Highlights from the 3rd Annual Underbanked Financial Services Forum
New Approaches, New Understanding, New Relationships

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Executive Summary

Having recognized the great opportunity underbanked consumers represent for financial services, participants at the 3rd Annual Underbanked Financial Services Forum turned their attention to better understanding this potential market. The forum, presented by SourceMedia in conjunction with the Center for Financial Services Innovation (CFSI), explored the heterogeneity of underbanked market segments and the latest approaches to providing financial services targeted to their unique needs and preferences.

Approximately 430 participants represented banks, credit unions, technology vendors, alternative service providers, consumer advocates and policymakers—all concerned with how to provide financial services for the underbanked effectively, responsibly, and profitably.

The proceedings of the conference provide a comprehensive overview of the state of the industry and current dialogue and trends within it. As in the past, a key strength of this year’s conference was its cross-sector scope. The forum brings together a broad group of stakeholders in the underbanked financial services industry to share information and best practices.

In just three years since the first forum, the industry has become increasingly sophisticated with respect to underbanked consumers. In 2006, participants considered whether targeting the underbanked market was legitimate, responsible, and profitable. The following year they discussed success strategies for leveraging the opportunities the underbanked represent. And this year they focused on the diversity of the underbanked market, made up of distinct segments of consumers, each with particular desires and needs that require specifically targeted approaches and relationship-building strategies.

Five key themes emerged from the event:

1. **Relationship-building is now a goal.** In the past, providing single transactions for the underbanked may have seemed sufficient. Today, many of those who serve underbanked consumers want to build relationships with them.

2. **Understanding underbanked consumers.** Gaining new insight into the heterogeneous underbanked market is critical to innovation, risk management, and relationship-building.

3. **Function, rather than institutional form, determines product offerings.** Driven by consumer demand, more financial services providers are adding multiple lines of business. For example, some prepaid card accounts are providing credit...
and savings functions, and some banks are offering services—like check cashing and remittances—traditionally provided by non-bank businesses.

4. **Simplicity and transparency in credit terms work together with just-in-time education.** Transparency—not just required disclosures—is important to serving customers responsibly and profitably, complementing the goals of financial education. There are multiple models for integrating the provision of information and/or support with services.

5. **Increased dialogue on savings.** On the horizon—and already evident at this year’s forum—is increased discussion about making savings products attractive to the underbanked and profitable for the industry.

*Figure 1: Underbanked Percentage of U.S. Adult Population, 2008*

The total underbanked population comprises 106 million adults, or 49% of the population 18 and over.

*Source: CFSI Underbanked Consumer Study, 2008*
1. Relationship-building is now a goal

In the past, serving the underbanked may have meant providing them with single transactions. But today, many who serve underbanked consumers want to build a relationship with them.

To build a relationship takes more than simply graduating consumers from “entry-level” transactional products and services to more mainstream or advanced products. In fact, consumers may access a suite of products at several different “levels” all at the same time. Thus, a financial services provider’s relationship with an underbanked consumer may be cumulative rather than progressive. As the industry develops a deeper understanding of the underbanked market, it is beginning to understand underbanked consumers as potential customers for other business lines who can be a profitable market not only for an immediate transaction but over the long term.

Bundling products—such as credit with savings or remittances with checking—can yield a whole greater than the sum of its parts by helping to build strong customer relationships and loyalty. These long-term rewards are an incentive to offer products that have historically been perceived to be less profitable, such as savings accounts.

Several conference participants shared relationship-building strategies that exemplify this understanding.

**KeyBank** offers check-cashing services at 175 of its regular bank branches in six districts. The bank trains its staff to initiate conversations with its check-cashing customers and, importantly, to track them in the bank’s customer relationship management (CRM) system alongside traditional account-holding bank customers.

**Wells Fargo** sees its remittance services program as a way to encourage relationships with new customers. Remittance services are priced lower for checking account holders and even lower for transfers from domestic Wells Fargo accounts into bank accounts overseas.

