



Bronx Financial Services Survey Report

University Neighborhood Housing Program

University Neighborhood Housing Program (UNHP) works to create and preserve affordable housing primarily in the Northwest Bronx, an area of severe rental burden, housing quality problems and a high rate of foreclosure. UNHP provides direct services to local residents at our Northwest Bronx Resource Center where, in collaboration with other non-profit groups, we provide free programs: financial coaching and workshops, small business help, foreclosure prevention, income tax preparation and first-time Homebuyers Program.

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The Bronx stands well above national and state-wide averages for unbanked and under-banked households. According to a 2010-2013 report released by the Office for Financial Empowerment of the New York City Department of Consumer Affairs, the percent of unbanked households in New York City is 13.4%, compared to 28.7% in the Bronx.¹

In 2012, UNHP released a Banking report, *Creating a Bronx Economy: Banking Options and Alternative Solutions*, in response to growing concerns about whether banks were meeting the needs of neighborhood residents. The report highlighted the fact that the Bronx still has one of the lowest bank to population ratios in the nation, combined with a high prevalence of high-cost fringe and sub-prime financial services.

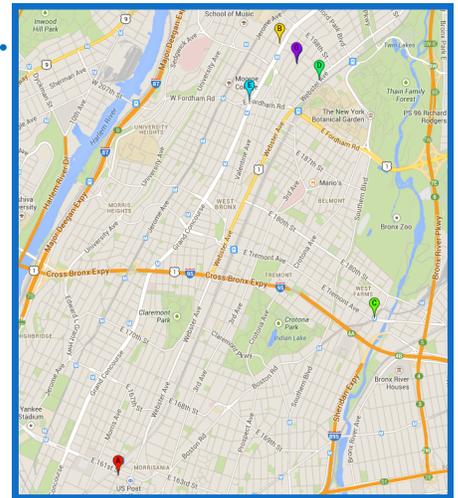
“I am conscious of the exploitation of pawn shops and if I had another alternative – a higher flow of income – I wouldn’t resort to them. But I work 55 hours a week as a home health aid to elderly people. They don’t pay me for late hours and what I make is not enough.”

–Anonymous Survey Respondent

Based on the Bronx Financial Services Survey, this report assesses the existing discrepancy between banking products and the needs of low income Bronx residents. The survey draws attention to the personal banking experiences of Bronx residents and underscores the financial practices and literacy of our respondents. The survey and report together add to the literature on banking in the Bronx through their qualitative and quantitative insights. As a comprehensive evaluation of the financial impediments faced by low income Bronx residents, the report expands the conversation by highlighting the root causes and conditions that hinder banking in the Bronx.

Methodology

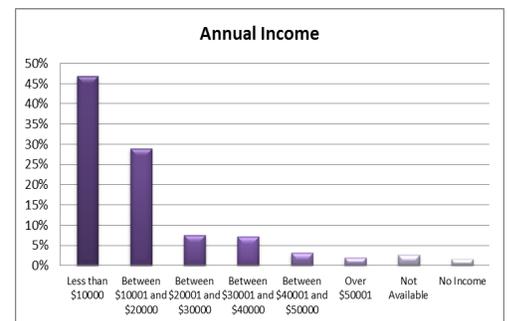
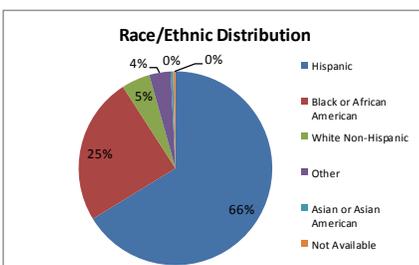
The Bronx Financial Services Survey was conducted anonymously by trained UNHP staff to ensure consistency and full completion. The survey was administered in English and Spanish and focused on respondent experiences using financial services, level of trust for financial institutions, as well as financial practices and literacy. Nine locations were strategically selected to conduct the surveys for different events and at different times in order to access a diverse sampling of Bronx low earner residents who may rely on fringe services.² (See map at right)



Part I: Demographic Information

The Bronx Financial Services Survey was administered to 252 men and women above the age of 18, residing and/or working in the Bronx. The gender distribution of our sample was 70% female, 29% male, and 1% opted to not identify. Our pool of respondents consisted of 66% Hispanic and 25% identified as Black or African American. Out of 252 individuals surveyed, 63% took the survey in English and 37% took the survey in Spanish. When asked to estimate annual income, the vast majority of respondents said they were making below \$20,000 annually; this breaks down to 47% respondents earning less than \$10,000 and 29% between \$10,000 and \$20,000.

