

# 2017 Financially Underserved Market Size Study

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**Eric Wilson, Associate**  
**Eva Wolkowitz, Manager**

Leading the Nation in Consumer Financial Health

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# About the 2017 Financially Underserved Market Size Study

CFSI presents this seventh annual market analysis to illustrate the size of the opportunity to address the needs of financially underserved consumers and identify significant trends driving marketplace evolution and growth.

The study presents a snapshot of:

- Interest and fees spent by underserved consumers to borrow, spend, save, and plan
- Volume of consumer usage generating revenue
- Current and projected revenue growth rates
- Key trends driving market developments

This report does not constitute a commentary on the appropriateness, safety, or quality of specific financial products for consumers. Market size and growth rates are not endorsements of market well-being for providers or financial health impact for consumers.

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# By the Numbers: Highlights of the \$173 Billion Market\*

Overall market revenue **grew by \$10.7 billion** or 6.6% from 2015 to 2016.\*\*

The market is projected to **expand 8.3%** in 2017 to \$188 billion.

Consumers spent **\$173 billion** in fees and interest to use **\$1.94 trillion** in financial services.

The study includes **29 financial products** in 2017, including new additions: Retail Credit Cards and In-Person Domestic Money Transfer



## Fastest Growing Products

Nonbank Small Business Loans grew at 86.8%, and Title Loans grew at 31.0%, while all types of credit cards covered in this report—Retail, Secured, and Subprime—round out the top five at 20.2% to 28.5% growth.



## Products in Sharpest Decline

In-Person Domestic Money Transfer saw the sharpest decline falling 27.0%, while Buy-Here-Pay-Here (BHPH) Auto Loans dropped 14.5%.



## Largest Product Segments

Retail Credit Cards—a new product added to the report this year\*\*\*—constituted the largest product segment at \$33.2 billion in 2016, followed by Subprime Auto Loans at \$27.8 billion and Overdraft at \$24.5 billion.

\* All figures in this report are the result of original research and analysis by CFSI unless otherwise sourced. See appendix for list of sources.

\*\* Updates reflect revised revenue estimates for previous report years. See New Additions and Changes to 2017 Market Sizing on appendix pages 53-54 for full explanation.

\*\*\* All additional products added to report are also added to previous annual sizing figures for clear comparison of growth rates. See appendix pages 52-53 for more details.

# Key Trends in Context

## Major Findings in the 2017 Financially Underserved Market Size Study

**Credit Cards in the Underserved Market: How do they Stack up?** Underserved consumers use a variety of credit cards—including Retail, Subprime and Secured Cards—to meet their short-term credit needs and build credit. Yet uptake of these card types, as well as features and functionality, vary widely.

**Questions of Credit Pricing: To Underwrite or not to Underwrite?** The burdens of traditional underwriting can be prohibitive for small loans, but innovations to streamline the process offer opportunity to better address the unmet credit needs of consumers using credit products that are typically risk-agnostic in pricing and provision.



**Frequent Overdraft: A Financial Health Tipping Point?** Overdraft fees are an occasional cost for most account holders, but a small percentage of users account for three fourths of all fees and often find their account standing in jeopardy. Is Overdraft a product ripe for innovation or disruption to address very small liquidity shortfalls and promote consumer stability?

**FinTech Solutions Make Inroads: New Channels Beyond the Storefront** As a greater share of underserved consumers gain access to digital financial services through mobile phones and computers, some products traditionally offered at storefronts are rapidly migrating to online formats, or poised to make the leap at greater scale.

**Small Business Finance: Credit Access Meets Untapped Potential** A large share of small businesses struggle to access credit needed to put down roots and grow. Nonbank lenders are scaling fast as more small business borrowers turn to new types of lenders, eager to access credit, tailored financial management solutions, and more.

# Defining the Market: Who are Underserved Consumers?

Underserved consumers may struggle with one, two, or all three of these financial challenges.\*



\*Due to disparate data sets focused on each consideration of financially underserved status, it is not possible to identify the aggregate count of all underserved individuals collectively.

Sources: LMI adults are those with household incomes at or below 200% of the federal poverty threshold as defined by the United States Department of Health and Human Services, Office of the Secretary, [Annual Update of the HHS Poverty Guidelines](#), January 2016, and reported annually by the United States Census Bureau, [Income and Poverty in the United States](#), 2016 update, table 5. Unbanked, Underbanked, and Income Volatility: [2015 FDIC National Survey of Unbanked and Underbanked Households](#), FDIC, 2016. Credit Challenged: 53 million U.S. individuals are unscorable due to thin or nonexistent FICO credit file data, while 20% of those with FICO scores, or 38 million people, have scores below 600. [Expanding Credit Opportunities](#), FICO, 2017; [US Average FICO Score Hits 700: A Milestone for Consumers](#), FICO, April 2017.

# Defining the Market: Who are Underserved Consumers?

The Nexus of Financially Underserved Consumers and Financial Health

## Financial Health Is...



Day-to-Day Management



Resilience



Opportunity

Financial health challenges extend beyond the underserved market. CFSI's Consumer Financial Health Study found that 57% of U.S. consumers, or approximately 138 million adults, are financially unhealthy.

While all financially unhealthy Americans could benefit from higher-quality financial products and services, this annual report focuses specifically on the financially underserved. These are the consumers with the most acute need for financial products and practices that meet their financial health challenges.

Source: [Consumer Financial Health Study](#), CFSI, 2015

# Defining the Market: The Financial Health Journey

In order to improve consumer financial health, especially for the underserved, the market must address consumer need for day-to-day financial systems that function well alongside products that increase resilience and the ability to pursue opportunity. This requires a robust and innovative financial services market.

Adopting a financial health strategy can allow companies to invest in their customers' financial well being, inspiring loyalty and long-term engagement while creating responsible and sustainable profits over time. CFSI has outlined seven stages that can guide this financial health journey.

Source: [The Journey To Financial Health: Your Company's Roadmap](#), CFSI, 2017





# Defining the Underserved Market

## Financial Product Criteria & Opportunity

This report examines **29 products** that underserved consumers use to spend, save, borrow, and plan in their financial lives.

Some products in this report, such as checking accounts or auto loans, are also widely used by consumers who are not traditionally defined as underserved. In these cases, measuring the underserved market size only focuses on usage volume and revenue generated by those who meet the criteria for financially underserved individuals. Accounting for market revenue in this way allows for a specific examination of spending on financial products and services by individuals who are more likely to be vulnerable to financial health challenges.

This methodology pinpoints the **opportunity** to improve the financial health of underserved consumers. Today, [21 Financial Health Leaders](#) and counting are working with CFSI to assess the financial health of their customers, employees, or clients using CFSI's eight key indicators.

### CFSI'S Indicators of Financial Health:



#### SPEND

1. Spend less than income
2. Pay bills on time and in full



#### SAVE

3. Have sufficient liquid savings
4. Have sufficient long-term savings or assets



#### BORROW

5. Have a sustainable debt load
6. Have a prime credit score



#### PLAN

7. Have appropriate insurance
8. Plan ahead for expenses

[Eight Ways to Measure Financial Health](#), CFSI, 2016

# Product Category Revenue & Growth

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# Spending By Underserved Consumers in U.S. Hits \$173 Billion

## Breakdown by Product Category Revenue and Growth

In 2016, underserved consumers spent **\$173.2 billion** on fees and interest across five financial product categories.

### Single Payment Credit

Loan products for which payment is due in one lump sum, typically with terms of one month or less.

### Short-Term Credit

Loan products that function on an installment basis with terms from several months to 1-2 years or as a line of revolving credit.

### Long-Term Credit

Loan products that function on an installment basis with typical terms longer than 2 years.

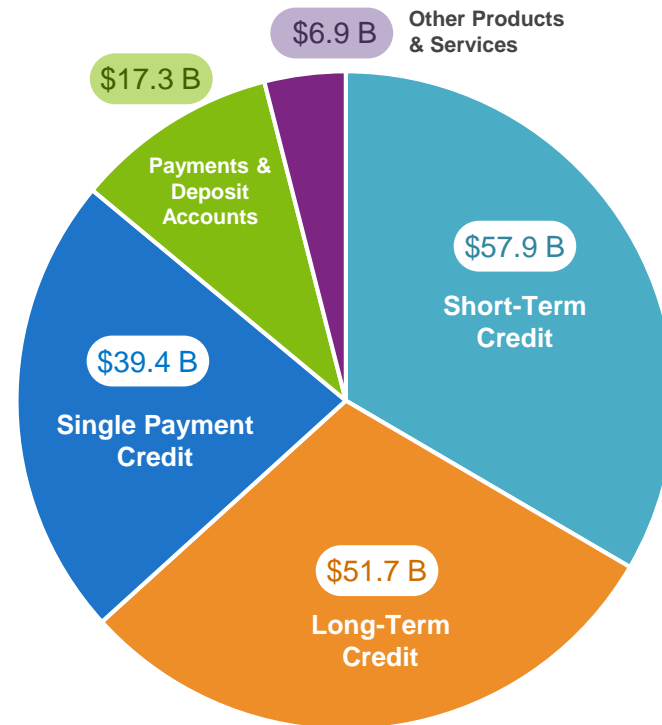
### Payments & Deposit Accounts

Products that enable consumers to transact, convert, send, receive, deposit, and hold funds.

### Other Products & Services

Other personal financial management products and services.

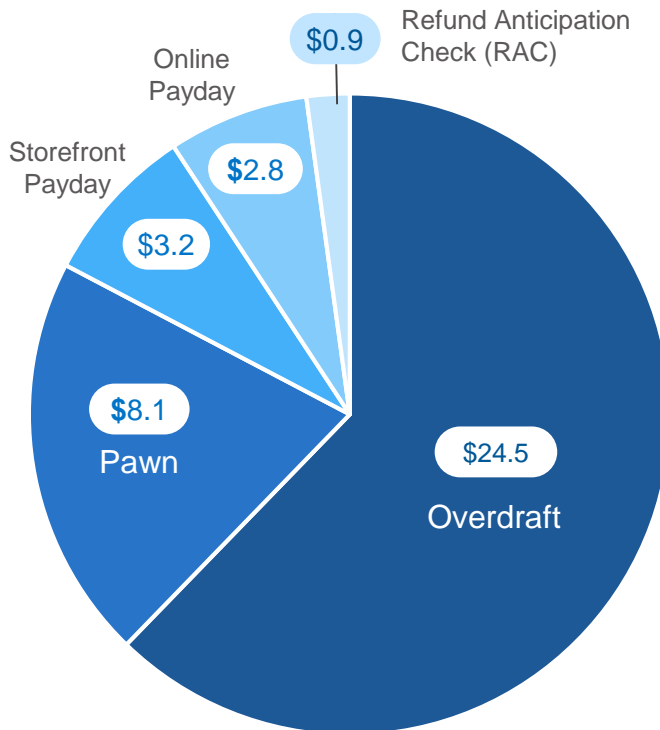
2016 Fee & Interest Revenue: \$173.2 Billion



# Single Payment Credit Retracts to \$39.4 Billion

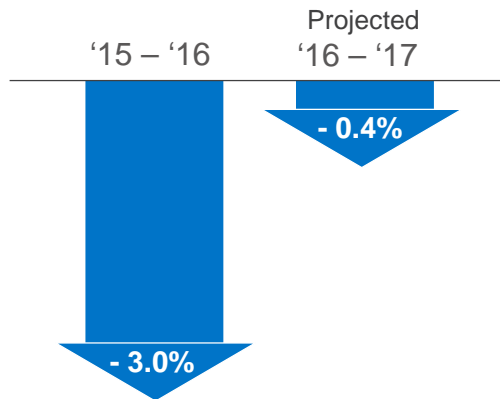


In 2016, underserved consumers spent **\$39.4 billion** on fees and interest for single payment loan products due in one lump sum, typically with terms of one month or less.



For complete definitions of products, see Appendix.

## Single Payment Credit Year-over-Year Growth

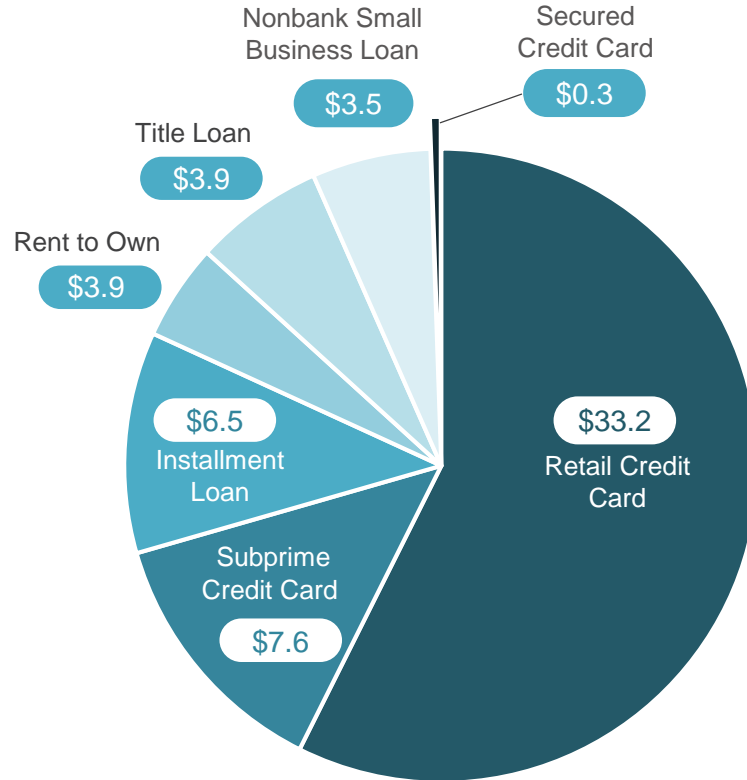


This represents a **3% decrease** from the previous year. The decline is projected to slow, **decreasing by 0.4%** in 2017, primarily driven by resumption of moderate growth in Pawn revenue after retraction in 2016.

