BANKING IN COLOR

New Findings on Financial Access for Low- and Moderate-Income Communities

National CAPACD
Innovating Together from the Ground Up

National Urban League

NCLR
National Council of La Raza

National CAPACD
Innovating Together from the Ground Up

The National Coalition for Asian Pacific American Community Development (National CAPACD) is a national advocacy organization whose mission is to improve the quality of life for low-income Asian American and Pacific Islanders (AAPI). We were founded in 1999 by established community development practitioners who sought a unifying vehicle for systems change at the national level, as well as opportunities to enhance the capacity and ability of its member organizations to serve the nation's growing AAPI communities. We work on community development and economic vitality issues under the framework of economic justice. Our membership includes a base of nearly 100 organizations and individuals, spanning 19 states and U.S. territories.

National
Urban League

The National Urban League (www.nul.org) is a historic civil rights and urban advocacy organization dedicated to economic empowerment in historically underserved urban communities. Founded in 1910 and headquartered in New York City, the National Urban League has improved the lives of tens of millions of people nationwide through direct service programs that are implemented locally by its 95 Urban League Affiliates in 36 states and the District of Columbia. The organization also conducts public policy research and advocacy activities from its Washington, D.C.-based bureau. The National Urban League, a BBB-accredited organization, has a four-star rating from Charity Navigator, placing it in the top 10% of all U.S. charities for adhering to good governance, fiscal responsibility, and other best practices.

NCLR
NATIONAL COUNCIL OF LA RAZA
ORAL
OFFICE OF RESEARCH, ADVOCACY & LEGISLATION

The National Council of La Raza (NCLR)—the largest national Hispanic civil rights and advocacy organization in the United States—works to improve opportunities for Hispanic Americans. Through its network of nearly 300 affiliated community-based organizations, NCLR reaches millions of Hispanics each year in 41 states, Puerto Rico, and the District of Columbia. To achieve its mission, NCLR conducts applied research, policy analysis, and advocacy, providing a Latino perspective in five key areas—assets/investments, civil rights/immigration, education, employment and economic status, and health. In addition, it provides capacity-building assistance to its Affiliates who work at the state and local level to advance opportunities for individuals and families.

Founded in 1968, NCLR is a private, nonprofit, nonpartisan, tax-exempt organization headquartered in Washington, DC, serving all Hispanic subgroups in all regions of the country. It has regional offices in Chicago, Los Angeles, New York, Phoenix, and San Antonio and state operations throughout the nation.

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Executive Summary

This research project was designed to examine the ways in which low- and moderate-income (LMI) communities of color are accessing mainstream and alternative financial services and products, and the extent to which they are financially engaged. To do so, the National Coalition for Asian Pacific American Community Development (National CAPACD), the National Council of La Raza (NCLR), and the National Urban League (NUL) launched a financial survey in 2013. Working collectively under the umbrella of the Alliance for Stabilizing our Communities (ASOC), each organization partnered with affiliated community-based organizations (CBOs) in geographic locations where there was an overlap of African American, Latino, and AAPI populations that were being served by ASOC Affiliates: Chicago, Illinois; Houston, Texas; and South Florida.* CBOs administered the survey to their clients to provide a snapshot of these communities on a state level that can be compared to national data regarding the communities' access to financial services and products. One of the advantages of working through the ASOC Affiliate Network is that these community groups are well-respected and trusted, and staff were able to make sensitive inquiries into the needs of their clients. The 55-question survey was distributed from March to May 2013. In total, over 5,000 individuals participated in the survey, the results of which are discussed in this report.

Survey results illustrate how the financial market is currently serving communities of color, what these communities' overall perceptions and attitudes toward banking and financial services are, and how technology is used in banking transactions. While there are national-level studies that examine how various ethnic and racial groups use financial services, few are able to capture the experiences of historically marginalized populations, including those with very low incomes, the non-English speaking, and noncitizens, to the depth done in this survey. This research project was designed as an expansion of similar research conducted previously by NCLR, which focused on financial access issues Latinos face in California. Expanding the survey to other racial and ethnic communities provides additional data for strategies that can reach markets on a national level. The data can be used to help reduce barriers the low-income consumers face when looking for and accessing financial tools that meet their needs.

Many of the key findings showed commonalities among all communities surveyed. For example, employment status and income were two of the most influential factors when examining the likelihood of an individual—Latino, African American, or AAPI—to own a bank account. And while the majority of survey respondents reported having some relationship with a financial institution, through holding a deposit checking or savings account, there was widespread lack of access to sources for financial advice and information across all three racial/ethnic communities that were part of the survey.

Summary of major conclusions:

- **There is widespread use of traditional banking services among survey respondents. However, financial isolation is still a factor.** The vast majority of respondents (81%) had a checking or savings

* Due to the limited availability of partners to assist with National CAPACD data collection in South Florida, AAPI surveys were collected in Oakland and Los Angeles, California, instead. In addition to Houston, NCLR collected surveys in two other Texas cities: El Paso and San Antonio. See more information in the Methodology section.

account, and most who reported owning an account tended to have both kinds of accounts. However, the remaining nearly 20% are unbanked and are conducting their financial transactions outside of the mainstream banking system. Many are using alternative financial services (AFS)* that are often high-cost and predatory, which is making them even more financially insecure.

- **Customer service and location matter.** People are looking for local access and personal relationships when it comes to banking. Customer service ranked as one of the most significant factors overall for survey respondents when asked what they were looking for in a banking institution, regardless of banking status. While many transactions are available online, many consumers still like to bank in person, and the customer service experience matters.

- **Financial advice and information is a sought-after service, but people have limited resources for it.** Access to timely and relevant financial information is critical for households in managing their finances, especially in low-income households that need to maximize their earnings and still have enough to put away in savings. Friends and family rank as the most important sources of financial advice for those surveyed (24%), while only 13% turned to a professional financial advisor.

- **There is widespread access to, and use of, the Internet and smartphones, but there are still strong concerns about security preventing their use for banking transactions.** While the mobile banking field has been evolving quickly, awareness of security measures in communities of color is not sufficiently known. Security of personal information remains a concern for survey respondents, with almost one-third (28%) citing it as a reason for being uncomfortable with banking online.

- **Use of AFS is heavier for those outside the mainstream banking system and the very low-income.** Unbanked households were more likely than banked households to turn to AFS. Households with less financial security, including those who were unemployed or earned lower household incomes, were also more likely to use AFS.

- **Survey respondents were vulnerable to emergencies and have a limited safety net, yet are still managing to save.** Few respondents were prepared for emergencies and unexpected expenses—41% of the unemployed and 31% of the full-time employed experienced a financial emergency within the previous year—and 42% said they didn't know how they would raise the money to cover such a crisis. At the same time, over half (55%) of all individuals surveyed said they save via depositing into a savings account, and 45% of all respondents said they save monthly.

- **Savings strategies are short-term and limited in their ability to ensure long-term wealth-building.** Data from this survey shows that the communities served by NCLR, NUL, and National CAPACD are behind on national trends regarding retirement savings and even more financially insecure. Overall, less than one in six survey respondents (16%) saved through some form of employer-sponsored retirement account.

* Alternative Financial Service (AFS) refers to any of the various financial services offered by providers that operate outside of federally insured banks and thrifts. See: Federal Deposit Insurance Corporation, Alternative Financial Services: A Primer (Washington, DC: FDIC, 2009). http://www.fdic.gov/bank/analytical/quarterly/2009_vol3_1/AltFinServicesprimer.html

Introduction

The American economy is now five years into recovery from the Great Recession, one of the worst economic downturns in modern U.S. history. Over the course the recession, Americans lost trillions of dollars in household wealth between 2007 and 2010,[1] as the unemployment rate climbed to 10% in October 2010[2] and median household income fell by 4.2% between 2007 and 2009.[3]

Historically disadvantaged minority households were hit especially hard by the recession and have recovered the least since then, resulting in the widening of the racial wealth gap. According to the U.S. Federal Reserve Survey of Consumer Finances,[4] between 2007 and 2010, the middle 10% of White, African American, Hispanic, and AAPI families lost about 30% of their net worth. Household incomes have stagnated (or in the case of African Americans, declined) since the recovery, leaving in place persistent income disparities across racial and ethnic groups.

According to the latest projections from the U.S. Census Bureau, the U.S. population will become majority-minority in 2043.[5] This means that in less than 30 years, for the first time in history, no single race or ethnic group will constitute a majority of the population. This demographic shift will have tremendous impact on many facets of society, but in particular, there are significant implications for how financial institutions serve and engage with communities of color.

Critical for all households, but especially for low- and moderate-income (LMI) communities, consumers need financial tools and products that can maximize income and help them save. Unfortunately, often in communities of color, more costly and predatory financial businesses concentrate in these neighborhoods, and are more prevalent than mainstream financial institutions.[6]

Consumers are faced with countless choices in the offering of financial products and services, and consumer protections have not historically kept up with these developments. Fortunately, the Consumer Financial Protection Bureau (CFPB) is filling this role through new authority to monitor both bank and nonbank entities. Products that previously were unchecked in the marketplace now must adhere to regulations that prioritize the safety of consumer financial health.

It is also encouraging to see research, such as studies conducted by the Pew Charitable Trusts, that show positive trends on the part of mainstream banks to offer clear disclosure to customers on account features such as overdraft fees and account pricing information.[7] But the limited adoption of these best practices leaves room for many more financial institutions to participate.

