

— TOP TAKEAWAYS —

Financial Services for the Unbanked



NOT ALL AMERICANS CAN ACCESS TRADITIONAL BANKING SERVICES.

- Today 7 percent of Americans—9 million people—are unbanked.
- Twenty percent—or 24 million people—are “underbanked,” meaning they have only a checking or savings account but nothing more sophisticated.
- This is especially detrimental in today’s increasingly cashless society

UNBANKED AMERICANS OFTEN USE NONTRADITIONAL FINANCIAL SERVICES.

- **Secured debt** (meaning debt backed by assets as collateral) makes it possible for those with poor credit to obtain a loan when traditional loans are out of reach.
- **Payday loans** work similarly. Their high interest rates are commensurate with risk and encourage borrowers to pay them back quickly and avoid using them habitually.
- **Transaction fees** allow those with low balances to participate in the banking system. The fees allow banking institutions make up for the missed opportunity of interest that would be gained on a higher balance

LAWMAKERS SHOULD NOT RESTRICT ACCESS TO FINANCIAL SERVICES FOR THE UNBANKED.

- Although they are often depicted as exploitative, services like secured debt, payday loans and accounts with transaction fees are important options.
- Restricting these services reduces consumer choice, raises costs, and encourages desperate borrowers to turn to other options, like bouncing checks, filing bankruptcy or seeking black market loans.
- Services like secured debt, payday loans and transaction fees, however imperfect, are the first critical steps in getting individuals and households who are outside the financial sector into the system.