

US watchdog seeks more outcome-oriented data on unbanked and underbanked

Article

The news: The U.S. Government Accountability Office (GAO) [called on](#) three federal regulators to gather more data pertaining to efforts to help unbanked and underbanked

households.

- It says that the Office of the Comptroller of the Currency (OCC), the FDIC, and the NCUA **should collect performance-based information about whether their initiatives are helping people as they're designed to.**

The cohorts, at a glance: The watchdog notes that **5.4% of households were unbanked** in 2019, citing the FDIC's study from the period.

- It also **estimates that another 17.9% were underbanked**, which it defines as using a checking account but also turning to potentially costly alternative financial services.

The GAO said that, based on its look back on 2015-2019 with an analysis of FDIC data, disparities are apparent in both categories based on race, income, and educational level.

- **Black and Hispanic Americans are more unbanked than white Americans**, with respective figures of 16%, 14%, and 3%. **The respective underbanked percentages showed the same disparities**, standing at 31%, 30%, and 14%.
- People with incomes under \$15,000 had an **unbanked rate of 25% and an underbanked rate of 22%**. In contrast, those with incomes above \$30,000 had **respective figures of only 2% and 18%**.
- Those without a high school degree had an **unbanked rate of 22% and an underbanked rate of 26%**. For people with at least a high school degree, the respective rates were **just 5% and 18%**.

Data gaps: The GAO said the regulators need to do a better job of tracking how initiatives to help the unbanked and underbanked have performed.

- It pointed to an FDIC public awareness campaign on how bank accounts are beneficial, noting that the regulator didn't include data on its outcomes.
- It cited an OCC campaign to boost credit access, such as for small-dollar loans, but added that it "did not incorporate performance measures for a key initiative to enhance banking access."
- It noted the NCUA tracks the time it takes to process credit union charters, but doesn't include performance data on helping with access to credit union services.

The big takeaway: Performance-related data will not only benefit the regulators—it will provide useful insights to banking players that prioritize signing up underserved customers.

Specialty neobanks have emerged to cater to people in disproportionately underserved demographics, such as:

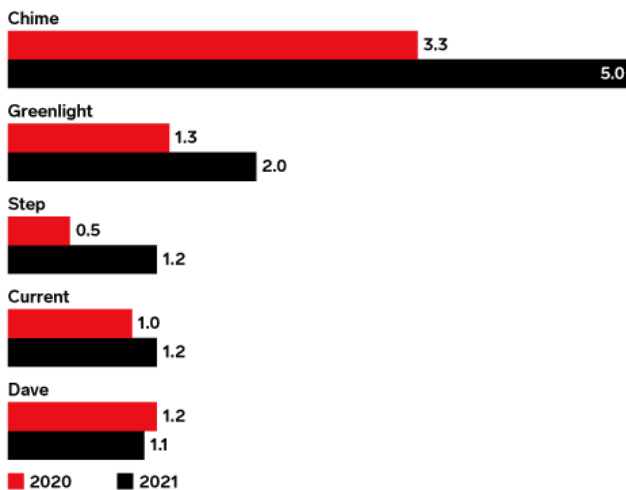
- **Greenwood**, which **targets** Black and Latino customers.
- **Fortú**, which **caters** to Latino immigrants.
- **Majority**, which **focuses** on various immigrant communities.
- Broad-market challengers like **Chime** and **Current**, which have offerings designed to assist people who need help with their short-term liquidity needs.

Retailers with banking arms could also benefit from added data.

- **Walmart** said that **Hazel**, a fintech it's backing, will **cater** to underserved people. Hazel **will** jump into neobanking and change its name to **ONE**.
- **Walgreens'** bank account **Scarlet**, **launched** in September 2021, **could** also make a play for underserved customers.

Top 5 US Neobanks, by Average Monthly Active Users, 2020-2021

millions



Source: App Annie, "State of Mobile 2022," Jan 12, 2022

273372

InsiderIntelligence.com