Other promising developments on the part of the financial industry show a willingness to design products that are based on a set of principles, vetted by a diverse set of stakeholders, such as consumer advocates and other financial service providers. For example, the Compass Principles led by the Center for Financial Services Innovation seek to respond to the new regulatory climate by working with the financial industry to ensure that products are safe, expand access for the underserved, and contribute to the expanded financial capability of their customers.

These and other efforts on the part of industry and policymakers can continue to bring LMI and marginalized consumers into the mainstream financial system and increase access to the right tools that will help consumers attain economic stability. In order to align the rules and norms by which the financial system operates with the priorities and needs of those who are served by it, we must understand the challenges communities of color face. It is also important to appreciate the ways in which they experience the same obstacles to financial inclusion, as well as how they are different and therefore need targeted strategies to bring them into the financial mainstream.

The ASOC Financial Access Survey offers a deeper look at the attitudes of communities of color toward the banking system and insights into how these communities conduct their financial transactions on a daily basis. This research can help guide the financial services industry and policymakers to better meet the needs of LMI families in Latino, African American, and AAPI communities.

Financial Access Survey Demographics

Race, Ethnicity, and National Origin

The largest share of survey participants were of Hispanic origin (40%), followed by those of Asian American and Pacific Islander (AAPI) ethnicity (27%) and those of African heritage (22%).* There was very little overlap in race or ethnicity across the three organizations administering the survey, so the NCLR sample consisted almost exclusively of Hispanic respondents, the NUL sample consisted of those of African heritage, and the National CAPACD sample consisted of those of AAPI heritage. Due to the racial uniformity of each organization's survey sample, comparisons between the three organizations are essentially comparisons across these three race or ethnic groups. For the remainder of the analysis, NCLR respondents will be referred to as Hispanic or Latino,† National CAPACD respondents will be referred to as AAPI and NUL respondents will be referred to as African American.‡

* These percentages are reflective of the number of surveys administered by each group. There were 2,310 respondents from NCLR, 1,584 from NUL and 1,522 from National CAPACD.

† The terms "Hispanic" and "Latino" are used interchangeably by the U.S. Census Bureau and throughout this document to refer to people of Mexican, Puerto Rican, Cuban, Central American, South American, Dominican, Spanish, and other Hispanic descent; they may be of any race. Further, unless otherwise noted, estimates in this document do not include the 3.7 million residents of Puerto Rico.

‡ The three groups actually administered different versions of the survey that included different options for race and ethnicity that were tailored to each demographic. To the extent that a race or ethnicity category appeared on more than one version of the survey, there was still little overlap across organizations. One NUL respondent reported that they were Chamorro, one National CAPACD respondent identified as Spanish, and two National CAPACD respondents identified as South American or Latin American. Dominican appeared on both the NCLR and NUL versions of the survey, but less than 2% of individuals in either sample identified as Dominican.

As Tables 1–3 detail, even within these three broadly defined racial and ethnic categories, there was considerable diversity in nationality or country of origin among survey respondents. The three largest subgroups for Hispanics were Mexican (62%), Central American (8%), and Cuban (6%). The three largest subgroups for AAPIs were Chinese (57%), Korean (11%), and Taiwanese (8%). The three largest subgroups for African Americans were those who identified as African American (39%), followed by those from Africa and the Caribbean.*

Table 1. Nationality of Hispanic Respondents

Mexican	61.9%
Central American	8.2%
Cuban	6.0%
South American or Latin American	5.5%
Other	5.3%
Spanish	4.8%
I don't know	3.8%
Puerto Rican	3.0%
Dominican	1.6%

Table 2. Nationality of AAPI Respondents

Chinese	56.6%
Korean	11.4%
Taiwanese	8.4%
Thai	7.7%
Other Asian or Pacific Islander	2.8%
Tongan	2.8%
Samoan	2.3%
Refused	1.9%
Vietnamese	1.2%
Chamorro	1.1%
Filipino	1.0%
Asian Indian	0.8%
Japanese	0.8%
Native Hawaiian	0.5%
Pakistani	0.3%
Singaporean	0.2%
Indonesian	0.1%
Laotian	0.1%
Cambodian	0.1%
Fijian	0.1%

* The largest percentage of NUL respondents selected “refused” on the race question (39%).

Table 3. Nationality of African American Respondents

African American	38.9%
Other African nation	27.8%
Egyptian	12.8%
Jamaican	5.9%
Haitian	2.8%
Nigerian	2.7%
Kenyan	2.3%
Other Caribbean nation	1.9%
Ethiopian	1.7%
Dominican	1.2%
Trinidadian and Tabagoan	0.9%
Panamanian	0.8%
Ghanaian	0.3%
Other Middle Eastern	0.1%

Citizenship and Language

Given the diversity in national origin between the three groups, there were also different rates of U.S. citizenship. African American respondents were most likely to be U.S. citizens (96%), compared to 68% of AAPI and 61% of Hispanic respondents. Among those who were born outside of the U.S., one-third of AAPI respondents had lived in the U.S. for 10 years or less, compared to 26% of Hispanic respondents and 8% of African American respondents.

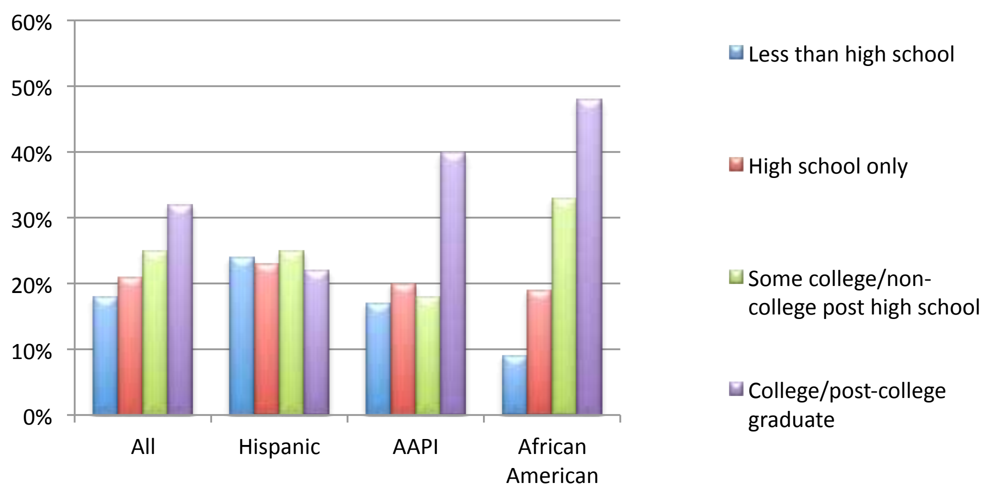
In addition to the English-language version of the survey, National CAPACD also administered the survey in Chinese, Korean, Thai, and Vietnamese.* NCLR administered the survey in both English and Spanish. AAPIs (48%) were slightly more likely than Hispanics (44%) to only speak their native language at home.

Educational Attainment, Income and Employment Status

There was even distribution of survey respondents across levels of education, including those who had not completed high school (18%), high school graduates (21%), those who had attended some college but not completed (21%) and college graduates (22%). However, there were notable differences in educational attainment across racial and ethnic groups. African Americans and AAPIs in the sample each had a large majority of college and post-college graduates. Forty-eight percent of African Americans and 40% of AAPIs in the sample were college or post-college graduates, while Hispanics were more evenly divided between those with a high school education or less (47%) and those who attained some post-high school education (either college or noncollege) (25%) or were college or post-college graduates (22%) (Figure 1).

* Due to smaller sample sizes for the Korean, Thai, and Vietnamese language surveys, analysis of differences by language for AAPI respondents is based on composite responses across all five versions of the survey: English, Chinese, Korean, Thai, and Vietnamese.

Figure 1. **Educational Attainment by Race and Ethnicity**



The patterns of educational attainment described above were consistent with the income profile of the sample outlined in Table 4.* Survey respondents were most likely to come from families earning less than $30,000 per year (45%), with 19% earning between $30,000 and $50,000 per year, and 22% earning $50,000 per year or more. African Americans (28%) and AAPIs (26%) were more likely than Hispanics (15%) to have family incomes above $50,000 per year, which is consistent with the fact that they were also more likely to be college educated.

Table 4. **Annual Family Income by Race and Ethnicity**

	All	Hispanic	AAPI	African American
Less than $10,000	13%	12%	15%	12%
$10,000 to under $20,000	17%	18%	19%	12%
$20,000 to under $30,000	15%	17%	14%	12%
$30,000 to under $50,000	19%	21%	11%	24%
$50,000 to under $75,000	10%	8%	9%	14%
$75,000 to under $100,000	6%	4%	7%	8%
$100,000 or more	6%	3%	10%	6%

* Respondents who reported that they did not know their annual family income are not included in the table, so the columns sum to less than 100%.

As Table 5 shows, nearly two-thirds of all people surveyed were employed either full-time (50%) or part-time (14%), and 15% were unemployed.* African Americans (25%) were the group mostly likely to be unemployed—more than twice the rate for either Hispanics (11%) or AAPIs (9%). This pattern is similar to what is observed in national data on the unemployment rates of African Americans, Hispanics, and AAPIs, although the differences across groups are not typically this large.

