

NORTH CAROLINA COMMISSIONER OF BANKS



Banking the Unbanked

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NC Commissioner of Banks
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Why We Care Whether People Are Banked

- Asset-based social policies reward work, encourage taking responsibility for financial future & retirement.
- People with bank accounts > 2x as likely to save, and more likely to add to their savings at least monthly.
- Lower-income individuals with bank accounts are 43% more likely than those without to have positive net financial assets.
- US wealth disparities are growing: The **bottom 90%**...
 - ... earn 60 % of all income,
 - ... own less than 30 % of all net worth, and
 - ... own less than 20 % of total financial assets.



Who are the Unbanked?

- 10 million households in US (almost 10%)
- 22% of low-income families.
- Disproportionately minority.
- 222,000 lower-income households in NC.
- Many times more likely to have no savings of any type.



Factors Linked to Being Unbanked in NC*

- African Americans & Latinos: half as likely to own accounts
- Those whose parents were unbanked: half as likely to own accounts
- Households without high school graduates: 40% as likely to be banked
- Each additional bank branch in Zip Code *reduces* likelihood of being unbanked by 6%
- Each additional check-cashers in Zip Code *increases* likelihood of being unbanked by 4%

* Controlling for other factors, NC Financial Services Survey 2001



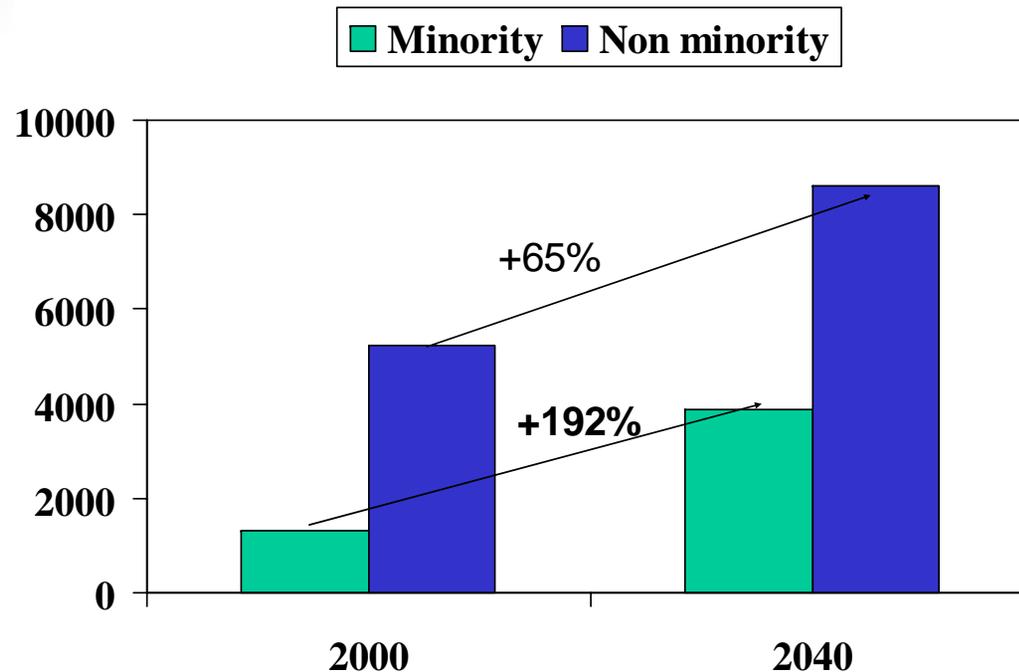
Why banks should care about increasing financial access

- Strong link between account ownership and use of bank credit - Lower-income families with checking, savings, or money market accounts are...
 - six times as likely as to have credit cards,
 - > twice as likely to have a mortgage.
- 60% of 1st-time buyers through 2010 will be minority & immigrant families, a large proportion of whom are not part of the financial mainstream.



