Being Unbanked

Student Activity Packet

UNIT: BANKING

Name:

Students will be able to:

- Explain who is typically unbanked and the reasons that they are unbanked
- Compare non-bank financial services with traditional checking accounts
- Detail the consequences of being unbanked
- Explore banking status in regions across the U.S.

Key Terms:

Vocabulary for this unit can be found in the NGPF Personal Finance Dictionary and NGPF Flashcards.

- **Check Cashing**
- **Money Order**
- **Prepaid Debit Card**
- **Unbanked**
- **Underbanked**

INTRO

QUESTION OF THE DAY: What percent of people under 18 have a bank account?

Answer the question on the first slide in the space below. Then, compare your answer to the answer on the second slide. Finally, follow your teacher's directions on how to answer the follow-up questions on the last slide.

1. **What percent of people under 18 have a bank account?**

LEARN IT

ARTICLE: What Does It Mean To Be Unbanked

Living without a bank account can make everyday money tasks harder and more expensive. Understanding who goes without one and why helps explain a real barrier to financial security.

What "Unbanked" Means
People are **unbanked** when no one in their household has a checking or savings account at a bank or credit union. Instead, they rely on non-bank services to handle their money. Today, millions of U.S. adults are unbanked.

Someone who's **underbanked** has a bank account but still uses non-bank services for some of their financial needs.

Who Is Unbanked and Why
Unbanked rates are much higher among people with lower incomes. Among adults earning less than $25,000, 22% are unbanked, compared to just 1% of adults earning $100,000 or more.

The top reasons people give for not having a bank account:

- **Not enough money to meet minimum balance requirements.** Some banks require $25 to $100 just to open an account.
- **High monthly fees.** Many banks charge $5 to $35 per month, which can be a barrier for households on tight budgets.
- **Distrust of banks.** This is the second most common reason, partly tied to a history of discriminatory lending toward Black and Hispanic borrowers.

Source

1. **What's the difference between being unbanked and underbanked?**

2. **Of the three reasons people give for being unbanked, which do you think would be the hardest to overcome?**

COMPARE: Banking Alternatives

Millions of unbanked Americans rely on alternatives to a traditional checking account. Review the table to compare common non-bank options that unbanked people rely on. Then, answer the questions.

	Regular Debit Card	Prepaid Debit Card	Check Cashing Store	Money Order
What it is	A card connected to your checking account. When you swipe, money comes out of that account.	A reloadable card that works like a debit card. You load money onto it instead of linking it to a checking account.	A storefront that cashes paychecks and other checks for a fee. No bank account required.	A prepaid paper document used to make a guaranteed payment.
Cost	Usually free with a checking account. Some banks charge a fee for using ATMs outside their network.	Multiple fees can apply: activation, monthly, reloading, ATMs, and inactivity	Charges a percentage of every check cashed	A flat fee per money order
Use it for	Everyday spending, ATM withdrawals, online purchases.	Spending when you don't have a bank account, or when you want a hard spending limit	Turning a paper check into cash when you don't have a bank account	Paying rent, bills, or anyone who needs guaranteed payment without using cash or a personal check

Source

1. **If a person has no bank account and gets paid by paper check, what steps would they need to take to send rent money to their landlord who requires a check, money order or online payment?**

ARTICLE: The Costs of Being Unbanked

Living without a bank account doesn't just mean skipping checking and debit cards. It comes with real financial costs that can make it harder to build wealth over time.

- **Harder to build credit.** Prepaid cards and check-cashing services don't report to credit bureaus, so using them doesn't build a credit history. Without a credit history, it can be harder to qualify for loans, rent an apartment, or get a mortgage later.
- **Harder to save for emergencies.** Cash at home can be stolen, loses value to inflation, and is easier to spend than money sitting in a savings account.
- **Time costs.** Paying bills and cashing checks in person takes hours that digital banking handles in minutes.

Over time, these costs add up. They can make it harder for unbanked households to build savings, credit, and financial stability.

Source

1. **What might make these costs hard to address, even for someone who wanted to?**

DO IT

QUICK ACTIVITY: What's the Banking Status in Your Area?

Being **unbanked** means no one in your household has a checking or savings account. Being **underbanked** means you have an account but still rely on services like check cashers or money orders for everyday transactions. In this activity, you'll explore how common each is across the country and what drives people to stay outside the traditional banking system.

Interactive: FDIC's Household Use of Banking Services

Part I: Regions in the Country

1. Open the interactive. Click on REGION above the map and **hover** over the different regions of the U.S. Use the latest year's data to answer the questions below.

    a. What percentage of households are unbanked in your region? Does this surprise you? Why or why not?

    b. How does your region compare to the other regions in the country?

Part II: States Around the Country

- **Click** on STATE above the map
- **Hover** your mouse over the state of Washington in the Pacific Northwest region and move down to the state of California
- Move your mouse back up to **hover** over Idaho and move your mouse down to Arizona
- Continue doing this across the entire country, making your way from the West Coast to the East Coast and always starting from the northernmost state to the southernmost state.

