

Unbanked: Better numbers but still a challenge

By: Herlene Rich, Darby Public Library Volunteer

Do you have a bank account? Do you need a bank account? Without a bank account, the system can be rigged against you, especially if you are in a lower income bracket. Those making the least are hit the hardest with the highest fees by not having bank access.

The FDIC 2015 Un/under Bank report was released the end of October 2016. While the numbers show improvement from 2013, Montana still has a substantial number of un/under banked households. Four percent of Montana households are unbanked and 13.3% are underbanked, yielding 17.3% a total of Montana's household population. For a household making less than \$15,000/year, the under/unbanked number is 22.9%.

The 2015 FDIC report's key findings from the survey found "The majority of unbanked households said they think that banks have no interest in serving households like theirs, and a significant share of unbanked households said they do not trust the banks." Is this surprising, considering the exposure of Wells Fargo Bank's creation of user accounts without their consent?

The average national cost of using "cash only" and relying on check cashing stores and money orders is \$190.39 per year. Non customer check cashing at Bitterroot local banks or retail stores can range from \$3.00 to \$12.00 per check. Local money orders ranged from \$.70 to \$8.00. For a household making \$15,000 a year, relying on cash could be 1.3% or more of their gross income. This includes the cost of money orders, fees to load a pre-paid card and check cashing services without a bank account. It does not include the lost time and transportation cost of standing in line paying bills with cash or buying money orders. While the average banked American spends 28 minutes per month going to a bank or ATM, the unbanked client can expect to spend 4X that amount of time. In rural Ravalli County, Montana transportation cost to the nearest retail store for a Western Union money order with the smallest fees could be an additional hour time and greater than \$20.00 in transportation cost (Sula to Hamilton). Only one monthly trip, could add more than \$240 travel cost to the average cost of cash.

An alternative to cash that will become safer after October 2017 is a prepaid debit card. Early October 2016, Consumer Financial Protection Bureau (CFPB) finalized strong federal protections for pre-paid account customers.

"The new rule requires financial institutions to limit consumers' losses when funds are stolen or cards are lost, investigate and resolve errors, and give consumers free and easy access to account information. The Bureau also finalized new "Know Before You Owe" disclosures for prepaid accounts to give consumers clear, upfront information about fees and other key details. Finally, prepaid companies must now generally offer protections similar to those for credit cards if consumers are allowed to use credit on their accounts to pay for transactions that they lack the money to cover."

The ruling takes affect October 2017 and for more information read this article: [CFPB Finalizes Strong Federal Protections for Prepaid Account Consumers](#)

Consumer reports list American Express-Walmart Bluebird as the best prepaid debit card value. Bluebird cards have no monthly fees and offer many services. It is only accepted where American Express is accepted, which can limit its convenience. Other highly rated cards were Chase Liquid Visa and Green Dot Prepaid Visa.

Another option instead of the large national banks is your local credit union. You could open a share savings account for as little as \$5.00 and have the benefits of free check cashing and corporate checks for a minimal fee. Fees vary substantially for banks in the area, so by doing your homework, there may be a cheaper alternative that meets your needs.

Regulations could change in the future under the new administration. The CFPB is currently defined as an “independent regulatory agency” by 44 U.S.C. Sec. 3502(5), The CFPB is awaiting a D.C. Circuit’s decision. If the ruling takes effect, it is possible the CFPB would no longer be considered an “independent regulatory agency.” For purposes of Executive Order 12866, the CFPB could become an executive agency and the president would have the power to supervise and direct the CFPB director.

Members of the Bitterroot Financial Education Coalition, a project of the Bitter Root RC&D, will present a monthly column about personal finances. If you would like to request a workshop on this topic or another financial topic, please contact Katelyn Andersen, 375-6611 or katelyna@montana.edu

The Bitterroot Financial Education Coalition is a partnership of Ravalli County organizations working to improve lives and strengthen our community by providing access to financial education that prepares individuals for life-long success in problem solving, decision making, and personal financial competence.

Press release: [CFPB Finalizes Strong Federal Protections for Prepaid Account Consumers](#)