# Short-Term Credit Surges to \$57.9 Billion



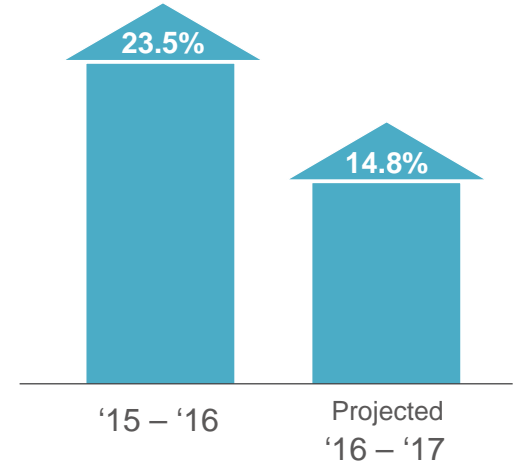
In 2016, underserved consumers spent **\$57.9 billion** on fees and interest for short-term loan products that function on an installment basis with terms from several months to 2 years or as a line of revolving credit.



For complete definitions of products, see Appendix.

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## Short-Term Credit Year-over-Year Growth

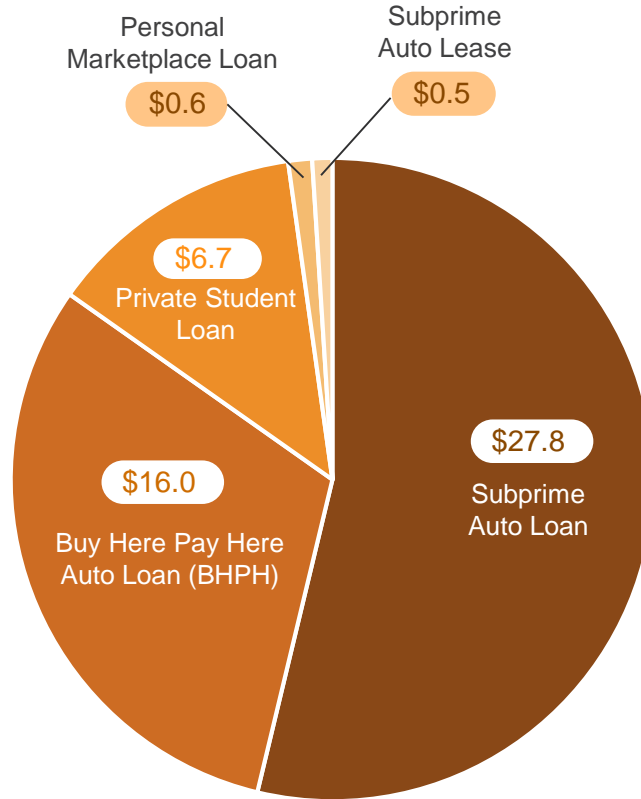


This represents a **23.5% annual growth rate** since the previous year. Growth is projected to continue with a less dramatic **increase of 14.8%** in 2017 as growth slows for all but Installment Loans and Rent to Own, which each indicate a rebound in volume of sales driving higher revenues.

# Long-Term Credit Grows to \$51.7 Billion



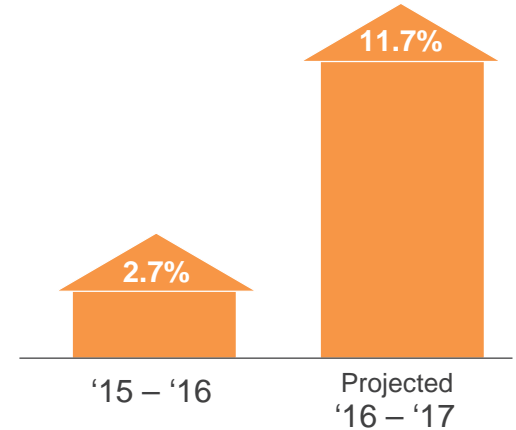
In 2016, underserved consumers spent **\$51.7 billion** on fees and interest for long-term loan products that function on an installment basis with typical terms of 2 years or more.



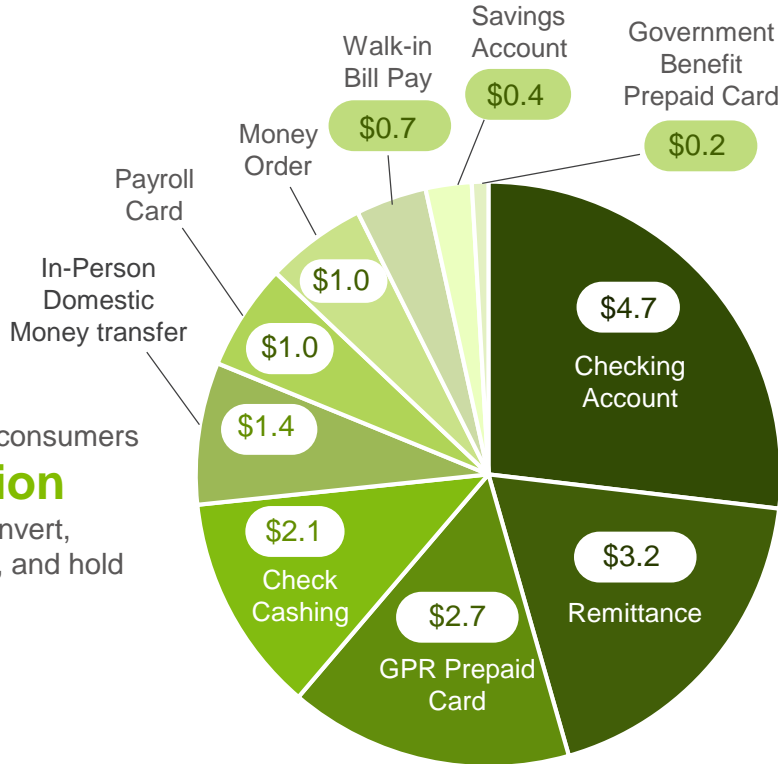
For complete definitions of products, see Appendix.

## Long-Term Credit Year-over-Year Growth

This represents a **2.7% annual growth rate** since the previous year. Growth is projected to **accelerate to 11.7%** in 2017 due to resumption of stronger growth in Personal Marketplace Loan originations and a reversal of decline in Buy Here Pay Here Auto Loan volume of sales.



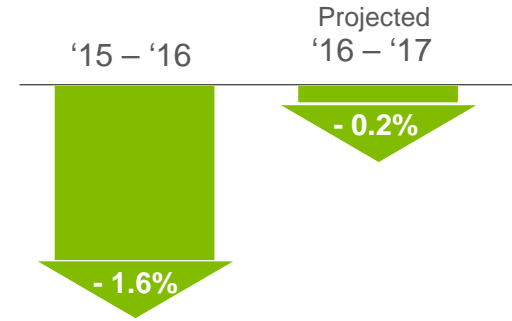
# Payments & Deposit Accounts Decline to \$17.3 Billion



In 2016, underserved consumers spent **\$17.3 billion** on fees to transact, convert, send, receive, deposit, and hold funds.

For complete definitions of products, see Appendix.

## Payments & Deposit Accounts Year-over-Year Growth

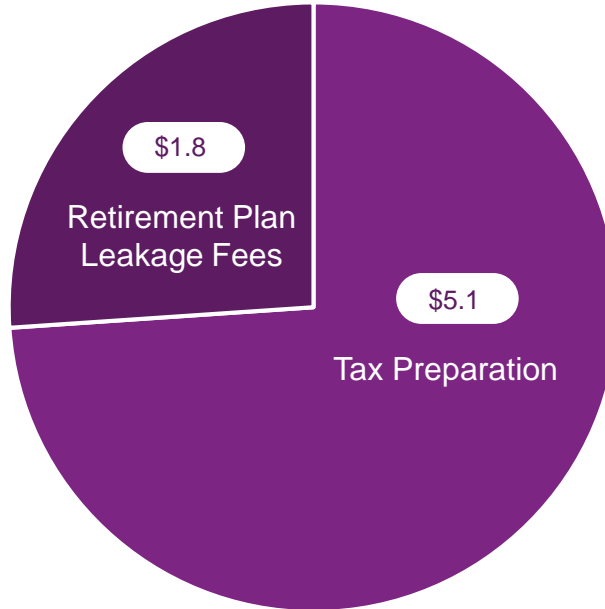


This represents a **1.6% annual rate of decrease** since the previous year. A slight **decrease of 0.2% is projected** in 2017 as well, pushed toward neutral growth by increases in Checking Account fee spending, GPR Prepaid volume of usage, and an uptick in Money Order transactions.

# Other Products & Services Retract to \$6.9 Billion

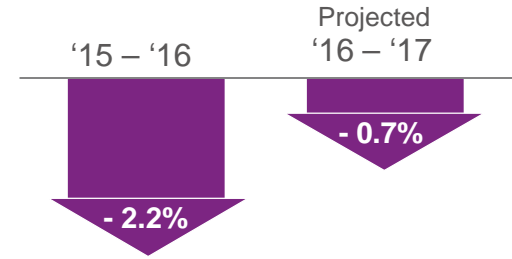


In 2016, underserved consumers spent **\$6.9 billion** on fees and penalties for financial services to prepare taxes and borrow or withdraw funds early from retirement accounts.



For complete definitions of products, see Appendix.

## Other Products & Services Year-over-Year Growth



This represents a **decrease of 2.2%** compared to the previous year. The downward trajectory is projected to slow, with a **decrease of 0.7%** in 2017 due to slightly lower utilization of retirement plan borrowing.



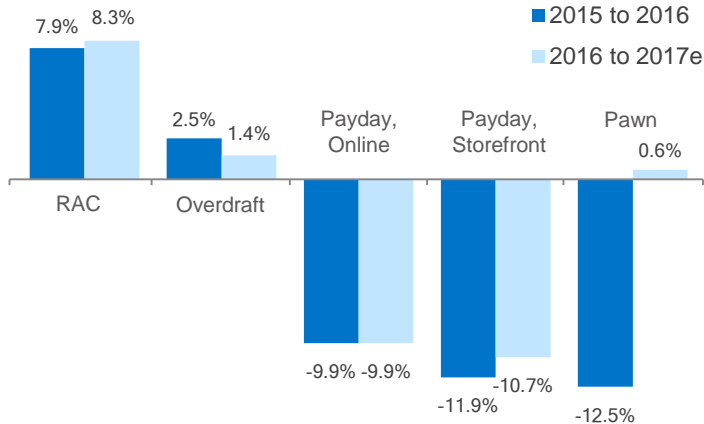
# Growth and Projections by Product

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# Product Growth and Growth Projections

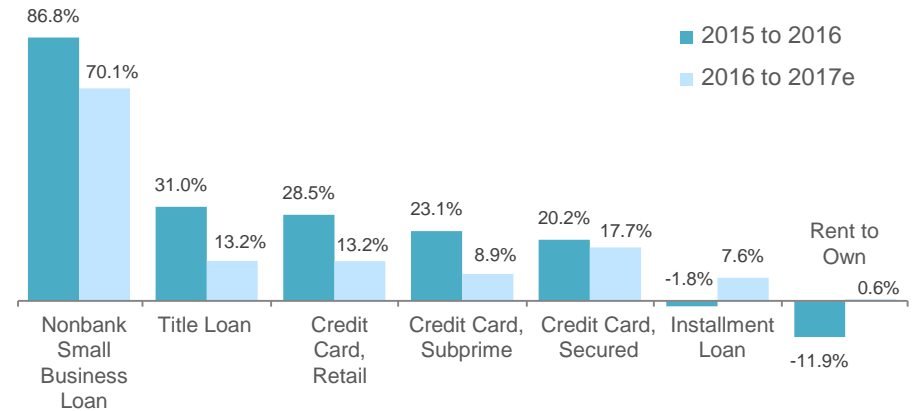
## Single Payment Credit

Online and Storefront Payday Loans both declined in 2016 and are projected to decline again in 2017, while Pawn is expected to return to a steady state after experiencing declining growth in 2016. RACs grow moderately in both 2016 and 2017, while spending on Overdraft fees grows modestly.



