MONEY MANAGEMENT BY LOW-INCOME HOUSEHOLDS: EARNING, SPENDING, SAVING, AND ACCESSING FINANCIAL SERVICES

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PROJECT BACKGROUND

Opening and maintaining a checking or savings account at a credit union or bank are crucial steps for establishing the kinds of relationships with financial institutions that lead to qualifying for credit and developing assets. An estimated 22.2 million households or 56 million adults in the U.S. did not have a bank account in 2002. The lack of a bank account is more pervasive among low-income families than higher income families: 83% of families without bank accounts earn less than $25,000 per year. Furthermore, as many as 22% of low-income families—more than 8.4 million families earning less than $25,000—do not have a checking or savings account. Families in the lowest income group are even less likely to have accounts. An estimated 29.1% of families with incomes in the lowest twentieth percentile ($10,300 or less) are without accounts, which is more than three times the median of 9.1% for all families.

Classifying households as either banked or unbanked is conventional in the literature on the use of financial services by low-income households. However, a continuum that encompasses banked, formerly banked, underbanked, marginally banked, aspiring to bank, and unbanked better characterizes the way low-income persons access the broad array of financial services available to them. For example, approximately one-half of those currently without a bank account had one in the past; people may have a bank account and still use alternative financial institutions such as check cashing outlets (CCOs), known as currency exchanges in the Chicago area; and 30% of persons without an account report some kind of ongoing relationship with a bank. In fact, the terms mainstream and fringe or alternative themselves depend on one's perspective. That is, what may be regarded as fringe or alternative in one community might be ordinary and mainstream in another.

A bank account can be a vehicle for maintaining and accumulating savings. However, having an account does not ensure that account holders are able to save. For example, although an estimated 78% of families with an annual income less than $25,000 had bank accounts in 2001, 53.4% of this income group reported having saved in the previous year. For households in the lowest income quintile ($10,300 or less), the savings rate is 30.0%. Furthermore, the reasons for saving differ among income levels, with families at lower income levels saving for more immediate expenditures such as rent and holiday gifts, compared with the longer timeframe of savings by higher income groups for future expenditures such as children's education and retirement.

FIRST ACCOUNTS PROGRAM

In May 2002 the First Accounts Program, an initiative of the U.S. Department of the Treasury, awarded 15 grants for projects in twenty-five states. The purpose of the program was to expand access to financial services for low- and moderate-income individuals who currently do not have an account with an insured bank or credit union. The First Accounts Program was designed to develop financial products and services that could provide models in other communities and to provide financial education to low- and moderate-income individuals who did not have bank accounts.

As a First Accounts grant recipient, the Center for Economic Progress (CEP) in Chicago worked with local banks to design the First Accounts Express Savings and First Accounts Express Checking accounts, which offer safe deposits at reduced fees. The First Accounts checking and savings accounts were designed as no-cost accounts that permitted account holders to have a $0 balance without accruing any fees. In addition to giving participants in the First Accounts Program access to these specially designed accounts, CEP also provided financial education workshops covering issues related to banking, personal financial management, and asset development as well as a Savings Club and individual financial counseling. The project-planning phase of CEP's First Accounts project began in the second half of 2002; the direct service component began in June 2003 and lasted one year, during which period it served 1,760 people.

In response to a request by CEP for a study of participants in its First Accounts project, the Center for Impact Research (CIR) conducted face-to-face interviews with 77 First Accounts participants between August and October 2004. The sample included First Accounts program participants who opened bank accounts as well as participants who did not open bank accounts. The information obtained in these interviews provides in-depth information about the participants' experiences in regard to using banks and non-bank financial services, establishing and maintaining savings, and building assets. The survey data also covers attitudes about saving and managing household finances. The findings on these topics are useful for better understanding the needs and experiences of low-income households in relation to accessing financial services and opportunities for asset development, which in turn can be used to enhance the curriculum of financial education workshops. However, it must be kept in mind that all except one of the survey participants in this study were African American, and that there are likely to be significant differences related to issues and experiences regarding access and use of financial services for other groups of low-income households—particularly for immigrants and those with limited English.

FINDINGS

EMPLOYMENT AND INCOME

The difficult and often dire financial circumstances that characterize the households of many First Accounts participants need be the starting point for making financial education workshops relevant to their daily life experiences. The low incomes of respondents in this study (median total household income for all respondents of $1,269 per month; median household employment income of $1,651 per month for those respondents with household employment income) are related to low wages, insecure employment, and unemployment. At the time of the survey nearly one-half of respondents were unemployed; one-third of respondents who were employed were at their current job for less than one year; and 28.2% were employed for less than three months. Unstable employment and unpredictable and irregular work schedules lead to fluctuating incomes and make it difficult for many of these low-wage workers to budget for normal household expenses—not to mention save for emergencies.

Insufficient income leads to ongoing domestic hardships. For example, at least once over the past 12 months, 32.5% of respondents had to borrow money to pay for food and bills; 23.4% had no food at the end of the month; and 13.0% had their gas or electricity service disconnected because of overdue bills.

BANKING AND SAVING

Over two-thirds of respondents (68.8%) currently had bank accounts; nearly one-fourth (23.4%) did not currently have a bank account but had an account in the past; and 7.8% never had an account. Respondents who currently had a bank account had significantly higher monthly household incomes (median of $1,539; mean of $1,680) than those without accounts (median of $1,111; mean of $1,147). Respondents with bank accounts were also marginally more likely to own a car, with 38% of those with accounts owning a car compared to 17.4% of those without bank accounts owning a car. In terms of household size, marital status, educational attainment, or employment status, there were no significant differences between respondents with and without a bank account.

Data about past bank accounts indicate that cycling through accounts is common. That is, persons open an account and use it until the balance runs down or fees accrue and the account is then closed. For example, 75% of respondents without a current account had one in past and 83% with a current account had a different account in past that had been closed. In addition to having overdrawn the account, the reasons respondents gave for closing their accounts were similar to the reasons of those who did not have a current account: insufficient resources to maintain the account and confusion about fees and policies.

With few exceptions, respondents reported being satisfied with their treatment at banks. Those with current and past accounts said the accounts helped them better manage their money, particularly noting that they used their accounts for cashing checks, paying bills, and direct deposit of paychecks. Respondents commonly said that savings accounts helped them focus on savings and that direct deposit to checking and savings accounts means having less cash at hand, which in turn helps reduce unnecessary spending. Several respondents also commented on the emotional benefits of having an account, particularly the security and sense of accomplishment of having money in the bank.

However, some respondents stated that they were not confident about their money management skills and were uncomfortable having a checking account because of danger of incurring high overdraft fees. These respondents were concerned that their low balances allow no cushion for miscalculations of how long a deposited check will take to clear or for mistakes in balancing the account. Other respondents who typically have low balances in their accounts said that they prefer to cash checks at check cashing outlets because they do not want to wait for the bank to clear the check. These respondents said that they cash checks at check cashing outlets because they can then deposit cash into their accounts so it is immediately available for writing checks to pay bills.

Like their views on having bank accounts, respondents generally expressed positive views about saving money, stating that there is a financial and personal or emotional benefit to saving. However, nearly two-thirds (62.2%) of respondents currently were not saving in a bank account; and the level of those who were saving was low, with a median balance of $225, and 44.8% with less than $250 in their savings account. Lack of money after paying for basic necessities and having to pay debts were the reasons given by respondents for not saving or not saving more. Savings were often for short-term or more immediate expenditures, for example, 58.6% of those currently saving said they were saving for rent and 66.7% of those who were not saving said they would save for rent.

RECOMMENDATIONS

Low-income households access banking and non-banking institutions for a range of financial services—checking and savings accounts, ATMs, credit cards, cashing checks, paying bills, and borrowing money. Programs to promote financial literacy and access to bank accounts are useful and needed. Such programs offer a pathway to other financial services, including credit and mortgages. The recommendations presented here are based on the data obtained by surveying participants in the First Accounts Program. They pertain to program and workshop design and curriculum development for programs with objectives similar to First Accounts—increasing skills in personal financial management and expanding knowledge of and access to financial and banking services. These recommendations are applicable to programs designed for participants with low incomes, unstable employment, and limited experience with banking services.

FINANCIAL WORKSHOPS

The following set of recommendations refers to topics about which respondents expressed concern, uncertainty, and a need for more information and guidance.

Public Benefits

- Provide information about programs, eligibility requirements, and application procedures for public benefits.

- Conduct screenings to identify households and individuals who may not know that they may be eligible for benefits.

Consumer Education

- Identify key issues of concern to participants. Issues pertinent to survey respondents include: banking and overdraft fees; car ownership, loans, and repairs; budgeting for utility, telephone, cable, and Internet bills; homeownership; student loans; life insurance; charitable donations; credit cards; and borrowing and lending money among family and friends.

- Incorporate into the curriculum information that explains the advantages and disadvantages for low income families of key issues related to personal financial management.

- Introduce a family workshop session that encourages participants to bring their adolescent children and adult household members. This family session would allow other members of the participant's household to learn about basic principles of personal financial management and better understand their role in family finances and how they can contribute to the participant's efforts to budget, manage expenses, and save.

FINANCIAL SERVICES

- Continue to advocate for banking products and services appropriate to low-income account holders and more competitive fees for money orders to reduce reliance on check cashing outlets.

- Advocate to limit the amount of overdraft fees and to provide better information for account holders about the terms, conditions, and imposition of these fees.

- Advocate for banks to provide understandable information about the bank's confidentiality and security policies and ways that account holders can safeguard their personal banking information.

- Advocate for availability of direct deposit among both large and small employers.

- Advocate for integration of financial education and access to banking initiatives into workforce development programs.

- Continue to research and promote a better understanding of the continuum along which low-income persons access financial services—from the fully banked with checking and savings accounts to the underbanked to those without bank accounts who rely on check cashing outlets and other non-bank services to manage their finances.

Survey respondents report positive attitudes about the benefits of having bank accounts and their positive impact on money management. They also talk about the importance of saving and their efforts to save, with the belief that it is empowering to do so regardless of the amount. It must be kept in mind that given the high levels of economic hardship and low levels of savings, financial education and bank accounts in of themselves have limited scope for substantially improving the long-term financial prospects of the majority of these households. However, financial education and access to banking initiatives should be an integral component of workforce development programs.

Asset building initiatives need to take into account the many positions along the spectrum of financial services, from no bank accounts and no savings to fully banked with regular additions to savings. Building on an understanding of this spectrum, initiatives can explore opportunities to develop products and services that leverage the reach and accessibility of non-bank financial services. Furthermore, the actual financial situations of households need to be a key factor for program development. With this starting point, the messages and expectations of financial education programs will be respectful of participants' resourcefulness and informed about the underlying causes of their stressful financial circumstances and their formidable barriers to asset building.

INTRODUCTION

BACKGROUND ON FINANCIAL SERVICES, ASSET BUILDING, AND LOW-INCOME HOUSEHOLDS

Opening and maintaining a checking or savings account at a credit union or bank are crucial steps for establishing the kinds of relationships with financial institutions that lead to qualifying for credit and developing assets.[1] An estimated 22.2 million households or 56 million adults in the U.S. did not have a bank account in 2002.[2] The lack of a bank account is more pervasive among low-income families than higher income families: 83% of families without bank accounts earn less than $25,000 per year.[3] Furthermore, as many as 22% of low-income families—more than 8.4 million families earning less than $25,000—do not have a checking or savings account.[4] Families in the lowest income group are even less likely to have accounts. An estimated 29.1% of families with incomes in the lowest twentieth percentile ($10,300 or less) are without accounts, which is more than three times the median of 9.1% for all families.[5]

Classifying households as either banked or unbanked is conventional in the literature on the use of financial services by low-income households. However, a continuum that encompasses banked, formerly banked, underbanked, marginally banked, aspiring to bank, and unbanked better characterizes the way low-income persons access the broad array of financial services available to them.[6] For example, approximately one-half of those currently without a bank account had one in the past; people may have a bank account and still use alternative financial institutions such as check cashing outlets (CCOs), known as currency exchanges in the Chicago area; and 30% of persons without an account report some kind of ongoing relationship with a bank.[7] In fact, the terms mainstream and fringe or alternative themselves depend on one's perspective. That is, what may be regarded as fringe or alternative in one community might be ordinary and mainstream in another.

Being without a bank account can be financially disadvantageous, requiring substantial expenditure on cashing checks and payment services. For example, a household with an annual income of $18,000 that

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[1] Marva Williams and Kimbra Nieman, "The Foundation of Asset Building: Financial Services for Lower-Income Consumers," Woodstock Institute, January 2003.
[2] General Accounting Office "Electronic Transfers: Use by Federal Payment Recipients Has Increased but Obstacles to Greater Participation Remain," September 2002. For a compendium of research on banking and financial services for low income communities and minorities, see the online resource of the Federal Reserve Bank of Chicago, "Research Repository of the Consumer and Economic Development Research and Information Center (CEDRIC)."
[3] Michael S. Barr, "Banking the Poor: Policies to Bring Low-Income Americans into the Financial Mainstream," *The Brookings Institution Research Brief*, September 2004.
[4] Ibid.
[5] Ana Aizcorbe, Arthur Kennickell, and Kevin Moore, "Recent Changes in U.S. Family Finances: Evidence from the 1998 and 2001 Survey of Consumer Finances," *Federal Reserve Bulletin*, January 2003.
[6] Christopher Berry, "To Bank or Not to Bank? A Survey of Low-Income Households," Joint Center for Housing Studies, Harvard University, February 2004.
[7] Ibid.

does not have a bank account can spend an estimated $400 on these services each year.[8] Another study estimates the lifetime cost of using check cashing outlets to be seven times more than a basic checking account, with a $17,000 value of fees if saved over an average lifetime of work.[9]

As beneficial as bank accounts may be to the majority of households, studies also show that the lack of a bank account does not cause problems for some households.[10] Such households report that they have no savings and have no need for credit or their unbanked status does not exclude them, and they have no problem with payment services.[11]

In fact, the chronic insecurity and stress of living from paycheck to paycheck—or unstable employment and the lack of a regular paycheck—is a much larger problem than fees for cashing checks and purchasing money orders paid by persons without bank accounts. And this financial stress is also experienced by persons with bank accounts who frequently run down the balance in their account: "In both cases, the individuals commonly speak of feeling physically and emotionally drained from facing frequent personal financial crises and worrying about the ones to come."[12]

Banking Services and Low-Income Customers

Developments in the banking industry over the past 25 years have diminished not only access to banking services but also the attractiveness of them for low-income customers. As the banking industry shifted its focus between 1977 and 1997 to higher income markets, the number of banking offices in low-income neighborhoods decreased by 21%.[13] In the six-county Chicago metropolitan area, full service bank offices increased by nearly 17 percent between 2002 and 2004 but this expansion was uneven and "lower-income and minority communities were in large part left behind in this wave of new bank branch construction. Many middle-income, minority communities in suburban Cook County experienced declines in full service bank branches while many other lower income and minority communities saw slow or no growth."[14]

Furthermore, a wide range of fees on deposit accounts, from fees for using tellers and ATMs to monthly account fees have increased the portion of revenue that banks earn from fees to 35% in 1997—more than banks earn from interest on deposits and loans – and twice the 1980 level.[15] In 2002 banks earned $30.7 billion in service fees on deposit accounts, an increase of nearly 13% over the previous year.[16]

Fees can make it costly for persons who carry low balances to have a bank account. Particularly burdensome to low-income account holders are fees related to overdrafts. Although it costs little to process a bounced check, banks earn substantial profits from a variety of overdraft fees and "Bounce

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[8] John P. Caskey, "Bringing Unbanked Households into the Banking System," *Capital Xchange,* The Brookings Institution, January 2002.

[9] Michael A. Stegman, "Banking the Unbanked: Connecting Residents of Social Housing to the Financial Mainstream," in *Housing and Social Change: An International Perspective,* ed. Ray Forrest and James Lee (London: Routledge, 2003).

[10] John P. Caskey, "Bringing Unbanked Households into the Banking System."

[11] Ibid.

[12] Ibid.

[13] Michael A. Stegman, "Banking the Unbanked."

[14] Geoff Smith, "Increase in Bank Branches Shortchanges Lower-Income and Minority Communities: An Analysis of Recent Growth in Chicago Area Bank Branching," *Reinvestment Alert*, Woodstock Institute, February 2005.

[15] Michael A. Stegman, "Banking the Unbanked."

[16] Tom Westrich and Malcolm Bush, "Banking on Bounced Checks: Federal Proposal on Bounce Protection Still Exposes Consumers to Hidden Bank Fees," *Reinvestment Alert*, Woodstock Institute, October 2004.

Protection" products.[17] At major banks in Chicago these fees range from $25 to $33 per overdraft transaction, with some banks charging an additional $5 to $6 for each day that the account is overdrawn. In 2003, a single bank, Washington Mutual, earned $1 billion from overdraft fees. One study reports that a majority of banks identify "fee-based overdraft" as the second most profitable service after residential mortgages. In fact, third party consulting firms aggressively sell bounce protection software and marketing packages to banks, claiming that banks can increase fee income by 80% with "overdraft privilege" or projecting a 400% increase in fee income in first four months. Another vendor claims that 4% of bounce protection customers accrue 50% of fees for overdrafts and non-sufficient funds.

Other important banking practices reduce the utility and access to bank accounts for persons with low incomes. The introduction of Check Clearing for the Twenty-First Century (Check 21) in October 2004 compounds the risk for account holders carrying low balances for accruing overdraft fees.[18] Check 21 expedites the clearing of checks so that checks deposited by merchants and others will clear in less than 24 hours.

Overdrafts and unpaid bank fees are cause for banks to close an account and ChexSystems keeps track of persons whose accounts were closed for such reasons. This information stays on record with ChexSystems for five years. ChexSystems currently has records of 19 to 20 million accounts that were closed "for cause" by banks.[19] An estimated 90% of banks and credit unions use ChexSystems when screening persons who want to open an account.[20] Thus, regardless of their current financial situation or the specific circumstances leading to the closure of a past account "for cause," a large number of formerly banked persons who are recorded on ChexSystems may not be allowed to open a bank account for at least five years.

Non-Bank Financial Service Providers

Non-bank financial service providers such as check cashing outlets (CCO), payday loan stores, pawnshops, rent-to-own stores, auto title lenders, and tax preparation services offering refund anticipation loans (RAL) are ubiquitous in low-income communities. A study of such financial services in eight metropolitan sites found that the local regulatory environment has little impact on their location and they are disproportionately located in minority, low-income neighborhoods and clustered in Latino neighborhoods.[21] The study also found more non-bank or alternative service providers and fewer banks in census tracts that are disproportionately minority and/or poor, with banks outnumbering alternative services in all neighborhoods except those with over 75% minority population.[22]

A 2001 study estimated that alternative financial services establishments handle 280 million transactions annually, representing $78 billion in revenue.[23] Due to their profitability, these financial service providers

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[17] Tom Westrich and Malcolm Bush, "Banking on Bounced Checks." Bounce Protection products vary, with banks often adding this high interest loan product without the customer's knowledge and charging fees for each overdraft made on checking account transactions (checks, ATM withdrawals, and debit, Internet, and telephone transactions) that accumulate until the account has a positive balance. Details and data on overdraft fees and revenues presented in this paragraph are from Tom Westrich and Malcolm Bush, "Banking on Bounced Checks."

[18] Ibid.

[19] Michael O'Connell, eFunds Corporation, personal communication, January 7, 2005. ChexSystems services are provided by Chex Systems, Inc., a wholly owned subsidiary of eFunds Corporation.

[20] Marva Williams and Kimbra Nieman, "The Foundation of Asset Building."

[21] Kenneth Temkin and Noah Sawyer, "Analysis of Alternative Financial Service Providers," Fannie Mae Foundation and the Urban Institute, September 2004.

[22] Ibid.

[23] Ibid.

are growing at a rapid rate. For example, the number of check cashing outlets doubled between 1996 and 2001 and the payday loan industry—practically nonexistent in 1994—grew to 10,000 payday loan outlets by 2002.[24]

Check cashing outlets are lucrative for their proprietors, yet they also can be preferable to bank accounts for some low-income households. Actual account fees and the risk of accruing high overdraft fees reduce the advantage of retail checking relative to check cashing outlets for cash-strapped low-income households. Thus, many households consider check cashing outlets a lower cost alternative to traditional bank accounts.[25] A 2001 study in Chicago found that 19% of households with bank accounts and 40% without accounts in low- and moderate-income neighborhoods used a check cashing outlet for financial services.[26] Furthermore, check cashing outlets provide services that may be unavailable at banks, such as payday loans, which are made to persons who are employed and have a checking account.[27]

Financial Services and Asset Development

With the many financial stresses and shortfalls facing low-income families, maintaining and adding to a savings account—a vehicle that can encourage savings and asset ownership[28]—can be especially difficult. Having an account does not ensure that account holders are able to save. For example, although an estimated 78.0% of families with an annual income less than $25,000 had bank accounts in 2001; 53.4% of this income group reported having saved in the previous year.[29] For households in the lowest income quintile ($10,300 or less), the savings rate is 30.0%. Furthermore, the reasons for saving and the timeframe for expenditure of savings differ among income levels. Families at lower income levels save for more immediate expenditures such as rent, clothing, and holiday gifts, compared with the longer timeframe of savings by higher income groups for future expenditures such as children's education and retirement.

