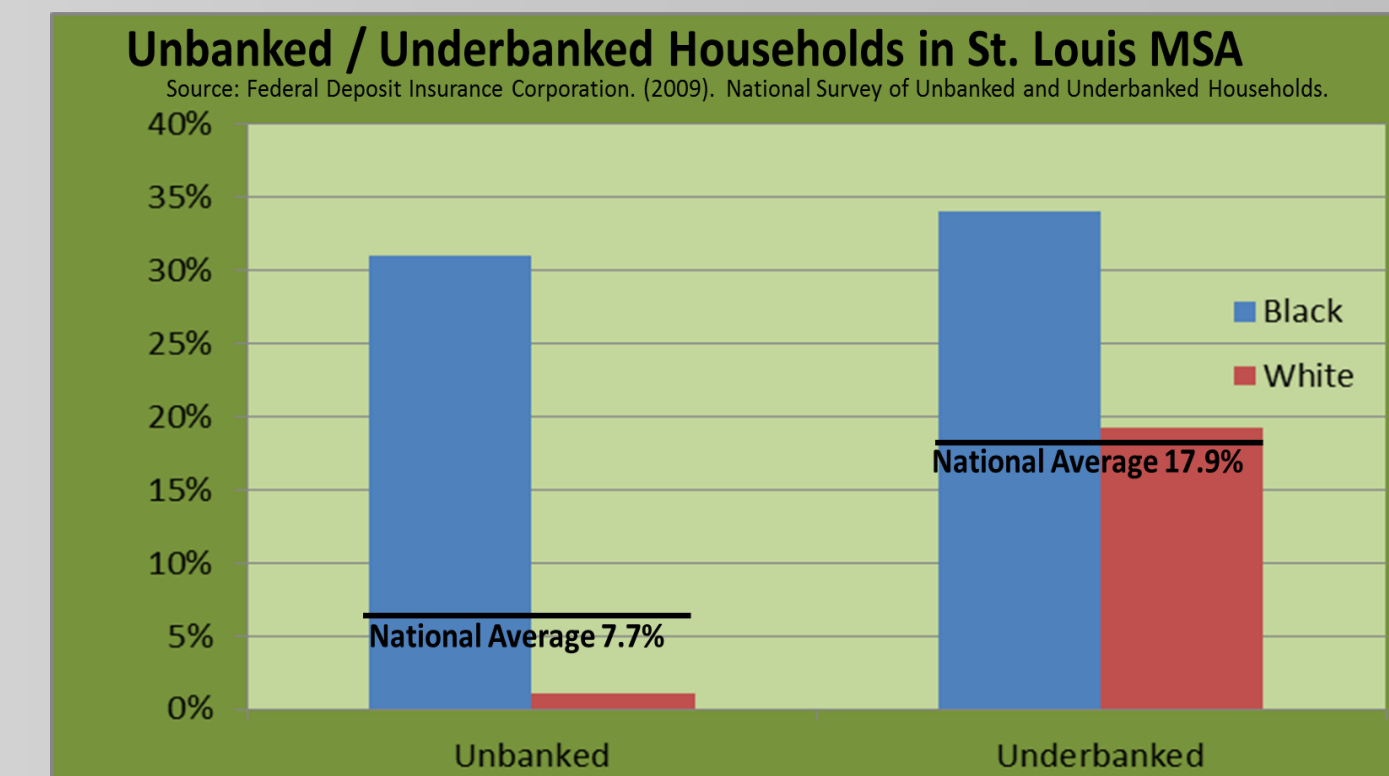
