The Economic Ramifications of the Unbanked and Methods to Reduce the Unbanked Population

The INSTITUTE for Public Policy & Economic Development at Wilkes University

A collaboration among Geisinger Commonwealth School of Medicine, Keystone College, King's College, Lackawanna College, Luzerne County Community College, Marywood University, Misericordia University, Penn State Wilkes-Barre, Penn State Scranton, The Wright Center, University of Scranton & Wilkes University



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Introduction

One of the modern conveniences often taken for granted by many Americans in the 21st century is the banking system. Nearly anyone can open up a checking account, a savings account, or both, and can use a bank, credit union, or other financial institution to keep and grow his or her income, by taking advantage of all the services that banks today offer.

However, there is a notable number of citizens who do not utilize the banking or credit union system. According to the Federal Deposit Insurance Corporation (FDIC), in 2015, about seven percent of American households did not have either a checking or a savings account.[1] Not only does a lack of a bank account bring about a host of problems for the individual and their family, but a large population of "unbanked" people in a community can cause those problems to seep into society as a whole.

The unbanked often fall victim to various high-cost fringe financial services such as check-cashing outlets, payday loans and pawn shops.[2] These often poor individuals are victims of services that bleed them of their income and many times trap them in a state of ongoing and seemingly inescapable debt. Additionally, households headed by individuals who are younger or without postsecondary degrees, minority households, and households where one or more working-age adults has a disability are more likely to be unbanked.[3] Reasons for staying outside the banking mainstream may include a lack of trust in the banks and credit unions, confusion in how banking actually works, and poor past experiences with the banks. Additionally, research shows that a large part of justification for not being a part of the banking and credit union systems is ignorance of how the systems work as well as customers being unable to meet a bank or credit union's expectations for keeping an account (for example, maintaining a minimum balance). There is also the possibility that the individual has had a poor past experience with banks, resulting in feelings of discouragement from having an account. For individuals not born in the United States, a lack of proper documentation to apply for a bank account or credit union membership may also be a factor causing them to remain unbanked.

In addition to the "unbanked," the "underbanked" are individuals who have a bank accounts or credit union memberships, but continue to rely on other financial services, such as check-cashing services and payday loans. For example, payday loans as well as money orders are frequently used by the underbanked in order to satisfy their need for short term and small dollar credit. The "fully banked" are individuals who fully utilize the modern banking or credit union system. This majority of the population have credit and debit cards, and have full trust in the banking system to manage their money.

This paper will explore the existing research on ways to decrease the number of the unbanked, ultimately giving them a chance to be financially savvy and independent. The unbanked population must continue to decrease until all people have the same and equal opportunity to manage their own finances without the intervention of self-interested third parties.

This paper does not explore the underbanked. Underbanked are individuals that use some financial institutional resources, but do not take advantage of all of the opportunities available to them. This population is much more difficult to measure, however as with the unbanked there are negative individual and community economic impacts as a result.



Research Methods

The Institute sought secondary data through the Federal Deposit Insurance Corporation (FDIC) as well as the United States Census Bureau.[4] Through the collection and analysis of these data points, The Institute was able to determine the magnitude of the unbanked population as well as various demographics. In addition, data from other private research was consulted in order to determine the popularity and ultimate financial penalty arising from the use of high-cost fringe financial services.

For the purpose of studying the unbanked and ways to decrease the unbanked population, The Institute employed a case study methodology. Various sectors and their efforts to combat the unbanked population were examined in order to determine which methods were most effective. Case studies from four different sectors were used: the government, financial institutions, education and schools, and non-profit organizations. Following the collection, analysis of the data helped The Institute determine which real world applications have the greatest potential for positive change in decreasing the number of unbanked individuals.



