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Use of Financial Services and the Poor

Jeanne M. Hogarth
Jinkook Lee

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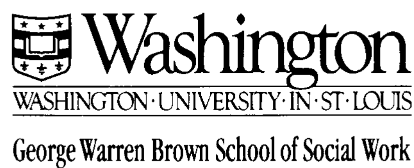

Use of Financial Services and the Poor

Jeanne M. Hogarth
Program Manager, Consumer Policies
Consumer and Community Affairs, Federal Reserve Board
Mail Stop 801, 20th and C Sts., N.W.
Washington DC 20551
202-785-6024 (voice) 202-728-5850 (fax)
jeanne.m.hogarth@frb.gov

Jinkook Lee
Associate Professor, University of Georgia
Department of Housing & Consumer Economics
Dawson Hall
Athens GA 30602-3622
706-542-4722 (voice) 706-583-0313 (fax)
jlee@fcs.uga.edu

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Center for Social Development
Washington University
George Warren Brown School of Social Work
Campus Box 1196
One Brookings Drive
St. Louis, Missouri 63130
Telephone: (314) 935-7433
Fax: (314) 935-8661
http://gwbweb.wustl.edu/csd
E-mail: csd@gwbmail.wustl.edu

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Introduction

Policy makers are interested in the banking relationships of low-to-moderate income (LMI) households for several reasons. First, banks target some of their lending and banking services to these households as part of their Community Reinvestment Act (CRA) responsibilities. Because many resources go into the development and monitoring of CRA accountability, we know a great deal about how banks are doing with respect to making primary product lines, especially loans, available to LMI households; it may be helpful to know more about other banking relationships as well.

Second, in 1996 both the Debt Collection and Improvement Act and the Personal Responsibility and Work Opportunity Act provided for electronic delivery of federal payments. Treasury's implementation of the "EFT'99" initiative drew attention to those households without direct deposit, including households without transaction accounts at financial institutions, many of whom have low-to-moderate incomes. The more we know about these households, the better both banks and policy makers can target policies and educational programs to smooth the transition to an "all electronic" Treasury (Stegman, 1999).

Third, reforms in the welfare system include a new emphasis on asset building for LMI households. Exposure of LMI households to savings instruments such as savings accounts, CDs, Individual Development Accounts (IDAs), IRAs and other long term savings could help many of these households plan for human capital investments and long term needs. By learning more about the current banking relationships of LMI households, we may be able to improve our efforts to help them build wealth and become more economically self-sufficient.

Finally, to the extent that LMI households use alternative financial sector (AFS) firms (check cashers, pawn brokers, rent-to-own) to conduct their financial transactions, and to the extent that these firms are higher cost and offer fewer consumer protections than conventional mainstream financial sector (MFS) institutions, some households may benefit by conducting more of their business with MFS firms. In reality, there is a continuum of financial institutions that consumers can use, ranging from mainstream institutions through a secondary tier of institutions (automobile finance companies, finance companies, mortgage companies) to the AFS institutions mentioned above. In general, as one moves along this continuum from MFS to AFS firms, costs increase and consumer protection enforcement decreases. However, the perceived "user friendliness" of the institutions may also change along this continuum. To facilitate moving consumers toward the MFS end of this spectrum, we need to know more about the types of products and services needed and the perceived barriers to attracting LMI households to the mainstream.

Household financial portfolio management may be viewed in a framework of relationships between spending (transaction accounts), saving (wealth accumulation accounts), borrowing (credit use) and protecting (insurance and emergency funds), combined with marketplace choices about the use of various types of financial institutions for conducting personal financial business. In this paper we use data from the 1998 Survey of Consumer Finances to explore several aspects of the financial relationships of low-income households, looking at an updated profile of low-income and poor households, their financial portfolios, their attachment to the MFS, and their

use of various types of financial institutions. We address the questions of ways to move low-income households into the financial mainstream and what would make financial institutions more attractive to these low-income customers.

Previous Research
Who Are the Unbanked?

Income, net worth, employment status, education, home ownership, region, race/ethnicity, gender, marital status, ability to save, and creditworthiness are predictors of account ownership (Hogarth and O'Donnell, 1997; Hogarth and Lee, 2000; U.S. Department of the Treasury, 1997), as is the general economic environment (Hogarth and Lee, 2000). Households with lower incomes, lower levels of net worth, who are not employed, have less education, are not home owners, who live in the south, are minority, are headed by single females, who are not able to save, and who have poor credit histories are less likely to have bank accounts than their counterparts. Also, during periods of strong economic growth households are more likely to have bank accounts.

Reasons given for not having an account shed some light on factors associated with account ownership. Data from the 1998 Survey of Consumer Finances (SCF) indicate that the primary reason for not having a checking account was "do not write enough checks," cited by 28.4 percent of the respondents without accounts (Kennickell et al, 2000). Hogarth and O'Donnell (1999) report that the main reason for not having a checking account among LMI households varied by whether the household otherwise uses financial institutions. The main reason for those who *use* financial institutions was "don't write enough checks" while the main reason for those who *do not use* financial institutions was "don't have enough money."

The lack of money is a common theme in other surveys as well (Caskey, 1997a; U.S. Treasury, 1997). Many low-to-moderate income households who receive means-tested benefits such as Temporary Assistance for Needy Families (TANF), Food Stamps, and Supplemental Security Income (SSI) believe that ownership of bank accounts will effect their eligibility for benefits. Much of this misinformation stems from incomplete or inaccurate knowledge regarding the true asset limits for means-tested benefits. Marlowe, Godwin and Maddox (1996) report that only 13 percent of welfare recipients surveyed correctly identified the $1,000 asset limit of their state's welfare program; 84 percent thought the asset limit was $500 and 3 percent thought it was $2,000. Caskey (1997b) found similar misunderstandings in an ethnographic study in Mississippi and California.

Households without accounts may also overestimate the cost of owning an account, or conversely underestimate the costs of using the AFS. According to some estimates, consumers relying on check cashers pay from $86 to $500 per year to cash checks and pay bills, while the cost would have been $30 to $60 if they had used a bank where they had an account (Consumer Federation of America, 1997; Green and Leichter, 1996; Organization for a New Equality, 1998; National Consumer Law Center, 1999; American Bankers' Association, 1998; Consumer Bankers' Association, 1998; Federal Reserve, 2000).

Some claim that consumers don't know how much more they are paying to use a check casher, while others claim that consumers do know, but are insensitive to price. Small-scale surveys have found that consumers are aware of price differences and understand that the fees charged depend on the size of the transaction (Lewis, Swagler, & Burton, 1996). The other side of the cost argument, however, is that there are other bank fees in addition to monthly service fees. Fees for using foreign ATMs (i.e. an ATM not owned by the bank where the consumer has an account) averaged $1.38 for multi-state networks and 87 percent of financial institutions charged such a fee in 1999 (Federal Reserve, 2000). Fees for overdrafts (checks written against insufficient funds but honored by the bank) and for non-sufficient funds (checks written against insufficient funds and returned, or "bounced," by the bank) averaged between $15 and $19 in 1999. While these fees are avoidable, they can add substantially to the cost of an account in the MFS. This may be, in part, why efforts to offer basic or lifeline banking have fallen short of reaching lower-income families (Meyer and Shelton, 1996; Doyle et al, 1998; Oppel, 1999; Prescott et al, 1999), leading to concerns regarding the consumer acceptance of the Treasury-developed Electronic Transfer Account.

Some studies suggest that increasing bank fees and branch closings have affected low-income households' lack of transaction accounts (Shields, 1996; Holland, 1994). However, although data from the Federal Reserve confirm that there has been a reduction in the number of bank offices in low-income areas, other factors such as the degree to which these areas are residential (as opposed to commercial) may be confounding the measurement (Avery et al, 1997). Also, the landscape of financial services within low-income areas is changing dramatically, with partnerships between financial institutions and community groups creating new opportunities for households to access mainstream financial services (Williams, 2000).

The ever-increasing technological orientation of the MFS may also affect account ownership and use of MFS institutions by LMI households. Fontana (1997) suggests anecdotally that the lack of knowledge and education on the part of low-to-moderate income individuals regarding ATM, phone, and personal computers for banking transactions may be driving these individuals toward the AFS. Also, the types of personal interaction with AFS employees compared with an increasingly automated MFS may account for the attractiveness of the "high touch" AFS for LMI households (Swanson et al, 1993).