## Short-Term Credit

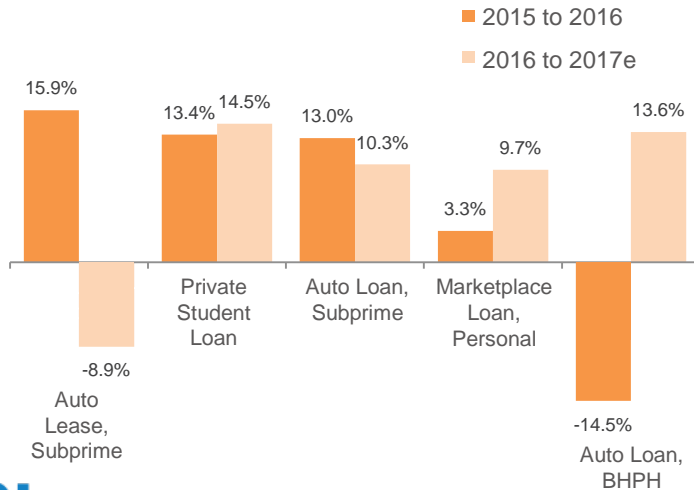
Nonbank Small Business Loans are growing quickly, although their total size is still relatively small, while Auto Title Loans, Retail, Subprime, and Secured Credit Cards each displayed robust growth in 2016, and will continue growth at slightly lower rates in 2017. Installment loans, after experiencing a slight decline in 2016, are expected to rebound in 2017, while Rent to Own declines in 2016 and also shows signs of slowing to a steady state in 2017.



# Product Growth and Growth Projections

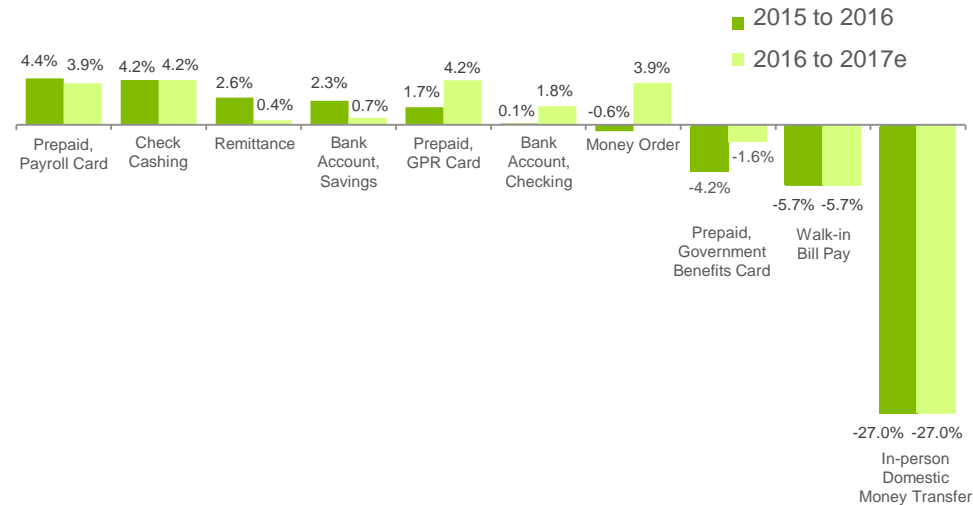
## Long-Term Credit

Subprime Auto Loans continue to drive the largest growth in long-term credit, while BHPH Auto Loans are projected to grow substantially in 2017 after declining in 2016. Personal Marketplace Loans experienced lower growth in 2016 but are projected to recharge their growth to a moderate level in 2017 and remain a small but scaling part of the market. Private Student Loans show continued growth in 2016 and projected for 2017.



## Payments & Deposit Accounts

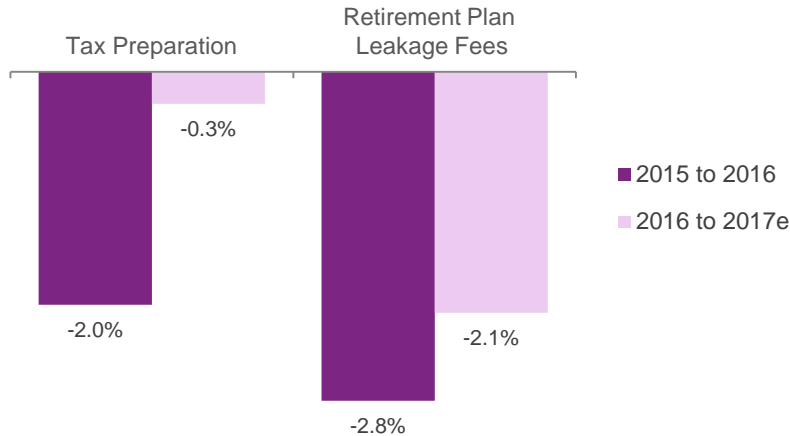
Check Cashing and Prepaid Payroll Cards demonstrate continuing moderate revenue growth in 2016 and projected for 2017, while declines in spending both years will impact Government Benefit Prepaid Cards, Walk-in Bill Pay, and In-Person Domestic Money Transfer most dramatically. After lower growth in 2016, GPR Prepaid Cards, Money Orders, and Checking Accounts are projected to reflect slightly accelerated spending in 2017, while Remittance and Bank Account Savings growth is lower in 2017 projections than it was in 2016.



# Product Growth and Growth Projections

## Other Products & Services

Spending on Tax Preparation fees is expected to decline slightly as fewer consumers use storefront preparatory services, where prices continue to rise, in favor of online tax services, which typically feature lower pricing and are not sized in this report. Retirement Plan Leakage fees, which remained relatively flat in 2016, are projected to decline slightly in 2017 due to lower utilization.



# Market Trends

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# Credit Cards in the Underserved Market: How do they Stack up?

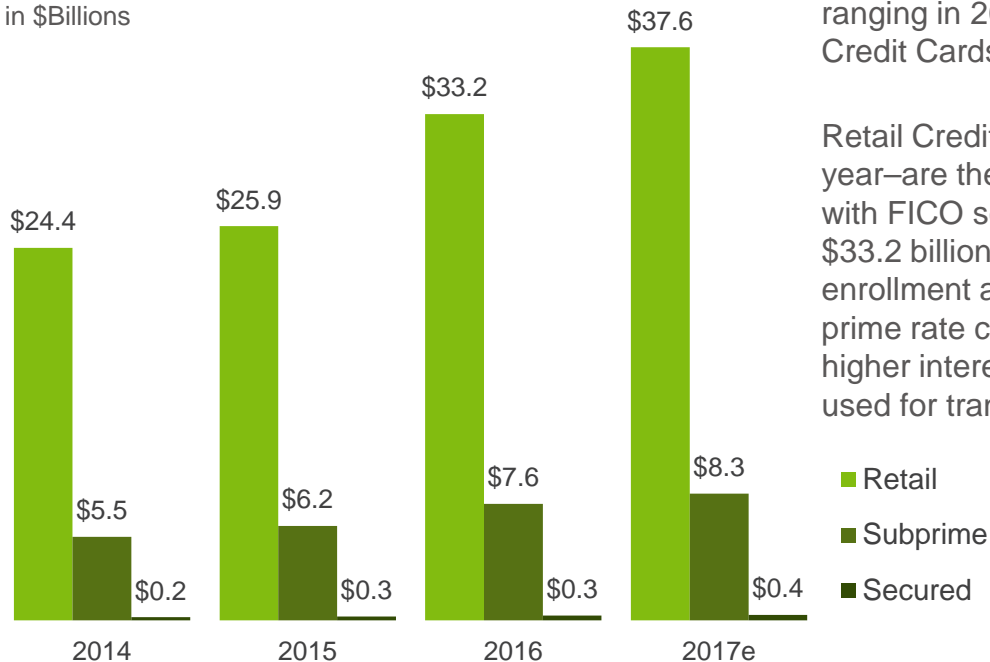
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# Retail Credit Card Revenue Dominates as All Cards Grow Substantially

## Credit Card Revenue

in \$Billions



Spending on credit cards often used by underserved consumers has grown rapidly for several years in a row, ranging in 2016 from an increase of 23.1% for Subprime Credit Cards to 28.5% for Retail Credit Cards.

Retail Credit Cards—a product newly added to the report this year—are the most ubiquitous credit card option for those with FICO scores below 700. In 2016, consumers spent \$33.2 billion on these cards, which tend to feature easy enrollment and less stringent approval requirements than prime rate credit cards, as well as lower credit limits and higher interest rates in comparison. Often, they can only be used for transactions with the issuing retailer.

**72%**  
Retail Credit Cards  
that do not base APR on  
cardholder creditworthiness

**24%**  
Average Retail  
Credit Card APR



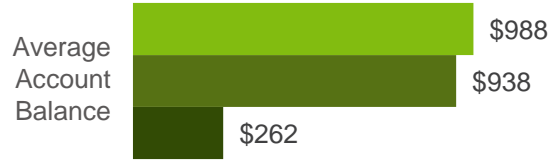
# Account Volume Advantage Powers Retail Credit Dominance

Retail cards resemble subprime cards in terms of both average balance and interest rate. But with an estimated 188 million open accounts serving 125 million cardholders in 2016, they far outstrip Subprime and Secured cards when it comes to account ownership and total volume of account balances.

More forgiving underwriting standards may play a role in the popularity of Retail Credit Cards among underserved consumers. Teaser promotions, such as offers of no interest for an initial period, or a discount on a large purchase at signup, can also aid in driving retail sales and loyalty.

For those who carry a balance month-to-month or fail to completely pay off their balance within a promotional period, spending can quickly increase due to interest rates of double the national average for all types of credit cards.

**Retail Credit Cards: A New Addition to Sizing the Underserved Market** This product was added to our report—for 2016 and all previous years retroactively—because usage and spending as demonstrated by average balances and interest rates are similar to that of Subprime Credit Cards, an indication that consumers may meet similar credit needs using Retail Credit Cards. For more information, see New Additions and Changes to 2017 Market Sizing in the appendix.



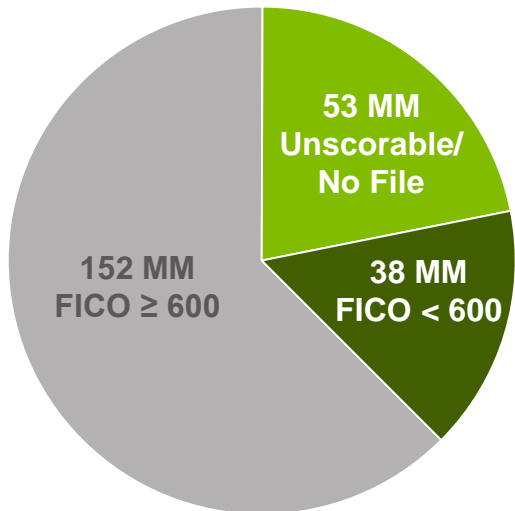
Sources: [The Secured Credit Card Market](#), Payment Cards Center, Federal Reserve Bank of Philadelphia, 2016; [2017 Credit Card Landscape Report](#), WalletHub, 2017; [Retail Store Card Survey](#), CreditCards.com, 2017; [Consumer Credit Table G.19](#), Board of Governors of the Federal Reserve System, 2017.





# Spotlight on Secured Cards: Credit Building Potential in Higher Uptake

## Potentially Scoreable U.S. Population



Ninety-one million U.S. consumers have FICO scores below 600 or are unscorable due to thin file information or no file at all – that’s more than one third of all potential credit score holders.

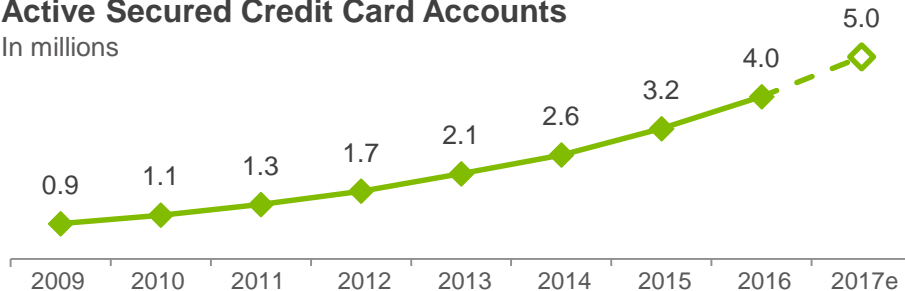
The opportunity to build or repair credit can mean access to a range of credit products– including prime rate credit cards–that feature lower rates and better terms for managing short-term or revolving credit needs.

A recent study by the Federal Reserve Bank of Philadelphia Card Payments Center reports that use of Secured Credit Cards, which serve primarily to build credit while offering access to a credit card product, are on the rise, increasing at a compound annual rate of 24% from 2012 to 2015 alone.

CFSI Secured Credit Card research found 60% of account holders cited the desire to build or rebuild credit as a motivating factor in opening a card. Fifty-seven percent reported an increase in credit score while using their secured card.

## Active Secured Credit Card Accounts

In millions



Sources: [Expanding Credit Opportunities](#), FICO, 2017; [US Average FICO Score Hits 700: A Milestone for Consumers](#), FICO, April 2017; [The Secured Credit Card Market](#), Payment Cards Center, Federal Reserve Bank of Philadelphia, 2016; [Secured Credit Cards: Innovation at the Intersection of Savings and Credit](#), CFSI, 2016.