**BBVA/Bancomer** has deployed a comprehensive strategy for serving Latin American immigrants’ financial services needs—from first-generation immigrants to third, from remittances and check-cashing services to home mortgage and retirement accounts. Providing this full spectrum of products and services in both Latin America and in U.S. diaspora communities is a key strategy for building long-term customer loyalty.

**Self-Help**, a CFSI grantee announced at the forum, is using the new grant funds to seed a pilot micro-branch program. By providing transactional services in low-income communities along with a full suite of traditional credit union offerings, Self-Help aims to tap the demand for check cashing and other transactional services while encouraging new credit union membership.

These banks and credit unions are meeting potential new consumers where they are by offering services such as check cashing and remittances. Rather than using these products only as a gateway to a mainstream banking relationship, institutions are viewing transactional product offerings as another way to better serve and retain customers while reaching out to new customers. Offering transactional products with attractive fee structures that also encourage opening of depository accounts, as well as adopting the convenient hours and locations of money services businesses, show promise as a better way to serve and attract customers while building profitable, multifaceted long-term relationships.

More work is needed to better understand the benefits and challenges of creating products aimed at developing and improving relationships with underbanked consumers. A key question is whether the concept of progressively “graduating” consumers along a credit path still has merit for all consumers, or whether financial services providers should indeed think more about relationship-building on several
levels at once. (For further discussion about banks expanding product lines beyond traditional bank offerings, see theme 3 below: “Function, rather than institutional form, drives product offerings.”)

2. Understanding underbanked consumers

Recognizing the heterogeneity of underbanked consumers is critical to targeting innovations in products and services, managing risk, and building customer relationships.

The initial findings of the first-of-its-kind CFSI Underbanked Consumer Study, revealed at the forum, offer a fresh perspective on the extent and diversity of the underbanked market. Each underbanked consumer segment is underbanked in its own way: eight unique market segments were identified and described. The segmentation analysis will allow financial services providers to better leverage the opportunities of the $300 billion-plus underbanked sector, enabling them to better target and deliver products while managing risk.

Profile: The CFSI Underbanked Consumer Study

CFSI and four sponsors commissioned Simmons Market Research Bureau, an Experian company, to conduct a segmentation analysis of underbanked consumers according to their attitudes, behaviors, preferences, needs, and desired experiences. A total of 2,799 underbanked adults (over 18) were surveyed, and the data was weighted back to the U.S. population proportionally to ensure national representation. The study aims to help the financial services industry deliver relevant messaging to underbanked populations and improve acquisition efforts, marketing, and product development activities. Study sponsors hope to equip themselves to be “knowledgeable champions” in promoting efforts to serve underbanked consumers.

Defining the U.S. Underbanked Population

40 million: Number of U.S. households considered underbanked, confirming previous CFSI estimates
106 million: Number of U.S. adults 18 and older who are underbanked—a number that far exceeds previous estimates of 70 million, in part because of larger-than-expected household size

Underbanked Demographics and Characteristics

• $26,390: Median household income
• $47,500: Mean household income (Note: 18% of survey would not provide household income)
• 63%: Homeowners
• 28%: Renters
• 8%: Pay no rent
• 3: Mean number of adults per household
• 45%: Have children in household

Underbanked Financial Services

• 51%: Currently have neither checking nor savings accounts
• 48%: Have never had a bank account
• 28%: Have borrowed money in the last 12 months

Source: CFSI Underbanked Consumer Study, 2008
Customized market segmentation strategies were also in evidence at the forum:

**El Banco de Nuestra Communidad**, based in Atlanta, targets six segments of the Latino underbanked market, ranging from recently arrived immigrants to acculturated populations who essentially mirror mainstream consumers. The bank’s strategies for marketing, product and services offerings, credit approvals, customer service, and collections all derive from its primary strength in understanding consumer needs and preferences.

**GE Money** focuses on end users to identify and target specific segments within the underbanked market with prepaid and credit card products. GE emphasizes immigrants and other new-to-credit customers. An understanding of each of its business partners' unique customer bases drives pricing structure and marketing strategies. This strategic approach also helps to reduce loss rates.