Findings

The number of individuals who do not employ the services of custom banking has decreased in recent years; however, millions of Americans remain unbanked annually. The efforts to combat this number has also increased in recent years as multiple entities and organizations have begun to address this demographic. The best practices that can be implemented by government, financial institutions, educational institutions, and nonprofit organizations center on educational ideology. The financial education of the layperson is vital in their eventual, long-term financial prosperity. However, the United States has lapsed in this category as both financial and economic education are often times not required in schools. The combination of financial ignorance and low socioeconomic status can drive individuals to alternative and often dangerous handlings of their finances. In order to combat the number of unbanked, various groups have implemented educational resources and materials in order to steer these exploited individuals away from a life of financial unsteadiness.

Overview of the Unbanked: National

Per the 2016 and 2017 Jobs, Economy and Economic Development Taskforce Reports, many throughout the country and our region struggle with basic levels of financial literacy. As a result, many people tend to manage their finances in ways that are risky and do not employ the traditional methods of wealth and asset management. These individuals may reject the well-established custom of the banking or credit union systems and turn to methods such as payday lenders, check-cashing services and pawn shops to access their wages.

Methods that fall under the realm of high-cost fringe financial services are continually proven unsafe for the consumer. With the extremely high interest rates and flat fees of service that often accompany their usage, fringe financial services may leave individuals in a state of debt for years that is seemingly impossible from which to rise. As described by Bertrand and Morse, individuals using these services may be subject to annual interest rates often exceeding 400 percent, accruing approximately $8 billion in fees and expenses to borrow $50 billion from payday loan services.[5] The St. Louis Regional Unbanked Taskforce reports that unbanked individuals pay an average of $1,200 annually to fringe financial services.[6] Those individuals, often among the poorest in the United States, are falling into debt traps that are insurmountable in any economic climate.

In 2016, the Federal Reserve reported that nearly half of Americans would not be able to come up with $400 for an emergency expense. While a large portion of this population includes the unbanked, and the underbanked (which is not easily measured nor addressed in this study in significant detail). This type of issue negatively affects regions because this cohort needs more support services costing local governments more money.

The Federal Deposit Insurance Corporation (FDIC) reports in 2015 that about nine million American households – about seven percent of all households in the nation – are a part of this struggling demographic.[7] This grouping includes over 23 million people total who are struggling financially with oftentimes no options other than high-cost services. Additionally, another 24.5 million households – 19.9 percent of the country's households – are underbanked.

In the FDIC's study, the most commonly cited reason for not having a bank/credit union accounts is that respondents did "not have enough money to keep an account," with 57 percent of unbanked households giving this response. Of the other options given for not having a bank/credit union account, "avoiding a bank gives more privacy," "don't trust banks," "bank account fees are too high," and "bank account fees are unpredictable," were the other most-chosen options.[8] Over half of unbanked households believed that banks were not interested in serving households like theirs.

Households with lower incomes and education, minority households, younger households, and working-age disabled households were those most likely to not have accounts. Households who had unsteady or volatile income sources were also more likely to be banked or underbanked.

The report concluded with six recommendations, summarized below:

1. Banks/Credit Unions can create services and banking products to help customers who often experience income volatility.
2. While physical access to banks remains important, mobile banking and banking access on smartphones is increasingly essential.
3. Unbanked and underbanked households with informal emergency savings should be encouraged to create savings accounts to store these funds.
4. To help unbanked and underbanked gain a better understanding of credit, banks should promote the importance of credit history, incorporate nontraditional data into underwriting, and work to increase awareness of personal credit products and their proper usage.
5. Efforts should be taken to encourage bill payees (such as landlords and utility companies) to accept payments online to ease the payment process.
6. Banks/Credit Unions should work to build trust and foster familiarity among the communities they serve.



Overview of the Unbanked: Northeastern Pennsylvania

Of the total number of households in Lackawanna County (85,034), about 39 percent (32,993) earn an income of $35,000 or less per year.[9] With the application of the national data gathered by the FDIC survey, it can be assumed that many of the county's lower-income households are either unbanked or underbanked.