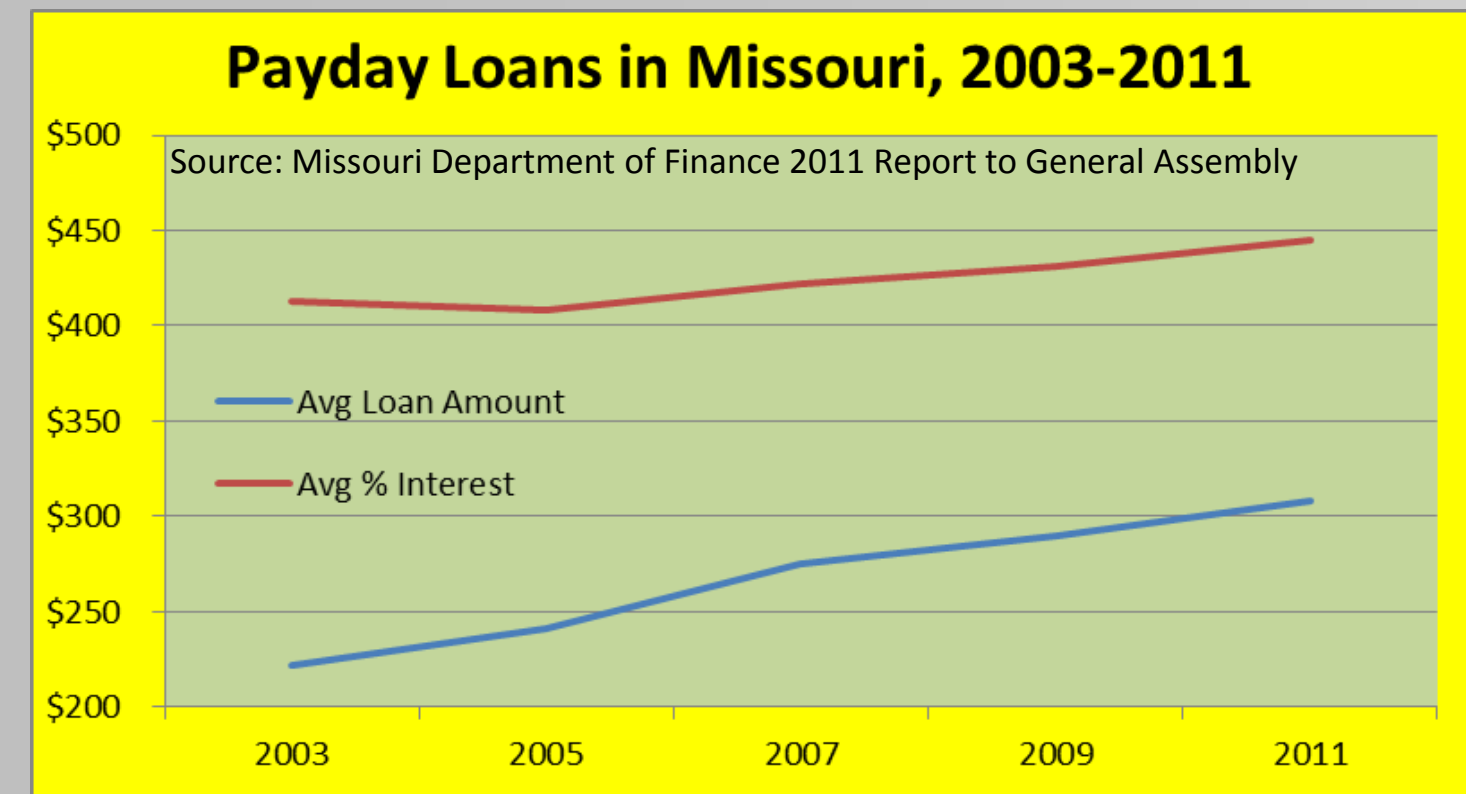