Enormous Growth in Purchasing Power:

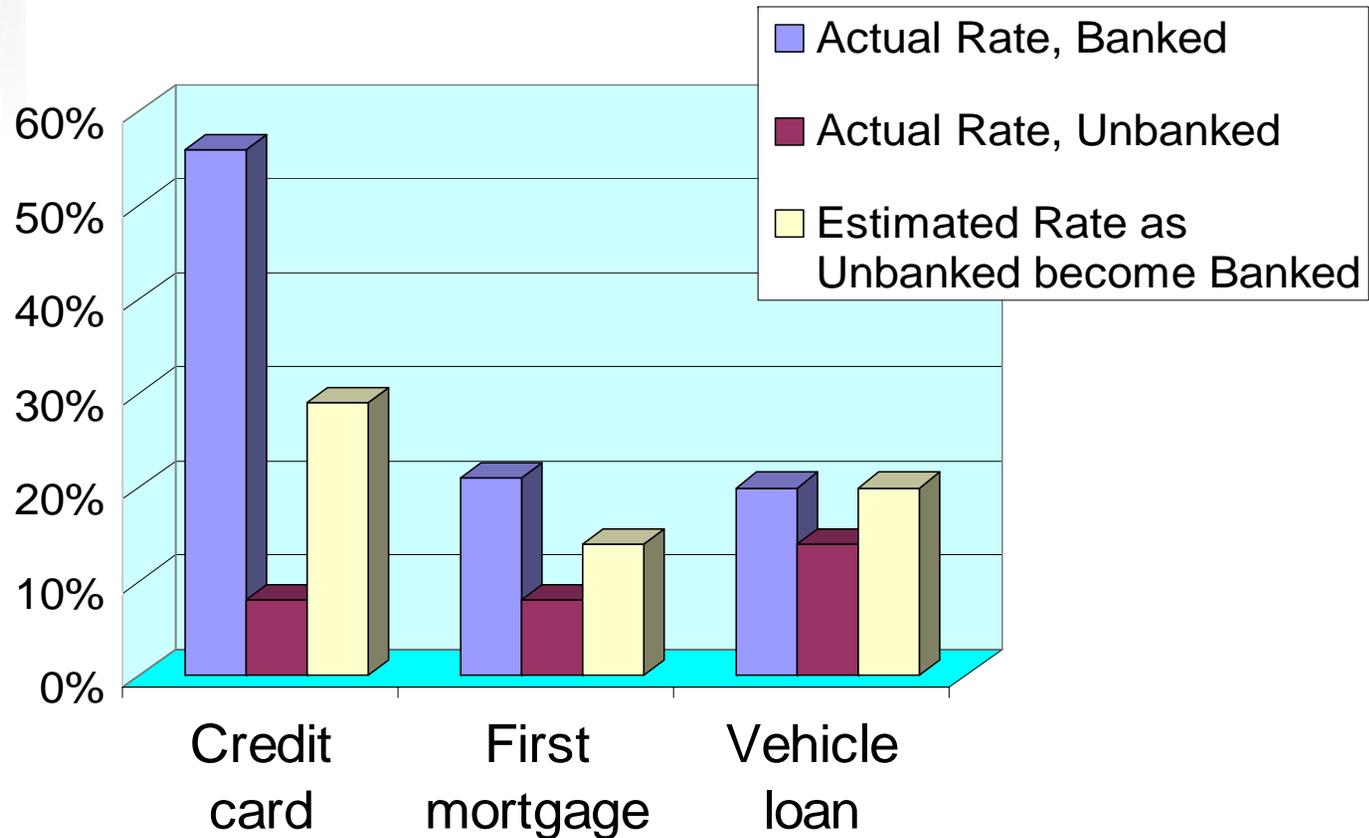
Minority purchasing power will rise from 1/5 to nearly 1/3 of US purchasing power by 2040.



US Department of Commerce MBDA Minority Purchasing Power 2000 to 2045



Cross-Selling Potential: As Unbanked Become Banked





Profitability: Federal Reserve Board study

- “...lenders active in lower-income neighborhoods and with lower-income borrowers appear to be as profitable as other home purchase lenders.”
- “...We find no compelling evidence of lower income profitability at commercial banks that specialize in home purchase lending in lower income neighborhoods or to lower-income borrowers.”

