

Southwest Center for **Economic Integrity**

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Financial Services Research Presentation

Arizona CRA Roundtable

August 11, 2006

Introduction

- About this research
- Research Methods
- Survey findings
- Focus group findings
- Conclusions

Research Methods

- Survey

- Sites

- El RIO Health Fair – March 18, 2006 (n=53)
 - Fiesta Grande – April 22, 2006 (n=86)
 - Fiesta 5 Mayo – May 5, 2006 (n=42)

- Total of 181 people interviewed

- Focus Groups

- Spanish speaking participants – April 15, 2006
 - English speaking participants - May 6, 2006

Survey Findings

Financial Services Users

- 181 people interviewed
- High percentage of bank users
- Closer percentage of credit union users and check casher users

Financial Services	Number	Percentage of users
Bank Account	149	82%
Credit Union Account	91	50%
Check Casher	68	38%
Payday Loans	22	12%
Unbanked	31	17%

Unbanked Respondents

- 17% (31) of people interviewed reported not having a bank account or credit union account
- 55% (17) of unbanked respondents have used check cashers
- 2 people reported having taken out a payday loan
- Demographics:
 - 58% (18) men
 - 42% (13) women
 - 84% (26) are Hispanics
 - Median age falls between 40-55 years old
 - Average education level is 10th grade
 - Median annual income is 12,000 or less

Reasons for currently not using bank services

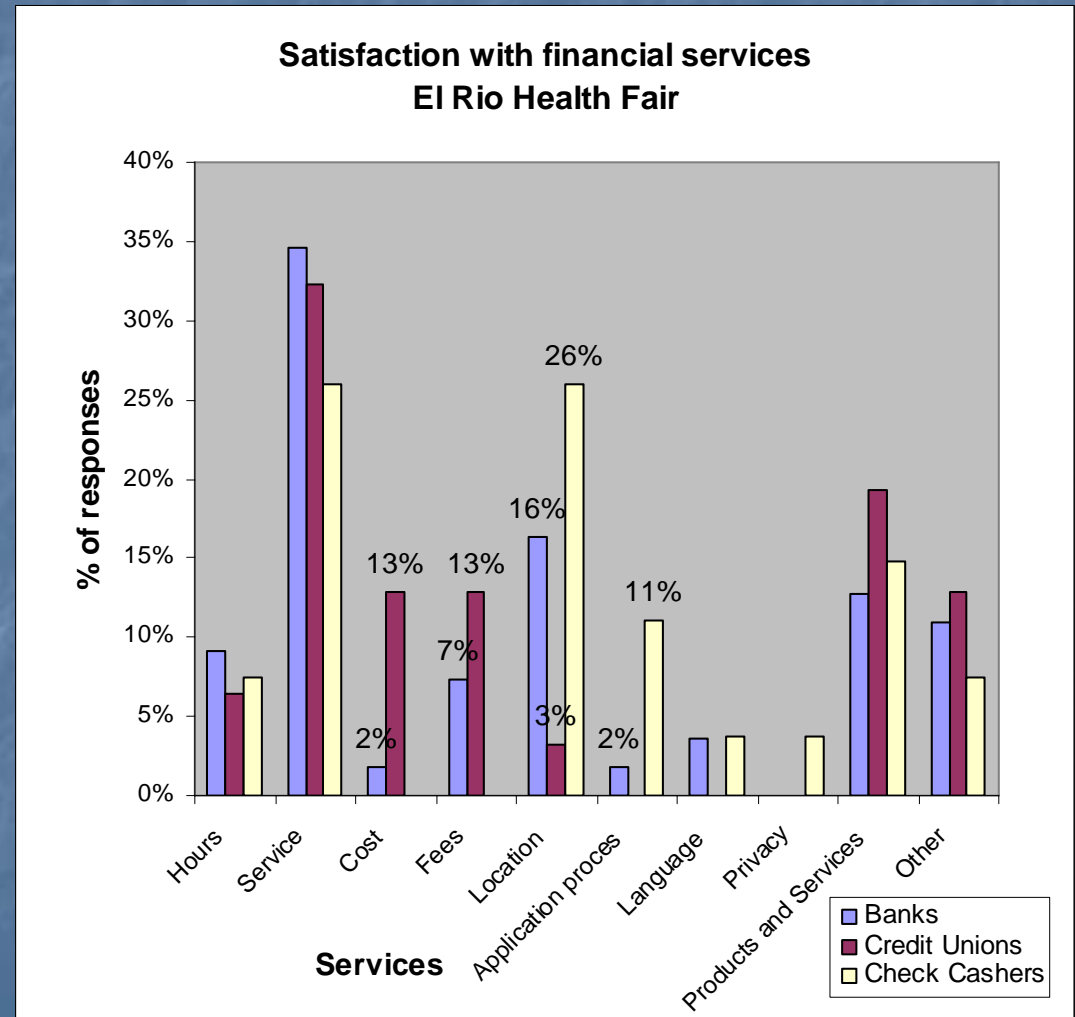
- Money issues; no money; financial instability or no job.
- Dissatisfaction with bank services: bad interest rates, high costs and fees and previous bad experiences with bank services.
- Credit problems or past use of bank services resulting in high fees and penalties.
- Other: lack of trust in banks; prefer dealing with cash; child support and no SS#.

