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[Library of Congress](#) / [Research Guides](#) / [Business](#) / [Fintech: Financial Technology Research Guide](#) / [Unbanked & Underbanked](#)

Fintech: Financial Technology Research Guide

[Introduction](#)

[21st Century FinTech](#)

Unbanked & Underbanked

[Financial Services
Disruption](#)

[Cryptocurrency &
Blockchain
Technology](#)

[Crowdfunding &
Regulations](#)

[Advisory Management
Consulting Firms](#)

[Trade Associations](#)

[Financial Industry
Regulatory Authorities](#)

[FinTech Related Print](#)

[Subscription
Databases](#)

[Search the Library's
Catalog](#)

[Using the Library of
Congress](#)

Unbanked & Underbanked

During the June 8, 2017, congressional subcommittee hearing on digital commerce and consumer protection, among the topics discussed were the unbanked, underbanked, and their use of alternative financial services. The subcommittee



Carol Highsmith, photographer. *Open bank vault*, at the Mechanics and Farmers Savings Bank. Between 1980 and 2006. Library of Congress Prints and Photographs Division.

concluded that as new technology disrupted established financial services institutions it would provide the unbanked and underbanked greater access to relevant financial services.

The Unbanked and Underbanked

According to a 2017 Federal Deposit Insurance Corporation (FDIC) survey, most U.S. households were “fully banked.” Meaning that they had either a checking or a savings account with an FDIC insured financial institution, and had not used alternative financial services (AFS) in the past 12 months. An alternative financial service is a non-traditional bank or lender, such as a check cashing company or payday lender. An “unbanked” person is someone that does not have a checking or savings account with an insured (FDIC) institution. The term “underbanked” means that the household had a checking or savings account with FDIC insured institution, but regularly used alternative financial services (AFS).

The FDIC's survey also asked a group of unbanked respondents why they did not have a checking or savings account. The most common responses were "do not have enough money to keep in an account," "don't trust banks," "avoiding a bank gives more privacy," "bank account fees are too high," "bank account fees are unpredictable" and "lack of convenience." As for “lack of convenience,” traditional banks are commonly not located in certain neighborhoods, but alternative financial services companies are plentiful in those neighborhoods.

Mobile Banking

According to a 2017 FDIC focus group, mobile banking meets the consumer needs in areas where traditional banking is perceived to be weak. Mobile banking's major strengths include more convenient banking services, consumers' have better control over their finances, and in some cases, more

affordable banking services. Mobile banking provides customers with mobile financial alerts and other monitoring tools. These alerts and tools help customers reduce bank fees, keep better track of their finances, improve on-the-spot decision making, help maintain better records which makes payment disputes easier to resolve. Mobile technology gave rise peer-to-peer (P2P) payment services that allow individuals to directly pay others without cash or checks through apps. Technology development can better assist consumers manage payments conveniently and quickly.

Government regulators are striving to improve banking services for all U.S. residents. In July 2018, the Office of the Comptroller of the Currency (OCC) said it would begin accepting National Bank Charter applications from financial technology companies that offer mobile financial services products. The decision was documented in a policy statement and supplement to the OCC's Comptroller's Licensing Manual.

Additional Reading

The following sources from the Internet and from the print collections at the Library of Congress are useful in learning more about FinTech and the issue of access to banking services.

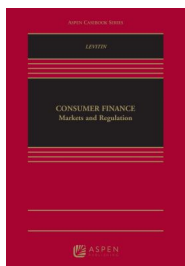
External Websites

- 2017 FDIC National Survey of Unbanked and Underbanked Households
This is a link to the FDIC's website page that lists all of the surveys the FDIC has conducted on the Unbanked and Underbanked.
- Consumer-Lending Discrimination in the FinTech Era [PDF, 1,476 KB] 
Published in February 2019, written as a joint effort between UC Berkeley-Haas Business School, UC Berkeley-Law School and National Business Economics Research (NBER). The document is titled: Consumer-Lending Discrimination in the FinTech Era.
- The Decline of Big-Bank Lending to Small Business: Dynamic impacts on local credit and labor markets. 
Published March 2017, and written by Brian S. Chen, Samuel G. Hanson and Jeremy C. Stein. This National Business and Economic Research (NBER) working paper, Number 23843, is titled: The Decline of Big-Bank Lending to Small Business: Dynamic impacts on local credit and labor markets. Click on this link to access this document.
- FDIC: Banks Efforts to Serve Unbanked and Underbanked
This publication from May 25, 2016 covers what banks are doing to earn the consumer's trust, strategies for offering a range of products, for sustaining customer relationships, and ensuring business objectives are met.
- FDIC: Opportunities for Mobile Financial Services to Engage Underserved Consumers
This paper reports on the findings from focus groups that explored whether and how MFS helps meet underserved consumers' financial services needs.
- A Financial System That Creates Economic Opportunities Nonbank Financials, FinTech, and Innovation
This is report from the Treasury Department is the fourth and final report in a series of reports released under E.O. 13772. Previous reports included Banks and Credit Unions, Capital Markets, Asset Management and Insurance. This particular report looks at the landscape that will better support nonbank financial institutions, embrace financial technology.
- Financing through FinTech : online lending's role in improving small business [PDF, 6.2 MB]
This is a hearing before the Subcommittee on Economic Growth, Tax, and Capital Access of the Committee on Small Business, United States House of Representatives, One Hundred Fifteenth Congress, first session, hearing held October 26, 2017 (115-044).
- Marketplace Lending: FinTech in Consumer and Small-Business Lending