In the past decade, an asset-based social policy oriented to helping the poor build assets emerged hand-in-hand with welfare reform: "The rationale for an asset-based social policy is that assets promote a longer planning horizon by the poor, and a variety of positive attitudes and behaviors, including household stability, community involvement, and political participation."[30] In 2001, nearly one-quarter of

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[24] Ibid.

[25] Christopher Berry, "To Bank or Not to Bank?"

[26] Sherrie Rhine, Maude Toussaint-Comeau, Jeanne Hogarth and William Greene, "The Role of Alternative Financial Service Providers in Serving LMI Neighborhoods," *Changing Financial Markets and Community Development, A Federal Reserve System Community Affairs Research Conference*, 2001.

[27] For studies of payday loans, activities to regulate their predatory activities, and alternative loan products, see Marva Williams and Kathryn Smolik, "Affordable Alternatives to Payday Loans: Examples from Community Development Credit Unions," *Reinvestment Alert,* Woodstock Institute, March 2001; FannieMae Foundation Case Study, "NorthSide Community Federal Credit Union: Hot Funds/Cold Case," 2003; Karen L. Murrell, "Accessing Affordable and Appropriate Credit," Annie E. Casey Foundation, September 2003; Egan Campaign for Payday Loan Reform, "Greed: An In-depth Study of the Debt Collection Practices, Interest Rates, and Customer Base of a Major Illinois Payday Lender," March 2004; Tom Feltner and Marva Williams, "New Terms for Payday Loans—High Cost Lenders Change Loan Terms to Evade Illinois Consumer Protections," *Reinvestment Alert,* Woodstock Institute, April 2004; Jean Ann Fox, "Internet Payday Lending: How High-Priced Lenders Use the Internet to Mire Borrowers in Debt and Evade State Consumer Protections," Consumer Federation of America, November 2004; National Council of La Raza, "Financial Education in Latino Communities: An Analysis of Programs, Products, and Results/Effects," December 2004.

[28] Marva Williams and Kimbra Nieman, "The Foundation of Asset Building."

[29] Ana Aizcorbe, Arthur Kennickell, and Kevin Moore, "Recent Changes in U.S. Family Finances."

[30] Michael A. Stegman, "Banking the Unbanked." For more background on asset-based social policy, see www.AssetBuilding.org, a project of the New America Foundation that offers a clearinghouse for information on asset

families (24.2%) with less than 20% of the U.S. median annual income did not own any type of financial asset; and nearly one-third of this group (32.3%) did not own any type of nonfinancial asset (vehicle, residential property, business equity, equity in nonresidential property).[31]

Federal policy in the late 1990s undertook to expand access to banking services, first to persons receiving federal benefits through Electronic Transfer Accounts and Electronic Benefits Transfer, and later to low-income households more generally with programs such as First Accounts.[32] In recent years, a number of governmental and private sector initiatives have been developed to expand opportunities for low-income families to access banking services, establish savings accounts, and build assets.

Partnerships between financial service providers, community organizations, and public agencies have created innovative programs for promoting financial education and access to banking services, including Individual Development Accounts (IDA), Financial Links for Low-Income People (FLLIP), and collaborations between banks and community tax preparation (VITA) programs.[33] One study of best practices for providing banking services to low-income consumers and the financial sustainability of these services identifies key features of such initiatives: developing bank products specifically designed for low-income consumers; providing financial literacy and training in personal financial management; and conducting outreach via community based organizations to publicize the benefits of bank accounts and engage community members in asset-building activities.[34]

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building programs and policy initiatives as well as research reports and data sources. For information on federal asset building policy and programs, see the website for the Office of Community Service—Asset Building, of the Administration of Children and Families in the U.S. Department of Health and Human Services.

[31] Ana Aizcorbe, Arthur Kennickell, and Kevin Moore, "Recent Changes in U.S. Family Finances."

[32] Michael S. Barr, "Banking the Poor."

[33] The websites for the IDA Network website and the Welfare Information Network provide materials about IDA policy, programs, and research. For a discussion of studies and evaluations of IDA programs, see Ray Boshara, "Individual Development Accounts: Policies to Build Savings and Assests for the Poor," Brookings Institution Policy Brief, March 2005. For information about FLLIP, see Dory Rand, "Financial Education and Asset Building Programs for Welfare Recipients and Low Income Workers: The Illinois Experience," Center on Urban and Metropolitan Policy, The Brookings Institution, April 2004; and Steven G. Anderson, Jeff Scott, and Min Zhan, "Financial Links for Low-Income People (FLLIP): Final Evaluation Report," School of Social Work, University of Illinois at Urbana-Champaign. For a study of banking outreach in conjunction with community tax-preparation services, see Patrick Barry, "Money in the Bank: The Extra Credit Savings Program. How Federal Tax Refunds and Credits Help Households Become Bank Users," ShoreBank and the Center for Law and Human Services, 2001. For a review of recent asset building collaborations with community tax preparation services, see Eva DuBuisson and Lucy Gorham, "Strategies for Linking Your Community Tax Campaign to Asset Building," EITC Carolinas and the Annie E. Casey Foundation, November 2004.

[34] Marva Williams and Kimbra Nieman, "The Foundation of Asset Building."

PROJECT BACKGROUND

First Accounts Program

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Survey of Participants in the First Accounts Program

In response to a request by CEP for a study of participants in its First Accounts project, the Center for Impact Research (CIR) conducted face-to-face interviews with 77 First Accounts participants between August and October 2004. The sample included First Accounts program participants who opened bank accounts as well as participants who did not open bank accounts.

The information obtained in these interviews provides in-depth information about the participants' experiences in regard to using banks and non-bank financial services, establishing and maintaining savings, and building assets.[37] The survey data also covers attitudes about saving and managing household finances. The findings on these topics are useful for better understanding the needs and experiences of low-income households in relation to accessing financial services and opportunities for asset development, which in turn can be used to enhance the curriculum of financial education workshops. However, it must be kept in mind that all except one of the survey participants in this study were African American, and that there are likely to be significant differences related to issues and experiences regarding access and use of financial services for other groups of low-income households—particularly for immigrants and those with limited English.

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[35] Maximum household income for First Accounts participants was $44,000.

[36] Of these 1,760 participants, nearly 1,500 attended the First Accounts workshops. The other 260 First Accounts participants did not attend the workshops but applied for a First Accounts savings account; most of these applicants were clients at CEP Tax Counseling Project sites that were located in or near ShoreBank branches.

[37] For another report commissioned by CEP on its First Accounts program, see Marianne Bertrand, Sendhil Mullainathan, and Eldar Shafir, "Evaluation of the First Account Program: Final Report," February 2005.

STUDY DESIGN

After reviewing materials on the First Accounts Program as well as studies of financial education programs and financial services for low-income households and consulting with CEP and other experts in the field, CIR developed and tested the survey instrument.[38] The survey included both closed- and open-ended questions. In addition to demographic information, the survey covered: household income and expenses; attitudes and experiences with banks and checking and savings accounts; familial patterns of banking and saving; borrowing and lending money; barriers to savings; and use of non-bank financial services.

Between August and October 2004, CIR administered 77 interviews in Chicago at community locations on the Southside and Westside and at CEP's office in the central business district. Because the no-show rate for interviews was so high, CIR was unable to interview 100 participants as was planned.[39] All survey respondents had participated in the First Accounts program. The survey interviews lasted approximately 40 minutes and respondents received a $25 grocery store gift card in remuneration for their time and participation.

Data for subgroup differences are presented in the report when they are statistically significant ($p < .05$) and when the strength of the relationships is sufficiently strong to merit attention. After completing the survey and data analysis, CIR prepared a draft report, and incorporated feedback from CEP into the final report.[40]

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[38] In addition to suggestions on the survey from Mary Ruth Herbers, O.S. Owen, Steven Neumann, and Tamika Woodard of CEP, CIR obtained input on the research from Marianne Bertrand, University of Chicago; Gregary Brown, Metropolitan Family Services and the Monsignor John Egan Campaign for Payday Loan Reform; John Caskey, Swarthmore College; Dory Rand, Sargent Shriver National Center on Poverty Law; and Marva Williams, Woodstock Institute.

[39] Fifty-one people who scheduled and confirmed their appointment did not show up; 20 scheduled, then cancelled, and rescheduled; and eight scheduled, then cancelled, and did not reschedule.

[40] CIR received valuable feedback on the draft report from the following CEP staff members: Lucinda Dieker, Joshua Harriman, Mary Ruth Herbers, David Marzahl, Steve Neumann, O.S. Owen, and Tamika Woodard.

THE SAMPLE

THE SAMPLE

- Of the 77 respondents, 71.4% were female and 28.6% were male.
- The respondents ranged in age from 21 to 62 years old, with a median age of 39 years old.
- All except one of the 77 respondents were African-American, reflecting the population in the neighborhoods where the First Accounts Program was offered.
- One-half of respondents (50.6%) had never been married and nearly one-third (31.2%) were currently living with a spouse or partner.
- The highest level of education completed by respondents varied, with most (90.9%) of the sample having at least a high school degree or a GED.
- Household size ranged from one to eight, with a median of 3.0 persons. Over one-half of households (57.2%) had a child or children under 18.
- About one-half (50.6%) of respondents were working at the time of the interview; 49.4% were unemployed. Over one-quarter (28.2%) of those employed had been at their current job for less than three months.
- The median total household income was $1,269; median total household employment income was $1,651.
- Nearly one-half (46.8%) of respondents had no health insurance. Of those with health insurance, 58.6% had Medicaid and 41.4% had private insurance through an employer. All of the respondents' children under 18 had health insurance (75.0% Medicaid; 25.0% through parent's employer).

DEMOGRAPHICS

Gender and Age
Most of the respondents (71.4%) were female; 28.6% were male. The respondents ranged in age from 21 to 62, with a median age of 39 and a mean age of 39.1. Fourteen (18.2%) were between the ages of 21 and 29; 32.5% were between 30 and 39; 35.1% were between 40 and 49; 11.7% were between 50 and 59; and one (1.3%) was between 60 and 62.

Marital Status
Over two-thirds of the sample (68.8%) were not currently living with a spouse or partner. Married respondents represented 18.2% of the sample. About one-half of respondents (50.6%) have never been married; 27.3% of respondents were divorced or separated; and 3.9% were widowed.

Table 1
Age of Respondents

	Frequency	Percent
21-29	14	18.2%
30-39	25	32.5%
40-49	27	35.1%
50-59	9	11.7%
60-62	1	1.3%
Missing information	1	1.3%
n=77		

Table 2
Marital Status of Respondents

	Frequency	Percent
Never Been Married	39	50.6%
Married	14	18.2%
Divorced/ Separated	21	27.3%
Widowed	3	3.9%
n=77		

Race and Ethnicity

Of the 77 respondents, 76 were African-American, reflecting the South Side and West Side neighborhoods where the First Accounts Program was offered in conjunction with ShoreBank. One respondent was Caucasian.

Household Composition

Household size ranged from one to eight, with a median of 3.0 persons. The majority of households (57.2%) had a child or children under 18. The median number of adults living in a household was 2.0 and the median number of children was 1.0.

Respondents reported living in households with one to five adults between the ages of 18 and 64. Nine respondents (11.7%) lived in households with one person over 65, and one respondent (1.3%) lived in a household with two persons over 65. Overall 10 respondents or 13.0% of those surveyed lived in a household with at least one person over 65 years old.

The number of children under 18 living in respondents' households ranged from zero to five. There were 15.6% of households in the sample consisting of a single adult living alone (evenly split between females and males). Almost one-fifth (19.5%) of households consisted of a single female living with one or more child; 37.7% of households had two or more adults and at least one child. No households in the sample consisted of a single male living with children. About one-tenth (10.4%) of households consisted of couples with no children; and 43.0% of households consisted of one or more adults and no children.

Education

The highest level of education completed by respondents varied, with most (90.9%) of the respondents having at least a high school diploma or a GED.

Nearly one-tenth of respondents (9.1%) had left school after tenth or eleventh grade. For nearly two-fifths of respondents (19.5%), a high school degree or GED was their highest educational attainment. About one-quarter (24.7%) had attended some college but were not currently enrolled; another 14.3% were currently enrolled in a bachelor's or associate's degree program. Over one-quarter of respondents had either an associate's degree (16.9%) or a bachelor's degree (9.1%).

EMPLOYMENT

Just over one-half (50.6%) of the 77 respondents were employed at the time of their interviews; 20.8% had a spouse or partner who was employed; and 13.0% lived with another family member who was employed. In total, 64.9% of respondents lived in a household where at least one person was employed.

Table 3
Employment Status by Household Composition

	Frequency	Percent
Respondent is only adult in household		
Respondent-employed	11	14.3%
Respondent-not employed	15	19.5%
Respondent and partner only*		
Both employed	8	10.4%
Respondent employed; partner not employed	2	2.6%
Respondent not employed; partner employed	6	7.8%
Both not employed	4	5.2%
Respondent and other family members (not partner)		
Respondent and at least one other family member employed	5	6.5%
Respondent employed; other family member(s) not employed	11	14.3%
Respondent not employed ; other family member employed	4	5.2%
Respondent and other family member(s) not employed	8	10.4%
Respondent, partner, and other family members		
Respondent and partner employed; other family member(s) not employed	2	2.6%
Family member(s) employed; respondent not employed; no information about partner's employment status	1	1.3%

n=77
*One respondent who was not living with a partner but whose partner was contributing to the household income is included in this category.

Unemployment

Of the nearly one-half of respondents (49.4%) or 38 people who were not employed at the time of the survey, all but two had been employed in the past; seven respondents who had disabilities were not currently employed; and one person reported being able to work and never having been employed. Of those who were able to work and had worked in the past, the current period of unemployment ranged from one month to 15 years with a median of 9.5 months.

Table 4
Length of Time Unemployed

	Frequency	Percent
0-6 months	13	42.1%
7 months - 1 year	7	18.4%
13 months-3 years	8	21.1%
More than 3 years	2	5.3%
Disabled	7	18.4%
Never worked	1	2.6%
n=38		

Employment Conditions

Of the 39 people who were employed at the time of the study, two-thirds (66.7%) had been working at their current job for at least one year; one-third (33.3%) for less than one year; and 28.2% for less than three months.

Table 5
Length of Time at Current Job

	Frequency	Percent
Less than a year	13	33.3%
1-3 years	7	17.9%
More than 3 years	14	35.9%
More than 10 years	5	12.8%
n=39		

Table 6
Hours of Work per Week

	Frequency	Percent
8-20	6	15.4%
21-30	6	15.4%
31-40	19	48.7%
41-50	3	7.7%
51-60	2	5.1%
More than 65	3	7.7%
n=39		

Many of the respondents reported working more or less than full time, with 30.8% working less than 30 hours per week and 20.5% working more than 40 hours per week. Respondents also reported irregular work schedules, with unpredictable total hours per week. Respondents worked in a variety of jobs, with the majority working as administrative support, laborers, or as caretakers for children, elderly, or persons with disabilities.

Table 7
Type of Job

	Frequency	Percent
Administrative support	12	30.8%
Laborer/driver	10	25.6%
Caretaker	11	28.2%
Food services/retail	2	5.1%
Social services	2	5.1%
Self-employed professional	2	5.1%
n=39		

HOUSEHOLD INCOME AND INCOME SUPPORTS

Everyone in the study reported receiving some form of income each month, although for nearly one-tenth (9.1%) of respondents, the household's sole income was from Food Stamps (mean monthly total of $245; median of $143).

Table 8
Sources of Household Income

	Frequency	Percent
Employment income: self	25	32.5%
Employment income: other household member	11	14.3%
Employment income : self and other household member	14	18.2%
Income from non-employment sources*	20	26.0%
Food Stamps only	7	9.1%
n=77		

EMPLOYMENT INCOME

Of the 50 respondents who lived in a household where someone was employed, ten or one-fifth (20.0%) either did not know the employment income of their other household member or refused to give this information. The other 40 respondents lived in households with a mean total employment income of $1,899 per month and a median of $1,651.

Table 9
Household's Total Monthly
Employment Income

	Frequency	Percent
$200-500	2	5.0%
$501-1,000	5	12.5%
$1,001-1,500	10	25.0%
$1,501-2,000	11	27.5%
$2,001-2,500	6	15.0%
$2,501+	6	15.0%
n=40		

OTHER SOURCES OF INCOME

In addition to employment income respondents were asked about a variety of other types of income. There were questions about TANF, Social Security, EITC, Food Stamps, Unemployment Insurance, Supplemental Security Income (SSI), Social Security Disability Income (SSDI), and Aid to the Aged, Blind, and Disabled (AABD). One respondent said he received General Assistance, others said their relatives' pensions contributed to the household income.

Child Support
Ten of the 44 (22.7%) respondents with children under 18 in their households said that they received child support. Child support payments ranged from $100 to $600 per month with a median of $163.

EITC
About one-third (33.8%) of respondents said that they had received the EITC in 2003, with a median EITC payment of $2,050. Those with children under 18 in their households were significantly more likely to have received the EITC, than households without children, with 45.5% of households with children having received the EITC in the last year, and 18.2% of households without children having received it.[41]

Public Benefits
Survey participants were asked if they received different types of public benefits. Over three-fourths (77.9%) of respondents lived in a household where someone was receiving one or more of the following benefits: TANF, Food Stamps, Childcare Assistance, KidCare, Medicaid, Medicare, Supplemental Security Income, Unemployment Insurance, Veteran's Benefits, Social Security, and General Assistance.

Table 10
Receipt of Public Benefits by Self or Household Member

Program	Receives	Does Not Receive
Food Stamps	58.4%	41.6%
Medicaid/KidCare	45.5%	54.5%
SSI	18.2%	81.8%
Child Care Assistance	15.6%	84.4%
Social Security	7.8%	92.2%
TANF	7.8%	92.2%
Unemployment Insurance	6.5%	93.5%
Medicare*	2.6%	96.1%
Veteran's Benefits	2.6%	97.4%
General Assistance	1.3%	98.7%

n=77
*One person was not sure if their household was receiving Medicare or not.

Table 11
Receipt of Public Benefits by Households with Children under 18

Program	Receives	Does Not Receive
Food Stamps	68.2%	31.8%
Medicaid/KidCare	63.6%	36.4%
Child Care Assistance	27.3%	72.7%
TANF	13.6%	86.4%

n=44

TANF
Six respondents or 13.6% of the households with children received cash assistance, Temporary Aid to Needy Families (TANF). The amounts ranged from $29 to $509 per month, with a mean of $339 and a median of $350.

[41] The EITC was not included in the calculation of total monthly income.

Food Stamps
Nearly three-fifths (58.4%) of respondents received Food Stamps, with a range of $10 to $736 per month, with a mean of $234 and a median of $145 per month. The mean monthly household income of respondents receiving Food Stamps ($1,129) was significantly lower than the income of those not receiving Food Stamps ($2,067). Households with children were significantly more likely to receive Food Stamps, than those without children. More than two-thirds (68.2%) of households with children received Food Stamps; less than one-half of the households without children received them.

Childcare Assistance
About one-fourth (27.3%) of families with children received Childcare Assistance.[42] Their monthly co-payment ranged from $0 to $106, with a mean of $36 and a median of $24. For families with children under 18 in the household, there was no difference in income between those receiving Childcare Assistance and those not receiving it.

Medical Assistance
Less than one-half (45.5%) of the respondents said their household had one or more members who received Medicaid or KidCare; and 63.8% of households with children had someone receiving Medicaid or KidCare. Only one household received Medicare. Two respondents had veteran's medical coverage, bringing the total percentage of families receiving some type of medical assistance to one-half (50.6%) of respondents.