Other Financial Products Held

LMI households also hold other credit and savings products offered by MFS institutions. Home Mortgage Disclosure Act (HMDA) data from 1997 show over 840,000 mortgage loans made to low-to-moderate income households in MSAs (Avery et al, 1999). Data from the SCF show that LMI households have credit cards (Black and Morgan, 1998; Yoo, 1998), certificates of deposit, savings bonds, stocks, mutual funds, and life insurance, although in relatively small proportions (Kennickell et al, 2000; Hogarth and O'Donnell, 1999; Lewis, 1994).

Some studies have detailed the demands by LMI households for various financial products, mainly short-term, low-principal loans (Lewis, Swagler, and Burton, 1996; Caskey, 1994). Such loans are available in the MFS via cash advances on credit cards or via overdraft lines of credit on checking accounts. In the AFS, these loans are usually pawn or payday loans, often referred

to as deferred presentment loans, cash advance, post-dated or deferred deposit loans. It's important to note that virtually all payday loan customers have an account at a financial institution. These short-term, small loan transactions are legal in 31 states. Each state regulates these companies by defining and administering the licensing practices and procedures. Twelve of these 31 states do not have a usury cap on these transactions (Illinois Department of Financial Institutions, 1999).

With respect to other financial products, there is some evidence that LMI households work with various sub-prime and secondary tier institutions (Hogarth and O'Donnell, 1999). For example, LMI households tend to obtain home improvement/home equity loans or lines of credit through consumer finance companies or sub-prime lenders rather than through MFS institutions, even though they may qualify for such loans in the MFS (Federal Reserve, 1997). While these lenders are subject to federal regulation, they are not regularly examined for compliance, as are MFS institutions.

In summary, there are both supply side and demand side factors that affect account ownership as well as holding other financial products among low-income households. These factors include the consumers' perceived need for accounts and products; their ability to use and manage accounts; access to appropriate accounts, products, and institutions; and attitudes and previous experiences with financial institutions. To date, much of the research has focused on LMI households, usually defined as those at 80 percent or less of median income for their neighborhood or region. In this study, we will profile lower income households using several definitions related to the poverty threshold and explore their financial portfolio with respect to their spending, saving, borrowing, and protecting behaviors. We will also explore which financial institutions these households use for their spending, saving, and borrowing.

Methods and Analysis

Data

The data for this study are from the Federal Reserve Board's 1998 Survey of Consumer Finances (SCF). The SCF is a triennial survey of U.S. families' financial portfolios sponsored by the Federal Reserve with the cooperation with the Statistics of Income Division of the Internal Revenue Service (Kennickell, McManus & Woodburn, 1996). It is designed to provide detailed information on U.S. families balance sheets, their use of financial services, demographics, and labor participation. For the 1998 SCF, 4,309 households were interviewed in face-to-face personal interviews by staff from the National Opinion Research Center, University of Chicago, between July and December. Respondents were encouraged to consult their records as necessary during the interviews

To provide information that is both representative of total population but reliable for those assets concentrated in affluent households, the SCF employs dual-frame sample design consisting of both a standard, geographically based random sample and an over-sample of affluent households. Weights are used to combine information from two samples. The dual-sampling frame employed in the survey requires that data be weighted in descriptive analyses (see Kennickell, McManus & Woodburn (1996) for detailed discussion of weight design). The SCF also uses multiple imputation techniques to deal with missing data. This procedure creates five data sets (called

implicate data sets) that require special handling in any multivariate analyses (see Kennickell, Starr-McCluer & Sunden, 1997; and Kennickell, 1997).

Variables Studied

Low-to-Moderate Income (LMI) households were defined as those with incomes at 80% of the regional median or less. This definition is consistent with that used by financial institutions for compliance with Community Reinvestment Act responsibilities. The 1998 SCF measured income form 1997; the U.S. Census Bureau's 1997 regional median income figures were used to classify households as LMI.

Households in poverty were identified based on the U.S. Census Bureau's poverty thresholds, which includes size of family, number of related children under 18 years, and whether the householder is over 65, along with income as criteria (note that the poverty *threshold* will generate slightly different statistics than the poverty *guidelines* used to administer most means-tested programs). We studied households at the poverty threshold (less than or equal to 100% of the threshold), as well as those with incomes less than or equal to 150% and 200% of the poverty thresholds.

In this study, financial portfolios of poor households are examined, specifically with respect to spending (transaction accounts), saving (wealth accumulation accounts), borrowing (credit use) and protecting (insurance and emergency funds). In addition, we investigated their use of various types of financial institutions to conduct personal financial business.

Specifically, ownership of the following financial products and median balances among those who hold the products are reported: checking accounts; savings accounts; credit products (credit cards, 1st residential home mortgages, 2nd residential home mortgages and/or home equity loans, car loans, education loans, and consumer loans); and life insurance (whole and/or term life insurance). The types of financial institutions that households use for each of the above products (except life insurance) are also reported.[1]

Demographic characteristics included age, income, marital status, household size, presence of young children, race/ethnicity, employment status, and region of residence. In addition to demographic characteristics of each income group, we included classification variables for their net worth, credit history, attitudes and behaviors. Variables are described in Table 1.

Analysis

First, we developed a set of profiles of low-income and poor households, describing their demographic, attitudinal and behavioral characteristics compared with all U.S. households.

[1] While some life insurance was sold through financial institutions (defined here as banks, savings and loans, and credit unions), in general most insurance was purchased through traditional insurance agents. We expect this to change given the provisions of the Gramm-Leach-Bliley Act. Thus, information on life insurance is provided more as baseline data and to provide a more complete picture of the spending, saving, borrowing, and protecting portfolio of low-income households.

Second, we described the spending, saving, borrowing and protecting portfolios of these low income and poor households, with a focus on their connection to the banking system. Third, we analyzed the choice of the type of financial institution used by LMI households for their spending, saving, and borrowing. A household's choice of a particular type of financial institution for a particular financial product can be viewed as either a hierarchical or a simultaneous process. If a decision to choose a particular financial product conceptually precedes a decision to choose the type of financial institution, the decision is viewed hierarchically (e.g. "I need a mortgage. Which lender should I use?"). However, we can argue that for some products, fluctuating market offerings may make one financial product more attractive than others products, and the decision to choose a product and an institution can be viewed as simultaneous (e.g. "Bank X is offering a really low interest rate on their credit cards. Maybe I should apply.").

The choice of an institution can also depend on the type of products. For some products, there are competing alternatives. For example, households can choose a savings account or money market account instead of checking account for transactions. Similarly, savings accounts compete with money market accounts, certificates of deposits, and other wealth accumulating assets. Therefore, for checking and savings accounts, we conceptualized the household's choice of accounts and institutions as simultaneous. Similarly, credit cards combine account features with the features of the institution offering a given card, so that we can again conceptualize credit card and institution choice as a simultaneous decision.

On the other hand, for all the other loan products it seems reasonable to assume that households must first decide to have a particular loan. For example, a household will decide first to buy a home, and then which lender to use (it is unlikely that the reverse order would occur). Therefore, for loan products (including 1st home mortgage, 2nd home mortgage and/or home equity loan, car loan, education loan, and consumer loan) we assume a hierarchical process in which households decide to obtain a particular loan first then choose a financial institution afterwards.

Although types of financial institutions vary greatly, for a meaningful and statistically valid analysis, we collapsed a number of institutions and highlighted comparisons of the most widely used institutions for each product. To examine whether households' choice of financial institution is associated with their demographic, attitudinal, and behavioral characteristics, we conducted chi-square analyses and pair-wise tests with Bonferroni adjustments.

Results

Profile of Low-Income and Poor Households

The demographic, attitudinal, and behavioral profiles of income groups are presented in Table 2. Overall, the characteristics of the LMI group (defined as at or below 80% of the regional median income) most closely resemble those households at or below 200% of the poverty threshold, while the LMI unbanked households were similar to those at 100% of the poverty threshold. Clearly there are differences in the groups captured by these two income measures.

The profiles of households that emerged under the various definitions of being poor or low income were quite varied. Using the Community Reinvestment Act definition of 80% of regional median income, 18% were unbanked; 50% were home owners; median income stood at $16,320 and median net worth was $20,970; three out of 10 were minority. For households at or under 200% of the poverty threshold, 24% were unbanked; 45% were home owners; median income stood at $12,240 and median net worth was $10,000; nearly two-fifths were minority.

