

# As the Recovery Progresses, Use of Nonbank Credit Rises

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The use of alternative financial services (AFS) credit products continues to evolve, according to the recently released 2013 National Survey of Unbanked and Underbanked Households. More households—especially households with annual incomes of \$30,000 and higher—used AFS credit products in 2013 than in 2011.<sup>1</sup>

7.0%

Share of US households using nonbank credit in 2013

48%

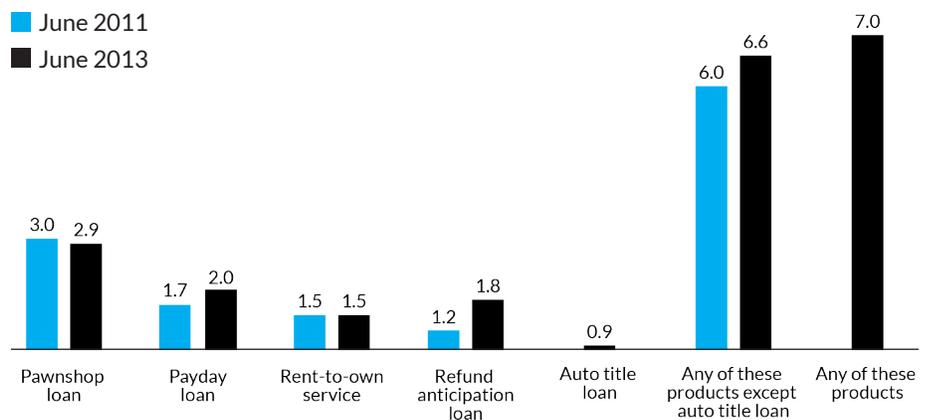
Share of AFS credit users with \$30,000+ household income

## KEY FINDINGS

- An increasing share of US households used AFS credit products between 2011 and 2013 (figure). The rate of prior-year AFS credit use rose from 6.0 percent to 6.6 percent, using a consistent measure of alternative financial services (i.e., pawnshops, payday loans, refund anticipation loans, and rent-to-own services). This increase translates into about 750,000 more households using such high-cost credit sources at some time over the course of a year.
  - » Between 2011 and 2013, prior-year use of payday loans and refund anticipation loans rose. The usage rate remained unchanged for

## MORE HOUSEHOLDS ARE USING NONBANK CREDIT

US households that used AFS credit products in past 12 months (percent)



Sources: FDIC (2014), 42, 47; FDIC (2012), 78, 80.

Note: Data for auto title loans were not collected for the 2011 survey.

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rent-to-own services and declined marginally for pawnshop loans.

» The 2013 survey also asked about auto title loans. If these services are included in the AFS measure, the share of US households using AFS credit products in the past 12 months increases to 7.0 percent (8.7 million households).

- Households that use AFS credit products are increasingly middle- and upper-income. The share of prior-year AFS credit users with annual household incomes above \$30,000 rose from 42 percent in 2011 to 48 percent in 2013 (table).<sup>2</sup>

As the nation's recovery from the Great Recession has progressed, more American households have turned to high-cost alternative credit sources to meet their consumption needs. And, more of these households have annual incomes that would have protected them in earlier times from reliance on high-cost credit. The depletion of households' own assets, the reduced availability of help from social support networks, diminished credit-worthiness, and the tightening of small-dollar credit availability in the traditional financial marketplace may all be contributing to this trend.

**MORE MIDDLE- AND UPPER- INCOME HOUSEHOLDS ARE USING NONBANK CREDIT**

US households that used AFS credit products in past 12 months by annual income (percent)

	<b>JUNE 2011</b>	<b>JUNE 2013</b>
Less than \$15,000	30	25
\$15,000–\$29,999	28	28
<b>Subtotal: Less than \$30,000</b>	<b>58</b>	<b>52</b>
\$30,000–\$49,999	22	23
\$50,000–\$74,999	13	14
At least \$75,000	7	11
<b>Subtotal: At least \$30,000</b>	<b>42</b>	<b>48</b>

Sources: FDIC (2014, appendices), 67; and FDIC (2012), 75.

Note: Data for auto title loans were not collected for the 2011 survey.

Notes: 1. The survey has been conducted biennially by the Census Bureau in partnership with the Federal Deposit Insurance Corporation (FDIC). For the two most recent surveys, see 2013 FDIC National Survey of Unbanked and Underbanked Households, October 2014; and 2011 FDIC National Survey of Unbanked and Underbanked Households, September 2012. This fact sheet highlights findings from those two surveys regarding the use of AFS credit products over the 12 months preceding each survey. These two periods (ending in June 2011 and June 2013, respectively) correspond to the second and fourth years of recovery from the Great Recession (December 2007–June 2009).

2. This pattern continues a trend that occurred between 2009 and 2011, as noted in Gregory B. Mills and William Monson, "The Rising Use of Nonbank Credit among US Households" (Washington, DC: Urban Institute, 2013, Unemployment and Recovery Project Brief 14).

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