The Use of Financial Products and Services in Low Income African-American Communities

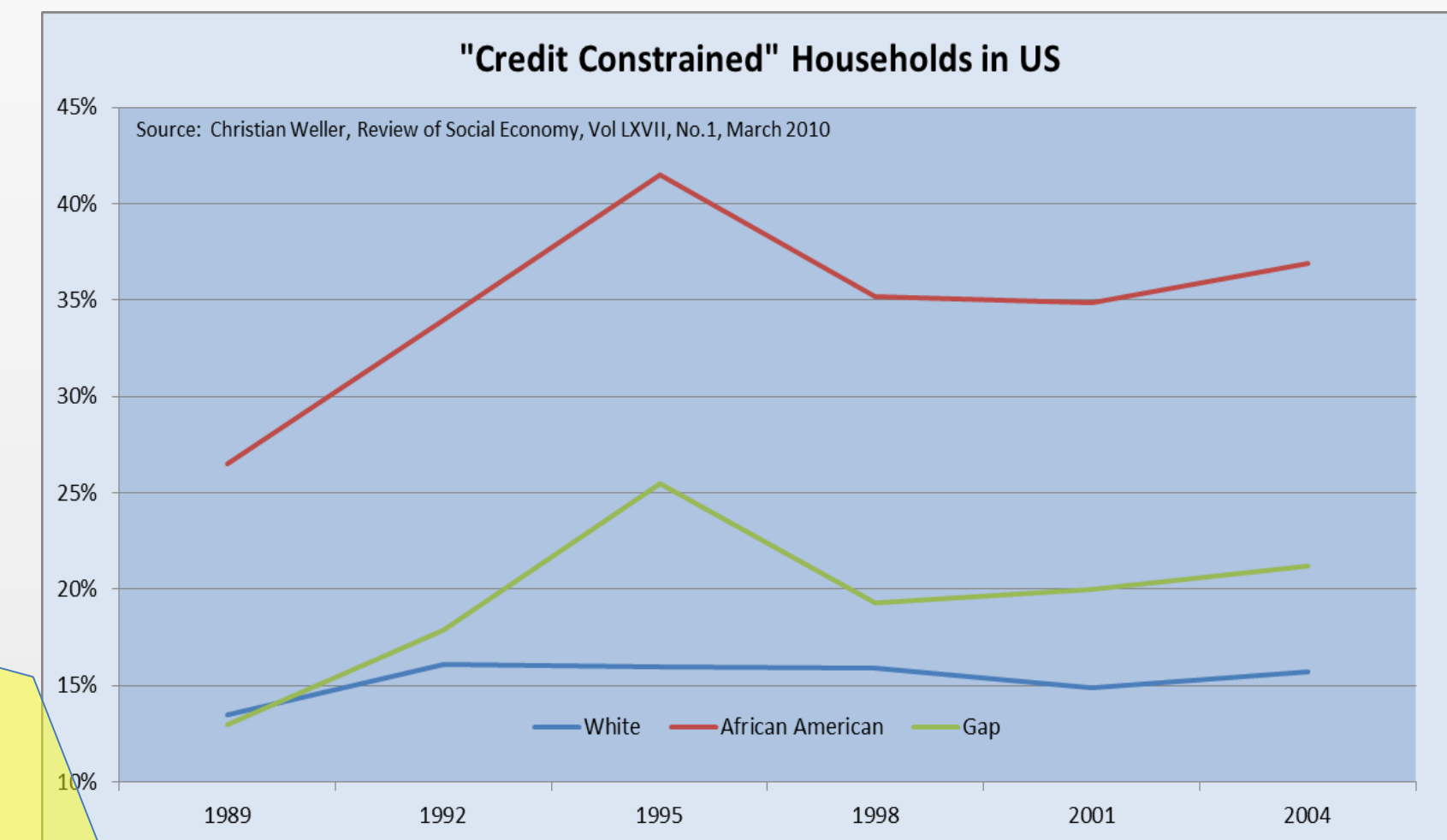
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The FDIC's report on the nation's unbanked and underbanked households exposed that African Americans in St. Louis are 4.4 times more likely to be unbanked than in the rest of the country. Nationally 60 million adults do not have a financial provider or rely on alternative financial providers. The cost of credit is higher in poor communities, which further exacerbates the gap between wealthy and poor. Developing a better understanding of the causal factors underlying household economic security is crucial to effectively help low income and minority populations achieve long-term economic security.



Alternative Financing Trap

- The cost of credit accumulates, making it difficult to make ends meet (R6), which leads individuals into a vicious cycle of renewing loans (R7) and seeking additional payday loans to pay off current ones. (R8)
- Customers of payday loans learn from experience (B6), but are caught in a set of vicious cycles (R6, R7, R8)
- Pressure on customers prevents reform (R9)