These differences only increase as households approach the poverty threshold. Thus, while programs may purport to be targeted to low-to-moderate income households, they may be capturing more families along the "moderate" end of that continuum than those along the "low" end. How we define eligibility for asset accumulation programs may serve either to widen or close these gaps.

Financial Portfolio Structures of Low Income Households

Table 3 presents information on the ownership and median value of a variety of financial products held for all households and for each income group by whether or not the household has a transaction account. Compared with all U.S. households, LMI households were less likely to have transaction accounts (81% versus 78%, respectively), savings (56% versus 49%), credit, and insurance products. It is interesting to note the difference between savings account holdings in the 1995 and 1998 SCF data sets; in 1995, only 25% of LMI households reported having a savings account, compared to 49% in the 1998 SCF (Kennickell et al, 2000). There were no differences by income in the proportion of households holding education and consumer loans.

As expected, the balances held in checking and savings accounts by LMI and poor households declined with income, ranging from $1,000 for LMI households down to around $400 for households at the poverty threshold. The lower balances held among the lower income groups provide little flexibility for emergency funds or as a source of economic cushion during spells of unemployment.

Home ownership rates ranged from one-third to one-half of LMI and poor households. About two-fifths of poor and LMI homeowners had a mortgage; only small proportions (less than 5%) reported having second mortgages or home equity lines of credit on their homes.

Some products, such as credit cards, were widely held by low-income households. However, the proportions holding these products declined with income and were substantially lower for unbanked households in any income category. Balances owed on credit products also declined with income, although credit card balances owed among unbanked LMI and poor households was remarkably consistent at $370. Some financial educators have suggested that households use their lines of credit on their credit cards as their emergency reserves. However, without knowing what the credit limit is on these cards, it is hard to determine just how much of an emergency reserve these cards are for LMI and poor households.

The proportion of banked households holding life insurance ranged from 42% to 58%, while the proportion of unbanked households holding life insurance at any income level was consistently

around 25%. Poor households had similar levels of life insurance coverage (in the $3,500 to $5000 range), regardless of whether they were banked or unbanked.

The biggest differences appear not to be between the income groups but between the banked and unbanked. Almost regardless of income measure, the financial portfolios of those households with bank accounts seem to be more alike than different. In the same vein, the portfolios of those without bank accounts are very similar, regardless of the income measure used.

Choice of Financial Institutions by LMI and Poor Households

As discussed earlier, when examining simultaneous product and institution choices (the type of financial institutions used for checking, savings, and credit cards) we included "no account" or "no credit card" as an alternative for a household's choice set. On the other hand, when examining hierarchical product and institution choices (1st mortgage, 2nd mortgage or home equity loan, auto loan, education loan, and consumer loan), we examined the type of financial institution only for households who held such loans. Tables 4 and 4A-E present the type of financial institutions used by LMI households for given financial products.

Overall, low-income consumers use a wide variety of financial institutions for the spending, saving, and borrowing needs (see Table 4). Commercial banks were a primary source for many financial products, especially checking and savings accounts, credit cards, and first and second mortgages. Finance companies were an important financial institution for low-income households for mortgages, car loans, and education loans. LMI households seem to rely on informal markets (family and friends) for car loans, education loans and consumer loans. These results imply that there may be some market opportunities for community development financial institutions and/or community development credit unions. Also, there seems to be a market for partnerships between financial institutions and community groups to establish programs such as revolving loan funds.

Checking Accounts

Clearly, commercial banks are the choice for most LMI households with checking accounts (Table 4-A). Credit unions seem to be primarily serving the needs of workers, which implies some market opportunities for community-based credit unions. Chi-square statistics suggest there were significant differences in households' choice of financial institution across different demographic, attitudinal, and behavioral characteristics. To pinpoint these differences, we conducted pairwise tests and made Bonferroni adjustments. The results indicate that there was a difference by income but only between households under the poverty threshold and over the threshold, and this difference stems from the fact that households under the threshold tended not to have checking accounts, rather than differences in institutional choices.

Households with net worths above or below $5,000 showed differences in their choice of financial institutions; the use of commercial banks (versus credit unions and other financial institutions) increased with net worth. Blacks and Hispanics differed from whites and other races; however, most of the difference by race was driven by not having a checking account rather than differences in institutional choice. Households with higher levels of education tended

to utilize other types of institutions, such as brokerage accounts. Households with less than a high school education and unemployed households tended not to have checking accounts. White-collar workers tended to utilize other financial institutions for checking accounts while blue-collar workers had a higher proportion of credit union users among account holders. Some regional differences were also noted: residents in the West used credit unions more than residents of other areas.

Savings Accounts

The use of credit unions for savings accounts was higher than for checking accounts among LMI households, but commercial banks still dominate this market. Table 4-B presents the type of financial institutions used for savings accounts among LMI households. As income increased, households were more likely to have savings accounts, with significant differences between households under the poverty threshold and those with income greater than 200% of the threshold. Among the poorest households, whose with savings accounts were more likely to have them with commercial banks while households at 200% of the poverty threshold were more likely to have credit union accounts. Increases in net worth were associated with an increase in the use of commercial banks and other financial institutions for savings accounts. Home ownership was associated with an increased likelihood of holding a savings account at a commercial bank. Households without young children tended to use commercial banks while those with young children had a higher likelihood of using credit unions and other financial institutions. Households in New England and the Mid-Atlantic were different from households in other regions with respect to holding savings accounts. In part, this reflects the likelihood of having a savings account, and in part a higher likelihood of using a commercial bank. The impacts of race/ethnicity, education, working status, and credit history were not robust enough after Bonferroni adjustments.

Credit Cards

Households held credit cards with commercial banks (55%), credit unions (9%), credit card companies (11%), and other card issuing institutions (10%) (Table 4-C). Also, a significant number of LMI households (15%) dealt with multiple institutions. Only one quarter of households under poverty held a credit card, and the proportion of households holding credit cards increased with income. The poorest households with credit card accounts were more likely to have these with commercial banks, while those above 200% of the poverty thresholds were more likely to have credit card accounts with other issuers. Households with net worths of zero to $4,999 were the least likely to hold a credit card, even less likely than households with negative net worth, showing the difficulties for these households of obtaining credit cards (of course, having a credit card with a high balance outstanding may be one of the reasons the household had a negative net worth). Households with lower net worths were more likely to have credit card accounts with commercial banks while those with higher net worths were more likely to have multiple accounts. Both home ownership and presence of children were positively associated with credit card ownership, as was the tendency to spend all income each month. Householders who were younger than age 35 were more likely to have credit cards than householders aged 50-65; however, older households (age 50-65) were more likely to use commercial banks or have multiple cards. One-quarter of college graduates did not hold a credit

card, compared with 74% of households with no high school diploma. White-collar workers were more likely to hold credit cards from multiple institutions, while retirees were more likely to have accounts with other issuers. Households with no bad credit history were more likely to have credit cards and more likely to use multiple institutions. The impact of race/ethnicity, household size, marital status, and region were not robust enough to support Bonferoni adjusted pairwise tests.

Car Loans

Nearly one out of four LMI households (25%) reported having a car loan, and the majority used commercial banks, credit unions, and finance companies; relatively few used automobile finance companies. The type of institutions used for those with car loans is presented in Table 4-D. Due to small cell sizes, test statistics are only reported for selected variables.

Homeowners were much more likely to use commercial banks for car loans, while non-owners were more likely to use finance companies. Households with children under 18 were more likely to use finance companies and others, while households without children under 18 were more likely to use commercial banks. Households who tended to spend all their income sought other lenders for their car loans. No statistical tests could be performed with other variables.

First Mortgages

Commercial banks (47%) and finance companies (33%) were the primary institutions used by LMI households for their primary mortgages. Among LMI households, only about one-fifth (292 respondents) held first mortgages (Table 4-E). Due to small cell sizes, percentages of households across different types of institutions are presented without test statistics. We are reporting these data, however, because of the interest in supporting home ownership for LMI households.

Overall, it is interesting to note the diversity in the choice-set of financial institutions used for first mortgages and to note the role of the government-assisted programs in mortgage markets for LMI households. While government-assisted mortgages accounted for only 3% of the mortgages among all LMI households, when sorted by income groups, about one out of 10 of households at or under the poverty threshold obtained their first mortgage from government-assisted sources, which is noticeably high compared to other income groups. These lowest income households also seemed to get mortgages from other lenders (including family, friends, employer, and so forth). The use of finance companies among LMI seemed consistent across the income ranges, while the use of commercial banks seemed to rise with income.