Supplemental Security Income (SSI)
Less than one-tenth (7.8%) of respondents said they received SSI for a disability. About one-tenth (10.4%) of respondents lived with a family member who received SSI and 15.9% of respondents with children had a child with a disability severe enough to receive SSI. The benefit amount ranged from $113 to $1,500 per month with a mean of $549 and median of $557. Respondents reported a variety of reasons for SSI receipt for themselves or a family member, including leukemia, post-traumatic stress disorder, mental illness, fetal alcohol syndrome, asthma, and attention deficit disorder.

Nearly one-fifth (18.2%) of respondents reported having a household member with a severe disability who regularly required care, which in turn limited the respondent's or other family member's availability for employment. One woman said that she was unable to work because she had to take care of her mother who was on SSI: "I would love to work; right now I'm taking care of my mother with Alzheimer's. I'd even pay for a nurse to come in [if I could afford it]." There was not a significant difference in household income between families receiving SSI and those that did not.

Unemployment Insurance
Five respondents, 13.2% of those currently unemployed and 6.5% of the entire sample, were receiving unemployment insurance benefits at the time of the survey. The benefit amount ranged from $100 to $1,100 per month, with a mean of $577 and a median of $484.

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[42] Families are eligible for Childcare Assistance for children under 13 if they meet income eligibility and other requirements. Respondents reported whether they had children under 18 in the household and were not asked further information about children's ages.

Social Security
Less than one-tenth (7.8%) of respondents received Social Security benefits or lived with a family member receiving this benefit. The Social Security benefit ranged from $232 to $850 per month, with a mean of $524 and a median of $392.

General Assistance and Aid for the Aged, Blind, and Disabled
One person was receiving $100 per month in General Assistance. None of the respondents reported household receipt of Aid for the Aged, Blind, and Disabled.

First Accounts Program and Public Benefits
Respondents were asked whether they were receiving any public benefits as a result of learning about them in the First Accounts Program. Two people said this was the case, with one receiving $280 per month in Food Stamps, and the other enrolled the Bridge to Work employment services program.

Comments about Public Benefits
In their comments about public benefits, several respondents stated that they thought being employed was a barrier to receiving public benefits.

"[My income is too high.] That's why I don't get Food Stamps or KidCare. The only way I could get KidCare is if I stopped working or if I put [my son] in a foster home, he'd get all those things. I'm not going to stop working. $590 isn't enough to live on. I want him to have something."

HOUSEHOLD'S TOTAL INCOME

The respondents reported a wide range for the household's total monthly income, from $140 in Food Stamps per month to $8,000 per month.[43] The mean total monthly income was $1,512 and median income was $1,269.[44]

[43]Eligibility for the First Accounts Program is limited to households with a maximum annual income of less than $44,000. However, respondents reported that they were not screened for income when enrolling in the First Accounts program. Four households in this study, each having multiple earners, reported a monthly income that would amount to over $44,000 per year if they had 12 months of income in one year. The primary earner in one of these households reported an annual income of over $44,000 at a job he has held for 12 years. The other three households with incomes of over $44,000 reached this amount only when employment income of other household members was included. In all of these households the respondents had been working at their current job for at least three years. There are no data about how long the other household members had worked at their current job, so their total annual household income is not certain. Two of these four households had a First Account; one had an account other than a First Account; and one was not sure if their account was a First Account or not.

[44] If these monthly income levels were consistent for 12 months, the mean for household total annual income would be $18,128 and the median would be $15,228.

Table 12
Household's Total Monthly Income[45]

	Frequency	Percent
$140-250	8	10.4%
$251-500	8	10.4%
$501-750	11	14.3%
$751-1,000	4	5.2%
$1,001-1,500	10	13.0%
$1,501-2,000	14	18.2%
$2,001-2,500	9	11.7%
$2,501+	12	15.6%
Missing	1	1.3%
n=77		

No significant differences were found between the incomes of males and females. Nor was there any correlation between age and income.

Respondents who lived with a spouse or partner had significantly higher household incomes than those without partners. The mean income for those living with a partner or spouse was $2,350 per month, and the mean income for those without partners was $1,125 per month. Only one respondent not living with a partner had a total household income over $2,500 per month compared with 11 respondents living with partners or other family members reporting income over $2,500 per month.

There was a small but significant (r=0.238, p<.038) correlation between income and household size, with bigger households having higher incomes. There were also significant differences (p<.044) in income based on household composition. The biggest differences in income were between single persons with a mean income of $915 per month and households consisting of a couple and at least one child with a mean income of $2,596 per month.

In talking about employment and income, many of the respondents expressed frustration with their low wages and the lack of opportunities for better paying employment.

"Twenty-five dollars a month plus food stamps. I don't think that's even enough to [mention], I get it from cutting grass, or shoveling, things when the season change. I just went today to try to get myself in computer school. I have dreams, which I always have, but it's time to get in and do it."

"I've been looking for jobs. I've been going to a lot of job fairs and filling applications outside of the job fairs and over the phone, it's not enough when you have four kids. I've put like seven applications with

[45] In this study total household monthly income includes all reported income sources from all members of the household. Possible sources of income include employment, Food Stamps, TANF, SSI, General Assistance, Unemployment Insurance, and Social Security. The EITC was not included in monthly income because for most households, it is received as a single annual payment; however it was included in the projection of annual income.

the City. I signed up for an apprenticeship with construction and bricklaying. I've applied at Target, Empire Carpets, Titan Security. I'm just trying to find something before it gets cold when the winter hits."

HOUSEHOLD EXPENSES

Respondents were asked about their monthly household expenses. As the table shows, not all respondents provided information on all of their household expenses. Thus the data on expenses should be regarded as suggestive rather than comprehensive.

Table 13
Reported Monthly Household Expenses

	Frequency	Percent	Mean per month	Median per month
Rent/mortgage contribution to household	56	73.5%	$430	$382
Food*	55	71.4%	$256	$200
Transportation	18	23.4%	$230	$170
Educational expenses	6	7.8%	$184	$140
Credit card expenses	18	23.4%	$141	$80
Childcare expenses	16	20.0%	$139	$86
Utilities	47	61.0%	$117	$77
Phone, cable, Internet	59	76.6%	$81	$67
Donations	49	63.6%	$76	$50
Insurance**	8	10.4%	$61	$40
Medical expenses	44	57.1%	$52	$25

*If the respondent did not provide a figure for food expenses, but reported monthly Food Stamp receipt, that figure was used as an estimate of food expenses.
**Primarily life insurance. Does not include health insurance for children or automobile insurance.

Housing

Nearly three-quarters (73.5%) of respondents reported paying monthly rent, mortgage, or contributing to housing expenses. Others said that their housing was paid for by a family member or through a housing program.

Table 14
Payer of Rent or Mortgage

	Frequency	Percent
Rent: Self and/or household member	59	76.6%
Mortgage: Self and/or household member	6	7.8%
House/condo owed by self or family	6	7.8%
CHA, Section 8, other housing program	4	5.2%
Live where I work	1	1.3%
Not reported	1	1.3%
n=77		100.0%

Housing expenses ranged from $2 per month in CHA subsidized housing to a mortgage of $1,210. The mean housing payment was $433 and the median payment was $382.[46] Several people in the study discussed their desire for and the advantages of home ownership. Others described their problems with housing, particularly the shortage of affordable housing that is safe, clean, and habitable.

"I work very hard for the little money I do get. I would be nice to make more per week than my rent. It's not good for my psyche. Rent's are sky-high, it would be nice if there were low-income housing that was good psychologically."

Home Ownership

Many respondents said that home ownership was a long-standing goal. Some had attained it; others were striving for it; and a few felt it was unattainable. Other respondents stated that owning a home was not desirable.

"It needs windows, doors, porches, grass. I asked the Good Lord for a house to work on, he gave me what I asked for, something to work on."
"Everyone wants to have a good home, a stable home, especially your first like me."
"That's the American Dream ain't it?"
"I want a home so my children can enjoy their own home, a front yard, a back yard, and white picket fence in the suburbs."
"I'm trying to get there [owning a home]. It's not easy. I'm trying to make it."
"I've always wanted something to be able to own—to be able to call it mine."
"It's just a dream, it's way over there. I'm going to get to it one day."
"I would like to offer my kids more space and their own rooms."
"I just learned about home ownership. It's the key to building wealth. My landlord has a house in the suburbs, a nice car, that's because he's building wealth with property. I definitely have to have property for my family."
"When the time comes the money will come, I won't have to save for it."
"Them days are gone, that dream is gone."
"I had a home. I don't want a home again. Seems like something's always breaking down—the furnace, the washer, and dryer."

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[46] A few respondents reported that their housing was paid for by a housing program, these payments were not included in calculating the mean and median monthly housing expense. The monthly rent for respondents receiving subsidized housing is included in these calculations.

Transportation
Several persons said that they had to cancel or postpone their interview because they could not afford the fare on public transportation. Those reporting transportation expenses spent between $30 and $520 a month on car payments, car insurance, gas, car repairs and maintenance, and on public transportation. The mean expense on transportation was $230 and median was $170 per month.

Respondents made a variety of comments about the expense of cars, and particularly the ongoing financial stress of car maintenance and repairs.

"[Owning a] car is crazy, you've always got problems with cars. That's my means of transportation for getting back and forth to work. Cars are expensive to repair and maintain."
"I had one. It was bad. I got stuck on the railroad tracks. The City of Chicago drug it over the rails, two broken axles, two blown out wheels, 1994 Pontiac, a crying shame."
"Sometimes it's overwhelming. If something breaks down on my car then I have to figure out how I'm going to juggle my expenses."
"Gas is extremely high, so the El [public transportation] is more convenient."

Utilities
Those who reported utilities expenses (electricity, gas, and water) spent between $5 and $398 per month on utilities, with a mean of $117 and a median of $77 per month. The respondents commented on these expenses, and several said high bills prevented them from saving more.[47]

"The light bill is sky high, the gas is off, the children are lacking."
"After you pay your bills you just don't have it, because after you take care of basic necessities you don't really have a lot of money."
"[When I had a bank account], I saved and I was paying the bills at the time so I could make sure my gas was on, my lights were on, my phone was on."
"It [my account] had closed then because I had gotten into a financial situation, where I was trying to pay my credit card bill, pay my gas bill. Then I let that account go. I just closed it up."
"Once I pay all the bills, I can only [save] what's left, some of what's left really."
"I have bills to pay so it makes it harder to just save."
"My gas is about to be turned off. I'm behind on electricity."
"[My gas] it's off now."

Telephone, Cable Television, Internet Expenses
Over three-fourths (76.6%) of those surveyed reported expenses for home and cell telephone, Internet, and cable television; more people discussed this expense than spending on rent, food, or utilities. No one reported spending less than $20 per month for these services and one person spent $246 per month. The mean for these expenses was $81 and the median was $67 per month.

Medical Expenses
Respondents were asked explicitly about monthly household medical expenses. Over one-third (37.6%) said they did not have monthly medical expenses or did not have money to obtain healthcare services

[47] A recent study by the National Low Income Energy Consortium (NLIEC) found that low-income families often need to choose between paying utilities and eating, purchasing medication, or providing sufficient educational materials for their children. See "Paid But Unaffordable: The Consequences of Energy Poverty in Missouri--and Elsewhere," National Low Income Energy Consortium, June 2004.

when they needed them. Respondents with medical expenses reported a range from $8 per year ($0.67 per month) to $300 per month, with a mean monthly expense of $52 and a median of $25.

Table 15
Typical Monthly Healthcare Expense for Respondent and Family Members

	Frequency	Percent
$0	29	37.7%
$0.67-10	13	16.9%
$11-25	9	11.7%
$26-50	8	10.4%
$51-100	8	10.4%
$101-300	5	6.5%
Don't know/ refused	5	6.5%
n=77		

Table 16
Amount Owed for Healthcare Services or Prescriptions

	Frequency	Percent
$0	46	59.7%
$3-100	3	3.9%
$101-300	7	9.1%
$301-1000	11	14.3%
$1,000-50,000	7	9.1%
Don’t know	3	3.9%
n=77		

More than one-third (35.1%) of respondents reported owing money for healthcare or prescriptions for themselves or other family members, ranging from $3 for a prescription to $50,000 for hospitalization, ambulance service, and other expenses for a family with multiple members who have asthma. This household’s high level of medical debt skewed the mean to $4,174; the median medical debt was $400.

Childcare

About one-third (36.4%) of the 44 families with children reported some childcare expense, and an additional two families said that their total childcare expense was paid by the Childcare Assistance program. The mean monthly childcare cost was $139 and the median was $86. Respondents provided a variety of comments about who was providing childcare and its importance for enabling them to work or remain in school.

“[The children go to] school full time and my parents watch them after school.”
“My mom watches them from when my daughters are at home until I’m home from school.”
“They’re of age [for school] and my husband works nights and Sunday so he can watch them. It used to be my sister, but that’s not necessary now.”

Other Expenses for Children

Although the survey did not ask respondents to itemize child-related expenses, many respondents referred to such expenses, including health insurance, schoolbooks, and athletic fees. Others mentioned expenses related to children when discussing costs for items such as telephone service and clothing.

Educational Expenses

Several respondents referred to educational expenses. Eleven respondents reported current college enrollment. Six persons mentioned educational expenses ranging from $12.50 to $440 per month, including books and supplies, tuition, or loan payments, with a mean of $155 and median of $114. Comments indicate that inadequate financial resources are a barrier to educational opportunities.

"I'm in school to stay in the field that I'm in, but make more money. I wish there were other resources for single parents with low income. When I went to apply for Food Stamps, I was told I'm not low-income."
"They [SSI and Food Stamps] not going to give me nothing more or nothing less, so it don't make a difference. I want to go back to school, so I can get out of the system."
"That's why I had to drop out of college. I couldn't afford it."

Student Loans

Respondents offered a broad range of comments about student loans, with a number expressing an aversion to student loans and the belief that it is better to save money for educational expenses than to take out loans. Several respondents said they had outstanding student loans. Others said they would like to obtain scholarships or grants.

"I want to go back to school next year. I want to try to find other ways to get money other than saving. I can try to get another job or work on my business."
"I recently applied for a grant to go back to school. I was told I'd have to pay for it myself because I already have a bachelor's degree. The state won't pay so I'd have to get a school loan, so I think I'll just try to save it myself."
"I do have outstanding loans from 1989. I can't pay those back. I consolidated those loans so I can go back to school and get my degree."
"I've looked for programs that paid for education in anything I was interested in. When I was working, I was in a union and they paid for some engineering classes. I'm looking for more education. There's people paying for this stuff, there's grants. I do have a student loan I haven't paid."
"I have student loans and [if I got a bank account], I don't know if they'll come take it [the money I owe in student loans]. If I knew, I'd be able to make a decision."
"Any school that I'd want to go to I would just save it rather than have to borrow from anyone."
"I'm contemplating that. Whenever I make up my mind that I'm ready to do that, I'll spend some of my money on that. Right now I'm saving for rent."
"I'm currently in school, studying addiction studies to be a counselor. Right now the government with the grant is covering it, but I'll want to save to go to a university."

Insurance

About one-tenth of respondents (10.4%) reported paying for life, renter's, dental, optometric, or liability insurance for themselves; one person paid for insurance for her children. Seventy-five percent paid for life insurance, either solely, or in addition to other types of insurance. Payments ranged from $26 per month to $138.50 per month, with a mean of $61 and a median of $40 per month.[48]

Charitable Giving

Nearly two-thirds (64.9%) of respondents reported making monthly donations to charity, with a mean of $76 and a median of $50. The mean monthly donation of $76 was about 4.5% of the mean gross income of $1,696 of those making donations. Many people said they gave tithes to their church; other charitable donations went to helping neighborhood children and families, the United Way, breast cancer research, and human rights and social advocacy agencies.

Of those making monthly donations, 90.0% gave at least a portion of their donations to a church or religious organization. Respondents reported giving between $4 and $400 per month to churches and

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[48] Automobile insurance is included with automobile expenses.

religious organizations, with a mean of $79 and a median of $50, which was a mean of 5.0% of the mean gross income of those making donations to a church or religious organization. A larger portion of the smaller donations went to nonreligious organizations, and many respondents who reported making multiple donations gave more to religious than nonreligious organizations.

Income was not an indicator of whether or not a person donated money. Similar percentages of respondents donated at all income levels. Among those who did donate, income was an indicator of how much they gave, with those reporting higher incomes also reporting larger charitable donations to religious and nonreligious organizations. However, the size of donations to non-religious organizations did not show a significant difference based on income.

Table 17
Monthly Charitable Donations

	Donations to all organizations		Donations to religious organizations	
	Frequency	Percent	Frequency	Percent
$ 0	27	35.10%	32	41.60%
$2-25	15	19.50%	11	14.30%
$26-50	9	10.40%	10	13.00%
$51-100	13	16.90%	8	10.40%
$101-200	4	5.20%	5	6.50%
$201-400	5	6.50%	4	5.20%
Amt not specified	4	5.20%	7	9.10%
n = 77				

HEALTH INSURANCE

Health Insurance Coverage of Respondents

Over one-half (53.2%) of respondents reported having health insurance; 46.8% did not have health insurance. Of those with health insurance, 39.0% were insured through their employer; one person (2.4%) was insured through the spouse's employer; and 58.6% received Medicaid. There was no relationship between whether an individual worked and if that person was insured. Furthermore there was no relationship between anyone in the household being employed and the respondent having health insurance. However, respondents with health insurance had a significantly higher mean total household income than did those without insurance

Some people without insurance commented on going to Cook County hospital for medical care when they needed it, others said they were dependent on faith and home remedies to keep them healthy.

"[My health insurance] is Cook County and Jesus—not necessarily in that order."
"It's so expensive. I go to the County. If I get really sick I can go to the Board of Health."
"I just keep myself together the old fashion way, the down-south way. As far as I know if I needed money to save my life I would die. It's just the old fashion knowledge that's what's keeping me alive."

Health Insurance Coverage of Respondents' Children

All of the respondents with children under age 18 said that their children have health insurance. Three-fourths (75.0%) said that their children were covered by Medicaid; one-fourth (25.0%) said their children were insured by their employer or by their spouse's employer.

FINANCIAL HARDSHIPS

Respondents were asked about specific financial hardships, and how often each had occurred to them in the previous 12 months. "Having to borrow money to pay bills or buy food" was the most commonly reported hardship followed by "no money at the end of the month to buy food." The hardships and their frequency are summarized in the table below, which is then followed by details on each of the hardships and respondents' comments on them.

Table 18
Financial Hardships

	Times this occurred in previous 12 months						
Type of Hardship	0 times	1-2 times	3-5 times	6-9 times	10-12 times	Number experiencing hardship	Percentage experiencing hardship
Had to borrow from a relative or friend to pay bills and/or buy food	52	14	4	4	3	25	32.5%
By the last week in the month, no money left to buy food for self and children	59	9	3	3	3	18	23.4%
The electricity or gas was cut off in apartment because a bill wasn't paid	67	10	0	0	0	10	13.0%
Someone in household could not get the medical treatment they needed or ignored pain or illness because of medical costs	68	4	3	2	0	9	11.7%
Had to get a payday loan to pay for basic necessities such as food, light or heat bills, or pay rent to avoid eviction.	73	4	0	0	0	4	5.2%
Evicted or foreclosed because of missing one or two rent or mortgage payments	76	1	0	0	0	1	1.3%

n=77

Had to borrow money from family or friends to pay bills or buy food

About one-third (32.5%) said they had to borrow money for food or bills at least once in previous 12 months. Two people reported having borrowed money for food or bills every month during the previous 12 months. Others said that they had been helped out by their family or church, and that it was not a loan because they were not expected to pay it back.

"To pay my bills, light gas, cell phone, for the rent."
"Food was short."

No money for food
Almost one-fourth (23.4%) of the families said that they had run out of money to buy food at least once in the previous 12 months. Several more said that although they had food in the house, they had no money or Food Stamps left by the end of the month. Three people said that they were out of food by the end of every month during the previous 12 months. Several respondents commented that they did not run out of food because they planned far in advance so their limited income and Food Stamps would suffice.

"We plan it, we live right and make ends meet. My mom, she didn't graduate from high school, but she's educated in mother wit."

No gas or electricity
Ten respondents or 13.0% of the sample said that their electricity or gas had been cut off at some point in the previous 12 months. Additionally, one woman said she was expecting to lose her electricity, probably in the following month. Another said her electricity would have been turned off, but she received a grant from LIHEAP to pay her bill.[49] Several respondents reported that they had been living without electricity for one or more months. For these households, the assistance they received was insufficient for paying the past bills and restoring service.

"CEDA gave $1,200 on the light bill which was $700 and now it's back at $700. [My electricity was turned off] four months ago and it's still off now."
"They turned it off in April and it's not on yet."
"It's off right now."