It is important to note that a significant number of respondents were receiving some form of government assistance and the highlighted income above does not include public assistance benefits. Our data shows that 59% of respondents were receiving food stamp aid along with other forms of government assistance. According to a report released by the Food Research and Action Center, 29% of the overall Bronx population receives this form of aid.³



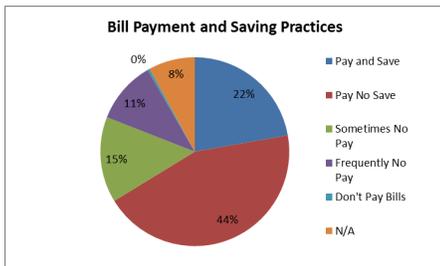
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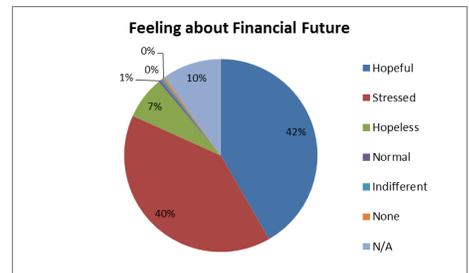
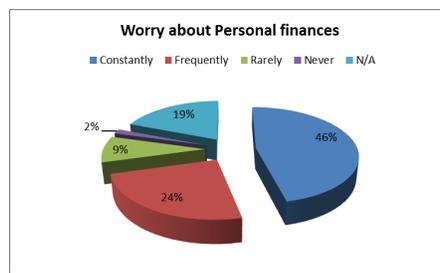
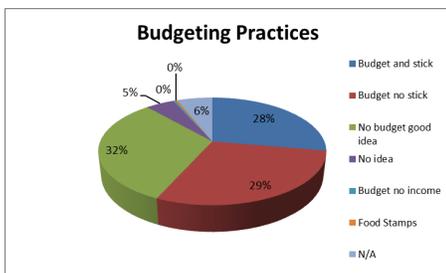
Part II: Financial Practices and Literacy Findings

Low wages and a rising cost of living subject households to rely on exploitative services that offer them short term solutions to immediate financial problems. With 47% of respondents making less than \$10,000 annually, lack of income serves as a major impediment to achieving financial stability. This has the potential of increasing the rate of people who use pawn shops and other fringe borrowing alternatives.

According to survey results, 44% of respondents state they are able pay their bills but cannot save. Another 26% admit to sometimes and/or frequently not being able to pay their bills. In terms of budgeting, 32% said that they do not budget but have a good idea where their money goes, while 29% said that they budget without keeping a balanced spending plan. Additionally, when asked if they worry about their personal finances, 81% said yes, and 70% stated that this worry was constant and/or frequent. 65% percent of survey takers said that they had no savings, while 50% were in debt. 52% of those who answered the question stated they only had savings for at the most one month.