Of the 128,692 households in Luzerne County, 40 percent make less than $35,000 per year (50,833).[10] Based on the survey created by the FDIC on a national level, it can be estimated that it is likely that many of these individuals are unbanked or underbanked due to lack of funds.

There is no existing data regarding the number of unbanked or underbanked households in Lackawanna and Luzerne Counties; however, the national percentages from the 2015 FDIC study (seven percent of US households are unbanked, while an additional 20 percent are underbanked) can be applied to available Census data for the two counties. Using the FDIC numbers, it can be assumed that 5,952 households in Lackawanna County and 9,008 households in Luzerne County are unbanked – a total of 14,960 households. Additionally, using this same methodology, there are 17,007 households in Lackawanna and 58,738 in Luzerne who are underbanked, or a total of 75,745 underbanked households in the two-county region. This adds up to 90,705 households in the two-county region who are either unbanked or underbanked. These numbers may be higher or lower than the actual number of unbanked and underbanked households in Lackawanna and Luzerne Counties.

Government Institutions

The United States government has approached the issues of financial literacy and high-cost fringe financial services with the idea of change

through policy and education. The Federal Trade Commission (FTC) operates with the underlying goal of protecting American consumers, and helping them to accrue wealth. In the realm of payday loans, the FTC has a number of laws and regulations in place to protect American consumers. They have penalized the firms responsible for issuing these loans for deceptive or unfair advertising, failure to comply with financial disclosure regulations, and abusive or threatening collection practices. In order to reach as many American consumers as possible, the FTC has employed the practice of education. Working to educate American consumers will help ensure financial prosperity in the future, as those in need will learn to manage their own finances.

By the way of policy intervention, the Consumer Financial Protection Bureau proposed legislation in June of 2016 that would be a step in ending payday debt traps.[11] This proposed legislation requires that lenders take proper steps to ensure the consumer is financially able to repay the loan. The full-payment test would require lenders to determine whether or not the consumer can afford to pay the full amount of each payment and still meet the obligation of basic living expenses and other major financial obligations. The principal payoff option would allow lenders to issue a loan up to $500 without the full-payment test. The basic assumptions of this proposal is that the borrower is not already in debt and the lender would not be able to claim an automobile as collateral. The lender, however, could offer the borrower up to two extensions, as long as the borrower pays one-third of the principal with each given extension. The final part of this piece of legislation is an option for less-risky longer-term lending options. In the first scenario, interest rates would be capped at 28 percent and the application fee for the loan would not exceed $20. The latter part of this legislation would offer loans that are payable in equal payments with terms not exceeding two years and an all-in cost of 36 percent or less. Through education and various pieces of proposed legislation, American borrowers/consumers would be able to manage their finances without the fear of slipping deep into payday debt. Often times, the nearly 400 percent annual interest rate can trap consumers in debt from which they will never be able to recover.[12]



Financial Institutions

Bank on Houston, Houston, TX and Bank on Atlanta, Atlanta, GA

Financial institutions have also been expanding their efforts to combat the unbanked demographic of the United States. One study in which their efforts have been successful can be seen in the Bank on Houston program in Houston, Texas. Houston, with a strong Hispanic population, has been one of the national leaders in unbanked and financially illiterate populations for years. With an unbanked population percentage of 15.4 percent, the city had an urgent need to help unbanked citizens achieve financial independence.[13] The Bank on Houston program began in 2008 in Houston banks, and has since spread throughout the United States.[14] This program is defined as a collaborative effort between local municipalities and financial institutions to combat the unbanked and increase overall financial responsibility and literacy. The program welcomes all prospective participants to open low-cost, sometimes no cost, bank/credit union accounts. The accounts

have no minimum balance requirements and cannot be overdrawn by the account holder. The participants are issued ATM or debit cards and encouraged to participate in free financial education seminars, with an emphasis on the building of savings. In addition, because of their strong immigrant population, Bank on Houston participating banks will often accept the Mexican Matricula identification card with the absence of formal United States of America identification.[15]

