent were very satisfied with their most recent bank, 30.8 percent somewhat

¹¹ Banked households were asked alternative versions of the two questions, having to do with their satisfaction with their primary bank and with their perceptions of how clearly their bank communicates account fees. Findings are discussed later in this executive summary.

Table ES.1 Primary Method Used to Access Bank Account by Year

For Banked Households That Accessed Their Account in the Past 12 Months, Row Percent

Year	Bank Teller (Percent)	ATM/Kiosk (Percent)	Telephone Banking (Percent)	Online Banking (Percent)	Mobile Banking (Percent)	Other (Percent)
2015	28.2	21.0	3.0	36.9	9.5	0.9
2017	24.3	19.9	2.9	36.0	15.6	0.7
2019	21.0	19.5	2.4	22.8	34.0	0.3

satisfied, 14.4 percent not very satisfied, 22.8 percent not satisfied at all, and 7.7 percent did not know.¹²

- Interest in having a bank account was higher among unbanked households that were very or somewhat satisfied with their most recent bank, compared with unbanked households that were not very satisfied or not satisfied at all with their most recent bank.
- Among unbanked households that had previously been banked, 17.4 percent thought banks in general communicated account fees very clearly, 29.4 percent somewhat clearly, 20.8 percent not very clearly, 22.4 percent not clearly at all, and 10.0 percent did not know.
- Interest in having a bank account was higher among unbanked households that thought banks communicated account fees very or somewhat clearly, compared with unbanked households that thought banks communicated account fees not very clearly or not clearly at all.

Banked Households: Primary Methods Used to Access Bank Accounts

As in previous years, the 2019 survey asked banked households about the primary (i.e., most common) method they used to access their accounts in the past 12 months: visiting a bank teller, using an ATM or bank kiosk, calling the bank (i.e., telephone banking), using a mobile phone including an app (i.e., mobile banking), using a computer or tablet (i.e., online banking), or using some other method (i.e., other).

- Use of mobile banking as a primary method of account access in the past 12 months continued to increase sharply (from 9.5 percent in 2015 and 15.6 percent in 2017 to 34.0 percent in 2019), overtaking online banking as the most prevalent primary method. (Table ES.1 reports the finding for each primary method used to access a bank account by year, starting with 2015.)
- Use of online banking as a primary method of account access decreased substantially but remained prevalent

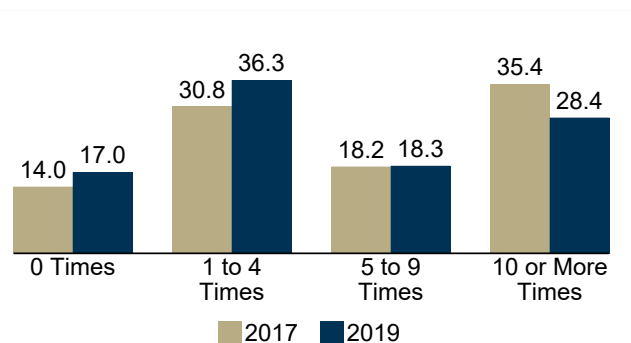
among banked households (dropping from 36.9 percent in 2015 and 36.0 percent in 2017 to 22.8 percent in 2019).

- Use of bank tellers continued to decline, though this decline was modest compared with the decline in use of online banking, and use of bank tellers remained prevalent (21.0 percent in 2019).
- The changes between 2015 and 2019 described above occurred broadly across different segments of the population. These trends are consistent with households’ switching from online banking to mobile banking as a primary method to access their bank accounts.

Banked Households: Bank Branch Visits

- In 2019, 83.0 percent of banked households spoke with a teller or other employee in person at a bank branch (i.e., visited a bank branch) in the past 12 months, down slightly from 86.0 percent in 2017.
- The frequency of bank branch visits declined somewhat between 2017 and 2019. As Figure ES.4 shows, the share of banked households visiting a branch ten or more times declined, whereas the share of banked households visiting a branch one to four times increased.