# Spotlight on Secured Cards: Credit-Building Potential in Higher Uptake

The Federal Reserve study found sustained use of secured cards have a measurable impact on card users' credit scores, which **increased an average of 24 points** for the 82% of accounts that remained open after two years.

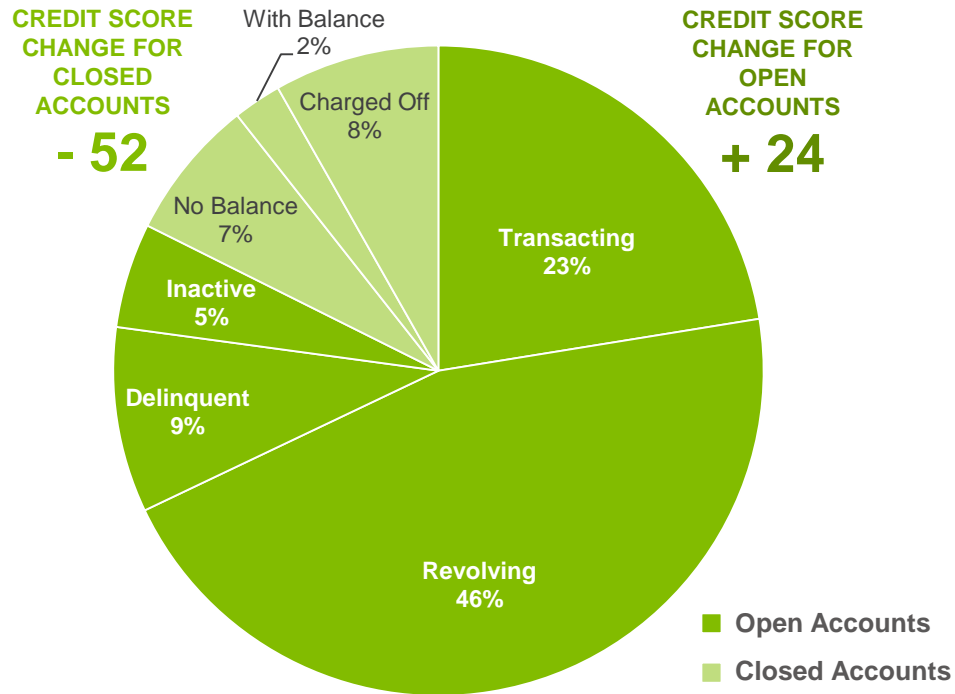
For cards closed during the two year period, regardless of whether balances were paid off prior to closure, users' **credit scores decreased an average of 52 points**.

While 94% of those with open accounts retained active status, these users encompass at most 4% of the potential market for credit-challenged consumers.

Opportunity to further attract and engage those motivated to build credit may lie in creating stronger incentives that replicate some aspects of Unsecured Card user perks. Only 12% of Secured Credit Cards surveyed in the Federal Reserve's study offer rewards programs, compared to 47% of Unsecured Credit Cards.

CFSI's Secured Credit Card research found that rewards such as coupons, points, or cash back were the most-requested additional feature, desired by 47% of current account holders, followed by credit score or report information, desired by 29% of account holders.

## Status of Secured Card Accounts 24 Months After Opening



Sources: [The Secured Credit Card Market](#), Payment Cards Center, Federal Reserve Bank of Philadelphia, 2016; [Secured Credit Cards: Innovation at the Intersection of Savings and Credit](#), CFSI, 2016.



# Frequent Overdraft: A Financial Health Tipping Point?

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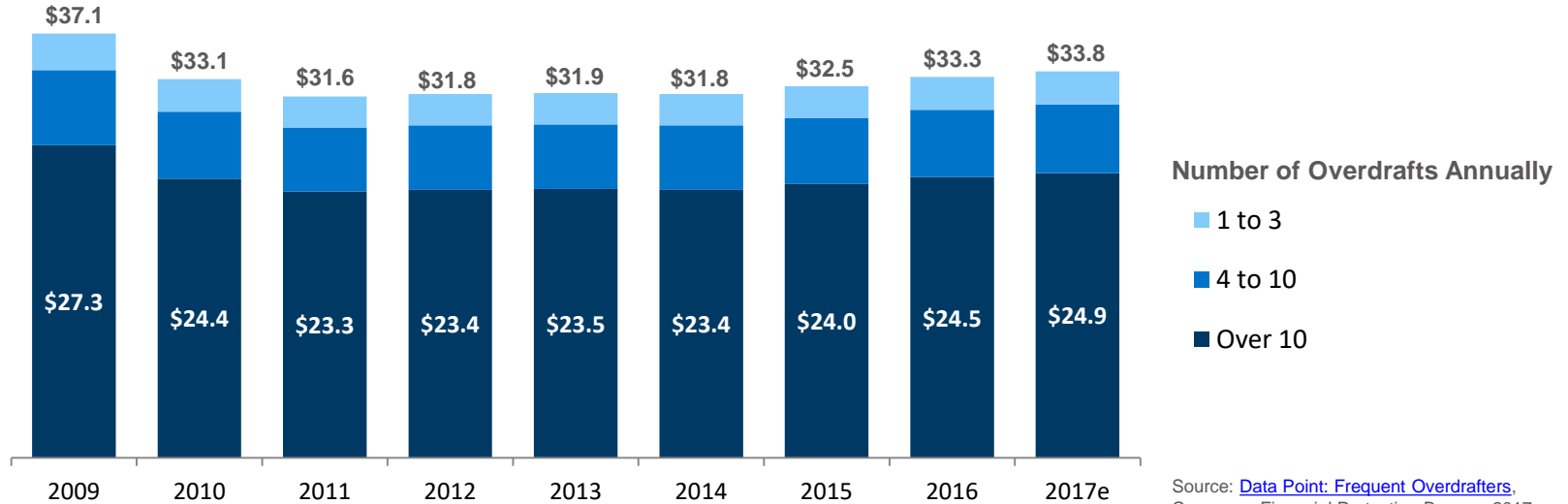
## Frequent Overdrafters Drive Overall Market Revenue...

The Consumer Financial Protection Bureau (CFPB) reports that only 8.3% of all checking accounts experience more than ten overdrafts annually. Yet this small subset of most frequent overdrafters represents approximately 75% of all overdraft revenue each year.

In 2016, these consumers spent \$24.5 billion on overdraft fees, an amount that constitutes 62% of all spending by underserved consumers on Single Payment Credit products.

### Total Overdraft Market Revenue by Overdraft Frequency

In \$Billions



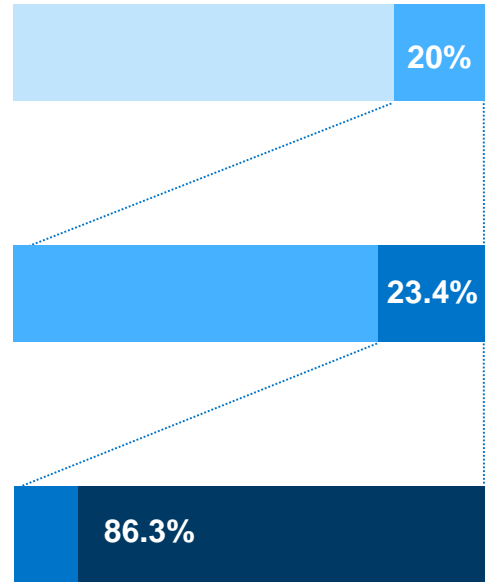
Source: [Data Point: Frequent Overdrafters](#), Consumer Financial Protection Bureau, 2017



## ...but Exit the Traditional Banking System at High Rates

Recent academic research into bank account activity data reveals that **checking account closure** was more than twice as common for those who overdraft most frequently. **Twenty-three percent** of the top quintile of overdrafters closed their account within 15 months, compared to only **11%** for other account holders.

**Involuntary account closures** were also nearly twice as likely for this top quintile, measured at **86%** compared to **47%** for other account holders. This suggests that very frequent overdrafters struggle to maintain a checking account in good standing.



Of consumers whose overdraft frequency is in the **top 20%**...

...**23.4%** close their accounts within 15 months...

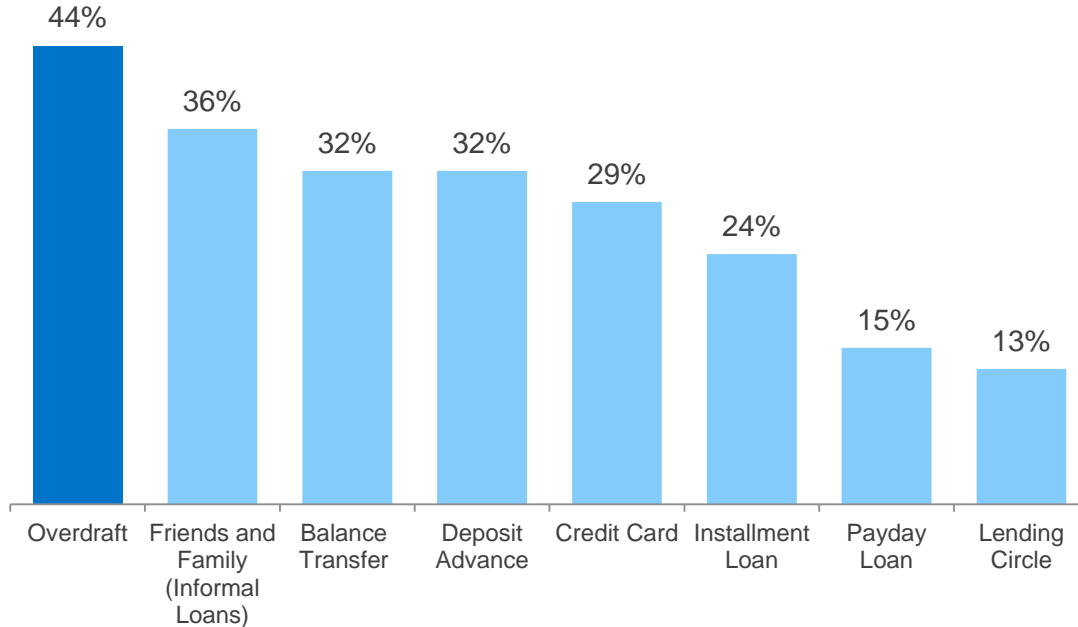
...of those, **86.3%** see their accounts closed involuntarily.

Source: Liu, Xiao, Montgomery, Alan L., and Srinivasan, Kannan, [Optimizing Bank Overdraft Fees with Big Data](#), (Working Paper) New York University and Carnegie Mellon University, 2016



# Opportunity for Alternatives to Overdraft

## Overdraft Users' Short-Term Funding Preferences



Source: [Checking Overdraft and the Voice of the Consumer](#), Novantis, 2015

Underserved Overdraft users—those who overdrafted ten or more times per year—did so to address relatively small shortfalls in liquidity, experiencing total negative balances of only \$521 per user throughout 2016.

Their 825 million overdrawn transactions represent a key marginal segment within the underserved population: those with short-term liquidity constraints who remain tenuously attached to the traditional banking system.

Less than half of overdrafters prefer this product for addressing short-term liquidity needs, indicating opportunity for financial institutions to explore alternative credit solutions that allow frequent overdrafters to better manage temporary shortfalls while maintaining an active banking relationship.



# Questions of Credit Pricing: To Underwrite or not to Underwrite?

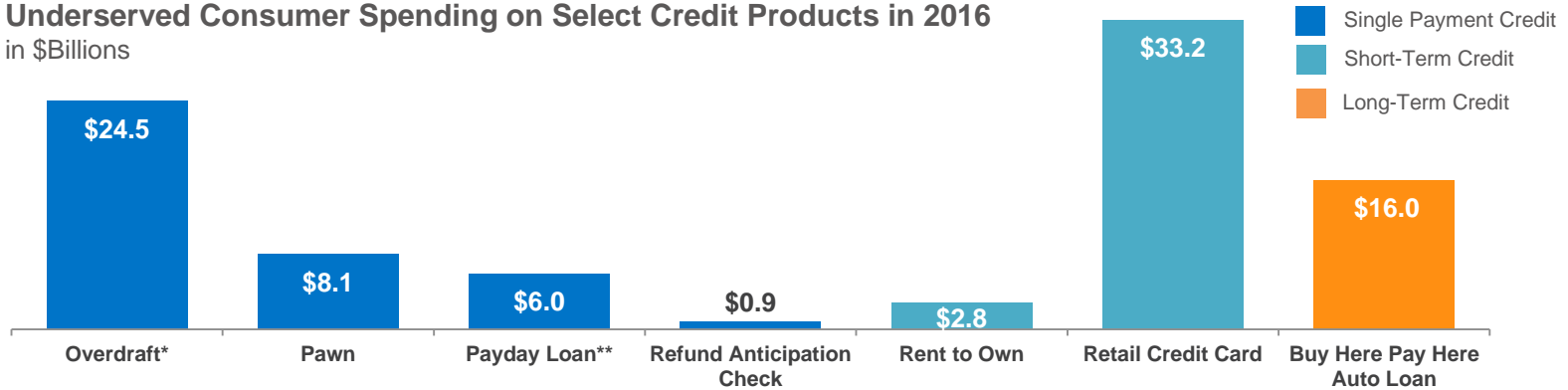
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## Missed Opportunity in One-Size-Fits-All Rates and Fees

Underserved consumers often face challenges in part due to low credit scores or lack of a scoreable credit file, a barrier that impacts 91 million U.S. consumers. Many of these consumers may benefit from alternative measurements of borrower risk to increase their access to credit. There is broad market opportunity for innovations that can perform basic underwriting at low cost or report to credit bureaus, as many credit products that address gaps in liquidity do not price interest and fees according to risk or provide credit-building opportunities.