The results of the Bank on Houston program were evident almost immediately following the implementation of the program. In the quarter following implementation, the program exceeded its first-year goal of 10,000 new checking accounts. In a city with nearly 51 percent of the minority-dominated areas lacking a banking relationship, this data reflects the cultural change occurring in Houston. A lifestyle of a lack of financial literacy and no relationship with traditional banking services, forces unbanked Houston families to pay nearly $70 million annually on fees and interest payments from check-cashing services and payday lenders. With the results seen in Houston and the increasing popularity and success of this program in many major cities across the United States, there is no reason to doubt that financial literacy and responsibility is something attainable for every individual.

The "Bank On" model used in Houston began in San Francisco in 2006, and has since spread to other cities like Chicago, Philadelphia, Savannah, and Washington, D.C. A similar program is to be launched in Atlanta in April of 2018. The Bank on Atlanta program will provide both free or low-cost banking along with financial education and counseling programs. This specific program is partnered with the FDIC, local banks and credit union, and various economic non-profit organizations from around the Atlanta metropolitan area. It is set to be piloted in four select neighborhoods and participants will be selected based on median household income.[16]

The Compass Housing Alliance, Seattle, WA

Compass Housing Alliance, a non-profit entity of the Commerce Bank of Washington, serves homeless men and women in the Puget Sound Region. The organization helps this population overcome the banking barriers associated with homelessness and is it is one of the few banking services in the country that serves this population. Clients are able to hold accounts and free mailboxes, and are also able to receive any relevant benefits from Veterans' Affairs (VA) or Social Security.[17] They are able to conduct financial services like check cashing, direct deposits, savings, and bill-paying without the exorbitant fees and predatory interest rates of fringe financial services. Additionally, the Compass Center offers specialized assisted services for those with disabilities.[18] This serves as an important step in helping individuals break out of the cycle of homelessness.



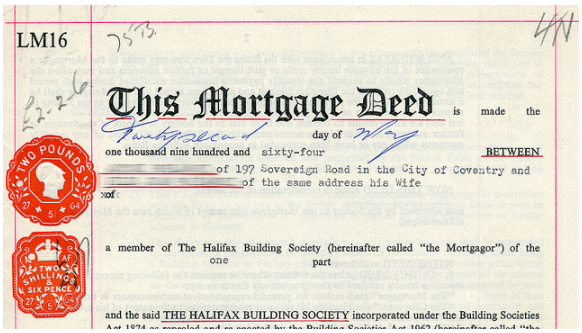
Second Federal Savings and Loan, Cicero, IL

Originally located in a Mexican-American neighborhood in Chicago before moving to the suburb of Cicero following a demographic shift, the Second Federal Savings and Loan helps the city's Hispanic population overcome the hurdles that they may experience in traditional banking. Second Federal Savings and Loan started in the 19th century to cater to immigrants from Eastern Europe, but has shifted focus and mission through various demographic changes.[19] They have partnered with the Mexican Consulate to accept the Mexican identity card (*Matricula Consular)* and Individual

Tax Identification Numbers (ITIN) to establish accounts. Both of these measures help bring immigrants of varied statuses into the banking system. In focusing on cultural sensitivity and inclusion, the bank has made efforts to reach out into the Hispanic community. The bank advertises through Spanish language radio stations, the city's Mexican Consulate, and neighborhood groups.[20] The bank helps customers pay bills and offers citizenship classes. The bank also makes concerted efforts to work within the community by participating in parades and other local events.