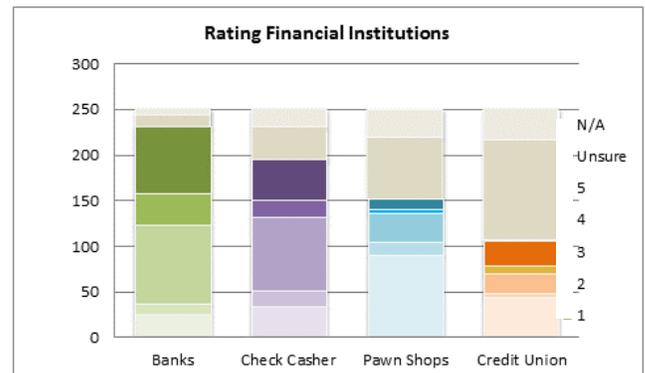
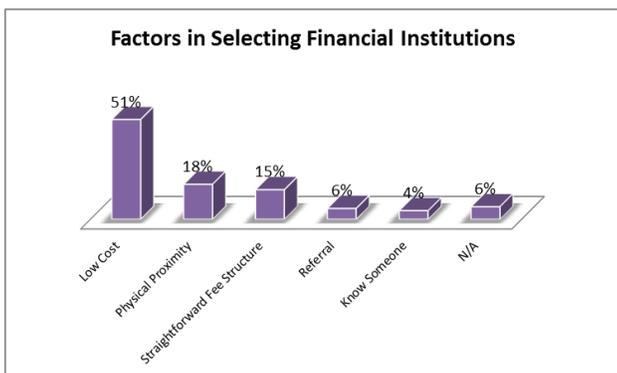
When asked where they learned about how to maintain their personal finances and where they sought financial help, 48% and 51% of respondents respectively said they turned to family or friends. We realized that respondents hesitated when answering this question.



Part III: Relationship with Financial Services

Distrust of Banking Products and Consumer Dissatisfaction

While 78% of respondents have a bank account, surveys and stories reveal respondent distrust for traditional banking. This distrust drives individuals to use fringe services such as check cashers. In conversations with residents, we find that in already struggling households, individuals are wary of hidden and unknown fees from banks. Client dissatisfaction rises if at any point in time fees were charged for failing to comply with mandatory fund requirements without client understanding. When asked to rate their level of trust of banks on a scale of 1-5 – 1 being the lowest and 5 being the highest – 49% of respondents gave banks between 1-3. Respondents expressed that banks need to charge lower fees because people in their community could not afford fees usually associated with banking products. 51% of respondents concluded that the cost of banking was the most important factor in selecting financial institutions, before physical proximity, straightforward fee structure, referral, and knowing someone.



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A number of participants also identified that they could not name the benefits they receive from being customers of their current bank, but that they continued utilizing their account because of the number of years they had been affiliated with the bank. When we look at the percentage of respondents who have a bank account, this number does not necessarily indicate that consumers have had a positive banking experience.

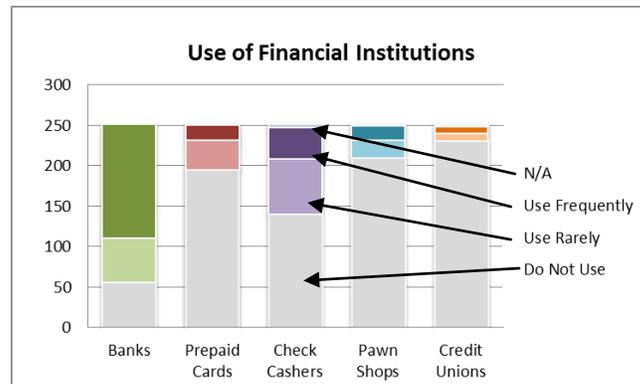
Use of Banking Products: To Receive Benefit Checks

A considerable number of respondents affiliated with a bank for the sole purposes of obtaining their Social Security funds (11% for SSI or SSD; 10% for SSA) which the government makes available only through direct deposit. This new government requirement, implemented between 2010 and 2013, pushes people to mainstream banking in order to access their benefits, but still fails to ensure that banks are meeting the needs of low income account holders.

Strained Finances and Predatory Lending

Our findings show that 15% of respondents use both banks and pawnshops. The individuals who used pawnshops are generally aware of excessive service charges. Respondents clearly understood the fee structure, how much interest they would incur from borrowing from the pawn shop, and the liabilities of using this service. But if individuals are desperate to make their monthly rent payments and have no other borrowing alternatives, pawn shops offer an immediate solution to their problem. 60% of those who answered the question stated using pawn shop services.