Table 5. Employment Status by Race and Ethnicity

	All	Hispanic	AAPI	African American
Employed full-time	50%	53%	43%	52%
Employed part-time	14%	14%	17%	9%
Unemployed	15%	11%	9%	25%
Not looking for work	1%	1%	2%	0%
Active duty military	0%	0%	0%	0%
Retired military	0%	0%	1%	0%
Retired	7%	4%	14%	5%
Homemaker	4%	6%	5%	1%
Student	5%	6%	5%	3%
Other	3%	3%	4%	3%

Gender and Age

The survey sample was predominantly female (60%) as reflected by the fact that over 60% of Hispanic and AAPI respondents were women. For African Americans, there was a more even split between male (49%) and female (51%) respondents. The median age in the sample was 39 years old. While Hispanic and AAPI respondents were more similar in gender representation, African American and Latino respondents were more similar in age. On average, Hispanics and African Americans were younger than the AAPIs surveyed. The median age for Latino respondents was 34, compared to 39 for African Americans and 46 for AAPIs.

* The majority of respondents identified either as employed full time, employed part time, or unemployed. Other categories included in the survey were those not looking for work (1%), active duty military (0%), and retired military.

Findings

Bank Account Ownership and Utilization

Account Status and Type of Account

Consistent with existing research on bank account ownership,[8] the ASOC Financial Access Survey respondents reported high levels of account ownership (Table 6). While the majority of the sample (81%) had some banking relationship, meaning they owned a checking account, savings account, or both, AAPIs (90%) were more likely than either Hispanics (75%) or African Americans (79%) to have a checking or savings account. People with a checking or savings account will be referred to as banked, while those without either type of account are considered unbanked. Fifty-four percent of all banked respondents had both a checking and savings account. African Americans (65%) were most likely to have both types of accounts, followed by AAPIs (53%) and Hispanics (47%).

Table 6. **Bank Account Ownership and Type of Account by Race and Ethnicity**

	All	Hispanic	AAPI	African American
Bank Account Ownership:				
Banked	81%	75%	90%	79%
Unbanked	17%	21%	7%	19%
Don't know	3%	3%	3%	1%
Type of Bank Account:				
Checking	29%	31%	32%	24%
Savings	8%	8%	11%	5%
Both	54%	47%	53%	65%
Don't know	9%	14%	5%	6%

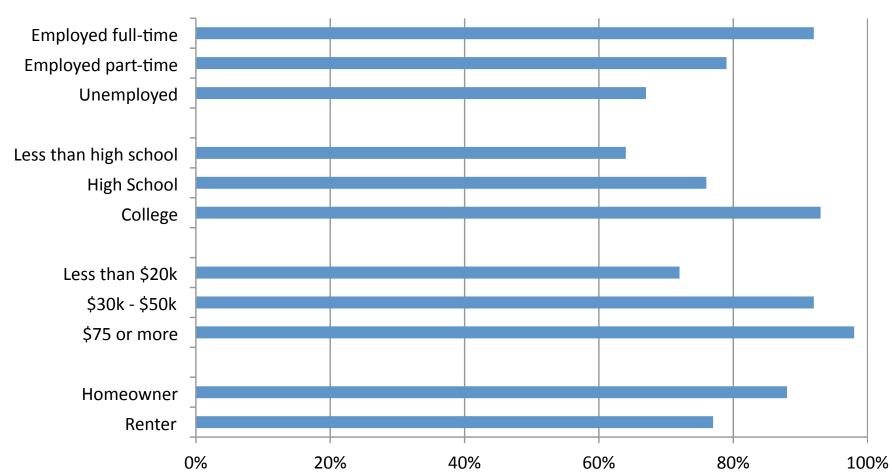
The ASOC Financial Access Survey also revealed information about underbanked consumers in communities of color. Underbanked is a group that is typically defined as account holders who own accounts but use them infrequently. For the purpose of this analysis, we defined the underbanked as bank account holders who also use nonbank services like payday loans, check cashing, or prepaid cards.* Thirty-four percent of those in the sample fit this definition of underbanked, with African Americans most likely to be underbanked (47%), followed by Hispanics (34%), and AAPIs (23%).

Although account ownership was high amongst all survey respondents, use of credit was more limited. Sixty-one percent of all respondents had at least one credit card, with the highest access to credit coming within the AAPI community (74%), followed by 56% of Hispanics and 56% of African Americans.

Account Status by Socioeconomic Characteristics

Consistent with other data, the likelihood of being banked increased with socioeconomic status. As Figure 2 shows, the two most significant factors affecting account status were employment status and education. For respondents who were employed full-time, 92% reported having an account, while only 67% of unemployed respondents had one. There was an equally wide gap in account ownership between respondents who had a college education (93%) and those with less than a high school education (64%).

Figure 2. Bank Account Ownership by Select Characteristics

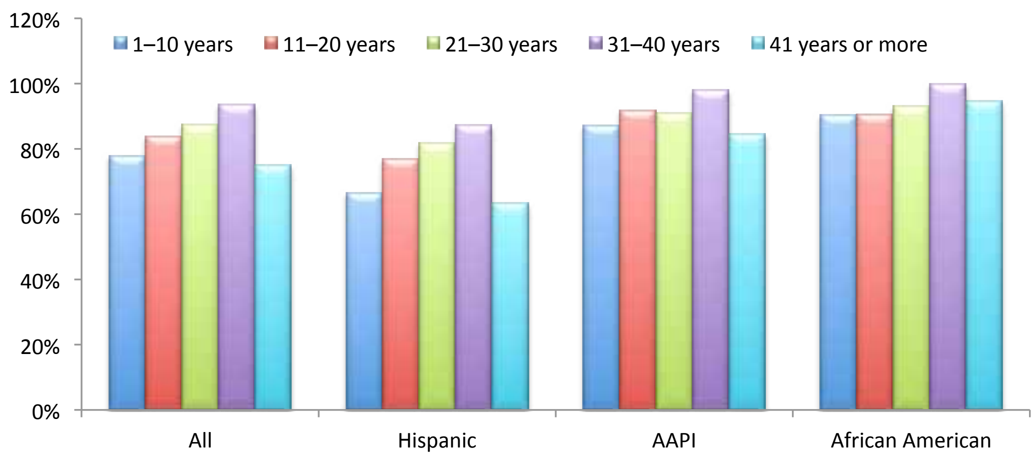


* This definition is consistent with how the FDIC characterizes the underbanked population in the annual National Survey of Unbanked and Underbanked Households: http://www.fdic.gov/householdsurvey/2012_unbankedreport.pdf.

Account Status by Citizenship Status and Time in the Country

Account ownership also varied by citizenship, time in the country, and language spoken predominantly at home. U.S. citizens (84%) were more likely than noncitizens (74%) to be account holders. Among foreign-born respondents, the highest rates of account ownership occurred for those who had lived in the U.S. for 31 to 40 years (94%). Respondents who were least likely to be banked were at the extreme ends of the spectrum in terms of time spent in the U.S.—78% for those in the U.S. for one to 10 years and 75% for those in the U.S. for 40 years or more. As Figure 3 shows, this pattern was generally consistent across all racial and ethnic groups, although account ownership of foreign-born Hispanic respondents varied the most by number of years in the U.S.

Figure 3. Bank Account Ownership of Foreign-Born Respondents by Number of Years in U.S.



How People Choose a Financial Institution

Survey respondents identified a variety of factors that influence how they choose where to conduct their financial transactions (Table 7).* Proximity to home or work was a priority for nearly half (48%) of all respondents, followed by the number of branches or ATMs (34%) and account fees or minimum balance requirements (31%).

Table 7. Priorities for Selecting a Financial Institution by Race/Ethnicity, Citizenship, and Language Spoken at Home

	All	Hispanic	AAPI	African American	Non-U.S. Citizens	Spanish Only	Asian Language Only
Distance from home or work	48%	41%	63%	42%	48%	41%	66%
Number of branches or ATMS	34%	38%	24%	41%	28%	28%	15%
Account fees and requirements	31%	26%	28%	42%	21%	16%	21%
Customer service	27%	23%	28%	33%	22%	21%	25%
The ability to communicate in my native language	21%	18%	38%	8%	37%	33%	58%
I feel welcome	20%	20%	21%	20%	20%	25%	23%
Online banking/mobile banking	20%	20%	15%	24%	13%	8%	8%
The hours the branch is open	18%	20%	13%	20%	15%	18%	10%
Ability to get cash quickly	12%	15%	5%	14%	11%	14%	3%
Good interest rate on car or home loans	11%	10%	8%	14%	8%	11%	5%
Availability of credit cards	5%	5%	7%	4%	7%	7%	6%
Word of mouth	5%	3%	11%	2%	7%	3%	14%
Marketing/advertising is appealing	2%	1%	3%	2%	1%	1%	3%
Other	2%	2%	1%	3%	2%	1%	0%
Don't know	8%	13%	6%	5%	13%	17%	8%

Proximity was especially important for AAPIs; 63% reported that it was one of their top three priorities in choosing where to bank, compared to 41% of Hispanics and 42% of African Americans. The second most common factor identified by AAPI respondents (38%) was the ability to communicate verbally or in writing in one's native language. Just 18% of Hispanic respondents and 8% of African American respondents identified language as one of their three highest priorities. However, among those who spoke only their native language at home, 33% of Spanish-speakers and 58% of Asian native language-speakers reported that the ability to communicate verbally or in writing in their native language was a priority when choosing where to bank.