Guadalupe Credit Union, Santa Fe, NM

As a result of an effort beginning in 2000, a large part of the focus of employees at the Guadalupe Federal Credit Union in Santa Fe, NM is to help the unbanked population access their financial services. Santa Fe is home to a large Latino population, and by making their services more accessible to Spanish-speakers and undocumented individuals, the credit union has seen substantial growth over the last decade and a half. While, in 2000, no employees at Guadalupe spoke Spanish, now one-third of all of Guadalupe's business is conducted in Spanish.[21] One of their key strategies in reaching out to the Hispanic community was a partnership with Somos un Pueblo Unido and Adelane Juntos tos Jueves — community and education groups that work with Latinos in lower-income brackets in Santa Fe. This relationship allowed the credit union to give presentations to community members about the benefits of the using the banking system and how to use the services that Guadalupe and other banking institutions offered.[22] In 2008, the credit union expanded to an additional location in a majority Latino community. They hosted focus groups to figure out what services their customers desired at this new branch. This new branch has play areas for children, so that parents do not have to find childcare in order to go to the credit union and use services. Guadalupe offers alternatives to *tandas*, a type of informal community credit union common within Spanish-speaking


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communities; the credit union also accepts foreign government-issued identification cards and individual taxpayer identification numbers to open credit union accounts. Approximately one-third of the growth at Guadalupe Federal Credit Union over the last 12 years is a result of their outreach to the unbanked immigrant populations.[23]

Government

Financial empowerment centers provide free, professional private financial counseling services to help residents address their finances. These centers should work with local financial institutions and social service groups as they can be integrated into housing programs, foreclosure services, prisoner reentry, assistance and benefit programs, etc. The cost of establishing a center depends on the services and programs it provides which could also include a matched savings initiative.

In 2010, New York City and in 2013, Nashville created centers. In New York, it is run by the city and has 22 locations across all five boroughs. In Nashville, it is a partnership between the city and the United Way. New York completed a study after its three year pilot to evaluate program outcomes. The program served 25,000 families, increased savings by $2.4 million and reduced debt by $14.7 million. Nashville, had a similar evaluation of its outcomes completed. Nashville served 4,000 clients and those clients increased savings by $800 thousand and reduced debt by more than $5 million. Since then Denver, Lansing, Philadelphia, and San Antonio are also offering

similar programs. Many included matched savings initiatives as another program offering. [24] A special Scranton Area Foundation program in its second year, offers financial counseling and matched savings programs for women. This small local program, working with a local financial institution, has had tremendous success with nearly $25,000 in savings. Expanding these efforts will yield increased prosperity.



Educational Institutions

The United States education system has lapsed in providing the country's youth with a financial and personal wealth management education. In recent years, the states requiring economics education as a part of their curriculum have decreased, with only twenty states currently enforcing such curriculum. In addition, only sixteen states require standardized testing of basic economic concepts, down from twenty-five in 1998.[25]. The education system has put the newest generation of youth at a disadvantage by not requiring such vital information to be conveyed to American students. Though the number of states that include personal finance in their K-12 curriculum standards has doubled in the last two decades, Americans are not receiving the financial education necessary, as confirmed by the twenty-three million Americans affected by unbanked status.[26]

The Council for Economic Education (CEE) has been the leading organization responsible for the economic and financial education of students K-12 for nearly seventy years.[27] The goal of the CEE is to teach every child the principles to make better decisions as savers, investors, voters and participants in the global marketplace. Approximately 43 percent of United States high school seniors met or exceeded the standards of "proficient" on the most recent National Assessment of Educational Progress economics assessment.[28] United States students fell in the middle of the national group, which includes 18 participating nations. In addition to education, CEE works with various school systems across the country to establish personalized education plans for students of varying age and demographics. The CEE has done great work with the Chicago public schools to provide secondary educators with professional development to more effectively and efficiently convey information in the classroom. Finally, CEE has partnered with the Indiana Council for Economic Education to include personal finance in the grades 6-12 curriculum. The Council for Economic Education has taken the next step of educating generations to come on how to be financially responsible and informed individuals.[29]

