

Courtesy of the Fort Worth Star-Telegram

MONEY SAFETY

Bankless Americans may face financial confusions

By JEANNINE AVERSA
The Associated Press

WASHINGTON -- Grandma, who stuffs money under the mattress, isn't the only one living outside the banking system. As many as 28 million people in the United States are forgoing traditional financial institutions because of mistrust, cultural and language barriers or a belief that by the time all the bills are paid there will be nothing left for an account. That can be expensive and risky. People can run up big fees to cash checks, pay bills and meet other financial needs. Walking around with large amounts of cash can make them a target for thieves.

The bankless are estimated to earn hundreds of billions of dollars a year in income. Seeing a business opportunity banks are trying to draw in these potential customers. So, too, are check-cashing businesses and retailers, including Wal-Mart.

Many people, however, still resist preferring to remain in the financial shadows. According to the Federal Reserve, about one in 12 families – 8.7 percent – lacks a bank account.

Who they are

Non-banked tend to be poorest, nearly a quarter of families earning less than \$18,900 don't use a bank, the Fed said. They also tend to be young minorities — Hispanic or blacks especially. “I don't understand about this bank stuff,” says 54-year-old Rosa, a cake decorator in Texas. A nagging fear that she might miscalculate “if I don't keep up with it right or something” keeps her from opening an account. She keeps her money at home, tucked inside books. “When I need money for gas, get a little bit out,” she says. “When I pitch in for groceries, I get it out. But sometimes I'm scared the house can burn down. My money will be burned with it.” Or, there could be a break-in, she worries. (Her last name is being withheld to protect her). Carlos, a 25-year-old cook, says his uncle told him it would be expensive to patronize a bank “because if you don't have money in the account, [the bank] is going to be charging you.”

But non-banking can be expensive, too.

“It can be costly to be outside the banking system. The poor pay more,” says John Caskey, economics professor at Swarthmore College. A

Consumer Federation of America survey of check-cashing outlets found that on average, it cost \$24.45 to cash a \$1,002 Social Security check last year.

A blue-collar worker pays an average \$19.66 every week to cash a \$478.41 check. Some potential perils for the un-banked include theft, forgetting where cash was stashed or misplacing money.

In Prince William County, Va., there were 351 robberies last year and more than 40 percent involved Hispanic victims — many of whom were new to the country — who carried large

amounts of cash, says Police Chief Charlie Deane. Many of the robberies occurred on paydays, Thursdays or Fridays. “The criminal element is aware that many of these people do not put their money in a bank,” Deane says. “Many of these individuals are living in conditions where they have to share common space, so they often don’t have ways of securing their cash where they live. So therefore they carry the cash with them,” he said.

Although there is no federal requirement for banks to offer low cost, no frill accounts, some do.

“Some have very low-dollar accounts. Some have accounts that have to maintain a minimum balance,” said James Ballentine, director of community and economic development at the American Bankers Association.

Families without checking accounts

The most common reason given by families who do not have a checking account was that they do not write enough checks, a recent survey found.

Reasons for not having an account:

27.9% Do not write enough checks

22.6% Do not like dealing with banks

14.4% Do not have enough money

12.4% Minimum balance is too high/cannot manage an account

11.6% Service charges are too high

11.1% Other

Source: The Federal Reserve