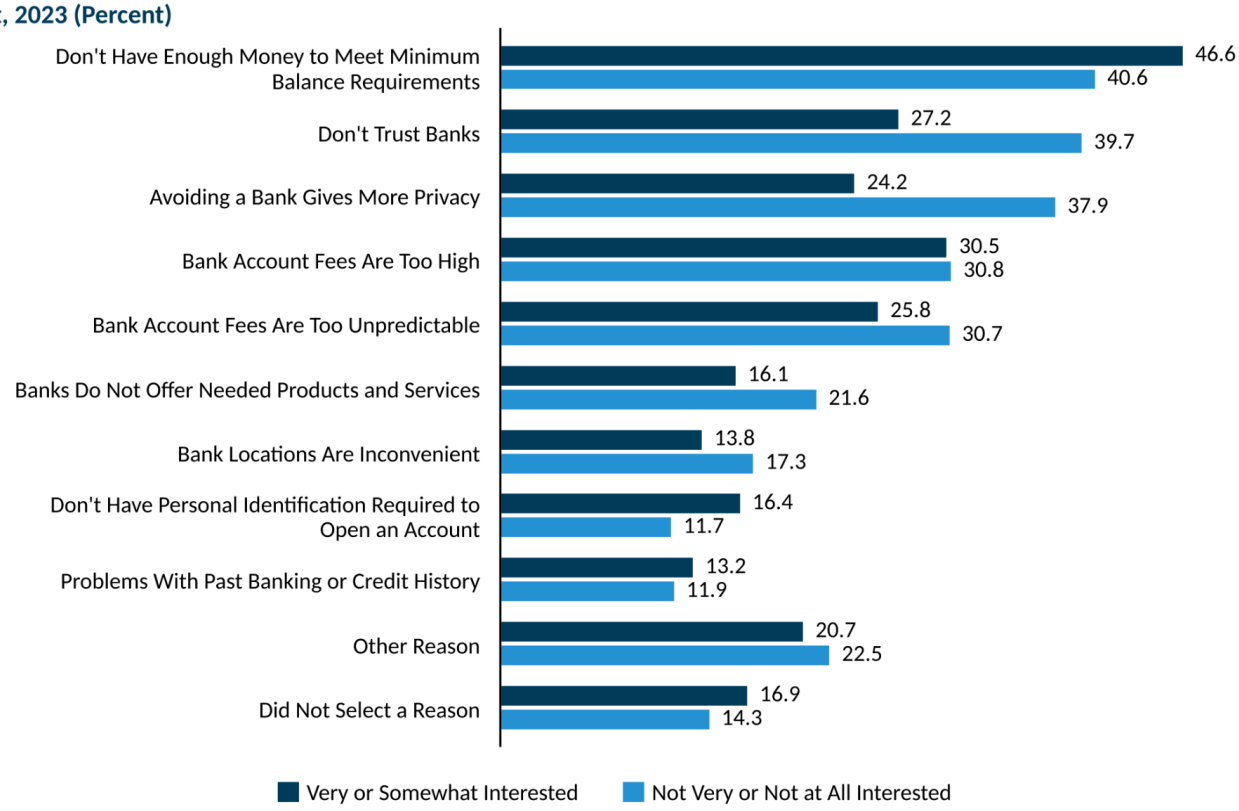
2. How does the percentage of **unbanked** households change as you move further south across the country?

3. Are there any states that are **major** exceptions to the overall trends you observed above?

Part III: Why Do Households Choose to be Unbanked?

The following graph shows the different reasons households may not have a bank account. Use the information to answer the following questions.

FIGURE ES.3 Unbanked Households' Cited Reasons for Not Having a Bank Account by Interest in Having a Bank Account, 2023 (Percent)

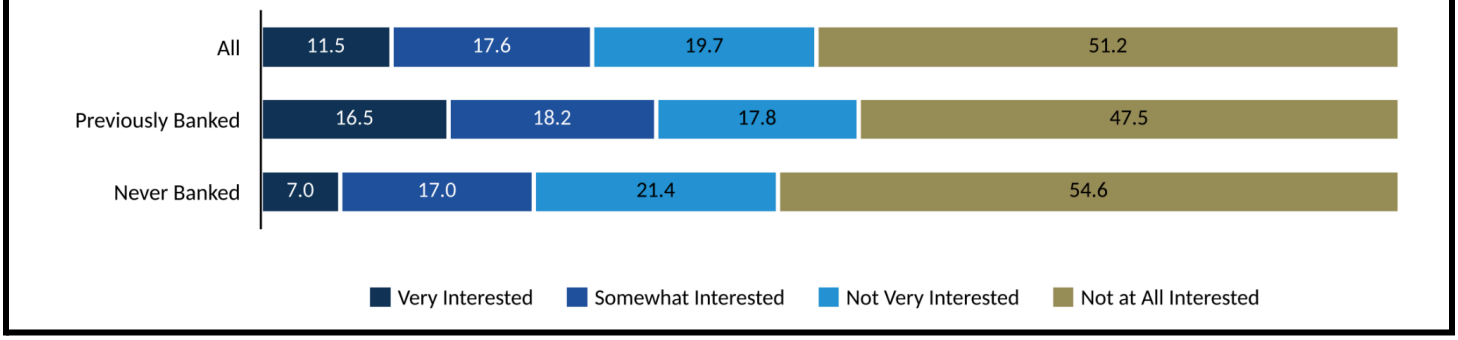


Note: Bars sum to more than 100 percent because households could select more than one reason for not having a bank account.

[5] The 2023 survey asked unbanked households how interested they were in having a bank account: very interested, somewhat interested, not very interested, or not at all interested. Three in ten unbanked households (29.1 percent) were very or somewhat interested in having an account, while 70.9 percent were not very or not at all interested.

1. Among unbanked households who are at least somewhat interested in having a bank account, 25.8% claim one reason for being unbanked is that account fees are unpredictable, while 30.5% say that account fees are too high. What types of fees do you think they are referring to and why can avoiding these types of fees be difficult?

FIGURE 1.7 Unbanked Households' Interest in Having a Bank Account by Previous Bank Account Ownership, 2023
(Percent)



2. The above chart shows the results of the question asked to households: "How interested are you in having a bank account?" Why do you think more **never banked** households are "not at all interested" in having an account over **previously banked** households?

EXIT TICKET

Follow your teacher's directions to complete the Exit Ticket.