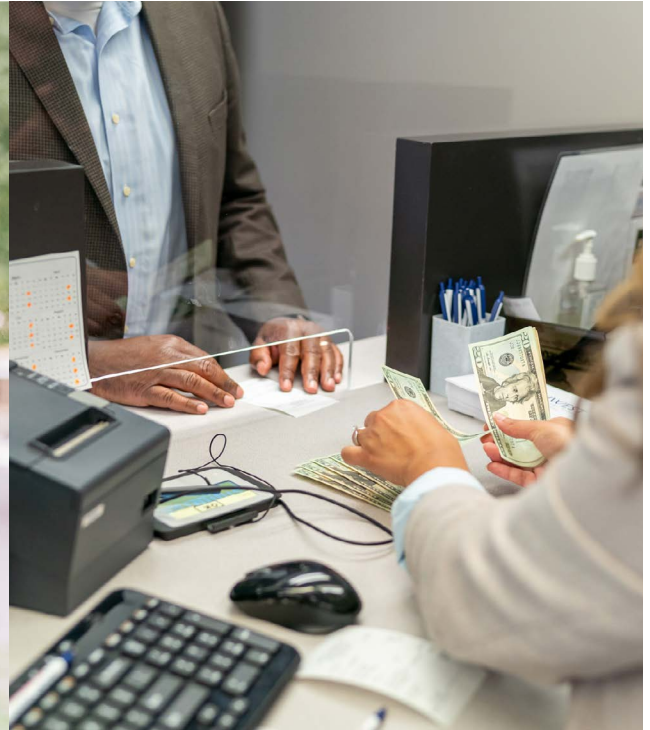
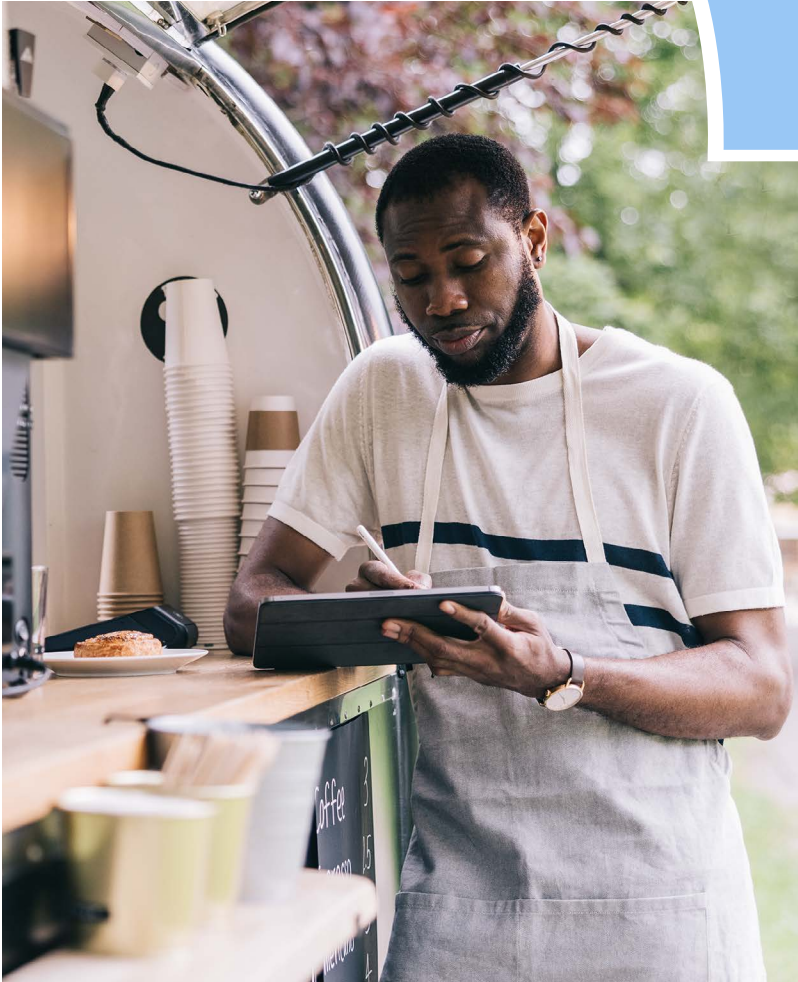




SEPTEMBER 2025



Access to Credit and Financial Services

A BRIDGE TO
FINANCIAL WELL-BEING



FEDERAL RESERVE BANK
of ST. LOUIS



Community Development at the St. Louis Fed

The St. Louis Fed's community development staff works at the local, regional and national levels to promote the economic resilience and mobility of low- and moderate-income individuals and communities. We accomplish this work by:

- Listening to consumers and workers in urban, suburban and rural communities throughout the region to understand local economic conditions
- Conducting research and sharing data to help communities build strategies to grow their economies
- Convening and connecting community stakeholders to identify and address key challenges

These efforts help foster a strong economy and financial system so those in every community have opportunities to contribute to the economy and prosper.

