

A CFSI inBrief on the Underbanked Consumer Study Prepaid Card vs. Checking Account Preferences

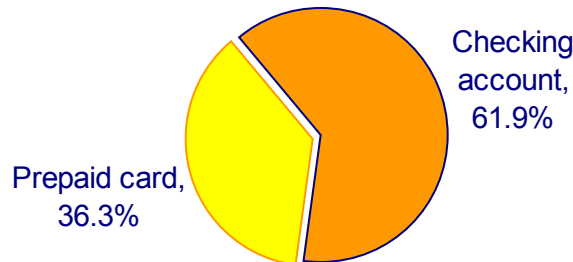
Introduction

This CFSI inBrief looks at underbanked consumer preferences between checking accounts and prepaid cards. In the 2008 CFSI Underbanked Consumer Study consumers were asked; "If the cost of using a checking account or a prepaid card was equal, and you had to choose one of these, which would you prefer to use?"

- Underbanked consumers are those that may have 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.

Prepaid cards and checking accounts offer great value for all consumers. Specific preferences are driven by the attractiveness and need for some of the distinct features offered. From a Prepaid card's inherent ability to control spending and universal acceptance to the proof of payment offered by a checking account, consumers are drawn to products that address their specific needs.

All Surveyed Account Preference



Prepaid was used by 7% of those surveyed in last 30 days

62%

Percentage of surveyed consumers who prefer a checking account over a prepaid card

81%

Percentage of banked underbanked who prefer a checking account over a prepaid card

55%

Percentage of unbanked that prefer a prepaid card over a checking account

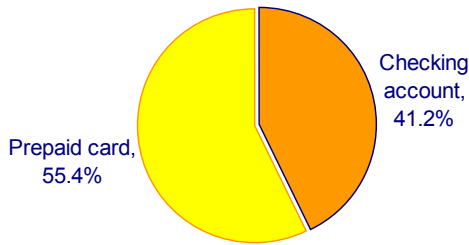
71%

Percentage of White underbanked who prefer a checking account over a prepaid card

45%

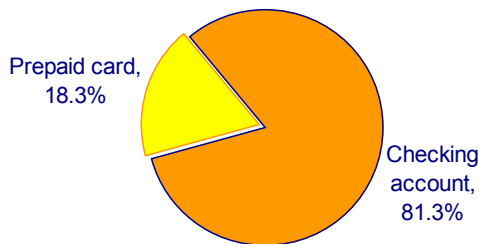
Percentage of Black underbanked who prefer a checking account over a prepaid card