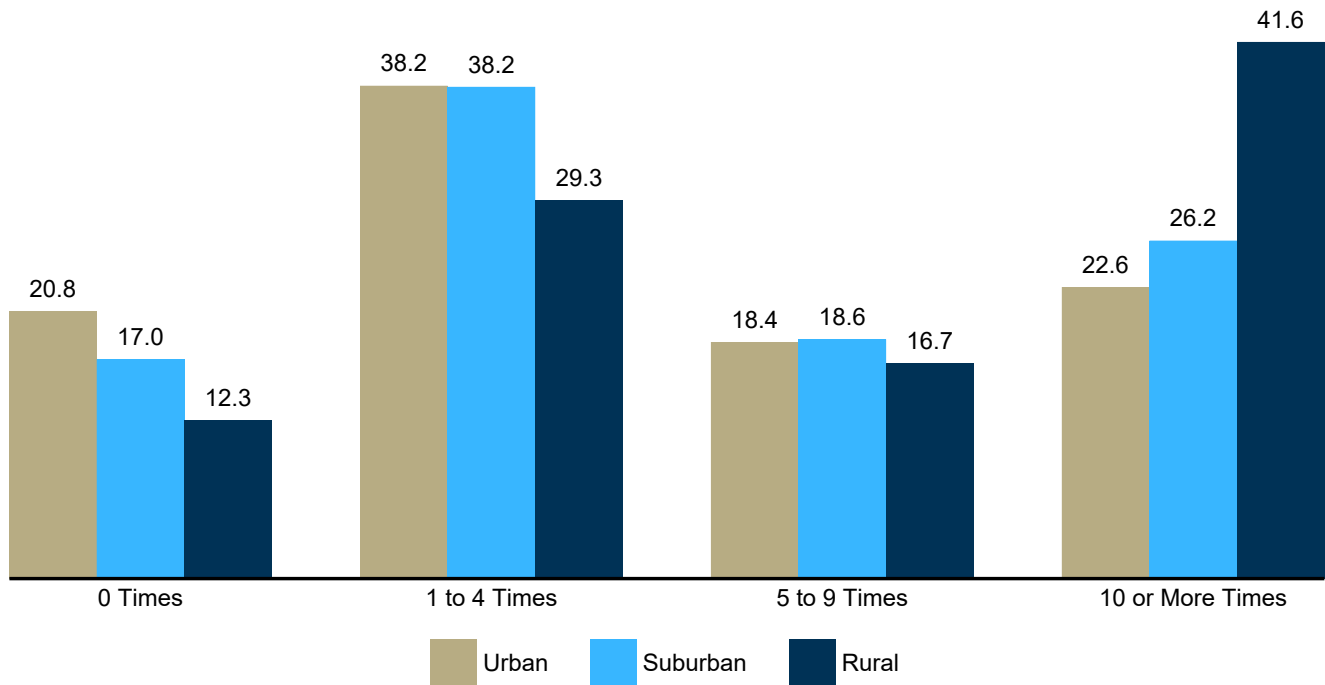
Figure ES.4 Bank Branch Visits, Among Banked Households, by Year (Percent)



Note: For 2017, not shown are households that visited a branch but with unknown frequency (1.6 percent of banked households).

¹² “Don’t know” was not one of the four administered response options to the questions on satisfaction and clarity. Some households did not choose one of the four administered response options and instead volunteered “don’t know.” See Appendix 1 for details.

Figure ES.5 Bank Branch Visits, Among Banked Households, by Metropolitan Status, 2019 (Percent)



Note: This figure does not display bank branch visits for banked households where—to maintain confidentiality—the U.S. Census Bureau suppressed specific urban, suburban, or rural status (14.3 percent of banked households).