It appears that using a commercial bank was positively associated with income, net worth, belonging to “other” racial or ethnic groups, having an attachment to the labor force, and having a good credit record. In a similar vein, using a finance company seemed to be negatively associated with income and education, but positively associated with being a minority and having less attachment to the labor force.

Other Products[2]

Our study of second mortgages was intended to learn more about potentially predatory lending and LMI households. Among LMI households, only 32 respondents (unweighted, about 4%) hold such a loan, therefore due to small cell sizes, no significance testing could be done. Half of the respondents with these loans had them with commercial banks, and 20% had them with finance companies. It appears that income is negatively associated with use of commercial banks and a high proportion of households at or under poverty used finance companies for their second mortgage accounts. Net worth seemed positively associated with holding a second mortgage with a commercial bank and negatively associated with holding it with a finance company. Households who had been previously rejected for credit appeared to use finance companies.

One out of nine LMI households (11%) had education loans. The largest proportion of LMI households reported using finance companies for their education loans (34%); another fourth (24%) used commercial banks and credit unions; a surprisingly high 18% reported using other sources, including family and friends. Although no significance testing could be done due to small cell sizes, some associations between the type of financial institutions and household characteristics were noted. Use of commercial banks seemed to be positively associated with age, which may mean we were measuring parents paying for their children's education. Education seemed to be positively associated with use of commercial banks for education loans. Race seemed to be associated with use of finance companies for education loans; Hispanics and others seemed more likely to use this source. Reliance on others (family, friends, etc.) seemed to increase as income and education decreased. The use of government loans seemed to be positively associated with net worth. Interestingly, half of the households at or under the poverty threshold who had education loans obtained them loan from schools.

A variety of institutions were involved in providing consumer loans, including commercial banks, credit unions, finance companies, stores/dealers, doctors/hospital/dentist, family/friends, and other lenders such as employers, fraternal or professional associations. One out of nine LMI households (11%) had general consumer loans, and the largest proportion of LMI households (22%) reported using family and friends as a source for these loans. Nearly one out of five households with this type of loan reported using multiple institutions; one in seven reported having loans with stores or dealers; and one in eight had "loans" with doctors or hospitals. Almost one-fifth of households with these loans had consumer loans from multiple lenders. No significance testing could be done due to small cell sizes.

Conclusions

The goals of this study were to develop updated profiles of low-income and poor households, and then to describe their financial portfolios, their attachment to the financial mainstream, and their use of various types of financial institutions.

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[2] Tables presenting the use of financial institutions for second mortgages, educational loans and consumer loans are not presented here due to the small cell sizes and inability to perform statistical tests. These tables are available from the authors.

The profiles of households that emerged under the various definitions of being poor or low income were quite varied. Using the Community Reinvestment Act definition of 80% of regional median income, 18% were unbanked; 50% were home owners; median income stood at $16,320 and median net worth was $20,970; three out of 10 were minority. For households at or under 200% of the poverty threshold, 24% were unbanked; 45% were home owners; median income stood at $12,240 and median net worth was $10,000; nearly two-fifths were minority.

These differences only increase as households approach the poverty threshold. Thus, while programs may purport to be targeting low-to-moderate income households, they may be capturing more families along the “moderate” end of that continuum than those along the “low” end. However, the differences among households when classified by income were small in comparison to the differences that emerged when classifying households by whether or not they were banked. Unbanked households at every level of income were clearly worse off than their banked counterparts. The definitions we use to determine eligibility for asset accumulation programs may serve either to widen or close these differences.

LMI and poor households hold a range of spending, saving, borrowing and protecting products in their financial portfolios. However, smaller proportions of LMI and poor households hold these products compared to all U.S. households. LMI and poor households with cash reserve accounts (checking and savings accounts) tend to have low balances in these accounts, leaving them little cushion for emergencies. Home ownership was an asset in the portfolios of one-third to one-half of the LMI and poor families in the study. LMI and poor households tended to have lower outstanding balances on the credit products they held (as compared to all U.S. households), but these balances were high as a proportion of income.

We posited a continuum of financial institutions that consumers can use, ranging from mainstream institutions through a secondary set of institutions (automobile finance companies, finance companies, mortgage companies) to the AFS institutions. In general, there are differences along this continuum in terms of costs, consumer protection enforcement, and “user friendliness” of the institutions. Overall, low-income consumers used a wide variety of financial institutions for the spending, saving, and borrowing needs. Commercial banks were a primary source for many financial products, especially checking and savings accounts, credit cards, and first and second mortgages. LMI households seemed to rely on informal markets (family and friends) for car loans, education loans and consumer loans.

Despite the use of commercial banks for checking and savings accounts, “user friendliness” may still be an issue, especially for credit products. Finance companies were an important financial institution for low-income households for mortgages, car loans, and education loans. They were also an important source of funds for second mortgages and consumer loans. Likewise, stores and dealers and health care providers were important credit sources for consumer loans. It appears that there may be some market opportunities for community development financial institutions, community development credit unions, or partnerships between financial institutions and community groups to establish programs and products that provide LMI households with alternatives to AFS and secondary tier sources.

Community educators should note the role of education presented here. One challenge is to assure households understand the policies that enable them to build assets without losing benefits. While the absolute level of income may make it impossible for some households to save (recall that between 75 to 83% of LMI and poor households spend all their income each month), the ability to save was significant in many of the analyses. Helping households find the motivation as well as the tools to help them save could go a long way to moving people to the MFS. Note that the role of education in this context is different from that of creating awareness or simply providing information; rather, it invokes a change in behaviors (see, for example, materials from the Financial Services Education Coalition, 2000).

Beyond the provision of basic banking services for LMI households, these results provide some interesting implications for MFS institutions. From the consumer's standpoint, availability of financial products that meet their needs is paramount. While consumer advocates may bemoan the presence of check cashers, pay-day lenders, or "predatory" lenders in low-income communities, these may be the only sources of the $300 loan the household needs to repair the car so they can get to work. Financial institutions may need to consider their array of product offerings and their pricing policies. Consider, for example, the low balances these households had in savings accounts. In 1999, only 25% of banks offered a no-fee passbook account; among those that charged a fee, the average balance to avoid a monthly fee was $140 and the average monthly fee was $1.93 (the average balance need to avoid a fee on a statement savings account was $200 and the monthly fee was $2.31, Federal Reserve, 2000). Credit balances were also low, relative to U.S. averages, but access to low-balance credit accounts at reasonable fees may prove to be an important product offering. Other marketplace alternatives could include revolving loan funds sponsored by community development groups or other agencies. But until such alternatives are in place, consumers will continue to use what is available to them.

Table 1. Definitions of Variables Used in this Study

Variable	Definition
Expect major expense:	The proportion of households who expect a major expense in the near future.
Spend all income:	The proportion of households who report spending all their income each month.
Credit history:	The proportions of households who 1) had an experience of either being rejected for a loan or obtaining a smaller loan than they applied for; 2) did not apply for a loan because they expected that they would be turned down; and 3) have no bad credit history experiences.
Extent of shopping:	The extent of shopping for credit and investment products, reported on a 5-point Likert scale (almost none to a great deal).
Economic expectations:	The household's expectation of the overall economic outlook and the changes in interest rates. The responses to the overall economic outlook are better, worse, and the same, and the responses to the changes in interest rates are higher, lower, and the same.
Attitude toward credit:	Response to whether it is all right to use credit for consumer products, a car, and education.
Income:	4 categories: income less than or equal to 100% of the poverty threshold (Poor100-- base), income greater than 100% of the threshold but less than or equal to 150% of the threshold (Poor100-150), income greater than 150% of the threshold but less than or equal to 200% of the threshold (Poor150-200), and income greater than 200% of the poverty threshold (Poor200)
Net worth:	5 categories: less than $0, $0-$4,999 (base), $5,000-$19,999, $20,000-$74,000, and $75,000 or more.
Home ownership:	Home ownership was a binary variable (own=1, not own=0).
Household size:	Categorical variable: one, two (base), and three or more.
Presence of young children:	Presence of children under age 18 was a binary variable: with young children (=1) and without (=0).
Income spending tendency:	Whether or not a household spent all its income each month is a binary variable (spend all=1, save some=0).
Race/ethnicity:	A set of binary variables with non-Hispanic Whites as base: Black, Hispanic, and other race.
Marital status:	Binary variable with non-married as base (married or living with a partner=1).[3]
Age:	Continuous variable.
Education:	A set of binary variables with high school graduates as base: less than high school education and some college education or more.
Working status:	A set of binary variables with unemployed and not looking for work as base category: white collar, blue collar, retired, and unemployed and looking for work.
Region:	A set of binary variables with Mid Atlantic as base: New England, South Atlantic, East South Central, West South Central, East North Central, West North Central, Mountain, and Pacific.[4]
Credit history:	Credit history included as a set of binary variables: did not apply for credit, rejected or obtained lesser amount, and no bad credit history (base).

