Understanding the Unbanked and Underbanked

Current Situation                     How We Got Here                        Opportunities

Building an Inclusive Economy in St. Louis

PRESENTED BY LISA POTTS
PEOPLES COMMUNITY ACTION AGENCY - ST. LOUIS REGIONAL FINANCIAL EMPOWERMENT CENTER
According to the FDIC, 68 million adults in America are disconnected from the financial system

- Currently, 17 million are unbanked—meaning they do not have any bank accounts at all—and another 51 million are underbanked—meaning that they have bank accounts but rely on alternative financial providers, such as check cashers and pawn shops, to meet some of their banking needs.

- “More than 55 percent of black households are unbanked or underbanked, the highest of any racial or ethnic group, and this means that a majority of African-American families don’t have access to affordable financial solutions.”
Unbanked Households Rely on cash and paper checks that can be risky and unsafe

- A recent study of Seattle neighborhoods found that areas around payday lenders had higher crime rates than similar communities without these lenders.

- When Missouri gradually replaced paper benefit checks with electronic benefit cards across the state in the late 1990s, crime rates went down as counties transitioned to electronic payments.
The 2019 *Prosperity Now Scorecard* shows that too many families are either struggling to make ends meet or are just **one emergency away** from a financial disaster.

According to the Federal Reserve Bank, 40% of American households lack a basic level of **savings** - meaning that people are unable to come up with $400 in an emergency without, borrowing from family or friends or selling something.

The data is even worse for people of color, with nearly **57% of households of color** being **liquid asset poor**.
When you have no savings and you do not have credit to borrow from a bank - people turn to payday lenders - they are convenient.

12 million Americans use payday loans each year. Although marketed as helpful for unexpected or emergency expenses, 7 of 10 borrowers use the loans for basic expenses such as rent and utilities.

Payday loan locations are more likely to be concentrated in locations with higher-than-average poverty rates, lower income levels, more single parents, and with minority groups.
- Fewer banks in communities of color (*plenty of payday loan stores*)
- **White flight** (jobs left – sunk the economy)
- Racist housing policies & practices, especially **redlining and predatory lending**
- **Denial of credit** – low credit scores

These historic inequities made it impossible for many African American families across the United States to have the opportunity to tap into the equity-building benefits of homeownership.

- Thus, blacks have significantly less wealth today than their White counterparts. . . .

- In St. Louis – this manifests as the “Delmar Divide” . . .
Whites have 10x More Wealth

- The median average white family in the U.S. has approximately $171,000 in net wealth, while the median African American family has approximately $17,000.

- “That’s a dime in wealth for blacks compared to every dollar of wealth that that typical white family has.”
# ASSET BUILDING
The ability to weather financial shocks and setbacks while saving for the future is a critical step toward financial security.

# BANKING ACCESS
Accessing a safe, affordable accounts is key to joining the financial mainstream and keeping earnings secure by saving. Mobile banking holds real promise for deepening the connection between unbanked & underbanked households while increasing the safety & convenience of bill payments – especially during the pandemic.

# FINANCIAL EDUCATION AND COUNSELING
Professional financial counseling and coaching can tangibly improve household financial stability, especially when integrated into social services.
4 INCREASE HOMEOWNERSHIP OPPORTUNITIES
There is no greater asset than your home.

5 INSURANCE
Wealth is also passed down from insurance policies – *inheritances*.

6 TRANSFORMATIONAL IDEAS ON THE HORIZON
Guaranteed income, baby bonds, loan forgiveness, down payment assistance and reparations.