

FINANCIAL INVISIBLES REPORT

A **uniFund** COLLABORATION

THE FOUR FINANCIAL PERSONAS



No Worries

98%

HAVE BANK ACCOUNTS



Second Chances

92%

HAVE BANK ACCOUNTS



On the Edge

50%

HAVE BANK ACCOUNTS



Shut Outs

66%

HAVE BANK ACCOUNTS



2X

MORE LIKELY TO BE UNEMPLOYED

14%

ARE UNABLE TO GET CREDIT CARD



58%

LIVE PAYCHECK-TO-PAYCHECK

66%

WOULD LIKE ACCESS TO CREDIT

FINANCIAL INVISIBLES REPORT

ACKNOWLEDGMENT

The Financial Invisibles Report was done in collaboration with Unifund and PYMNTS is grateful for the company's support and insight. [PYMNTS.com](https://pymnts.com) retains full editorial control over the findings presented as well as the methodology and data analysis.

INTRODUCTION

In ruminating on writing *A Room of One's Own*, Virginia Woolf took a moment to admire the magical power of her purse to pay a bill. "It is a fact that still takes my breath away — the power of my purse to breed ten-shilling notes automatically," she marveled. "I open it and there they are. Society gives me chicken and coffee, bed and lodging, in return for a certain number of pieces of paper..."

Society has since moved a long way from Woolf's "magical" purse with 10 shilling notes. Now, we have magical bank accounts with digital numbers and credit cards allowing people to spend even if their purses or wallets are, in fact, quite empty.

Yet, even in today's world, not everyone is guaranteed a bank account or a credit card. Delinquency or bad credit can bar people from participating in the traditional financial system. Moreover, not everyone

wants to participate. Financial Invisibles are people who do not participate in the traditional financial system, either by choice or because they cannot.

In this report, PYMNTS, in conjunction with Unifund, examines how the general population uses its credit and deals with paying bills. We also aim to make invisibles visible, both by diving into who they are and what separates those forced by circumstances to be invisible from those who simply choose to be.

We surveyed 2,001 Americans to ask them about their financial habits and circumstances. Our sample generally, demographically mirrors the U.S. population with one important exception: We sought relatively low-income Americans to help deepen our insights into the use of credit by those who are financially challenged.

We divided respondents into four different profiles:



People who have no delinquencies and can fully participate in the financial system



People who had delinquencies in the past but can still participate in the financial system



People who struggle to make ends meet and have no delinquencies, but are not able to participate in the financial system



People who had delinquencies in the past and are unable to participate in the financial system as a result

We'll use these profiles to examine a variety of issues, including how each handles bill payments and uses credit products as well as the impact of traumatic events on an individual's financial stability. Finally, we'll take a deep dive into, and shed light on, the differences between Voluntary Invisibles and Involuntary Invisibles.

KEY FINDINGS



SHUT OUTS have credit scores of approximately 525.
ON THE EDGES are around 589.
NO WORRIES, by contrast, had a score of 714.



Only 4 percent of **SHUT OUTS**, 30 percent of **ON THE EDGE**
 and 65 percent of the **NO WORRIES** group have credit cards.



Almost all the **SHUT OUTS** without credit cards
 — approximately 98 percent — can't get them.



One-third of **ON THE EDGE** group members do not have credit
 cards, and 92 percent don't want them.



Even 40 percent of the **NO WORRIES** group live paycheck-to-paycheck,
 and 85 percent of the **SHUT OUTS**, 73 percent of the **SECOND CHANCES**
 and 66 percent of the **ON THE EDGE** group do, too.



More than one-third of all people who cannot get credit cards use prepaid cards
 as an alternative. The next most common financing technique is to borrow
 from friends and family, used by 22 percent of these respondents.



Seventy-five percent of the **SHUT OUTS** group was contacted
 by a bill collector in the last year.



SHUTS OUTS were almost twice as likely to have suffered a life-changing event
 like divorce or death than **NO WORRIES** — 72.1 percent versus 37.1 percent
 — with **SECOND CHANCES** at 59.6 percent and **ON THE EDGE** at 43.9 percent.



Sixty-nine percent of Involuntary Invisibles have experienced life-altering events.
 This is a much higher rate than the Voluntary Invisibles and Visibles groups,
 of which 43 percent and 46 percent have experienced such life events, respectively.

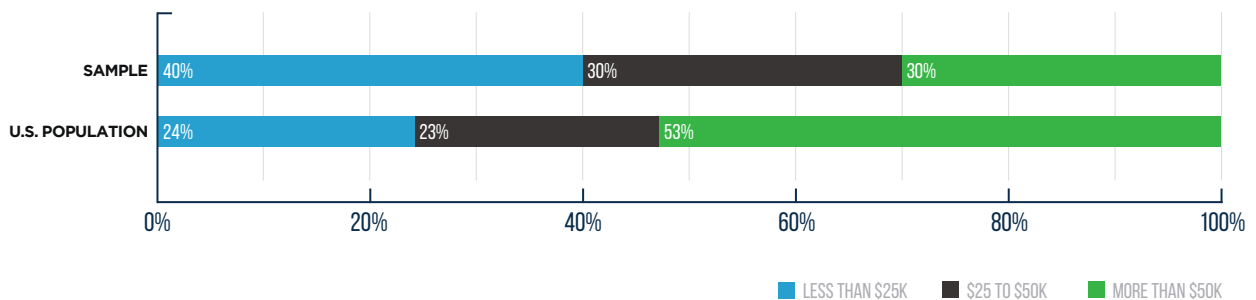
HOW WE CONDUCTED THE SURVEY

We surveyed 2,001 individuals in August 2017, asking them 32 questions about their use of checking accounts, savings accounts, credit products, credit cards, products they would like to use, their ability to pay monthly bills and the degree to which they are late and/or delinquent with their financial obligations. We also asked two questions about disruptive life events that may or may not have triggered financial hardships, as well as 13 questions characterizing the respondents such as age, income, education and employment, among others.

The survey was constructed to mimic the population of the United States with respect to gender, age and geography of the respondents. To learn more about potential financial hardships, however, we oversampled lower-income U.S. individuals.

Figure 1 shows 24 percent of the U.S. population have annual household incomes below \$25,000, and our study mirrors that with 40 percent of our sample making less than \$25,000. Similarly, 47 percent of the U.S. population has an annual income below \$50,000 and 70 percent of our sample earns \$50,000 or less per year.

FIGURE 1. COMPARISON OF OUR SAMPLE TO THE US POPULATION



The focus of our study was on understanding how people differ in terms of their financial challenges and use of credit products. To do that, we compared results across our persona groups.¹

¹ Because our sample is skewed toward lower-income, our overall results cannot be projected against the full U.S. population. While we cannot infer trends in the total population from the results in this study, we can compare results across groups of people. For example, 49 percent of our sample belong to the No Worries group and 12 percent belong to the Shut Out group. We also see that 68 percent of No Worries and 30 percent of Shut Out have credit cards. Since we oversampled, we cannot say 49 percent of Americans belong to the No Worries group, but we do know that No Worries members are much more likely to have credit cards than those in Shut Out.

FROM NO WORRIES TO SHUT OUT: THE FOUR FINANCIAL PERSONAS

We identified four personas ranging from people who had no problem paying their bills to people who were unable to obtain credit cards or bank accounts due to financial delinquencies. The four personas are listed below:



These individuals have no collection or financial delinquencies in the last several years and can pay all their bills on time. They might have an occasional late or missed payment, but those are uncommon. In addition, members of this group have bank accounts or credit card accounts, or have chosen not to have them.



These individuals have had one or more collection or delinquency incident in the last several years, but are still able to obtain bank accounts and credit cards.

These individuals have had no collection or financial delinquencies during the last several years. However, they live paycheck-to-paycheck and struggle to pay their bills each month. Several do not have bank accounts or credit cards because they are not able to obtain them.



These individuals have had one or more financial delinquency or collection incident in the last few years, and do not have bank accounts or credit cards and are unable to get them.



FIGURE 2. SAMPLE BREAKDOWN BY PERSONAS

We found cutting the data according to these persona profiles gives us a much better understanding of how people are using credit and what they would like from the financial system's perspective.

Figure 2 reports the breakdown of our sample by personas. Approximately half of our respondents belong to the No Worries persona, 12 percent fell into On the Edge, 28 percent in Second Chances and 11 percent in Shut Out.

The members of the No Worries and Second Chances groups are much more like each other than members of the Second Chances are to those in Shut Out, as shown in Table 1.

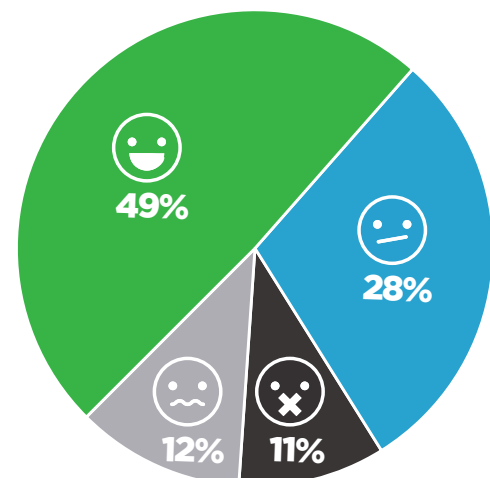






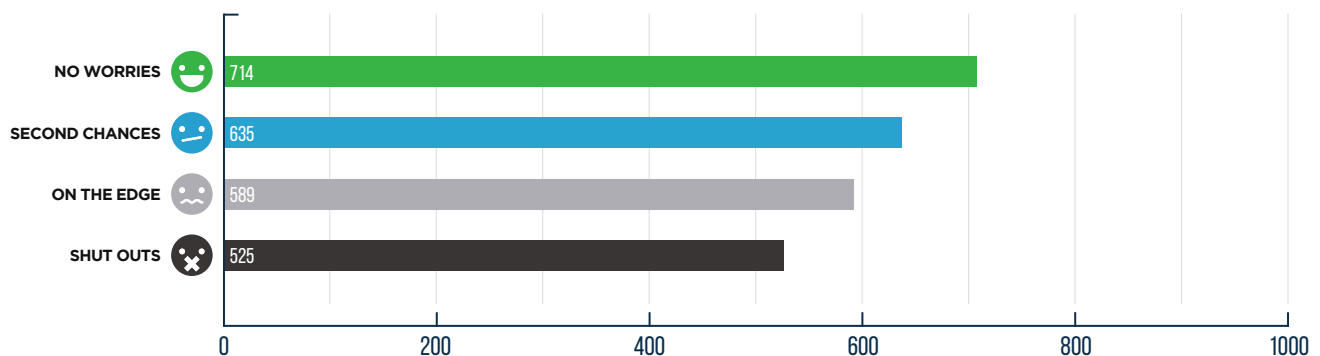
TABLE 1. SUMMARY OF KEY CHARACTERISTICS FOR EACH PERSONA GROUP

	 No Worries	 Second Chances	 On the Edge	 Shut Outs
AVERAGE AGE	43.4	43.3	37.8	42.6
AVERAGE INCOME	52.4	47.8	32.5	33.1
PERCENTAGE MALE	51.2%	54.2%	40.2%	37.2%
PERCENTAGE WITH COLLEGE DEGREES	45.5%	35.8%	23.5%	19.0%
PERCENTAGE WHO OWN THEIR RESIDENCES	59.4%	48.2%	32.1%	33.2%
PERCENTAGE WITH FULL-TIME JOB	42.8%	44.9%	21.4%	27.0%
PERCENTAGE NOT WORKING (NOT RETIRED)	22.7%	27.4%	52.1%	47.3%
PERCENTAGE RETIRED	20.4%	13.9%	12.4%	10.2%
AVERAGE CREDIT SCORE	714	635	589	525

Compared to the On the Edge and Shut Out personas, the No Worries and Second Chances are more likely to be male with college degrees and full-time jobs. The On the Edge and Shut Out groups have a much lower income and are more likely to report themselves as not working, either because they cannot find a job or are not looking.