* Respondents were encouraged to select all factors that apply, so the percentages do not equal 100.

For noncitizens, proximity to home or work remained the dominant priority (48%), followed by the ability to communicate in one's native language (37%) and the number of branches and ATMs (28%).

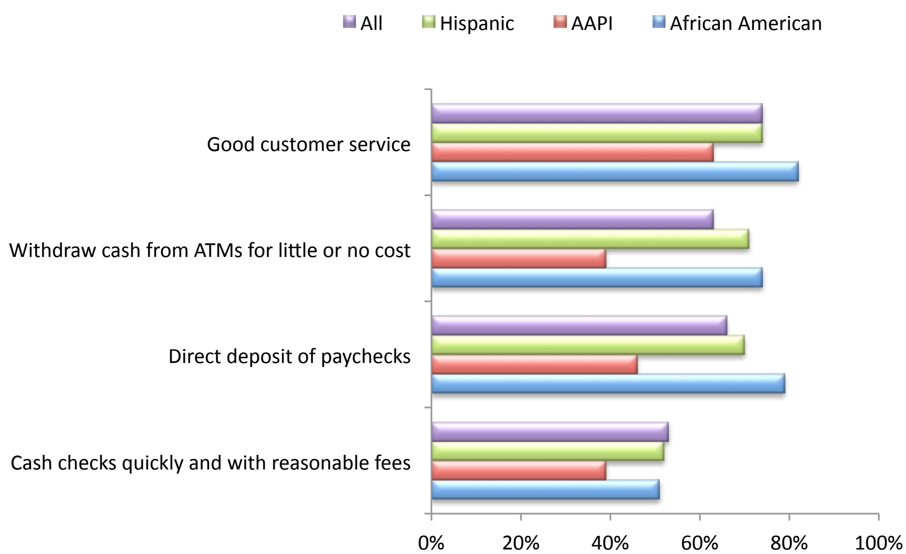
The order of priorities in selecting where to bank was fairly consistent across the banked, unbanked, and underbanked (Table 8). Regardless of banking status, the top three responses included proximity to home or work, number of branches and ATMs, and account fees or balance requirements.

Table 8. Priorities for Selecting a Financial Institution by Bank Account Ownership

	Banked	Unbanked	Underbanked
Distance from home or work	52%	29%	46%
Number of branches or ATMS	37%	28%	39%
Account fees and requirements	33%	28%	38%
Customer service	29%	24%	30%
The ability to communicate in my native language	22%	17%	12%
I feel welcome	21%	16%	19%
Online banking/mobile banking	22%	11%	24%
The hours the branch is open	19%	15%	21%
Ability to get cash quickly	12%	16%	15%
Good interest rate on car or home loans	11%	11%	12%
Availability of credit cards	5%	6%	6%
Word of mouth	5%	4%	4%
Marketing/advertising is appealing	2%	2%	2%
Other	2%	2%	2%
Don't know	3%	25%	4%

Finally, when asked a slightly different question about how important various services would be in deciding where to bank, 74% of all respondents identified good customer service as being "very important." Other services rated as "very important" in choosing where to bank included direct deposit of paychecks, withdrawing cash from ATMs for little or no cost, and cashing checks quickly and with reasonable fees. However, for all of these services, AAPI respondents were notably less likely than African Americans or Hispanics to report that they were very important (Figure 4).

Figure 4. **"Very Important" Banking Services by Race and Ethnicity**



Where People Bank

Type of Financial Institution

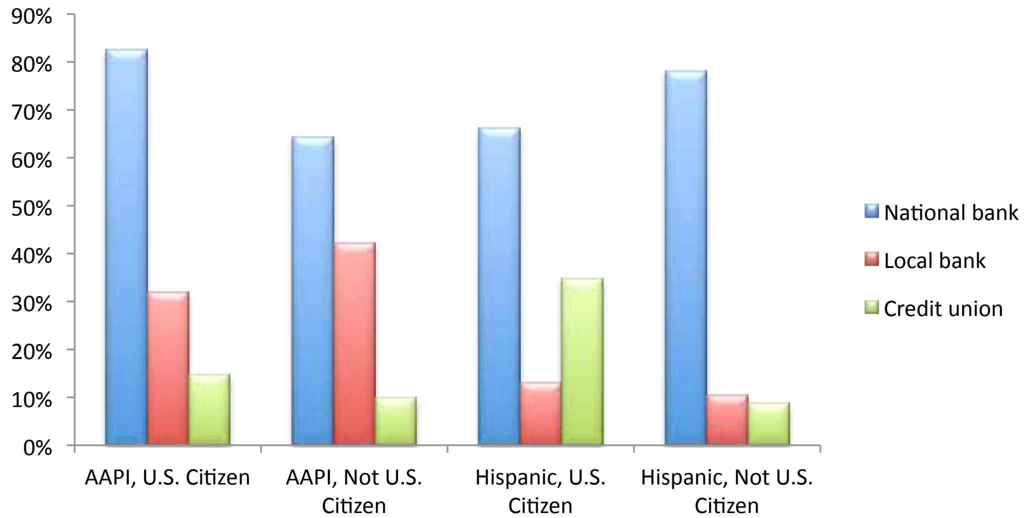
Taking the above factors into consideration, all respondents were most likely to have accounts at national banks (76%); credit unions (17%) were the second most common institution used by respondents and local banks (9%) were third.* African American (24%) and Hispanic (19%) respondents were more likely to have accounts at credit unions than AAPIs (7%).

Type of Financial Institution by Citizenship Status

The majority of noncitizens in both the Hispanic (78%) and AAPI (64%) samples banked with national banks. Of particular note is that Latino noncitizen respondents were more likely than Latino U.S. citizens to have accounts at national banks (78% to 66%, respectively). The reverse was true for Hispanic citizen and noncitizen account ownership with credit unions: Hispanic U.S. citizens (35%) were much more likely than Hispanic noncitizens (9%) to bank with a credit union. In the AAPI sample, noncitizens were less likely than citizens to bank at national banks (64% to 83%, respectively). The largest difference among noncitizen AAPIs and citizen AAPIs was account ownership at local banks (42% of noncitizens compared to 32% of U.S. citizens) (Figure 5).

* These numbers sum to over 100% because individuals may have banked with more than one institution. Those taking the survey were also given the options of "other" (2%) or "don't know" (8%).

Figure 5. Type of Bank by Ethnicity and Citizenship

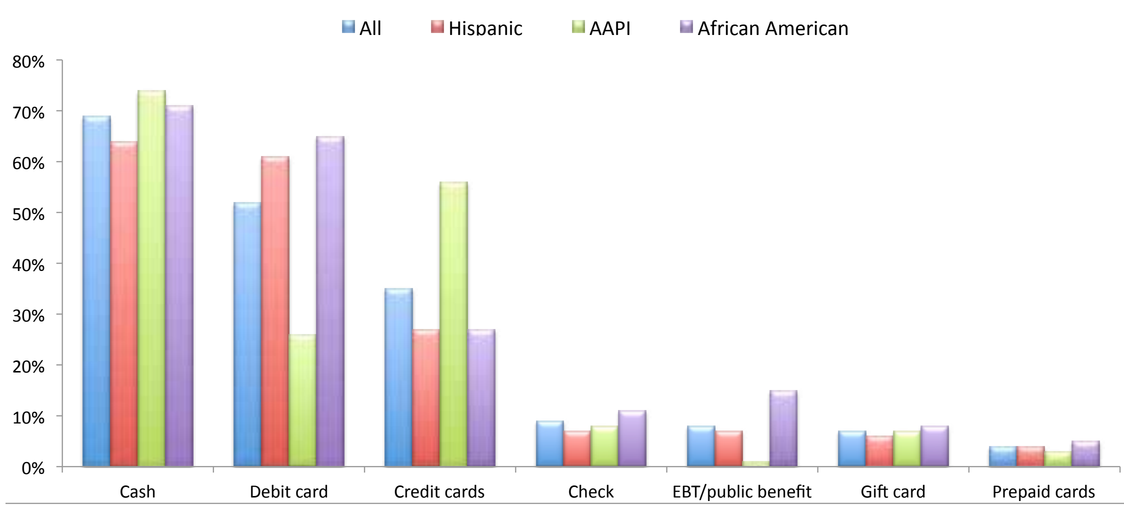


Managing Daily Financial Transactions

Methods for Conducting Daily Transactions

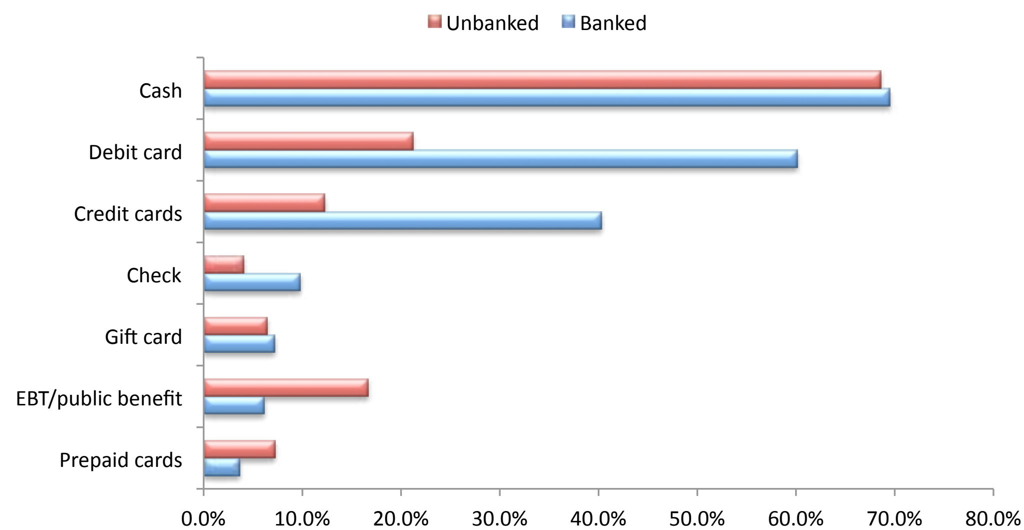
Despite the expansion of online and electronic banking options, cash is still the most common method used by communities of color to conduct daily transactions (69%), followed by debit cards (52%) and credit cards (35%). Debit cards were the second most common method used by African American and Hispanic respondents, while for AAPIs it was credit cards, which is not surprising since this group had the highest rate of credit card ownership (Figure 6).