Risk management is a key motivation for better understanding the underbanked market, and is an important consideration in developing new products and strategies to build customer relationships. Significantly, the Underbanked Consumer Study confirmed that “underbanked” is not equivalent to “subprime”: 25 percent of the underbanked have prime or better credit scores (on the VantageScore scale), and 33 percent score as non-prime or high risk. Undetermined opportunity lies in the largest section of the underbanked market: fully 42 percent of study respondents could not be scored because they have thin or no credit files.

**Figure 2: Underbanked Credit Scores**

<table>
<thead>
<tr>
<th>Credit Score</th>
<th>Percentage</th>
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<tbody>
<tr>
<td>A - Super Prime</td>
<td>7%</td>
</tr>
<tr>
<td>B - Prime Plus</td>
<td>9%</td>
</tr>
<tr>
<td>C - Prime</td>
<td>9%</td>
</tr>
<tr>
<td>D - Non-Prime</td>
<td>14%</td>
</tr>
<tr>
<td>E - High Risk</td>
<td>19%</td>
</tr>
<tr>
<td>Thin file</td>
<td>11%</td>
</tr>
<tr>
<td>No file</td>
<td>31%</td>
</tr>
</tbody>
</table>

Source: CFSI Underbanked Consumer Study, 2008

Alternative data credit-scoring models have already made progress in scoring consumers previously considered unscorable. Further, with mounting evidence validating the accuracy of alternative credit scoring models in predicting credit performance, the need for the “alternative” label may soon disappear. The ability to efficiently and accurately assess risk in new, underserved segments of the market drives business while lowering the cost of credit for many consumers who gain access to appropriately underwritten financial services products.
New credit-scoring models abound, including the following, which were presented at the Underbanked Financial Services Forum:

- **Experian Emerging Score** blends traditional credit data with public records and alternative data sources to assess credit for underbanked populations who are new entrants to the credit market.
- **FICO Expansion Score** assesses risk for consumers who cannot be scored through traditional credit reporting by looking at alternative data such as deposit account records, payday loan cashing, and purchase payment plan performance.
- **LexisNexis** is using alternative data sources such as property ownership records, utilities, professional licenses, and voter registration in conjunction with conventional credit data and a new population dynamics study to develop scoring models with better predictive power to increase approvals and reduce losses for thick-file as well as thin/no-file consumers.

**Profile: LexisNexis key dynamics of the underbanked population**

**LexisNexis has information on 72 Million underbanked consumers, defined as:**
- 37M Consumers with no traditional credit information
- 35M Consumers that have information at a traditional credit bureau for 18 months or less

**LexisNexis findings regarding the No File Population of 37 Million:**
- 24M LexisNexis has enough Information to accurately assess their credit worthiness
  - 16% own real property
  - 15% family owned property
  - 15% own vehicles
  - 7% professional occupation license
  - 11% derogatory data
- 13M LexisNexis does not have enough information to accurately assess their credit worthiness

**LexisNexis findings regarding the Thin File Population 35 Million:**
- 17M LexisNexis has enough information to assess their credit worthiness
  - 11% own real property
  - 24% live in family owned property
  - 6% own vehicles
  - 1% professional occupation license
  - 10% derogatory data
- 18M LexisNexis does not have enough information to assess their credit worthiness

**VantageScore** is a joint venture among the three credit reporting companies (Equifax, Experian, and TransUnion) that analyzes and compiles existing data in new ways to score consumers who are unscorable by traditional models. The model reclassifies as prime 21 percent of consumers who previously scored as subprime.

As the industry learns more about underbanked consumers, several questions remain about how this newfound knowledge will be used. How widely will alternative credit-scoring models be accepted? As the market is segmented into categories far more complex than “unbanked” and “underbanked,” will there be a rush to serve those segments that are newly determined to be more profitable? Will the remaining segments be considered too risky or difficult to serve?

Overall, however, having better information about underbanked consumer segments—what consumers need, where they are, what they do each day, and their credit worthiness—has great potential to increase
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the flow of products, services, and capital to consumers who have been historically overlooked. This information is critical to helping financial services providers develop targeted relationship-building strategies and appropriate product offerings.