- Older households and households with volatile income were more likely to visit a branch and to visit ten or more times.
- Bank branch visits among banked households varied substantially across metropolitan status (see Figure ES.5). In 2019, nearly nine in ten rural households visited a branch, and about four in ten rural households visited ten or more times.
- Branch visits were prevalent even among banked households that used online or mobile banking as their primary method of account access. For example, in 2019, about four in five (79.9 percent) banked households that used mobile banking as their primary method visited a branch in the past 12 months, and about one in five (18.8 percent) banked households that used mobile banking as their primary method visited ten or more times.
- Almost all banked households were satisfied with their primary bank and thought that fees were clearly communicated: 97.3 percent were very or somewhat satisfied with their primary bank, and 92.1 percent thought their bank communicated account fees very or somewhat clearly.¹³
- About nine in ten banked households (91.0 percent) were in both groups, being satisfied (very or somewhat) with their primary bank and thinking their bank’s communication of account fees was clear (very or somewhat). Households that thought their bank communicated fees very or somewhat clearly were 17.3 percentage points more likely to be very or somewhat satisfied with their primary bank (98.8 percent), compared with households that thought their bank communicated fees not very clearly or not clearly at all (81.5 percent).
- Banked households’ satisfaction with their primary bank and their perceptions of how clearly their bank communicated account fees were consistently high across different segments of the population (e.g., different income and education levels).

Banked Households: Satisfaction With Primary Bank and Clarity of Bank’s Communication About Account Fees

The 2019 survey included new questions for banked households, asking about their satisfaction with their primary bank and about their perceptions of how clearly their bank communicates account fees.

¹³ As discussed above, 55.1 percent of unbanked households that had previously been banked were very or somewhat satisfied with their most recent bank. This percentage is about half the percentage of banked households that were very or somewhat satisfied with their primary bank (97.3 percent).

- Banked households that were not satisfied with their primary bank or those that thought their bank did not communicate account fees clearly were more likely to use a nonbank financial transaction service (in particular, at least one of the following: money orders, check cashing, or bill payment services) than were banked households that were satisfied or that did think fees were clearly communicated. Among households that were not very satisfied or not satisfied at all, 22.3 percent used at least one of those three nonbank financial transaction services, compared with 14.9 percent of households that were very or somewhat satisfied. Among households that thought that fees were communicated not very clearly or not clearly at all, 20.1 percent used at least one of those three nonbank financial transaction services, compared with 14.7 percent of households that thought fees were communicated very or somewhat clearly.

Prepaid Cards

Some consumers, both banked and unbanked, use general purpose reloadable prepaid cards to conduct financial transactions, such as paying bills, withdrawing cash at ATMs, making purchases, depositing checks, and receiving direct deposits.¹⁴

- In 2019, 8.5 percent of U.S. households used prepaid cards in the past 12 months, down from 9.7 percent in 2017 and 10.2 percent in 2015.¹⁵
- Differences in prepaid card use across households in 2019 were similar to the differences in earlier years. Prepaid card use was higher among lower-income households, less-educated households, younger households, Black households, working-age disabled households, and households with volatile income. For example, 14.8 percent of Black households used prepaid cards in 2019, compared with 7.6 percent of White households.
- Prepaid card use continued to be more prevalent among unbanked households than among banked households. In 2019, 27.7 percent of unbanked households used a prepaid card, compared with 7.4 percent of banked households.¹⁶

Nonbank Financial Transaction Services

As in previous years, the 2019 survey asked all households about use in the past 12 months of nonbank money orders, check cashing, and remittances sent abroad. In addition, the 2019 survey was the first to include questions about two other types of nonbank financial transaction services: bill payment services (such as are offered by Western Union and MoneyGram) and use of a website or app to send or receive money inside the United States (examples are PayPal, Venmo, and Cash App).¹⁷ The latter service is known as a peer-to-peer or person-to-person (P2P) payment service.¹⁸

- In 2019, 11.9 percent of households used money orders, 5.5 percent used check cashing, and 4.9 percent used bill payment services. Altogether, 17.2 percent of households used at least one of those three services (money orders, check cashing, or bill payment services) in the past 12 months. In addition, 5.5 percent of households used international remittances, and 31.1 percent used P2P payment services.
- Between 2017 and 2019, use of money orders fell by 2.3 percentage points and use of check cashing fell by 0.7 percentage points.¹⁹ Only a small portion of these changes were associated with changes in the socioeconomic circumstances of U.S. households between 2017 and 2019. The use of international remittances increased between 2017 and 2019. This increase was broad-based, ranging across almost all population segments.
- In terms of household characteristics, patterns of use for bill payment services were similar to the patterns for money orders and check cashing. Younger households, less-educated households, and Black, Hispanic, and American Indian or Alaska Native households were more likely to use these three transaction services, as were lower-income households and households with volatile income.
- The characteristics of households that made P2P payments were substantially different from the characteristics of households that used the other nonbank transaction services. Use of P2P payment services was higher among households with income of \$75,000 or

¹⁴ The survey questions on prepaid cards instructed households not to consider gift cards.