Not surprisingly, as shown in Figure 3, average credit score declined by the degree of challenges group members face. The No Worries group has an average score of 714. Second Chances' average credit scores were 79 points below No Worries, On the Edge saw scores 125 points lower and the Shut Outs were 191 points lower.

FIGURE 3. AVERAGE CREDIT SCORE BY PERSONA



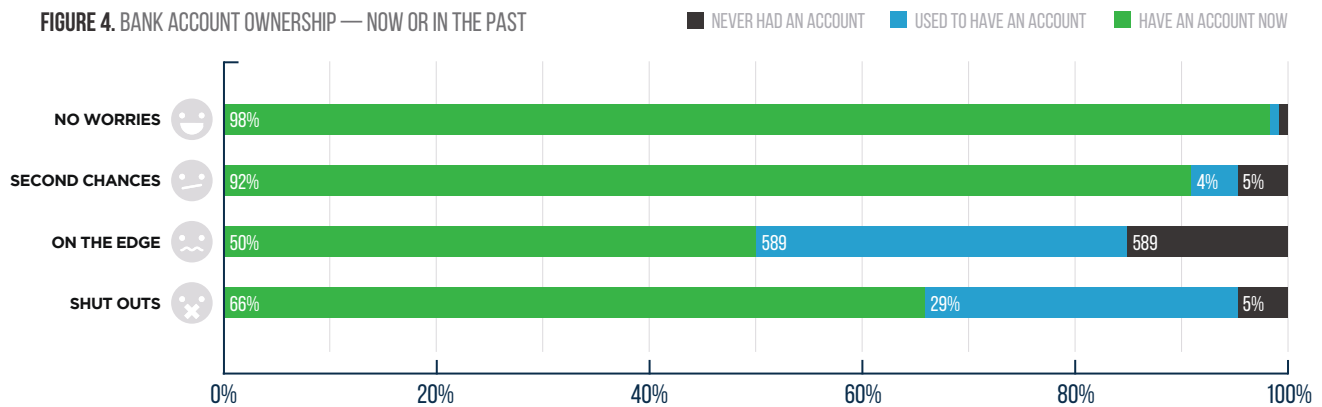
OVERVIEW

Most people use traditional financial products such as savings accounts, checking accounts and credit cards to manage their day-to-day finances and pay bills. Using these types of financial products is often efficient and inexpensive.

And, we found, most people in our study have bank accounts. In fact, 86 percent of our respondents

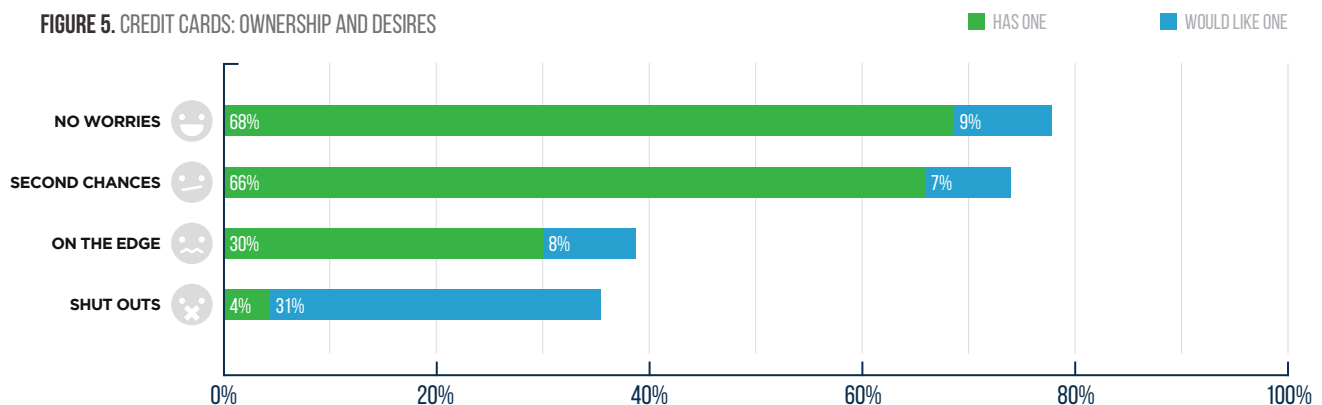
reported having a savings or checking account, and two-thirds of those who do not currently have bank accounts have had them before. As shown in Figure 4, there are significant differences across personas, though. Almost all No Worries (98 percent) and Second Chances (92 percent) members reported having current bank accounts, though just 50 percent of On the Edge and 66 percent of Shut Outs said the same.

FIGURE 4. BANK ACCOUNT OWNERSHIP — NOW OR IN THE PAST



As shown in figure 5, more than 65 percent of both the No Worries (68 percent) and Second Chances (66 percent) personas have credit cards, compared to 30 percent of On the Edge and only 4 percent of Shut Outs. For the most part, people who want credit cards have them, according to our findings. In fact, fewer than 10 percent of the people without credit cards want one — with the strong exception of the Shut Out group, in which 31 percent do not have one but would like to get one.

FIGURE 5. CREDIT CARDS: OWNERSHIP AND DESIRES



OVERVIEW

There are several reasons why people don't have credit cards. Forty percent of the No Worries and Second Chances groups said credit cards were a financial challenge that encouraged overspending. Meanwhile, 50 percent of On the Edge mentioned they did not trust credit cards. Not surprisingly, 98 percent of Shut Outs reported they cannot get a credit card.

Credit cards are indeed the most common financial credit product available, and there are many traditional and alternative product options. In

Figure 6a, we see store cards, mortgages and auto loans as the next most common financial products after credit cards. Prepaid cards are interesting in that they are not credit products like the others, but are still very important for those respondents who are unable to obtain credit cards.

Speaking of those unable to obtain cards, Figure 6b shows alternative products are much more important for such respondents. A loan from family and friends is the most important alternative product followed by pawnshops and payday loans.

FIGURE 6A. USE OF TRADITIONAL CREDIT PRODUCTS, BY IF THE RESPONDENT CAN OBTAIN A CREDIT CARD

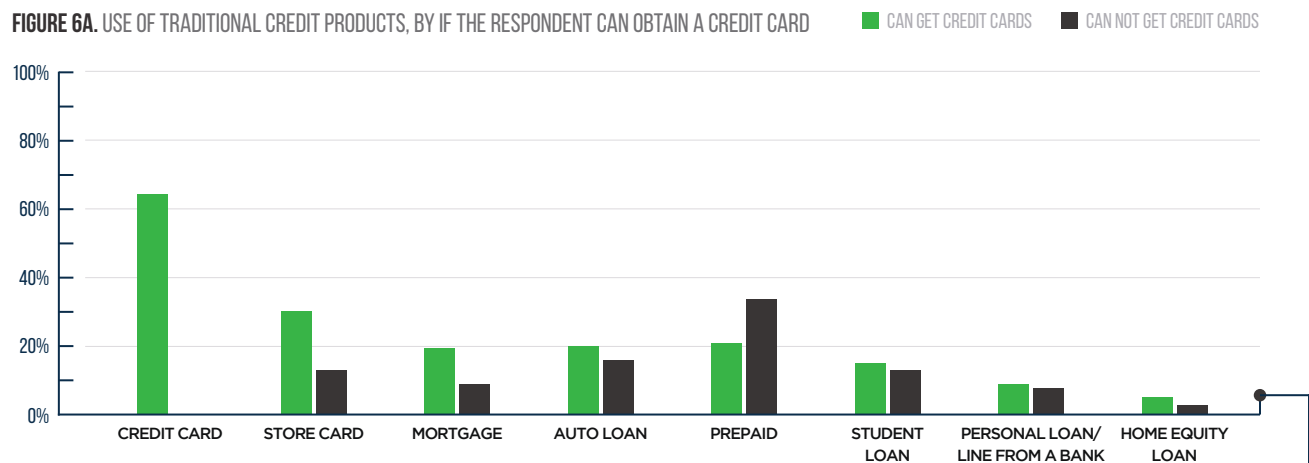
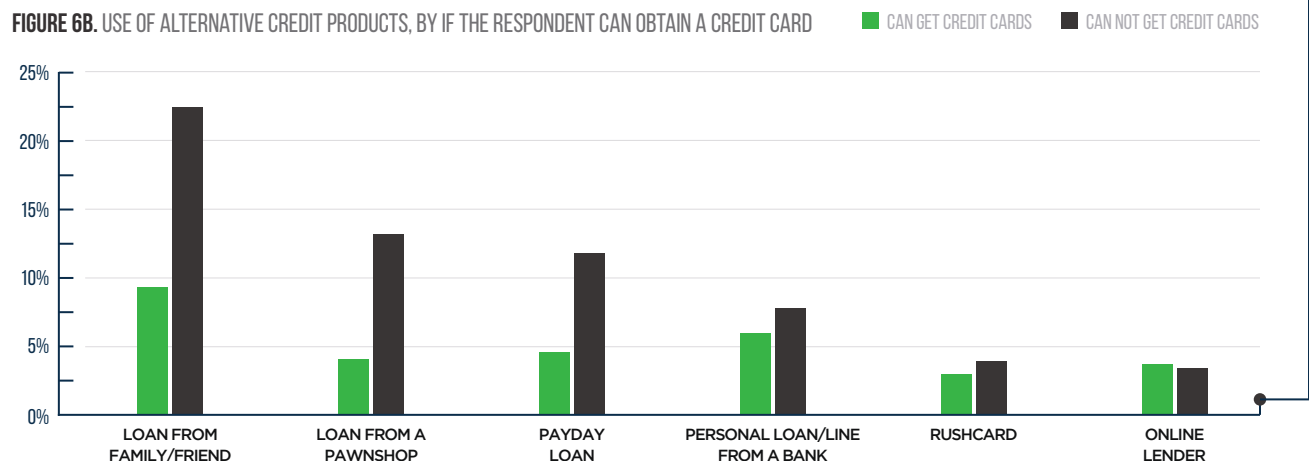