[3] In the SCF, gender is tied with marital status; all married couple households are considered as headed by the male. A meaningful gender distinction can be made between single-female and single-male headed households.

[4] New England (CT, ME, MA, NH, RI, VT), Mid- Atlantic (NJ, NY, PA), South Atlantic (DE, DC, FL, GA, MD, NC, SC, VA, WV), East South Central (AL, KY, MS, TN), West South Central (AR, LA, OK, TX), East North Central (IL, IN, MI, OH, WI), West North Central (IA, KS, MN, MO, NE, ND, SD), Mountain (AZ, CO, ID, MT, NV, UT, WY, NM), Pacific (AK, CA, HI, OR, WA)

Table 2. Profile of Income Groups

	All U.S. households	All LMI households (80% of regional median)	LMI unbanked households (80% of regional median)	Households at 200% or less of poverty threshold	Households at 150% or less of poverty threshold	Households at 100% or less of poverty threshold
N (unweighted)	4309	1476	299	1119	840	522
% with transaction account	90.3	81.9	0.0	75.8	70.7	62.6
Median age	46	48	41	44	43	41
Median income ($)	33,660	16,320	8,160	12,240	10,200	7,140
Median education	13	12	11	12	12	12
% with less than h.s.	16.5	26.5	59.5	31.8	35.4	39.6
% married couple	58.5	38.7	28.5	41.1	36.5	32.2
% single female	27.2	42.9	49.4	43.8	47.8	51.6
% single male	14.3	18.4	22.2	15.1	15.6	16.2
Median net worth ($)	71,700	20,970	0	10,000	7,190	4,380
% home owner	66.3	50.5	14.6	45.5	41.1	35.3
Median household size	2	2	2	2	2	2
% with children < 18	37.5	31.0	40.1	41.7	42.4	47.0
% expect major expense	50.9	46.3	68.9	48.3	45.0	45.5
% spend all income each month	58.3	70.7	83.3	75.7	76.5	77.8
Race/ethnicity:						
Whites	77.7	70.5	35.5	63.7	60.4	54.2
Blacks	11.9	16.6	38.4	20.2	22.4	26.9
Hispanics	7.2	10.0	22.8	12.7	13.2	13.8
Non-whites	3.2	2.9	3.3	3.4	4.0	5.1
Employment:						
White collar	38.3	23.8	9.0	19.9	17.5	16.0
Blue collar	31.8	31.6	31.4	33.1	31.1	27.4
Retired	18.9	26.1	17.2	23.2	23.2	20.1
Unemployed/ laid off	3.4	5.3	16.2	7.0	8.3	10.8
Unemployed/ not looking	7.1	12.7	26.2	16.3	19.5	25.3
% with wage income	75.2	61.7	44.0	59.3	53.6	47.3
Region						
New England	4.5	4.3	0.2	3.3	3.3	1.7
Mid Atlantic	14.8	15.5	17.0	14.9	14.8	15.3
S. Atlantic	18.4	17.2	16.4	17.4	16.9	18.2

	All U.S. households	All LMI households (80% of regional median)	LMI unbanked households (80% of regional median)	Households at 200% or less of poverty threshold	Households at 150% or less of poverty threshold	Households at 100% or less of poverty threshold
East S. Central	7.3	8.6	12.2	9.6	10.8	11.2
West S. Central	9.9	9.9	14.7	11.6	11.5	12.2
East N. Central	16.8	15.7	15.4	16.1	15.3	13.6
West N. Central	7.2	8.3	5.3	7.5	7.8	7.3
Mountain West	7.2	7.9	4.0	7.3	6.4	6.2
Pacific West	13.9	12.6	14.9	12.3	13.3	14.3
Credit history:						
% did not apply	36.5	50.9	84.6	52.6	58.3	62.3
% rejected	21.8	21.9	9.7	22.7	20.8	19.2
% no bad credit	41.7	27.2	5.7	24.7	20.9	43.1
Extent of shopping for credit:						
Almost no (1)						
(2)	21.8	30.8	52.5	32.8	34.8	35.8
Moderate (3)	6.3	5.6	5.6	5.4	5.2	5.2
(4)	38.2	36.7	26.2	35.4	33.3	32.8
A great deal (5)	12.0	8.6	3.2	8.1	7.9	7.4
	21.7	19.5	12.6	18.5	18.9	18.8
Extent of shopping for savings:						
Almost no (1)						
(2)	26.4	35.0	51.8	38.3	39.1	40.7
Moderate (3)	8.4	7.4	6.7	7.3	6.4	6.4
(4)	34.7	31.6	21.4	30.8	30.1	28.6
A great deal (5)	12.0	8.6	5.5	7.5	7.5	6.3
	18.5	17.5	14.5	16.1	16.9	18.0
Economic expectation:						
better	24.7	27.4	32.1	28.9	30.0	32.2
worse	26.7	27.6	25.2	28.2	30.1	29.0
the same	48.6	45.0	42.7	42.9	39.9	38.8
Interest rate:						
Higher	64.3	62.3	61.8	63.8	64.2	65.3
Lower	6.3	7.2	8.4	7.5	7.7	8.3
the same	29.4	30.6	29.8	28.8	28.2	26.4
% OK to use credit for consumer goods	51.0	51.5	55.4	52.9	54.8	58.9
% OK to use credit for car	79.1	71.4	48.4	68.2	54.9	63.2
% OK to use credit for education	80.6	75.3	66.9	75.3	72.7	74.1

Table 3. Products Held, by Income Group

	All U.S. house-holds	LMI households (80% of regional median)		Households at 200% or less of poverty threshold		Households at 150% or less of poverty threshold		Households at 100% or less of poverty threshold	
		Banked	Un-banked	Banked	Un-banked	Banked	Un-banked	Banked	Un-banked
N (unweighted)	4309	1117	299	837	282	589	251	329	193
Checking account	80.7%	77.8%	0	73.8%	0	69.9%	0	62.9%	0
Median value	$1,200	$700	--	$500	--	$500	--	$400	--
Savings account	55.8	49.3	0	45.4	0	42.0	0	40.6	0
Median value	2,000	1,000	--	550	--	500	--	430	--
Credit card	67.5	52.6	4.6	44.4	4.5	37.2	4.5	30.5	5.2
Median balance – all holders	150	200	100	340	100	300	100	30	100
Median balance -- revolvers	1,900	1,200	370	1,200	370	700	370	850	370
First mortgage	41.2	22.3	0.7	22.1	0.7	18.0	0.8	14.7	1.0
Median balance	60,000	37,000	32,000	36,000	32,000	30,000	32,000	25,000	32,000
Second mortgage	10.4	4.4	0	4.9	0	3.0	0	1.7	0
Median balance	15,000	9,000	NA	12,000	NA	10,000	NA	4,000	NA
Car loan	30.8	23.8	0.7	22.0	0.7	19.3	0.8	16.1	0.8
Median balance	8,300	6,500	1,000	5,700	1,000	4,500	1,000	4,000	1,000
Education loan	11.3	10.9	0	12.6	0	11.7	0	15.0	0
Median balance	7,000	6,000	NA	6,000	NA	6,000	NA	5,800	NA
Consumer loan	10.5	10.8	3.8	11.8	4.0	11.1	4.3	10.5	4.7
Median balance	1,300	1,000	900	1,000	900	800	900	670	900
Any life insurance	69.2	57.9	25.5	52.9	25.2	48.1	24.0	42.2	25.5
Term	52.2	42.4	16.0	39.6	15.6	35.0	15.2	30.9	15.4
Whole	29.6	22.1	10.2	20.7	10.4	19.0	9.7	15.3	11.0
Both	12.6	6.6	0.8	7.4	0.8	5.9	0.9	4.0	0.9
Median cash value	7,300	4,200	3,500	4,000	3,500	5,000	5,000	5,000	5,000

Table 4. Types of Financial Institutions Used by LMI Households for Selected Financial Products, Among those Holding the Product (in percentages)