This CRS report (R44614) was updated and republished September 2018. It begins with an overview of marketplace lending, then discusses its potential opportunities and risks, regulations, potential future developments and a conclusion. The report includes a Figure that illustrates marketplace lender business models, a Table illustrating examples of federal regulation potentially applicable to marketplace lending and an Appendix illustrating potential federal regulation applicable to marketplace lending and the author gives his contact information. All pages contain footnotes.

Print Resources

This is just a selection of books on this topic. The books listed below link to fuller bibliographic information for each item in the the Library of Congress Online Catalog. Links are provided for additional online content when available.



Consumer Finance by Adam Jeremiah Levitin

Call Number: KF1040 .L48 2018

ISBN: 9781454869061

Published/Created: 2018-09-14

Consumer Finance: Markets and Regulation is the first law school text to focus on consumer financial services markets and their regulation. Structured around clear expository text and realistic problem sets, the book provides comprehensive coverage of the regulation of consumer credit, payments, and financial data markets by federal, state, and private law, including detailed coverage of the authority of the Consumer Financial Protection Bureau (CFPB), a powerful new federal regulatory agency. The book also acquaints students with the full range of consumer financial products, how they operate, the risks and policy issues they raise, and their regulation. In so doing, the book provides an applied look at how regulatory agencies work, offering students a practical look at how statutes and regulations interact and how regulatory agencies enforce them. Professors and students will benefit from: Detailed coverage of the Consumer Financial Protection Bureau (CFPB), a new federal regulatory agency with broad authority over consumer credit, payment, deposit, and financial data markets Comprehensive treatment of consumer credit regulation, including mortgages, credit cards, auto loans, student loans, and small dollar loans, as well as credit disclosures, usury, and fair lending regulation State-of-the-art coverage of consumer payment systems, with detailed coverage of electronic payment systems (credit cards, debit cards, ACH) and mobile wallets Coverage of topics not found elsewhere in law school curriculum, including anti-money laundering regulations, behavioral economics, fair lending laws, and consumer financial data privacy and data security Free online statutory supplement Teaching materials include: Thirty-seven problem sets, featuring problem sets based on real world situations that confront lawyers for consumers, financial services businesses, and regulatory agencies Actual transactional documents, such as arbitration agreements, deposit agreements, a payday loan agreement, and a uniform mortgage note and security instrument A range of administrative agency

materials (complaints, consent orders, speeches, guidance, supervisory highlights, studies), as well as traditional case materials with extensive expository text A detailed teacher's manual keyed to problem sets



Global Findex Database 2017 by Asli Demirgüç-Kunt; Leora Klapper; Dorothe Singer; Saniya Ansar; Jake Hess; World Bank Staff

Call Number: HG173 .D425 2018

ISBN: 9781464812590

Published/Created: 2018-04-19

In 2011 the World Bank--with funding from the Bill and Melinda Gates Foundation--launched the Global Findex database, the world's most comprehensive data set on how adults save, borrow, make payments, and manage risk. Drawing on survey data collected in collaboration with Gallup, Inc., the Global Findex database covers more than 140 economies around the world. The initial survey round was followed by a second one in 2014 and by a third in 2017. Compiled using nationally representative surveys of more than 150,000 adults age 15 and above in over 140 economies, The Global Findex Database 2017: Measuring Financial Inclusion and the FinTech Revolution includes updated indicators on access to and use of formal and informal financial services. It has additional data on the use of financial technology (or FinTech), including the use of mobile phones and the Internet to conduct financial transactions. The data reveal opportunities to expand access to financial services among people who do not have an account--the unbanked--as well as to promote greater use of digital financial services among those who do have an account. The Global Findex database has become a mainstay of global efforts to promote financial inclusion. In addition to being widely cited by scholars and development practitioners, Global Findex data are used to track progress toward the World Bank goal of Universal Financial Access by 2020 and the United Nations Sustainable Development Goals. The database, the full text of the report, and the underlying country-level data for all figures--along with the questionnaire, the survey methodology, and other relevant materials--are available at www.worldbank.org/globalfindex.

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