Non-Profit Organizations

While much of the research and aid to the unbanked has come from various government and educational institutions, some non-profit organizations have done very impressive work. The Alliance for Economic Inclusion (AEI) is the Federal Deposit Insurance Corporation's national initiative to establish broad-based coalition of financial institutions.[30] The goal of this initiative is to expand basic financial services for those underserved; including checking and savings accounts, affordable remittance products, financial education programs, asset-building programs and small-dollar loan programs. The AEI has been very successful in the education of consumers,

attracting 494 banks and organizations in 2011 alone.[31] Since then, the amount of participating financial institutions has nearly quadrupled, and has increased to more than 1,600. In addition, more than 404,000 new bank accounts have been established and more than 270,000 consumers have been provided with previously unavailable financial education.[32]



This alliance has shown some of its most promising results in Kansas City, Missouri, one of the cities with the highest percentages of unbanked individuals. The unbanked population of Kansas City has increased to 12 percent, compared to the national average of 7.7 percent. As a part of the national alliance, the Kansas City Alliance for Economic Inclusion was established.[33] With more than 350 individuals representing more than 225 organizations in the Kansas City metropolitan area, this alliance has brought great results to the city. This branch of the alliance was responsible for more than 100,000 individuals receiving financial education from 2007 to 2012. In fact, since 2007, more than 64,000 new bank accounts have been established and more than 167,000 individuals have received financial education.[34]

Focus Group and Survey

The Institute commissioned a brief survey to assess the financial status, demographics, and perceptions that those who are unbanked or underbanked have. Additionally, a small focus group was held to learn more about these issues. The focus group was held with clients of the Commission on Economic Opportunity (CEO), and surveys were distributed to these individuals. Additionally, surveys were distributed to clients of Volunteers in Medicine.

There were eight participants in the focus group. When asked to share their perceptions of banks and credit unions, one participant stated that banks and credit unions were a "necessary evil." Others said that they would like to have a bank or credit union account, but cannot due to a variety of reasons. Reasons given included not enough money to maintain a minimum balance, a lack of documentation, and fees that are too high. Several members elaborated on the minimum balance issue, saying that it's nearly impossible to keep a minimum balance on a low income when payments and charges often sit as "pending transactions" for an untold number of days. When these transactions come out at unexpected times, it can cause the balance to dip below the minimum required, and in turn cause fees that individuals cannot pay.

Participants were asked if they felt that they individually had geographic access to bank or credit union services, and they said that they did. Several did, however, express the sentiment that there is a lack of understanding of personal finance on a society-wide level. They suggested a strengthened foundation of financial education in elementary and secondary education. Additionally, as some of the participants were above the age of 55, there were suggestions of continued financial education for older people through banks and credit unions, as well as through community organizations. This, they said, would help older adults navigate the ever-evolving and increasingly technology-focused world of banks and credit unions.



Finally, participants were asked what, if anything, would make it easier for them to utilize banks and credit unions. One suggestion involved identification – either making it easier for people to get the proper identification, or requiring alternative forms of identification in order to open an account. Another suggested longer hours for banks and credit unions to meet the needs of working people. Yet another suggestion, echoed by many in the group, was to eliminate the long periods of time that it takes for check to clear, in order to avoid the uncertainty of knowing when the money will be taken from the account. Additionally, eliminating of the many fees and minimum account balance rules were offered as ways to make banks more accessible to participants.

There were a total of 24 survey responses received. Of the responses received, a small number did not have all the questions completed; therefore, all percentages are calculated based on the number of responses to the specific question, not based on the 24 total responses.

Of the respondents to the survey, half of them did not have either a checking or a savings account, and neither did another adult in their household – making them unbanked. When asked why they didn't have a bank or credit union account, reasons given included "not enough money," "no identification," "use a prepaid card instead," and "haven't worked in three years." Of the unbanked respondents, one-third had previously had a checking or savings account at some point in the last five years. Of these unbanked, many used fringe financial services: one-third used check cashing services, while 25 percent responded that they used prepaid cards or money orders. Others used payday loans, auto title loans, or rent-to-own services. Additionally, of banked respondents – those that have either a checking or savings account - one-third responded that they had used a fringe financial service over the last year, making them "underbanked" by definition.