<table>
<tr><th></th><th>Checking Account</th><th>Savings Account</th><th>Credit Card</th><th>Car Loan</th><th>1st Mortgage</th><th>2nd Mortgage</th><th>Educational Loan</th><th>Consumer Loan</th></tr>
<tr><td>Commer-cial bank*</td><td>81</td><td>63</td><td>55</td><td>35.1</td><td>47.1</td><td>52.0</td><td rowspan="2">23.7</td><td>13.2</td></tr>
<tr><td>Credit Union</td><td>12</td><td>27</td><td>9</td><td>18.8</td><td>4.1</td><td>13.4</td><td>3.8</td></tr>
<tr><td>Other **</td><td>6</td><td>10</td><td>10</td><td>8.2</td><td>5.4</td><td>5.1</td><td>17.7</td><td>3.8***</td></tr>
<tr><td>Credit Card Co.</td><td></td><td></td><td>11</td><td></td><td></td><td></td><td></td><td></td></tr>
<tr><td>Multiple Institu-tions</td><td></td><td></td><td>15</td><td>2.9</td><td></td><td></td><td>9.6</td><td>18.5</td></tr>
<tr><td>Finance Co.</td><td></td><td></td><td></td><td>28.4</td><td>32.5</td><td>19.6</td><td>34.2</td><td>12.1</td></tr>
<tr><td>Mortgage Co.</td><td></td><td></td><td></td><td></td><td>7.9</td><td>9.9</td><td></td><td></td></tr>
<tr><td>Govern-ment-assisted</td><td></td><td></td><td></td><td></td><td>3.0</td><td></td><td>6.7</td><td></td></tr>
<tr><td>Auto Finance Co.</td><td></td><td></td><td></td><td>6.6</td><td></td><td></td><td></td><td></td></tr>
<tr><td>School</td><td></td><td></td><td></td><td></td><td></td><td></td><td>7.7</td><td></td></tr>
<tr><td>Store or Dealer</td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td>14.1</td></tr>
<tr><td>Doctor or Hospital</td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td>12.7</td></tr>
<tr><td>Family or Friends</td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td>22.0</td></tr>
<tr><td>N (unweighted)</td><td>1226</td><td>729</td><td>777</td><td>351</td><td>292</td><td>32</td><td>174</td><td>173</td></tr>
</table>

* Commercial banks include commercial banks and thrift-type institutions (savings banks, savings & loans)
** "Other" includes brokerage accounts, family and friends, membership/fraternal organizations, AARP, employers, other lenders and/or other institutions
*** "Other" in this product category does NOT include family and friends, which are listed separately

Table 4-A. Type of Institution Used for Checking Accounts Among All LMI Households (N=1,613) (in percentages)

Checking Account	Type of Institution				Statistics		
	No account	Com-mercial banks[a]	Credit unions	Others[b]	Chi-square	p-value	Pair-wise test
Total	24.0	61.9	9.3	4.8			
Income					230.88	<.0001	
Poor100	46.5	45.6	5.1	2.8			A
Poor100-150	23.2	66.9	7.6	2.4			B
Poor150-200	16.9	66.9	11.6	4.6			B
Poor200	7.0	71.6	13.1	8.3			B
Net-worth					310.95	<.0001	
Less than $0	34.8	50.2	11.2	3.8			A
$0-$4,999	49.8	42.6	6.6	1.0			A
$5,000-$19,999	25.2	60.5	10.7	3.6			B
$20,000-$74,999	18.0	68.5	11.1	2.5			B
$75,000 or more	4.2	77.0	8.5	10.3			B
Home ownership					108.78	<.0001	
Own	13.5	70.1	10.5	5.9			
Don't own	34.8	53.5	8.1	3.7			
Household size					51.08	<.0001	
1	20.1	64.4	10.4	5.2			A
2	19.1	67.3	8.8	4.9			A
3-4	31.8	52.6	10.1	5.5			A
5 or more	37.2	56.9	4.7	1.2			A
Presence of children under 18					56.09	<.0001	
Yes	34.4	52.7	9.7	3.2			
No	19.4	66.0	9.1	5.5			
Spending income					28.75	<.0001	
Spend all income	27.7	60.0	8.5	3.8			
Save some	15.2	66.4	11.2	7.2			
Race/ethnicity					227.46	<.0001	
White	14.2	69.2	11.0	5.6			A
Black	49.0	43.3	3.8	4.0			B
Hispanics	49.8	42.2	7.7	0.4			B
Other race	33.6	58.4	3.9	4.1			A, B
Marital status					11.44	0.0757	
Married	21.2	64.1	9.1	5.6			A
Single male	27.9	58.5	10.4	3.3			A
Single female	25.0	61.3	9.0	4.7			A

Checking Account	Type of Institution				Statistics		
	No account	Com-mercial banks[a]	Credit unions	Others[b]	Chi-square	p-value	Pair-wise test
Age					78.49	<.0001	
18-34	30.7	51.7	13.3	4.4			A
35-49	30.1	54.9	11.0	4.1			A
50-64	21.2	65.9	7.9	5.1			A
65 or older	14.6	74.8	5.1	5.6			A
Education					226.24	<.0001	
Less than high school	45.1	49.8	3.6	1.4			A
High school graduates	21.4	66.7	9.3	2.7			B
Some college	13.4	65.2	13.0	8.4			B, C
BS or more	5.2	72.1	12.7	10.0			C
Working status					195.61	<.0001	
White collar	12.5	65.2	15.2	7.1			A, B
Blue collar	29.4	56.4	11.1	3.2			A, B
Retired	12.3	77.1	5.2	5.4			A
Unemployed-looking for job	54.1	39.2	4.5	2.2			A, B
Unemployed-not looking	44.1	47.0	4.5	4.4			B
Region					101.95	<.0001	
New England	5.4	86.5	5.1	3.0			A
Mid Atlantic	26.8	61.3	6.8	5.1			A, B
South Atlantic	28.0	57.4	7.0	7.6			B
East S. Central	29.2	68.4	2.3	0.2			A, B
West S. Central	30.3	59.1	8.1	2.5			A, B
East N. Central	22.3	61.8	9.8	6.2			B
West N. Central	19.1	67.5	10.7	2.8			A, B
Mountain West	18.9	56.8	18.5	5.8			B
Pacific West	22.0	57.7	15.4	5.0			A, B
Credit history					68.26	<.0001	
Did not apply	32.0	59.2	4.9	3.8			A
Rejected	19.4	61.1	14.0	5.5			B
No bad credit history	12.9	67.5	13.6	6.0			B

[a] Includes commercial banks and thrift institutions (savings banks, savings & loans)
[b] Others include brokerage and other types of financial institution as well as multiple accounts.

Table 4-B. Type of Institution Used for Savings Accounts Among All LMI Households (N=1,613) (in percentages)

Savings Account	Type of Institution				Statistics		
	No account	Com-mercial banks[a]	Credit unions	Others[b]	Chi-square	p-value	Pairwise test
Total	54.8	28.7	12.2	4.3			
Income					68.26	<.0001	
Poor100	67.4	21.9	9.1	1.6			A
Poor100-150	59.6	28.7	8.6	3.2			A, B
Poor150-200	47.6	33.4	14.7	4.3			A, B
Poor200	43.6	32.9	16.2	7.3			B
Net-worth					87.98	<.0001	
Less than $0	55.7	25.6	17.0	1.7			A
$0-$4,999	71.4	19.0	8.4	1.2			A
$5,000-$19,999	55.5	26.8	14.1	3.5			A, B
$20,000-$74,999	50.9	30.8	13.1	5.2			B
$75,000 or more	44.4	36.8	11.5	7.3			B
Home ownership					19.95	0.0002	
Own	48.8	32.4	13.3	5.6			
Don't own	60.9	25.0	11.2	2.9			
Household size					17.26	0.0448	
1	54.0	31.1	11.8	3.1			A
2	54.4	29.7	10.7	5.3			A
3-4	54.1	24.2	16.6	5.1			A
5 or more	61.1	27.9	8.2	2.9			A
Presence of children under 18					9.19	0.0269	
Yes	56.7	24.3	14.3	4.8			
No	53.9	30.7	11.3	4.0			
Spending income					23.16	<.0001	
Spend all income	57.9	27.2	11.8	3.0			
Save some	47.2	32.3	13.2	7.3			
Race/ethnicity					23.31	0.0055	
White	51.1	30.2	14.0	4.8			A
Black	64.0	23.7	8.2	4.2			A
Hispanics	65.5	25.4	7.9	1.2			A
Other race	54.8	33.7	8.4	3.0			A
Marital status					5.69	0.4593	
Married	56.3	26.2	12.3	5.1			A
Single male	54.6	30.1	11.7	3.6			A
Single female	53.5	30.4	12.4	3.8			A
Age					42.82	<.0001	

