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April 9, 2015

Mr. Gary Kuiper  
Counsel  
Federal Deposit Insurance Corporation  
550 17th Street, NW  
Washington, DC 20429

**Re: Agency Information Collection Activities; Proposals, Submissions, and Approvals: National Survey of Unbanked and Underbanked Households; OMB Number: 3064-0167**

Dear Mr. Kuiper:

The [Pew Charitable Trust's consumer banking project](#) studies the transaction accounts that Americans rely on to manage their finances and develops research-based policy recommendations that promote safe and transparent products. We have published a series of reports examining several aspects of checking and prepaid accounts and have begun research into how new mobile banking and payment features can help the unbanked and underbanked. The Federal Deposit Insurance Corporation's (FDIC) National Survey of Unbanked and Underbanked Households has proven to be invaluable in these efforts.

We submitted the following comments regarding the FDIC's 2015 draft Survey of Unbanked and Underbanked Households after the FDIC's prior comment period had closed and welcome the opportunity to have them formally considered and entered into the public record during this comment discussion period. Our previously filed comments remain relevant to this request.

**The definition of prepaid accounts should be modified in the survey proposed by the FDIC to avoid confusion and more closely resemble the 2013 FDIC survey.**

Pew defines general purpose reloadable (GPR) prepaid cards as those that are widely available to the public, allow customers to load funds via cash and direct deposit, and provide the ability to spend money at unaffiliated merchants and access funds through ATMs.<sup>1</sup> Our research shows that GPR prepaid cards are primarily purchased in stores that sell everyday items, not just financial services, although an increasing number of consumers are purchasing GPR prepaid cards from banks and credit unions.<sup>2</sup> More consumers are purchasing these cards than in years past and this growth in the market has corresponded with an increase in the variety of offerings.

Due to the growing assortment of GPR prepaid options available to consumers, we urge the FDIC to remove references to specific GPR prepaid cards and financial institutions in Section D in the draft 2015 Survey. Cards like Chase Liquid, Bluebird, Direct Express, Green Dot, or NetSpend are several examples of common GPR prepaid cards. However, the prepaid card market is both growing and changing.<sup>3</sup> While the example cards included in the proposed survey may enhance clarity for some respondents (especially those who use the cards that are specifically mentioned), it may also lead others to conclude that if the card they use is not listed, it is not defined as a GPR prepaid card. This could lead to underreporting of actual GPR prepaid card use, especially for GPR cards issued by traditional banks.

We recommend that the FDIC instead use language more closely aligned with the 2013 FDIC National Survey of Unbanked and Underbanked Households. Accordingly, we suggest the following explanation regarding GPR prepaid cards: *The next questions ask about prepaid cards that have logos on them, such as MasterCard, VISA, Discover or American Express. I am talking about cards which work like a bank debit card but are not linked to an actual bank account. I am not talking about phone cards or gift cards. Prepaid cards allow you or someone else to add money onto them. Prepaid cards let you make purchases and pay bills anywhere that credit cards are accepted and withdraw cash from an ATM.*

**The type of bank account fees and particularly overdraft penalty fees should be explored in the survey proposed by the FDIC.**

According to the 2013 FDIC National Survey, among unbanked households, 30 percent reported not having a bank account because account fees are too high or unpredictable, the fourth most frequently cited reason households were unbanked. We applaud the FDIC for continuing to collect data on high or unpredictable fees as reasons why households may not have a bank account, for these are clearly important factors.

While the FDIC data show that bank account fees are impacting banking status, we know less about what type of fees may be especially problematic for unbanked and underbanked households. Prior academic research has shown that between 2000 and 2005, approximately 30 million checking accounts were involuntarily closed due to excessive overdrafting.<sup>4</sup> Households more likely to experience involuntary closure included those headed by single mothers and individuals with low levels of college education. In a survey of checking account holders conducted by Pew, 13 percent of people who paid a debit card overdraft penalty fee in the last year said they no longer have a checking account.<sup>5</sup> In total, 28 percent of survey respondents reported closing a checking account in response to overdraft fees.

Given the implications of bank account fees for unbanked households and the relationship to bank account closures, we recommend the FDIC include specific questions on overdraft fees in the proposed survey. Questions that target overdraft fees may be added as an additional subsection of Section C. Reasons for Not Having a Bank Account (e.g., Overdraft fees are too high: Yes, No, DK/Refuse; Overdraft fees are unpredictable: Yes, No, DK/Refuse). Overdraft fees

should also be included in the list of response options for Q2 in which households are asked, *What is the main reason why no one in your household has an account?*

**The perceived availability of direct deposit and why consumers do not use direct deposit when it is available should be explored in the survey proposed by the FDIC.**

The 2013 FDIC National Survey of Unbanked and Underbanked Households included a new set of questions (Section E) pertaining to use of direct deposit and automatic transfers (Q2c) and the types of accounts set up to receive payments or deposits (Q2d). Banked households and GPR prepaid card users were specifically asked whether they opened an account or used a prepaid card, respectively, in the last year in order to receive direct deposit of paychecks or other payments, such as social security benefits (Q2e and Q42b).