Someone in the household did not obtain the medical attention or medication that they needed
Over one-tenth (11.7%) of respondents said that they or a family member was not able to obtain needed healthcare or medication because of their inability to pay for it. Many others said that they went to Cook County hospital when they needed medical attention.

"I couldn't get my blood pressure medication. It's still at the drug store and I can't afford to pick it up."
"If I get sick I'm in trouble. If I end up in the hospital, I have to figure out how to pay the bill."
"I usually go to the County hospital when I need medical treatment. I'm even in their clinic."

Had to take out a payday loan to pay for necessities
Four respondents or 5.2% of the sample said that they had taken out a payday loan to obtain money for their basic needs (food, rent, and utilities). For some of these borrowers, the loans were extended and increased over time. For example, one person commented, "I've taken three cycles out from one original loan: I borrowed $125, re-borrowed $150, and re-borrowed $200." Respondents also expressed highly negative opinions of payday loans with comments such as, "You mean those legal loan sharks?"

Eviction
One respondent had been evicted in the previous 12 months. Another was expecting to be evicted in the near future. They both expressed anxiety and fear about eviction and not knowing where to go. Another person spoke with distress about an experience of eviction in 1990. Many respondents expressed a high

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[49] LIHEAP (Low Income Home Energy Assistance Program) is a federal program that provides assistance to persons in paying their energy bills and weatherizing their homes. In Cook County it is administered by CEDA (Community and Economic Development Association).

degree of concern about the insecurity of their housing situation with comments such as, “Any day I could be on the streets.”

Respondents often reported lending friends and family money for rent, or to prevent their eviction. For example, when speaking about loaning money one respondent noted, “I felt like this is the second time that she has to move because of rent, but then she has children and her daughter is pregnant and I didn’t want to see them out on the street.”

FINDINGS

LENDING MONEY

In order to learn more about informal financial networks, respondents were asked a series of questions about lending and borrowing money among family members and friends. Regarding lending money, respondents were asked if family members or friends had asked to borrow $20 or more from them in the previous 12 months, how many times they were asked, how many times they had lent $20 or more, and how much they had lent out in total.

About one-half (49.6%) of the respondents said that a friend or family member had asked to borrow money in the previous 12 months, reporting being asked between one and 300 times in that period. One-fourth (25.6%) of those who were asked for loans said they did not make them; and 10.5% of those who had not been asked for a loan reported having loaned money without being asked.

Table 19
Number of Times Respondent Was Asked for a Loan of $20 or More in Previous 12 Months

	Frequency	Percent
0 times	38	49.4%
1-4 times	9	11.7%
4-6 times	9	11.7%
7-12 times	7	9.1%
13-52 times	7	9.1%
53+ times	7	9.1%

n=77

Table 20
Number of Times Respondent Made a Loan of $20 or More in Previous 12 Months

	Frequency	Percent
0 times	44	59.7%
1-4 times	14	18.2%
4-6 times	9	11.7%
7-12 times	5	6.5%
13-52 times	2	2.6%
53+ times	1	1.3%
Don’t know	2	2.6%

n = 77

Table 21
Total Amount Loaned by Respondent in Previous 12 Months

	Frequency	Percent
$20-50	7	27.6%
$51-100	5	15.2%
$101-300	10	30.3%
$301-1,000	6	18.2%
$10,000	1	3.0%
Don't know	4	12.1%

n = 33

About two-fifths (40.5%) of all respondents had loaned $20 or more at least once in the previous 12 months. Most respondents did not loan money every time that they were asked, but did make loans some of the time. The size of loans ranged from $20 to $1,000. The mean for total amount lent in the previous 12 months was $227 and the median was $155.[50] Four people or 12.1% of those who lent money did not know the total amount they had lent in previous 12 months.

Most of the respondents reported having received at least partial repayment from those who had borrowed money from them. Nearly two-fifths (39.4%) of respondents who had lent money said they had been repaid in full; 36.4% had received partial repayment on the loans they had made; and 24.2% had not received any repayment on loans.

Table 22
Reasons for Loan

	Frequency	Percent*
Transportation	15	45.5%
Food	5	15.2%
Personal items	5	15.2%
Kids	3	9.1%
Laundry	3	9.1%
Had no money	3	9.1%
College	2	6.1%
Rent	1	3.0%
Bill	1	3.0%
Medicine	1	3.0%
Home improvements	1	3.0%
Don't know/didn't ask	17	51.5%

n=33
*Total exceeds 100% because respondents could give multiple reasons.

Respondents were asked why the borrower needed the loan. The most common response was that they did not know or did not ask; the next most common response was that they lent money for expenses related to transportation. These expenses varied from large expenses like car repairs and traffic tickets to daily expenses such as gasoline or bus fare. A number of respondents gave multiple reasons for making loans.

"Once, my sister needed rent, the others, I'm not sure, probably for transportation. People never ask me for other things. If it's a small amount I don't ask, when it's larger I want to know why or what it's for at least."
"Carfare, gas money, wash [laundry], the kids. It's all positive, so that's why I didn't have a real problem with giving it out. But it's a lot of stress on me too."
"My sister had a car accident [and] needed some money to get the car fixed, and my son had a traffic ticket. I loaned him the money to help pay."
"Gas to go back and forth to work."
"All kind of reasons, get to work, gas to work—that's what I hear a lot."

[50] One respondent reported taking out a bank loan for $10,000 to build an addition to a family member's home, living in the addition rent free for two years and being reimbursed by the family member for the loan. Because this case was so unusual and would have skewed the mean total amount lent, it is excluded from these calculations.

In their comments, respondents expressed a variety of attitudes about making loans to family members and friends. Some said that they would give their last dollar to help a friend. Others thought that they should look out for their own needs first. Several said that they did not have any money to make loans; others said that they would make a loan if they had the money; and still other said that if they had any money they would hold on to it for themselves rather than loan it to someone else.

"Being the person I am, I don't have any problem loaning it. Sometimes it affects me, but I always seen it come through. Even my daughter—she's 25—she'll tell me, 'Momma, you shouldn't do that, you know you're going to need it for yourself.'"
"If I had it to give then I would loan it."
"I always tell them I don't have any money and it's the truth. Because when I get through paying everything, I don't have any money."
"I'm not in a position to really loan at this time."
"Where I'm going to get it from? Hard to loan something you don't have."
"I need everything I can get."
"I can't loan because I need every penny I got and some."
"They don't ask, they think you're supposed to do it [loan money] anyways. I wouldn't give it to them if they did anyways."
"I do all the borrowing."
"[I] don't have it to loan and I wouldn't loan it if I had it. That's bad policy."
"Not loaning money keeps better friends."
"I ain't loaned a dime out."

Respondents who said they had made loans were asked if they had considered refusing to lend before making the loan. Of those who made loans, 39.4% said they never had considered saying no; 54.5% said they had thought about not making a loan but decided to lend the money; and 3.0% or one respondent said it depended on the situation.

In most cases, when respondents said that they did not consider saying "no" to a loan, it was either because of the personal connection to the borrower, e.g., they knew that there was a dire need or it was an important relationship, or because the borrower had paid back past loans or had made loans to the respondent.

"I knew they needed it."
"Because that's the way I am. You must have needed it, you asked."
"If a person has to ask [they know] that's putting someone [else] in a bad position…I know myself if I ask it's because I need it. I'm not going to just ask to be asking."
"This is my daughter and I try to help her with the little I got."
"Because of who it was, I'm going to give him money whether he pays it back. It's my little brother. Really I shouldn't even say it's a loan. I don't expect him to give it back."
"It's my nature. I don't ask why. If they need it I hand it to them. If they don't pay it back, they just won't get it again."
"'Because they were close to me."
"This person had loaned me money in the past."
"Because I'm sure of them and I've done it before."
"Because they pay back."

Those who said they had considered saying no but then decided to make the loan gave similar reasons, although they frequently considered their own limited finances as a reason they might say no.

"The situation they were in, I know they needed it. Sometimes you don't want them to go another route to get it—I mean ask somebody else who might be a little more strict with the pay back."
"They needed money and I had it to give."
"My daughter and I haven't been the closest when she was growing up, because I wasn't really there. Now we're getting closer and if you say no, it widens the gap."
"It depends on who I'm loaning the money to. I won't lend money to someone I'm unsure about."
"It's my mother. It's hard to tell my mother no. If I know it's for something she needs. I really don't have it, but I'll help her if she needs it."
"Sometimes when you're living check to check it's risky [to make a loan]. This friend of mine she was probably low on food and she has three kids and I can understand."

BORROWING MONEY FROM FAMILY OR FRIENDS

Over one-half (51.9%) of respondents said they had borrowed money from a family member or friend in the previous 12 months. The frequency of borrowing over the previous 12 months ranged from one to 24 times.

Table 23
Number of Times Respondent Borrowed Money from Family and Friends in Previous 12 Months

	Frequency	Percent
0 times	36	46.8%
1-2 times	23	29.9%
3-4 times	12	15.6%
5-10 times	4	5.2%
24 times	1	1.3%
Don't know	1	1.3%
n=77		

Table 24
Total Amount Respondent Borrowed from Family and Friends in Previous 12 Months

	Frequency	Percent
$0	36	46.8%
$10-50	14	18.2%
$51-100	9	11.7%
$101-300	9	11.7%
$301-1,000	5	6.5%
$1,000-1,400	1	1.3%
Don't know/refused	3	5.2%
n=77		

The total amount borrowed from family and friends in the previous 12 months was between $10 and $1,400, with a mean of $210 and a median of $100. Two respondents did not know how much they had borrowed and another did not want to disclose the amount.

Reasons for Borrowing

The parallels between the financial situations of respondents and those to whom they loan money are reflected in the similarity of the reasons they reported for borrowing money and loaning it to others. Nearly one-half (46.3%) of respondents said they had borrowed money to pay for transportation expenses. With a few expensive exceptions, most of these respondents said they had borrowed money to pay for gas or bus fare rather than major car expenses or parking or traffic tickets. Nearly one-third (29.3%) said they had borrowed money to pay bills.

"To get to work for the rest of the week."
"$20 [to get my] car fixed and $5 money for carfare."
"[I was] really short on cash, [and needed] carfare for work."
"I borrowed $10 for bus fare."
"My mother gave me $800 because the engine went out in the car."
"Car payments."

Table 25
Respondents' Reasons for Borrowing

	Frequency	Percent*
Transportation	19	46.3%
Bills	12	29.3%
Kids	7	17.1%
No money	5	12.2%
Personal items	4	9.8%
Food	3	7.3%
Laundry	3	7.3%
Bad circumstances	3	7.3%
Rent	2	4.9%
Medicine	2	4.9%
Move into apartment	1	2.4%
Start a business	1	2.4%

n=41
*The total exceeds 100% because respondents could provide multiple responses.

As with loaning money, respondents expressed a variety of attitudes and experiences about borrowing money from family and friends.

"Have they given me money? Yes. Do they expect to see it again? No, because it's not a loan, you're giving it to me."
"I don't know how many times [I've borrowed money]."
"[I haven't borrowed money]…not in the last 20 years."
"I have a policy not to borrow because I don't like rejection. I've been accustomed to it. So as not to be rejected I don't ask. It saves myself a lot of pain. Especially family, I do whatever I can within the law to earn money before I ask."

BORROWING FROM OTHER SOURCES

In addition to borrowing from family and friends, 14.3% of respondents reported borrowing money from other sources, including banks, churches, pawnshops, credit cards, insurance policies, and payday lenders. The size of these loans ranged from $30 to $4,000, with a mean of $908, and a median of $200. The two largest amounts that respondents reported borrowing were $3,500 and $4,000 (borrowed against a checking account and credit card respectively); the two smallest amounts were $30 each from a pawnshop. At the time of the survey, 40.0% of those who had borrowed from one of these places had repaid their loan in full; one respondent had taken out a payday loan, repaid it, and then took out another.[51]

People who borrowed from an institutional or commercial lender were no more or less likely to also have borrowed from friends and family than those who had not borrowed from these sources. Over one-half (54.5%) of respondents borrowing from institutional or commercial lenders also had borrowed from family and friends, while 53.0% of persons not borrowing from such lenders had borrowed from family and friends.

Table 26
Other Sources of Loans

	Frequency	Percent	Mean $ Amount of Loan
Payday Loan	4	36.4%	400
Bank	2	18.2%	1,850
Pawnshop	2	18.2%	30
Credit Card	1	9.1%	4,000
Insurance Policy	1	9.1%	500
Church	1	9.1%	100
n= 11			

Respondents generally made negative comments about borrowing from sources other than friends and family members, with the majority of such comments pertaining to payday loans.

"I can't afford to. When you borrow from payday loans, the fees are too high. I don't borrow money from those places. I can't afford that. I try not to go to those places at all."
"Easy to borrow, hard to pay back."
"I can't afford that. Payday loans are like what, 200%. I can't even afford to borrow from family and friends."
"I ain't no turkey."
"I don't borrow because I don't like to pay back. I just go without. My dad taught me that if you can't get it on your own, wait until you can get it. [You] wind up paying extra when you borrow money."
"The interest was $2.64/day. I thought that was too much. That's why I don't borrow money, didn't want to pay it back, nothing but what you gave me."
"I think it's best that people try to stay out of borrowing money from places like payday loans or anywhere where there's interest. I think it's best people borrow from a family member or even an employer."
"That's crazy, I don't even know why they came up with that [payday loans], because the interest rate is so high."
"No, Never! It's unbelievable! I'd never do it, it might be good for some, not for me."
"I couldn't get a payday loan. They wanted to mess with my checking account, but I wouldn't let them mess with it. It's too valuable. Even though there's nothing but $10 in there, it means a lot to me."
"Twice out of the year, I call them for a loan, fax a check stub and routing number. Once you fax it they put it into your bank account."

[51] The respondent who had borrowed from a church said that repayment was not expected, and this loan was not included in the calculations of loan repayment.

CREDIT CARDS

Nearly one-third (29.9%) of respondents currently had credit cards, with typical monthly payments ranging from $0 to $650. About one-half (52.2%) of respondents with credit cards had a current balance of less than $500; 21.7% owed over $4,000; and 13.0% owed $10,000 or more.[52] Of those with credit cards, 21.7% reported that they did not pay the minimum monthly payment.

Table 27
Typical Monthly Credit Card Balance

	Frequency	Percent
$0	4	17.4%
$70-500	8	34.8%
$501-2500	2	8.7%
$2,501-10,000	4	17.4%
$10,001-30,000	2	8.7%
Don't know/ missing information	3	13.0%
n=23		

Table 28
Typical Monthly Credit Card Payment

	Frequency	Percent
$0	3	13.0%
$15-50	6	26.1%
$51-250	2	8.7%
$251-650	1	4.3%
Don't pay	5	21.7%
Don't know/ missing information	4	17.4%
n=23		

Over one-tenth (11.7%) of respondents had a store or gas charge cards, although many reported infrequent use of these cards, with 40.0% having a typical monthly balance of $0, and 30.0% a typical monthly payment of $0. However, one-third (30.0%) had balances of $1,000 or higher and another third (30.0%) did not make monthly payments.[53]

Respondents commented on the difficulty of making monthly payments on their credit card balances because of inadequate income and more pressing needs.“I haven’t paid it in two months, it’s just a little too hectic.”
“[It’s] way past due, I can’t do anything about it.”
“I’ve tried to catch up, but it never fails that the bills get ahead of me.”

Other comments indicated dissatisfaction with having credit cards.

“They pissed me off, they gave me a credit card when I wasn’t working, I ended up moving and it was $123 [I owed originally]. I ended up owing $900 [from interest charges]. We agreed to meet halfway at $475. I sent $100, and they said I still owed $900. I said ‘no.’ If I messed up my credit, I messed up my credit, but don’t treat me like I’m stupid.”
“I had a VISA. I paid it off and cut it up. Interest rates change too much.”

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[52] Large credit card balances of a few respondents skewed the mean. For example, the mean monthly balance is $4,287 with a monthly payment of $105; and the median monthly balance is $350 with a monthly payment of $50.
[53] As with credit cards, a few respondents with high balances skewed the mean. The mean total balance for store and gas charge cards was $472, with monthly payment of $41; the median balance was $150 with a monthly payment of $0.

BANK ACCOUNTS

Over two-thirds of respondents (68.8%) currently had bank accounts; nearly one-fourth (23.4%) did not currently have a bank account but had an account in the past; and 7.8% never had an account. Respondents who currently had a bank account had significantly higher monthly household incomes (median of $1,539; mean of $1,680) than those without accounts (median of $1,111; mean of $1,147). Respondents with bank accounts were also marginally more likely to own a car, with 38% of those with accounts owning a car compared to 17.4% of those without bank accounts owning a car.[54] In terms of household size, marital status, educational attainment, or employment status, there were no significant differences between respondents with and without a bank account.

RESPONDENTS WITHOUT A CURRENT ACCOUNT

Reasons for Not Having an Account

Respondents without a current bank account were given a series of reasons why they did not have one and were asked to rate the relevance of each reason to their situation. Their responses are summarized in the table below, which is followed by respondents' comments on each of the reasons.

Table 29
Reasons for Not Having a Bank Account

	Everyone without Current Account n=24	Never Had an Account n=6			No Current Account: Had Account in Past n = 18		
Reason	Relevant or Very Relevant	Very Relevant	Relevant	Not Relevant	Very Relevant	Relevant	Not Relevant
I don't have enough money	66.7%	33.3%	16.7%	50.0%	22.2%	50.0%	27.8%
The bank turned me down because of a bad credit record.	37.5%	0.0%	0.0%	100.0%	33.3%	16.7%	50.0%
I don't like using ATMs or Cash machines	20.8%	0.0%	0.0%	100.0%	5.6%	22.2.%	72.2%
The bank's services are not worth the fees	16.7%	0.0%	0.0%	100.0%	0.0%	22.2%	77.8%
I'm not familiar with the process of how to get an account.	12.5%	0.0%	33.3%	66.7%	5.6%	0.0%	94.4%
I've never used banks much before, and don't know if I really need them	12.5%	0.0%	0.0%	100.0%	0.0%	16.7%	83.3%
Bank locations are not convenient	8.3%	0.0%	0.0%	100.0%	0.0%	11.1%	88.9%
I think someone else might use my account and take my money	8.3%	0.0%	16.7%	83.3%	0.0%	5.6%	94.4%
Bank hours are not convenient	4.2%	0.0%	0.0%	100.0%	5.6%	0.0%	94.4%
I don't like the way banks treat me	4.2%	0.0%	0.0%	100.0%	5.6%	0.0%	94.4%
I don't trust banks with my money	4.2%	0.0%	0.0%	100.0%	0.0%	5.6%	94.4%
The people close to me don't use accounts	0.0%	0.0%	0.0%	100.0%	0.0%	0.0%	100.0%

[54] (p=.078)

I don't have enough money

Two-thirds of (66.7%) respondents without bank accounts said that not having enough money was a relevant or very relevant reason for not having an account. This reason was more frequently rated as very relevant or relevant than any of the other reasons. Many respondents commented that a lot of money is needed for an account, or that they could not open an account until after they had become employed. As mentioned above, the monthly household incomes of respondents without bank accounts was significantly less than those with accounts: median of $1,111 and mean of $1,147 compared to a median of $1.539 and mean of $1,680 for those with accounts.

"I really don't know, I always thought you needed a certain amount and I don't really get that much. After my bills, and kids and household supplies, I'm broke. I always thought that people who had a lot of money used banks so by me not having very much money, there wouldn't be a need for me to put my little in a bank. But I don't know, it builds."

"I don't have a job and I don't have any money. It's not I don't want an account. I don't have any money."

The bank turned me down because of a bad credit record

One-half (50.0%) of respondents with accounts in the past said the bank turning them away because of bad credit was a relevant or very relevant reason for them not having an account. However, none of the people who never had an account said that bad credit was relevant to them, and they did not make any comments about their credit. This difference between the groups may be related to the fact that those who had accounts in the past may have a record with ChexSystems for an account being closed for cause. In fact, several respondents commented about problems with past accounts, having a negative record with ChexSystems, and the consequent difficulties in opening a new bank account.[55]

"I had two overdrawn accounts with Mid-America. They will give me another account if I get the bill paid. I was turned down by First Accounts."

"I think they should have a system where if you have bad credit you can still get an account. Because right now, if they run and see that you have bad credit or something, they're not going to give it to you."

"Right! Most banks they go through the ChexSystems and see if you had an account before and I did have an account before. It was the worst bank ever. Even when I closed the account they were still adding fees. Even when they stopped they billed me for $400."

"The bank did a ChexSystems. They found I owe."

