Although underbanked consumers in the U.S. often have insufficient access to financial services, their access to mobile phones is fairly widespread.

<table>
<thead>
<tr>
<th>People with access to a mobile phone</th>
<th>People without access to a mobile phone</th>
</tr>
</thead>
<tbody>
<tr>
<td>96%</td>
<td>4%</td>
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</table>

In contrast, 26% of U.S. households are unbanked or underbanked.

The Mobile Opportunity

Mobile phones have several attributes that make them suitable for delivering financial services to consumers.

- **Portable**: Most cell phone users carry their phones with them at all times, so financial providers can use these devices to deliver time-sensitive information.
- **Ubiquitous**: Mobile phone usage is ubiquitous in the United States, and unlike internet access at home, mobile access is consistently high across demographic and socioeconomic groups.
- **Personalized**: Because the mobile phone is often the primary way people reach friends and family, users feel an emotional connection with their phones.
- **Multi-modal**: The increasing sophistication of mobile phones increases the possibilities for financial providers to use them to interact with their customers for more complex purposes.
  - Underbanked consumers increasingly have access to smartphones, including through prepaid wireless carriers, who typically cater to a lower-income customer base than post-pay carriers. Cricket, a leading prepaid wireless carrier, reported that 40% of its new handset sales in the first fiscal quarter of 2011 were smartphones.

Benefits of Mobile Financial Services for the Underbanked

**Today:**

* MFS have the potential to:
  - Drive increased financial capability: Creating timely access to account information through alerts, reminders and more
  - Offer greater convenience: Using the mobile phone to conduct basic transactions such as purchasing prepaid minutes, paying bills, or sending money to a friend or relative
  - Lead to improved security and fraud protection: Improving security through enhanced authentication, transaction alerts, and dynamic pins

**On the horizon:**

As MFS grow more sophisticated, these tools may eventually:

- Transition customers from cash to electronic transactions: MFS offers potential for greater security, improved budgeting and expense tracking, and simplified payment receipt for small businesses
- Improve access to basic financial accounts: Eventually, mobile devices could become a distribution channel for financial products, creating new access for the underserved
Serving the Underbanked with MFS: Benefits for Providers

Today:
- Increased loyalty and retention through greater customer engagement
- Potential for longer-term and more profitable customer relationships, as customers gain financial capability
- Reduced customer service costs, through new, lower-cost ways for customers to access their account information

On the horizon:
- Acquisition of new customers who are less likely to visit the branch
- New sources of fee income by converting cash transactions to electronic
- Reduced fraud costs through access to deeper information about potential customers
- Reduced fraud through real-time alerts

What About Mobile Payments?
The MFS function that has garnered the most attention, by far, in recent months is mobile payments. In particular, mobile wallets and near-field communication (NFC) payments have generated a great deal of buzz. While these emerging payments models offer some novelty appeal, they face substantial barriers to widespread adoption. Additional barriers exist for underbanked consumers, notably the fact that mobile wallets and NFC payments are currently structured to support existing accounts rather than new accounts. For these reasons, CFSI’s framework emphasizes near-term opportunities in mobile banking, as well as payments-related opportunities that may emerge in the future.

To Learn More…
For more detailed information, and for examples of financial providers who are finding innovative ways to serve underbanked consumers through the mobile channel, please see the related white paper, “Reaching Underbanked Consumers Through Mobile Services.”