Savings Account	Type of Institution				Statistics		
	No account	Com-mercial banks[a]	Credit unions	Others[b]	Chi-square	p-value	Pairwise test
18-34	54.3	22.3	19.0	4.4			A
35-49	51.7	30.3	13.9	4.0			A
50-64	54.0	30.9	9.4	5.7			A
65 or older	58.2	32.1	6.3	3.5			A
Education					73.74	<.0001	
Less than high school	69.8	22.5	6.1	1.6			A
High school graduates	51.3	32.2	11.8	4.6			A
Some college	47.5	28.5	18.8	5.2			A
BS or more	45.6	32.7	14.5	7.2			A
Working status					92.64	<.0001	
White collar	40.8	31.6	21.7	5.9			A
Blue collar	54.7	26.3	13.3	5.7			A
Retired	57.2	33.2	6.9	2.7			A
Unemployed-looking for job	72.1	22.7	5.2	0.0			A
Unemployed-not looking	68.5	23.3	5.7	2.6			A
Region					61.37	<.0001	
New England	41.6	49.0	5.9	3.5			B
Mid Atlantic	52.7	30.8	12.0	4.5			B
South Atlantic	58.3	28.5	9.3	3.8			A, C
East S. Central	67.5	25.9	5.1	1.5			A, C
West S. Central	65.0	18.2	14.5	2.3			A
East N. Central	49.4	31.3	12.2	7.1			A, C
West N. Central	57.6	25.1	14.0	3.4			A, C
Mountain West	46.5	27.9	20.6	5.0			A, C
Pacific West	50.5	29.3	15.4	4.8			C
Credit history					65.37	<.0001	
Did not apply	62.1	28.2	7.0	2.8			A
Rejected	48.8	26.9	19.7	4.6			A
No bad credit history	45.9	31.3	16.1	6.8			A

[a] Includes commercial banks and thrift institutions (savings banks, savings & loans)
[b] Others include brokerage and other types of financial institution as well as multiple accounts.

Table 4-C. Type of Institution Used for Credit Cards Among All LMI Households (N=1,613) (in percentages)

Credit card	Type of Institution						Statistics		
	No credit card	Com-mer-cial bank[a]	Credit union	Credit card co.	Others[b]	Mul-tiple institu-tions	Chi-square	p-value	Pair-wise test
Total	51.8	26.6	4.2	5.4	4.8	7.2			
Income							219.33	<.0001	
Poor100	75.0	15.2	2.6	2.2	1.7	3.3			A
Poor100-150	57.4	24.6	2.6	5.4	3.5	6.5			A, B
Poor150-200	40.5	30.1	6.0	7.5	5.4	10.6			A, B
Poor200	32.2	37.0	5.7	7.4	8.1	9.7			B
Net-worth							256.74	<.0001	
Less than $0	49.2	29.6	3.1	7.8	2.9	7.3			A
$0-$4,999	80.6	11.9	2.8	1.1	1.5	2.1			B
$5,000-$19,999	54.5	31.2	1.8	5.1	2.6	4.8			A
$20,000-$74,999	43.6	30.9	4.3	8.3	4.2	8.7			A
$75,000 or more	35.8	31.0	6.7	5.8	9.5	11.2			A
Home ownership							91.15	<.0001	
Own	42.3	29.8	5.6	6.6	6.0	9.6			
Don't own	61.5	23.4	2.7	4.2	3.5	4.8			
Household size							26.30	0.0350	
1	49.8	27.6	3.9	5.5	6.3	6.9			A
2	48.1	28.4	4.6	5.8	5.4	7.8			A
3-4	55.0	25.2	4.8	5.1	3.0	6.9			A
5 or more	65.0	20.1	2.0	4.6	1.1	7.3			A
Presence of children under 18							44.46	<.0001	
Yes	62.6	20.7	3.9	4.1	2.5	6.2			
No	47.0	29.3	4.3	6.0	5.8	7.7			
Spending income							36.43	<.0001	
Spend all income	55.6	24.4	3.3	5.9	3.9	6.9			
Save some	42.7	32.0	6.1	4.4	6.8	8.1			
Race/ethnicity							114.08	<.0001	
White	44.9	28.4	5.5	6.3	6.0	8.9			A
Black	71.9	20.2	1.1	2.8	2.2	1.8			A
Hispanics	61.4	27.7	0.2	5.5	1.2	4.1			A
Other race	72.0	17.3	2.3	0.0	1.1	7.3			A
Marital status							19.72	0.0320	
Married	47.4	29.4	4.0	6.6	4.8	8.0			A

Credit card	Type of Institution						Statistics		
	No credit card	Commercial bank[a]	Credit union	Credit card co.	Others[b]	Multiple institutions	Chi-square	p-value	Pairwise test
Single male	51.6	28.0	4.7	6.8	3.6	5.4			A
Single female	55.9	23.6	4.1	3.8	5.3	7.3			A
Age							42.28	0.0002	
18-34	57.9	22.6	4.5	6.7	2.5	5.9			A
35-49	41.0	28.2	3.9	4.7	4.5	7.7			A, B
50-64	45.4	32.2	3.5	6.1	3.6	9.2			B
65 or older	50.6	25.9	4.4	4.4	7.8	6.9			A, B
Education							202.55	<.0001	
Less than high school	73.7	15.7	2/0	2.1	1.7	4.8			A
High school graduates	51.1	26.8	3.3	4.7	6.1	8.1			B
Some college	39.5	31.9	8.0	7.4	5.8	7.5			B
BS or more	25.6	41.3	5.4	10.8	6.7	10.4			C
Working status							136.60	<.0001	
White collar	35.2	35.2	4.8	6.5	5.0	13.4			A
Blue collar	54.4	27.3	4.3	5.1	3.9	5.0			B
Retired	48.4	26.8	4.7	4.7	7.9	7.6			A, B
Unemployed-looking for job	76.3	10.2	2.5	7.8	0.3	2.9			B
Unemployed-not looking	72.4	16.2	2.3	4.5	2.2	2.5			B
Region							72.38	0.0013	
New England	37.4	33.0	4.4	6.2	8.0	11.0			A
Mid Atlantic	49.0	27.4	5.2	5.5	5.7	7.2			A
South Atlantic	54.2	30.2	2.2	4.0	3.9	5.5			A
East S. Central	62.3	20.0	2.2	3.3	2.8	9.3			A
West S. Central	59.0	22.1	2.1	7.3	3.1	6.5			A
East N. Central	49.8	28.5	6.3	4.5	6.1	4.9			A
West N. Central	52.3	21.3	3.6	4.4	8.4	10.1			A
Mountain West	46.8	22.9	6.2	9.5	6.9	7.7			A
Pacific West	49.5	30.3	4.9	6.2	0.9	8.2			A
Credit history							173.61	<.0001	
Did not apply	64.8	20.2	2.7	3.7	5.0	3.6			A
Rejected	47.4	28.1	4.8	6.4	4.3	9.0			B
No bad credit history	31.0	37.5	6.3	7.8	4.7	12.6			B

[a] Includes commercial banks and thrift institutions (savings banks, savings & loans)
[b] Others include membership organization, AARP, and other credit issuing institutions.