Reasons for currently not using credit union services

- Prefer bank services. Consider banks more trustworthy.
- No money or no job.
- No need to.
- No time, interest or opportunity to open an account.
- Perception of Credit Unions: Credit unions seem more mysterious; afraid of using CU services; don't know how to open an account.
- Membership restrictions (must belong to an organization.)
- Previous bad experience.
- High interest rates.
- Other: Credit problems; No SS#.

Satisfaction with financial services

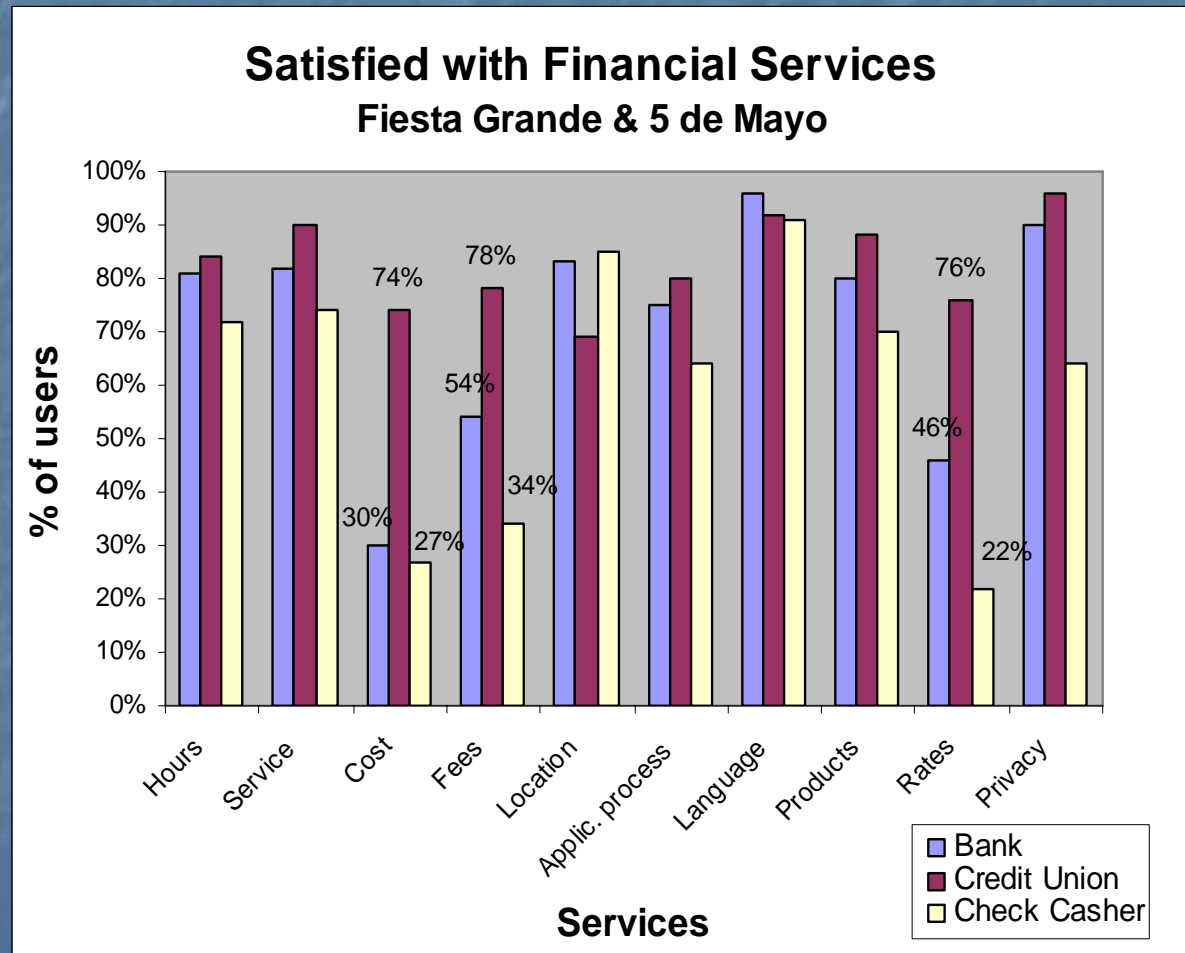
- El Rio Health Fair
 - *Question: What do you like the most about their services?*
 - The same question was asked about banks, credit unions and check cashers