Figure 6. Most Common Methods for Conducting Daily Transactions by Race and Ethnicity



Banked (70%) and unbanked (69%) respondents were equally likely to use cash. However, those without bank accounts were far less likely than those with bank accounts to use means other than cash for conducting daily transactions (Figure 7).

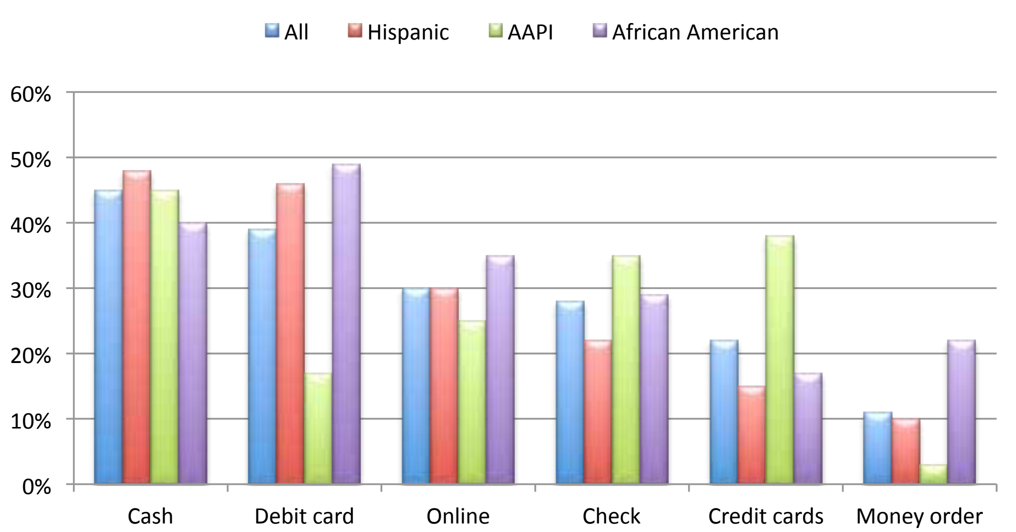
Figure 7. **Most Common Methods for Conducting Daily Transactions, Banked vs. Unbanked**



Methods for Paying Bills

In terms of bill payment, cash (45%), debit cards (39%), and online (30%) were the most common methods used by all respondents. While cash (48%) and debit cards (46%) were equally common methods for Latino respondents, African American respondents were most likely to use debit cards (49%) and AAPI respondents were most likely to pay bills with cash (45%) (Figure 8).

Figure 8. **Most Common Methods for Paying Bills by Race and Ethnicity**



Methods for Paying Bills by Employment Status and Income

Use of different bill payment methods also varied by employment status and income. Respondents who were employed full-time were most likely to use a debit card (47%) or the Internet (40%) to pay their bills, while the unemployed were most likely to make bill payments using cash (53%) (Figure 9). Middle-income families (those making $30,000–$50,000 a year) were most likely to use a debit card to pay bills (55%). Online payments were the most common method for those earning more than $75,000 a year (51%) and cash was most common for respondents with an income below $20,000 a year (60%) (Figure 10).

Figure 9. **Most Common Methods of Paying Bills by Employment Status**

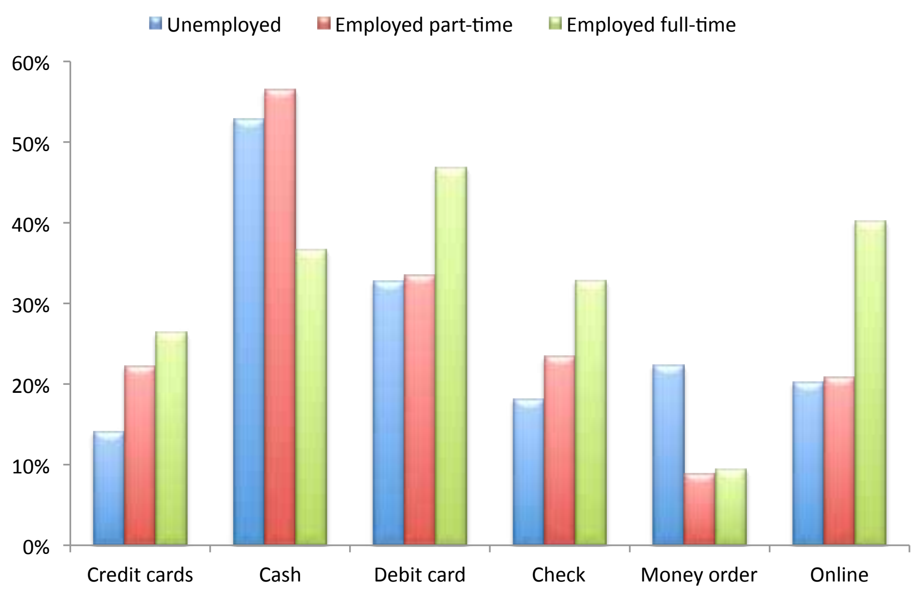
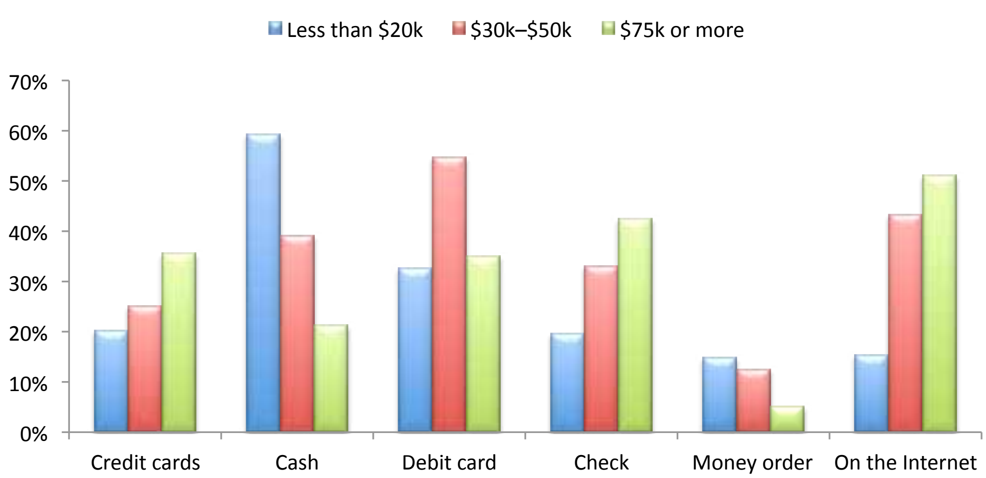


Figure 10. **Most Common Methods of Paying Bills by Income**



Technology in Banking

Internet Access and Banking

Financial institutions have become increasingly reliant on technology in delivering services and products. To the extent that populations have access to the necessary hardware and connectivity, these technologies can be useful for improving accessibility to underserved communities. Among all those surveyed, 82% had access to the Internet. African American respondents (90%) were more likely to have access to the Internet than either Hispanic (83%) or AAPI (70%) respondents. However, while fewer AAPI respondents had Internet access, those who did were more likely to have access at home than were Hispanic or African American respondents. Eighty-six percent of all respondents had access at home, as did 93% of AAPIs, 85% of African Americans, and 82% of Latinos (Table 9). People who primarily accessed the Internet at home (66%) were more likely to be users of online banking than those who accessed the Internet outside of the home (33%) or on their cell phone (14%).

Table 9. Primary Location for Internet Access by Race and Ethnicity

	All	Hispanics with Internet Access	AAPIs with Internet Access	African Americans with Internet Access
Home	86%	82%	93%	85%
Cell phone	59%	66%	44%	61%
Work	43%	41%	42%	47%
Library	23%	21%	15%	31%
Friend or relative's house	18%	16%	14%	24%
School	1%	1%	0%	1%
Other	3%	2%	1%	4%

Despite high levels of access to the Internet, only 51% of all respondents conducted banking transactions online using a computer or laptop. The usage of online banking is influenced by a variety of factors, such as age, education, income, and citizenship status. On average, younger people were more likely than older people to use online banking. Fifty-eight percent of 18–24-year-olds, 64% of 25–34-year-olds and 60%

of 35–44-year-olds had used online banking, but usage of online banking declined progressively from age 45 up (Table 10). Citizenship status also affected the likelihood of an individual to use online banking, with 56% of U.S. citizens but only 41% of noncitizens conducting financial transactions online.