Table 4-D. Type of Institution Used for Car Loans Among LMI Households with these Loans (N=351) (in percentages)

Car Loan	Type of Institutions						Statistics	
	Commercial Bank[a]	Credit union	Finance co.	Auto. Finance co	Other [b]	Multiple institutions	Chi Square	P value
Total	35.1	18.8	28.4	6.6	8.2	2.9		
Income[c]								
Poor100	28.0	14.3	28.6	6.1	19.3	3.7		
Poor100-150	34.4	17.5	29.7	6.2	9.4	2.8		
Poor150-200	41.9	20.3	24.2	7.6	4.4	1.8		
Poor200	35.7	20.6	29.5	6.7	4.5	3.0		
Net-worth [c]								
Less than $0	21.7	20.7	43.4	4.1	7.2	2.8		
$0-$4,999	33.4	10.0	32.3	9.0	11.9	3.4		
$5,000-$19,999	44.4	8.7	16.4	9.6	17.3	3.6		
$20,000-$74,999	38.6	22.4	24.6	3.8	7.5	3.2		
$75,000 or more	36.2	26.1	27.3	7.7	1.0	1.8		
Home ownership							11.6	0.0407
Own	40.1	21.9	24.2	7.0	5.6	1.2		
Don't own	29.4	15.2	33.2	6.3	11.1	4.8		
Household size[c]								
1	49.1	17.9	25.8	4.8	2.6	0.0		
2	31.0	17.6	30.4	9.2	8.7	3.1		
3-4	29.6	23.2	27.7	5.6	9.3	4.8		
5 or more	35.2	11.5	29.7	5.0	15.9	2.7		
Presence of children under 18							9.54	0.0895
Yes	30.0	20.3	31.0	4.5	12.1	2.2		
No	39.2	17.6	26.4	8.3	5.1	3.4		
Spending income							10.57	0.0606
Spend all income	34.9	15.7	31.2	5.7	10.0	2.5		
Save some	35.6	26.8	21.1	9.2	3.4	3.9		
Race/ethnicity[c]								
White	39.8	21.3	26.1	4.8	5.5	2.5		
Black	22.6	11.2	41.1	13.7	9.5	1.9		
Hispanics	31.4	9.9	24.1	6.4	25.3	2.9		
Other race	7.3	31.2	33.7	12.7	0.0	15.2		
Marital status[c]								
Married	34.0	20.8	25.4	6.6	10.8	2.5		
Single male	45.5	13.9	25.0	7.2	3.7	4.7		
Single female	31.9	18.0	34.9	6.5	6.3	2.5		
Age[c]								

Car Loan	Type of Institutions						Statistics	
	Com-mercial Bank[a]	Credit union	Finance co.	Auto. Finance co	Other[b]	Multiple institu-tions	Chi Square	P value
18-34	32.9	19.7	25.9	6.6	10.6	4.2		
35-49	36.1	17.9	27.8	6.1	10.6	1.6		
50-64	41.4	19.2	29.8	4.5	2.4	2.7		
65 or older	27.7	17.3	34.6	12.0	6.1	2.4		
Education[c]								
Less than high school	40.4	12.2	26.4	10.6	7.6	2.8		
High school graduates	43.8	12.6	24.3	7.1	8.9	3.4		
Some college	23.6	24.0	34.8	8.0	6.3	3.3		
BS or more	29.9	31.7	27.3	2.1	7.8	1.3		
Working status[c]								
White collar	28.2	23.2	33.0	7.6	5.1	3.0		
Blue collar	40.2	17.2	23.7	4.8	11.5	2.6		
Retired	30.1	14.5	36.1	8.0	7.8	3.7		
Unemployed-looking for job	49.1	12.2	16.6	6.2	7.3	8.7		
Unemployed-not looking	33.1	20.6	32.0	13.6	0.0	0.8		
Region[c]								
New England	27.0	17.9	55.1	0.0	0.0	0.0		
Mid Atlantic	45.2	15.6	25.0	7.4	3.9	2.8		
South Atlantic	43.2	11.2	33.4	7.7	4.5	0.0		
East S. Central	45.9	5.2	24.0	6.6	15.5	2.8		
West S. Central	34.6	15.0	18.3	14.8	15.1	2.1		
East N. Central	31.1	29.5	24.4	4.0	5.7	5.3		
West N. Central	34.6	26.4	20.6	7.6	9.1	1.7		
Mountain West	20.1	35.2	31.0	1.1	3.2	9.5		
Pacific West	18.1	19.0	38.5	4.4	17.2	2.9		
Credit history							8.29	0.1410
Not rejected	40.9	18.2	24.4	6.2	7.8	2.6		
Rejected	25.9	19.7	35.0	7.3	8.8	3.4		

[a] Includes commercial banks and thrift institutions (savings banks, savings & loans)
[b] Others include other lenders, including family, friends, employer, AARP, etc.
[c] Due to small cell size, a chi-square test is not meaningful.

Table 4-E. Type of Institution Used for 1st Mortgages Among LMI Households Holding a 1st Mortgage (N=292)* (in percentages)

1st mortgage	Type of Institution					
	Commer-cial bank[a]	Credit union	Finance co.	Mortgage co.	Government	Others [b]
Total	47.1	4.1	32.5	7.9	3.0	5.4
Income						
Poor100	38.5	1.1	33.0	6.5	9.3	11.7
Poor100-150	45.3	2.8	34.1	10.7	0.1	7.0
Poor150-200	49.4	1.1	33.2	9.1	5.5	1.6
Poor200	50.6	7.4	31.2	6.7	0.5	3.7
Net-worth						
Less than $0	27.4	2.3	36.4	15.3	5.7	13.0
$0-$4,999	26.7	0.0	50.9	0.0	10.2	12.2
$5,000-$19,999	37.8	2.3	41.4	4.0	4.9	9.6
$20,000-$74,999	49.8	4.5.	33.2	7.0	0.5	5.0
$75,000 or more	52.8	5.1	26.0	10.2	3.5	2.5
Household size						
1	56.3	4.3	31.7	5.6	0.0	2.1
2	38.2	7.0	32.1	13.1	3.7	5.9
3-4	51.0	2.9	33.0	5.4	4.9	2.8
5 or more	43.2	0.1	33.5	6.1	0.6	16.5
Presence of children under 18						
Yes	49.4	2.3	32.0	6.9	2.6	7.0
No	45.5	5.5	32.9	8.7	3.3	4.2
Spending income						
Spend all income	45.8	4.3	31.6	8.4	3.2	6.8
Save some	51.2	3.6	35.4	6.5	2.2	1.0
Race/ethnicity						
White	49.0	4.2	29.7	7.6	3.3	6.2
Black	27.4	6.5	47.8	10.4	3.2	4.7
Hispanics	59.3	0.0	35.0	5.7	0.0	0.0
Other race	71.5	0.0	17.6	10.8	0.0	0.0
Marital status						
Married	46.3	3.7	32.6	8.4	3.7	5.3
Single male	50.2	12.3	21.4	6.7	1.1	8.4
Single female	47.4	1.2	37.3	7.5	2.5	4.1
Age						
18-34	42.0	4.3	30.9	10.5	2.6	9.6
35-49	48.4	3.7	32.9	4.5	4.0	6.5
50-64	51.9	4.0	29.3	10.1	1.9	2.8

1st mortgage	Type of Institution					
	Commer-cial bank[a]	Credit union	Finance co.	Mortgage co.	Government	Others [b]
65 or older	44.6	4.8	38.1	8.4	2.9	1.3
Education						
Less than high school	35.1	4.6	46.5	5.7	1.6	6.6
High school graduates	56.3	3.7	26.9	4.6	3.5	5.1
Some college	36.5	5.5	36.7	13.8	1.1	6.4
BS or more	53.2	2.9	31.7	9.3	2.4	0.7
Working status						
White collar	52.5	2.1	32.9	9.2	1.3	2.0
Blue collar	47.6	4.8	29.3	6.2	2.5	9.7
Retired	43.2	5.6	40.3	5.0	3.7	2.2
Unemployed-looking for job	52.4	7.1	18.1	15.8	0.0	6.6
Unemployed-not looking	32.9	2.7	39.4	6.4	14.0	4.7
Region						
New England	64.0	2.1	29.0	4.9	0.0	0.0
Mid Atlantic	51.6	6.4	25.7	7.6	5.2	3.6
South Atlantic	30.4	2.3	42.6	10.2	2.3	12.2
East S. Central	55.8	0.0	25.6	6.4	3.8	8.4
West S. Central	50.3	0.1	41.8	2.0	5.8	0.0
East N. Central	54.4	6.2	29.7	4.1	1.2	4.5
West N. Central	46.5	2.2	33.8	4.8	5.2	7.5
Mountain West	30.3	5.1	35.3	26.6	1.2	1.6
Pacific West	53.1	6.4	30.4	5.6	2.0	2.4
Credit history						
Not rejected	51.1	3.9	31.4	7.7	2.6	3.4
Rejected	39.3	4.5	34.8	8.4	3.8	9.4

***** Due to small cell size, a chi-square test is not meaningful.
[a] Includes commercial banks and thrift institutions (savings banks, savings & loans)
[b] Others include other lenders, including family, friends, employer, AARP, etc.

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