¹⁵ The estimates of prepaid card use in 2017 and 2015 reported in this subsection differ from those published in earlier reports due to a difference in how nonresponse is handled; see Appendix 1 for details.

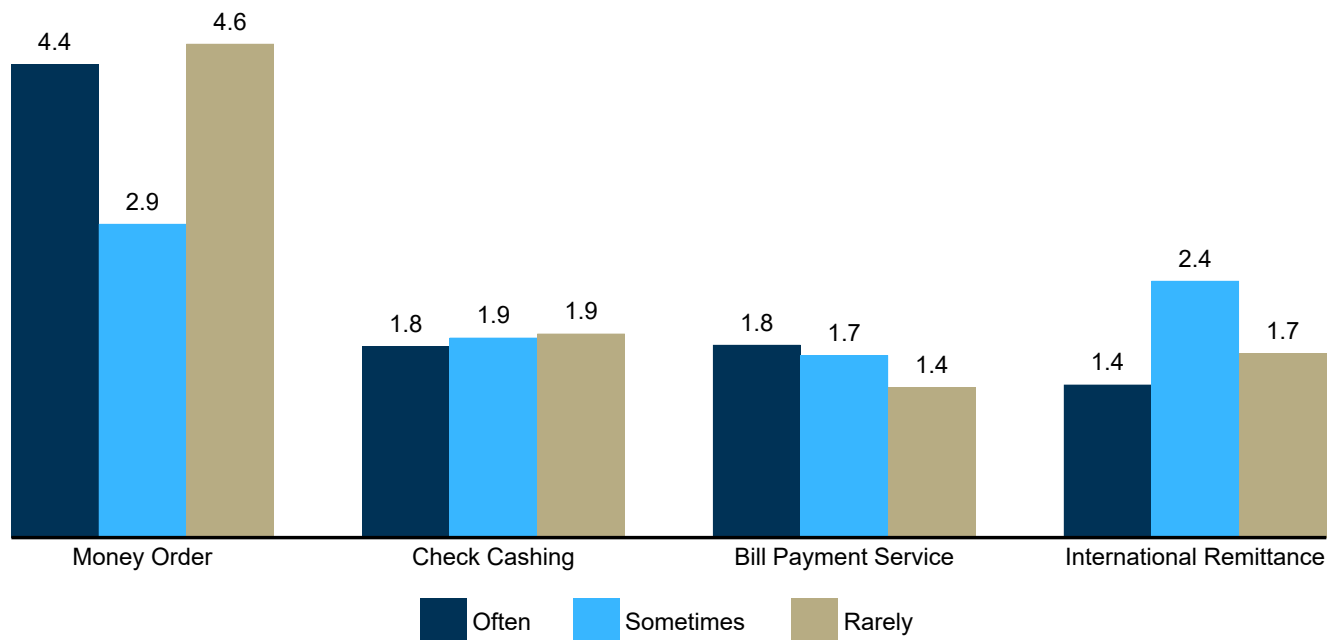
¹⁶ Prepaid card use among unbanked and banked households was lower in 2019 than in 2015 and 2017; however, the decline among unbanked households between 2015 and 2019 was not statistically significant, while the decline among banked households was statistically significant.

¹⁷ Nonbank bill payment service providers offer money transfer services including bill payment. Customers can pay with cash at physical locations, either stores or kiosks, or by using online payment methods.

¹⁸ To conduct P2P payments, households typically must have a bank account, a prepaid card, or a credit card, with requirements varying across P2P payment service providers.

¹⁹ The estimates of nonbank financial transaction services use in 2017 reported in this subsection differ from those published in earlier reports due to a difference in how nonresponse is handled; see Appendix 1 for details.

