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# Talk About Payments: At the Intersection of Fintech and Financial Inclusion

## Retail Payments Risk Forum

August 22, 2019

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*The views expressed in this presentation are those of the presenters and do not necessarily reflect the views of the Federal Reserve Bank of Atlanta or the Federal Reserve System.*



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# Today's Speakers



**Sophia Anong, PhD**



**Nancy Donahue**



**Catherine Thaliath**

# Retail Payments Risk Forum Mission

*Detect and identify, assist and encourage*

- Identify what?
  - Risk in existing and emerging retail payments
  
- Help how?
  - Contribute to mitigating payment risks by:
    - Researching products, services, and systems
    - Collaborating with the industry
    - Convening
  
- Take On Payments weekly blog
  
- Talk About Payments webinar series
  
- Retail Payments Risk Forum website

# What Is Financial Inclusion?

## World Bank's definition:

- ❑ Financial inclusion means that individuals and businesses have access to useful and affordable financial products and services that meet their needs—transactions, payments, savings, credit and insurance—delivered in a responsible and sustainable way.
- ❑ Financial inclusion is a key enabler to reducing poverty and boosting prosperity.

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**Catherine Thaliath**

# Unbanked vs. Underbanked

- **Unbanked:**

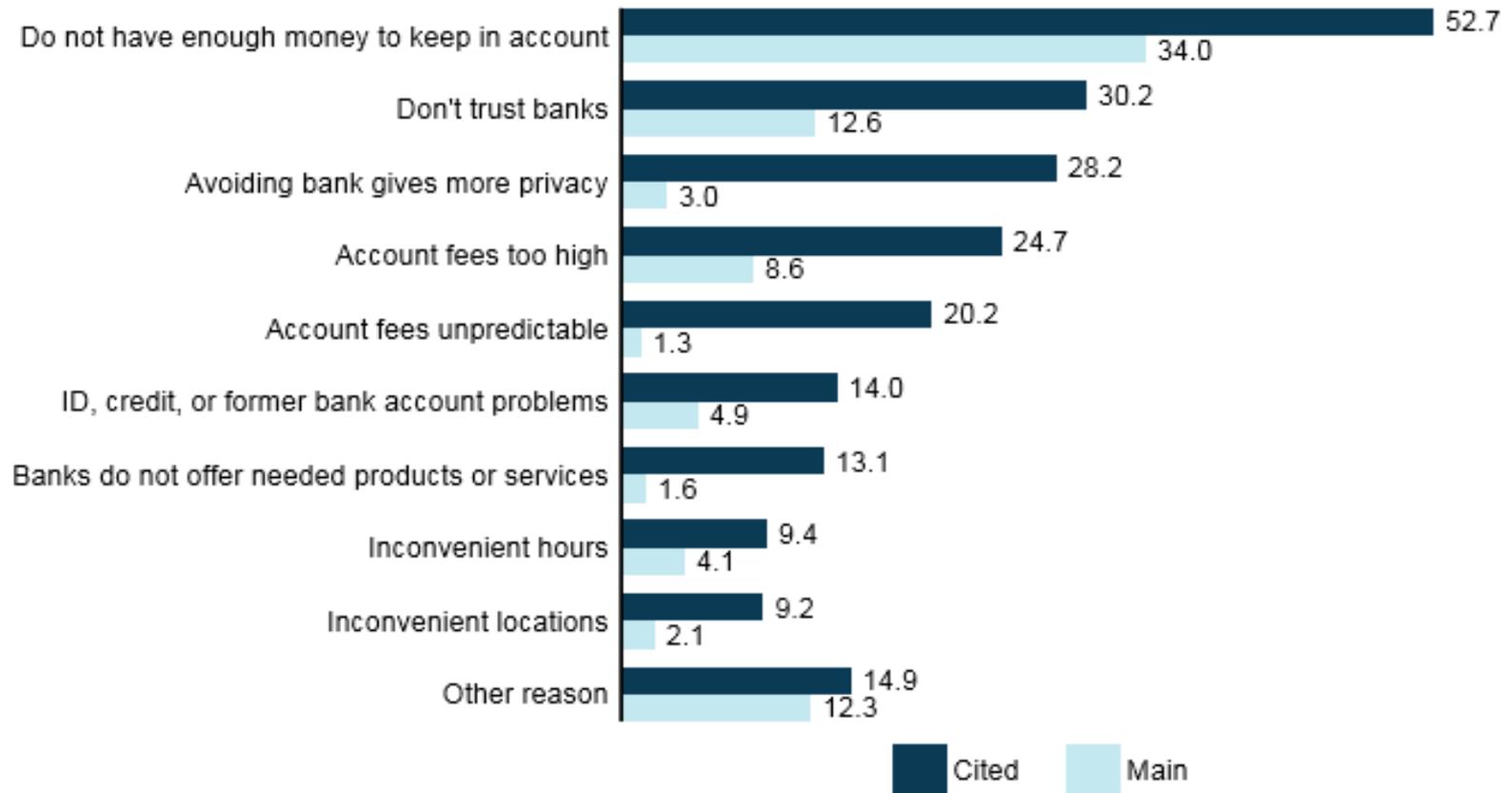
Those who do not have a checking, savings, or money market account