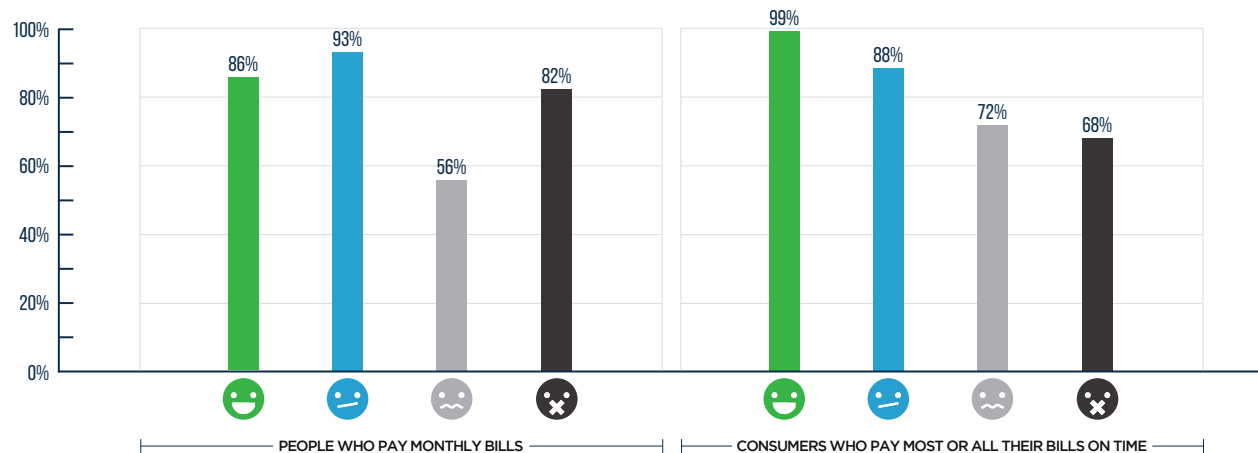
FIGURE 6B. USE OF ALTERNATIVE CREDIT PRODUCTS, BY IF THE RESPONDENT CAN OBTAIN A CREDIT CARD



Most of our sample reported having monthly bills, and most paid them on time. Ninety percent of respondents paid their bills on time, on average. Figure 7 shows that while respondents favored using electronic payment methods and 80 percent paid electronically, 31 percent said they paid their monthly bills using cash. Nearly one-third (32 percent) of Shut Outs, however, reported they did not pay their bills on time.



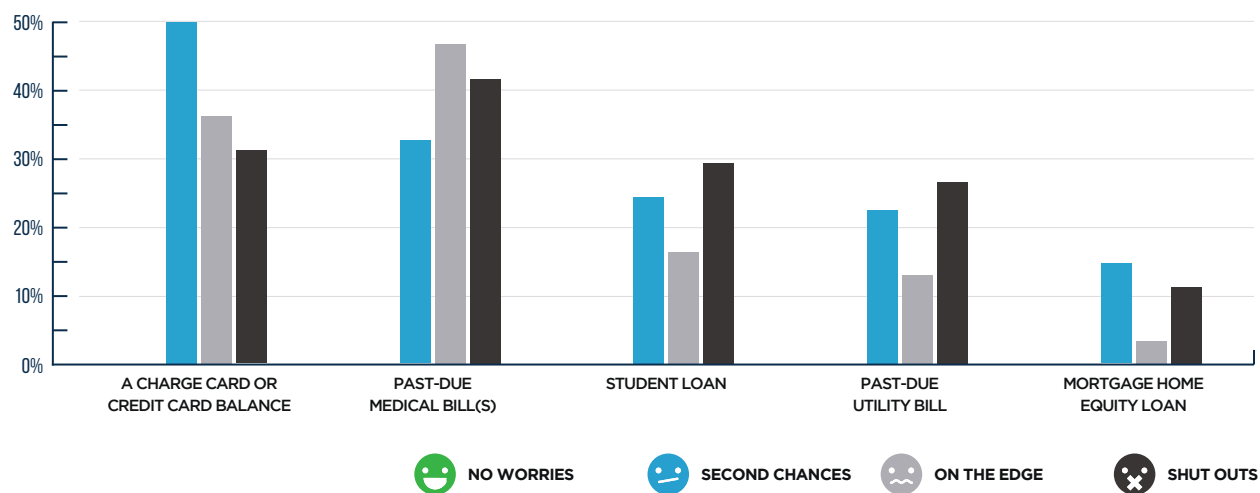
FIGURE 7. RESPONDING TO MONTHLY BILL PAY PRACTICES



Though most people managed to make their bill payments on time, 68 percent of our sample reported living paycheck-to-paycheck. Living paycheck-to-paycheck impacts all our groups. It makes sense that more than two-thirds of On the Edge and more than 85 percent of Shut Out members live paycheck-to-paycheck. But, it is also true that 40 percent of the No Worries group lives paycheck-to-paycheck, too.

Meanwhile, more than a quarter of all respondents have been contacted by a debt collector during the last year. Credit card bills were the most popular reason for calling, particularly for members of the Second Chances group. Past-due medical bills were also a leading reason and more common for the On the Edge and Shut Out groups, as shown in Figure 8.

FIGURE 8. TYPE OF BILLS RESPONSIBLE FOR CREDITOR CONTACT

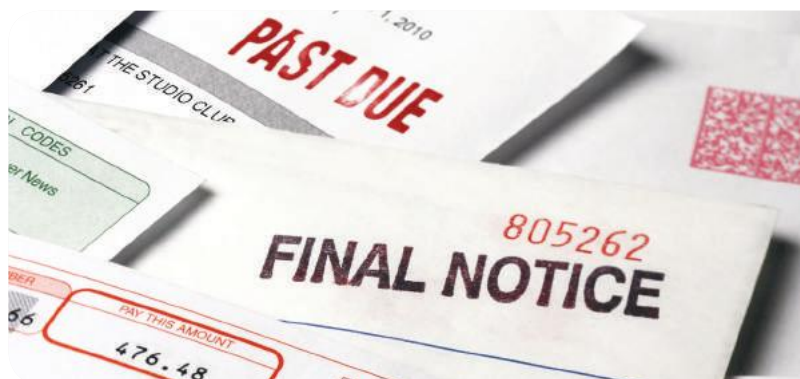


But, the main differences between financial stability and instability are the ways in which our groups have been impacted by life-altering events. These events might be self-inflicted or the result of luck, but it is very clear that Second Chances and Shut Out members were more likely to have experienced a life-changing event such as a divorce or a death, 60 percent and 72 percent, respectively, compared to 48 percent overall.

We took a deep dive into Financial Invisibles to understand those who did not use traditional financial products. By far, the two most common financial products were bank accounts and credit cards. Because almost everyone in our sample had or could get a bank account, we defined our Financial Invisibles based on their use of credit card products. We looked to those who voluntarily opted not to have cards and those who were involuntarily incapable of getting one — meaning they would like to have one but are unable. Voluntary Invisibles made up 24 percent of our sample while Involuntary Invisibles made up 5 percent.

Surprisingly, both groups share more similarities than differences, and both groups are demographically similar. They span all age groups, but more than 75 percent do not have a college degree and are twice as likely to be unemployed.

By far, the largest difference between Voluntary and Involuntary Invisibles is the presence of a traumatic event. Involuntary Invisibles are five times more likely to have experienced a divorce or death of a family member, seven times more likely to have lost significant household income and more than three times more likely to move.

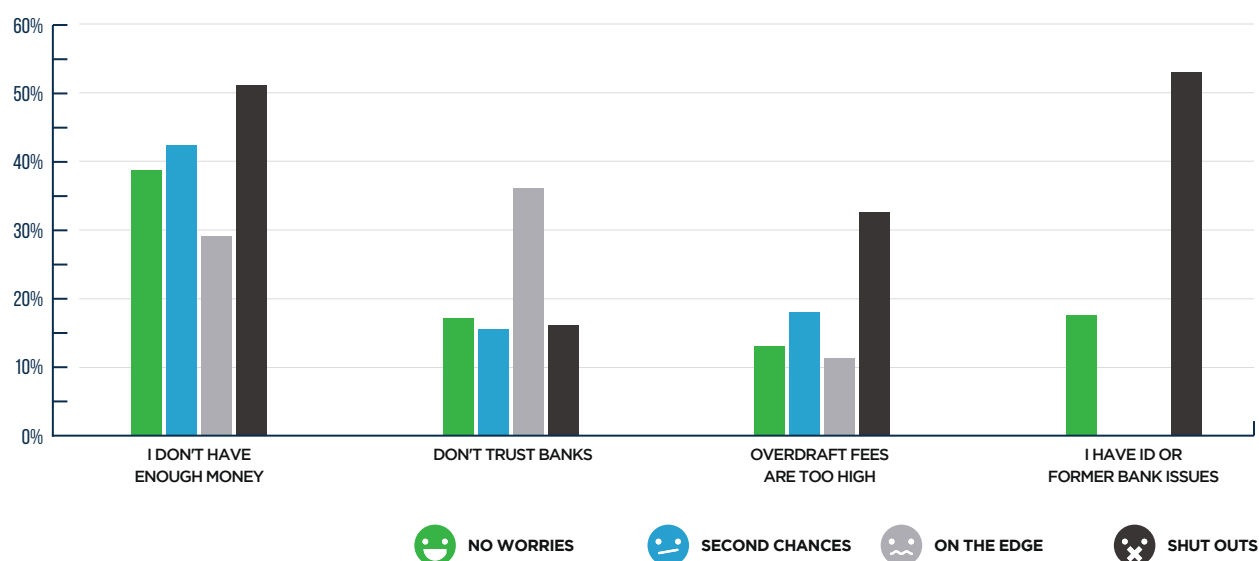


BANK ACCOUNTS

Most of our sample currently have bank accounts and, as we saw in Figure 4, for those who do not currently have them, more than two-thirds used to have them. The No Worries and Second Chances groups have the highest rate of having bank accounts. On the Edge is the only group with a large proportion of people who have never had accounts.

As shown in Figure 9, the primary reason people do not have bank accounts is a lack of money, though other reasons vary by persona group. According to our results, Shut Outs lacked the ability to get an account and On the Edge reported a lack of trust.

FIGURE 9. REASONS FOR NOT HAVING BANK ACCOUNTS



CREDIT CARDS

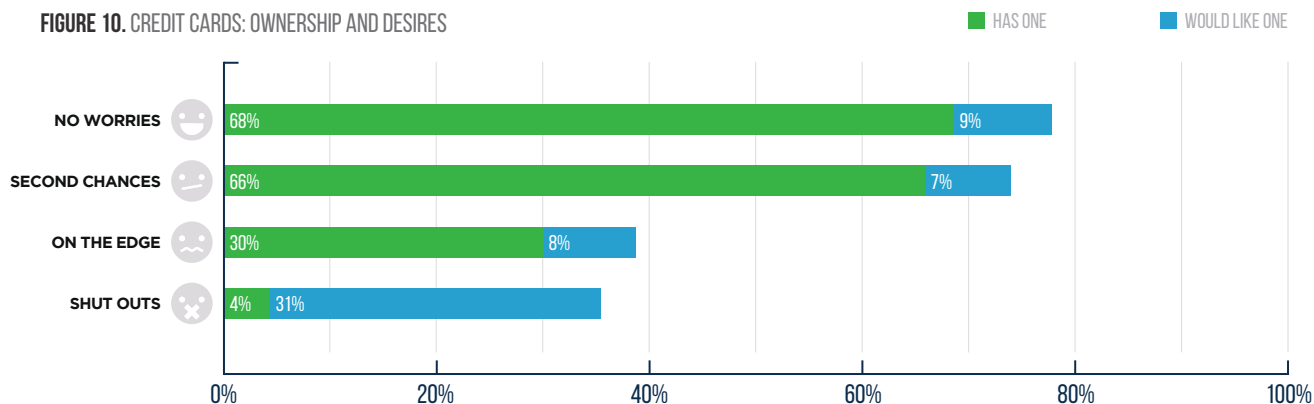
Credit cards are the second most common type of financial instrument used by our sample, though they are also a double-edged sword. Credit cards make it easier for people to buy and, by providing credit, also increase how much people can buy. Cards can also tempt people to buy more than they can afford or should want to buy, given their future earning potential. Most people recognize this and many exercise care in using credit cards at all.

