

A CFSI inBrief on the Underbanked Consumer Study

Preferences and Usage of Financial Service Providers

Introduction

This CFSI inBrief provides some insights on underbanked consumers' preferences and usage regarding financial service providers.

The information is drawn from the 2008 CFSI Underbanked Consumer Study.

- Underbanked consumers are those that may have a current checking account and/or current savings account and have made one or more non-bank financial transactions in the past 30 days.
- Unbanked are those that have no current checking account and no current savings account.

Financial Service Provider Preferences and Usage

When asked, underbanked consumers have clear preferences when it comes to their choice of financial outlets. Almost 80% of underbanked consumers are satisfied with their preferred service provider. There are, though, some significant differences between stated preferences and the actual provider utilized. There are also differences for unbanked consumers.

Where do underbanked consumers prefer to go?

- A standalone bank or credit union in a stand alone branch is most preferred overall – 35%
- A supermarket or grocery store was next – 24%
- In-store bank or credit union, check casher, convenience store, or super center – roughly 6% to 8%

35%

Percentage of surveyed consumers that prefer to use a bank or credit union

61%

Percentage of underbanked that prefer a bank or credit union

18%

Percentage of unbanked that prefer a bank or credit union

46%

Percentage that use a supermarket/grocery store most

41%

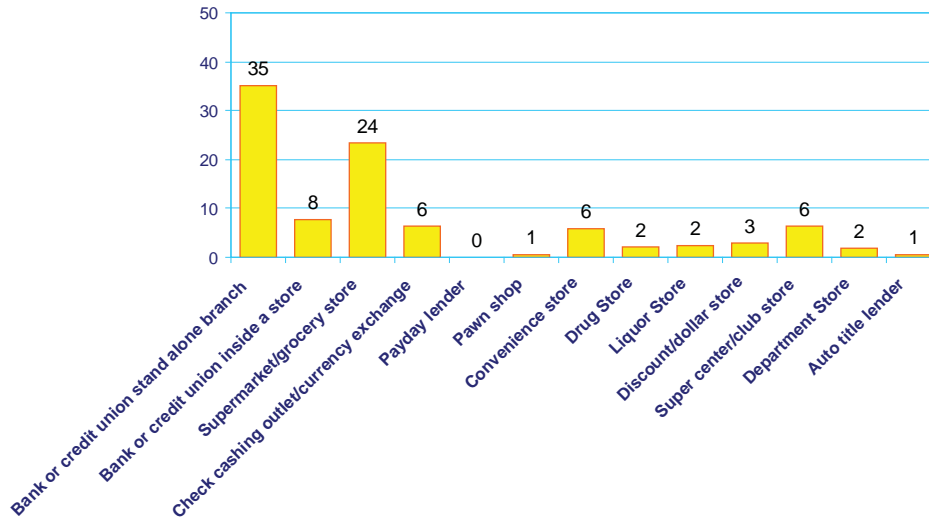
Percentage that use a bank or credit union most

22%

Percentage that rate timeliness as the top reason for financial outlet satisfaction

Preferred service provider for all consumers surveyed

Preferred Service Provider for financial transactions

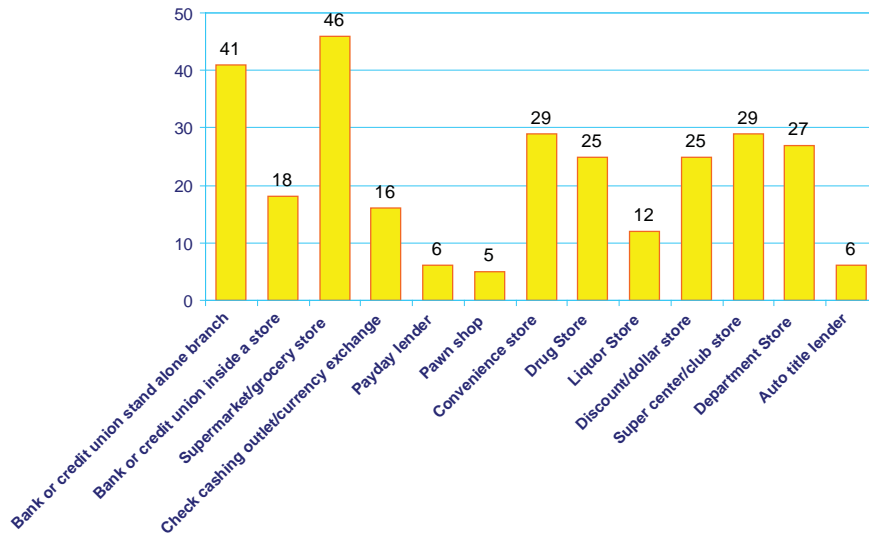


While they express an overall preference for banks and credit unions, their actual usage still leads the underbanked to perform their transactions where they transact business. Note that multiple choices were permitted for this question.

- A supermarket/grocery store is most utilized (46%)
- A standalone bank or credit union is second (41%)
- Convenience stores and super center/club stores both came in third (29%)
- A department store was next most utilized (27%)

Where do consumers actually go (underbanked and unbanked)?