Survey respondents were asked to rate their perception of the banking system through a variety of Likert scale questions. The results below reflect the answers of those who are unbanked.

	Strongly Disagree	Somewhat Disagree	Neither Agree nor Disagree	Somewhat Agree	Strongly Agree
I do not trust banks	11%	22%	22%	33%	11%
I understand enough about banking and financial services available to me	0%	13%	13%	38%	38%
Banks are not open at time convenient for me	22%	22%	22%	22%	11%
There are banks located in the community where I live	0%	11%	0%	44%	44%
Bank account fees are very high	13%	0%	13%	38%	38%
I have trouble understanding how fees that banks charge affect me	33%	22%	33%	11%	0%
Opening a bank account requires document that I cannot provide	30%	20%	10%	20%	20%
Banks are not interested in serving people like me	22%	11%	22%	22%	22%

The positive strongest sentiments came from "I understand enough about banking and financial services available to me" and "There are banks located in the community where I live," where 76 percent and 88 percent, respectively, either agreed somewhat or strongly. However, 76 percent of respondents also agreed that bank account fees were too high.

Of the unbanked respondents to the survey, 56 percent were female and 44 percent were male. Additionally, 56 percent (six respondents) were Hispanic or Latino, 27 percent (three respondents) were black or African-American, while one respondent was white and one respondent was of more than one race. Respondents ranged in age from 24 to 63, with an even distribution among ages. Half of the unbanked respondents reported an annual household income of less than $10,000, while forty percent had an income between $10,000 and $20,000 and ten percent had an income between $20,000 and $30,000. When asked about highest level of education completed, half of unbanked respondents had less than a high school education. Exactly one-quarter of respondents had a high school diploma or equivalent, and another quarter had an associate's degree.



Recommendations

Reflecting the gathered research on the unbanked population and the issues they encounter, a number of recommendations can be made in order to focus in on efforts to decrease the number of unbanked and underbanked in Northeastern Pennsylvania.

One of the bigger issues that has emerged at the national level is a lack of trust between banking institutions, credit unions, and the communities that they serve. Passed in 1977, the Community Reinvestment Act (CRA) requires banks and other similar institutions to engage in community outreach in an effort to help "meet the credit needs of the communities in which they operate," specifically low- and moderate-income communities.[35] These efforts

are evaluated regularly. If additional incentive is given towards engagement that requires banks' and credit unions' employees' physical presence at community functions and events, a foundation of trust could be formed on which relationships with potential customers could be built. Banks' and credit unions' visibility at local parades, festivals, or other events can lead to a strengthened trust by members of the community. Churches could also serve as facilitators and conveners to bring banks and customers together.

Banks and credit unions could also reflect the cultural needs of their community. Information pamphlets, education programs, and other relevant materials should be available in Spanish or any other foreign language relevant to the community that the bank and credit union serves. Incentivizing local and targeted hiring – the hiring of employees who live in a specific geography or hail from a specific population – will allow for an eased process and increased comfort for many customers.[36] Banks and credit unions that serve large immigrant populations should also investigate immigrant-friendly banking and credit union options, such as working with consulates to accept consular cards, or by accepting Individual Tax Identification Numbers for the opening of accounts. Legislation could be implemented that would offer incentives to banks and credit unions that focus on underserved populations, such as immigrants or people experiencing homelessness. Additionally, incentives could be given to banks and credit unions that offer reduced-fee banking or no minimum balance accounts to their customers.

Financial education could also serve as a main resource to help decrease the percentages of people who are unbanked or underbanked. State-level advocacy efforts to strengthen K-12 financial education can help achieve this. This can help foster a trust of banks and credit unions among the community and ensure a higher level of community-wide financial literacy. Community members and local financial organizations could also lobby school boards for additional financial literacy curriculum in area public schools. This coupled with Junior Achievement which provides short term, hands on programming for 5th and 8th grades in participating school districts may help improve financial literacy in general.