More than 65 percent of the No Worries and Second Chances groups reported having credit cards, however, as shown in Figure 10. Approximately one-quarter of the people in these two groups who did not have credit cards said they would like to get one. As a result, more than 90 percent either had a credit card or had decided they did not want one.

Fewer than one-third of people in the On the Edge

group reported having credit cards. Remarkably, most of the people who didn't have a credit card (92 percent) said they did not want one. Even fewer of the Shut Outs had credit cards (10 percent), but more than 30 percent of those who didn't have a credit card would like to get one if possible.

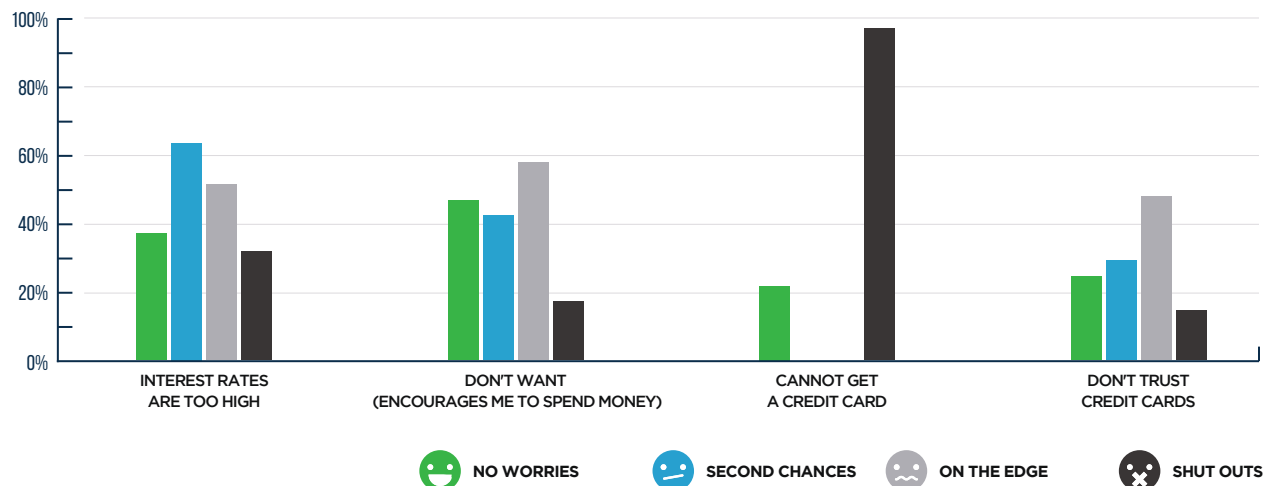
FIGURE 10. CREDIT CARDS: OWNERSHIP AND DESIRES



Approximately one-third of our sample reported not having credit cards. The most common reason for not having cards, as shown in Figure 11, was that interest rates were too high. However, as with bank accounts, the reasons for not having credit cards varied based on the persona making the decision.

The No Worries group members were almost equally split, with the inability to control spending having a slightly higher response rate than high interest rates. The Second Chances group was more concerned with high interest rates, but On the Edge members did not trust banks and the Shut Outs, once again, were simply unable to obtain credit cards.

FIGURE 11. REASONS FOR NOT HAVING A CREDIT CARD

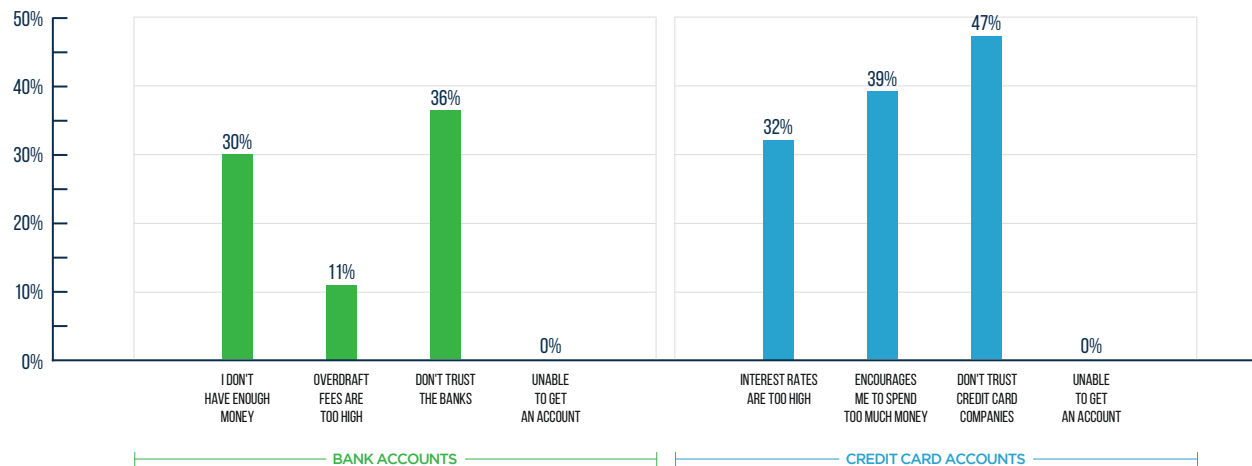


SIDE BAR ON THE GENERAL DISTRUST OF THE ON THE EDGE GROUP

Our personality profiles generally characterize individuals based on their debt collections past and ability to pay their bills. When we look at consumers' use of bank accounts and credit cards — the two primary financial tools — we see significant usage among No Worries and Second Chances. The Shut Out group has lower usage, primarily due to an inability to obtain these types of accounts.

The On the Edge group is different in that it is the only group not to use these types of accounts, though members could get them if they wanted them. Figure 12 shows the reason they have passed on these types of accounts is a general lack of trust in companies offering these financial instruments. It also demonstrates a general distrust of the overall financial system.

FIGURE 12. REASONS FOR NOT HAVING BANK ACCOUNTS OR CREDIT CARDS



ALTERNATIVE CREDIT PRODUCTS

Alternative credit products are typically used when individuals do not have access to more traditional forms of credit such as credit cards, store cards and mortgages. Forty-eight percent of our respondents said they used traditional credit methods and did not need anything — including alternative credit products — to supplement this.

Consumers who are unable to obtain traditional forms of credit are forced to look for other sources, however, including high-risk products. Fourteen

percent of the sample is unable to obtain credit cards, and have thus used other products such as prepaid cards, loans from pawnshops or payday loans. In addition, they are more likely to rely on loans from friends and family.

As shown in Table 2, it's clear that usage of these financial products varies according to the persona involved. Individuals who are not able to obtain credit cards have a much higher usage of alternative credit products. Thirty-four percent reported using

prepaid cards, a much higher rate than for those who can get credit cards. In addition, we see that usage of alternative credit products is higher among those who cannot obtain credit cards, including 22 percent who take loans from family or friends.

Further analysis shows that for those who use nontraditional products, the percentage of people who can obtain cards is significantly lower.

TABLE 2. PERCENTAGE OF PEOPLE WHO USE FINANCIAL PRODUCTS, ACCORDING TO SPECIFIC DETAILS²

	People Who Can Get Credit Cards and Use Them ³	People Who Cannot Get Credit Cards and Use Them ⁴	People Who Could Get a Credit Card and Use Them ⁵
TRADITIONAL FINANCIAL PRODUCTS			
STORE CARD	30%	12%	94%
MORTGAGE	20%	8%	93%
AUTO LOAN	20%	17%	88%
PREPAID (ALTERNATIVE TO CREDIT CARDS)	21%	34%	78%
STUDENT LOAN	15%	14%	87%
PERSONAL LOAN/LINE FROM A BANK	8%	7%	87%
HOME EQUITY LOAN	5%	4%	90%
ALTERNATIVE CREDIT PRODUCTS			
LOAN FROM FAMILY OR FRIEND	9%	22%	72%
LOAN FROM A PAWNSHOP	4%	13%	66%
PAYDAY LOAN	4%	12%	70%
PERSONAL LOAN/LINE, NOT A BANK	6%	8%	82%
RUSHCARD	3%	4%	84%
ONLINE LENDER	3%	3%	86%

² As stated earlier, our data contains survey responses from 2,001 individuals. Of these responses, 1,718 came from individuals who reported they either have a credit card or could get one if they wanted. The remaining 275 responses came from individuals who say they are unable to get credit cards.

³ This limits the data set to the 1,718 respondents who can obtain credit cards and reports the percentage of those individuals who use the listed product.

⁴ This limits the data set to the 283 respondents who cannot obtain credit cards and reports the percentage of those individuals who use the listed product.

⁵ The data is limited to the respondents who actually use each of the listed products. The table reports the percentage of those respondents who could get a credit card if they wanted to.

Figure 13 shows the overall product usage compared to the percentage of individuals who pay fees to use the products. We see there is a much higher likelihood that fees will be incurred for less often-used products. In addition, alternative credit products come with the highest likelihood of incurring service fees.