3. Function, rather than institutional form, drives product offerings

Some non-bank money services businesses are functioning more like banks, and banks are offering services traditionally provided by non-banks. Customer needs and preferences for specific product functions and experiences are beginning to take precedence over institutional form and structure. Again, this change is being driven by better understanding of the unique consumer segments of the underbanked market and of the potential for building long-term, multifaceted customer relationships with them. As an example, prepaid cards now deliver a broader range of financial services; some include borrowing and even savings functions. Mobile phone banking allows consumers to bypass both the teller window and the internet banking interface to manage their accounts directly.

Indeed, the latest trends in innovations and investment demonstrate the marrying of multiple sectors and functions previously provided by different types of institutions. For example, US Gift Bonds is applying prepaid card technology and retail distribution strategies to facilitate the purchase of U.S. Savings bonds. iSend entrepreneurs have leveraged the delivery of remittances to let customers top off transfer recipients’ cell phone minutes, pay their utility bills, and provide credit at major retailers internationally.

Consumer demand may be driving the trend toward novel distribution strategies for bank and bank-like financial services and products, but challenges remain. The challenges presented by (increasingly out-of-date) regulatory restrictions are significant. In fact, money services businesses themselves face relatively high barriers in simply finding a bank to work with, as presenters from Banco Popular and FinCEN discussed at the forum. Continuing to foster industry innovation and consumer confidence in this new universe of financial products will require clearer regulatory provisions. Specifically, it will be essential to determine FDIC coverage for new account structures—electronic, prepaid, and pooled accounts—and clarify “Know Your Customer” and Bank Secrecy Act regulations.

Partnerships between banks or credit unions and non-bank financial services providers, while not free of hazard, with some experimentation to find the right mix, can alleviate the impact of some regulatory restrictions while leveraging the strengths of both types of institutions to provide the functions consumers demand through channels they prefer. For example, Kinecta Federal Credit Union acquired Nix Check Cashing when it identified an opportunity to provide transactional services to members and reach more consumers. The acquisition has allowed the Southern California credit union to offer “express windows” providing basic credit union products and services at check-cashing outlets at convenient times and places. Kinecta has found that check-cashing customers appreciate the opportunity to join the credit union. The check-cashing partnership has also enabled Kinecta to create innovative programs like Change for Tomorrow, which automatically sweeps small portions of checks cashed at Nix locations into credit union members’ savings accounts. Additionally, because of the credit union’s different regulatory environment, the acquisition has allowed experimentation with payday loan terms, pricing, and payment structure that show promise to better meet customers’ needs.

ACE Cash Express is a money services business (MSB) that is adding more bank-like products to serve check-cashing and payday loan customers who prefer its delivery model. Check-cashing customers are encouraged to deposit their funds onto prepaid cards. Ace may also offer amortized loans and secured loans in partnership with a bank, based on customer demand for these products, but regulatory challenges are currently in the way.
Monitise, which provides access to bank accounts via mobile phones in partnership with major banks worldwide, sees particular opportunity to serve the underbanked through mobile technology. The company has adopted a multi-tiered strategy for delivering financial account access, with text message (SMS), online, and downloadable platforms for banking by phone. The SMS-based communications do not require online account setup and therefore may be better suited for banking consumers with limited online access. As mobile banking and payment technology advances, Monitise believes that underbanked consumers may enter the banking system directly via mobile phone interfaces, bypassing traditional banking branches altogether. Money wiring and bill payment services are two examples of how mobile technologies can bring underbanked consumers seeking transactional services to a bank or credit union.

How well new technologies and hybrid distribution strategies will ultimately serve underbanked consumers remains to be seen. There is a growing opportunity, though, to develop economical services that deliver what is needed when it is needed. A true “one stop shop” may actually come to fruition with the increasingly ubiquitous mobile phone as the distribution channel.