Glenn Canner and Wayne Passmore, The Community Reinvestment Act and the Profitability of Mortgage-Oriented Banks, March 3, 1997



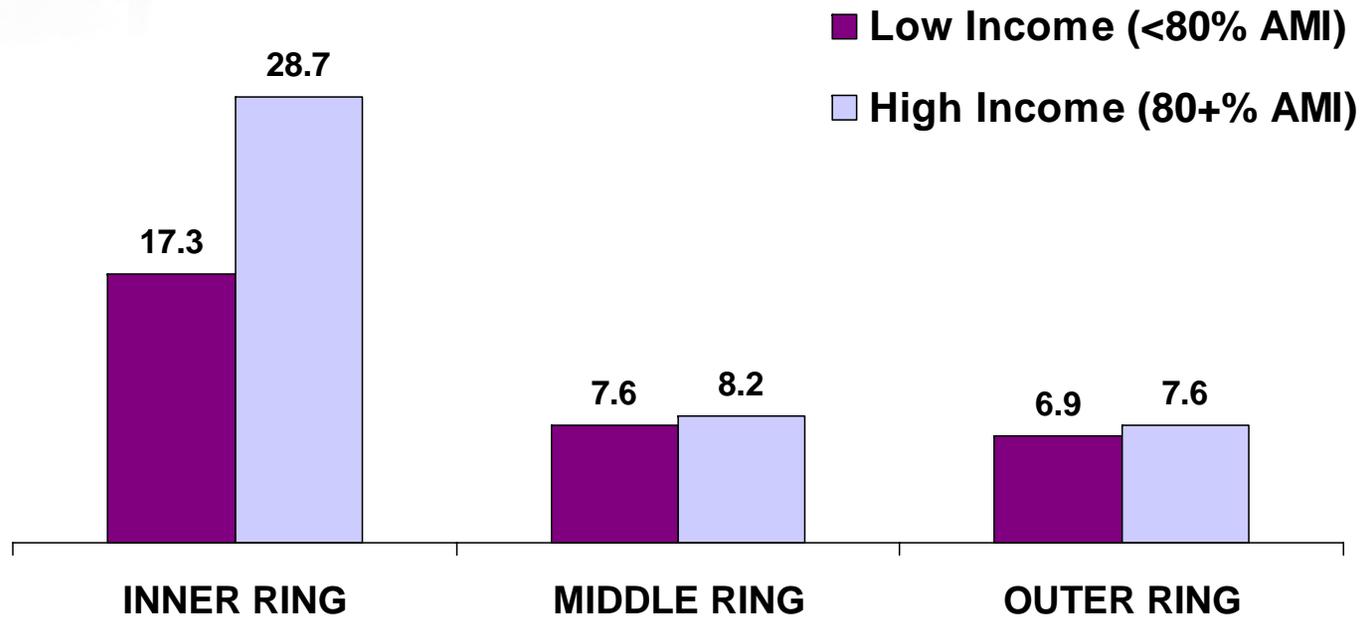
Technology is a Driving Force in Banking Revolution

- full service branch transaction \$1.07
- telephone transaction \$0.54
- ATM transaction \$0.27
- on-line transaction 1.5 cents