Table 10. Percent of Online Banking Users by Age

18–24	58%
25–34	64%
35–44	60%
45–49	53%
50–54	45%
55–59	38%
60–64	33%
65 and over	19%

The other segment of survey respondents with high usage of online banking were those with a college education. Seventy-two percent of college graduates had used online banking compared to just 41% of high school graduates and 22% of people with less than a high school diploma.

Mobile Banking

Despite the growing prevalence of online or mobile banking services, most people admitted some level of discomfort with using the services. Only 11% of all respondents reported that they were comfortable conducting financial transactions online or using their mobile phone—7% of AAPIs, 13% of African Americans, and 16% of Hispanics. Security was the biggest concern for those who did not feel comfortable banking via the use of a smartphone; 28% of all respondents cited this as a reason for their discomfort.

Financial Knowledge and Access to Information

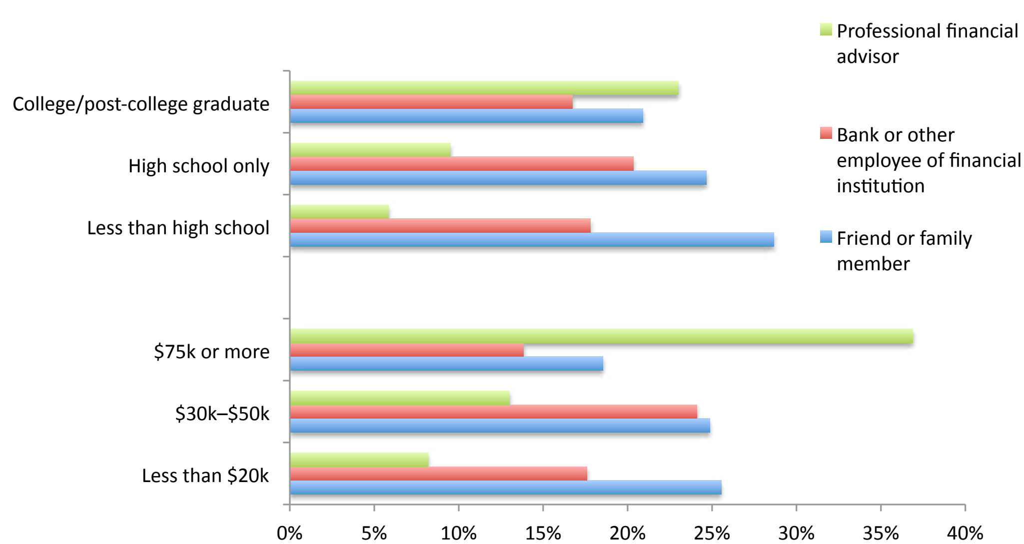
Sources of Financial Information and Advice

Survey respondents turn to a variety of sources when they need financial advice, with friends and family (24%) ranking as the most important source of financial advice for those surveyed (Table 11). Respondents also commonly went to an employee of a bank or another financial institution (18%), or a professional financial advisor (13%), for advice. This pattern was consistent across racial and ethnic groups and most income and education levels, with the exception of those at the top of the education and income spectrum (Figure 11). College and post-college graduates were almost equally likely to seek advice from friends and family (21%) or from a professional financial advisor (23%), while the majority of respondents with income over $75,000 per year sought financial advice from a professional financial advisor (37%). While banked respondents were equally as likely to seek financial advice from friends and family (23%) or from a bank (21%), the single most common source for the unbanked was friends and family (32%).

Table 11. Source of Financial Advice by Race and Ethnicity

	All	Hispanic	AAPI	African American
Friend or family member	24%	23%	21%	28%
Bank or other employee of a financial institution	18%	18%	19%	16%
Professional financial advisor	13%	9%	14%	18%
Online search	8%	8%	8%	9%
Bank website	7%	6%	8%	7%
Nonprofit organization in my community	4%	6%	2%	3%
Employer	1%	1%	0%	1%

Figure 11. Source of Financial Advice by Education and Income

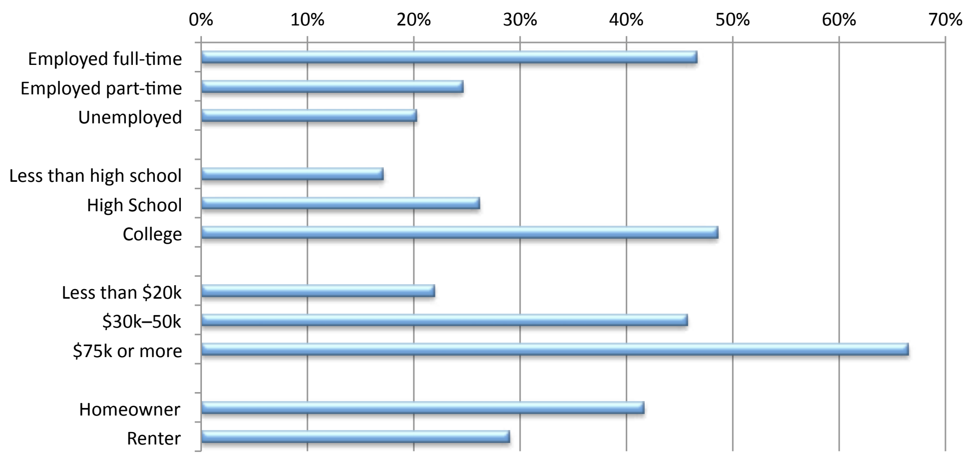


Credit Score

All survey respondents demonstrated a relatively limited knowledge of credit scores, with only 34% reporting that they know their credit score. Thirty-nine percent of African Americans reported knowing their credit score, followed by 33% of Hispanics and 31% of AAPIs. Most respondents had learned their credit score either through a bank (39%) or the website AnnualCreditReport.com (27%). However, despite the fact that there was little variation across racial and ethnic groups in the share of people who knew their credit scores or the way that they learned their score, AAPI respondents (81%) were more likely than either Hispanic (61%) or African American (55%) respondents to report having excellent or good credit.

Factors influencing one's knowledge of his or her credit score included education, income, homeownership, and employment status (Figure 12). Respondents who were employed full-time were most likely to know their credit score (47%) and to report an excellent or good rating (47%), as were those with higher incomes, higher levels of education, and homeowners.

Figure 12. Percent Who Know Credit Score by Select Characteristics



Factors such as citizenship status and language spoken at home also proved to be factors affecting one's knowledge of his or her credit score. For example, U.S. citizens (38%) were more likely than noncitizens (23%) to know their credit score and more likely to report a higher rating. Forty-three percent of U.S. citizens reported excellent or good credit, compared to 30% of noncitizens.

Similarly, those who spoke only in their native language at home were less likely to know their credit scores and less likely to report an excellent or good rating than those who spoke some English at home. Twenty-five percent of respondents who spoke only Spanish at home knew their credit score and 23% reported excellent or good credit. For those who spoke Spanish and English equally, 45% knew their score and 44% stated that their credit was excellent or good. Among AAPIs, 18% of native language-only speakers knew their credit score compared to 55% who spoke more English than their native language. Forty-four percent of those who spoke only their native language at home reported excellent or good credit, compared to 63% of those who spoke English more than their native language.

Use of Alternative Financial Services

The prevalence and use of alternative financial services (AFS) has grown over the past decade, targeting and serving different segments of the market. ASOC survey respondents from all racial and ethnic groups demonstrated limited use of various financial products, specifically as it relates to the use of these AFS. On average, fewer respondents used services such as payday loans (12%) and check cashing services (18%) in the last year than used more traditional services like credit cards (49%) or gift cards (48%) (Table 12).

Table 12. Percent of People Using Alternative Financial Services by Race and Ethnicity

	All	Hispanic	AAPI	African American
Credit card from a bank	49%	41%	58%	53%
Gift card	48%	45%	39%	62%
Prepaid card	24%	23%	16%	34%
Nonbank money order	23%	22%	9%	40%
Prepaid cell phone	22%	25%	12%	26%
Remittances or wire transfers	20%	17%	22%	23%
Nonbank check cashing service	18%	17%	9%	28%
Investment products like money market accounts or mutual funds	14%	10%	11%	23%
Payday loan services	12%	12%	6%	19%
Cashed a check by endorsing to someone else	12%	12%	11%	15%
Pawn shop	11%	13%	2%	17%
Cash advance services	10%	10%	6%	14%
Rent-to-own store	8%	8%	3%	12%
Tax refund advance loan	8%	7%	3%	14%
Peer lending circle	5%	4%	4%	7%

However, there were notable differences in the use of AFS by employment status and banking status (Table 13). Unemployed respondents were more likely than the employed to use a check cashing service not at a bank (23%), prepaid cards (34%), a nonbank money order (32%), pawn shops (17%), or prepaid cell phones (32%). Unbanked respondents were more likely than the banked to report using a check cashing service not at a bank (23%), a prepaid card (30%), or a rent-to-own store (10%).