<table>
<thead>
<tr>
<th>Financial Services Outlet Preferences</th>
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<tbody>
<tr>
<td><strong>Almost 80% of underbanked consumers are satisfied with their preferred service provider.</strong></td>
</tr>
<tr>
<td><strong>Top reasons for satisfaction with financial outlet:</strong></td>
</tr>
<tr>
<td>- It doesn’t take a lot of time (28%)</td>
</tr>
<tr>
<td>- The people who work there are always helpful (26%)</td>
</tr>
<tr>
<td>- I am treated with respect (22%)</td>
</tr>
<tr>
<td><strong>Top reasons for dissatisfaction with financial outlet:</strong></td>
</tr>
<tr>
<td>- The fees are too high (35%)</td>
</tr>
<tr>
<td>- Transactions take too long (13%)</td>
</tr>
<tr>
<td>- I’m never sure how to do what I need to do (10%)</td>
</tr>
</tbody>
</table>

*Source: CFSI Underbanked Consumer Study, 2008*
4. For credit terms, transparency and just-in-time education are key

Transparent product features that go beyond meeting disclosure requirements complement financial education by empowering underbanked consumers with the know-how to manage their finances. Simple terms and financial education integrated into the provision of services can minimize losses while also driving consumer satisfaction, loyalty, and business performance.

Those who will deliver products to underbanked consumers, or all consumers, for that matter, must be adequately trained to provide “just-in-time” financial education and ensure that customers understand the terms of the products they use.

iAdvance, a credit product for Meta prepaid card customers, is based on a risk management approach that analyzes individuals’ cash flow and pay cycles as part of the credit approval process. A key strength of the iAdvance program is that the loan product requires a “conscious decision to apply” (unlike, for instance, bank overdraft protection programs) and has terms that are very simple for customers to understand. These characteristics function almost as financial education built in to the credit process. The combination of an active, individualized management strategy and a transparent pricing and repayment structure means that the product has potential both to promote responsible credit line management and to lower the price of credit for the end user.

Progress Financial/Progreso Financiero, a CFSI investee, offers unsecured credit to thin or no-file customers, who are largely foreign-born immigrants. Customers who complete a loan application immediately begin a relationship with an account executive; the company contacts customers, whether or not they have been approved for credit, to discuss the importance of a good credit score. The loans
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themselves are structured with fixed installment payments that coincide with borrowers’ pay periods. Again, the appeal of the product is its simplicity, with clearly disclosed costs in terms of both dollars and annual interest rates, and close relationships with lenders. The model also keeps loan rates relatively low, between 24 and 27 percent.

Models that provide high-touch support along with credit are another strategy.

**Grameen America** uses a group model imported from developing countries to provide microfinance in a way that leverages peer support and encourages learning. The Grameen model, a relatively new strategy in the U.S. market, aims to empower borrowers and encourage mutual responsibility. The program brings together interested borrowers, organizing them into five-member peer groups, with each member of the group helping to support the other members. The peer group meets regularly to share experiences, make payments, contribute to savings, and request new loans.

5. Increased dialogue on savings

A discussion is emerging about efforts to give underbanked consumers the opportunity to save. This year’s forum saw an emphasis on savings products, with interest in encouraging savings and developing asset-building products from banks, prepaid card companies, governmental agencies, and nonprofits alike. The industry is focused in particular on exploring the best practices for bundling savings with other products and services to build both customers’ assets and institutional loyalty.

Keynote speaker Dr. Richard Thaler provided a behavioral economics perspective on encouraging savings through “nudging” good behavior. As one example, he cited the strong uptick in enrollment in employer-provided retirement plans when employees are required to opt out of, rather than opting into, participation. Several presenters at the conference offered savings products that similarly strive to make saving a path of least resistance for their customers.

### PROFILE: Keynote Address, Dr. Richard Thaler

**Nudge: The Power of Choice**

In the Forum’s opening keynote address, Dr. Richard Thaler drew on behavioral economics to discuss the power of “choice architecture” and its potential application in the design of financial products. The address was based on *Nudge*, Thaler’s recent book, written in collaboration with Cass Sunstein.

Acknowledging that individuals are limited by their imperfections (namely, bounded rationality, will power, self-interest, and consistent responses to the market), Thaler urged audience members to consider themselves “choice architects” with ample opportunity to influence consumer choice through product design, policy, or the provision of financial services. He identified the “default” option, the choice implicitly made when a consumer makes no choice, as particularly applicable to financial services.