FIGURE 13A. PERCENTAGES OF RESPONDENTS WHO USE TRADITIONAL FINANCIAL PRODUCTS AND WHO REPORT SERVICE CHARGES TO USE THEM

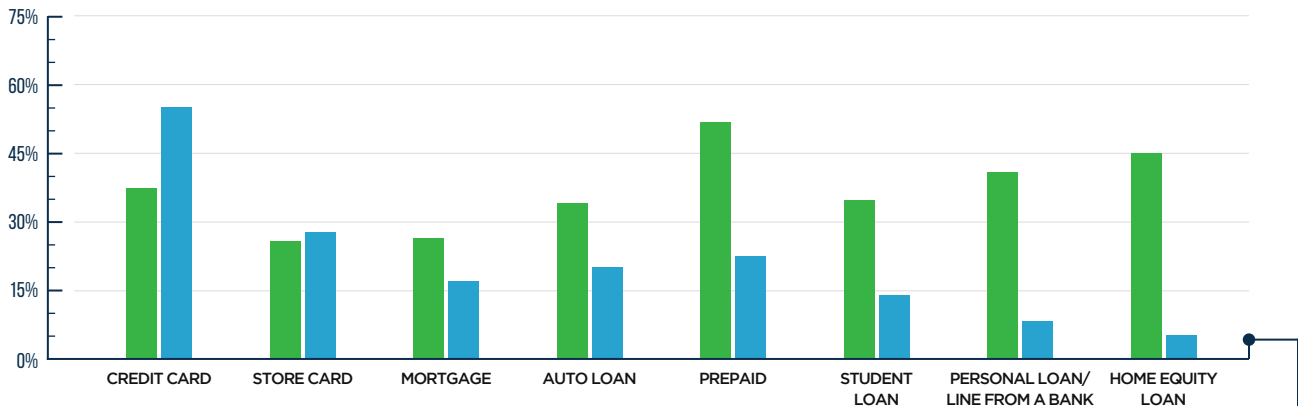
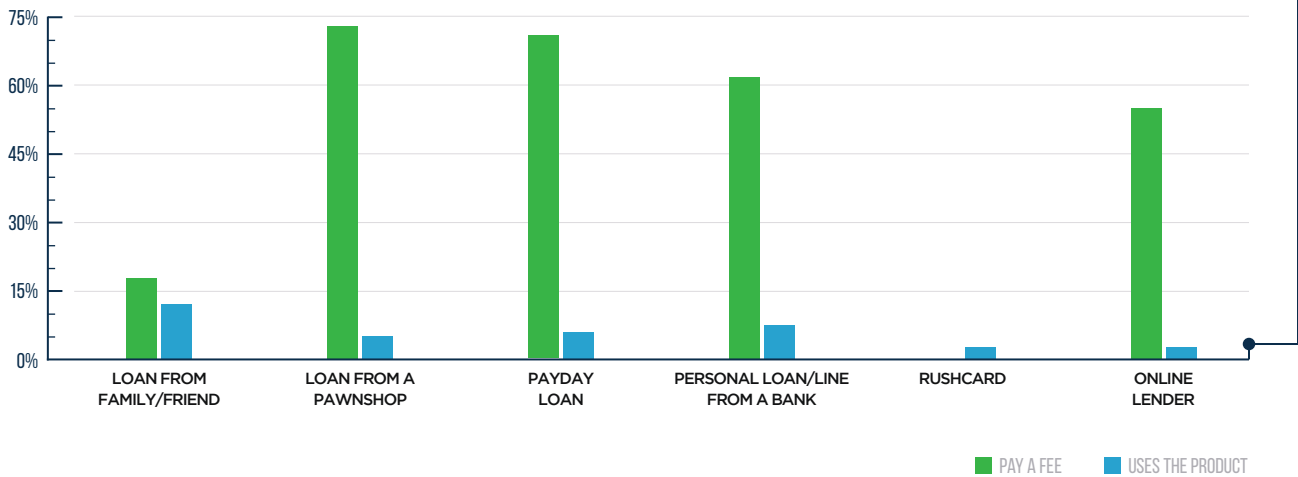


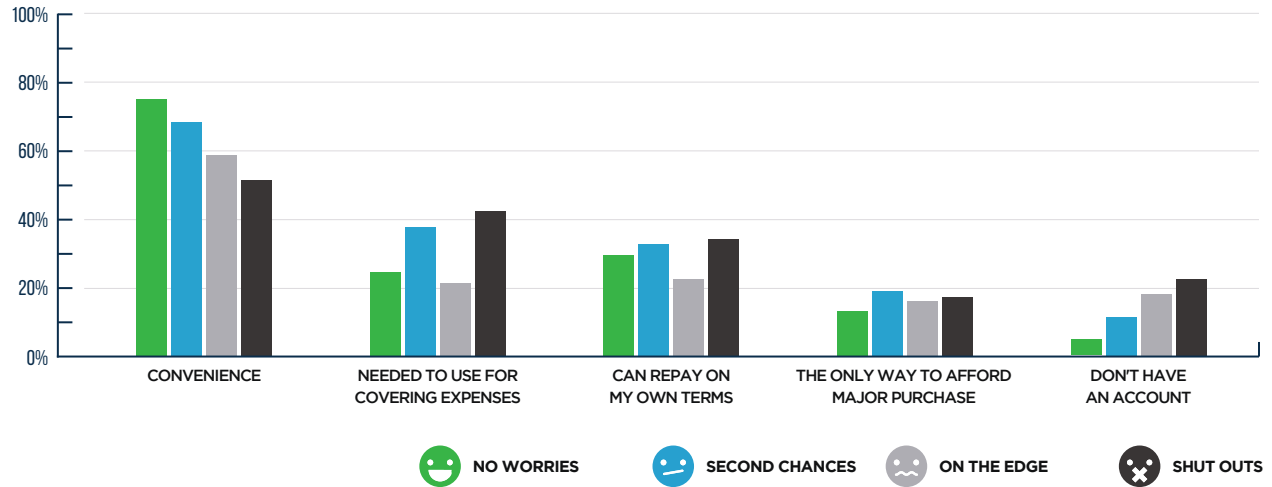
FIGURE 13B. PERCENTAGES OF RESPONDENTS WHO USE ALTERNATIVE CREDIT PRODUCTS AND WHO REPORT SERVICE CHARGES TO USE THEM



We asked respondents why they use these products. Nearly 70 percent of our sample reported convenience, and the next two most common reasons, at approximately 30 percent each, were a need to cover expenses or that respondents liked the ability to make repayments on their own terms.

Figure 14 shows the reason for using cards by persona group. We see convenience is most important for all groups, but significantly more important for the No Worries and Second Chances groups. The Shut Outs saw a much smaller difference between convenience and the need to pay bills.

FIGURE 14. PERCENTAGE OF RESPONDENTS INDICATING WHY THEY USED PRODUCTS

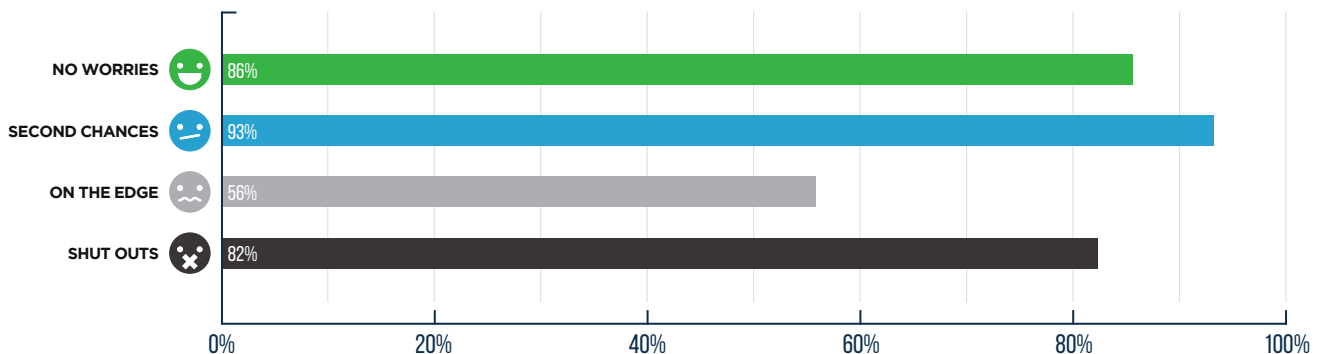


BILL PAYMENTS

Bills tend to be a fact of life. In fact, approximately 84 percent of people pay monthly bills, including services such as phones, internet, utilities, rent, insurance or mortgage payments, among others.

Figure 15 shows more than 80 percent of people in all groups paid monthly bills, except for the On the Edge group. Only 56 percent of them paid monthly bills, but many said this was because someone else in their household paid bills on their behalf.

FIGURE 15. PERCENTAGE OF PEOPLE WHO PAY MONTHLY BILLS



Approximately 90 percent of all respondents said they pay their monthly bills on time most or all the time. Figure 16 shows this varies by persona group, however. Members of the No Worries group were almost always on time compared to 68 percent of the Shut Out group.

FIGURE 16. PERCENTAGE WHO PAY MOST OR ALL THEIR BILLS ON TIME

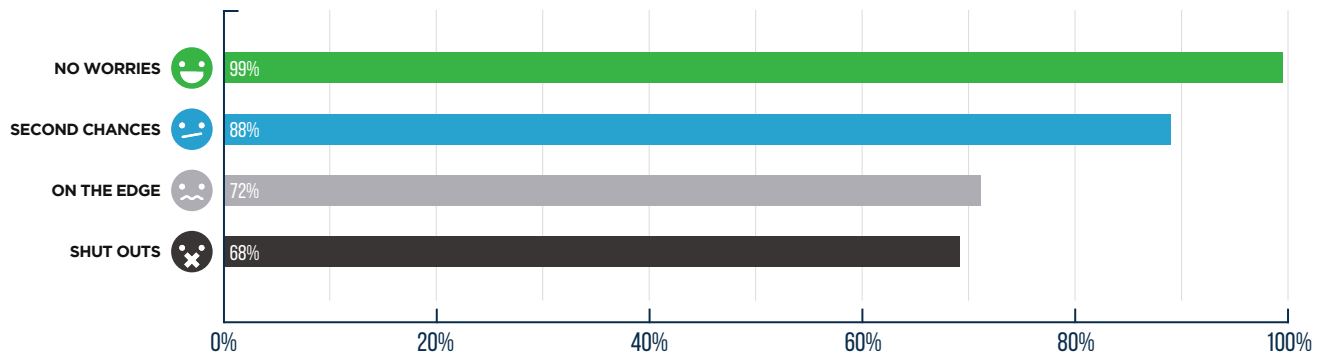
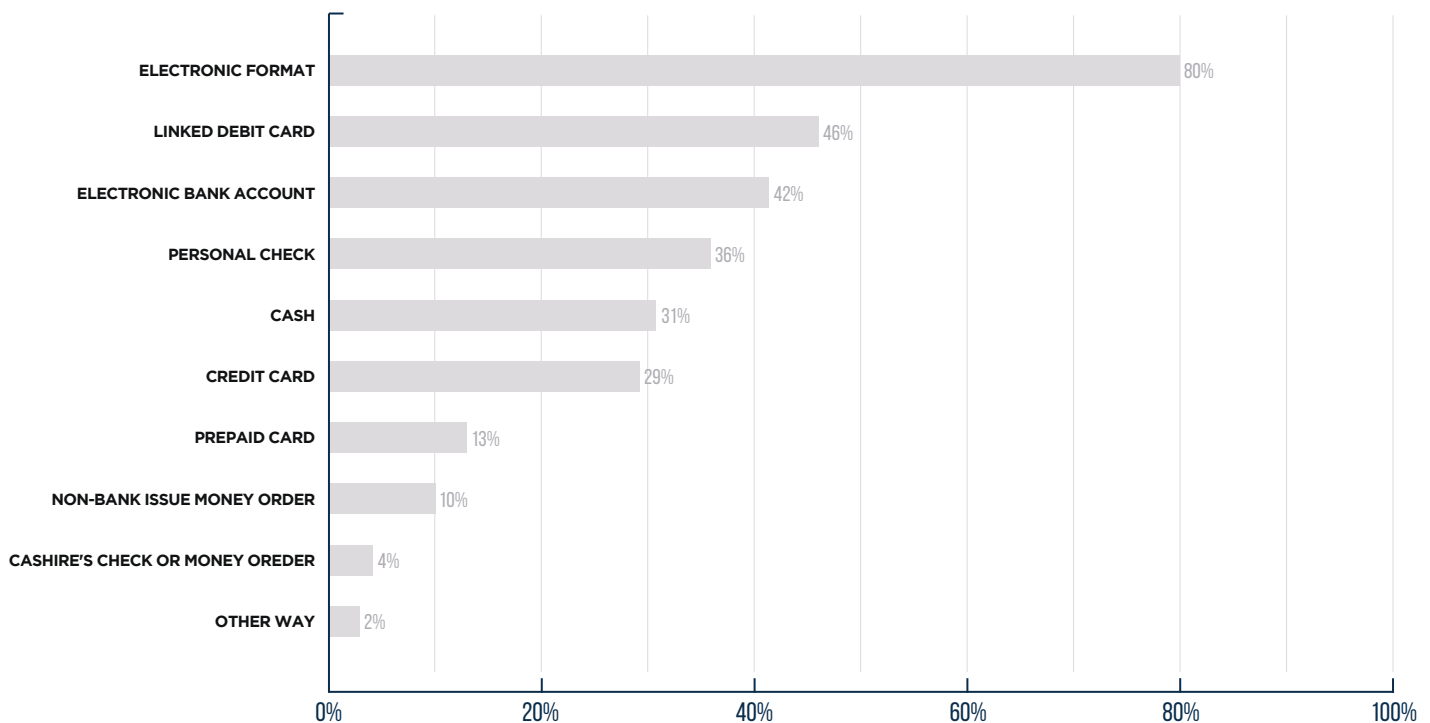