**Underserved Consumer Spending on Select Credit Products in 2016**  
in \$Billions



<b>Average Rate or Fee per Use</b>	\$29.73 per each	5% - 30% of loan value; 30 days	15% - 25% of loan value; 14 days	\$42.19 per each	59.2% of item market value; 1 - 2 years	23.8% APR	25.64% APR
<b>Credit Score</b>	Median ≤ 585 or no score	Median ≤ 588 or no score	Median ≤ 513 or no score	n/a	n/a	27% ≤ 660	70% ≤ 600 or no score
<b>Builds Credit</b>	No	No	No	No	No	Yes	Infrequently

\*Frequent Overdrafters >10 times per year \*\*Online and Storefront Payday Loan data combined





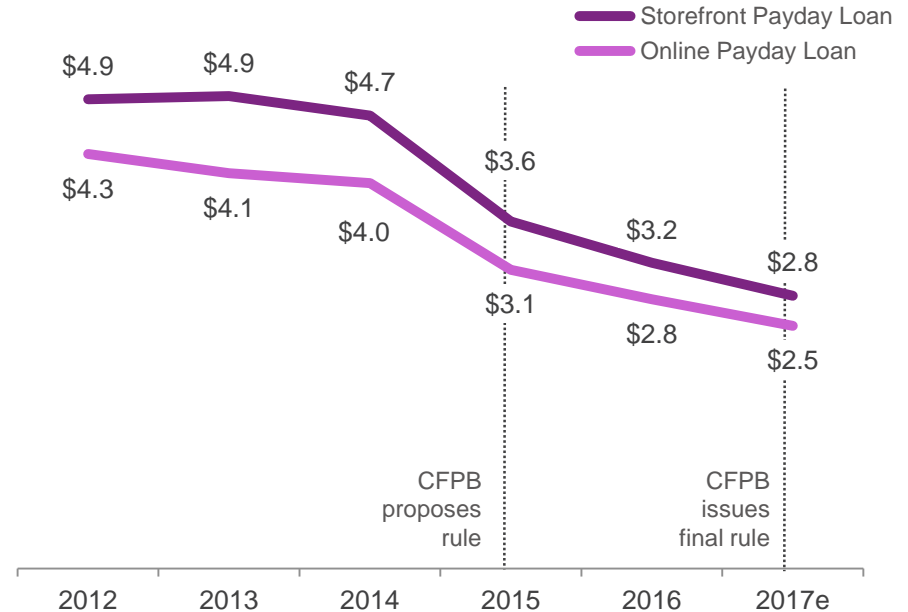
## Regulatory Sticks, Regulatory Carrots

In October 2017, the CFPB announced its Final Rule regarding Payday, Vehicle Title, and Certain High Cost Installment Loans, mandating that some types of single-payment lenders assess borrowers' ability repay their loans before qualification or otherwise meet proscribed provisions to safeguard consumers' ability to repay. After several years of industry speculation, the Bureau released its initial version of this rule in June 2015, contributing to a steep decline in payday lending revenue as industry providers shifted to Installment, Auto Title, Pawn, and other models to provide Short-Term Credit in anticipation of regulatory changes. The final rule is set to go into effect 21 months after issue, in spring of 2019.

Simultaneous action during October 2017 by the Office of the Comptroller of the Currency rescinded 2013 "Guidance on Supervisory Concerns and Expectations Regarding Deposit Advance Products," that effectively prevented banks from offering Deposit Advance single payment loans as a payday loan alternative. This means the future holds renewed opportunity for financial institutions to address the consumer need for Short-Term and Single Payment Credit with the context of a banking relationship.

### Storefront and Online Payday Loan Revenue

In \$Billions





# **Small Business Finance: Credit Access Meets Untapped Potential**

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# Data Continue to Show Supply Shortfall in Small Business Credit

An annual Federal Reserve survey found between 56% and 71% of small businesses with revenues of less than one million dollars failed to receive the full amount of credit requested on loan applications over the past three years, although 70% sought less than \$100,000 in financing in 2016.

Forty-four percent of all small businesses surveyed reported securing financing as a top challenge. Respondents also reported high levels of personal assets and guarantees used to secure business debt.

**55%**

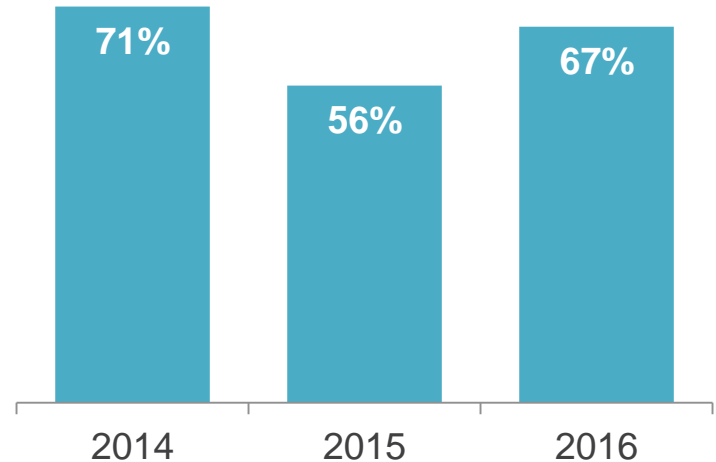
Small business credit applicants who used a personal guarantee in 2016

**37%**

Small business credit applicants who relied on personal assets as collateral in 2016

## Loan Applicants Not Approved for Requested Loan Size

Small Businesses with under \$1M Revenue



Sources: [Federal Reserve Small Business Credit Survey](#), 2014; [Federal Reserve Small Business Credit Survey](#), 2015; [Federal Reserve Small Business Credit Survey](#), 2016.



# Opportunity to Address Small Business Credit Demand Continues

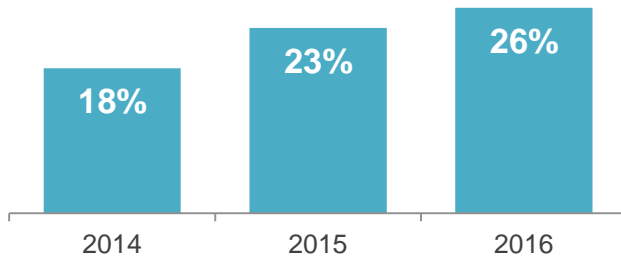
Small businesses are increasingly seeking out nonbank online lenders as a source of credit. Nonbank lenders were preferred by over one quarter of small businesses with revenues of under one million dollars in 2016, up from 18% just two years earlier.

Nonbank small business lending revenue, dominated by online lenders, has demonstrated a compound annual growth rate of 79% from 2011 to 2016, and is projected to grow an additional 70% in 2017 reaching \$6 billion in revenue.

While personal marketplace loan growth retracted in 2016 after several years of exponential growth, and is expected to resume at a slower rate of growth in 2017, the nonbank small business loan sector continues apace as slack in the broader market for small business credit drives businesses to seek alternatives to bank loans.

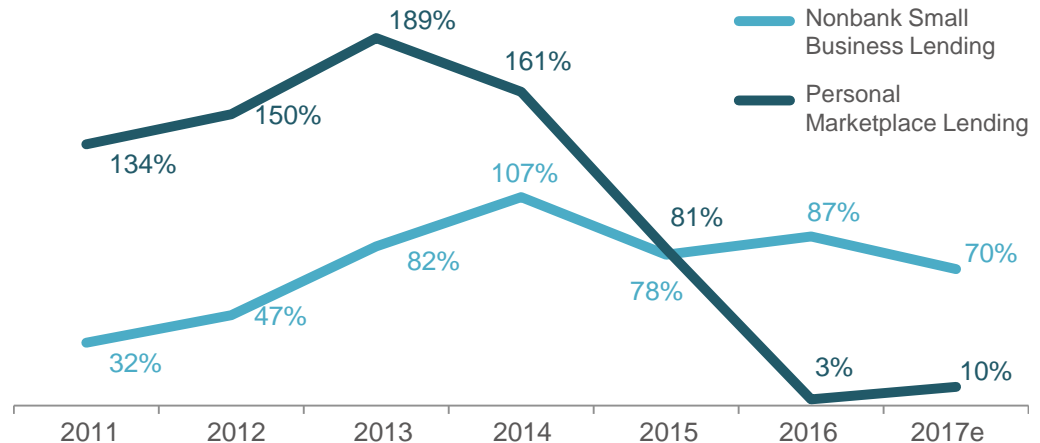
## Business Credit Sought Through Nonbank Online Lenders

Small Businesses Loan Applicants with under \$1M Revenue



Sources: [Federal Reserve Small Business Credit Survey](#), 2014;  
[Federal Reserve Small Business Credit Survey](#), 2015;  
[Federal Reserve Small Business Credit Survey](#), 2016.

## Annual Growth Rates for Nonbank Small Business and Personal Marketplace Lending





# Serving Small Business Financial Needs Goes Beyond Credit Access

While credit access remains an important focus area for providers who serve small businesses, it represents only a piece of the full picture of small business financial health. Broader opportunity exists to address the full range of small business financial stressors and needs, such as limited time for financial management, cash flow volatility, and barriers to startup funding.

Typical small businesses begin with **\$40K** in self funding.<sup>1</sup>

**Half** of all small businesses hold a cash buffer of less than one month.<sup>2</sup>

**46%** Entrepreneurs who use financial management software.<sup>4</sup>

**36%** Small businesses that struggle to meet basic operating expenses.<sup>3</sup>

## Elements of Small Business Financial Health<sup>5</sup> Businesses are financially healthy when they...

1. Meet obligations (bills, taxes, payroll) on time and in full
2. Maximize collectability of sales
3. Have a financial management system and budget
4. Have access to funds to weather financial shocks
5. Have a sustainable debt load
6. Generate earnings to cover expenses and replace assets
7. Have appropriate insurance and risk mitigation plans
8. Have access to capital sufficient to pursue opportunities
9. Have a business plan that includes cash flow cycle, future expenses, and investment opportunities

Sources: 1. [The Capital Structure Decisions of New Firms](#), Alicia M. Robb & David T. Robinson, September 2012, Institute for Financial Research; 2. [Cash is King: Flows, Balances, and Buffer Days](#), Diana Farrell & Chris Wheat, October 2016, JPMorgan Chase & Co. Institute; 3. [Federal Reserve Small Business Credit Survey](#), 2016; 4. [Supporting Entrepreneurs](#): Preliminary Findings from Accion & Opportunity Fund Small Business Lending Impact Study, January 2017, Harder & Co., Accion, Opportunity Fund; 5. [Financial Health: A New Vision For Serving America's Small Businesses](#), CFSI, 2017



# FinTech Solutions Make Inroads: New Channels Beyond the Storefront

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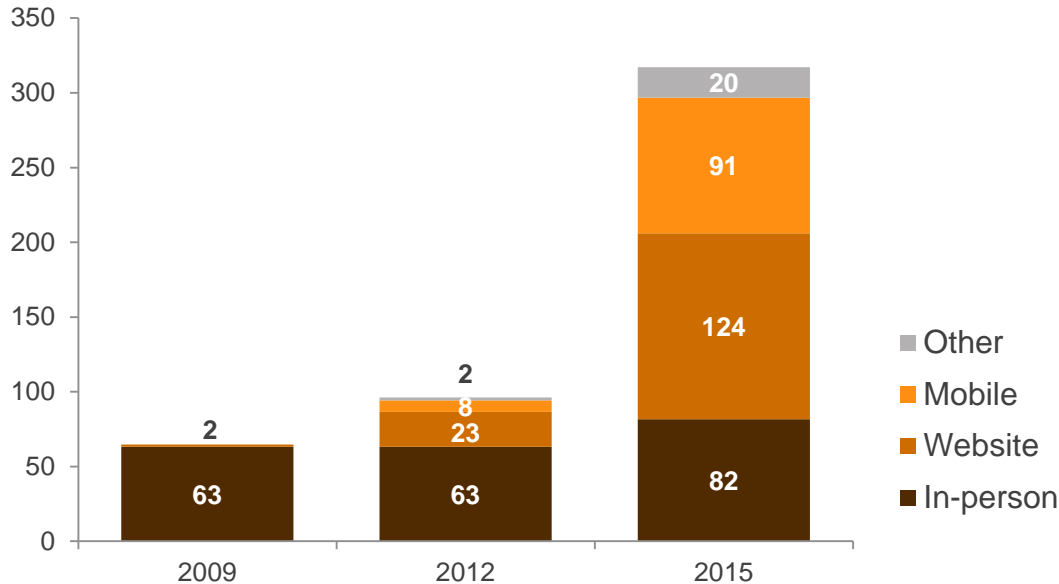
# Digital Domestic Wire Transfer Rises Rapidly and Begins to Scale in Remittance Market

The advent of website and mobile digital transfers have driven domestic wire transfer growth while use of storefront services to conduct cash transfers of funds declines rapidly.