Figure ES.6 Frequency of Use of Specific Nonbank Financial Transaction Services, 2019 (Percent)



Notes: This figure does not report the percentage of households that did not use the particular service in the past 12 months. For nonbank money orders, check cashing, bill payment services, and international remittances, 88.1, 94.5, 95.1, and 94.5 percent of households, respectively, did not use the particular service.

more, households with a college degree, younger and middle-aged households, and working-age nondisabled households.

- » Use of P2P payment services requires access to the internet with either a smartphone or a computer. About one in three households (33.9 percent) that had smartphone access or home internet access made P2P payments in 2019, compared with only 2.9 percent of households that had neither.
- » Among users of at least one among the group consisting of money orders, check cashing, and bill payment services, about a third (32.3 percent) also used P2P payment services, whereas fewer than one in five P2P users (17.9 percent) also used any of those other three nonbank transaction services.
- In 2019 among unbanked households, 42.3 percent used money orders, 31.9 percent used check cashing, and 14.4 percent used bill payment services; more than half (56.1 percent) used at least one of these three transaction services. In addition, 9.4 percent of unbanked households used international remittances, and 8.8 percent used P2P payment services.
- Among banked households, 10.2 percent used money orders, 4.0 percent used check cashing, and 4.4 percent used bill payment services; 15.0 percent used at least one of these three transaction services. In addition, 5.3 percent of banked households used international remittances, and 32.3 percent used P2P payment services.
- The 2019 survey included new questions on the frequency of use of nonbank transaction services other than P2P payment services, specifically on whether each nonbank transaction service was used often, sometimes, or rarely (see Figure ES.6). For each of the four nonbank transaction services, the population segments (e.g., those without a high school diploma) that more commonly used a nonbank transaction service (at all) also tended to use that service more frequently.
 - » In 2019, 7.3 percent of households used money orders sometimes or often. Of these households, almost nine in ten (87.1 percent) used a money order to pay bills.

Bank and Nonbank Credit

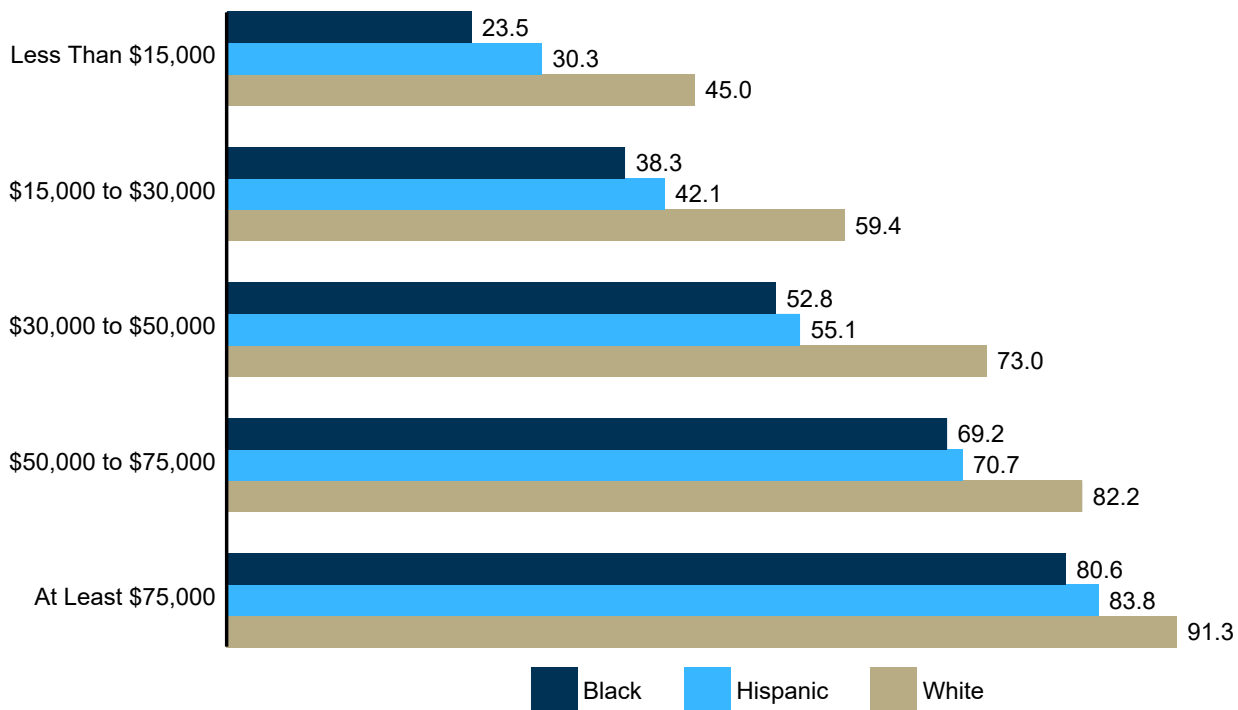
The 2019 survey examines household use of bank credit and nonbank credit, focusing on products that households may use to address cash-flow imbalances, unexpected expenses, or temporary income shortfalls.²⁰ A household is considered to have used bank credit if, in the past 12 months, it had a Visa, MasterCard, American Express, or Discover credit card (i.e., a credit card) or a personal loan or line of credit from a bank (i.e., a bank personal loan). A household is considered to have used nonbank credit if it used a rent-to-own service or a pay-day, auto title, pawn shop, or tax refund anticipation loan in the past 12 months.²¹