ATMs

100 Largest Central Cities
ATMs Per/10,000 people
by Tract Location & Household Income, 2002



Census Tract Location



EFTs

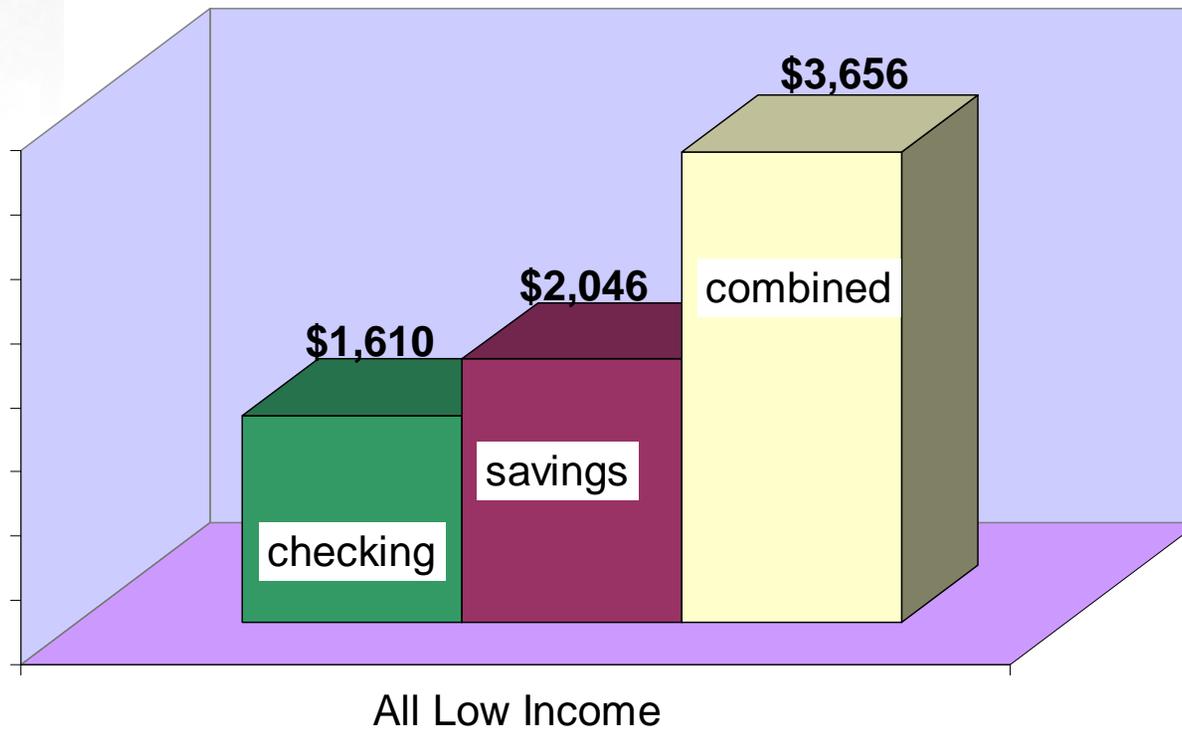
“EFT could soon result in millions of Americans being brought into the banking system for the first time”

■ Treasury Secretary, Robert E. Rubin

- 1999, federal benefit recipients start receiving benefits by direct deposit (originally mandatory, now voluntary);
- 2002, food stamps had to be delivered electronically;
- More than 35 states have added distribution of welfare benefits to the magnetic swipe card used to distribute food benefits.