In their stories, a higher number of respondents than collected mentioned, at previous points of the survey, that they frequented pawn shops or other quick money alternatives when feeling pressured for cash. According to the *Neighborhood Financial Services Study: An Analysis of Supply and Demand in Two New York City Neighborhoods* of the Office of Financial Empowerment of the New York City Department of Consumer Affairs, there are 0.49 pawnbrokers per 10,000 residents in the Bronx. This rate peaks in the Melrose section of the Bronx, where there are 1.08 pawnbrokers per 10,000 residents, while the city wide average is 0.20 pawnbrokers per 10,000 residents.⁴



Check Cashers and Easy Transactions

The fast, convenient and simple transactions found at check casher sites prompt households to continue utilizing these services. Respondents stated that not having to provide many forms of identification at a check casher provided a greater sense of security and ease. In addition, the closer proximity and abundance of check cashers in their neighborhood made them quicker and easier to access. According to the *Neighborhood Financial Services Study* of the Office of Financial Empowerment, in the Melrose section of the Bronx, the density of check cashers per 10,000 residents is higher than the density of banks in the community.⁵ Check cashers are generally better dispersed in the community, while banks typically cluster in major commercial hubs.

Additionally, a number of respondents stated that they preferred to frequent check cashers because of their per transaction fee structure. Meanwhile, they perceived banks as having a higher and hidden fee structure. Respondents stated that they paid between \$1-\$3 per transaction at the check casher while many were dubious or unsure about how much their banks were charging monthly. 42% of our respondents use check cashers.

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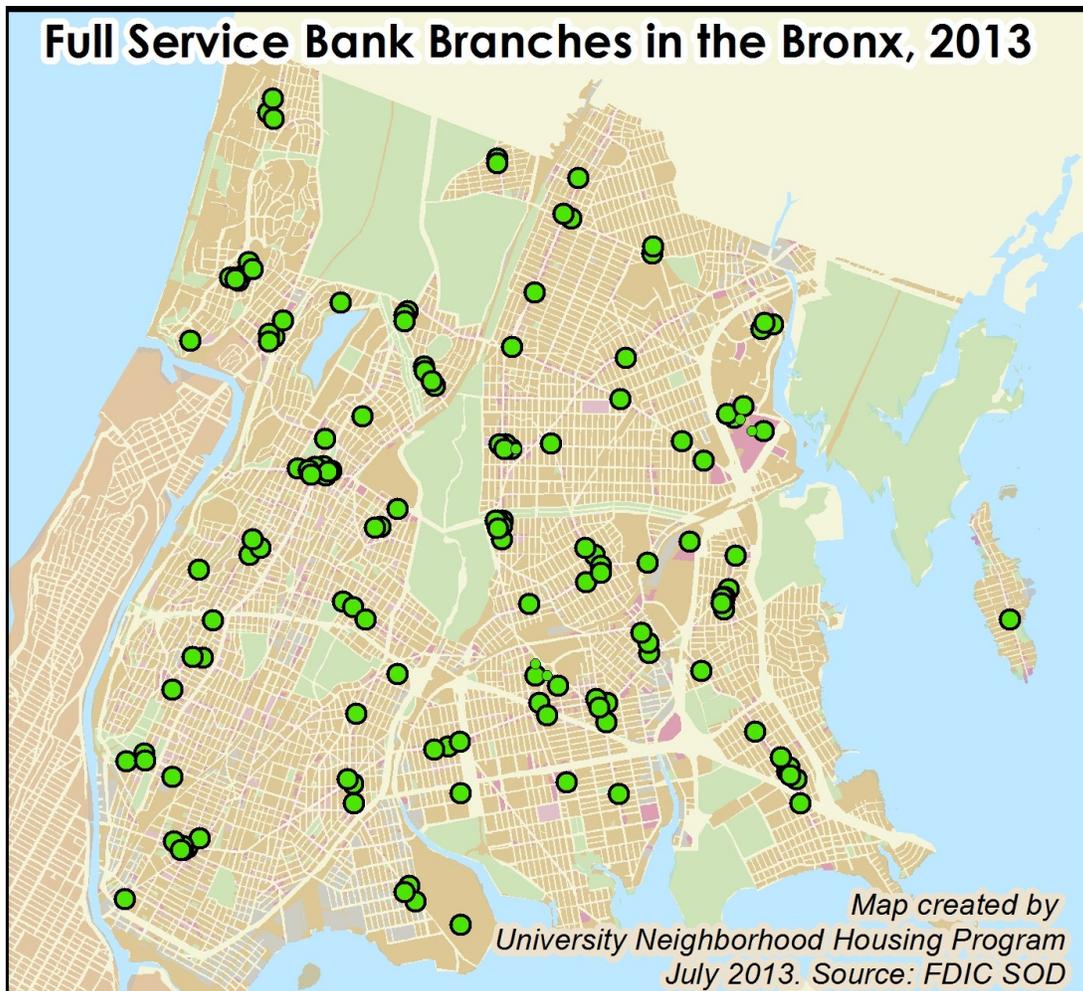