Strategic use of default settings and other product design features can gently nudge a consumer to make a decision that improves their quality of life. Other speakers at the forum frequently alluded to Thaler’s theory and thought-provoking address.

**Bank of America**’s Keep the Change program is one example of the “nudge” theory at work. When customers choose the program, the bank rounds up participating customers’ debit card purchases to the nearest dollar amount, and sweeps the difference—the “change”—into a savings account automatically; the bank also matches up to $250 in initial savings for participants in the program. The bank has found
that bundling checking and savings in this way has yielded more new account openings for both types of accounts, and the balances on savings accounts have generally continued to increase over time.

**Consumer Federation of America** also noted the value in bundling checking and savings accounts to build customer loyalty, referencing a Bank Marketing Association figure that indicates that 50 percent of account holders with only a checking or savings account close the account within one year. In contrast, account holders with both a checking and a savings account have a one-year attrition rate of only 10 percent. Marketing savings products with sweepstakes, gift cards, and attractive interest rates all help to draw consumers, and programs that make saving automatic show great potential.

**Doorways to Dreams Fund (D2D)**—in partnership with the Filene Research Institute—has received funding from CFSI for a pilot project that will encourage savings and credit union membership through prize-linked share accounts at several Michigan credit unions. The approach has been used abroad to tap into the appeal of lotteries as a way to increase savings rates significantly. By accepting a slightly lower interest rate on their deposits, participating savers are entered into monthly drawings and can win prizes up to $100,000. The program is expected to be self-sustaining when it reaches scale.

Providing savings products is now a goal for many financial institutions because of the dual benefits of retaining customers and building their financial capacity. Much work lies ahead in developing best practices for savings products that benefit both the underbanked consumer and the financial services provider.

### PROFILE: Nonprofit Opportunities Fund Grantees

A highlight of the Underbanked Financial Services Forum was the announcement of the grantees of CFSI's 2008 Nonprofit Opportunities Fund. CFSI selected the four innovative nonprofit organizations to receive grant support totaling more than $1 million. Their projects will provide financial services and asset development innovations targeted to underbanked consumers:

- **Alliance to Develop Power's Worker Center Collaborative** will distribute financial services—prepaid cards, credit union accounts, and mobile-based money transfers—to low-wage workers across the country.
- **Center for Community Self-Help** will develop an innovative micro-branch strategy offering transactional services, depository accounts and loans in California.
- **Doorways to Dreams Fund (D2D)** will develop with the Filene Research Institute a Prized-Linked Savings Program using incentives to encourage low-income individuals to save.
- **Mountain Association for Community Economic Development (MACED)** will expand an employer-based alternative payday loan program in Kentucky and Central Appalachia.

CFSI selected the four projects from among 133 applications totaling more than $30 million in requests. In addition to the financial award, grantees receive strategic guidance, technical assistance, visibility, and an unparalleled network in the financial services industry. The fund was created by a $2 million grant from the Wal-Mart Foundation.
Conclusion

The 2008 Underbanked Financial Services Forum shows how far the industry has come in just three years in serving the underbanked. While previous forums focused on whether targeting the underbanked market had value and on how to leverage the opportunities of the underbanked market, the 2008 forum emphasized the industry’s growing recognition of the market’s diversity. The most promising approaches shared at the form were those that value building consumer relationships and that take into account targeted consumers’ desires and needs.

There is still significant debate about how to understand innovations in the financial services sector. The progressively more sophisticated, informed, and multifaceted strategies evident at the forum are, in fact, reframing the industry’s conversation about underbanked consumers. As institutions seek to build relationships across multiple product lines and form partnerships across different types of institutions, it is becoming less clear whether the key distinction in financial services consumers is “banked” versus “underbanked and unbanked.” Even if this distinction is important, it is insufficient. It is even more important to distinguish among unique segments of the underbanked market to successfully target consumers and offer services that meet their individual needs and preferences.