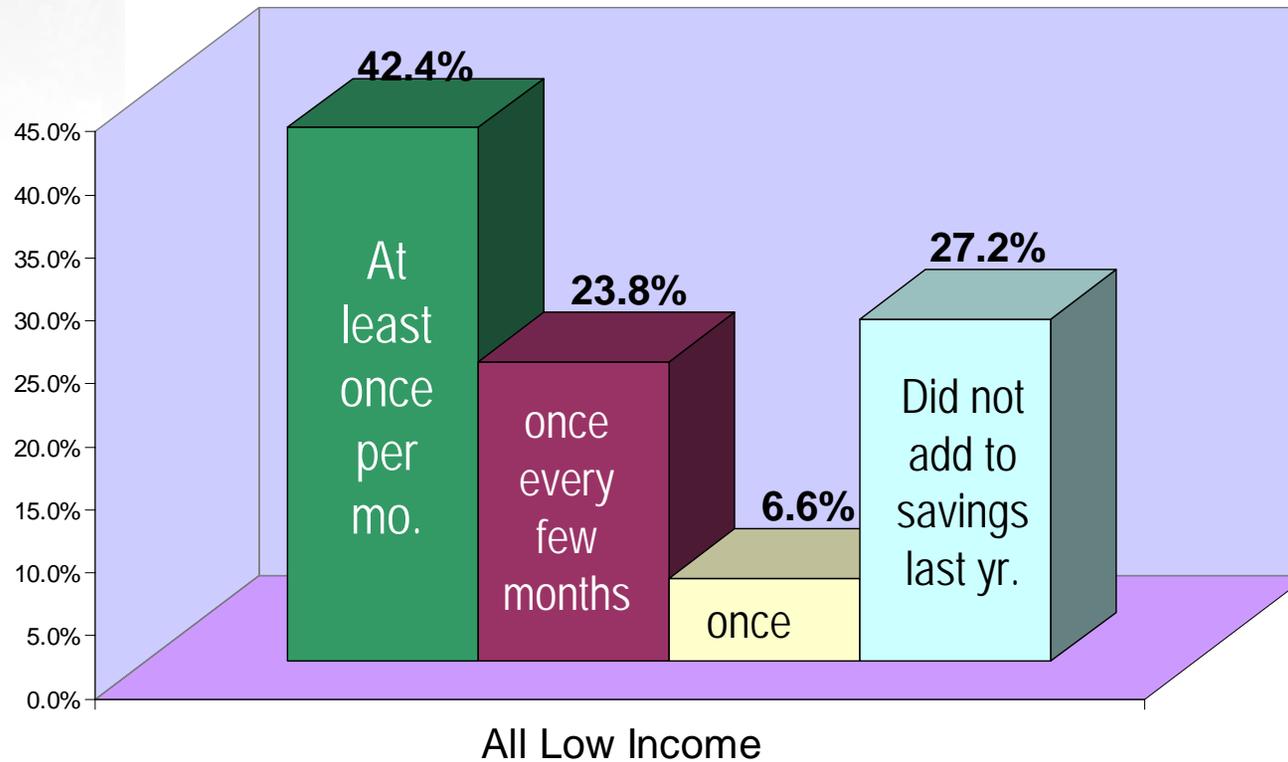


Average Bank Balances of Low Income Families in NC



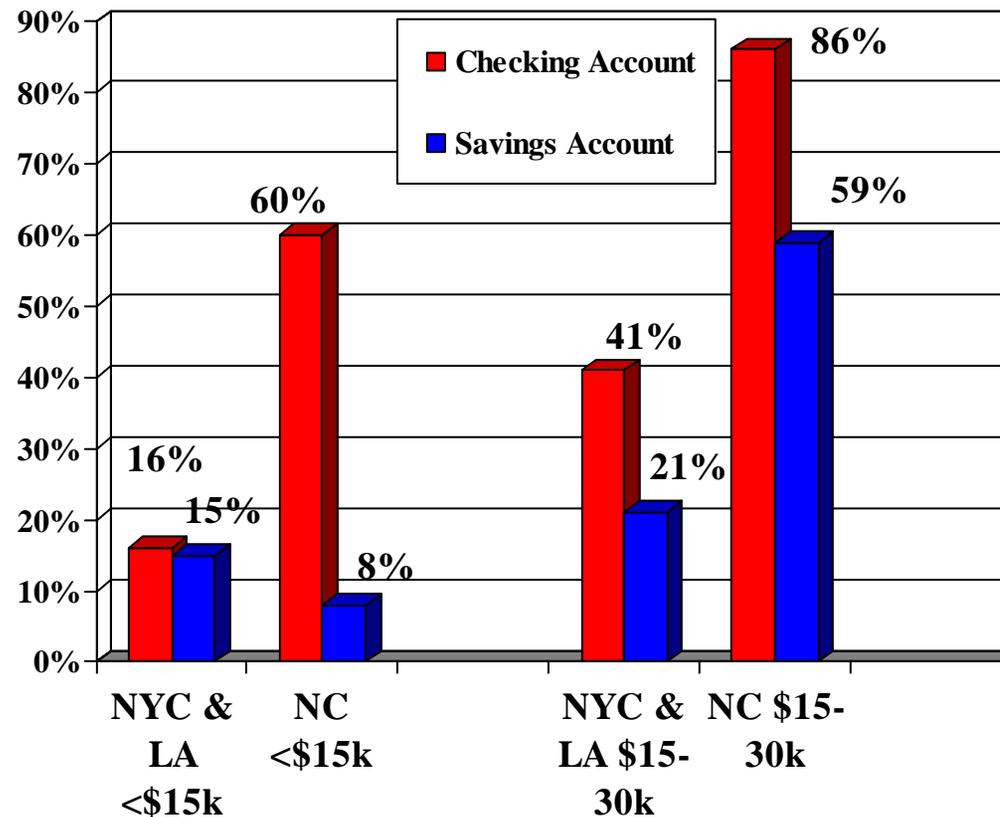


Frequency of saving in the last year, low income families, NC 2001





Banking status of low income families varies between NYC/LA & North Carolina, 2000- 2001





NC: Less Reliant on Check Cashing Outlets

Where people usually cash their checks
NYC/LA and NC, 2001