- **Underbanked:**

Those who have a bank account but also use an alternative service product to conduct certain financial transactions through providers other than traditional banks and credit unions

# Common Reasons Cited for Being Unbanked

Figure ES.4 Reasons for Not Having a Bank Account, Unbanked Households, 2017 (Percent)



Source: 2017 FDIC National Survey of Unbanked and Underbanked Households, FDIC, October 2018

# Seven Needs of Underserved Consumers



Source: Opportunities for Mobile Financial Services to Engage Underserved Consumers, FDIC, May 2016

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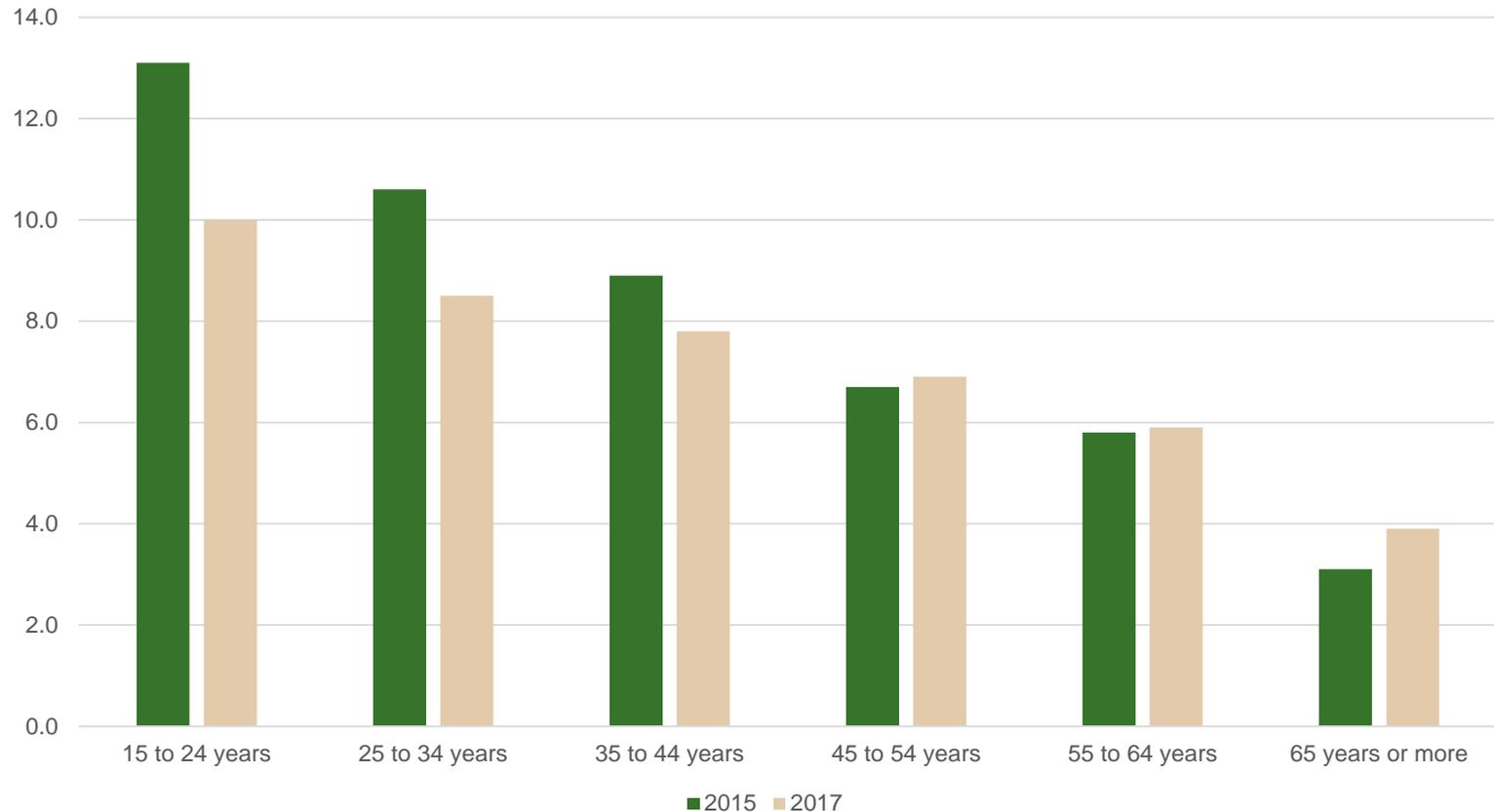