Satisfaction with financial services

■ Fiesta Grande & 5 Mayo

- *Respondents were asked how they felt about the following (listed at the bottom of the chart.) The question was asked for banks, credit unions and check cashers.*
- *Respondents were given 4 options: **Satisfied**, **Dissatisfied**, **Neutral**, or **Not Sure***

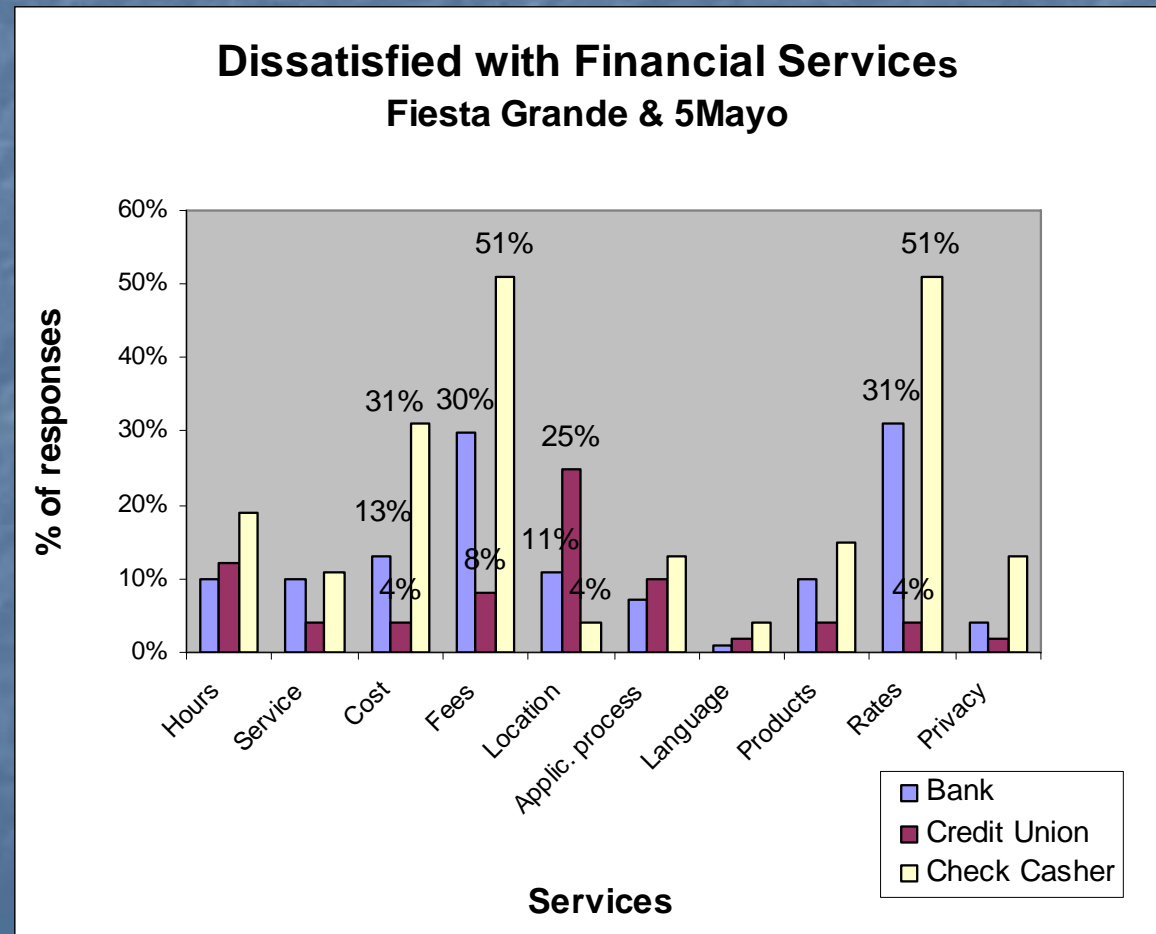


Dissatisfaction with financial services