"With First Accounts program I thought the point of the program was that they would overlook bad credit—it was a second chance account, so it was a waste of time."

"If I wouldn't have gotten a First Account, it would have been hard for me to get a bank account because of the system and the credit checks."

I don't like using ATMs or cash machines

Over one-fourth (27.8%) or five respondents who had accounts in the past said that not liking to use ATMs was relevant or very relevant to why they did not currently have accounts; none of the respondents who never had an account said this was relevant to them. Those who never had an account commented about being charged for using ATMs, as well as the convenience and hassle of using them. Those who had accounts in the past made similar comments, adding some comments about the

[55] During the second year of the First Accounts program, personnel and policy changes at ShoreBank resulted in introducing restrictions on First Accounts eligibility, including denial of accounts to First Account participants listed with ChexSystems.

advantages and disadvantages of accessing their money so easily and the ill-effects on the account balance of easy access.

"If I had the money I wouldn't mind using it."
"I don't see anything wrong with ATMs. It beats you standing in line at the bank waiting for the tellers. The lines are very long."
"I have no qualms about the ATM machine. As long as you use money as a tool and not take it for granted."
"If I had a checking account, I would use the ATM where I had my checking account at. Because if you use them outside they charge you all that money to receive your money out of it."
"At first I thought about that, it's kind of a hassle when you have to go to a cash station and it's kind of farther than you expect."
"If it's not my bank they charge fees."
"It's convenient. The only thing is the fee. The fee is too much."
"They're convenient and so I didn't realize I was using it as much as I was, which is a cost in itself with the fees. But they are important in emergencies."
"Sometimes the ATM machine doesn't register because it doesn't compute the information it makes you start over. Then their fees are too high."
"I use them. The fees be ridiculous sometimes, but I use them."
"It depends on which ATM you're using. They charge you different fees. I wish they'd only have one fee for all the ATMs."
"I love them."
"Easy access to money is troublesome to me because of lack of discipline."

The bank's services are not worth the fees

None of the respondents who never had an account said that bank fees were relevant to why they did not have an account. Four of the 18 people who had an account in the past said that the cost of bank fees was a relevant reason for not having an account. People made comments about high transaction fees and limits on the number of transactions they could make. Others said the fees were reasonable and understandable; one person said the fees were educational.

"They charge too much, add extra fees you don't know about."
"I think the fees are just too high. They tell you one thing and do something else. They give you three transactions a month and then they give you a fee and these fees be adding up. If you use a bank that's not yours there's a fee and there's an ATM fee and that's two fees in one."
"I think it's fair, the bank fees, you know."
"Some banks have some really unnecessary fees."
"They help, trying to educate you on how to manage your money."

I'm not familiar with the process of how to open an account

Two of the six people who never had an account said not being familiar with the process of opening an account was a relevant reason for not having an account; one of the 18 people who had an account in the past said it was very relevant. No one else said that this was a relevant reason for not having an account. Several stated that they knew how to open accounts, commenting that the lack of money was more pertinent than the lack of familiarity with how to open an account.

"I know how to open a banking account. I haven't had the money to do it."

“Some people don’t want to go and sit down with the representative and the procedures about how to keep it open. That’s why some people don’t want to get an account, they don’t want to sit there and be educated on it.”
“I never got into getting a bank account and I never did any research. I’m 30 years old and I never got one. That’s’ crazy isn’t it?”
“I don’t know, but that’s not why I haven’t gotten one, because it’s easy. Just walk into a bank and they can explain it to you.”

I’ve never used banks much before, and don’t know if I really need one
Only three people, all of whom used to have accounts in the past, said that not having used banks and not knowing if they needed an account was relevant to why they did not have an account; everyone else said this was not a relevant reason. Several respondents commented that they wanted to have an account, and that accounts were worth having.

“I would like to have a checking or savings account, but it's just a little bit too hard right now.”
“I think I need a banking account. I would like to save somewhere down the road. I would like to buy a house.”
“I’ve used banks before and I would use them again.”
“Some think that using a bank account is a waste of time and it’s really not. They think that if they save their money themselves they won’t have problems, they’ll manage.”
“Some fear the bank will get robbed.”

Bank locations are not convenient
Two people who had accounts in the past agreed that banks not being conveniently located was a relevant reason for them not having accounts. None of those without accounts in the past found bank locations a problem. Many people said banks were located conveniently, and there were many from which to choose.

Bank hours are not convenient
One man who had had an account in the past said that bank hours not being convenient was very relevant to why he didn’t have an account. No one else said this was a relevant reason for not having a bank account. Some said ATMs gave easy access and others thought that being open too often had disadvantages.

“If you have a problem and it's after 6 p.m., it two-to-one the bank is not open. That's the only problem.”
“Too convenient with ATM cards, it gives access 24 hours a day.”
“I don't think they should stay open all day. I think it's open opportunities for thieves if they stay open all the time. That's why they invented ATMs and checks.”

I think someone else might use my account and take my money
One respondent who never had an account and another who had an account in the past said that the fear that someone else might take their money was a relevant reason for not having an account. Another woman who had accounts in the past was trying to trust banks again. Comments related to concerns about lost or stolen identification and other people accessing their money.

“I don't want to say that [someone else might take my money] because I think that'll jinx me. I've been very against banks for a long time. I've had a change of heart.”
“I don't know much about the bank account, I don't know much about who has access and who don't.”

"If I lose my identification, some stores don't ask for I.D. if you write a check. I lose my I.D., someone could maybe not take money, but write a check."
"I don't believe that would happen in a bank. I don't feel that is something I would have to worry about."

I don't like the way banks treat me
One man who had a bad experience with a past account said that not liking the way that banks treated him was very relevant to why he did not have an account: "I wrote a check…it came through three months later. I did put a stop on the check but they couldn't find no records on that. So the check bounced. We went through holy war. Finally in two weeks, it was resolved and everything went back to the way it was."

No one who had not had an account in the past commented about the way banks treated them and most of the people who had had past accounts liked the way they were treated.

"I love the way banks treat me."
"Bank people, they're very friendly and helpful."
"I've had some good experiences. Not as many as I would have liked."

I don't trust banks with my money
One man who had a bank account in the past said that not trusting the bank with his money was relevant to why he didn't have an account: "The Federal Reserve bank is a satellite, part of the government. So if the bottom drops off the FDIC, they don't have any gold backing the paper like they used to."

The rest of the respondents said they trusted banks but many reported having had some kind of problem in the past, and remained guarded in their attitude to banks.

"I do but I did have a bad experience one time. Somebody went into my account and got money out of my account and was going through stuff with that. They forged my name."
"Generally they're cool. I trust them but you know some banks if you don't keep a certain amount [in the account] they'll take my money. Like in this other bank if you don't have $150 every month they take $5. In a sense I trust them, in a sense I don't trust them."
"I never had a problem with banks and my money because they keep track of it well."

The people close to me (family, friends, etc.) don't use accounts
None of the 24 people without accounts said that friends and family members not having accounts was relevant to why they did not have accounts themselves. Several people said that they wanted accounts, but could not afford one. Some commented that their friends and family members did save, and others said that although their family did not save, it was up to the individual to manage their own money.

"I need one, I need an account."
"My sister has an account, the only reason I don't have one is because I'm not making enough money to get more than started."
"The people outside, they have accounts. I just don't."
"I don't care what they do. I don't make decisions based on what they do."
"Most people I know do use bank accounts."
"That wouldn't affect me, no. It's an individual thing."

Other reasons for not having an account

Four people who never had accounts and five people who had accounts in the past offered additional reasons for not wanting accounts. Many of their comments echoed the preceding list of reasons for not having accounts. One man, however, expressed additional concerns about not wanting anyone to know that he had money, for fear of losing benefits.

"I don't have any money."
"It's not that I don't want it. I can't get one."
"You'd have to claim it after so much money. I'd have to get a nice cushion or mattress to keep my money in."
"I don't have any money to put in there. I'd love to have a bank account or savings account someday."
"I don't know how. I thought you needed a certain amount of money. I just haven't had that money on hand."
"I never knew the process and how it goes after I put my money in."

Respondents without an Account:
Changes in Bank Services or Operations that Would Make You Want an Account

We asked everyone who did not currently have an account if there were any changes in bank services or operations that might make them want to try to open an account. Some of the respondents without accounts said they did not know enough about how banks worked to suggest any changes. Respondents who had accounts in the past had more to say about changes in bank services.

"Improvements like helping to finance a nice financial dream that's a stable venture like starting a business."
"[The] convenience of online banking."
"Some banks offer no fees for check writing, free ATM use. I like the online bill paying and overdraft protection."
"Easy access to my funds. Right now they are holding something from years ago. If they would erase the strike from my record I would immediately open an account if I knew I could just keep $10 to $20 in the account as a minimum without being penalized."

PAST ACCOUNTS

Three-fourths (75.0%) of respondents who did not currently have an account had accounts in the past. Of the 53 people who had accounts at the time of the survey, 83.0% had an account in the past that had been closed; 17.0% with current accounts had never had a bank account in the past.

Table 30
Past Bank Accounts

Type of Past Account	Have Current Account		Do Not Have Current Account		**Total**	
	Frequency	Percent*	Frequency	Percent*	Frequency	Percent*
Checking Account	37**	69.8%	17	70.8%	54	70.1%
Savings Account	29***	54.7%	12*****	50.0%	41	53.2%
Current account only	9	17.0%	N/A	---	9	11.7%
Never had an account	N/A	---	6	25.0%	6	7.8%
	n=53		n=24		n=77	

*Percentages in excess of 100% because many respondents had multiple types of past accounts.
**Includes 7 persons who had both individual and joint checking accounts.
***Includes 2 persons who had both individual and joint savings accounts.
****Includes 1 person who had both individual and joint savings accounts.

Over two-thirds (70.1%) of respondents had a checking account in the past that was now closed, and 53.2% had a savings account in the past. Some (71.0%) have since opened another current account. Joint accounts were much less common than individual accounts, and everyone who had a joint account in the past also had an individual account in the past.

Reasons Past Account Was Closed

People had a variety of reasons for closing their accounts. The most frequently cited reason was because they had no money or insufficient funds to keep it open. Several others closed their checking accounts because they overdrew the account and could not pay the fees, or they paid the fees but were angry about them and closed the account. Twelve people said they either did not understand the bank's policies or they were missing important information that would have helped them maintain an account.

Respondents who had an account in the past were significantly more likely than those who had never had a bank account to say they that they did not have an account now because they had been turned away because of a bad credit rating. One-half (50.0%) of those who had accounts in the past said that this reason was relevant or very relevant. None of those who never had an account found this reason relevant.

No money

"[I] used all my money so I closed it."
"I used the money to pay bills with."

Did not understand bank policy

"The person didn't tell me that if a check bounced interest would be calculated daily. I told someone to tear up the check and gave him cash. He didn't tear it up, the check went in."
"[I] wasn't aware of the all the details as far as monthly charges and was being charged for maintenance of account."
"I had a debit card. I didn't understand how to use it correctly, and owed them, owed the bank."

Lost job

"I lost my job, so I had to use my last resources for income."

Overdrawn
"Overdraft charges, and I didn't like the bank I was banking with because of the way they did the charges. I closed the account. The charges were astronomical. I just paid off what was owed and decided not to reopen the account."

Moved
"Left town and closed it out."
"I moved out of Florida, so I closed it. They're saying now that I owe $150."

Switched banks
"Moved from credit union to bank."

Money was taken by someone else
"There was an unauthorized debit. The bank closed the account and they never cleared up the problem."

Didn't like the bank
"I didn't like the bank, the services."

Significant other's or business partner's fault
"My husband took all the money out of it."
"It was a business account. My business partner stole money from the account and left it in overdraft."

Table 31
Type of Account and Reason It Was Closed

	Individual Checking		Joint Checking		Individual Savings		Joint Savings	
Lost Job	4	7.4%	0	0.0%	5	12.2%	0	0.0%
No Money	14	25.9%	1	14.3%	17	41.5%	0	0.0%
Overdrawn	11	20.4%	0	0.0%	0	0.0%	0	0.0%
Moved	5	9.3%	1	14.3%	1	2.4%	0	0.0%
Money Taken by the Bank	2	3.7%	0	0.0%	3	7.3%	0	0.0%
Switched Banks/Credit Unions/Consolidated Accounts	3	5.6%	0	0.0%	3	7.3%	0	0.0%
Didn't understand the Bank Policy/Missing Information	11	20.4%	0	0.0%	1	2.4%	0	0.0%
Didn't like the Bank	1	1.9%	0	0.0%	3	7.3%	0	0.0%
Don't Remember	3	5.6%	1	14.3%	2	4.9%	0	0.0%
Significant Other/Business Partner's Fault	0	0.0%	3	42.9%	0	0.0%	1	33.3%
Separation	0	0.0%	1	14.3%	0	0.0%	1	33.3%
Checking Account Closed	0	0.0%	0	0.0%	6	14.6%	0	0.0%
Inactivity	0	0.0%	0	0.0%	0	0.0%	1	33.3%
	n=54		n=7		n=41		n=3	

Ways Having an Account Changed How You Managed Money
We asked people who had accounts in the past but did not currently have an account if having an account had changed the way they managed their money. Over four-fifths (83.3%) said that having an account had changed their financial practices.

Table 32
Ways Having an Account Changed How You Managed Money

	Frequency	Percent
More aware of spending/saved more, no fees for cashing checks	9	50.0%
Had a job then and could maintain it	4	22.2%
Made it worse	2	11.1%
Did not change things	3	16.7%
n=18		

One-half of the respondents who had accounts in the past said the changes were positive, such as being more aware of their money and saving for a goal, not having check cashing fees, and being able to keep track of their money and only access their money when they really needed it.

"Being aware of saving money and having a goal. It gave me a goal."
"I got away from currency exchange's fees. The direct deposit makes my life easier. I was able to save money better."
"Didn't have to pay the currency exchange, easy to keep track of. So I was actually saving money."
"I was better able to control the money. I tend to have loose fingers with money available to me. That way I knew where the money was and I knew that it wasn't spent."
"Made me be more responsible and be more alert to what I really had to spend."
"It was better when I had the account; could pay bills on the phone, no $15 check cashing charge."
"I saved and I was paying the bills at the time so I could make sure my gas was on, my lights was on, my phone was on."

Other respondents considered the changes in their financial practices as primarily due to having had a job at the time, and associated having a bank account with being employed.

"I would always make a deposit when I got paid, when I was working."
"I was kind of responsible and I had a job then. And it was worth being independent and sufficient for yourself."

A couple of respondents said that having accounts did them more harm than good. These comments related to the accessibility of one's money through the debit card and ATMs, and not being able to maintain the minimum balance.

"I spend more if it was in the bank, than if it was in my pocket, because I had a debit card and you don't realize how much you're using until you get your [statement]."
"I couldn't never let the money grow because I was doing too many transactions and the fees added up. That was just to stay on top of my bills. It wasn't like it was poor management, bills were coming up. And you at least want to try to stay on top so you can at least keep your credit. It was bad for me."
Finally, the respondents who told us that having an account did not change their money management practices mostly said this was because there was not a lot of money in the account.

"I was just having direct deposit and wasn't holding my money then. I just was cashing my checks faster."

"It didn't change because there wasn't too much money there to take out, because when [I had the account,] I was away at school, I didn't have time to take out money. I was too busy trying to do my work."

CURRENT CHECKING AND SAVINGS ACCOUNTS

Nearly three-fifths (58.5%) of the 53 respondents with active accounts had two or more accounts; two-fifths (41.5%) had one account. Often both accounts were First Accounts, and the accounts were frequently linked. Table X shows the distribution of account types. Individual accounts were much more common than joint accounts, with one person having only a joint account. Of those with active accounts, 83.0% had at least one checking account and 71.7% had at least one savings account.

Table 33
Type of Current Accounts

One Account
n = 22

	Individual Checking	Joint Checking	Individual Saving
Total Accounts	13	1	8
First Acct	8	1	7

Two Accounts
n = 29

	Individual Checking & Joint Checking	Individual Checking & Individual Savings	Joint Checking & Individual Savings	Individual Savings & Joint Savings
Total Accounts	1	25	2	1
First Accounts	1- Both are FA	19 –Both are FA 2-Checking is FA 2-Savings is FA 2-***	1-Both are FA	***

Three Accounts
n = 2

	Individual Checking, Individual Savings & Joint Savings	Joint Checking, Individual Savings & Joint Savings
Total Accounts	1	1
First Acct	1	missing information

Total for Each Account Type
n = 53

	Individual Checking	Joint Checking	Individual Savings	Joint Savings
Total Accounts	40	5	38	3
First Acct	31	3	31	1

First Accounts
Of those with active accounts, 83.0% said that at least one of their accounts was a First Account. Several others were unsure about whether their accounts were First Accounts or not.

Using Banks
Respondents with active accounts were asked how often they go to the bank for services. Responses ranged from never to once or twice a week. Most of the respondents reported going to the bank to make deposits and withdrawals or to cash checks. A few said that they went to purchase money orders. One person said he went "for the pure satisfaction of knowing that I have an account."

"It's pretty good to know I have an account. I look at the First Account as baby food; it's a limited account with limited benefits and services. They wouldn't give me a VISA logo debit. So, I got the secured VISA independently of First Accounts. In actuality, the secured VISA serves the purpose of FA accounts and then some."
"[I go to the bank] to get money to purchase Pampers and clothing for kids."
"It's usually pleasant service."
"I'll cash the check and take the cash to my bank so the money will be available right away. This is what people do to survive. Knowing I'll need the money for my rent in a few days. Is the check going to clear?"
"I'm going to start doing banking by mail, I'll save some money."
"I think banking is good, it's a safe way to keep money."

Some of the respondents who do not go to the bank said that they do not have a current income, others prefer to go to ATMs or do their banking online.

"I only have it to keep it open."
"The lines were too long to stand in to do transactions. I go to the bank to the ATM."
"Everything is done online."

Using ATMs
Respondents gave similar reasons for using ATMs as they did for going to the bank in person. Most said they went to ATMs for withdrawals; some also mentioned specific items they bought after withdrawing cash from ATMs. A few said they used ATMs to check their balance.

"To get gas for the car."
"To get gas, groceries."
"Money for groceries, bills."
"Take out living expenses funds."
"If you use somebody else's [ATM], they have a fee for it."
"Sometimes I feel unsafe going to them. It depends on where I'm at. It might be easier to do online. I've known people who] send money through the mail and the electricity is cut off. If I'm a week past due, I'll be direct. I don't want to be without lights, sitting in the dark."
"I take out $5 and then leave $5 so I got to put $5 to $10 that next month so it don't get overdrawn."

The people who did not use ATMs frequently said they did not have or want an ATM card. Those who did not use their card often said it was because they were afraid they would have easy access or they were worried that their money would be stolen.

"I never got the card. Makes money too accessible. I don't want to be held up either."

"I threw away the debit card. I found myself going too much. I learned that in [First Accounts] class, too. They helped me out that's all I can say."
"I didn't want to get in the habit of constantly going to the ATM machine. When they gave me my code I tore it up. When I need to make a withdrawal I just go to the bank or use my debit. It's discipline for myself. If you're constantly going to the ATM, that's fees, and there's no ShoreBank by my house."
"I don't even get the ATM card. I think it's kind of risky to have the ATM card laying around. In this neighborhood, you could be at the ATM and some things could happen to you."

Table 34
Accessing Financial Services

	Bank		ATMs		Currency Exchange	
	Frequency	Percent	Frequency	Percent	Frequency	Percent
Never	9	17.0%	20	37.7%	28	52.8%
Less than twice a month	11	20.8%	4	7.5%	16	30.2%
2-3 times per month	25	47.2%	17	32.1%	4	7.5%
4-7 times per month	8	15.1%	8	15.1%	4	7.5%
8-15 times per month	0	0.0%	4	7.5%	1	1.9%

n=53

Using Services at the Currency Exchange

Respondents with accounts reported sometimes going to the currency exchange (check cashing outlet). Respondents said that they use currency exchanges to purchase money orders, bus passes, city stickers, and stamps; to pay bills; and to cash checks. Several commented that money orders are much cheaper at the currency exchange than at banks. Some said it helped them save time, either because of shorter lines or because the currency exchange provided more services. A few said that they use the currency exchange to avoid overdraft fees.