- The share of households that used bank credit increased from 67.9 percent in 2015 to 72.5 percent in 2019. The share of households that used nonbank credit declined from 8.1 percent in 2015 and 7.5 percent in 2017 to 4.8 percent in 2019.²² The decline in nonbank credit use between 2017 and 2019 remained large and statistically significant even after changes in income and other characteristics of U.S. households were accounted for. The increase in bank credit use and the

decline in nonbank credit use occurred broadly across different segments of the population.

- Lower-income households, less-educated households, Black households, Hispanic households, American Indian or Alaska Native households, and working-age disabled households were less likely to use bank credit.
 - » Differences by education and income were especially pronounced. For example, in 2019, only 37.1 percent of households without a high school diploma used bank credit, compared with 87.5 percent of households with a college degree. Similarly, only 37.0 percent of households with less than \$15,000 in income used bank credit, compared with 89.9 percent of households with income of \$75,000 or more.
 - » Differences by race and ethnicity were also large and were present at all income levels (see Figure ES.7). For example, in 2019, even among households with income of \$75,000 or more, about 80 percent of Black and Hispanic households used bank credit, whereas about 90 percent of White households did so.

Figure ES.7 Bank Credit Use by Household Income Level and Race and Ethnicity, 2019 (Percent)



Note: The sample size for American Indian or Alaska Native households is not large enough to disaggregate by these income categories.

²⁰ Certain nonbank installment loans that may be used for short-term credit needs were not captured in the 2019 survey. Credit products that are used primarily to finance large expenditures, such as mortgages, auto loans, and student loans, are beyond the scope of the 2019 survey.

²¹ See Appendix 2 for changes in the wording of some questions across survey years.

²² The estimates of nonbank credit use in 2017 and 2015 reported in this subsection differ from those published in earlier reports due to a difference in how nonresponse is handled; see Appendix 1 for details.

- Use of bank and nonbank credit also varied by the metropolitan status of a household's residence. In 2019, 64.6 percent of rural households used bank credit, compared with 69.2 percent of urban households and 77.3 percent of suburban households. In addition to being less likely to use bank credit, rural households were more likely to use nonbank cred-

it (6.3 percent), compared with urban households (4.9 percent) and suburban households (4.1 percent).

- » When region is paired with metropolitan status, the rural South stands out, where only 55.4 percent of households used bank credit.

Postscript: Potential Consequences of COVID-19 Pandemic on Household Use of Banking and Financial Services

Overview

As this report is being written, changes in the labor market and financial landscape resulting from the COVID-19 pandemic are still unfolding, and the full effects of the pandemic are far from known. However, early evidence has shown a rapid and dramatic increase in the unemployment rate. Even individuals who did not lose their job may be working fewer hours and may therefore have reduced income. For the self-employed, revenue may be lost as economic conditions worsen.