■ Fiesta Grande & 5 Mayo

■ *Respondents were asked how they felt about the following (listed at the bottom of the chart.) The question was asked for banks, credit unions and check cashers.*

■ *Respondents were given 4 options: Satisfied, Dissatisfied, Neutral, or Not Sure*



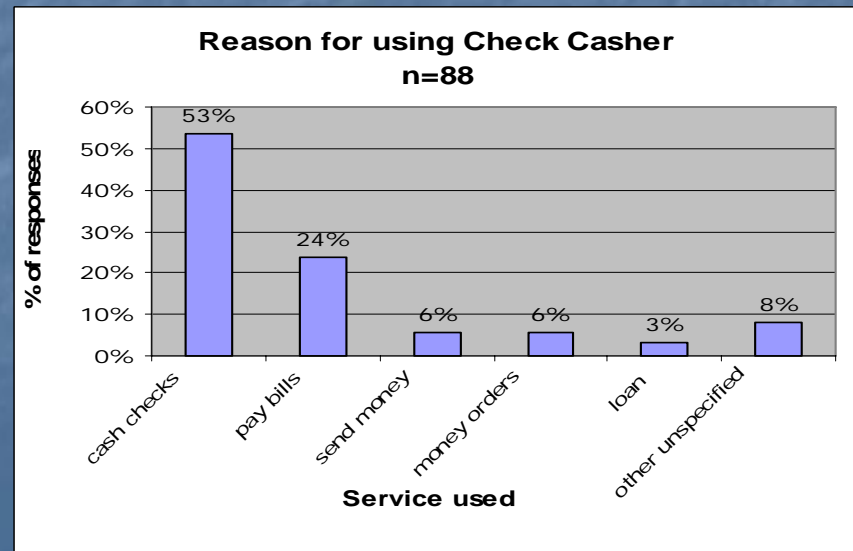
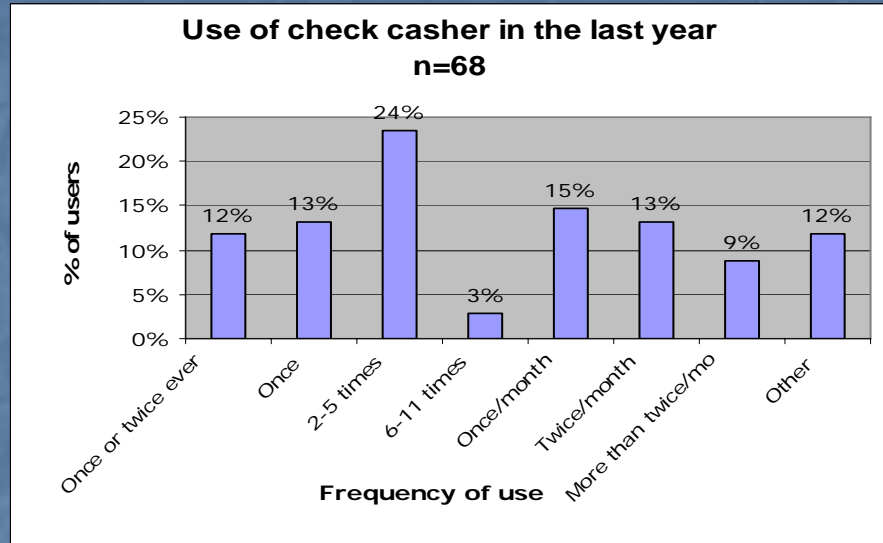
Patterns of use of Check Cashers