Banking while Check Cashing while Pawning

The data exposed that being affiliated with a bank did not deter people from using other financial services. 29% of survey respondents use both check cashers and banks. A lower but still significant percentage (15%) stated that they use banks and pawn shops. Likewise, 15% of survey respondents said that they use both prepaid cards and banks. From respondent stories, the participants who have prepaid cards open and refill these at check cashers, which exact monthly as well as per transaction fees ranging from \$5-\$25. If individuals accessing banks are also frequenting other financial institutions, it can generally be said that banks are not meeting the financial needs of their customers.

What are Credit Unions and where are they located?

While those who were familiar with credit unions and their services expressed a positive opinion of these institutions, the vast majority of respondents lacked any knowledge about credit unions. This means that households are not given the opportunity to compare banking services to other products, since credit unions sometimes offer more affordable banking products.



Part IV: Recommendations

By offering free and very low cost banking products targeted to low income clients, banks can positively impact our communities. To address distrust towards traditional banking among Bronx residents, banks must improve their customer service and ensure that a transparent and open relationship is maintained between the bank and the client, since even customers with a free bank account simply use banks to withdraw their monthly allocation. This entails clearly outlining banking services offered and implementing a more straightforward fee structure to enhance customer understanding about services being offered.

Access to information must also play an integral part in tackling the barriers to banking in the Bronx. Nonprofit groups and social services agencies should continue educating the community to ensure that individuals are practicing more responsible banking. However, banks should also start thinking outside of standard models to expand convenience of their services to low income residents. This could come in the form of partnerships with other financial institutions or by developing new creative means of banking in the Bronx.

Without better paying jobs, however, individuals will continue to be pressured to turn to exploitative, quick cash services. Even if individuals are informed about fringe services, inability to pay rent or necessary bills only exacerbate the “crisis of affordability” of the Bronx, exemplified by the growing disparity between stagnating wages and increasing rents.

To dismantle the legacy of redlining and community disinvestment, we must introduce more affordable and transparent banking products, educate people on responsible banking through financial education workshops, and bring better paying jobs to the Bronx.

References

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2. The locations/programs where surveys were administered are: UNHP, (B) West Farms Square (C), Bronx Defenders (A), Financial Education Workshop (F), Citizenship Classes (G), Part of the Solution (D), Bally Total Fitness (E), and LIFT. (D)
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4. New York City Department of Consumer Affairs. "Neighborhood Financial Services Study: An Analysis of Supply and Demand of Two New York City Neighborhoods." [NYC.gov. http://www.nyc.gov/html/ofe/downloads/pdf/NFS_Compiled.pdf](http://www.nyc.gov/html/ofe/downloads/pdf/NFS_Compiled.pdf) (accessed November 5, 2013), 23.
5. Density of Banks and Credit Unions in Melrose per 10,000 residents is 0.82

Density of Check Cashers in Melrose per 10,000 residents is 0.93

New York City Department of Consumer Affairs. "Neighborhood Financial Services Study: An Analysis of Supply and Demand of Two New York City Neighborhoods." [NYC.gov. http://www.nyc.gov/html/ofe/downloads/pdf/NFS_Compiled.pdf](http://www.nyc.gov/html/ofe/downloads/pdf/NFS_Compiled.pdf) (accessed November 5, 2013), 23.

*For more information, read our 2012 report
on Banking in the Bronx!*

<http://www.unhp.org/pdf/BankingInTheBronx.pdf>

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