Electronic wire transfer technology has likewise begun to change the way people send and receive funds via remittances.

## Wire Transfers

in Millions of Transactions



**6% - 9%**  
of funds remitted from the U.S. in 2016 were sent abroad through digital channels.

[The Digital Remittance Report: The new platforms disrupting a \\$600 billion industry](#), Business Insider, 2016; Orozco, Manuel, and Laura Porras, [Internet-Based Transfers: Current Landscape](#), Inter-American Dialogue and Remittance Industry Observatory, 2017.

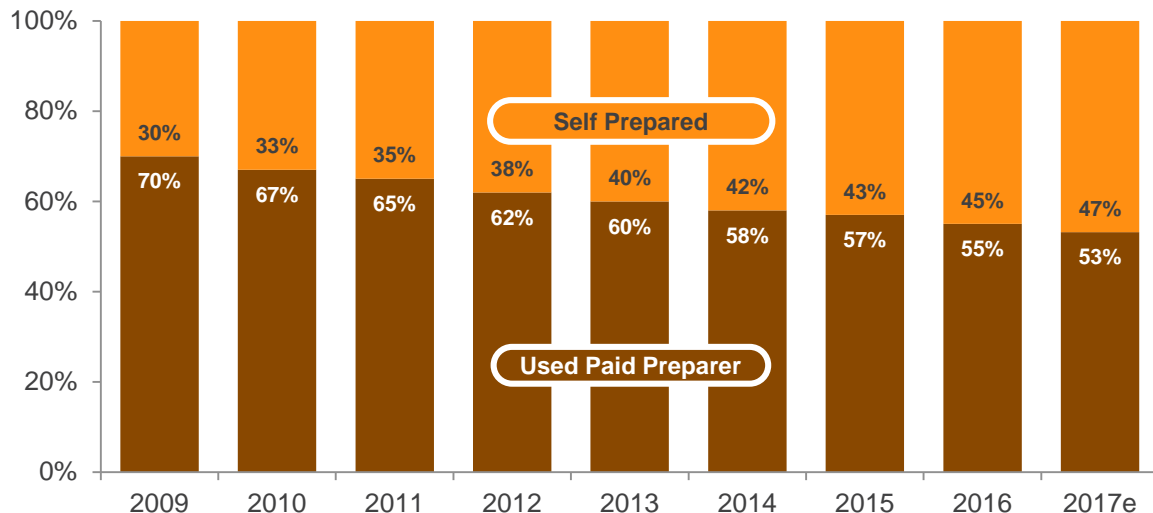
Source: 2016 Federal Reserve Payments Study Detailed Data Tables, 2010 - 2016



# Tax Preparation: Use of Paid Storefront Preparers Falls as Greater Share of EITC Claimants\* Self-Prepare Using e-File

Use of electronic technologies has made strong inroads in the tax preparation industry as consumers increasingly prefer to self-prepare and file taxes online, often at significantly lower expense than those who employ paid preparers at storefronts.

### EITC Claimant Tax Preparation Method



**94%**  
of EITC Claimants  
e-filed in 2016.

**6%**  
submitted paper tax  
returns.

[For Tax Year 2015 EITC Returns Processed in 2016](#), IRS, 2016

\*Tax Preparation revenue and volume in this report sizes all those who are EITC eligible. Note that IRS data set above for use of paid preparers reflects only EITC claimants – about 80% of those who are eligible per income requirements.

Source: IRS EITC Central Statistical Sample Data, 2010-2017





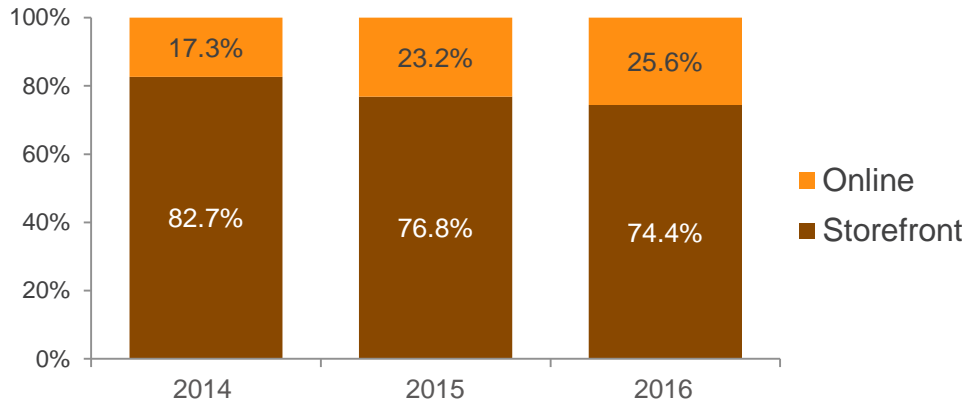
# Online Sales Increase Market Share for Short-Term Credit Products

Short-Term Credit products are primed for online channel growth that can enhance borrower control in the loan comparison and application process.

While Installment Loans have been scaling online loan provision for some time, newer developments in technology have allowed products that rely on collateral or physical transactions to migrate to online channels. Even some Auto Title lenders, which require vehicle and title verification, have begun to experiment with remote handling of the initial application process.

The shift in Rent to Own agreements clearly demonstrates this trend. This product was previously offered almost exclusively by storefront operators but increasingly is sold through online e-commerce companies. There were an estimated 30,000 e-commerce Rent to Own stores in 2016, up from just 13,000 two years prior.

**Rent to Own Sales Revenue**



**27.1%**  
Compound Annual  
Growth Rate of Online  
Rent to Own Sales  
2014 to 2016

[The Shape of Rent-to-Own by the Numbers](#), RTOHQ.com, 2017

Source: [The Shape of Rent-to-Own by the Numbers](#), RTOHQ.com, 2017

# Appendix Charts and Data

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# Appendix: Product Data

## Market Size Analysis Methodology and Data

Market sizing analysis is an exercise of best estimation for a quantity that is frequently unknowable or has a range of recognized figures. This analysis relies on sources that are credible, consistent with other estimates, and continuous, providing historic figures for reference. In many cases, figures are extrapolated from a selection of data sources to arrive at a final estimate for a given product segment. Sources and key figures are summarized in the Appendix below, and we transparently disclose our level of confidence—high, medium, or low—in the accuracy of each product segment, based on the Confidence Level Criteria at right. We encourage readers with access to further information to share sources or figures that can continuously improve our analysis.

## Confidence Level

### HIGH

- » Based on surveys or company-specific information
- » Cited by industry leaders
- » Source methodology disclosed

### MEDIUM

- » Estimate derived from credible market data
- » Source discloses methodology, but with significant assumptions

### LOW

- » CFSI estimate requiring significant extrapolations and assumptions
- » No source methodology disclosed
- » Relies on pre-2014 data

### TOTAL MARKET REVENUE

### TOTAL MARKET VOLUME

Revenue Growth 2015 - 2016	2016 Revenue (\$B)	2017e Revenue (\$B)	Volume Growth 2015 - 2016	2016 Volume (\$B)	2017e Volume (\$B)
6.6%	\$173.2	\$187.6	3.2%	\$1,939.7	\$2,001.9

All revenue generated by consumer spending is sized in this report for products that constitute alternative financial services typically used by underserved consumers. For product segments in this report that are used more widely across the consumer market, only the portion of revenue generated by underserved consumers or by subprime rate product offerings are sized. Savings and Checking accounts, Overdraft, and Tax Preparation services, as well as prime rate Auto Lease, Auto Loan, and Credit Card products all generate revenue in this wider market, so spending on these products by consumers who have prime rates or are fully served is not included in this report.

Consumer usage volume refers to dollars borrowed, transacted, saved, or managed through the use of a financial service, exclusive of fees and interest paid to access these products and services. Measurements of volume vary depending on product category. Single Payment Credit products, Title Loans, and Rent to Own are sized according to annual dollars borrowed to reflect the usage of products often extended multiple times during one year; the other Short-Term Credit products and all Long-Term Credit products are sized by average outstanding volume to reflect loans paid in installments or on a revolving basis and balances carried over a longer period; Payments products are sized by annual load or transaction volume; Deposit Account products are sized by average annual balances held in accounts; and the volumes of other financial services, which often generate revenue and fees independent of volume, are sized according to the volume of funds addressed by the service.

# Appendix: Single Payment Credit

PRODUCT SEGMENT	PRODUCT DEFINITION	REVENUE			VOLUME			CONFIDENCE LEVEL	SOURCES
		REVENUE GROWTH 2015-2016	REVENUE (\$B) 2016	REVENUE (\$B) 2017e	VOLUME GROWTH 2015-2016	VOLUME (\$B) 2016	VOLUME (\$B) 2017e		
Overdraft*	Extension for a checking account holder that enables spending beyond the available balance for a fee to be repaid from the same account.	2.5%	24.5	24.9	2.8%	33.6	34.0	High	CFSI estimate based on portion of overdraft revenues (Moebs 2011 - 2017), and usage "Data Point: Checking account overdraft," CFPB (2014).
Pawn**	A short-term loan with amount set and secured based on the value of items provided by the borrower as collateral.	-12.5%	8.1	8.1	-6.9%	14.0	13.7	Medium	CFSI estimate based on publicly traded industry leaders' annual and quarterly report data (2009-2017), market share data, and figures reported by the National Pawn Brokers Association.
Payday, Online**	Single-payment loan offered by nonbank lenders through online channels.	-9.9%	2.8	2.5	-4.6%	15.2	14.5	Medium	CFSI estimate based on publicly traded industry leaders' annual and quarterly report data (2009-2017), data from "Alternative Financial Services: Innovating to Meet Customer Needs in an Evolving Regulatory Framework" by John Hecht, Stephens, Inc. 2014, and statements by John Hecht for Jefferies, Inc., 2015 - 2016. Rollovers counted as discrete volume.
Payday, Storefront**	Single-payment loan offered by nonbank lenders through brick and mortar storefronts.	-11.9%	3.2	2.8	-15.7%	19.9	17.8	High	CFSI estimate based on publicly traded industry leaders' annual and quarterly report data (2009-2017), data from "Alternative Financial Services: Innovating to Meet Customer Needs in an Evolving Regulatory Framework," by John Hecht, Stephens, Inc. 2014, and statements by John Hecht for Jefferies, Inc., 2015 - 2016. Rollovers counted as discrete volume.
RAC (Refund Anticipation Check)	Fee-based service that allows tax preparation fees to be paid from expected tax refund rather than at the time of preparation.	7.9%	0.9	0.9	11.6%	5.9	7.0	Medium	CFSI estimate based on IRS tax return data reported by the National Consumer Law Center (Tax Year 2015); industry typical fees (2015).
<b>ALL SINGLE PAYMENT CREDIT PRODUCTS</b>		<b>-3.0%</b>	<b>39.4</b>	<b>39.3</b>	<b>-4.3%</b>	<b>88.6</b>	<b>86.9</b>		

\* This report only sizes overdraft activity and spending by account holders who exhibit high frequency of usage—more than 10 times in one year—indicating that their need for short-term credit is chronically underserved.  
 \*\* The volume and revenue sized for payday and pawn loans are counted per each discrete loan. Ratios of volume to revenue dollars do not reflect aggregate costs paid by borrowers who enter a cycle of debt, commonly referred to as rolling over, stemming from one initial single payment loan.

# Appendix: Short-Term Credit

PRODUCT SEGMENT	PRODUCT DEFINITION	REVENUE			VOLUME			CONFIDENCE LEVEL	SOURCES
		REVENUE GROWTH 2015-2016	REVENUE (\$B) 2016	REVENUE (\$B) 2017e	VOLUME GROWTH 2015-2016	VOLUME (\$B) 2016	VOLUME (\$B) 2017e		
Credit Card, Retail	Card-based revolving line of credit issued in partnership with a retail outlet, often featuring a lower spending limit and higher interest rate than a prime rate credit card regardless of consumer creditworthiness. Often valid only for purchases made at issuing retailer.	28.5%	33.2	37.6	9.5%	226.7	241.8	Medium	CFSI estimate based on data from Synchrony and Citigroup (2009-2016), market share information from Nilson (2016) and WalletHub (2012, 2014, 2015)
Credit Card, Secured	Credit card that is fully or partially backed by funds deposited into the account and used as collateral for the credit available; also used to build credit.	20.2%	0.3	0.4	16.7%	1.0	1.2	High	CFSI estimate based on account volume and fee data in "The Secured Credit Card Market" (Federal Reserve Bank of Philadelphia, 2016) and interest rate data from WalletHub's "2017 Credit Card Landscape Report."
Credit Card, Subprime	Card-based revolving line of credit, typically provided to consumers with VantageScores below 660, which charge higher interest rates and/or fees than cards issued to consumers with prime credit scores.	23.1%	7.6	8.3	11.0%	26.4	28.8	Low	CFSI estimate based on data from Equifax (2014), American Bankers Association, CardHub reports, and typical product structure and fees of major subprime credit cards (2009 - 2016).
Installment Loan	A short-term loan repaid over time through a set number of scheduled payments.	-1.8%	6.5	7.0	17.1%	18.1	20.0	Medium	CFSI estimate based on publicly traded industry leaders' annual and quarterly report data (2009 - 2016) and data from "Alternative Financial Services: Innovating to Meet Customer Needs in an Evolving Regulatory Framework," John Hecht, Stephens, Inc. 2014.