**Nancy Donahue**



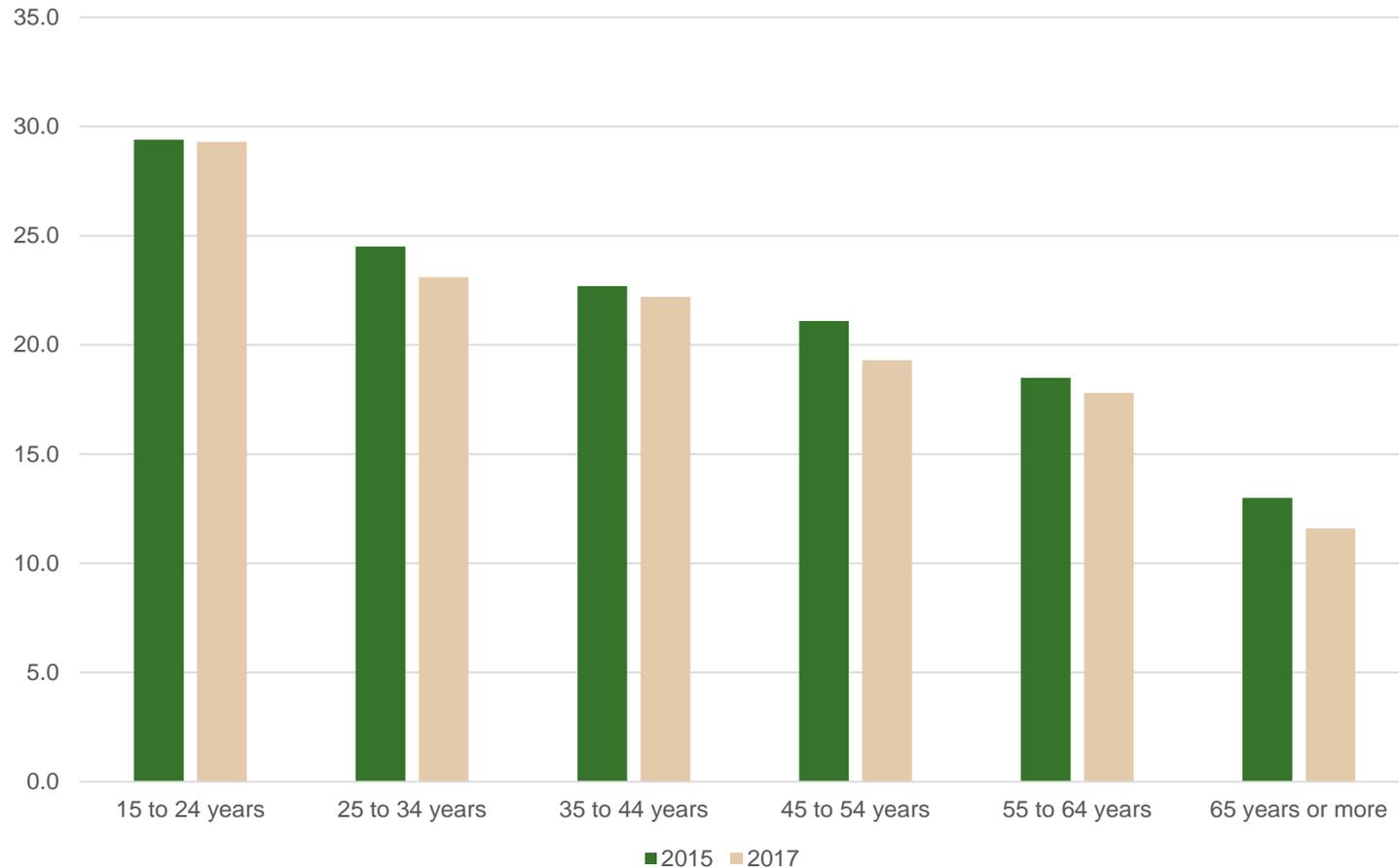
**Catherine Thaliath**

# Unbanked Rates by Household Age and Year (Percent)



Source: 2017 FDIC National Survey of Unbanked and Underbanked Households, FDIC, October 2018

# Underbanked Rates by Household Age and Year (Percent)



Source: 2017 FDIC National Survey of Unbanked and Underbanked Households, FDIC, October 2018

# Financial Products Used by the Underserved



Source: Opportunities for Mobile Financial Services to Engage Underserved Consumers, FDIC, May 2016

# Financial Providers Used by the Underserved

Banks

Prepaid card  
companies

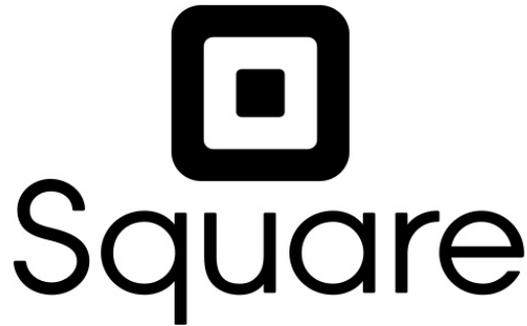
Non-bank  
deposit account  
companies

Retailers

Payday lenders  
and pawn shops

Source: Opportunities for Mobile Financial Services to Engage Underserved Consumers, FDIC, May 2016