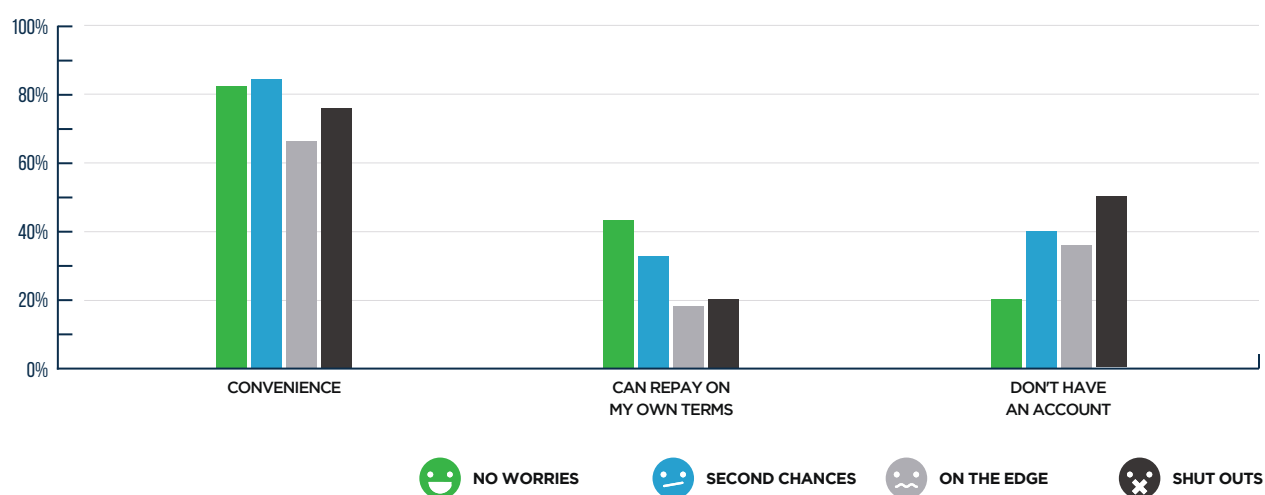
Figure 17 shows most of these bills were paid electronically, with 80 percent of respondents reporting as such. Another 46 percent said they used a debit card, while 42 percent said they paid electronically from a bank account. Interestingly, 31 percent said they paid in cash.

FIGURE 17. HOW PEOPLE PAY THEIR BILLS



Unsurprisingly, the No Worries and Second Chances groups had the highest rates of paying bills using an electronic format at approximately 80 percent for both groups. However, the Shut Out group had the highest percentage of individuals paying bills by cash, a surprising 50 percent. Meanwhile, even in the Second Chances group — which, for the most part, mimics the behavior of the No Worries group — 40 percent said they paid monthly bills with cash.

FIGURE 18. HOW PEOPLE PAY BILLS



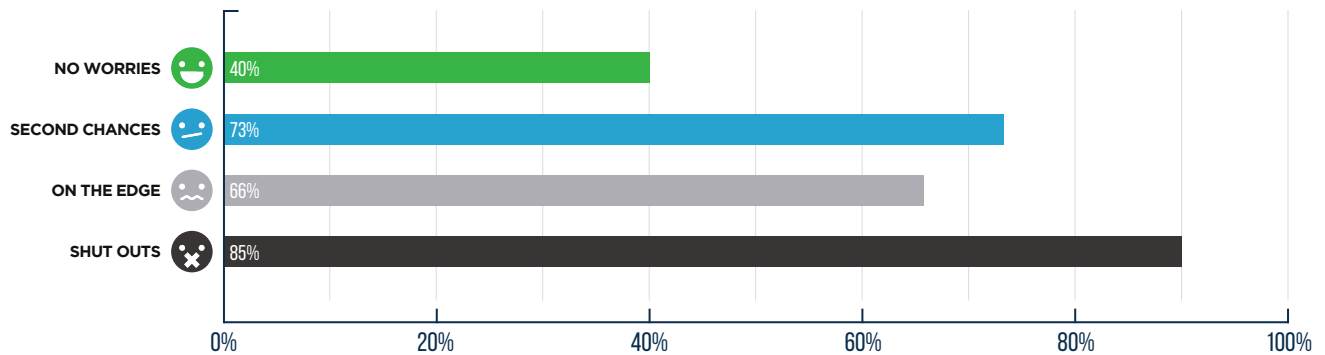
LIVING PAYCHECK-TO-PAYCHECK AND COLLECTIONS

Most of our sample reported living paycheck-to-paycheck — 68 percent, in fact. That's not surprising considering recent studies have shown 46 percent of Americans would not be able to cover a \$400 emergency expense.⁶ Figure 19 illustrates the rate was the highest for Shut Out and Second Chances, while the No Worries group had the lowest rate. Even then, 40 percent of the No Worries group members said they were living paycheck-to-paycheck, making it seem even they see quite a few worries.



⁶ Mui, Yan Q. The shocking number of Americans who can't cover a \$400 expense. The Washington Post. May 25, 2016. https://www.washingtonpost.com/news/work/wp/2016/05/25/the-shocking-number-of-americans-who-cant-cover-a-400-expense/?utm_term=.dba0cdab42fc. Accessed Oct. 2017.

FIGURE 19. PERCENTAGE OF PEOPLE LIVING PAYCHECK-TO-PAYCHECK



Twenty-eight percent of our respondents have been contacted in the last year regarding a late bill. However, rates vary by group. No members of the No Worries group had been contacted by a bill collector, since that is one of the ways we identified this group. This means all the collection activities are among our other three groups. Figure 20 shows most of this activity is within the Second Chances and Shut Out groups, with 64 percent and 75 percent, respectively, saying they had been contacted by a collector.

FIGURE 20. PERCENTAGE OF RESPONDENTS CONTACTED BY CREDITOR

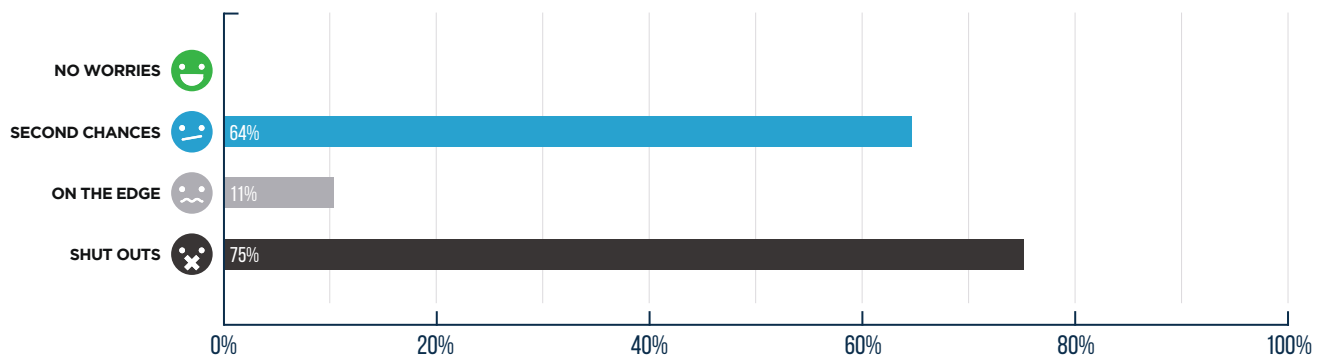
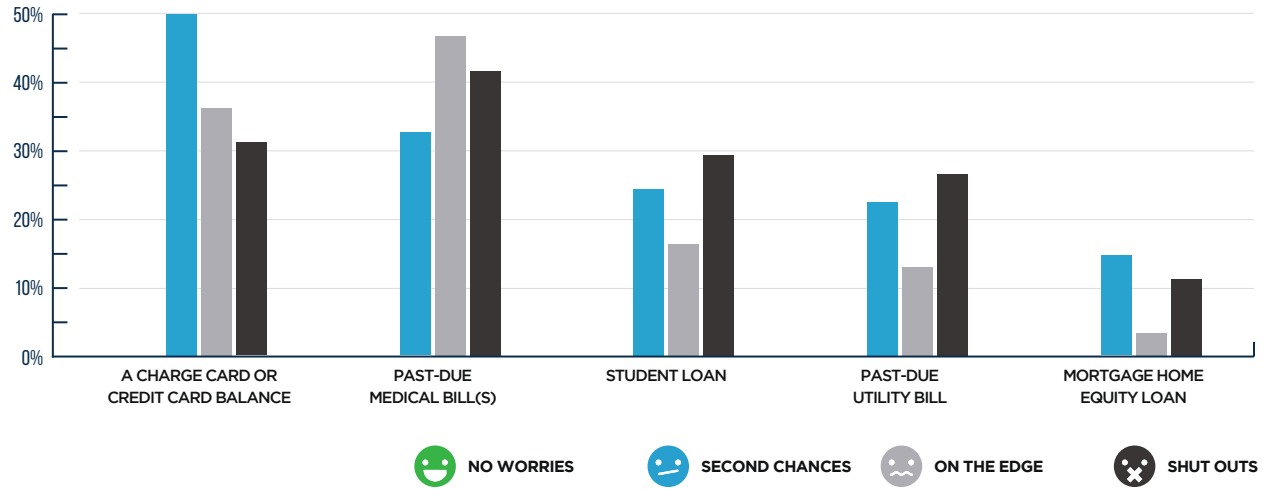


Figure 21 shows credit card balances were the leading cause of collection calls, particularly for the Second Chances group which made up 50 percent of the calls. Past-due medical bills and student loans were the second and third most popular reasons for collections calls. Second Chances members had a bigger problem with credit card balances, while the On the Edge and Shut Out groups tended to receive calls for medical bills. This indicates a certain amount of financial security from Second Chancers, however, as they are getting calls from credit cards associated with convenience. Meanwhile, members of the other two groups are getting calls for medical expenses which tend to be less avoidable.