# Appendix: Short-Term Credit cont.

PRODUCT SEGMENT	PRODUCT DEFINITION	REVENUE			VOLUME			CONFIDENCE LEVEL	SOURCES
		REVENUE GROWTH 2015-2016	REVENUE (\$B) 2016	REVENUE (\$B) 2017e	VOLUME GROWTH 2015-2016	VOLUME (\$B) 2016	VOLUME (\$B) 2017e		
Nonbank Small Business Loan	Loans offered by nonbank institutions, almost exclusively through online channels, to fund small business needs, typically using a combination of traditional and alternative data, sometimes including sales volume, to determine risk, interest rates and loan amounts.	86.8%	3.5	6.0	86.8%	9.8	16.6	Medium	CFSI estimate based on "Survey of Online Consumer and Small Business Financing Companies – 01/01/2010 through 06/30/2015," California Department of Business Oversight (2016); Michael J. Bologna, "States Mull Regulation of Online Commercial Lenders," Bloomberg News, June 13, 2016; and Bryant Park Capital/deBanked Small Business Financing CEO Survey data (2016) on Merchant Cash Advances; MEDICI and FinXTech, "Fintech Intelligence Report: Marketplace Lending" (2017)
Rent to Own	Service that allows for the purchase of furniture, appliances, and other big-ticket household items through payments due in regular installments over a period of time.	-7.9%	2.8	2.9	8.4%	3.1	3.2	High	CFSI estimate based on market share and gross margin data provided in quarterly and annual public reports from industry leaders Rent-A-Center and Aaron's, (2009 - 2016); market share information sourced from RTOHQ.com.
Title Loan*	A loan secured with a vehicle in which the auto title is provided to the lender as collateral. While the majority of loan industry volume is based on auto title loans structured as installment loans, some are also structured as single payment loans.	31.0%	3.8	4.4	35.6%	6.3	7.2	Medium	CFSI estimate based on state-specific title loan incidence, volume, and revenue data reported by regulatory agencies in CA, IL, NM, TN, TX, and VA (2009-2016 as available); 2016 Revenue Data from the Center for Responsible Lending "Payday and Car Title Lenders Drain \$8 Billion in Fees Every Year." (2017), footprint of auto title lending locations and proportion of states offering installment and single payment models for all states where the practice is legal sourced from "Driven to Disaster: Car-Title Lending and Its Impact on Consumers," Center for Responsible Lending (2013); additional data on proportional use of installment and single payment auto title sourced from "Payday and Auto Title Lending in Texas, Market Overview and Trends 2012 - 2015," Texas Appleseed (2016). Rollovers counted as discrete volume.
<b>ALL SHORT-TERM CREDIT PRODUCTS</b>		<b>23.5%</b>	<b>57.9</b>	<b>66.5</b>	<b>12.1%</b>	<b>291.5</b>	<b>318.8</b>		

\* For the portion of auto title loans structured as a single payment loan, the volume and revenue sized for payday loans are counted per each discrete loan. Ratios of volume to revenue dollars do not reflect aggregate costs paid by borrowers who enter a cycle of debt, commonly referred to as rolling over, stemming from one initial single payment loan.

# Appendix: Long-Term Credit

PRODUCT SEGMENT	PRODUCT DEFINITION	REVENUE			VOLUME			CONFIDENCE LEVEL	SOURCES
		REVENUE GROWTH 2015-2016	REVENUE (\$B) 2016	REVENUE (\$B) 2017e	VOLUME GROWTH 2015-2016	VOLUME (\$B) 2016	VOLUME (\$B) 2017e		
Auto Lease, Subprime	Car lease provided to consumers with VantageScores less than 600.	15.9%	0.5	0.5	57.0%	2.1	1.9	Medium	CFSI calculation based on risk segment and annual lease amount reported in "State of the Automotive Finance Market," Experian quarterly reports (2009-2017); Nada and Edmunds data on interest rates, new vehicle sales, percent leased (2009-2017).
Auto Loan, Subprime	Car loans provided to consumers with FICO credit scores less than 600, exclusive of Buy Here Pay Here auto loans.	13.0%	27.8	30.6	10.3%	213.3	207.5	High	CFSI calculation based on risk segment, interest rate and loan volume data reported in "State of the Automotive Finance Market," Experian quarterly reports (2009-2017).
Buy Here Pay Here Auto Loan	Car loans, typically with high interest rates regardless of consumer creditworthiness, for which monthly or biweekly payments are due at the point of sale; often utilized by consumers who lack viable credit scores since credit checks are often not required.	-14.5%	16.0	18.2	-4.5%	62.5	76.4	High	CFSI calculation based on risk segment, interest rate and loan volume data reported in "State of the Automotive Finance Market," Experian quarterly reports (2009-2017), and National Alliance of BHPH Dealers (2016).
Marketplace Loan, Personal	Personal loans offered by online, nonbank institutions, typically on an installment basis, using a combination of traditional and alternative data to determine credit risk and interest rates.	3.3%	0.6	0.7	29.9%	15.4	17.8	High	CFSI estimate based on loan data from NSR Platform (2009-2017) and market share data from SNL, "U.S. Digital Lending Landscape Report" (2016).
Student Loan, Private	Private loans provided to individuals for the pursuit of higher education and related costs.	13.4%	6.7	7.7	12.4%	102.3	110.6	High	CFSI estimate based on interest rate data from publicly traded industry leaders (2011-2016); volume data from MeasureOne reports (2013-2016)
<b>ALL LONG-TERM CREDIT PRODUCTS</b>		<b>2.7%</b>	<b>51.7</b>	<b>57.7</b>	<b>9.0%</b>	<b>395.6</b>	<b>414.1</b>		

# Appendix: Payments & Deposit Accounts

PRODUCT SEGMENT	PRODUCT DEFINITION	REVENUE			VOLUME			CONFIDENCE LEVEL	SOURCES
		REVENUE GROWTH 2015-2016	REVENUE (\$B) 2016	REVENUE (\$B) 2017e	VOLUME GROWTH 2015-2016	VOLUME (\$B) 2016	VOLUME (\$B) 2017e		
Check Cashing	A service to quickly convert checks to cash or electronically available funds.	4.2%	2.1	2.2	4.2%	81.2	84.6	Low	CFSI volume estimate based on average customer usage and fees charged by small providers and franchised or co-located providers sourced from company data and "2013 FDIC National Survey of Unbanked and Underbanked Households," FDIC (2014) and "2015 FDIC National Survey of Unbanked and Underbanked Households," FDIC (2016). Revenue estimate from Marketdata Enterprises, Inc. report: "Check Cashing & Money Transfer Services: A Market Analysis" (2013).
Deposit Account, Checking*	Basic Bank or Credit Union Checking Account, exclusive of Overdraft.	0.1%	4.6	4.7	2.3%	214.2	220.5	Medium	CFSI estimate based on CFPB (2012); Bankrate account fee reports (2009 - 2016); "2015 FDIC National Survey of Unbanked and Underbanked Households," FDIC (2016); and "February 2012 Spending & Saving Tracker," prepared by Echo for American Express (2012), and consumer usage sourced from "Data Point: Checking account overdraft," CFPB (2014); CFPB checking account usage data; and Branton, Michael and Spaid, Tyler "The Profitability of the Average Checking Account," BankDirector.com, April 22, 2013.
Deposit Account, Savings*	Basic Bank Saving Account or equivalent Credit Union Share Account	2.3%	0.4	0.4	1.4%	28.7	29.1	Low	CFSI estimate based on "2015 FDIC National Survey of Unbanked and Underbanked Households," FDIC (2016); typical fees from sample of banks, and account balance survey data from Consumer Federation of America data (2010) as reported in New America Foundation study "Beyond Barriers" (2011); and Low Income Designation Credit Union industry data.
In-Person Domestic Money Transfer	Service that transfers cash funds converted into electronic funds for wire transfer between two private individuals within the domestic United States.	-27.0%	1.4	1.0	-2.3%	31.1	30.3	Medium	CFSI calculation based on 2009 and 2012 Mercator studies of third party bill pay volume and public industry leaders, Atlanta Federal Reserve Board Payments data, MoneyGram and Western Union revenue and fee information (2009-2016), and company specific fee data.
Money Order	A service that converts cash to a paper check equivalent with stated amount of funds guaranteed by the issuing institution.	-0.6%	1.0	1.0	3.1%	92.7	103.1	Medium	CFSI estimate based on CFSI's Consumer Financial Health Study (2015), fee data from MyBankTracker.com (2013), US Postal Service Data (2009-2016).
Prepaid Card, GPR (General Purpose Reloadable)	An open-loop card that serves as an account for consumers to load, store, and spend funds electronically.	1.7%	2.7	2.8	5.0%	101.6	106.7	High	CFSI calculation using "13th Annual US Market Prepaid Cards Market Forecast 2016-2019," Mercator Advisory Group (2016) and fee estimate based on NetSpend and Green Dot operating revenue and gross dollar volume reported in quarterly and annual public reports (2009 - 2016). Customer usage data sourced from "General Purpose Reloadable Prepaid Cards: Penetration, Use, Fees, and Fraud Risks," Kansas City Federal Reserve Bank (2014).



# Appendix: Payments & Deposit Accounts cont.

PRODUCT SEGMENT	PRODUCT DEFINITION	REVENUE			VOLUME			CONFIDENCE LEVEL	SOURCES
		REVENUE GROWTH 2015-2016	REVENUE (\$B) 2016	REVENUE (\$B) 2017e	VOLUME GROWTH 2015-2016	VOLUME (\$B) 2016	VOLUME (\$B) 2017e		
Prepaid Card, Government Benefit**	Prepaid card used to access, manage, and spend federal government benefits including TANF, SNAP, Unemployment, Social Security, Disability, etc. for all recipients who do not receive benefits by direct deposit.**	-4.2%	0.2	0.2	-2.7%	146.0	143.7	High	CFSI estimate based on Federal Reserve Board "Report to the Congress on Government-Administered, General-Use Prepaid Cards," (2011 -2016) and "13th Annual US Market Prepaid Cards Market Forecast 2016-2019," Mercator Advisory Group (2016).
Prepaid Card, Payroll	An open-loop card that serves as an account for employers to deposit employee salaries, wages, or other compensation on a regular basis for employees to store and spend electronically.	4.4%	1.0	1.1	5.9%	37.5	39.7	High	CFSI calculation using "13th Annual US Market Prepaid Cards Market Forecast 2016-2019," Mercator Advisory Group (2016) and fee estimate based on NetSpend and Green Dot operating revenue and gross dollar volume reported in quarterly and annual public reports (2009 - 2016).
Remittance	Service that transfers cash funds converted into electronic funds between two private individuals across international borders. This study includes only funds remitted from senders in the U.S. to recipients abroad.	2.6%	3.2	3.2	-0.6%	58.1	57.8	High	World Bank estimate of remittance inflows, outflows and fee percent (2009 - 2016); usage by type of provider sourced from "2015 FDIC National Survey of Unbanked and Underbanked Households," FDIC (2016).
Walk-in Bill Pay	Storefront service that converts consumer cash payments to funds sent to billers.	-5.7%	0.7	0.6	-8.6%	30.6	28.0	Medium	CFSI calculation based on 2009 and 2012 Mercator studies of third party bill pay volume and public industry leaders, Atlanta Federal Reserve Board Payments data, MoneyGram and Western Union revenue and fee information (2009-2016), and company specific fee data.
<b>ALL PAYMENTS AND DEPOSIT ACCOUNT PRODUCTS</b>		<b>-1.6%</b>	<b>17.3</b>	<b>17.3</b>	<b>1.3%</b>	<b>821.7</b>	<b>843.4</b>		

\* This report sizes only the portion of revenue generated by consumers defined by the "2015 FDIC National Survey of Unbanked and Underbanked Households," FDIC (2016) as un- or underbanked.  
 \*\* All federal government benefits not accessed through direct deposit are legally required to be provided by prepaid cards as of March 2013.