# A Sample of Solutions Currently in the Marketplace



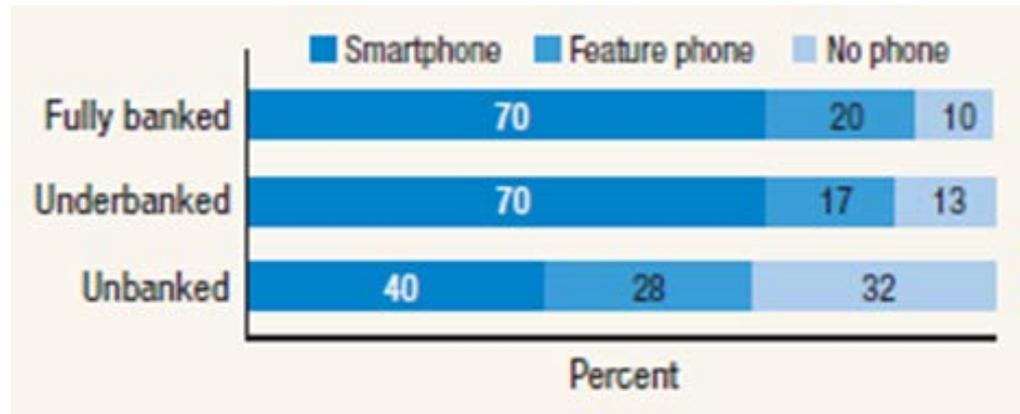
chime

T-Mobile

amazon cash

# Mobile Phone Ownership and Financial Usage by Banking Status

Mobile phone ownership by banking status



Mobile banking and payments use by banking status



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**Nancy Donahue**

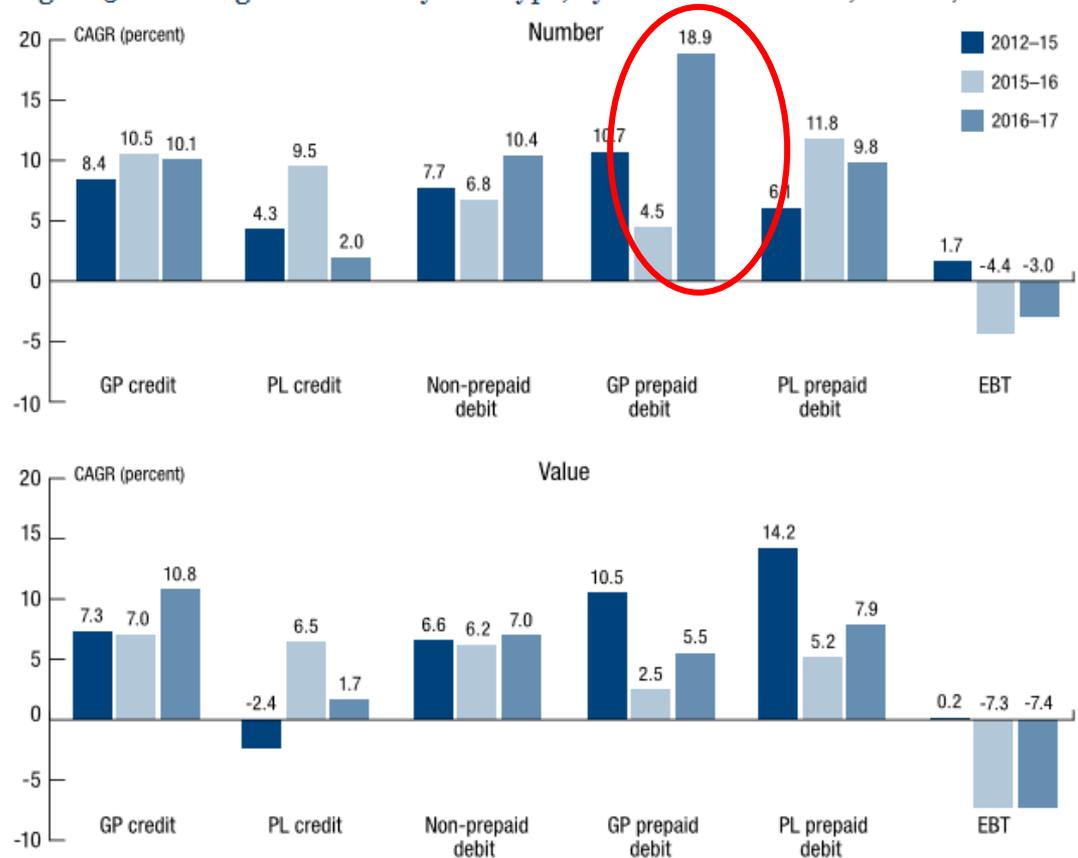


**Catherine Thaliath**

# Federal Reserve Payments Study: 2018 Annual Supplement Results

- General purpose prepaid debit grew almost 19% by number from 2016 to 2017.
- This type outpaces the growth rate of all other card types.