FIGURE 21. TYPE OF BILLS RESPONSIBLE FOR CREDITOR CONTACT







LIFE-CHANGING EVENTS

Life-changing events can have a huge impact on the financial stability of an individual. Events such as a divorce, disability or loss of an income can topple a household or individual's financial well-being. Table 3 shows Second Chances and Shut Out members were more likely to have experienced a significantly life-changing event at 60 percent and 72 percent, respectively.

In addition, we found that when a person has such an event, he or she also tends to have multiple of them. For example, the average number of events for the 60 percent of Second Chances members who had an event was 4.1, while the average number of events for the 72 percent of Shut Out members who had an event was 3.5.

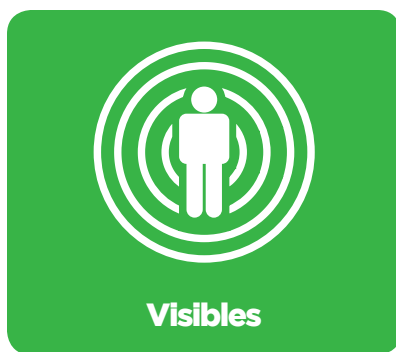
TABLE 3. NUMBER OF LIFE-CHANGING EVENTS EXPERIENCED BY PERSONA GROUP

	Respondents	People with at Least One Event	Percentage of People with an Event	Total Number of Events	Average Number of Events for All Group Members	Average Number of Events Per Person Who Has an Event
 No Worries	966	358	37.1%	913	0.95	2.55
 Second Chances	570	340	59.6%	1,389	2.44	4.09
 On the Edge	239	105	43.9%	327	1.37	3.11
 Shut Outs	226	163	72.1%	570	2.52	3.50

DEEP DIVE: FINANCIAL INVISIBLES

After laying out the consumer landscape, we took a deep dive into Financial Invisibles. We wanted to understand something about the people who did not use traditional financial products. By far, the two most common financial products were bank accounts and credit cards and,

because almost everyone in our sample had a bank account or could get one, we defined our invisibles based on their use of credit card products. We separated our respondents into three categories based on said use:



People who participate in the traditional financial systems. This group functioned as our control group.



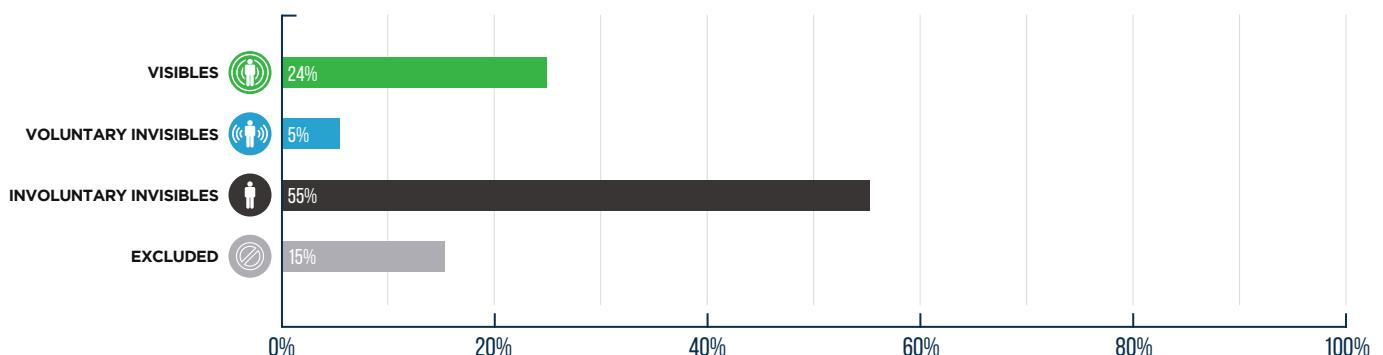
People who have made the decision not to have credit cards. This group of respondents do not have cards because they do not want to have cards.



People who are locked out of credit cards. They don't have credit cards because they are not able to get them, but they would like to have them.




Figure 22 shows 28 percent of our sample fall into either the Voluntary or Involuntary Invisibles groups. As we have seen above, 55 percent of the sample have credit cards. The remaining 15 percent of respondents do not have credit cards and would like to have them, but have elected not to have them because they have high interest rates, they encourage too much spending or there is a lack of trust among consumers. These respondents have been excluded from this analysis.

FIGURE 22. PERCENTAGE OF RESPONDENTS IN THE INVISIBLES CATEGORIES



Surprisingly, we found Voluntary Invisibles and Involuntary Invisibles share more similarities than differences. Table 4 shows the general demographics tend to mirror the population. Invisibles span all age groups and are slightly more likely to be female, with 54 percent reporting as such.

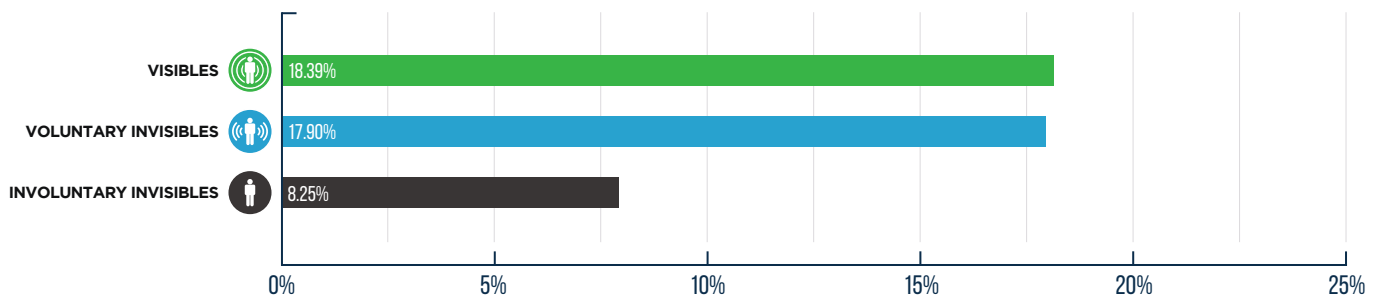
TABLE 4. DEMOGRAPHIC CHARACTERISTICS OF THE INVISIBLES GROUP

	 Visibles Group	 Voluntary Invisibles	 Involuntary Invisibles
AVERAGE AGE	43.7	42.1	41.3
AVERAGE INCOME	55.1	34.9	36.9
PERCENTAGE MALE	53.3%	46.0%	43.3%
PERCENTAGE WITH COLLEGE DEGREES	48.2%	24.3%	21.6%
PERCENTAGE WHO OWN THEIR RESIDENCES	58.7%	40.3%	34.0%
PERCENTAGE WITH FULL-TIME JOB	46.2%	29.0%	29.9%
PERCENTAGE NOT WORKING (NOT RETIRED)	21.9%	39.5%	45.4%
PERCENTAGE RETIRED	18.4%	17.9%	8.2%
AVERAGE CREDIT SCORE	694.7	621.4	554.5

However, there are sharp differences between Financial Invisibles and Financial Visibles when it comes to education and employment. More than 75 percent of Financial Invisibles do not have a college degree, and they are twice as likely to be unemployed compared to Visibles.

Figure 23 shows that one area in which Financial Invisibles look like Financial Visibles but are different than Involuntary Invisibles is retirement. Eighteen percent of both the Voluntary Invisibles and Visibles groups are retired, and just 8 percent of Involuntary Invisibles are retired compared to the general population.

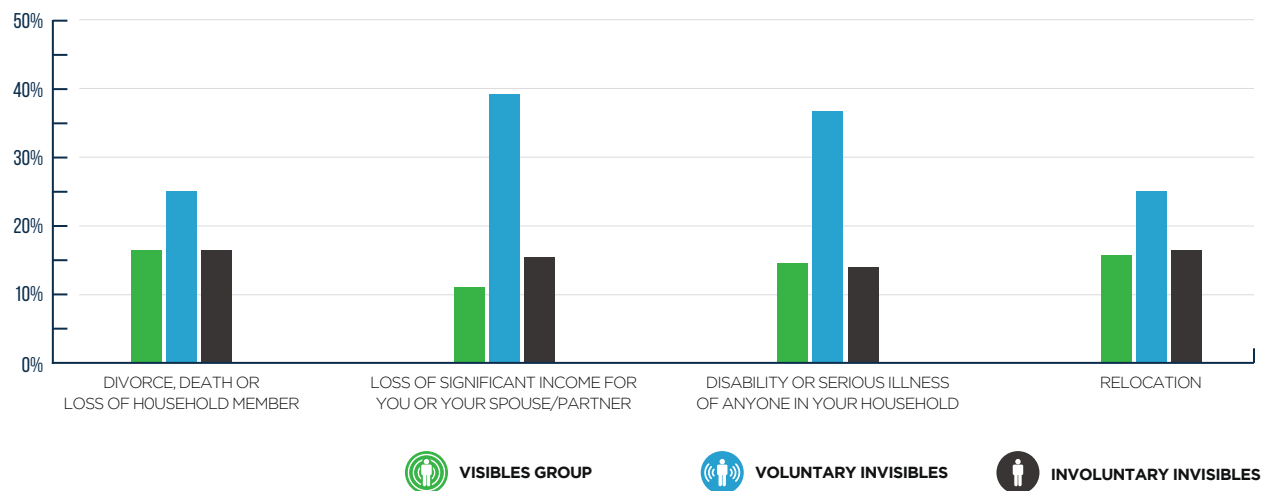
FIGURE 23. PERCENTAGE OF PEOPLE WHO ARE RETIRED



What distinguishes Voluntary Invisibles from Involuntary Invisibles is the latter tend to have experienced a traumatic event. Involuntary Invisibles are five times more likely to have experienced a divorce or death of a family member than Voluntary Invisibles, seven times more likely to have lost significant household income and more than three times more likely to move. On the other hand, while Voluntary Invisibles experience all four types of these traumatic events at a higher rate than the total participating group, their experience is much more in line with the general population.

What's particularly interesting is that these life events can be caused by many factors. Many of these are apparently random acts — such as accidents that lead to disability or death — and others could be luck or self-inflicted. Someone losing his or her job could be due to uncontrolled economic events, which are generally out of his or her hands, or could be the result of performance or inconsistent attendance. In either case, it's difficult to understand if these events are due to luck or individual traits. However, Figure 24 clearly shows a much higher percentage of the Involuntary Invisibles experiencing these negative life events.




FIGURE 24. PERCENTAGE OF PEOPLE WITH SIGNIFICANT LIFE EVENTS



Digging a little deeper, we examined the percentage of people who experienced these events and the number of events experienced per person. For example, there were 486 Involuntary Invisibles in our sample and, of these people, 208 (43 percent) experienced at least one life event. In total, this group reported 691 life events, an average of 1.42 events per person in this group and an average of 3.32 events for the 208 people that experienced a single event.

Table 5 shows that the rates of people who have experienced events within the Involuntary Invisibles group is indeed much higher than the other two groups. We also see that people both have these events and, on average, have had approximately the same number over the last 18 months. In fact, on average, they experience more than three events per person. This would seem like a much more significant issue than can be merely attributed to bad luck.