■ Frequency of use in the past year

- 24% used them 2-5 times
- 15% used them once a month
- 13% used them twice a month
- 13% used them once

■ Purpose of use

- 53% used them to cash checks
- 24% used them to pay bills

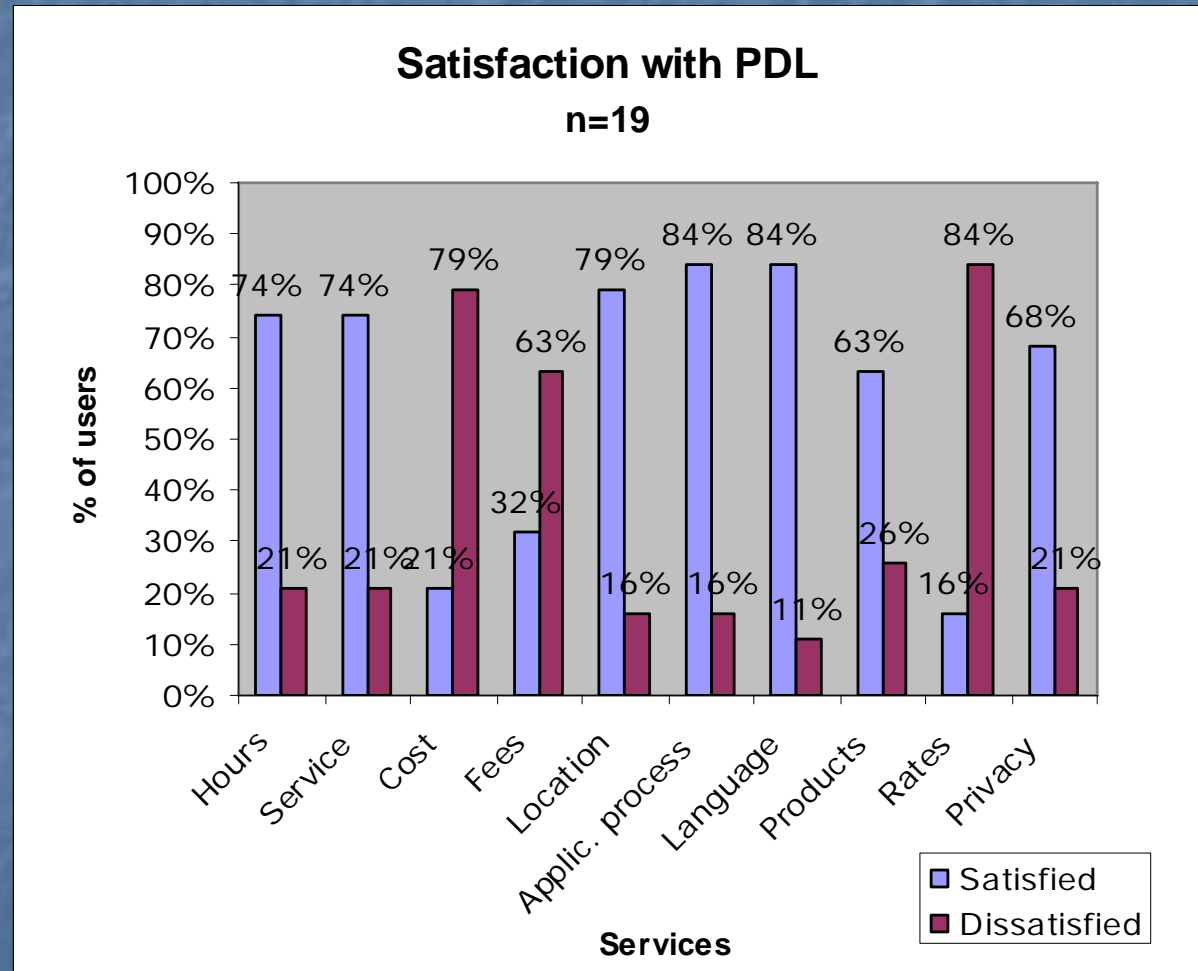


Payday Loans

Level of Satisfaction and Dissatisfaction