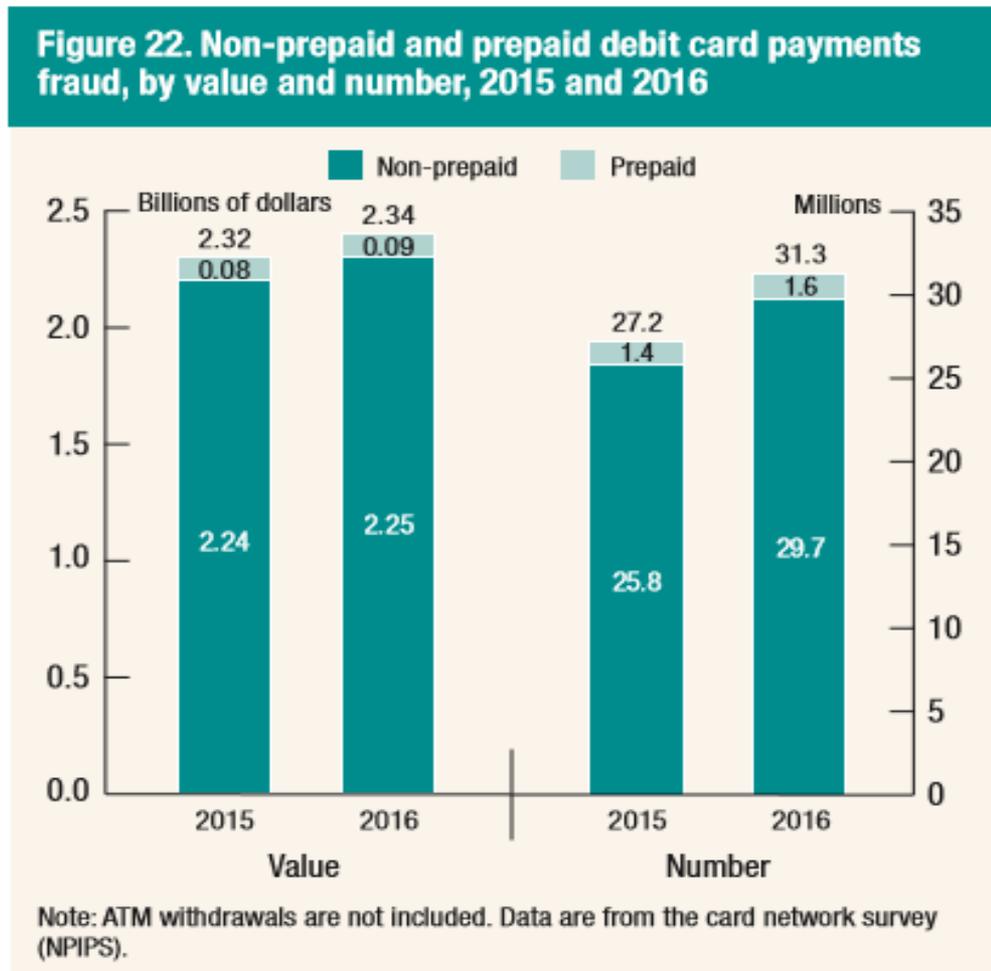
Figure 5. Annual growth rates by card type, by number and value, 2012-17



Source: The Federal Reserve Payments Study: 2018 Annual Supplement, December 2018

# Federal Reserve Payments Study – *Fraud Report Results*

Prepaid debit card payments fraud accounted for 5% of the total fraudulent debit card payments by number in 2016.



Source: Changes in U.S. Payments Fraud from 2012 to 2016: Evidence from the Federal Reserve Payments Study, Board of Governors of the Federal Reserve Systems, October 2018