Table 13. Percent of People Using Alternative Financial Services by Employment Status and Bank Account Ownership

	Unemployed	Employed full-time	Banked	Unbanked
Gift card	47%	55%	52%	38%
Credit card from a bank	38%	60%	56%	21%
Prepaid card	34%	25%	23%	30%
Nonbank money order	32%	25%	24%	25%
Prepaid cell phone	32%	19%	20%	33%
Nonbank check cashing service	23%	19%	18%	23%
Remittances or wire transfers	22%	23%	22%	14%
Cashed a check by endorsing to someone else	14%	12%	13%	13%
Pawn shop	17%	10%	10%	18%
Payday loan services	12%	16%	13%	11%
Cash advance services	11%	12%	10%	10%
Tax refund advance loan	10%	9%	8%	9%
Investment products like money market accounts or mutual funds	10%	19%	16%	4%
Rent-to-own store	8%	9%	7%	10%
Peer lending circle	5%	6%	5%	4%

Savings and Emergency Money

The purpose of saving is to safeguard against financial hardship in the case of emergencies. Forty-one percent of all unemployed respondents had experienced a financial emergency within the last 12 months compared to 31% of those who were employed full-time. Roughly one-third of respondents with family income less than $50,000 per year had experienced a financial emergency within the last 12 months. While 30% of all respondents had experienced a financial emergency within the last 12 months, African American respondents were most likely to have a financial emergency (41%), followed by Hispanics (33%) and AAPIs (13%).

All respondents were most likely to go to a friend or family member in an emergency (Table 14). The second most common source of emergency funds for Hispanic and African American respondents was borrowing from a retirement savings account. After borrowing from friends and family, AAPI respondents were most likely to get a credit card cash advance.

Table 14. Source of Emergency Funds by Race and Ethnicity

	All	Hispanic	AAPI	African American
Receive money from a friend or family	48%	50%	40%	54%
Borrow money from a retirement savings account	15%	15%	10%	21%
Bank/collateral valuation loan	12%	13%	13%	10%
Credit card cash advance	12%	11%	15%	12%
Pawn shop	9%	13%	2%	10%
Payday lender	8%	8%	4%	11%
Advance pay from a employer	7%	10%	4%	7%
Auto title loan	6%	9%	2%	5%

The average survey respondent was also rather conservative with regard to using a wide array of savings vehicles (Table 15). Among all respondents, the most common method of saving was to deposit funds into a savings account at a bank (55%), and 16% reported depositing funds into a savings account electronically. Contributions were typically made on a monthly basis (45%), but 20% of respondents made weekly deposits. Despite the financial hardships, high unemployment rates, and low incomes of the survey respondents, only 8% reported that they did not save at all.

Outside of a savings account, the next most common method of savings was a retirement account (16%). African Americans were more likely than either of the other two groups to participate in a retirement savings program. U.S. citizens were three times more likely than noncitizens to participate in a retirement savings program (14% and 4%, respectively).

Table 15. **Most Common Savings Methods by Race and Ethnicity**

	All	Hispanic	AAPI	African American
Deposit funds into savings account at bank	55%	47%	65%	57%
Deposit funds into savings account electronically	16%	14%	15%	19%
Retirement account	16%	11%	14%	21%
Load cash onto a prepaid card	6%	7%	4%	8%
College or child savings account	5%	6%	5%	5%
Give cash to a family member or friend to hold for me	4%	4%	2%	5%
Certificate of deposit	3%	2%	3%	6%
Keep paper checks and cash them when needed	3%	4%	2%	4%
Christmas account	2%	3%	1%	4%
Don't save	8%	10%	7%	5%

Discussion

The ASOC Financial Access Survey findings provide a snapshot of the experiences LMI communities have when engaging with the financial services industry. The findings show the influence that factors such as language spoken and employment can have on an individual's access to various services and opportunities in the financial mainstream. While most survey respondents were likely to have a relationship with a financial institution, via holding a checking or savings account, those who were outside of mainstream banking reported heavier use of costlier services and products that are not designed to further a consumer's financial capability.

The findings show interesting trends in the use of technology in financial transactions at a time when more information is needed to understand how technology can be an effective financial tool for underserved communities. And while certain technological platforms can be designed to save a consumer time, there is still a need for more information on the ways to safeguard personal information in using these services.

The majority of the survey respondents were very low-income, but many reported monthly savings habits. At the same time, many are ill-equipped to handle a financial emergency, and report that in the event of one, they would struggle to find needed resources.

Here we will discuss these and other major themes that emerged from survey findings.

There is widespread use of traditional banking services among survey respondents; however, financial isolation is still a factor. The majority of respondents (81%) had a checking or savings account, and most who reported owning an account tended to have both kinds of accounts. However, the remaining nearly 20% of unbanked are conducting their financial transactions outside of the mainstream banking system, and many are using alternative financial services (AFS) that are often high-cost and predatory, which is making them even more financially insecure. The rate of unbanked and underbanked among the survey respondents is also close to three times higher than overall national trends, where according to the 2011 FDIC Survey of Unbanked and Underbanked Households,[9] just 8.2% of U.S. households are unbanked nationally.

Customer service and location matter. People are looking for local access and personal relationships when it comes to banking. Customer service ranked as a significant factor overall for survey respondents when asked what they were looking for in a banking institution, regardless of banking status. While many transactions are available online, many consumers still like to bank in person, and the customer service experience matters. The proximity of bank branches and ATMs also ranked as important, as did the ability to withdraw cash easily, and to cash checks. Considering that cash was also the preferred method of payment for daily transactions and bill pay, it is clearly also important for individuals to access their funds with convenience.

Account fees and minimum balance requirements are also driving choices. Survey respondents were also highly sensitive to account fees and requirements. One third of all respondents identified fees and balance requirements as the most significant factor in choosing a financial institution. This was consistent across racial and ethnic groups as well as banking status with the banked, unbanked and underbanked all identifying it as one of their top priorities.

Financial advice and information is a sought-after service, but people have limited resources for it. Access to timely and relevant financial information is critical for households in managing their finances, especially in low-income households that need to maximize their earnings and still have enough to put away in savings. Without a source of credible and objective financial information, families can be victims of unscrupulous financial practices, as was evidenced in the predatory lending that resulted in the most recent housing crisis.

The majority of all of those surveyed place heavy importance on accessing financial information and advice when seeking a banking relationship. More individuals reported that they are likely to turn to someone in their personal network for this information, rather than a financial professional. This can be problematic, because informal familial networks provide uneven or limited information.

Despite the fact that over half, 61%, of all respondents reported owning at least one credit card, less than half of all survey respondents had knowledge of their credit score. This is troubling, especially because many respondents report that they use credit cards regularly, and it was among the top three financial tools used to pay for daily transactions. The very low-income, noncitizens and non-English speakers were less likely to have information on credit, though this may also coincide with lack of access to credit, generally.

There is widespread access to, and use of, the Internet and smartphones, but there are still strong concerns preventing their use for banking transactions. Internet access was relatively high overall for respondents, with 82% reporting that they had it, and there was willingness to conduct financial transactions by computer or smartphone. However, among survey respondents, the use of technology in conducting financial transactions, such as using online banking, was influenced by certain factors, including where individuals had Internet access. While nearly one-third (59%) of those surveyed accessed the Internet via smartphone connection, only 14% of those who had this Internet access point used it for banking. In contrast, 66% of those with an Internet connection at home used online banking.

The mobile banking field has been evolving quickly and awareness of security measures may not be sufficiently known. Security of personal information remains a concern for consumers, and almost one-third (28%) surveyed overall cited it as a reason for being uncomfortable with banking online.

Use of AFS is heavier for those outside the mainstream banking system and the very low-income. Unbanked households were more likely than banked households to turn to AFS. Households with less financial security, i.e., who were unemployed or earned lower household incomes, were also more likely to use alternative financial services.

For those who did use AFS, these products likely met a need for households that have poor or no credit and have difficulty qualifying for loans from mainstream financial institutions. For those with less financial security, AFS such as payday loans satisfy the need for short-term, small-dollar credit, which may provide a faster response to the need for emergency funds. AFS also may provide alternatives for respondents who were banked and may have lost or have suspended accounts due to repeated overdraft fees, overdrawn accounts, or other banking issues.

Overall, respondents in our survey who were engaged in the financial mainstream were less likely to use alternative financial services. Respondents to the survey tended to have existing banking relationships, which included those who owned a checking account, a savings account, or both, were relatively high (90% of AAPIs, 79% of African Americans, and 75% of Latinos). Surveys were administered to respondents who had relationships with a nonprofit agency that provided financial education, which can also explain the lower use of alternative financial services that may be predatory. Respondents were also more likely to use other means of sources for emergency money than AFS; they were more likely to use credit cards, gift cards, or turn to family and friends to meet an unplanned financial burden, which correlates with data about how respondents save for emergencies.

Survey respondents were vulnerable to emergencies and have a limited safety net, yet are still managing to save. Few participants were prepared for emergencies and unexpected expenses, even when accounting for differences in economic stability: 41% of the unemployed and 31% of the full-time employed experienced a financial emergency within the previous year. This is particularly significant, considering that in this survey, the unemployment rate (15%) was twice the national average (7.5%)[10] for the time in which the survey was administered.