As the next subsection indicates, one effect of these conditions is likely to be an increase in the unbanked rate from its level just before the pandemic.

The pandemic is also presenting particular challenges to households that rely on paper instruments to conduct financial transactions; that need or want to visit bank branches; that do not have an adequate savings cushion; or that do not have access to responsible, affordable credit.

Potential Effects of the COVID-19 Pandemic on the Unbanked Rate

The COVID-19 pandemic is likely to contribute to a rise in the rate of unbanked households, meaning households in which no one has a checking or savings account at a bank or credit union (i.e., bank). The unbanked rate in 2019—5.4 percent—was the lowest since the survey began in 2009.

Changes in the socioeconomic circumstances of U.S. households over time have contributed to changes in the unbanked rate. During the Great Recession and its immediate aftermath, the unbanked rate rose from 7.6 percent in 2009 to 8.2 percent in 2011. Approximately one-third of this increase was associated with changes in the socioeconomic circumstances of U.S. households between 2009 and 2011. Then, from its peak in 2011 through 2019, the unbanked rate fell by 2.8 percentage points. Approx-

imately two-thirds of this decline was associated with changes in the socioeconomic circumstances of U.S. households between 2011 and 2019.

Unbanked rates have been consistently higher among certain segments of the population, including lower-income households, unemployed households, and households with volatile income. In 2019, roughly one-quarter of households with less than \$15,000 in income were unbanked, and the unbanked rate among unemployed households was almost four times as high as the unbanked rate among employed households. The unbanked rate in 2019 among households with income that varied from month to month was almost 50 percent higher than the unbanked rate among households with income that was about the same each month.

Of particular relevance to current economic conditions, the 2013 survey found that one in three households (34.1 percent) that became unbanked in the past 12 months experienced either a significant income loss or a job loss that contributed to their becoming unbanked.⁸⁴

Taken together, these data suggest that the unbanked rate is likely to rise from its level just before the pandemic.⁸⁵

Potential Challenges in Conducting Financial Transactions, Visiting Bank Branches, Saving for Unexpected Expenses or Emergencies, and Obtaining Credit

Conducting Financial Transactions

The social distancing guidelines instituted in response to the COVID-19 pandemic may make the use of cash, paper checks, and money orders (i.e., paper instruments) to conduct financial transactions particularly challenging. Reliance on paper instruments may make it harder for households to receive government relief efforts. For example, households without direct

⁸⁴ See Federal Deposit Insurance Corporation, *2013 FDIC National Survey of Unbanked and Underbanked Households* (October 2014), economicinclusion.gov/surveys/2013household/documents/2013_FDIC_Unbanked_HH_Survey_Report.pdf.

⁸⁵ Given the unprecedented nature of the pandemic and the fact that its full economic effects are not yet known, we are unable to predict the magnitude or persistence of any increase in the unbanked rate. Because the *FDIC Survey of Household Use of Banking and Financial Services* is conducted every two years, the survey is not able to measure shorter-term fluctuations in unbanked rates.

deposit may experience delays in receiving government stimulus payments.⁸⁶

The 2015 and 2017 surveys, which asked households how they paid bills and received income in a typical month, showed that use of paper instruments was much more common among unbanked households than among banked households.⁸⁷ For example, 66.1 percent of unbanked households in 2017 used cash to pay bills in a typical month, compared with 13.4 percent of banked households.⁸⁸ Unbanked households received income in a variety of ways, but the most prevalent method was by paper check or money order (45.4 percent in 2017), followed by cash (26.5 percent in 2017). In a typical month, about half of the unbanked households that received income by paper check or money order used a nonbank check casher to get the funds. For banked households, by far the most prevalent method of receiving income was direct deposit into a bank account (90.8 percent in 2017).

Nonbank P2P payment services could facilitate some payments electronically that households would otherwise execute with paper instruments. In 2019, however, only 8.8 percent of unbanked households used a nonbank P2P payment service, compared with 32.3 percent of banked households.

Visiting Bank Branches

Social distancing guidelines may make bank branch visits more challenging.