Unbanked Account Preference



Prepaid was used by 8% of unbanked in last 30 days

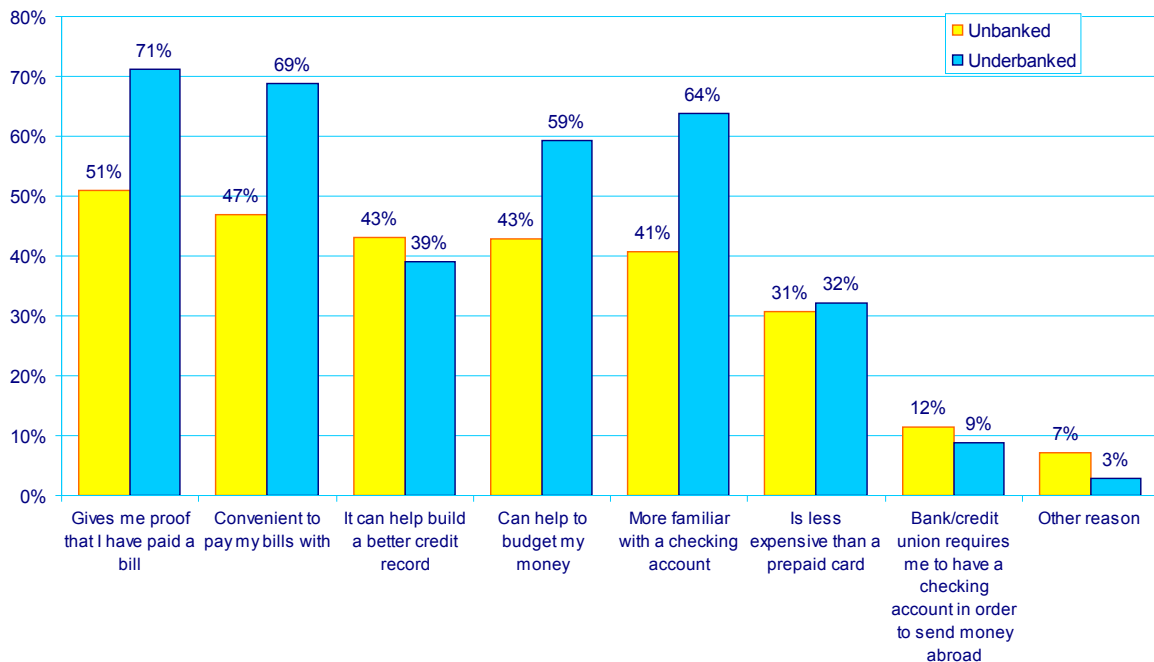
Underbanked Account Preference



Prepaid was used by 6% of underbanked in last 30 days

Reasons why surveyed consumers prefer Checking Accounts over Prepaid Cards

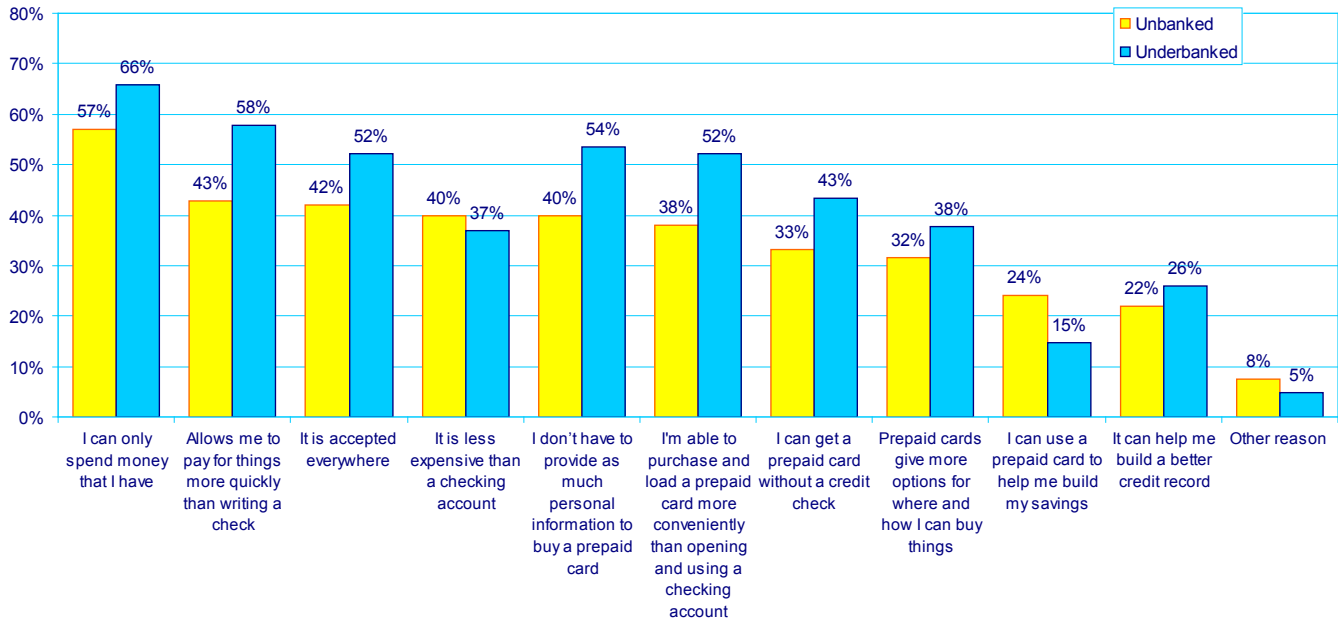
Why a Checking Account is Preferred over a Prepaid Card



A checking account can be attractive to all consumers but primarily to those already familiar with banks and banking processes. Underbanked, and some unbanked, consumers clearly value the convenience and evidence of bill payment that checking accounts offers.

Reasons why surveyed consumers prefer Prepaid Cards over Checking Accounts

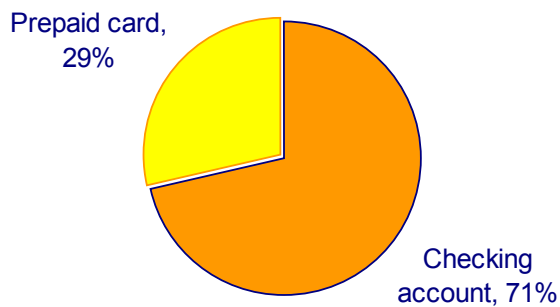
Why a Prepaid Card is Preferred over a Checking Account



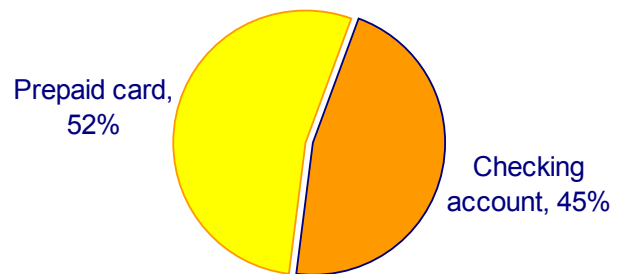
The convenience of use, inherent spending control, and easier initial access make a prepaid card more attractive many consumers, especially those currently unbanked.

Surveyed consumers account preference – by ethnic group

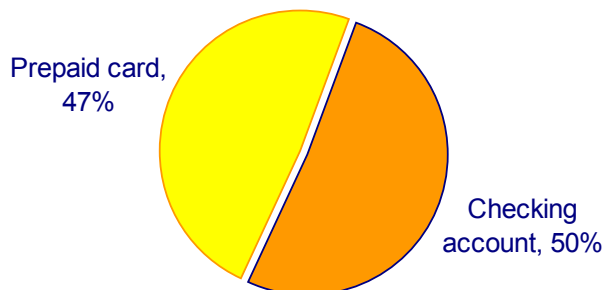
White



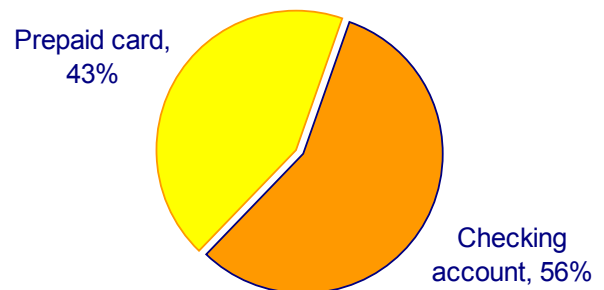
Black



Hispanic



Other



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

Correction: The pie charts on page 2, indicating unbanked and underbanked account preferences were placed incorrectly in the first version of this inBrief published on September 3, 2008. The unbanked consumer pie chart should have noted that 55.4% favor prepaid cards and 41.2% favor checking accounts, and the underbanked consumer pie chart should have noted that 18.3% favor prepaid cards and 81.3% favor checking accounts. Version 2 with corrected pie chart placement was released on September 9, 2008.

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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