TABLE 5. NUMBER OF LIFE-ALTERING EVENTS,
BY INVISIBLES CATEGORY

	Respondents	People with at Least One Event	Percentage of People with an Event	Total Number of Events	Average Number of Events for All Group Members	Average Number of Events Per Person Who Has an Event
 Visibles Group	1,109	507	45.7%	1643	1.48	3.24
 Voluntary Invisibles	486	208	42.8%	691	1.42	3.32
 Involuntary Invisibles	97	67	69.1%	225	2.32	3.36

There are two other differentiating factors in which the Voluntary Invisibles and the Visibles groups seem to be doing similarly well, and better than the Involuntary Invisibles – bill payment and actual financial delinquency. Figure 25a shows the Involuntary Invisibles have a much harder time paying their bills every month, with 26 percent reporting struggling compared to 7 percent of Voluntary Invisibles and 5 percent of the Visibles group. Figure 25b shows Involuntary Invisibles are also twice as likely to default on their debts. Meanwhile, Voluntary Invisibles have lower rates of delinquency than the Visibles group.

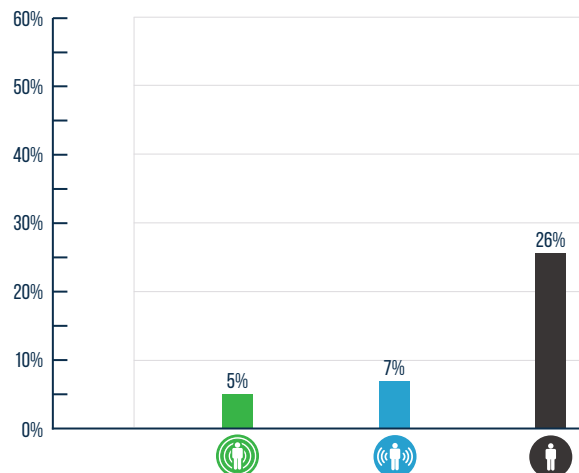
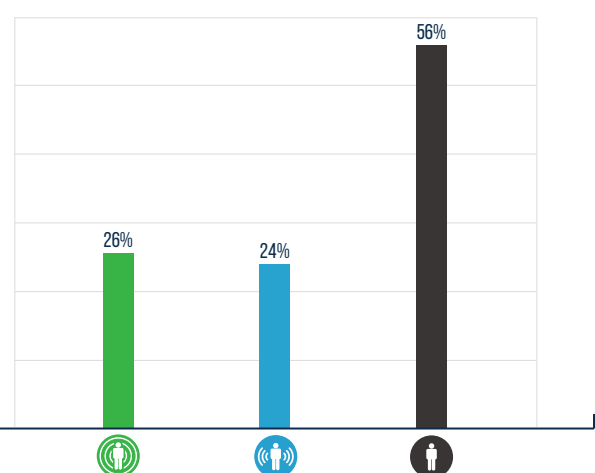
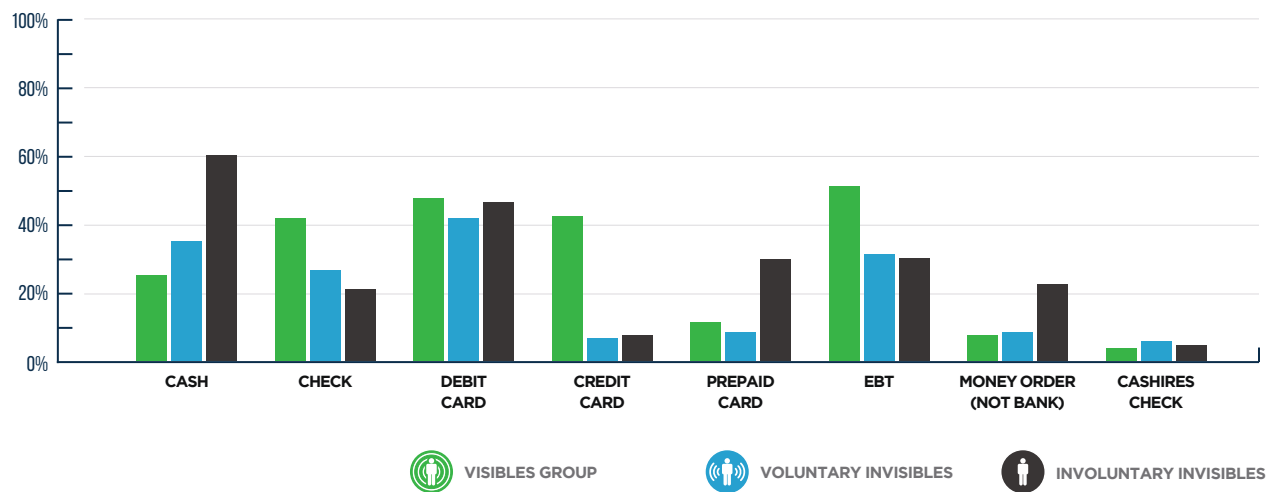
**FIGURE 25A.** PERCENTAGE OF PEOPLE WHO ARE DELINQUENT
AND HAVE PROBLEMS PAYING MONTHLY BILLS**FIGURE 25B.** PERCENTAGE OF OF GROUP
THAT HAS HAD A DELINQUENCY

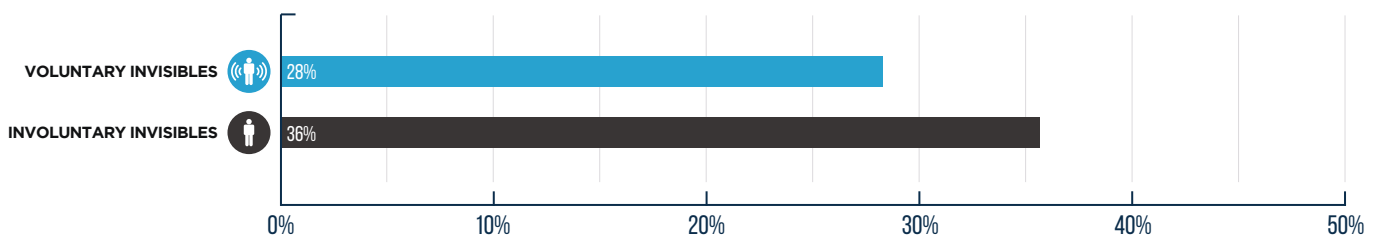
Figure 26 shows the way these groups pay for things differ from each other and from Visibles. First, the Voluntary Invisibles group uses debit cards more often than cash, and the Involuntary Invisibles group uses cash more often than any other payment form. In addition, the Involuntary Invisibles group is much more likely to use prepaid cards and money orders from places other than banks (e.g. Western Union).

FIGURE 26. PERCENTAGE OF PEOPLE WHO USE SELECTED METHODS TO PAY THEIR BILLS



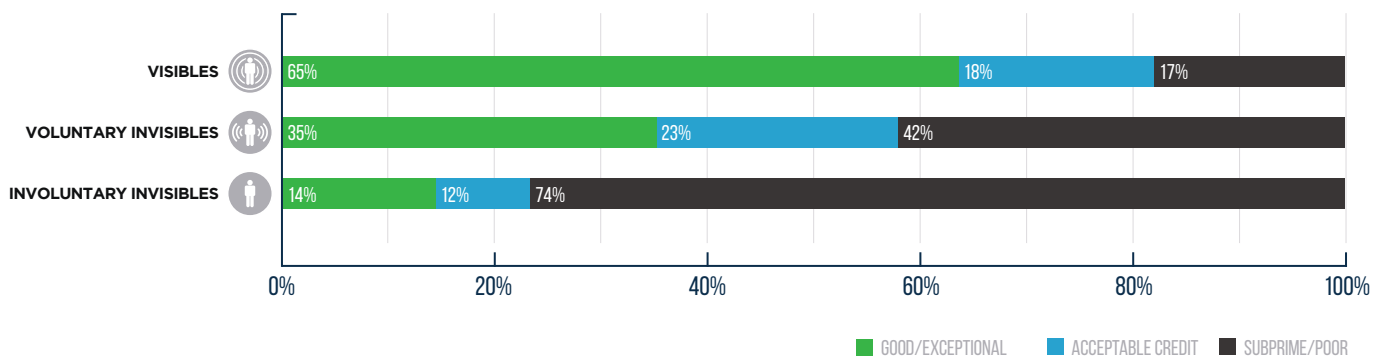
Another difference is in use of credit cards. The Visibles all have credit cards, although they don't always use them for bills. However, though the Involuntary Invisibles and Voluntary Invisibles groups do not have their own cards, they do pay some of their bills using credit cards. In both cases, these consumers are very likely using other people's credit cards – such as those of a friend or family member – to pay for some of the things they purchase. Figure 27 shows 36 percent of Involuntary Invisibles use other people's credit cards to pay bills compared to 28 percent for Voluntary Invisibles.

FIGURE 27. PERCENTAGE WHO USE OTHER PEOPLE'S CREDIT CARDS TO MAKE A PURCHASE



One final distinction of these groups pertains to the overall credit scores of their populations. It is true that each group contains individuals with exceptional and good credit, and each group also includes people with subprime and worse credit. Figure 28 shows the overall credit profile decreases dramatically as one moves from the Visibles group to Voluntary Invisibles and Involuntary Invisibles

FIGURE 28. CREDIT SCORES BY GROUP



As shown, the percentage of the group with subprime credit, a score of 550 or less, grows dramatically from one group to the next. The opposite trend is observed for those with good or exceptional credit, represented by a score of 680 or above.

CONCLUSION

THE FUTURE

Given the recent Equifax breach and other data hacking scandals, it's more possible than ever to understand why financial invisibility might be appealing. However, a large chunk of Financial Invisibles are not invisible by choice and would much rather participate in the banking system. There's a gap, here, and it needs to be filled so these

people are able to pay their bills and participate in daily life. New digital products may be the answer, or perhaps a reexamination of how groups deal with credit is in order. Either way, we hope for a future in which those who struggle with being locked out due to poor credit can find alternative methods to rejoin the financial system.

ABOUT

The PYMNTS Financial Invisibles Index, a Unifund collaboration, is designed to examine how the general population uses its credit and deals with paying bills. It also aims to shed light on financial invisibles by diving into a variety of issues, including how individuals handle bill payments and use credit products, as well as the impact of traumatic events on an individual's financial stability.

To compile the report, PYMNTS surveyed more than 2,000 Americans and asked them about their financial habits and circumstances. Overall, our sample demographically mirrors the U.S. population with one important exception: We sought relatively low-income Americans to help deepen our insights into the use of credit by those who are financially challenged.

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Unifund is a technology solutions provider with 30-plus years' experience working with lenders to grow revenue, enhance charge-off portfolio management and provide a valuable solution for their most at-risk customers. Our proprietary data and predictive analytics help lenders successfully manage charged-off consumer portfolios and enhance overall recoveries in a non-confrontational, compliant manner.

We are interested in your feedback on this report. Please send us your thoughts, comments, suggestions or questions to financialinvisibles@pymnts.com.

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