Physical access to bank branches remains important despite the increase in the use of mobile banking and the decline in the use of bank tellers for account access.⁸⁹ Households may rely on bank branches not only to access an account but also for a variety of other activities, such

as resolving a problem or asking about products or services. In 2019, 83.0 percent of banked households spoke with a teller or other employee in person at a bank branch (i.e., visited a bank branch) in the past 12 months, and 28.4 percent visited ten or more times.

Bank branch visits were prevalent among certain segments of the banked population, including rural households, older households, and households with volatile income. For example, in 2019, 87.7 percent of rural banked households visited a branch, and 41.6 percent visited ten or more times. Because rural households have lower rates of home internet and smartphone access, they may find it harder to reduce their reliance on branches. In 2019, 14.8 percent of rural banked households had neither smartphone access nor home internet access, compared with 7.2 percent of urban banked households and 5.8 percent of suburban banked households. These findings suggest that for many banked households, branches and the range of services they provide play an important role.

Saving for Unexpected Expenses or Emergencies and Obtaining Credit

The economic ramifications of the COVID-19 pandemic may particularly affect households without an adequate savings cushion or without access to responsible, affordable credit. In 2019, 35.8 percent of households did not save for unexpected expenses or emergencies. Moreover, 37 percent of adults could not cover an emergency expense of \$400 using only cash, savings, or a credit card paid in full on their next statement.⁹⁰ As a result, many households may need credit to handle unexpected changes in income and expenses. In 2017, however, one in five households (19.7 percent) likely did not have a credit score, which could make it harder for these households to obtain credit.⁹¹

⁸⁶ Individuals eligible for an Economic Impact Payment authorized by the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) but without direct deposit information on file with the Internal Revenue Service may have received their payment by paper check or prepaid card. Some individuals that received a paper check may have used a nonbank check casher to get the funds. As of May 31, 2020, 120.1 million payments were made by direct deposit, 36.6 million by paper check, and 3.6 million by prepaid card; see U.S. Government Accountability Office, *COVID-19: Opportunities to Improve Federal Response and Recovery Efforts*, Publication No. GAO-20-625 (June 25, 2020), 219, [gao.gov/assets/710/707839.pdf](https://www.gao.gov/assets/710/707839.pdf).

⁸⁷ As discussed in Appendix 2, questions on bill payment and income receipt in a typical month were not repeated in the 2019 survey.

⁸⁸ Use of cash for paying bills in a typical month was also higher among lower-income households, less-educated households, younger households, Black households, Hispanic households, American Indian or Alaska Native households, working-age disabled households, and households with volatile income.

⁸⁹ Use of mobile banking as a primary method of bank account access increased sharply, rising from 15.6 percent of banked households in 2017 to 34.0 percent of banked households in 2019. At the same time, use of bank tellers as a primary method of account access decreased from 24.3 percent in 2017 to 21.0 percent in 2019.

⁹⁰ See Board of Governors of the Federal Reserve System, *Report on the Economic Well-Being of U.S. Households in 2019, Featuring Supplemental Data from April 2020* (May 2020), [federalreserve.gov/publications/files/2019-report-economic-well-being-us-households-202005.pdf](https://www.federalreserve.gov/publications/files/2019-report-economic-well-being-us-households-202005.pdf).

⁹¹ The 2017 survey included questions to capture the full range of credit products that are included on credit records with the nationwide credit reporting agencies. Households that did not have at least one of these credit products in the past 12 months were likely not to have a credit score. For the list of credit products, see Federal Deposit Insurance Corporation, *2017 FDIC National Survey of Unbanked and Underbanked Households*. As discussed in Appendix 2, questions on many of these credit products were not repeated in the 2019 survey.

Certain population segments, including unbanked households, lower-income households, less-educated households, Black households, Hispanic households, American Indian or Alaska Native households, and working-age disabled households, were less likely to save or to have access to responsible, affordable credit. For

example, in 2019, nearly three in four unbanked households (74.0 percent) did not save for unexpected expenses or emergencies, and in 2017, 80.2 percent of unbanked households likely did not have a credit score, which could make it harder for these households to access responsible, affordable credit.



Federal Deposit Insurance Corporation

FDIC-012-2020