



Financial Access Still Out of Reach for Millions

Four months after the GOP passed a tax bill that sliced tax rates for big banks nearly in half, large financial institutions are reporting [record profits](#) and returning billions of dollars to wealthy shareholders. And yet, these same banks continue to fall short for the millions of “unbanked” or “underbanked” Americans who still lack access to basic financial services and struggle to attain economic security.

Recent data show that one in four American households are unbanked or underbanked, representing [nearly 34 million](#) families. This includes nearly 2 million households in Florida and more than a third of households in New Mexico. Unbanked and underbanked households either completely lack a bank account or rely on alternative financial services, like payday or auto title loans, for credit. Lack of access to the mainstream financial system results in significant costs for families, including having to bear higher transaction fees and not being able to build credit to finance critical investments in education or a small business.

The typical unbanked household, with an [average income of \\$22,000](#), often pays more than \$1,000 each year in extra fees from alternative credit sources. These households pay substantial fees for basic services, like cashing a paycheck, and often have thin or no credit files, which forces them to rely on expensive alternative lenders for everyday cash needs.

Payday lenders, for instance, can charge interest rates [as high as 400 percent](#) on a single small-dollar loan, and many payday loans are rolled over multiple times, trapping borrowers in a vicious debt cycle. One study estimates that expanded banking access could deliver [\\$108 each month](#) to currently unbanked households.

However, inclusion in the mainstream financial system is not a silver bullet. Many underbanked and unbanked households make use of alternative financial services because corresponding fees from traditional banks, like overdraft charges, can be [even more expensive](#). In fact, unbanked households [often intentionally](#) use payday loans because they lack sufficient credit history to satisfy traditional lender requirements or have prior negative experiences with mainstream financial institutions.

In a future edition of *Consumer Corner*, we explore how the federal government and financial innovation can help integrate underserved communities into the mainstream financial system and rebuild consumer trust in banking and lending markets. This work includes financial technology companies developing alternative underwriting methods for qualified, but “credit invisible” consumers and federal opportunities to update laws that encourage lending in underbanked communities.

Unbanked and Underbanked by State

State	Unbanked Households	Underbanked Households	% of Households Unbanked or Underbanked
Alabama	266,250	509,070	36%
Alaska	9,870	73,602	30%
Arizona	234,090	509,490	27%
Arkansas	117,661	274,138	32%
California	891,808	2,747,344	25%
Colorado	97,548	423,447	24%
Connecticut	89,652	214,008	21%
Delaware	18,528	59,444	20%
District of Columbia	33,912	79,756	36%
Florida	498,845	1,496,535	24%
Georgia	467,075	965,550	37%
Hawaii	11,760	85,260	20%
Idaho	22,320	143,220	27%
Illinois	360,822	726,726	21%
Indiana	129,456	490,854	23%
Iowa	55,776	241,696	22%
Kansas	88,388	212,829	26%
Kentucky	163,350	330,330	27%
Louisiana	263,760	448,392	38%
Maine	13,478	100,206	19%
Maryland	110,784	516,992	27%
Massachusetts	159,372	447,360	22%
Michigan	244,260	806,058	26%
Minnesota	80,002	336,479	18%
Mississippi	148,680	300,900	38%
Missouri	205,445	538,991	31%
Montana	17,680	58,786	17%
Nebraska	38,046	157,406	26%
Nevada	107,868	330,876	36%
New Hampshire	9,774	98,826	20%
New Jersey	255,448	538,512	23%
New Mexico	75,764	216,814	36%
New York	638,880	1,900,668	32%
North Carolina	309,386	827,708	28%
North Dakota	9,600	66,560	24%
Ohio	273,180	824,250	23%
Oklahoma	176,330	423,192	37%
Oregon	82,110	330,050	26%
Pennsylvania	244,118	976,472	24%
Rhode Island	21,650	69,713	21%
South Carolina	177,377	466,362	32%
South Dakota	13,944	65,736	24%
Tennessee	309,204	549,696	30%
Texas	967,354	2,438,967	33%
Utah	38,220	204,820	25%
Vermont	3,975	33,920	14%
Virginia	148,350	635,325	24%
Washington	114,144	576,288	25%
West Virginia	62,320	136,325	26%
Wisconsin	81,770	375,180	19%
Wyoming	6,024	51,455	23%

Source: JEC Democratic Staff Calculations based on data from 2015 FDIC National Survey of Unbanked and Underbanked Households