



Serving The Underbanked And Unbanked

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Summary: If you are looking for more customers, the unbanked and underbanked may be worth reviewing. We give you some things to think about here.

You may not have thought about it, but the average square footage (sf) per employee in North America is about 150 sf/person. Large offices can be up to 400 sf in size, while small ones can be 90 sf.

No matter how much or little airspace you have at work, we know that bank margins increasingly have less and less, while competition is intensifying. As such, you may want to consider another source of potential revenue--offering products and services to people who are currently unbanked or underbanked.

A growing number of banks are offering innovative deposit and loan products to this group, as well as personal finance management tools to help people transition into the banking system.

If you are hesitant, think about this--these banks are also willing to help you, too. You can collaborate with successful banks within the [Financial Health Network](#). By joining one of the network's working groups, you can share best practices with your peers and avail yourself to the network's consumer and market research to design products and services that best fit your business model and market demographics.

The [Small-Dollar Credit Test & Learn Working Group](#) white paper details a university research study that analyzed the performance of the members' small-dollar loans for unbanked and underbanked individuals. Strategies to increase performance include designing "for success, not failure" by including features that increase the chances of customer repayment, such as amortizing payments, low loan minimums and payment due dates that are aligned with payday.

This is the opposite of designing products usually, where maximum profit is the focus. That could increase probabilities of default, so thinking differently can be interesting.

There's certainly the opportunity to capture many new customers, as roughly 8.4mm of US households were unbanked in 2017, according to the [latest FDIC survey](#). An additional 24.2mm of US households were underbanked, meaning the household had an account at an insured institution, but also obtained financial products or services outside of the banking system, such as money orders and payday loans.

The FDIC's survey found that 25% of unbanked households are very likely or somewhat likely to open an account, if asked. Doing so is even higher among those who had opened a bank account at some point in the past.

The agency recommends that banks utilize new underwriting technologies that can better assess the risk of individuals with little or no credit history. Banks could also enhance their mobile apps to offer small-dollar loan products and personal finance management tools, as many underbanked already use bank apps for basic transactions.

There are many ways to increase your revenue in a safe manner by offering the right products and services to these underserved potential customers. Good luck out there.

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