"I'm just grateful for the First Accounts for teaching me about banking which has saved me money from cashing my checks at the currency exchange."
"They serve a purpose to the community but their rates are too high for me. I can get most of my services free. You'd be amazed at how people treat you different by finance [financial status]."
"It's a good service it helps you save time"
"If I have an overdraft fee and I use the bank to cash a check, they'll take the whole check for the overdraft fee."
"Banking is much better because of the charges you incur at a currency exchange. But the currency exchange is cheaper for money orders. If they gave me checks it'd be different."
"Too bad the bank doesn't sell them [money orders], but that's the only thing that I go for. I know it would put a lot of strain on the tellers, transactions are enough."
"I think they serve their purpose. They offer a lot of services. They are cheaper than the bank and that I just could never understand. Why are money orders so high from the bank?"
"I would go to the bank, but it costs more. I have to pay my rent by money order, no checks. It's 64 cents at the currency exchange and one dollar at the bank."
"It's close and convenient. When I go once a month, I spend $150 to pay the bills. I don't have the precise management for a checking. I don't like to pay for overdraft."

"I would prefer the currency exchange to the bank because the bank charges too much and they don't sell stamps. It's like $3 for a money order."

Respondents also had critical comments about currency exchanges, noting that bank accounts and direct deposit had replaced the need to use services at currency exchanges.

"Since I got the bank account I don't go. I always go to the post office for stamps. And the only reason I was going to the currency exchange was to cash the paycheck and get money to pay the bills."
"The fees are way too much. I mean those dollars add up."
"I used to go twice a month. They're too high and too impersonal to me."
"I had to send someone some money. I don't go often. Go for license plates."
"I go about once every six months. It'd have to be a circumstance where I need my cash right now and I don't have my bankcard with me. But before I had my account I went to cash my checks."
"I don't go anymore—not since I got direct deposit."
"It's expensive, $10 to $15 depending on how much money you have."
"I never seen the need or any reason to pay somebody to access my own money. If I have to pay to get my own money, it's not good"
"I don't go that much. They charge you for everything. I went there yesterday to pay a phone bill—never to cash anything."
"I try not to go to the currency exchange unless it's late in the evening and I have my check. I don't like going the currency exchange to cash my check. I get everything done at one time."
"Since I got a bank account it helps me. I don't like going there no more because they charge you too much now. You can look at how much you're saving by just putting it direct deposit."
"They helped me when they helped me. They serve no purpose anymore. The only purpose was to cash a check. I have direct deposit now."

One person said that even though she knew the banks offered better services, she still preferred the currency exchange: "It's like a lot of people have told me, 'when you go to the bank why don't you pay your gas, light, and telephone bills and get money orders.' It's a habit that's hard to break. I'll even leave the bank to go to the currency exchange."

CURRENT CHECKING ACCOUNTS

Effects of Having a Checking Account on Managing Personal Finances

Respondents were asked a series of questions about their accounts and how they used them. Common responses referred to basic checking functions such as cashing checks and writing checks to pay bills. About two-thirds (65.9%) of respondents with checking accounts said they used them to pay bills; 15.9% said they cashed checks with their bank account; 11.4% said they rarely used their account or not at all. Others said they used their account to keep their money for short periods of time until it would be needed to pay rent or other expenses.

A large majority of respondents (88.6%) said that having their current checking account had changed the way they manage their finances. Most persons said that the checking account helped them be more aware about money and expenses; many said that keeping money in the bank limited their access to it and reduced unnecessary expenditures. Others said that accounts helped them keep track of money better, made paying bills more convenient, and reduced the amount they spent on money orders.

Keeping track of money and curtailing spending
"Before I had a checking account, I would spend more freely. It's easier to spend it when you have it at hand than when it's there in the bank."
"Allows me to track expenses. I try not to use cash. I'm more aware of spending and make wiser choices."
"I'm more conscious of what I'm spending."
"It's made things more convenient and more disciplined for me."
"It [my money] is not in sight; won't go get it unless I really need it. Out of sight, out of mind."
"I'm more aware of expenditures and where my money is going."
"I can keep track of my bills a lot better."
"I'm on a budget now. It keeps me organized."
"Allows me to see the mistakes I made in the past. Now I can see and keep track of the money spent."
"I constantly think about putting money aside to deposit into my checking."
"It's easier to pay my bills. I tend not to have miscellaneous money in my pocket. Say after you pay a bill, you have seven or eight dollars in your pocket. By having the checking account I don't have the change."
"I don't waste as much money. I don't have it in my pocket, I can't spend it."
"Money's not at my fingertips so it's easier to save."
"No more currency exchange. Plus you've got penalties for going overdrawn so you learn how to manage your money. Bank has fees, just like currency exchange service fees—overdraft fees, daily overdraft fees, [fees for using] ATMs other than Bank One's, balance checking fees."
"You have to make sure you have money in the bank when you write a check."
"I can put my money in there to keep it from two weeks to the end of the month. It's safer in there from losing it."

Reducing expense of money orders
"You don't have to pay the extra fees for cashing a check at the currency exchange. And the money going into the account means you don't have excess money to just blow."
"[It] helps to not have to buy money orders, you keep more money for yourself."
"It saves me two to three dollars here compared to when I went to a currency exchange. I'd get cash now. When you go to a currency exchange, you have to pay for those money orders."

Convenience of paying bills by check
"Having money sitting around you spend it quicker. And knowing it's in the bank you have to get up and go to the ATM to spend it. And it's easier to pay bills too."
"More convenient than using money orders for bills and running all over the city."
"I no longer have to deal with cash on hand when it comes to paying a bill. Sometime I no longer have to go into a particular company when I have to pay a bill. I can do check by phone, so it has cut down on time."
"Easier to pay bills. I still don't keep track of my money."
"I've had accounts for so long it's hard to imagine without it. I try to get other people to do it, but it's hard to break habits with some people. They're afraid of it."

No Change in Managing Finances
The respondents who said their account did not affect they way they managed money often said they did not have enough money, or that they did not know how to use it properly.

"I don't have enough money. The money I get, I have to use. I'm on course. I'm not on the course I want to be on, but I'm on a course."

"I can't find a way to save money. Because, all my money just goes before I get a chance to look at it good. But I do use it instead of going to the currency exchange to cash money orders or whatever."
"I haven't used it yet, it hasn't changed, but I know your checking is much better to go in to [withdraw from] than your savings."

Advantages of Checking Accounts

Most (93.2%) of the respondents with current checking accounts said there were advantages to having the account. For the most part, their comments about the advantages were similar to those discussed above for effects of having an account on managing finances such as not having to use currency exchanges and not spending their money as quickly. Several respondents also noted that having an account made them feel safer.

"You can write checks and buy time. It's safer than cash. It's just storage. It's storage for your money."
"It makes life simpler as far as not having to deal with cash. It's safer too, since I'm out on public transportation."
"[I use the bank] instead of going to a currency exchange, I feel safer. To me it's I just don't like the demeanor in the currency exchange."
"I don't have to worry about people taking my money if they snatch my purse. I don't have to worry about them knowing my PIN number. I just feel more secure. It makes me feel more secure."

The three respondents with accounts who said they did not experience any advantages from having them said this was because they lacked resources or credit to benefit from having the account.

"I lack the economic base to enjoy a checking account. I have no income. Five hundred dollars per month is not income—that's out-go."
"I don't really have no money to save. Maybe at tax time, but right not now."
"I have no credit. It would be an advantage. I only got a checking account because in my building they were taking people's checks."

Disadvantages of Checking Accounts

A little over two-thirds (68.2%) of people with current checking accounts said there were no disadvantages to having checking accounts; 29.5% said their were disadvantages; and one person who was not sure said, "I have to use it more before I find out. I've experienced a savings account but not checking."

Frequently mentioned disadvantages of a bank account included losing track of the account balance, bouncing checks, banking fees, and other people having access to personal information.

Fees and overdrafts

"If you're not careful calculating what you spend compared with what you have in there, you can put yourself in a hole. And that reflects real bad in terms of credit."
"Landlord was slow to cash check so I get confused on the balance."
"Only disadvantage is not keeping track of what you're spending, you end up paying fees."
"If you make just enough money and the checking charges extreme fees—I had an overdraft of a little amount and had over $200 in fees. Once you have an account go over they should close the account immediately. Why is it so important to make money off of an overdraft? It could be as bad and worse as another bill."

"When I use it, I might take five dollars out and for each day that I'm under that balance they charge me five dollars per day that I don't have that ten dollars in there. Say I use five to seven dollars out of my checking, it doesn't show up for like a week or two on my balance. Then I'm thinking that money is still there when it really isn't there."
"You have to pay for services, checks and stuff. If everything was free it'd be better."

Personal information is not secure
"People have access to your personal information."

No Disadvantages to Having a Checking Account
People who said there were no disadvantages to having checking accounts, commented that having accounts was a convenience, which offsets any problems they had with banking services.

"I don't see disadvantages. I feel secure and with that I just like having a checking account. I'm fine with their interest rates."
"It's more helpful than it is anything else. So I don't see any drawbacks."
"Bank fees, it kind of equals out, online bill payment."
"Haven't ran into any problems. First Accounts is different, they don't let you misuse your money. It teaches discipline, like a safety net to keep from getting into a hole. It gave me a second chance and I don't want to mess it up."
"I don't have enough money to worry about disadvantages. In this bank-friendly society, all you need is your checking account."

CURRENT SAVINGS ACCOUNTS

Using Savings Account
Most respondents said they used their savings account to build their savings or they maintained a small balance in order to keep the account open. Five respondents (13.2%) deposited a certain amount of money in their account every month. One respondent used the savings account as if it were a checking account, buying money orders and cashing checks.

"Say a windfall or someone gives me something, I basically deposit in the saving account. I call it no-go money. It's not that much, but it makes me feel good."
"I deposit $25 each paycheck; it goes directly there so I play like it doesn't exist."
"To save money. It's for savings, a rainy day fund."
"Save money for a rainy day."
"I guess there's nothing in there but $2. I keep enough in there to keep it open. I guess it's emergency money."
"I withdraw more than I put in."

One respondent expressed concerns over saving too much money and becoming ineligible for public benefits.

"For direct deposit, to hold money in there if you save money. If I saved $2,000 the people giving benefits would wonder how I could save and if I needed the benefits

Effects of Having a Savings Account on Managing Money

One-half (50.0%) of respondents with active savings accounts said that having the account changed the way they managed money. Many said that having a savings account facilitated saving and focused their attention on the goal of saving.

"[It] allows me to save more. I don't miss it when it's automatically transferred."
"I'm able to save. Not having a savings account, you're not really motivated to save."
"I'm mindful that it's for saving. So I don't do a lot of unnecessary shopping. So when I see something I want I don't always have to have it. Of course I might deserve it, but right now I'm for bigger goals. And I might have to let the smaller ones go to have it."
"I won't spend it as fast. I'll come get what I need and then later I'll come get it for other little things. It's hard to get out of some of the habits I've had before."
"I'm saving. I'm trying to save more now."
"It taught me how to use my money to make money. Because of interest on there, compounding interest on the account."
"I don't spend quite as much money as I used to. I don't run through my money like I used to. I'm quicker to save it. Keep it in the bank."

The people who said having an account did not change the way they managed their finances often said they did not touch the money in their savings account so having it did not affect their daily financial situation. Others said they had a minimal balance and were not adding deposits to their savings account.

"It just gives me an ego boost—hey I got some money in a savings account! I try not to think of that money."
"I don't use my savings."
"It's for emergencies. It's a goal. I don't touch it."
I've always been a saver, one way or another, whether I had an account [or not]."
"It's really just like you got an extra account, extra money. But I try to stick to my principles: what I need, I'll get, what I don't need I won't get it."
"Now I have the money to save, but I haven't been trying to save too much because I've been trying to pay off old bills. But I will."
"Just not enough funds coming in to save."

One man said the interest was so low that having a savings account did not affect his finances.

"Putting money in the bank is not magic. If you put $100 million in the bank and leave it for the year, you'll get some interest. If you put in $100 with the interest, you could get a Big Mac if you get a two-for-one special."

Advantages of Having a Saving Account

Most (86.8%) respondents with savings accounts said there were advantages to having them. They named a variety of advantages, including helps focus on savings goals, improving credit, earning interest, saving money on currency exchange fees, and being a role model for others.

Helps focus on savings goals

"When you have money in the bank you don't spend it quite as fast as if you have it at home. When money is in the bank, you don't run through it quite as quickly. I have more money at the end of the month than I would otherwise, because I can pace my money."

"As long as it's the bank where I can get to it, I think it works better for me. At least I won't spend it at one particular time."
"Being able to save, put money up in a secure place away from the person, out of the house."
"Buying a house, for institutions that measure savings as a means of assigning credit and also psychologically training myself in saving."
"[It helps me] to save money. I don't bother it. I just put it in there and let it sit and get what little percentage they give you."
"I can save. If I know it's at home and at my fingertips I can actually use it."
"If I need it, it's there."
"It helps me save some money."
"Just saving, just putting away something you just don't want to bother. The Christmas funds, saving money, $500 for Christmas."
"Money that you could put aside and didn't have to touch it."
"Save towards future goals."
"Saving money I can see my money grow, and I always have emergency money. It keeps me from going to the payday loan store."
"Security."
"You get to save for emergencies."

Saving money on currency exchange fees
"I don't have to pay currency exchange check cashing fees."
"[It's] a place to manage money instead of going to currency exchanges."
"Don't have to cash checks at the currency exchange. Direct deposit is very good, it's a safe haven for your money. If you have it on your hands you find something to spend it on."
"I know my savings account number so I could cash a check anytime."

Safety of keeping money in savings account
"You have a safe place to put your money if you want instead of a safety deposit box. They can just steal that. They can't just walk up and ask for your savings account."
"It's a place safe to hold my money."
"Your money is safe, it helps your credit."

Being a role model for others
"Make sure I save. Set a role model for children."
"Teaching children. My son saves much better than I'll ever save."

Account earns interest
"Being able to save and collect interest."
"Draws interest."
"Earning interest on your money since savings accounts normally pay interest. Plus it helps with your credit reference."
"Earning interest on your money. Having a place to put your money if you're saving for a large purchase."
"Emergency fund to transfer money between accounts, earns interest."

No Advantages to Having a Savings Account
Five respondents (13.2%) said they did not think there were advantages to having a savings account, usually because they felt they did not save enough, or did not have enough to save.

"I don't take advantage of it. If I used it more I'd probably save more."
"I don't use it but once a year, when I got tax time."
"I don't think I save enough."

Disadvantages of Savings Accounts
Eleven percent (10.5%) of people with an active savings account thought there were disadvantages to having one. These disadvantages included other people having access to personal information, having limited access to the money, and earning negligible interest because of low balances.

"It's easy to withdraw."
"It's not a checking account. I can't use the ATM. I would love an ATM card. Not having an ATM card would be a disadvantage."
"Not enough money to put in there. Not able to get the big interest."
"Only disadvantage is that you have to keep a minimum amount of money in there whereas usually with a checking account you can go to $0."
"People have access to your personal information."
"When you're not at work you can't save money."

One respondent said there were no major problems or benefits, with a comment suggesting that having a bank account does not solve the problem of inadequate income or poor money management skills.

"No advantages and no disadvantages. Like an alcoholic who stops drinking doesn't mean he's not going to have more problems."

The respondents who did not see any disadvantages of having a savings account made comments similar to those about the advantages of having a savings account, primarily related to the ways an account facilitates savings.

"It's there to save, if you can't get to it on a daily basis, you're to do exactly that."
"I think it's just a good way to save money. I can't think of it being a disadvantage."
"If you need it you can get it. It's there, it's yours."
"It's not stopping me from getting anything."
"It would be a disadvantage to have to travel and pay $4 to get to the bank to put in $15. But I can bank by mail and save cash, if I put it to attention of the personal representative."
"Not that I know of, it would be better if I could save more."
"Why should there be? What's wrong with having a savings account? When I first opened an account I didn't see any disadvantage, still don't."
"You're saving money so how would that be a disadvantage in any kind of way?"
"I'll let you know if I find any."

Direct Deposit
Several respondents discussed having their paycheck directly deposited into their account and for the most part found it beneficial. It saved time, transportation costs, and check cashing fees. Respondents also noted that direct deposit was helpful for savings because it reduced ready access to their cash, which they would have had if they cashed their checks in person.

"[It was] harder to save before direct deposit, I never see it, so you can't spend what you don't have."

"I get direct deposit. I don't have to go down to cash checks. It looks good on record for credit card companies. It shows character. It's helped purchasing this property."
"[Currency exchanges] charge you too much. You can look at how much you're saving by just putting it direct deposit."
"I get direct deposit right to my daughter's account. Whatever money is, I save half, $250."
"Now I'll leave like $50 to $80 in my account, and that's money I don't have in my hand. Because I know if I have it, eventually, I'm going to spend it. But there'll still be something in there until that next check gets direct deposited."
"I deposit $25 each pay check, it goes directly there so I play like it doesn't exist."
"For direct deposit: I leave that account alone like it's leaving me alone. Would I write a check if I absolutely had to? Yes. Would I make sure the funds were there first? Yes."
"[I'm] going to have child support directly deposited so I don't see the money and can't spend it."
"Helping me save, I've never done that before; [it was] harder to save before direct deposit. I never see it, so you can't spend what you don't have."
"Direct deposit is very good. It's a safe haven for your money. If you have it on your hands you find something to spend it on."

Not everyone found direct deposit helpful however, a few people told us that they had relied on direct deposit and once their checks stopped coming they received overdraft fees and had to close their accounts.

"It was direct deposit so the account closed because I didn't have any funds to put in there. It was overdrawn and I asked them to just close it."
"The bank stole my money, I just sent the check in through direct deposit, there were over $300 at the time in fees. I closed out the account."
"I had a bill coming out but I had direct deposit so when I stopped working the bank never informed the company so it kept taking money out. So there was an overdraft and the account was closed."

SAVING MONEY

METHODS OF SAVING

Saving in the Past in a Bank Account

Over one-half (51.9%) of respondents reported having a bank account with more than $100 in the past that has since been closed. Those with past accounts reported that they had saved on average between $0 and $3,500 per month, with a median of $100 and a mean of $246. Almost one-half (45.0%) of these respondents said that they had saved between $51 and $100 per month in the past.

Table 35
Monthly Savings in Past Accounts

	Frequency	Percent
$0-50	5	12.5%
$51-100	18	45.0%
$101-250	6	15.0%
$251-500	7	17.5%
Over $500	1	2.5%
Don’t know	3	7.5%
n=40		10.0%

Table 36
Largest Amount Saved in Past Account

	Frequency	Percent
$100-250	1	2.5%
$251-500	4	10.0%
$501-1000	7	17.5%
$1,001-2,500	17	42.5%
$2,501-5,000	3	7.5%
$5,001-10,000	2	5.0%
$10,000-15,500	4	10.0%
Don’t know	2	5.0%
n=40		

Respondents with past accounts reported that the largest amount they had saved in their account ranged from $100 to $15,500, with a mean amount of $3,017 and a median of $1,150. The savings were spent on a variety of goods and services, including household bills and daily necessities, cars, clothing, Christmas and birthday gifts, the down payment on a home, and debts. When her apartment caught fire, one respondent used her savings to secure a place to stay and buy new household goods. Another spent her savings on expenses following her baby’s birth.

Currently Saving in a Bank Account

A little more than one-third (37.7%) of respondents reported currently saving money in a bank and 62.3% were not currently saving in a bank account. Among these respondents, the average monthly savings ranged from $0 to $1,000, with a mean of $158 and a median of $100. Over one-third (34.5%) of respondents saved between $0 and $50 on average per month. The following table shows the ranges of average monthly savings for those with current bank accounts.

Table 37
Average Monthly Savings in Current Account

	Frequency	Percent
$0-50	10	34.5%
$51-100	5	17.2%
$101-250	6	20.7%
$251-500	3	10.3%
$501-3,500	1	3.4%
Don't know/refused/ missing information	4	13.8%
n=29		

Respondents with current accounts reported having saved in the previous 12 months between $0 and $12,000, with a mean of $1,274 and a median of $375. About two-fifths (37.9%) of respondents saved between $0 and $250 during the previous 12 months; 10.3% of respondents saved between $251 and $500; 20.7% of respondents saved between $501 and $1,000; 13.8% saved between $1,001 and $2,500; and two respondents saved more than $2,500 last year.

