

Consumer Banking and Finance Survey

NCCOB Executive Summary

August 2007

Strong. Fair. Efficient. That is what we expect of financial firms doing business in North Carolina. That is what we expect of ourselves as an agency at the North Carolina Office of the Commissioner of Banks (NCCOB). Earlier this year, we contracted with Market Search, a research firm, to conduct a telephone survey to help us understand what North Carolina residents think of the financial services industry and of our role in supervising and regulating this industry. While perception is not always reality, we believe public perception is an important indicator of our performance as a financial regulator. After all, the people of North Carolina are ultimately the arbiters of our performance.

Some key findings about North Carolina residents' perceptions of the financial services industry:

- 96% of North Carolina residents are satisfied with the financial services provided by banks and credit unions.
- Almost 90% of residents that have taken out a mortgage loan in the past two years are satisfied with the mortgage loan process, while 77% were satisfied with the fairness of mortgage charges.
- Over 80% of customers are satisfied with alternative financial service providers (check-cashers, consumer finance lenders, refund anticipation loan facilitators, etc.), but the rate of satisfaction is somewhat lower than for depository institutions or mortgage lenders.
- Overall, residents were more concerned about the fairness of mortgage lending than any other type of financial services product.
- One in eight residents felt they were treated unfairly in a financial services transaction in the last two years. Younger people, African-Americans, urban residents, and alternative financial services customers are more likely to have felt they were treated unfairly than other groups.
- The top fairness concerns (50% identified as a problem) for financial services customers are:
 - fairness of checking and savings account rates and fees (52%);
 - misrepresentation of mortgage information (51%); and
 - fairness of fees charged for alternative financial services (50%).
- In addition, over a quarter of respondents felt that the current rate of mortgage foreclosure is a major problem.
- Half a million (500,000) adult residents (8% of total adult population) do not have an account at a depository institution.
- Two thirds of North Carolina residents believe that the financial services market has a major impact on North Carolina's economy.

In addition to views on the financial services, we solicited feedback from North Carolina residents on NCCOB and our state's regulation of financial services. Key findings from our survey are:

- Only 1 out of 5 North Carolina residents has ever heard of NCCOB. Most residents don't know if NCCOB is doing an adequate job in promoting a strong and fair financial services industry.
- After learning about NCCOB, three out of four residents said they would likely call NCCOB if they had a problem with a financial services provider.
- Almost half of the residents contacted (46%) believe North Carolina does an outstanding job of protecting consumers against financial services abuses, whereas only 14% disagreed with that statement.
- Many residents (43%) believe North Carolina's regulations are about the right level of strength, while 25% believe they need to be stronger and 10% believe they are too strong.

We asked the public for views on four current issues related to financial services. Key findings:

- More than two-thirds (68%) of the respondents believe that mortgage brokers should represent their customers with the same duty as lawyers, doctors, and other financial advisors. Only 7% disagreed.
- Most (51%) believe that prepayment penalties should not be allowed in mortgage loans. Only 14% believe they should be permitted.
- Nearly half (48%) support stronger regulations to prevent lending to illegal immigrants, whereas 28% would oppose such regulation.
- Nearly half (46%) support stronger regulation to reduce foreclosure rates, even if it means reducing opportunities for people with credit problems to become homeowners. Nineteen percent (19%) oppose such regulation.

The results of this survey will assist NCCOB in supervising the financial services industry. We plan to conduct this survey annually to track public perception of the strength and fairness of the financial services industry and awareness and satisfaction with our regulatory efforts.

You may find the complete results of the survey on our website at <http://www.nccob.org/NR/ronlyres/3AA6DED2-78ED-4340-B3F9-248ED05B4F7D/0/NCCOBConsumerBankingandFinanceSurvey.pdf>. If you have any questions, please contact Ha Nguyen at 919-733-3016.