



FINANCIAL SERVICE CENTERS OF NEW YORK, INC.  
A Trade Association

## **The Unbanked & Underbanked Consumer in New York**

*For hundreds of thousands of “unbanked” and “underbanked” New Yorkers, the transaction-based approach to financial services makes the most sense when managing their personal financial transactions. Financial service centers (FSCs), also known as check cashers, provide the cash-based products and services that best meet their needs. They also offer the peace of mind of knowing their obligations have been met without fear of future financial repercussions.*

### **Who are these consumers?**

- There are hundreds of thousands of New Yorkers who rely upon FSCs in addition to or instead of traditional financial institutions, such as banks and credit unions when conducting their routine financial business.
- According to a recent FDIC study, 1 in 5 New York households is considered “underbanked,” meaning they have a bank account but do most of their banking with alternative financial service providers such as FSCs.
- The FDIC study also revealed that an additional 10% of New Yorkers are “unbanked,” having no bank or credit union account relationship whatsoever. In March 2010, the NYC Department of Consumer Affairs released findings from a study that revealed that more than 13% of NYC households are unbanked (i.e., more than 825,000 individuals).

### **Why do these consumers choose financial service centers?**

#### *Access*

- Traditional financial institutions are often difficult to find in working class and minority neighborhoods, having concentrated their locations in middle and upper class suburbs.
- In contrast, FSCs are deeply-integrated members of the local communities they serve.
- FSCs offer better hours to accommodate varying work schedules (many are conveniently open seven days a week, with some open 24 hours a day).

#### *Interpersonal Service*

- Low-income individuals sometimes need a higher level of interpersonal service not often found in traditional banks. They get that at a FSC.
- There is significant cultural aversion to using mainstream banks. Many immigrants come from cash-based cultures and are reluctant to trust banks with their hard-earned money.
- The FSC staff speaks the language(s) of the neighborhood and offer a more family-friendly environment than traditional financial institutions.

#### *Liquidity*

- These consumers often lack the liquidity that is required to open and maintain traditional bank accounts.
- They live paycheck to paycheck and have little, if any, money left over to put into a bank.

#### *Transparency*

- Low- and moderate-income consumers manage tight budgets and cannot be subject to surprise fees and back end charges.
- An unexpected charge can be catastrophic to a family’s finances.
- All fees charged by FSCs are posted and explained up front.
- All fees are paid at the time of the transaction, at the point of sale.