US unbanked households reached a record low of 4.5% in 2021

Article

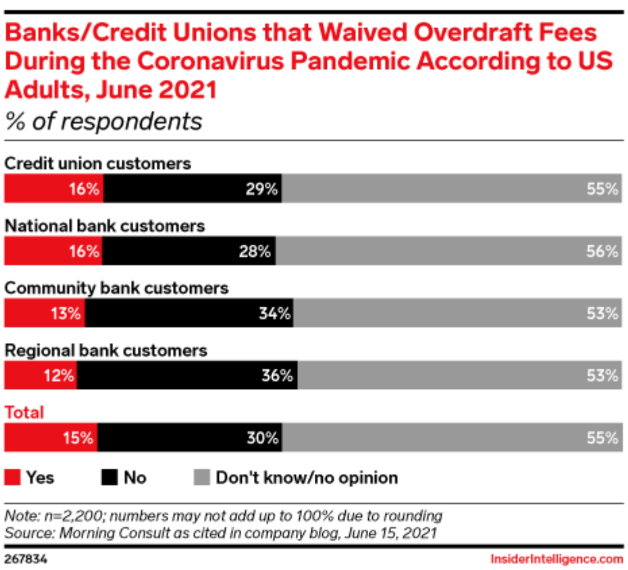
The news: In 2021, **the number of unbanked households in the US reached its lowest level** since the Federal Deposit Insurance Corporation (FDIC) began conducting the biennial Survey of Unbanked and Underbanked Households.

Financial assistance was the key driver: The survey revealed that 4.5% (5.9 million) of US households didn't have a checking or savings account in 2021. This percentage is the lowest number recorded since the survey first began in 2009.

The study found that one of the main drivers behind this percentage was citizens opening accounts to receive financial assistance during the pandemic.

- 45% of people who opened a bank account after March 2020 said they were motivated to do it to receive a stimulus payment, an unemployment benefit, or some other form of government financial assistance.
- At the start of the pandemic, the FDIC began an education program to encourage citizens to open a bank account for easier and direct access to financial assistance programs.
- The FDIC also cited **the growing number of banks that removed their overdraft fees as another driver behind the drop in the unbanked percentage**. Historically, people listed overdraft fees as a deterrent to opening a bank account.

The survey also found that **14% (18.7 million) of US households were considered underbanked in 2021.**



More stats on the unbanked: The study also covered statistics on specific cohorts.

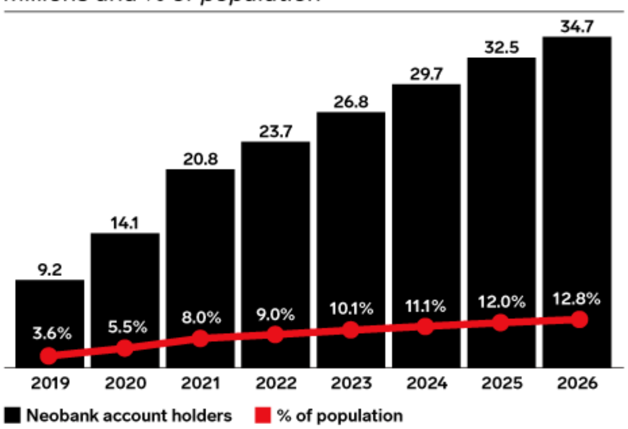
- It found that **Black and Hispanic households had higher rates of being unbanked** than other groups. 11% of Black and 9% of Hispanic households were considered unbanked, compared to 3% of Asian and 2% of white households.

- **33% of households with annual income less than $50,000 were unbanked**, versus 3% of households with annual income over $50,000.
- **15% of households with members of working age who had a disability were reported unbanked**, compared to 4% of households with working age members that did not have a disability.

New methods of financial inclusion: Lockdown restrictions meant many financial institutions had to quickly transform their business models to serve their clients digitally. Additionally, the Consumer Financial Protection Bureau (CFPB) zeroed in on consumer protections that made banking more accessible.

- Many financial institutions adjusted their budgets to direct more resources to their digital transformation. With more capabilities now available on mobile devices and web platforms, banks are able to serve more clients in areas that lack a physical branch.
- The explosion of neobanks in the US, especially affinity banks, has created new banking communities for specific demographics and niche groups. Citizens who may have felt out of place or discriminated against at larger banks now have options to bank with and find support from people that share their culture and beliefs.
- The CFPB this year also increased its scrutiny of banks that charge overdraft fees, which the agency has labeled “often exploitative.” The crackdown appears to be working, as overdraft-related service charges were $2.12 billion in Q1, which is a 9% decrease YoY, per S&P Global Market Intelligence data.

US Neobank Account Holders and Penetration, 2019-2026
millions and % of population



Source: Insider Intelligence, June 2022
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The big takeaway: The latest data from the FDIC survey is good news, but it doesn't mean financial institutions can ease up on their financial inclusion efforts. With the US on the brink of a recession, the unbanked and underbanked populations will swell again. Banks will need to demonstrate that these underserved groups are important members of the banking community at all times, not just in good times.

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