



NEW JERSEY FINANCIAL SERVICE CENTERS, INC.

The Unbanked & Underbanked Consumer in New Jersey

For “unbanked” and “underbanked” New Jerseyans who choose not to use traditional financial institutions to conduct their financial transactions, financial service centers are the way to go.

Who are these consumers?

- According to a recent survey by the FDIC, there are approximately an estimated 30 million U.S. households, representing approximately 60 million people, that are either “underbanked” (43 million) or “unbanked” (17 million).
- In New Jersey, 7.4% of all households are unbanked and an additional 12% are underbanked.
- The underbanked (individuals who have an account but do most of their banking with check cashers a/k/a financial service centers (“FSCs”)) and unbanked (people with no checking or savings accounts) consumers do not use traditional financial institutions, such as banks and credit unions, when conducting their routine financial business; instead, they rely upon FSCs.

Why do these consumers use financial service centers?

Access

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

Interpersonal Service

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

Liquidity

- These consumers often lack the liquidity that is required to open and maintain traditional bank accounts.
- They live paycheck to paycheck and have little, if any, money left over to put into a bank.
- For these consumers, the transaction model of financial services, i.e., paying for every specific service provided is the way to go; it is cheaper than using a bank.