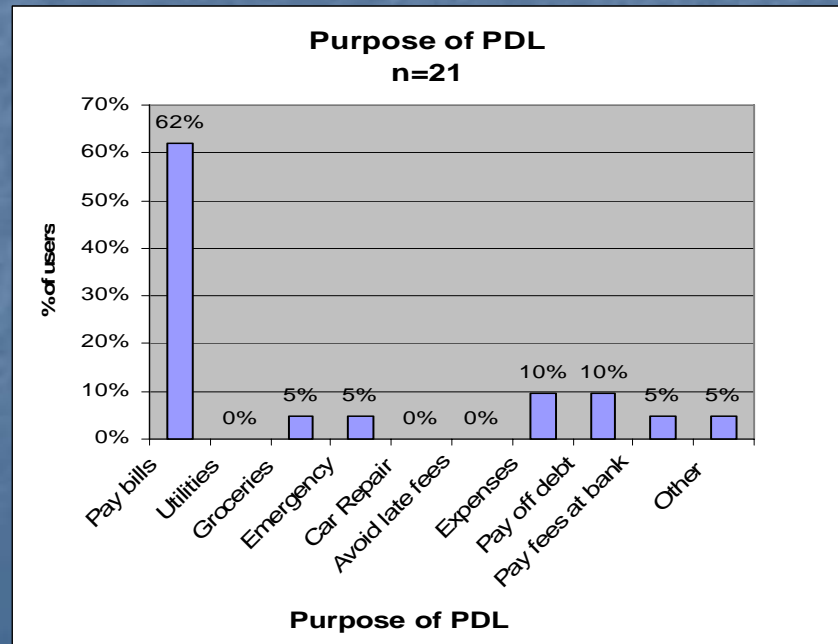
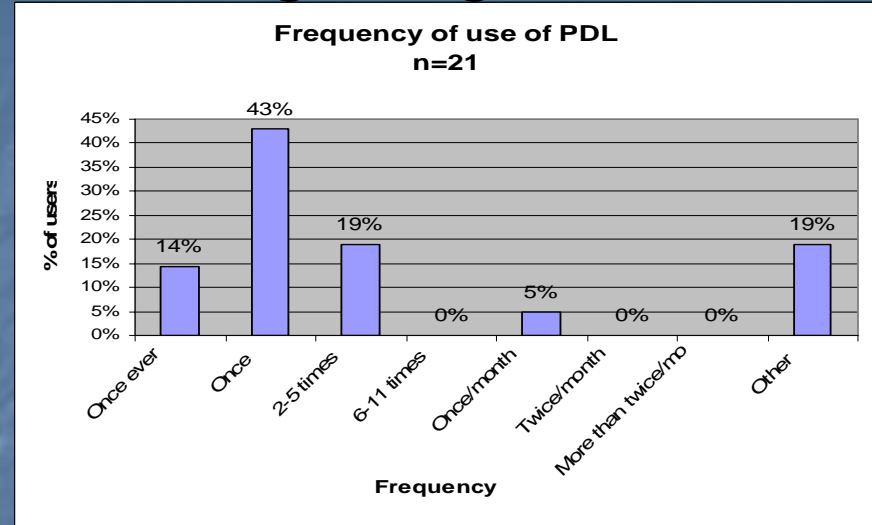
■ Fiesta Grande & 5 Mayo

- Respondents were asked how they felt about the following (listed at the bottom of the chart.)
- Respondents were given 4 options: **Satisfied**, **Dissatisfied**, **Neutral**, or **Not Sure**