Actual Service Provider used for financial transactions

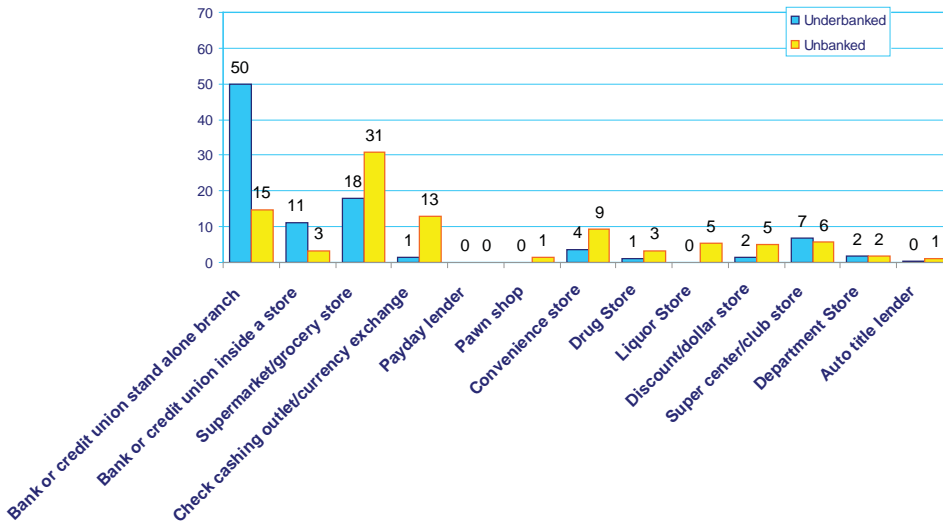


The differences between stated preferences and actual usage are most dramatic in terms of payday lenders, department stores, drug stores, and auto title lenders. Note that when indicating actual usage, multiple choices were allowed.

- Payday and auto title lenders were preferred by less than 1% of underbanked consumers, yet they were each utilized by 6% at least once in the past month.
- A department store was preferred by 2% of consumers but was utilized by 27%.
- Drug stores were identified as preferred by 2% of the underbanked and used 12% in the last month.

Are there differences between the preferences of unbanked and underbanked?

Preferred Service Provider for Financial Transactions:
Underbanked and Unbanked

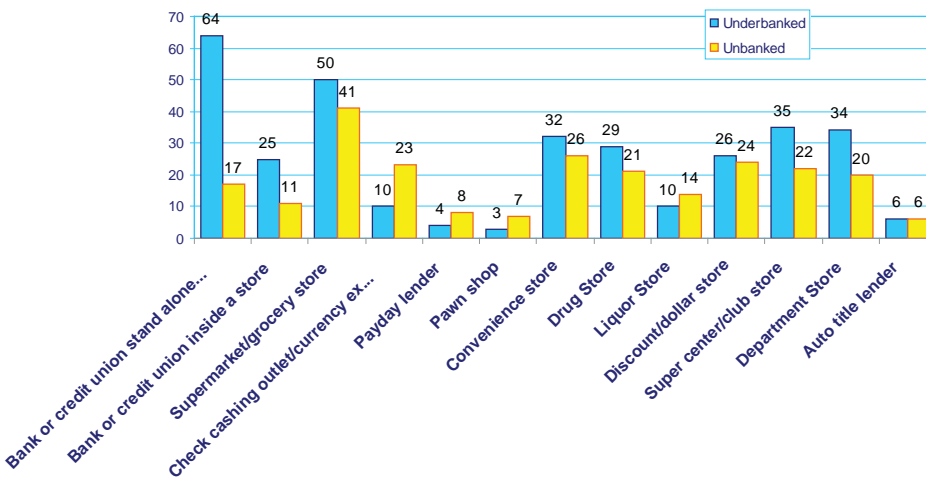


Identified preferences definitely differ between underbanked consumers with bank accounts and those without (unbanked).

- 61% of underbanked consumers prefer to utilize a bank or credit union.
- Even without a current bank account, 18% of the unbanked prefer a bank or credit union.
- An unbanked consumer's first choice is a supermarket/grocery store and they are also far more likely to prefer a check cashing outlet for their financial transactions.

Are there differences between the actual usage of unbanked and underbanked?

Actual Service Provider used for Financial Transactions:
Underbanked and Unbanked



Aside from bank or credit union usage the differences between underbanked and unbanked consumers are not that striking. What is most interesting to note is the broad array of service providers that both consumer segments utilize over the course of a month.

Methodology:

A national study of 2,799 underbanked adults 18+ by phone and mail

- Non-Hispanic/Hispanic
- A broad age sample

Weighted back to U.S. population proportionally

- All US Households: 112 million
- Underbanked US Households: 21.6 million
- Unbanked US Households: 18.5 million

Segments were identified and within each segment information regarding:

- Market segment size
- Propensity for financial products
- Desired marketing and communication approaches

About CFSI

The Center for Financial Services Innovation (CFSI), a nonprofit affiliate of ShoreBank Corporation, facilitates financial services industry efforts to serve underbanked consumers across the economic, geographic, and cultural spectrum. It provides funding and resources, enables partnerships, and identifies, develops, and distributes authoritative information on how to respond to the needs of the underbanked profitably and responsibly. CFSI works with banks, credit unions, technology vendors, alternative service providers, consumer advocates, and policy makers to forge pioneering relationships, products, and strategies that will transform industry practice and the lives of underbanked consumers. For more on CFSI, go to www.cfsinnovation.com.

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