# Appendix: Other Products & Services

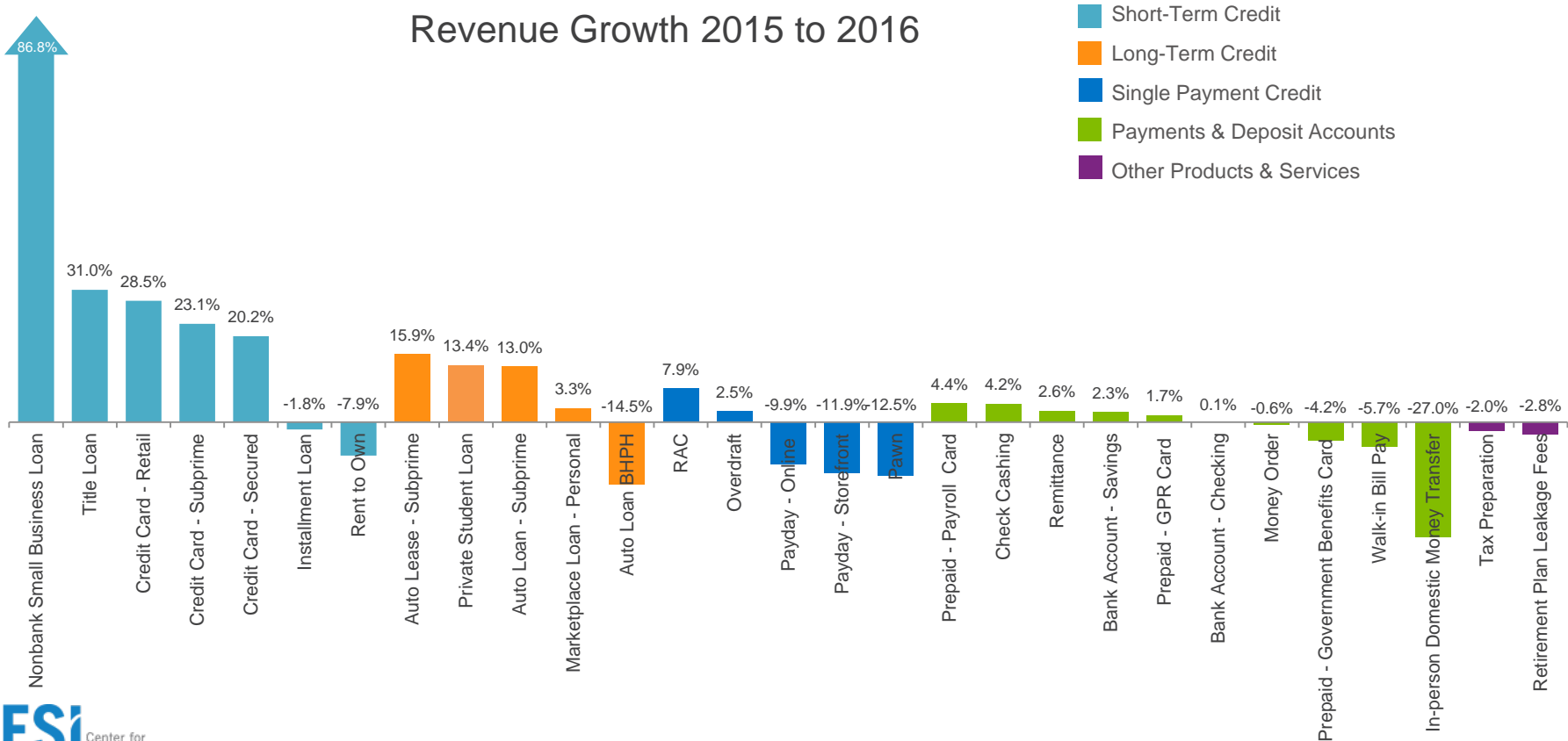
PRODUCT SEGMENT	PRODUCT DEFINITION	REVENUE			VOLUME			CONFIDENCE LEVEL	SOURCES
		REVENUE GROWTH 2015-2016	REVENUE (\$B) 2016	REVENUE (\$B) 2017e	VOLUME GROWTH 2015-2016	VOLUME (\$B) 2016	VOLUME (\$B) 2017e		
Retirement Plan Leakage Fees*	Fees charged to release and maintain ownership of funds previously dedicated to a retirement plan as a loan to the account holder.	-2.8%	1.8	1.8	-4.4%	241.6	236.3	Medium	CFSI estimate based on data from TIAACREF Survey on Americans taking loans from their retirement plan savings (2014); U.S. Department of Labor statistics; Pension Research Council white paper, TransAmerica Center for Retirement Studies "16th Annual Transamerica Retirement Survey," (2015) and Employee Benefits Security Administration data tables 2009-2016; Emily Brandon, "Fewer People Pay IRA Early Withdrawal Penalty," U.S. News and World Report, August 28, 2015; "Defined Contribution Plan Participants' Activities, 2015," Investment Company Institute (2015); "Leakage of Participants' DC Assets: How Loans, Withdrawals, and Cashouts Are Eroding Retirement Income," Aon Hewitt (2011); Betterment industry data (2016).
Tax Preparation**	Service, typically provided through a storefront point of sale, that prepares and files personal income taxes for a fee, exclusive of Refund Anticipation Check fees (RAC).	-2.0%	5.1	5.1	0.8%	100.7	102.4	High	CFSI estimate based on IRS Databooks (2009-2015); National Society of Accountants fee data (2009-2015); IRS EITC participation and eligibility data (Tax Year 2009 -2014)
<b>ALL OTHER PRODUCTS AND SERVICES</b>		<b>-2.2%</b>	<b>6.9</b>	<b>6.4</b>	<b>-2.9%</b>	<b>342.3</b>	<b>338.7</b>		

\* Interest payments made on funds borrowed from retirement account are paid back to the account itself and result in no net loss to the consumer. This report measures only the additional fees paid by the consumer to access this loan option, and taxes paid (both at the marginal rate and in penalties) for early retirement fund withdrawals.

\*\* This report sizes only the portion of tax preparation revenue generated by consumers eligible for the Earned Income Tax Credit (EITC).

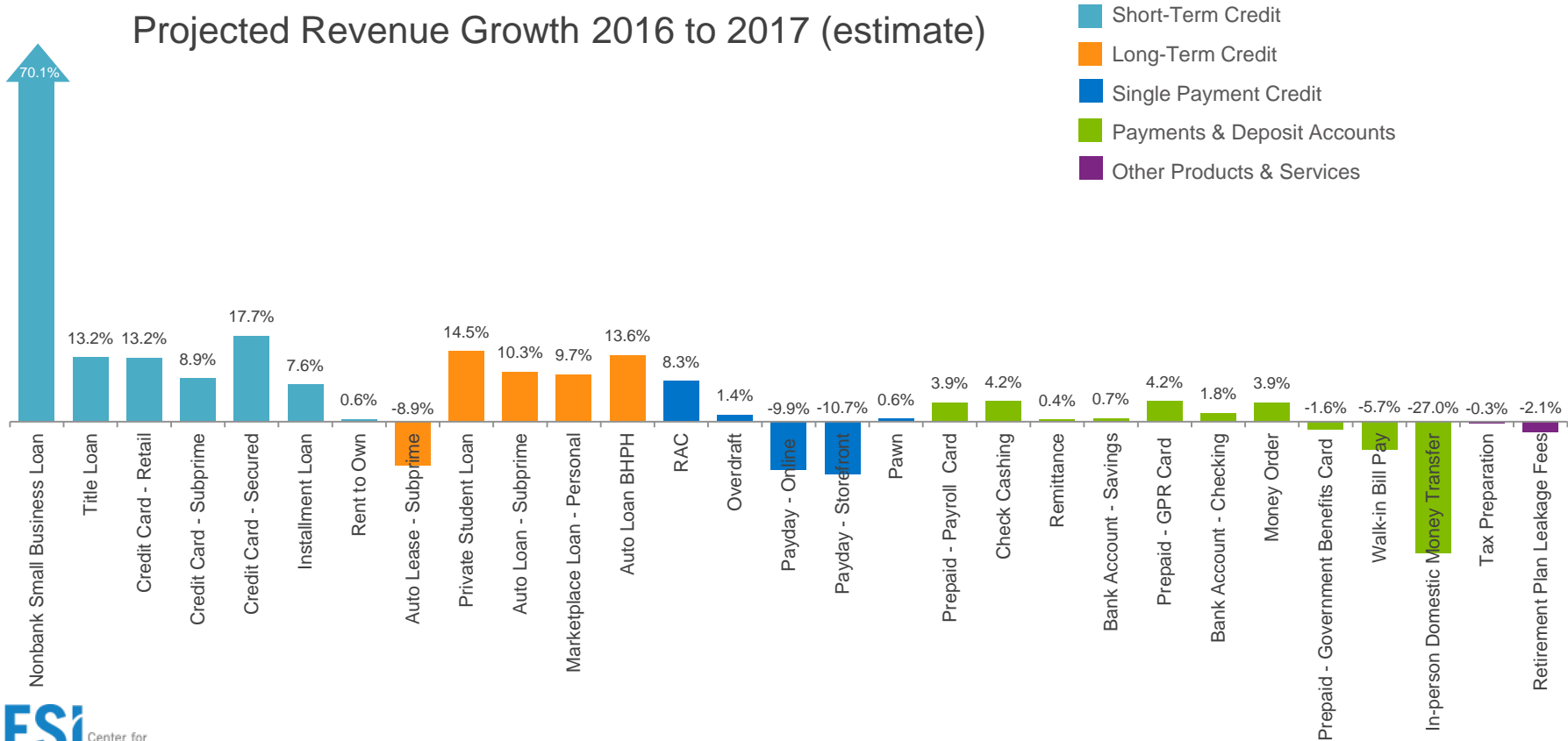
# Appendix: Annual Growth for All Products

## Revenue Growth 2015 to 2016



# Appendix: Annual Growth Projections for All Products

## Projected Revenue Growth 2016 to 2017 (estimate)



# New Additions and Changes to 2017 Market Sizing

Each annual Market Size Study reflects the evolving array of products and product usage behaviors that impact the financially underserved marketplace. To ensure that changes in methodology and product inclusion or exclusion do not influence the measurement of growth rates, these changes are retroactively applied to the sizing of products for the complete data set from 2010 to present.

All year-over-year growth rates reflect revised figures for past years to ensure that annual changes are directly comparable. For reference, the chart below displays the market size identified at the time of publication for previous reports in this annual series and the size of the market for the same year sized according to current methodology.

Report Year Covered	2010	2011	2012	2013	2014	2015	2016	2017 Estimate
Published Market Revenue (B)	\$45.2	\$77.6	\$88.7	\$102.6	\$137.7	\$140.7	--	--
Updated Market Revenue (B) (per current product inclusions, exclusions & methodologies)	\$133.8	\$139.0	\$142.9	\$148.8	\$155.9	\$162.5	\$173.2	\$187.6

*Note: Previously published reports reflected a smaller collection of products, differences in the scope of consumers defined as underserved, and previous information available to inform methodologies and calculations. For more information on past methodologies, please consult the previous Underserved Market Sizing Study reports in this series.*

# New Additions and Changes to 2017 Market Sizing

## New Product Additions

**Retail Credit Card:** Joining Subprime Credit Cards and Secured Credit Cards, this new addition sizes spending by consumers on credit cards offered through retail points of sale and other stores. These credit cards are typically available to consumers with scores in the 600s range, and typically feature higher rates and lower limits than prime rate credit cards, increasing the changes that those who carry a balance will pay higher rates and utilize a greater proportion of their credit limit. Consumers who are underserved by appropriate credit access may rely on such cards to finance large purchases or otherwise carry balances they cannot repay quickly.

**In-Person Domestic Money Transfer:** This product allows consumers to send funds from one point of sale to another for retrieval by another individual within the domestic United States. Much like Remittance, Domestic Money Transfers tend to assess fees, either flat or scaled to the size of the transfer, and are particularly costly when conducted in-person, an option which may be the only available choice for consumers who are cash-based and lack access to electronic forms of money management.

## Changes to Included Products

**Nonbank Small Business Loan:** This product constitutes a change in terminology from the previous Small Business Marketplace Loan, intended to better capture the full range of small business lending products offered by both Marketplace and other nonbank lenders which typically are more highly accessible and differ in range of loan size, interest rate, and approval process from bank loans.

## Products no Longer Included

**Small Business Microloan:** Included for the first time in last year's report, this product sized spending by small businesses operating with revenues of less than \$100,000 in low-to-moderate income census tracts, yet in a strong enough position to garner a traditional bank loan. Small business loans approved by banks and credit unions typically require a prime credit score and other rigorous demonstrations of business operations metrics. Therefore, we have determined that inclusion of this product, even for smaller loans in lower income areas, does not clearly fit the focus of this report, which aims to document the spending of those who are financially underserved.

# New Additions and Changes to 2017 Market Sizing

## Changes in Product Methodologies

**Pawn:** Pawn revenue is now calculated to include both the direct revenue based on loan fees and interest as previously sized, and the monetary value of pawned items forfeited (items forfeited valued only at level funded through original loan, a more conservative estimate than resale value). Volume estimate methodology remains unchanged.

**Secured Credit Card:** Secured card volume and revenue, previously calculated based on industry expert estimates of volume and advertised pricing and terms of leading providers is now enhanced with direct data on number of accounts, card balances, monthly and annual fee incidence, and monthly and annual fee value provided by the Federal Reserve as well as annual percentage rates advertised by leading providers.

**Private Student Loan:** Revenue estimates now derive directly from interest rate yield reported by leading providers, rather than relying on average interest rates across the industry and the proportion of loan balances in active repayment only, a previous methodology which did not account for average interest rates which not hold constant across loans in active and inactive repayment.

**Marketplace Loan (Personal):** Revenue estimates now derived from leading provider data that includes origination vintage and monthly interest paid on loan balances for each origination cohort, rather than previous methodology which relied on interest paid on quarterly aggregates of loan balances for all vintages.

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## Thank You

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The opinions expressed in this report are those of CFSI and do not necessarily represent those of any sponsor or advisor.

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