Banks are learning from other types of financial services providers and expanding their own product lines; non-banks are similarly adding products that mimic the functionality of bank accounts. Consumers may not always prefer to access financial services at banks; non-banks may offer more convenience, more transparent or advantageous pricing, or better service. As technology and innovation advance, customers and institutions have more choice among financial services providers and formats. There is strong potential for these developments to drive company profits while also improving consumers’ experiences.

The 3rd Annual Underbanked Financial Services Forum showcased significant progress in the industry, demonstrating that serving the underbanked has become an increasingly attractive and sophisticated line of business for providers across a broad industry spectrum. As the industry adopts more customer-centric strategies for serving underbanked consumers and learns from its progress thus far, opportunity abounds for further innovations.

PROFILE: Underbanked Consumer Segments

CFSI’s Underbanked Consumer Study identified eight unique segments of the underbanked consumer market. The following descriptions factor in the size of each market segment, its propensity to use financial products, preferred marketing and communication approaches, financial service experiences, and demographic trends. The purpose of these descriptions is to guide development and implementation of products, marketing and distribution, and risk management strategies targeting the underbanked consumer.

The Eight Market Segments:

Cash Is King
These consumers are most likely to rely on cash for their financial transactions. They are the least likely to have (or to have had) checking or savings accounts. Cash Is King consumers have much lower household incomes than other segments and are more apt to be struggling to make ends meet. This group is highly unlikely to conduct financial transactions at a bank or credit union.
The Next Wave
These consumers are trying their best to cover their needs and also hope to reach financial goals like owning a home. This group is more likely to make non-bank financial transactions and less likely to currently have checking or savings accounts. Cash is important in their financial lives. They want to save money, however, and would like to earn interest.

The Strivers
Strivers are a financially aggressive group who take an active role in money management. They use checking/savings accounts frequently. They like having checking accounts to keep track of their spending and pay bills, while savings accounts keep their money secure. While more than half of The Strivers have a checking account, some do not—and some of those indicate concern about giving out their personal information to a financial institution.

Middle of the Road
Middle of the Road consumers are also active financial money managers. Nearly 70 percent currently have a checking account and nearly 60 percent have a savings account. They have these accounts to facilitate paying bills and making purchases. Middle of the Roads are less likely to come from families who banked. Those in the group who do bank (the majority) are most likely to conduct financial transactions in a standalone bank or credit union. They prefer using these institutions because they can conduct their transactions quickly and they find the employees friendly and helpful.

My Way
The My Way group is more likely than other groups to have checking and savings accounts. These consumers enjoy the ease of paying bills and making purchases with checks and indicate that earning interest is a key reason for having a savings account. This group makes frequent bank and non-bank transactions at various places, including convenience stores. My Way consumers want transactions done quickly, conveniently, and safely. They don’t want any hidden fees or high minimum balances.

The Savers
About half of Savers have a checking and/or savings account, and, as the name implies, saving money is the key reason they have bank accounts. Keeping money secure is another key reason. Some Savers who do not have a checking or savings account cite the security of their personal information as their top concern. Savers make frequent transactions at non-bank places like supermarkets, convenience stores, and discount/dollar stores. They educate themselves on products and services through classes or brochures. The Savers are less likely to borrow money. Keeping themselves and their spending in check is of primary importance.

Almost There
More than 60 percent of Almost There consumers have a checking account, which makes them more likely than those in most other segments to be part of traditional financial institutions. They like using these accounts to simplify bill paying and to keep track of their spending. A smaller portion of Almost Theres have savings accounts. They are more comfortable making transactions in a bank/credit union than in non-bank institutions. They rate their experience with their bank more positively than the average adult and are likely to keep returning. They prefer banks or credit unions contained within stores rather than standalone buildings.

Borrowers
As this name indicates, this group borrows money frequently and for a variety of reasons. They have taken out student loans, personal loans, lines of credit, home equity loans, payday loans, and auto loans, all at higher rates than the average adult. In fact, this group is more than twice as likely to have borrowed...
money in the past year. The amount they borrow tends to be low (under $1,000), but they are more likely to borrow from their bank than from a family or friend. Borrowers make an above-average number of transactions at a variety of places, including banks/credit unions, supermarkets, convenience stores, drug stores, and supercenters. Seventy percent have a checking account and almost 60 percent have a savings account.