The availability of direct deposit appears important to households but needs additional study. According to the 2013 FDIC survey, 34 percent of households that opened an account in the last 12 months did so to receive direct deposit or automatic transfers and the majority of banked households receive direct deposit or automatic transfers into their checking account (65 percent). For monthly GPR prepaid card users, Pew's research shows that more than one out of three reload their cards through direct deposit.<sup>6</sup> Yet 43 percent of unbanked monthly GPR prepaid card holders use direct deposit, demonstrating that these cards can substitute for a traditional checking account.<sup>7</sup>

Given the widespread use of direct deposit, especially among unbanked prepaid card users, we encourage the FDIC to include additional questions on this topic area in the 2015 FDIC National Survey of Unbanked and Underbanked Households. Specifically, we recommend adding questions to understand the perceived availability of direct deposit and barriers for usage. Households that are not currently using direct deposit should be asked whether or not they have access to direct deposit (Yes, No, DK/Refused). Those who respond yes should be asked why they are not currently using this feature.

**Mobile transactions are an increasingly important aspect of Americans' finances and questions on mobile banking and mobile payments should be included in the survey proposed by the FDIC.**

We realize that the FDIC must adhere to specific parameters minimizing the burden of information collection on respondents which limit the length of the survey. However, Pew urges the FDIC to retain as many questions from the previous unbanked and underbanked surveys as possible to allow the FDIC and other interested parties such as Pew to conduct trend analysis and understand how these segments of the population have changed over time. For example, Pew's research has shown that the users of products such as prepaid cards have increased and more are purchasing GPR prepaid cards from banks and credit unions.<sup>8</sup> The ability to chart changes over time is vital to understanding what is driving the use of prepaid and other non-traditional financial services as well as the uptake of traditional banking products.

Specifically, we recommend including questions related to “mobile banking” and “mobile payments,” such as questions 2i and 24b from the 2013 survey. In fact, we suggest including a new section on mobile payments more generally, asking about both bank and non-bank related products. Adding this new section will ensure that the survey mirrors consumer usage of new technology, as the Federal Reserve Board’s most recent study of these products, “Consumers and Mobile Financial Services 2015,” which shows that more consumers are using mobile payments and, year over year, the unbanked and underbanked have a higher rate of mobile smartphone usage than the banked.<sup>9</sup> At the same time, consumer use of non-bank mobile payments products has implications for the competitiveness of bank offerings, in terms of these products potentially competing with bank offerings, so it is important for the FDIC to collect data across this market. Mobile banking and payment features specifically designed for users of smartphones tells a much richer story of the financial services available to, and adopted by, the unbanked and underbanked.

We thank the FDIC for this opportunity to comment on the draft 2015 National Survey of Unbanked and Underbanked households. We look forward to the release of the survey and continuing to share our work with the FDIC. As always, we are available to discuss these comments or any other aspect of our work at any time.

Sincerely,



Joy Hackenbracht  
Officer  
Consumer Banking Project



Andrew Blevins  
Associate  
Consumer Banking Project



Susan Weinstock  
Director  
Consumer Banking Project

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<sup>1</sup> Forthcoming Report; The Pew Charitable Trusts, *Why Americans Use Prepaid Cards* (Feb. 2014), 1, [http://www.pewtrusts.org/~media/legacy/uploadedfiles/pcs\\_assets/2014/PrepaidCardsSurveyReportpdf.pdf](http://www.pewtrusts.org/~media/legacy/uploadedfiles/pcs_assets/2014/PrepaidCardsSurveyReportpdf.pdf).

<sup>2</sup> Forthcoming Report.

<sup>3</sup> Forthcoming Report.

<sup>4</sup> Dennis Campbell, Francisco de Asis Martinez-Jerez, and Peter Tufano, *Bouncing Out of the Banking System: An Empirical Analysis of Involuntary Bank Account Closures* (June 2008), 2, [http://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=1335873](http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1335873).

<sup>5</sup> The Pew Charitable Trusts, *Overdrawn: Persistent Confusion and Concern About Bank Overdraft Practices* (June 2014), 1, [http://www.pewtrusts.org/~media/Assets/2014/06/26/Safe\\_Checking\\_Overdraft\\_Survey\\_Report.pdf](http://www.pewtrusts.org/~media/Assets/2014/06/26/Safe_Checking_Overdraft_Survey_Report.pdf).

<sup>6</sup> Forthcoming Report; The Pew Charitable Trusts, *Why Americans Use Prepaid Cards* (Feb. 2014), 1, [http://www.pewtrusts.org/~media/legacy/uploadedfiles/pcs\\_assets/2014/PrepaidCardsSurveyReportpdf.pdf](http://www.pewtrusts.org/~media/legacy/uploadedfiles/pcs_assets/2014/PrepaidCardsSurveyReportpdf.pdf).

<sup>7</sup> Forthcoming Report.

<sup>8</sup> Forthcoming Report.

<sup>9</sup> Board of Governors of the Federal Reserve System, *Consumers and Mobile Financial Services 2013* (March 2015), 5 <http://www.federalreserve.gov/econresdata/consumers-and-mobile-financial-services-report-201503.pdf>.