As the Jobs, Economy, and Economic Development task force explored in their 2016 and 2017 reports, adult financial education is important, as well. Area institutions, such as Penn State Wilkes-Barre, Penn State Hazleton, and the Lackawanna County Library System have all conducted programs to increase financial literacy amongst the populations of the two-county region, and programs such as these can help serve as starting points or models to replicated elsewhere in the community. Municipal officials can create financial empowerment centers, or places where local individuals can find resources on how to manage finances and establish financial security. These locations can be integrated with other public structures, such as housing services or workforce development services, which can increase their usage.[37] Banks can create financial literacy programs for adults in low-income neighborhoods at community centers, libraries, or other shared spaces. These programs can present to adults the dangers of fringe financial services and introduce them to different banking options available in their communities.

Further, because the *Bank On* program and the Financial Empowerment Centers have a track record of success in large and small communities across the country, there is reason to believe that a collaborative effort can be formed regionally to address the unbanked and underbanked in Northeastern Pennsylvania. The program could be formed as a collaborative effort of Lackawanna and Luzerne County government, with city government, financial institutions as major partners and the non-profit and philanthropic community. This regional program could offer counseling, special financial institution and credit union services for clients, other related social, non-profit, and

government services and special initiatives like a matched savings program. A seamless, regional equitable initiative would benefit the regional economy and reduce financial and program burdens on local government.

Finally, at the time this study was finalized, the Consumer Finance Protection Bureau (CFPB), under an agency review, suspended a rule that was to begin in 2018 that required payday lenders to follow certain consumer protection elements as opposed to making loan decisions on ability to pay. If enforced, this rule would protect consumers – specifically the most vulnerable populations that use pay day lenders. The rule add additional protections to the consumer on payment provisions as well. The suspension signals an end to the agency's mission of protecting the consumer. Payday lenders primary targets are the un-and-underbanked and the APR on payday loans is approximately 400 percent. The rule or suspension of the rule does not impact state regulations, however with intensive industry lobbying and the suspension of the CFPB rule, the payday industry lobbyists may now turn their attention to individual states. [38] The Institute will continue to monitor both the federal and state regulations on payday lenders and encourage advocacy to support regulations that protect the most vulnerable in the region.

Conclusions

The unbanked population of the United States is a demographic that does not discriminate based on characteristics such as race or sexual orientation. This demographic of Americans includes those who do not possess the means and/or knowledge to responsibly maintain their financial assets. Though there are a number of reasons why a person might be unbanked, education combined with socioeconomic status has many individuals at a disadvantage. These individuals, desperate for a way to manage their finances, often resort to high-cost fringe financial services. . They are exploited, subject to fees and interest payments, ultimately decreasing their liquid income dramatically and are often times left in a state of payday debt traps.

In order for the United States to further combat this already decreasing population, education has been proved the greatest asset. In all cases studied, education is the large underlying factor and has been a point of emphasis for further financial knowledge and responsibility. Through the cases studied, it is apparent that expanding basic financial services to those previously underserved and education have had the greatest effect on the unbanked population. With increased education and financial opportunities, those unbanked Americas will be in a position to benefit their lives through benefitting their financial standing. Additionally, there is a need to make bank and credit union services more accessible to all. This will involve the tailoring of banking services to meet the needs of the populations that banks, credit unions, and other financial institutions serve. In many cases, individuals cannot access banking services in their primary language, or cannot maintain the balance needed to hold an account without incurring fees, or cannot provide the necessary documentation to open an account. These factors and more all have emerged as reasons an individual may be unbanked. Banks, credit unions, and other financial institutions need to observe the population they serve in order to find what specific, unique needs their community has. With an increasing awareness and education regarding banking services as well as banking services tailored to the served population's needs, the region can begin to work towards the goal of bringing all individuals in northeastern Pennsylvania into the banking system.

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