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Federal Deposit Insurance Corporation (FDIC)
550 17th Street NW
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Via Email

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Re: Center for Responsible Lending's response to request for comment on proposed revision of information collection for the National Survey of Unbanked and Underbanked Households (OMB Control No. 3064-0167)

I. Introduction

Thank you for the opportunity to submit input regarding FDIC's National Survey of Unbanked and Underbanked Households (Survey).

The Center for Responsible Lending (CRL) is a nonprofit, non-partisan research and policy organization dedicated to protecting homeownership and family wealth by working to eliminate abusive financial practices. CRL is an affiliate of Self-Help, one of the nation's largest nonprofit community development financial institutions. Self-Help has provided $6 billion in financing to 70,000 homebuyers, small businesses, and nonprofits and serves more than 80,000 mostly low-income families through 30 retail credit union branches in North Carolina, California, and Chicago.

We appreciate the collection and public dissemination of the data collected in the Unbanked and Underbanked Survey. CRL uses these data to monitor and analyze trends and patterns in the use of alternative financial products, particularly car-title and payday loans. Specifically, CRL has used the Survey to understand the share of households using these products and the demographic composition of borrowers. We commend the FDIC for providing this vital data source and appreciate its efforts to reach out to the public to enhance its utility.

Increasingly, CRL finds that understanding the full spectrum of loan product usage is a critical component of evaluating the financial conditions of borrowers and households. As a result, CRL recommends that the FDIC enhance the utility of the Survey by expanding the variables it collects and the flexibility of its online tool. Our comments below provide detail on these recommendations.

II. Recommendation to expand variables and enhance online tool flexibility

The Survey, in its current form, is an excellent source of information on whether borrowers are using FDIC-defined alternative financial services (AFS). This information is useful for analyzing the types and mix of alternative products that various categories of households use and for grouping households into the discrete categories used in the FDIC's Survey (i.e., banked, unbanked, and underbanked). However, as useful as these discrete categories are for summarizing data and understanding broad patterns in household use of financial services, the financial product portfolio of households often contains a mix of traditional and alternative products. Therefore, analyzing the variations and patterns in product mix that may be masked by these discrete categories is critical to understand and address teh credit needs of households. We therefore recommend that the FDIC collect information on a wider variety of credit products and expand information to include the frequency of product use.

A. Expand credit product usage information

The Survey does not currently ask about the use of traditional financial products other than bank accounts. As a result, it cannot be used to provide a complete picture of the portfolio of loan products that households use. Expanding the types of products included in the survey will help researchers understand the extent to which households using alternative credit products have access to traditional credit products and the degree to which they are use them.

1. Product type

We recommend that the FDIC collect information on borrower usage of the following credit products not currently included in the Survey:

- *Mortgages*: Although the Survey currently has information on whether the consumer is a homeowner, it does not have information on whether he or she has an outstanding mortgage. Collecting these data would be extremely valuable, given that mortgages are critical components of the credit profiles of households.

- *Student loans*: Student debt burden is a growing concern for young adults and families throughout the country. Understanding how student loan debt interplays with mainstream and alternative financial products is essential to helping to understand the extent to which student loans are associated with use of AFS.

- *Auto loans*: Although the Survey provides important information on borrowers' use of car-title loans, it does not examine the extent to which borrowers have auto loans used to purchase a vehicle. This would be helpful in understanding the total debt burden of AFS borrowers and how that compares with the population as a whole.

- *Credit cards*: We are especially interested in better understanding whether AFS borrowers—particularly those who receive payday and car-title loans—also have credit cards, as credit cards can serve as a much less expensive alternative to payday and car-title loans.

- *Consumer installment loans:* CRL believes that consumer installment loans—which may appear to have a low APR, but usually have hidden fees, like credit insurance, that drive up the cost—should be included in the Survey.

2. Frequency of Use

In addition to adding the above credit products, we recommend that the FDIC collect information on the frequency with which each alternative financial product is used. Such data would allow researchers to more fully analyze transactional and borrowing patterns, create subgroups of households for analysis (e.g., "high users"), and/or create their own definitions of "underbanked."[1]

B. Greater flexibility of online tool

CRL appreciates the availability of the FDIC's online tool for analyzing the Survey data. The ability to create custom reports is of great value to researchers and policy makers alike. We recommend the following enhancements to the online tool to further improve usability:

1. *Enhancing filtering interface:* Currently, the custom data tool only allows the user to filter by year and geographic units (e.g., state, MSA, etc.) on the first filtering screen. It would be helpful to be able to filter by other variables, such as demographic variables and product use, through that initial filter. We suggest that the FDIC look to models such as the Consumer Financial Protection Bureau's online HMDA tool as a model for how such a filtering tool might work.

2. *Ability to download data subsets after filtering:* For many public users, downloading and analyzing raw data is prohibitively difficult, which is why the online tool is so valuable. However, the online tables themselves are difficult to use once produced. It would be helpful if the online tool allowed the user to download not only the excel tables, but also the underlying filtered subsets. Again, CFPB's online HMDA tool can serve as a model for this functionality.

III. Conclusion

CRL commends the FDIC for soliciting comments to enhance the National Survey of Unbanked and Underbanked Households. Since its inception, the Survey has served as the best—and sometimes the only—public data source for analyzing trends in alternative financial products. We believe that by expanding the products covered, collecting information on frequency of use, and offering greater flexibility in online access to the data, FDIC could make this already-valuable data source even more beneficial to researchers, policy makers, and the public at large.

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[1] FDIC defines "underbanked" households as households with at least one account at an insured institution but that "also obtained financial services and products from non-bank, alternative financial services (AFS) providers in the prior 12 months." Although such a definition is perfectly reasonable, other researchers may not consider a household that only used an AFR once in a given year to be underbanked. (For example, researchers might exclude from the definition someone who bought a single money order from a non-bank, as there are reasons that a fully banked person might do so one time.) Providing usage information would provider users with some discretion to distinguish between those consumers who have a bank account but frequently rely on non-bank alternative products and those who conduct nearly all of their financial transactions with a bank.