Table 38
Savings During Previous 12 Months in Current Account

	Frequency	Percent
$0-250	11	37.9%
$251-500	3	10.3%
$501-1,000	6	20.7%
$1,001-2,500	4	13.8%
$2,501-10,000	1	3.4%
$10,001-12,000	1	3.4%
Don't know/refused/ missing information	3	10.3%
n=29		

Table 39
Total Savings in Current Account

	Frequency	Percent
$0-250	13	44.8%
$251-500	4	13.8%
$501-1000	3	10.3%
$1,001-2,500	1	3.4%
$2,501-5,000	1	3.4%
$5,001-10,000	1	3.4%
$10,001-27,500	1	3.4%
Refused/ Missing information	5	17.2%
n=29		

Those with current accounts also reported on how much was in their bank account at the time of the interview. Nearly one-half (44.8%) currently had between $0 and $250 in their account. Amounts ranged from $0 to $27,500, with a mean of $1,835 and a median of $225. Over two-thirds (69.0%) of respondents currently had $1,000 or less in their accounts.

Nearly one-fifth (17.2%) of respondents who currently had bank accounts said they planned to use part or all of their savings within the next 12 months; 77.2% of respondents said they did not plan to use their savings soon; three respondents (10.3%) either said they didn't know or didn't answer if they would spend their savings. Two of the five respondents who planned to spend said they would spend one-half of their savings within the next 12 months the other three respondents planned to spend their entire savings. Three were planning to spend their savings on Christmas presents, one on bills, and one on purchasing a home.

Other Methods of Savings
Of the 62.3% of respondents who were not currently saving in a bank, about one-quarter (27.1%) reported having another way to save, including piggybanks, lock boxes, safety deposit boxes, and places in the home like a drawer or inside a Bible. This group reported saving between $0 and $600 a month in these other ways, with a mean monthly amount of $85 and a median of $50. Two-thirds (69.2%) of this group reported saving between $0 and $50 per month; 23.1% saved between $51 and $110; and one respondent (7.8%) reported saving $600 per month.

Table 40
Average Monthly Savings: Not Using Bank Account

	Frequency	Percent
$0-25	5	38.5%
$26-50	4	30.8%
$51-110	3	23.1%
$111-600	1	7.8%
n=13		

Table 41
Largest Amount Saved Not Using Bank Account

	Frequency	Percent
$0-100	2	15.4%
$101-250	3	23.1%
$251-500	6	46.2%
$501-1,000	1	7.7%
$1,001-2,200	1	7.7%
n=13		

Respondents who were not currently saving in an account, said that the largest amount that they had ever saved without using a bank account ranged from $30 to $2,200, with a mean amount of $477 and a median amount of $300. Two-thirds (69.2%) of the respondents said this amount was $400 or less. Respondents in this group spent their savings on clothes, shoes, Christmas and birthday gifts, a car, a home, emergencies, and necessities.

Four (13.8%) respondents who were saving in bank accounts were also saving in another way. One saved $80 per month and another $200; the other two did not know how much they saved monthly. These respondents saved through piggy banks, an IRA, and by keeping money around the house.

REASONS FOR SAVING AND NOT SAVING

Depending on whether or not respondents currently had a bank account, they were given one of a series of eleven statements about reasons that people might save and reasons that people might not save. Respondents were then asked to rate whether these statements were "Very Relevant," "Relevant," or "Not Relevant" to their situation. They were also asked to provide comments on the reasons and their relevance.

Reasons for Saving: Not Currently Saving in a Bank Account

The following responses about reasons for saving were made by the 48 respondents (62.3%) who were not currently saving in a bank account. Their responses are summarized in the table below, which is followed by a selection of respondents' comments.

Table 42
Reasons for Saving: Not Currently Saving in a Bank Account

	Very Relevant	Relevant	Not Relevant
To make me feel more secure to know I have my own money in the bank	58.3%	33.3%	8.3%
For emergencies or crises	41.7%	43.8%	14.6%
For my child's education	39.6%	35.4%	25.0%
To buy a home	45.8%	27.1%	27.1%
To have money for rent	43.8%	22.9%	33.3%
For my retirement	39.6%	27.1%	33.3%
For a vacation	18.8%	43.8%	37.5%
For my own education*	17.0%	44.7%	38.3%
In case of illness	25.0%	35.4%	39.6%
To buy a car	29.2%	25.0%	45.8%
Because that's what I was taught to do	14.6%	31.2%	54.3%

n=48
*n=47

To make me feel more secure to know I have my own money in the bank

Of those not currently saving in a bank account, 91.7% said saving in a bank to feel more secure was relevant or very relevant, and 8.3% said it was not relevant. Most respondents' comments associate security with bank accounts.

"It's a good feeling to know you have monies and they belong to you. It's a secured feeling knowing that these monies belong to you. It eliminates having to ask people to loan you money."

"Money makes life secure for anybody. If they tell you they don't need money it's a lie. That's a good reason to save money for security, so you don't have to work hard all your life."

"They say it's best. I would feel comfortable knowing I have money saved."

"When you retired you want to have something to fall back on instead of relying on your social security and pension."

"Yes, it would make me feel more secure, relaxed, no trouble—like a queen."

"It won't make me feel secure, but it would if I could put trust in the banking system. If it was tied to gold or silver."

For emergencies or crises

Of those not currently saving in a bank, 85.4% stated that saving for emergencies was relevant or very relevant to their situation, and 14.6% said this was not relevant to them. Respondents commented about the importance of saving for emergencies.

"As you learn more about money, you learn you need emergency money. Say if you lose your job, anything else could happen to you."

"I always was taught to save for a rainy day. You never know what'll happen."

"If you were in an emergency or crisis and you had a checking or savings account, you could get some money right quick."

"Life does have a habit of just creating emergencies."

"They happen all the time. So you can never save enough for them, but that's a very valid reason to save."

"Well if you got it in the bank and an emergency does arise, you can go get it. You don't have to go borrow it from anybody."

For my children's education

Three-quarters (75.0%) of those not currently saving in a bank account said that saving for their children's education was relevant or very relevant; 25.0% said it was not relevant. The relevance was higher for respondents with children under 18 (85.7% relevant or very relevant; 14.3% not relevant). Comments indicated the widespread desire to save for children's education, as well as concern about one's ability to do so.

"I'd be saving for my children. I wouldn't save for myself."

"I'm not doing it, unable to do it."

"I don't have enough funds coming in to save for my child's education. But if I did I would."

"I want them to attend college so I'm saving. And once I get my situation straightened out at the bank I'm going to open them up some kind of savings."

"I want them to go to college. They need money, financial assistance to go to college and further their education."

"I want to do that, but I'm not ready for that now. I want a house first so I can use the home to spark stuff."

"If I thought my youngest son would be able to go to college it would be good. He's not going to be able to go to college, but we'll get him in some kind of training schools. I would love to put money away for him."
"That's one of the reasons I would save. But it's just not there."
"That's something a parent always wanted better for their kids or so the kids wouldn't have to struggle much on their own."
"This society as a whole, for a parent to talk about saving for a kid's education, they'd need to get stuff up, with CDs or bonds, with high interest. I can't see putting something in a savings account for my kids. The interest won't keep up with the inflation. It's just a good gesture, won't be able to send the kids to school with the amount of money they save."

One respondent had a critical view of the structure and purpose of the education system in the U.S: "The education system of the United States is set up to get people to live within a structured environment that is imposed by politicians who do not live within that structure. Simply put, 90% of the United States is controlled by 10% of the people and the educational system is designed to have you be mentally and emotionally satisfied to live within that structure. They don't teach how to be independently wealthy, they teach you how to be a 'worker ant' and benefit the wealthy."

To buy a home
Nearly three-quarters (72.9%) of respondents who do not currently have a bank account said that saving to buy a home would be relevant or very relevant to their situation; 27.1% said saving for a home was not relevant. The respondents' comments indicated a variety of feelings about home ownership, including it being a dream for the future, as well as disinterest in home ownership and belief that it is too difficult to attain or maintain.

"After so many years, I'm tired of paying people's rent. If I pass on, I want to leave my children something so they'll always have a place to stay. That's my biggest concern."
"It's the American Dream, ain't it?"
"At one time, it's great if you're mentally, if not financially, prepared for a home. It's a lot of work mentally to deal with a home."
"Can't afford a home. I'm living with mom and dad right now."
"Home ownership is not something I look forward to. I never really wanted a home."
"I'd rather have a two-flat where I can rent and get some income coming in."
"I'm trying to get there. It's not easy. I'm trying to make it."
"I just learned about home ownership. It's the key to building wealth. I just don't like making someone else happy. My landlord has a house in the suburbs, a nice car, That's because he's building wealth with property. I definitely have to have my own property for my family."
"I want my own home where I'm not paying rent to a landlord."
"That's my goal. Find a job so I can buy a house. That's what I want. I want a big backyard and a big front porch."
"No job, unemployed. If I were saving, that would be a reason."
"It's just a dream, it's way over there. I'm going get to it one day."
"Them days are gone. That dream is gone."

To have money for rent
Of the respondents who do not currently have a bank account, two-thirds (66.7%) said that saving money for rent was relevant or very relevant to them; one-third (33.3%) said it was not. In their comments,

respondents spoke of the importance of having money for rent, but many also indicated that they did not currently pay rent.

"Always make sure you have your priorities in order concerning your finances. And rent is truly a priority."
"I don't pay rent right now."
"Usually I just take my last check and pay the rent."
"Father owns the house outright."

For my retirement
Two-thirds (66.7%) of those not currently saving in bank accounts found it relevant or very relevant to their situation to save for retirement; one-third (33.3%) did not. Comments indicated that many respondents considered it a good idea, but were not currently focused on saving for retirement.

"For me, it's a little late. But I did have the idea of doing it."
"I'm not really thinking about retirement right now. I'm trying to get into the workforce."
"I'm not really thinking about that right now. Although my job does. If I'm there for 5 years I'll be vested. I think they donate 10% of my salary into mutual funds."
"I want to be comfortable when I'm retired and old."
"I wish that'd been one of the things that I had done, seeing as I'll be of retirement age in a couple of weeks. If I had done that I wouldn't have to be out here working for the temps."
"I would love to save. You won't have to save for that once a month check. You pay yourself first. I'll put away $5 a week, so it's $20. Oprah told you that. Pay yourself first, even if you save $1 a day. I learned that years ago to get an IRA."
"That's so when I grow old I would not want to be penniless or broke. I wouldn't want to be not able to take care of myself."
"They won't have Social Security for the baby boomer generation."
"When I get a good paying job, I will."

For a vacation
Of the respondents who do not currently have a bank account, 62.5% said it was relevant or very relevant to them to save for a vacation; 37.5% said it was not relevant. Comments were split between respondents who enjoyed and saved for travel and respondents who did not or were unable to travel.

"A vacation does the body good."
"I definitely need one. I haven't had a vacation in almost 20 years, so I know I'm behind time on that."
"I don't go on vacation often."
"I saved last year for a vacation. I usually don't go though."
"I would like to go on a vacation. Me and my kids have never been on a vacation before."
"No money."
"Not a high priority."
"Vacation is something for the people that got money to do it. I've never been in a position to do the vacation stuff."
"We have two weeks vacation on our job. But we usually work through our vacation."
"I love to go."
"I have, I needed a vacation to relax so in order to go I had to save. I didn't want to take a loan out or anything."

For my own education
Over three-fifths (61.7%) of those not currently saving in a bank said that saving for their own education was very relevant or relevant; 38.3% said it was not relevant. Comments covered the importance of private savings as well as finding grants and other ways to finance education.

"It's best to have money for college education."
"That's what I'm starting to do now, saving and trying to get into school."
"That's why I had to drop out of college. I couldn't afford it."
"Any school that I'd want to go to, I would just save it rather than have to borrow from anyone."
"That should be considered because grants and scholarships aren't guaranteed. Eventually I plan to go back to school and I may need my own currency to fund it."
"I would try [to save for education] if I had the bank account."
"I've looked for programs that paid for education in anything I was interested in. When I was working, I was in a union and they paid for some engineering classes. I'm looking for more education. There's people paying for this stuff, there's grants."
"Normally I would try to finance it through the government if I could. If I had to pay it myself I would."

In case of an illness
Three-fifths (60.4%) of respondents who do not currently have a bank account stated that saving in case of an illness is relevant or very relevant; two-fifths (39.6%) said it was not relevant. Comments varied as to the importance of saving for illness.

"I don't think you can save enough for that kind of stuff, never be too protected."
"I feel that I'm healthy."
"I had insurance, so I didn't think about it."
"I really wouldn't expect it. But you never know what happens."
"It's good to have something saved in case you get hurt or sick or something like that—to pay your bills or get medication."

To buy a car
Over one-half (54.2%) of respondents who do not currently have a bank account said that saving money for a car was relevant or very relevant; 45.8% said it was not relevant. Comments were split between those who needed cars and those who did not and disclosed a variety of beliefs about the best way to finance the purchase of a car.

"If I could save, I would prefer to pay rather than pay interest on a loan."
"That's how I paid for the car. I bought it outright. I haggled and got a good deal. There's no benefit to not paying it off right away – no tax write-off."
"I usually rely on public transport."
"I don't have a license."
"Rather than having a note I could pay cash for the car."
"I have [been saving], because it's difficult getting around without a car."
"I'd have to be financially stable enough to get the car. I'd also have to save to get it fixed, and now I'd have to take care of the car, the maintenance."

Because that's what I was taught to do
Over one-half (54.2%) of those not currently saving in a bank found this statement not relevant to their situation, and 45.8% of respondents found this statement relevant or very relevant to their situation.

Respondents' comments were mixed between those who grew up in environments where people saved using bank accounts and those who did not.

"I just wasn't taught to save."
"I didn't know no one who had a bank account before. This was my first bank account in my life."
"My father was an individual who despised credit. He wanted to pay cash for everything. He didn't want to owe nobody. He was a meticulous saver and budgeter, he still is to this day."
"I was always taught to save for an emergency or for future events."
"My parents taught me how to save money for things that you want."
"When I was growing up my parents had savings accounts and so did my grandparents. I don't have that extra money."

Other reasons for saving

Respondents who do not currently save in bank accounts stated several other reasons that they would like to save. They would save to have money to buy Christmas and birthday gifts; spending on kids; a specific purchase such as a computer, motorcycle, major appliance, and furniture; charity; business or entrepreneurial opportunities; and for setting an example and teaching their children to save.

Reasons for Not Saving: Not Currently Saving in a Bank Account

The 48 respondents who were not saving in a bank account were asked the relevance of six statements about reasons that people do not save and were invited to comment on these reasons.

Table 43
Reasons for Not Saving: Not Currently Saving in Banks

	Very Relevant	Relevant	Not Relevant
I spend all my money on basic necessities for myself and my family	44.7%	38.3%	17.0%
I have debts to pay off*	21.7%	30.4%	47.8%
The amount would be small*	13.0%	17.4%	69.6%
It's hard for me to keep it when my friends and family need it	0.0%	14.9%	85.1%
I never learned to save	4.3%	8.5%	87.2%
I don't know a good way to keep my savings*	6.5%	4.3%	89.1%

n=47
*n = 46
Percents may not add to 100% due to rounding.

I spend all my money on basic necessities for myself and my family

Of respondents not saving in a bank account, 83.0% stated that not saving because they spend all their money on basic necessities was relevant or very relevant; 17.0% said it was not relevant to them. Nearly all of the comments concerned not having any money left for saving after having paid for necessities.

"I've experienced that, where I try to save, but I don't have enough to pay all the bills and get the kids everything they needed. Therefore the money I was trying to save had to go towards getting the kids something that they needed."

"I don't have anything to save. There's nothing leftover."
"I have a very short income right now. So everything I get I have to spend to keep my household afloat."
"Self-explanatory: can't save very much if everything that comes in goes out."
"With the amount of money I make, I'm basically just living from paycheck to paycheck."
"You should always save. If you can't pay yourself, you'll never have anything in life. That's what saving is all about, paying yourself."

I have debts to pay off
About one-half (52.2%) of this group of respondents stated that paying off debts was a relevant or very relevant reason for not saving; 47.8% said this reason was not relevant. The respondents' comments related to whether they had debts or not.

"I have debts to pay off so I can't really save. You've got to get your debts managed and then you can be okay."
"It's hard to save when you have a lot of debt because the money that you're saving, you're saving to pay off the debt."
"I don't have any debts, I don't have any credit card bills. I don't get those things."

The amount would be small
A little less than one-third (30.4%) of respondents not saving in a bank account said that the small amount that they would be able to save was a relevant or very relevant reason for not saving; over two-thirds (69.6%) said this reason was not relevant. With a few exceptions, the comments expressed the opinion that the act of saving is important, even when one can only save a small amount.

"Anything you save, you're saving."
"I don't care how small it is."
"If it's small you have a tendency of looking over it. You worry about the big ones, not the small ones, they get pushed to the side. Instead of saving the money I pay the small bills."
"In order to get big, you need to start out small."
"It's irrelevant how small the amount is. Pennies add up to dollars."
"You have a penny, you get two pennies; you save a nickel, you get a dime. I guess logic has taught me small amounts do become large amounts if you save enough small amounts."
"It doesn't matter the size. I would save it. It would eventually accumulate. I do have a piggy bank; I do give to it regularly."
"That's one reason I don't put up, because there wouldn't be none to put up."

It's hard for me to keep it when my friends and family need it
Of those not saving in a bank account, 14.9% considered that the difficulty of keeping money when friends and family needed to be relevant for not saving; no one considered it very relevant. A large majority (85.1%) said this was not relevant. In their comments, respondents discussed being asked for money and saying "no" to such requests, as well as their attitudes about loaning money.

"There's a part of my savings, the no-go money, that I would only spend on myself. And I do think about family and friends, but I won't give them my last, especially if I'm saving. I guess I have learned that I won't give anything I can't afford to give away. If I give to them, I don't expect to get it back."
"It's hard because once they be finding out that you've got it, they come after you, like you're an accountant."
"Every time I try to save money, here comes my sons [saying, 'I need money.'"

"Depending on the situation, I would give family and friends if the need is very important."
"I'd give a person my last if they needed it."
"I have no problem saying no."
"You can always say no."
"They don't ask for money."
"None of my family members really need it. I got one sister who might need money, but she doesn't really ask me because she knows I don't have it anymore."

I never learned to save

Among this group of respondents, the majority (87.2%) said not saving because they had not been taught to save was not relevant; 12.8% said this reason was relevant or very relevant. Most of the comments indicated that the respondents who had been taught to save were aware of its importance and those who had not been taught thought that they should be able to learn.

"I was taught to save, but I don't have it to save."
"It's relevant, but I'm sure I could have saved if I really wanted to. You don't need to be taught to save."
"My family taught me, my mother taught me to save. I know the importance of doing it."
"I was taught at an early age to save."
"I guess growing up I wasn't really taught to save. As soon as we got some money we spent it and the older we get we see we should have been saving. That's probably the biggest reason ever, because I was never taught to save."

I don't know a good way to keep my savings

Of those respondents not currently saving in a bank, 10.9% said that not knowing a good way to keep their savings was relevant or very relevant; 89.1% said it was not relevant. Most comments expressed knowledge of how to save, or identified the problem as not having anything to save rather than not knowing how.

"I know how to keep my savings."
"I would know how to keep it. I just don't have anything to save. I don't make that much money."
"I do know how to save money. I have different methods of how to save money. So it's not because of lack of knowledge."
"It's true, it's hard to save when you don't really know how. You put something up but it's hard to keep it."

Other reasons for not saving

Of respondents not currently saving in a bank, 43.7% said that they had another reason for not saving. Thirteen respondents (61.9%) said it was because they had no money to save; four (19.0%) said they did not save because they were unemployed; two spoke of bills preventing them from saving; one gave not having a bank account as the reason for not saving; and one said, "I don't have any reason to save."

Reasons for Saving: Currently Saving in a Bank Account

The responses were made by the 29 respondents (37.7% of the total sample) who were currently saving in a bank account. Their responses are summarized in the table below, which is followed by a selection of respondents' comments.

Table 44
Reasons for Saving: Currently Saving in a Bank Account

	Very Relevant	Relevant	Not Relevant
To make me feel more secure to know I have my own money in the bank	41.4%	58.6%	0.0%
For emergencies or crises	27.6%	55.2%	17.2%
That's what I was taught to do	13.8%	51.7%	34.5%
To have money for rent	27.6%	31.0%	41.4%
For my child's education	31.0%	24.1%	44.8%
To buy a home	27.6%	27.6%	44.8%
For an illness	17.2%	37.9%	44.8%
For my retirement*	28.6%	21.4%	50.0%
For my own education	13.8%	24.1%	62.1%
For a vacation	10.3%	24.1%	65.5%
To buy a car	17.2%	10.3%	72.4%

n=29
*n=28
Percents may not add to 100% due to rounding.

To make me feel more secure to know I have my own money in the bank

All of the respondents with a current bank account said that it makes them feel more secure to know they have money in the bank was a very relevant (41.4%) or relevant (58.6%) reason for saving; no one said it was not relevant. In their comments, respondents spoke about how having savings leads to positive feelings and self-reliance.