Source: CFSI Underbanked Consumer Study, 2008
Appendix

Speakers at the Third Annual Underbanked Financial Services Forum

Daniel Ayala   Wells Fargo
Angela Baljeu   Experian
John Ballesteros   Wells Fargo
Marilyn D. Barker   Bryan Cave
Benjamin Black   New Cycle Capital
Stephen Brobeck   Consumer Federation of America
Barrett Burns   VantageScore Solutions
Carl Cira   Florida International University
Alan Cox   Financial Crimes Enforcement Network
Paul DeSauniers   LexisNexis
Laura DeSoto   Experian
Ben Dyer   Denarii Payments
Tom Firnhaber   NetSpend
Eugenia Gibbons   Bank of America
Dr. Mark Greene   Fair Isaac Corporation
Mike Griffin   KeyBank
Lynn Heitman   US Bank
Mike Herrmann   Center for Financial Services Innovation
Kirk Inglis   Prosper
Moises Jaimes   BBVA Bancomer
Ann Jonsrud   Monitise Americas
Vidar Jorgensen   Grameen America
Patrick Kirscht   Progress Financial/Progreso Financiero
Steven Labella   iSend
Ashvin Lad   Discover Financial Services
Simone Lagomarsino   Kinecta Federal Credit Union
Brian Lawe   USgiftBonds
Alex Liu   MasterCard Worldwide
John Lucas   HSBC
Annamaria Lusardi   Dartmouth College
Cathleen Mahon   New York City Office of Financial Empowerment
Bruce Murphy   KeyBank
William Myers   Aspen Institute
Jose Riera   Bergerac Investments
Arjan Schütte   Center for Financial Services Innovation
Jay Shipowitz   Ace Cash Express
Eric Solis   Save252
Trent Sorbe   Meta Payment Systems
Will Sowell   GE Money
Anne Stuhldreher   Office of Governor Arnold Schwarzenegger
Jennifer Tescher   Center for Financial Services Innovation
Dr. Richard H. Thaler   University of Chicago Graduate School of Business
Highlights from the 3rd Annual Underbanked Financial Services Forum

Jane Thompson   Wal-Mart Financial Services
Brent Tischler   Guaranty Bank
Josh Turnbull   Fidelity National Information Systems
Luz Urrutia   El Banco de Nuestra Comunidad
Xenia Vieth   Banco Popular North America
Tim Walsh   Ready Credit Corporation
Gary Warech   Experian Consumer Research
Charles Wilcox   CheckSpring Community Corporation

Experiencing the Underbanked Financial Services Forum: Participants Speak

“The sessions were beneficial and thought provoking, and it was really encouraging to see all the great things being done in the unbanked and underbanked markets. I look forward to next year’s conference!”

“I’ve attended two years in a row, and I think CFSI is channeling financial industry energy in a productive and synergetic manner to tangibly innovate and improve financial services for the underbanked.”

“One of the most informational and engaging conferences. This was a great way to bring many different industry professionals together.”

“Absolutely an eye-opener. Somehow this content needs to be required reading for financial institution individuals involved in community development/CRA initiatives.”

“Excellent conference and value.”

“The most beneficial conference I have attended in years! Packed full of relevant, cutting-edge information. The speakers and presentations have caused me to see new possibilities for my industry that I was ‘closed’ to before.”

“Great conference. Loved the mix of large institutions, innovative startups/small companies, nonprofits, government regulators and legislators.”

“Thank you for the conversations you’ve begun through your sessions and opportunities to network.”

“The networking sessions provided a wonderful opportunity to make key connections with other financial service providers that have a common goal.”

“Good learning environment and ability to network with many service providers.”

“Overall, very good seminar. I especially like bringing multiple industries together with a common goal of improving life of underbanked people.”
About CFSI:

The Center for Financial Services Innovation (CFSI), a non-profit 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.

ShoreBank is America’s first and leading community development and environmental banking corporation. For more on ShoreBank, go to www.shorebankcorp.com.