Even more concerning is that while most participants reported that they would rely on family and friends to make ends meet during a financial emergency, 42% said they didn't know how they would raise the money to cover that emergency and were completely vulnerable to the decimating toll such a crisis could take. Low-income and minority communities have historically relied on each other within family and community groups, but often those family and friends are also tapped out.

Yet despite fragile finances, people are managing to save. Over half, 55%, of all individuals surveyed said they save via depositing into a savings account, and 45% of all respondents said they save monthly. Savings provides a cushion to safeguard against financial hardships in the case of emergencies and creates access to education, mobility, homes, businesses, and other wealth-building opportunities, and the absence of it creates financial insecurity. Respondents relied mostly on bank savings accounts, a relatively low-interest savings vehicle, with little or no risk, that is very liquid, and often perceived as the safest strategy.

Savings strategies are short-term and limited in their ability to ensure long-term wealth-building. Data from this survey also shows the communities served by NCLR, NUL, and National CAPACD are behind national trends regarding retirement savings and even more financially insecure. Overall, less than one in six survey respondents (16%) saved through some form of employer-sponsored retirement account. For African American and Latino survey respondents, the second most common source for bridging the gap in an emergency was borrowing from a retirement account, further eroding any long-term gains. While the pattern of savings is good news in general, the focus on short-term savings leaves participants vulnerable to long-term financial insecurity.

Recommendations

This section will provide recommendations for the financial industry and for policymakers to help LMI communities in overcoming financial isolation and facilitating economic integration for underserved families.

Increase bank account ownership among the underserved. The survey findings demonstrate that certain factors, such as employment status, income, and citizenship status, affected the likelihood of individuals to hold an account at a bank or credit union. Survey respondents who did not own an account placed importance on the customer experience, convenience and the affordability of transactions. Strategies to bring underserved consumers into the financial mainstream must be mindful of the factors they identified as influencing their banking preferences and behaviors.

Employers, municipality-led programs, and community outreach programs should also further explore financial product development innovations to expand financial access for underserved communities such as noncitizens, the unemployed, very low-income, and geographically isolated. Innovation of this type must be relevant to their experiences and challenges when accessing mainstream financial products.

Expand financial capability for the underserved. Survey findings show that many individuals have limited resources for acquiring financial knowledge on topics like credit or simply rely on family or friends for this information. Trusted community- and faith-based institutions have long played a role in bridging the information gap on a range of financial topics. These organizations are an important source of support based on their ability to provide bilingual and bicultural support that combat isolation for underserved communities, particularly for immigrants. Financial institutions, government agencies, and municipalities can leverage partnerships with these community resources. Federal, municipal, and private funds should focus on supporting community financial capability programs for the underserved. Further, for survey respondents who reported predominantly speaking a native language other than English, the delivery of relevant financial information in the consumer's language must be more widely available.

Leverage technology to enhance and supplement traditional bank branches to increase financial access. All survey respondents reported, albeit at various levels within each racial/ethnic community, that they are embracing different forms of technology when performing daily financial transactions. However, respondents also report low levels of online and mobile usage due to concerns - particularly with mobile - around the safety of private information. Strategies to increase technology offerings should be cognizant of a general concern regarding security, and privacy and should include targeted consumer education regarding how mobile banking users can protect themselves against identity theft and other predatory activities.

Financial institutions and community organizations should partner to increase awareness of data security and privacy. Greater adoption of online and mobile banking services is attainable by helping consumers understand how to best safeguard their information and privacy and what to do if they are a victim of identity theft. Moreover, new technology platforms aimed at bringing the unbanked population into the financial mainstream must consider the language needs of immigrants.

Maintain physical bank branches in communities of color, which still rely heavily on conducting financial transactions in person. As the survey results show, respondents from Latino, African American, and AAPI communities still use bank branches for daily transactions, such as depositing money into savings accounts and getting cash. Bank and credit union branches with bilingual staff have an opportunity to be a trusted and reliable source of information for many immigrant communities, in particular, given that many Latino and AAPI respondents report relying on financial institutions for information about finances. These institutions should continue to prioritize having a physical presence in neighborhoods with a high concentration of immigrants.

Help the financially vulnerable from falling out of the banking system. Perhaps not surprisingly, unemployed survey respondents are among the most financially vulnerable. While they are sensitive to costs, they are also more likely to lack access to the features that help make bank account ownership affordable, such as direct deposit. At a time when many in our economy are without employment, financial institutions can help prevent the unemployed from falling out of the mainstream banking system and relying on costly alternative financial services. They can do so by offering account features such as a very low minimum-balance requirement or the elimination of those requirements, and waived account fees for these customers. Financial institutions should work to lower these barriers given the number of survey respondents reporting that fees and requirements matter when evaluating financial products. Financial institutions should also provide customers who receive public benefits the ability to have funds transferred electronically to their account, and ensure that branch staff is aware of these account features in order to educate consumers about their availability.

Increase small-dollar lending to foster greater financial capability. Survey respondents who reported heavier use of AFS were among those who were likely to reside outside the mainstream financial system. While AFS may fulfill a short-term need, they are potentially more harmful to consumers' financial capacity in the long-term, as they can trap borrowers in cyclical debt. However, there is currently a lack of structural incentive for more financial institutions to offer small-dollar lending and lend to borrowers with atypical profiles, such as immigrants or thin credit file consumers. This could be addressed through regulatory measures, such as standardizing acceptable loan identification documentation, to encourage mainstream financial institutions to serve a broader swath of borrower profiles.

At the same time, the structure of predatory lending, like traditional payday loans, has created an uneven marketplace (e.g. quick turnaround time, with few ability-to-repay requirements), making it difficult for responsible financial institutions to compete in the small-dollar lending space. More intense efforts to protect consumers from harmful and largely unchecked products in the financial marketplace are needed and must be balanced with a regulatory environment that will allow responsible financial institutions to participate. Opportunities to innovate and pilot, such as CFPB's Project Catalyst, are critically important efforts to test services and products that are affordable for low-income consumers and mitigate risk for financial institutions.

Support improvements to Social Security and increase access to broader retirement resources. Overall, only one in six (16%) ASOC survey respondents saved through some form of employer sponsored retirement account. To enable people of color to be financially secure during retirement, Social Security should not only be preserved, but needs to be expanded, and new approaches are required. In addition, increased access to the private retirement system is critical to improve retirement security for people of color. Policymakers should expand Social Security and promote policies that address adequate benefits for vulnerable populations, particularly those locked out of the workforce.

Promote opportunities to increase personal savings. It is encouraging that the majority of survey respondents reported saving, and most who saved did so on a monthly basis. However, many low-income individuals also reported that they had experienced a financial emergency within the last year. Many low-income families are only one financial emergency away from living in poverty, and do not have enough savings accumulated to withstand such hardship.

At both the state and national levels, public policy should help consumers in saving and building assets by developing new programs or expanding those with demonstrated positive economic impact. Programs such as the Individual Development Accounts have demonstrated positive long-term financial behavior for participants by providing matched savings accounts that require that participants receive financial education. Tax credits such as the Earned Income Tax Credit (EITC) should be structured to maximize income and incentivize savings in low-income households. In addition, policymakers must remove barriers to savings, such as asset limit tests affecting the qualification for public benefits. Particularly for families who are struggling to recover from the most recent economic recession, facing job loss or foreclosure, benefits provide critical assistance. Asset limit tests disincentive savings and further jeopardize the financial security of families at the time when they need it the most.

Methodology

Between March and May 2013, the National Council of La Raza (NCLR), the National Urban League (NUL), and the National Coalition for Asian Pacific American Community Development (National CAPACD) worked with local organizations and members of affiliated networks to survey low-income individuals. This project used community surveys to gather data on various aspects of the financial lives of Latinos, African Americans, and AAPIs in California, Florida, Illinois, and Texas. Surveys focused on the financial tools and services used to manage daily and long-term financial needs, the communities' overall perceptions about financial institutions, and the role of technology in financial transactions.

Surveys were distributed through nine locations in partnership with NCLR, NUL, National CAPACD, and their Affiliates. Survey sites were selected for geographic diversity, and selection also considered organizational staff capacity to distribute a volume of surveys to a wide community base. Collectively the survey reached 5,416 respondents. NUL surveyed 1,584 respondents in South Florida; Chicago, Illinois; and Houston, Texas. NCLR surveyed 2,310 respondents in South Florida; Chicago, Illinois; and El Paso, Houston, and San Antonio, Texas. National CAPACD surveyed 1,522 respondents in Los Angeles and Oakland, California; Chicago, Illinois; and Houston, Texas.

The survey instrument consists of 55 questions making sensitive inquiries into the participants' citizenship status, income, and banking habits. The instrument is nearly identical to a survey used by NCLR in 2012 to gather data about Latino financial habits in California. At that time, the tool was reviewed by a number of financial policy experts to ensure its design would capture the range of information desired. For this survey, survey participants self-selected the language with which they were most comfortable, including English, Spanish, Chinese, Vietnamese, Thai, and Korean. In order to solicit honest answers, it was necessary to work with community organizations trusted by the target population. NCLR, NUL, and National CAPACD Affiliates have strong reputations in low-income communities of color, allowing the three organizations to reach often-overlooked populations.

Endnotes

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