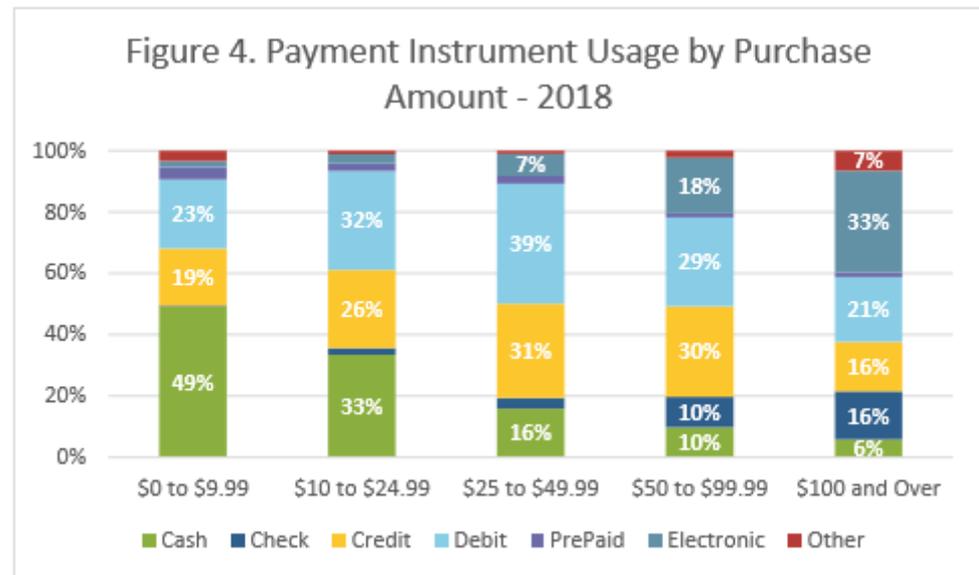
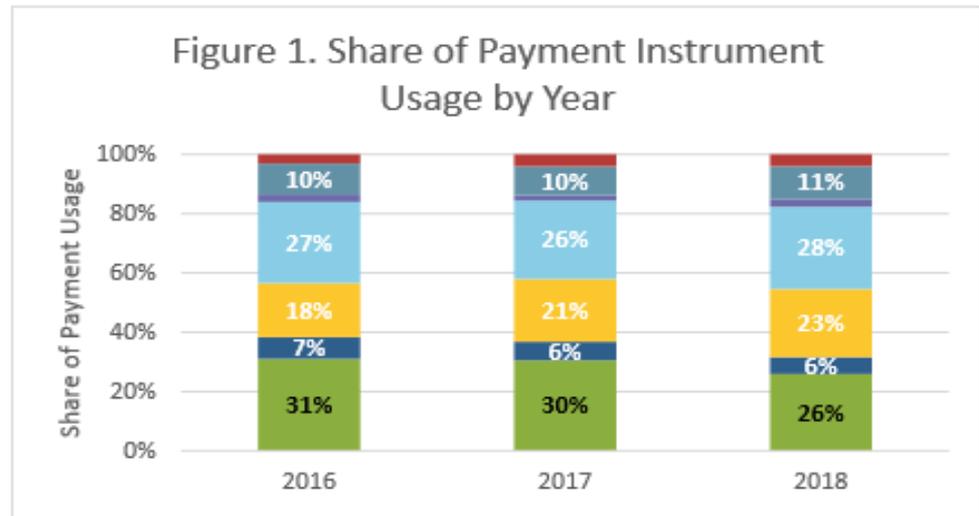
# Consumer Financial Protection Bureau – 2018

## *Prepaid Amendments to the 2016 Prepaid Rule*

- Protection from unauthorized charges and errors
- Clear, uniform disclosure charts
- Provide warning if not FDIC insured
- Basic account information for free
- Choice for employees and recipients of certain government benefits
- Limits on overdraft fees and features
- Public and consumer access to account agreements and fee schedules
- Effective April 1, 2019

# 2019 Diary of Consumer Payment Choice Results

- This year's Diary, based on 2018 data, reported debit cards as the most frequently used payment instrument for the first time.
- Debit cards accounted for 28% of payments.
- Cash was a close second, used 26% of the time.
- 49% of transactions under \$10 were conducted using cash.



Source: 2019 Findings from the Diary of Consumer Payment Choice

# Current Solutions That Help Facilitate E-commerce and Online Shopping for Cash Users

# amazon cash



*Scan  
your barcode*



*Pay cash  
in-store*



*Shop  
online*

1

Visit one of these popular retailers

**CVS**  
pharmacy

**fred's**  
Family Dollar

**RITE**  
**AID**  
PHARMACY

**DOLLAR GENERAL**

**FAMILY DOLLAR**

See All Retailers

2

Purchase a PayPal My Cash card with cash (\$20-\$500) at the register to activate.



3

Go to [www.PayPal.com/cash](http://www.PayPal.com/cash) and apply funds quickly to your PayPal account using the PIN printed on the My Cash card



# Resources

- [World Bank](#)
- [Economic Well-Being of U.S. Households](#), May 2019, Board of Governors of the Federal Reserve System
- [Opportunities for Mobile Financial Services to Engage Underserved Consumers](#), May 2016, FDIC
- [Alabama Governor Signs Two Broadband Bills Into Law](#), May 2019, TR Daily
- [HUD ConnectHome Program](#)
- [Consumers and Mobile Financial Services](#), March 2016, Board of Governors of the Federal Reserve System
- [National Survey of Unbanked and Underbanked Households](#), October 2018, FDIC
- [Federal Reserve Payments Study](#)
- [Survey and Diary of Consumer Payment Choice](#)
- [EconomicInclusion.gov](#) (FDIC)
- [Financial well-being survey data](#), Consumer Financial Protection Bureau
- [The Little Data Book On Financial Inclusion](#), 2018, World Bank Group

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