"I do feel 1,000 times better now that I can put my hands on some money when I need it."
"I feel very secure about that because then you don't need to go borrowing from nobody."
"I like to be self-reliant. I don't want to be dependent on anyone."
"You want to depend on yourself. Once you're an adult you can't stay acting like a kid and hope your mom's going to give you money."

For emergencies or crises

Of the respondents currently saving in a bank, 82.8% said it was relevant or very relevant to them to save for emergencies; 17.2% said it was not relevant. In their comments, respondents spoke of the importance of having money set aside for unforeseen circumstances.

"When my children were younger, I'd always put up an extra $20 to $30, because my son was sick and we'd sometimes need to go to the hospital. I still always put that up in case we have to rush to the hospital."
"You never know what's going to happen. You need to have money right there."
"Never know when something's going to happen to you. Got to be prepared or try to be prepared."
"I live my life day to day. What's going to happen is going to happen. If something bad happens to me or my people, I want to have something."
"If an emergency comes up, you can get it. You can't always depend on someone to loan it you. Most times when you need them, they ain't there anyways."

That's what I was taught to do
Nearly two-thirds (65.5%) of respondents with current bank accounts said that saving because they were taught to save was relevant or very relevant to their situation; 34.5% said it was not relevant. Comments concerned habits of savings in the respondents' families.

"My grandparents, my parents, they always saved. They had an account."
"My mother and grandmother both saved a lot. Every time they got $5, they put up $2 for a rainy day."
"We were always taught growing up you should always put something aside for yourself."
"I don't think I was taught to save. We were given money and we just spent it."
"No one I grew up with saved."

To have money for rent
Nearly three-fifths (58.6%) of respondents currently saving in a bank stated that saving for rent was relevant or very relevant to them; 41.4% stated it was not. Comments by the respondents indicated the priority given to paying rent and the lurking threat of homelessness.

"You got to pay where you stay. You got to keep a roof over your head, especially if you got children."
"I don't want to be late with rent, because I just don't want to be on the streets, and I have good credit."
"I have to make sure I pay the rent so I usually save it in increments."

For my children's education
Over one-half (55.2%) of respondents currently saving in a bank said that saving for their children's education was relevant or very relevant; 44.8% said it was not. Most of the comments concerned the importance of education and respondents' desire to help pay their children's college expenses.

"I want my kids to have a better education than I did—to go to college."
"I want to be able to help them buy books. I want them to go away to school. And I want to contribute to their education."
"I'm not able right now to save. If I was making more, I might be able to put in something for all six of them."
"It's very important to save for your children."
"They've already been. They're going to pay their bill. That's their bill."

To buy a home
Over one-half (55.2%) of respondents with current bank accounts said that saving to buy a home was relevant or very relevant; 44.8% said it was not relevant. Nearly all of the comments expressed a desire for home ownership, and some of the respondents had already attained it or were taking steps towards it.

"We just want a custom home made. We have it planned out. We just started and they say it's going to take six months. We laid out our plan and gave them $1,000 and they started the ground work."
"I would like to buy a home by 2007."
"Maybe in the next year I'm planning to invest in real estate property and earn some money."
"Sometimes the rent is so high you might as well pay a mortgage payment."
"I want to offer my kids more space and their own rooms."
"I want one, one day."

For an illness
Of respondents with current bank accounts, over one-half (55.2%) said that saving for an illness was relevant or very relevant; 44.8% said it was not relevant. Their comments indicated a general belief in the importance of saving in the event of a future illness.

"We never know what's going to happen in our lives. So it's better to have something to fall back on than to have nothing and the burden is placed on everyone else."
"[I'm saving] just in case I get sick because I have no insurance on myself."
"You just want to be prepared for the worst."
"You never know when you're going to get sick."

For my retirement
One-half (50.0%) of the respondents said saving for retirement was relevant or very relevant; one-half said it was not relevant. Respondents expressed a range of attitudes about retirement, for the most part commenting on retirement and being financially prepared for it, or stating that they were not thinking about retirement right now.

"I don't know if I'll live to retire; it's for the moment."
"I can't even really look that long down the line."
"I got to help Social Security out. They will have used all my money. I'll go for my money and they'll tell me no money left. You can't live off Social Security alone."
"Am I going to be able to retire? I need to get a job so I can retire. My life kind of took a flip turn. Soon there'll be a lot more people homeless in America. We need to shelter our people. We need more resources to help people. And yes, there should be criteria for help, but we need more programs."
"I have an IRA account."
"You can never be prepared."
"I'm trying to save as much as I can while I'm working. I'm trying to build up a retirement nest so I won't have to go through my pension."

I'm saving for my own education
Over one-third (37.9%) of those with a current bank account stated that saving for their own education was relevant or very relevant; 62.1 said it was not relevant. Respondents had a variety of comments about their own educational situations.

"Since I've been unemployed, I've paid to take Spanish and I've paid to take Math 112 – college math for freshman – so I'm pretty much living proof of 'pay for your education through savings.'"
"I'm in school, going for my degree in early childhood [education]."
"I hope to go back to school one day, but that's not what I'm saving for now. Couple years ago I did some volunteer work at the school. They were talking about me going back to school so I could be a substitute."

For a vacation
About one-third of respondents with current bank accounts (34.5%) stated that saving for a vacation was relevant or very relevant to their situation; nearly two-thirds (65.5%) said it was not. Respondents had differing attitudes about vacations, their cost, and the likelihood of taking one.

"I ain't going nowhere."
"I would like to go on vacation someday with my kids."
"Vacations are never that affordable. They're not in the budget right now."

"I can go on vacation. I'm saving so I can take vacations when I want to."

For a car
Over one-quarter (27.6%) of respondents currently saving in banks said that saving for a car was relevant or very relevant to their situation; nearly three-quarters (72.4%) said it was not relevant. The respondents commented on whether they owned or had access to a car or did not.

"I've already got on. I saved to get that car."
"I can use my sister's car. She doesn't use it. She doesn't have a license."
"It would help to have a car with my two children."

Other Reasons for Saving
Some respondents with current bank accounts spoke of other reasons for saving—to open a business, for dental expenses, and for home repairs. One respondent who had left her job in order to care for her ill mother said, "I want to save some money in case my mother dies. I want to be able to go get a dress [for her funeral]."

Reasons for Not Saving More: Currently Saving in the Bank
The 29 respondents who do have current bank accounts were asked whether the following statements about reasons that people do not save more money were very relevant, relevant, or not relevant to their situation. The results are summarized in the following table and then discussed along with comments from the respondents.

Table 45
Reasons for Not Saving More: Those Currently Saving in the Bank

Reason	Very Relevant	Relevant	Not Relevant
I spend most of it on basic necessities for myself and my family	31.0%	24.1%	44.8%
I have debts to pay off	13.8%	34.5%	51.7%
The amount would be small	0.0%	17.2%	82.8%
It's hard for me to keep it when my friends and family need it	3.4%	10.3%	86.2%

n=29
Note: Percents may not add to 100% due to rounding.

I spend most of it on basic necessities for myself and my family
Over one-half (55.2%) of respondents currently saving in a bank said that not saving more because of spending on basic necessities was relevant or very relevant; 44.8% said it was not relevant. In their comments, most of the respondents spoke about having little or no money left after paying for necessities; some said they tried to always save a little something; and others had nothing left to save.

"They summed it up, that's it. I would like to know what it felt like to put your whole check in a bank, and let it sit there, and don't have to pay nobody, just to see how it would feel."
"Any money I get, I've got to spend on necessities. I don't go out to dinner or to the movies. I don't have it like that now."

"After you pay your bills, you just don't have it. Because after you take care of basic necessities you don't really have a lot of money."
"We just try to make a habit to save no matter what. There's always something you can go without—not purchase—and save the money."
"I spend what I have to at the time and what's left I save. I always try to manage to save something."

I have debts to pay off
Nearly one-half (48.3%) of respondents currently saving in a bank account said having debt was a relevant or very relevant reason for not saving more; 51.7% said debt was not relevant. Comments by respondents referred to their experiences of debt and their ability to pay their debts.

"I don't have any debts to pay off that way."
"I have a lot of debt but I'm filing for bankruptcy."
"Once I pay all the bills I can only pay what's left – some of what's left, really."
"Sometimes it's hard to save when you got a lot of bills."
"You can still save even if you have debt. Even if it's only two to five dollars or the change out of your pocket."

The amount would be small
Of respondents with current bank accounts, 17.2% said that having only small amounts to save was a relevant reason for not saving more; no one said it was very relevant; and 82.8% said it was not relevant. Their comments expressed their sense that saving was important and that small amounts gradually add up to larger amounts.

"A small amount beats nothing."
"It ain't how small you save, it's consistency. I mean you could just save $15 as long as you're consistent with it."
"Whatever it is, I'll save it. If it's leftover I'll save it. There's no such thing as too little to save."
"To me it's not because the amount would be small. Because for me if I could put something aside and not touch it for a few months, that small amount would actually become large."

It's too hard to keep the money for myself if family or friends need it
Not saving because of the pressure of the needs of friends and family members was relevant or very relevant to 13.8% of respondents; 86.2% said it was not relevant. Comments indicated a variety of attitudes about loaning money and helping people financially.

"I'm not stupid. I'm not going to give my last away unless it's a matter of life and death."
"I've learned to say no."
"I have learned my lesson from loaning money."
"It's hard to keep money."
"To me, it's just like me having kids, they always need. One of them might rip a pair of jeans or lose a coat. When it comes to your children, you've got to do what right for them."

RECOMMENDATIONS

The recommendations presented here are based on the data obtained by surveying participants in the First Accounts Program. They pertain to program and workshop design and curriculum development for programs with objectives similar to First Accounts—increasing skills in personal financial management and expanding knowledge of and access to financial and banking services. These recommendations are applicable to programs designed for participants with low incomes, unstable employment, and limited experience with banking services. As mentioned earlier in reference to the survey findings, when reviewing these recommendations it must be kept in mind that all but one of the survey respondents were African American. Thus, these recommendations reflect the experiences of African American participants in Chicago's First Accounts Program; the specific needs and interests in financial services and education may be different for other low-income groups.

TOPICS FOR FINANCIAL EDUCATION WORKSHOPS

The difficult and often dire financial circumstances that characterize the households of many First Accounts participants need be the starting point for making financial education workshops relevant to their daily life experiences. The low incomes of respondents in this study (median total household income per month of $1,269; median household employment income per month of $1,651) are related to low wages, insecure employment, and unemployment. For example, at the time of the survey nearly one-half of respondents were unemployed; one-third of respondents who were employed were at their current job for less than one year; and 28.2% were employed for less than three months. Unstable employment and unpredictable and irregular work schedules lead to fluctuating incomes and make it difficult for many of these low-wage workers to budget for normal household expenses—not to mention save for emergencies.

Health problems of respondents and their household members also negatively impact employment security. Among respondents, 9.1% reported having a disability and were not currently employed and 18.2% reported having a household member with a severe disability that regularly requires care and limits respondent's or other family member's availability for employment. Insufficient income leads to ongoing domestic hardships. For example, at least once over the past 12 months, 32.5% of respondents had to borrow money to pay for food and bills; 23.4% had no food at the end of the month; and 13.0% had their gas or electricity service disconnected because of overdue bills. The topics discussed in this section emerged as being of particular interest to respondents. They are topics about which respondents expressed concern, uncertainty, and a need for more information and guidance.

Public Benefits

- Provide information about programs, eligibility requirements, and application procedures for public benefits.

- Conduct screenings to identify households and individuals who may not know that they may be eligible for benefits.

Programs such as EITC, Foods Stamps, child care assistance, and medical assistance offer low-income families access to much needed resources. Tools such as RealBenefits, which can be accessed at community organizations, and other online resources allow persons to be screened and apply for a range of programs. Of the 14 respondents with children who were not receiving Food Stamps, at least five might be eligible based on the size and gross income of their household. Financial workshops provide an excellent opportunity to inform participants about public benefits in the context of accessing resources for the household and to screen them for potential eligibility. Two respondents said that they had started to receive benefits as a result of learning about them in the First Accounts workshop. Other respondents expressed uncertainty about the effect of employment on eligibility and benefits levels and stated that they needed more information on these issues

Consumer Education

- Identify key issues of concern to participants. Issues pertinent to survey respondents include: banking and overdraft fees; car ownership, loans, and repairs; budgeting for utility, telephone, cable, and Internet bills; homeownership; student loans; life insurance; charitable donations; credit cards; and borrowing and lending money among family and friends.

- Incorporate into the curriculum information that explains the advantages and disadvantages for low income families of key issues related to personal financial management.

- Introduce a family workshop session that encourages participants to bring their adolescent children and adult household members. This family session would allow other members of the participant's household to learn about basic principles of personal financial management and better understand their role in family finances and how they can contribute to the participant's efforts to budget, manage expenses, and save.

Home ownership
The topic of home ownership was of considerable interest to respondents, with a small proportion (15.6%) reporting that they already were living in a house or condominium owned by themselves or another household member. The majority said that purchasing a home was a reason they were currently saving (55.2%) or a reason that they would save (82.9%). However, some felt that homeownership was not a feasible goal or condition because of a lack of resources to make the purchase and pay the mortgage as well as uncertainty and concern about the ability to meet the costs of maintaining the home.[56]

Educational expenses
With few exceptions, respondents talked about the importance of education and the desire to save money for their own and their children's education. However, there was a range of opinions about borrowing money for education. Some respondents expressed reluctance about borrowing money to pay for higher education and others spoke of their uncertainty about the consequences of defaulting on student loans.

Car ownership
Some respondents said that they were saving or would save money to buy a car. As with student loans, many spoke of their reluctance to take out a car loan. Some of the respondents who owned cars

[56] Although it was not specifically mentioned by respondents, class discussions of homeownership should address the issue of subprime lending, which is particularly aggressive in low-income communities.

mentioned difficulties in meeting the high costs of operating them, including gasoline, insurance, maintenance, and repairs.

Utility bills

Some respondents (13.0%) had their gas or electricity cut off during the previous 12 months. Others spoke of falling behind on utility bills and seeking assistance from programs such as LIHEAP. Others talked about the high costs of telephone, cable, and Internet services, which were a median of $67 per month.

Insurance

A small portion of respondents (7.5%) own life insurance. It is not clear from the data how much respondents know about the different types of life insurance, and their associated costs and benefits. However, this is an area that deserves further attention so that participants will be prepared to make informed decisions when purchasing life insurance.

Charitable donations

Nearly two-thirds of respondents reported making monthly charitable donations, primarily to religious organizations, with a median of $55 per month. This topic merits further investigation and inclusion in the overall financial picture of households.

Lending and borrowing money among family and friends

Two-fifths (40.1%) of respondents loaned $20 or more to a family member or friend at least once in the previous 12 months, with $155 as the median annual total amount loaned. About one-half (51.9%) said that they had borrowed $20 from a family member or friend at least once in the previous 12 months, with 22.1% having borrowed three times or more in the past 12 months, and a median annual total amount borrowed of $100. Curriculum development should incorporate discussion of these informal financial networks, providing participants a forum for considering the implications of borrowing and lending money not only for personal finances but also for personal relationships.

Credit cards

About one-third (29.9%) of respondents have credit cards. The majority of those with credit cards said they were able to make at least their minimum monthly payments. A few however said that they have run up large balances and were unable to meet their payments. The problem of credit card debt is widespread among U.S. households and should be carefully covered in the workshop's curriculum.

Payday loans

Many respondents expressed a strong awareness about the predatory nature of payday loans and a widespread aversion to them. Only four respondents had taken out one or more payday loan in past 12 months; all four had closed a checking account in the past and three had a current checking account. As more households open checking accounts and opt for direct deposit of paychecks, their vulnerability to payday loans increases. Workshops need to continue to educate participants about the high cost of payday loans and lower cost alternatives to them.

Financial Services

- Continue to advocate for banking products and services appropriate to low-income account holders and more competitive fees for money orders to reduce reliance on check cashing outlets.

- Advocate to limit the amount of overdraft fees and to provide better information for account holders about the terms, conditions, and imposition of these fees.

- Advocate for banks to provide understandable information about the bank's confidentiality and security policies and ways that account holders can safeguard their personal banking information.

- Advocate for availability of direct deposit among both large and small employers

- Continue to research and promote a better understanding of the continuum along which low-income persons access financial services—from the fully banked with checking and savings accounts to the underbanked to those without bank accounts who rely on check cashing outlets and other non-bank services to manage their finances.

Banking and Saving

With few exceptions, respondents reported being satisfied with their treatment at banks. Those with current and past accounts said the accounts helped them better manage their money, particularly noting that they used their accounts for cashing checks, paying bills, and direct deposit of paychecks. Respondents commonly said that savings accounts helped them focus on savings and that direct deposit to checking and savings accounts means having less cash at hand, which in turn helps limit unnecessary spending. Several respondents also commented on the emotional benefits of having an account, particularly the security and sense of accomplishment of having money in the bank.

However, some respondents stated that they were not confident about their money management skills and were uncomfortable having a checking account because of danger of incurring high overdraft fees. These respondents were concerned that their low balances allow no cushion for miscalculations of how long a deposited check will take to clear or for mistakes in balancing the account. Other respondents who typically have low balances in their accounts said that they prefer to cash checks at check cashing outlets because they do not want to wait for the bank to clear the check. These respondents said that they cash checks at check cashing outlets because they can then deposit cash into their accounts so it is immediately available for writing checks to pay bills.

Like their views on having bank accounts, respondents generally expressed positive views about saving money, stating that there is a financial and personal or emotional benefit to saving. However, nearly two-thirds (62.2%) of respondents currently were not saving in a bank account; and the level of those who were saving was low, with a median balance of $225, and 44.8% with less than $250 in their savings account. Lack of money after paying for basic necessities and having to pay debts were the reasons given by respondents for not saving or not saving more.[57] Savings were often for short-term or more immediate expenditures, for example, 58.6% of those currently saving said they were saving for rent and 66.7% of those who were not saving said they would save for rent.

[57] For a discussion of Savings Building Accounts, which are structured to ensure regular amount of savings, see John P. Caskey, "Bringing Unbanked Households into the Banking System."

Account turnover

Data about past bank accounts indicate that cycling through accounts is common. That is, persons open an account and use it until the balance runs down or fees accrue and the account is then closed. For example, 75% of respondents without a current account had one in past and 83% with a current account had a different account in past that had been closed. In addition to having overdrawn the account, the reasons respondents gave for closing their accounts were similar to the reasons of those who did not have a current account: insufficient resources to maintain the account and confusion about fees and policies. Furthermore, some respondents mentioned that they had to close their accounts when they lost their job because they had no income and spent down their balance. A couple of respondents expressed confusion about the relation between direct deposit into their account and automatic bill payment from their account, saying they did not know they had to notify the bank to stop payments after their direct deposit had stopped, and as a result they ran up high overdraft fees and the bank closed their account.

Security of personal information

Respondents reported concerns about the ways that having a bank account might provide access to their personal information. However, these comments did not specify if these concerns related to misuse of information by bank employees or by persons outside the bank, such as someone accessing personal information through mailed bank statements or other bank documents in the account holder's home.

CONCLUSION

Low-income households access banking and non-banking institutions for a range of financial services—checking and savings accounts, ATMs, credit cards, cashing checks, paying bills, and borrowing money. Programs to promote financial literacy and access to bank accounts are useful and needed. Such programs offer a pathway to mainstream financial services, including credit and mortgages.

However, the common denominator among the First Accounts participants in this study is chronic financial stress arising from unstable employment, low wages, high rents, and little if any savings. Survey respondents reported positive attitudes about the benefits of having bank accounts and their positive impact on money management. They also talked about the importance of saving and their efforts to save, with the belief that it is empowering to do so regardless of the amount. In many cases savings are short-term—for the next emergency or to pay rent. It must be kept in mind that given the high levels of economic hardship and low levels of savings, financial education and bank accounts in of themselves have limited scope for substantially improving the long-term financial prospects of the majority of these households. However, financial education and access initiatives should be an integral component of workforce development programs.

Asset building initiatives need to take into account the many positions along the spectrum of financial services, from no bank accounts and no savings to fully banked with regular additions to savings. Building on an understanding of this spectrum, initiatives can explore opportunities to develop products and services that leverage the reach and accessibility of non-bank financial services. Furthermore, the actual financial situations of households need to be a key factor for program development. With this starting point, the messages and expectations of financial education programs will be respectful of participants' resourcefulness and informed about the underlying causes of their stressful financial circumstances and their formidable barriers to asset building.

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