

A conference co-sponsored by the Payment Cards Center & the Community Affairs Department of the Federal Reserve Bank of Philadelphia

# PAYMENTS, CREDIT, AND SAVINGS

## THE EXPERIENCE FOR LMI HOUSEHOLDS

MAY 21 - 22, 2007



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In the United States, over 50 million low- and moderate-income (LMI) households make financial decisions that determine how purchases are made, bills get paid, money is borrowed, and savings set aside. Despite these everyday financial decisions, the rationale LMI households apply when making financial choices remains less clear.

To help expand empirical research in this area, Michael S. Barr of the University of Michigan Law School was selected to serve as faculty investigator for the 2005-2006 Detroit Area Study (DAS). The DAS has been conducted under the auspices of Michigan's Institute for Social Research, Survey Research Center (SRC) for more than 50 years. The 2005-2006 DAS surveyed low-, moderate-, and middle-income households in the Detroit metropolitan area about 1) how and why they use a wide array of financial services, as well as the costs and benefits of such services and 2) how they would respond to new types of cost-effective financial products tailored to their needs. Through the 2005-2006 DAS, Barr hopes to develop a more complete understanding of the financial behaviors and motivations of LMI households and the related constraints on their use of traditional and emerging financial products and services.

The Payment Cards Center and Community Affairs Department of the Federal Reserve Bank of Philadelphia invited Michael Barr to collaborate on organizing a discussion addressing key research themes from the 2005-2006 DAS, all of which focus on LMI households' access to, preferences for, and use of consumer financial services. These sessions address three specific financial activities: making payments, accessing credit, and setting aside savings. In each case, Professor Barr or one of his co-authors will share insights gained from the 2005-2006 DAS, followed by remarks from a panel of subject matter experts that may include viewpoints from the financial services industry, academic community, consumer and community development organizations, or federal or state policymaking agencies. Finally, in each case, time has been set aside for an open discussion among panelists and conference participants to collectively consider how changes in the financial services market or in banking policy may better serve LMI households' financial needs.

The program is intentionally structured to encourage an interactive dialogue among invited conference participants. The analysis from this diverse set of experts is intended to develop new insights into this generally underserved segment of the financial services market, insights that may help lead to economically viable financial services solutions.

### Monday, May 21

Executive Area Bridge (3rd Floor)

- 5:30 p.m. Registration
- 6:00 p.m. Welcome Reception
- 7:30 p.m. Reception Ends

### Tuesday, May 22

Pennsylvania Room (3rd Floor)

- 8:15 a.m. Registration and Continental Breakfast
- 8:45 a.m. Welcome and Introductions
  - Speakers: Peter Burns, Federal Reserve Bank of Philadelphia  
Dede Myers, Federal Reserve Bank of Philadelphia
- 9:00 a.m. **Setting the Stage: 2005-2006 DAS Methodology and Objectives**
  - Speaker: Michael Barr, University of Michigan Law School
- 9:30 a.m. **Banking into the Financial Mainstream: Barriers Faced by the Underserved**
  - What are the barriers to having a bank account?
  - What are the consequences of not being part of the banking system?
  - Speaker: Sandra Braunstein, Board of Governors of the Federal Reserve System
- 10:00 a.m. Break
- 10:30 a.m. **Driving Payment and Transactional Banking Choices: Product Attributes Valued by LMI Households**
  - What do LMIs want from their banking and payment products?
  - What are the consequences of limited and inefficient payment alternatives for LMIs?
  - Are payment cards a useful complement, substitute, or path to becoming banked?
  - What can be done to provide better payment products for this consumer segment?
  - Moderator: Jennifer Tescher, Center for Financial Services Innovation
  - Panelists: Ed Bachelder, Dove Consulting, a Division of Hitachi Consulting  
Bob Bucceri, Chaddsford Planning Associates, LLC  
Patricia Hasson, Consumer Credit Counseling Service of Delaware Valley  
Jonathan Zinman, Dartmouth College
- 12:00 p.m. Lunch
- 1:00 p.m. **Access to Credit: Payday Lending and Alternative Credit Products**
  - Are creditworthy LMI borrowers denied access to credit or paying too high a price?
  - What are the consequences of insufficient or too-costly access to credit?
  - What can be done about it?
  - Moderator: Michael Barr, University of Michigan Law School
  - Panelists: Ronald Mann, University of Texas School of Law  
Joe Smith, Commissioner of Banks of North Carolina  
Alan White, Community Legal Services, Inc./Valparaiso School of Law
- 2:20 p.m. Break
- 2:40 p.m. **Encouraging Personal Savings: Challenges and Opportunities**
  - What do LMI households need to save for? What are the tools used to save?
  - What are the consequences of insufficient savings?
  - What can we do about it?
  - Moderator: Stephen Brobeck, Consumer Federation of America
  - Panelists: Jane Dokko, Board of Governors of the Federal Reserve System  
Patrick Kelly, Bank of America  
Eldar Shafir, Princeton University
- 4:00 p.m. Closing Remarks
  - Speakers: Peter Burns, Federal Reserve Bank of Philadelphia  
Dede Myers, Federal Reserve Bank of Philadelphia
- 4:15 p.m. Conference Adjourns