Banking Competition and Revenue

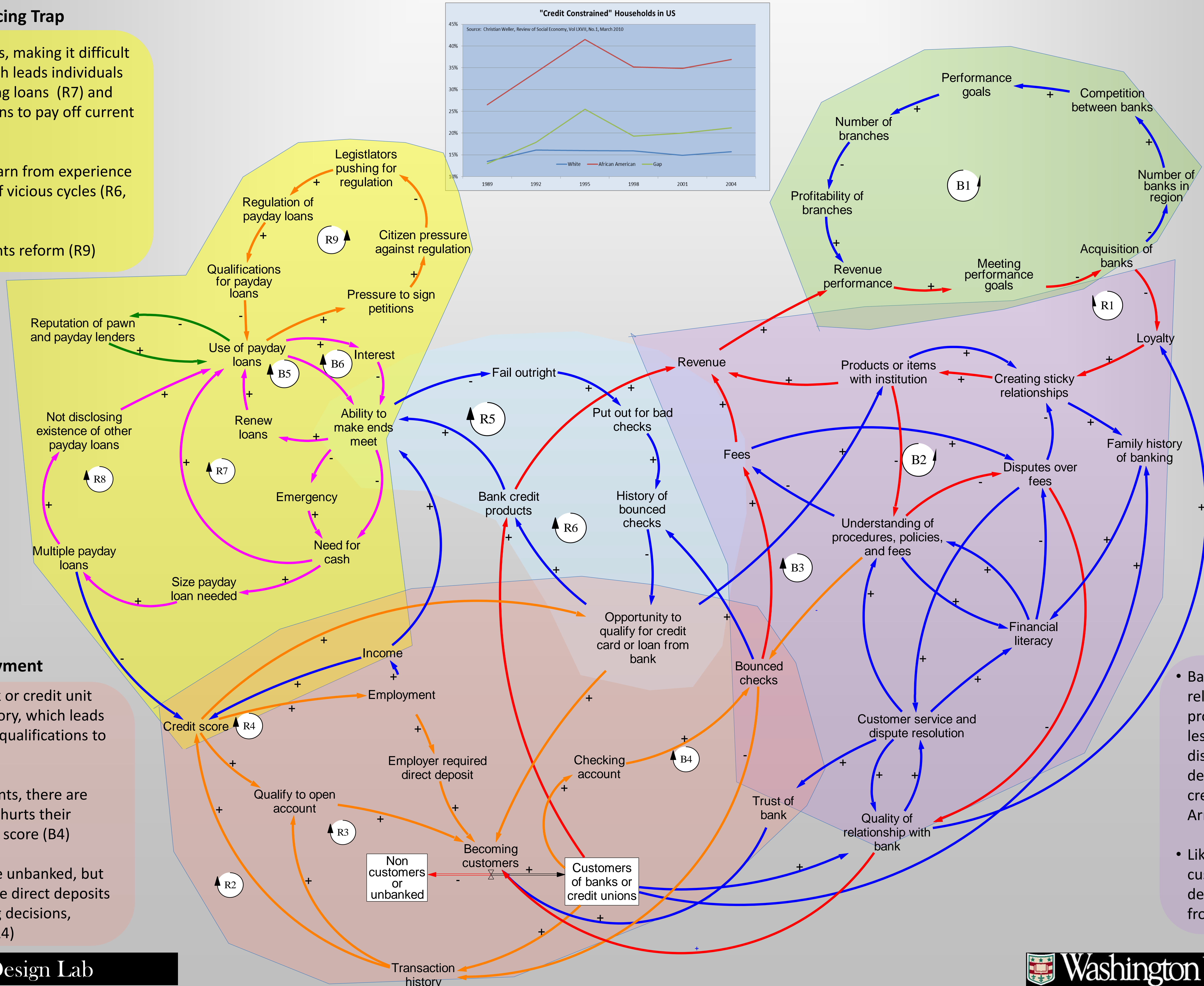
- Increased competition leads to more branches, less profitability of branches and more acquisition of banks that reduces competition (B1)
- Meanwhile, acquisition of banks reduces loyalty to banks which reduces revenue and leads to even more acquisitions (R1)

Access to Credit Products

- Declining opportunity to qualify for credit card or loan from bank makes it increasingly difficult to make ends meet (R5)
- Need for cash leads to use of payday loans, which increases *in the short term* the ability to make ends meet (B5)

Banking & Employment

- Becoming a customer of bank or credit unit may improve transaction history, which leads to improved credit score and qualifications to open accounts (R2, R3)
- But as customers open accounts, there are more bounced checks, which hurts their transaction history and credit score (B4)
- Some customers may become unbanked, but employers increasingly require direct deposits and use credit scores in hiring decisions, creating a downward spiral (R4)



Bank - Customer Relationships

- Banks' desire to create sticky relationships through more products and services leads to less understanding, more disputes, fewer customers and decreased revenue from bank credit products (B2 Red Arrows)
- Likewise, a decrease in customers also leads to a decrease in revenue from fees from bounced checks (B3)