Patterns of use of Payday Loans

- Frequency of use in the past year
 - 43% took a PDL once
 - 19% took a PDL 2-5 times
 - 19% other: none in the past year
 - 14% once ever
- Purpose of the loan
 - 62% used them to pay bills
 - 10% used them to pay for expenses
 - 10% to pay off debt



Patterns of use of Payday Loans

- From those who reported having taken out a PDL, 10 people reported having had to extend their payday loans:
 - 3 people extended the loan once
 - 6 people extended the loan twice
 - 1 person extended the loan more than 2 times

<i>Extensions</i>	<i>Number</i>	<i>As a %</i>
once	3	30%
twice	6	60%
more than 2 times	1	10%
Total	10	100%

Demographics

- 39% men (71)
- 61% women (110)
- 80% Hispanics
- Median age falls between 40-55 years old
- Average education level is 12th grade
- The median annual household income is between \$19,000 – \$25,000
- Average number of household members is 3

FOCUS GROUPS FINANCIAL SERVICES

English and Spanish
April – May 2006

Focus Group Composition

- English Focus Group – May 6, 2006
 - 4 women
 - 1 man
 - 2 participants between 25-39 years old
 - 4 participants between 40-55 years old
- Spanish Focus Group – April 15, 2006
 - 4 women
 - 2 men
 - 4 participants between 25-39 years old
 - 2 participants between 40-55 years old

English Focus Group

Bank services

- Problems with bank services
 - Limitations on standard checking account
 - Difficult to get a loan
 - Many requirements and credit standards
 - Strict requirements for people with variable income or who earn in cash
 - More difficult for women to borrow (specially single women)
 - Impersonal
 - High fees: ATM, check cashing, remittances fees
 - Information is hard to understand
 - Lack of education about services and options for consumers
 - Customers are not taught how to use different services
 - Checks take time to clear
 - Transactions take time to get posted in the account

English Focus Group

Bank services

- Things would like to see change
 - Easier to get a loan
 - Less service fees
 - Free check cashing
 - Special loans to help people repair credit
 - Small loans with fewer requirements
 - Weekly classes on different financial topics

English Focus Group

Fringe financial services

- Reason for using fringe banking services (Check Cashers and Payday Loans)
 - Convenient and easy
 - Used loans to get through periods with no income (teachers on a 10 month salary)
 - Pay bills
 - Pay late bills to avoid getting service disconnected
 - Send money to Mexico
- Problems
 - Outrageous fess
 - Forced to pay one loan with another
 - "You feel trapped"
 - They take advantage of people
 - Too many locations mostly in the South Side
- Would like to see change
 - Small installments to pay off the loan
 - Lower interest

Spanish Focus Group

Bank services

- Problems with bank services
 - High interest rates
 - High overdraft fees
 - Strict loan requirements
 - Lack of bill payment service at the branch
 - Policies and disclosures are difficult to understand
 - Account statements are difficult to understand

Spanish Focus Group

Bank Services

- Things would like to see change
 - Lower interest rates
 - Loan requirements
 - Lower fees on accounts
 - Information that is more understandable
 - Longer operating hours
 - More helpful staff. Employees who don't have an attitude about the language

Spanish Focus Group

Fringe Financial Services

- Reason for using fringe banking services (Check Cashers and Payday Loans)
 - Easy
 - Necessity and convenience
 - They don't ask personal questions
 - They don't ask for ID for cashing a check
 - Offer bill payment – payment is posted immediately
 - Open on Sundays
 - Practical during emergencies
- Problems
 - High fees
 - High interest on small loans
 - No flexibility with loans payments
 - Take advantage of people by charging excessive fees
 - They offer no guarantees
 - Not very secure
 - They are very aggressive
 - They are not trustworthy
- Would like to see change
 - More and better information
 - Improved customer service
 - More qualified employees

Conclusions

- Consumers differentiate providers and cost of financial services.
- Consumers choose financial services providers based on key factors such as: accessibility, convenience of location and service.
- Lower income consumers expressed difficulty accessing the mainstream financial industry.
- Users of fringe banking services feel trapped in these high cost services.
- Some consumers express interest in having access to more information and guidance about banking services and costs associated with these services.