AUTHOR



Liz Deichmann

Senior Researcher
Community Development Research
Federal Reserve Bank of St. Louis

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Introduction

The 2023 Federal Deposit Insurance Corp.'s National Survey of Unbanked and Underbanked Households found that 5.6 million U.S. households (4.2%) did not have a bank account, or were unbanked, and 19 million households (14.2%) had a bank account but used at least one of eight alternatives to bank services, such as check cashing and payday loans, meaning they were underbanked. About 1 in 6 U.S. households (15.7%) did not utilize traditional credit products that are reflected in credit records and, as a result, did not have a credit score.¹ The Eighth Federal Reserve District—which is headquartered in St. Louis and covers all of Arkansas, most of Missouri, and parts of Illinois, Indiana, Kentucky, Mississippi and Tennessee—has some of the country's highest rates of households that are unbanked and have no traditional credit.²

Access to financial services—including bank accounts and traditional credit, such as a credit card or a student loan—is a cornerstone of financial well-being.³ Bank accounts allow individuals to securely store and transfer money and can be a first step toward other financial services, like an auto loan from a bank. Traditional credit allows individuals to manage everyday finances, weather financial emergencies and invest in their futures.⁴ These financial services help individuals and households increase economic mobility, strengthen resilience and participate more fully in the economy.

Traditional vs. Nontraditional Financial Services

This report uses the term *traditional* to refer to services offered by banks, credit unions, and other regulated and insured institutions, and the term *nontraditional* or *nonbank* to refer to services offered outside these institutions, like payday loans and financial technology platforms. We recognize that the term *traditional* is imperfect; still, it is the best available choice. Moreover, the term is widely used and likely familiar to most.

Lower-income individuals have the least access to traditional financial services. They are more likely to have no checking or savings account at a bank or no credit score.⁵ They are also more likely to have a credit score below 660, or subprime credit.⁶ Research shows that individuals with lower credit scores tend to use credit with higher borrowing costs, like payday loans, that increase the likelihood of debt, delinquency and bankruptcy.⁷ Employers, landlords and insurers may use credit scores to assess financial responsibility and ability to pay on time, so a low credit score can impede an individual's employment or housing opportunities.⁸ Limited access to traditional credit can have a host of negative effects on financial well-being, like trapping individuals and their families in cycles of debt and stagnating wealth-building.

Consequently, this report focuses on the participation of low- and moderate-income individuals in traditional financial services as a means to financial well-being.

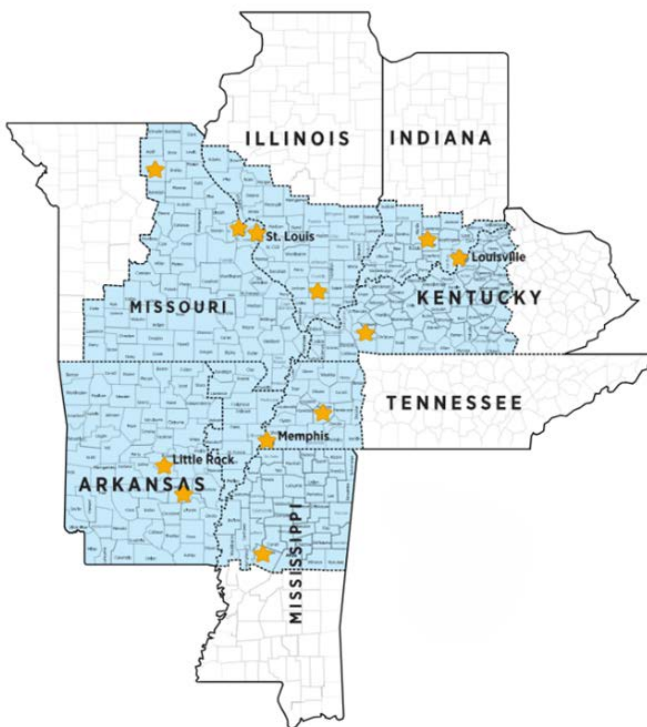
What Is Considered a Low or Moderate Income?

Low- and moderate-income *areas* are those with income levels that fall into specific ranges as determined by the Federal Financial Institutions Examination Council. A low-income area is a census tract in which median family income is less than 50% of the metropolitan statistical area/metropolitan division or statewide nonmetro median family income. A moderate-income area is a census tract in which median family income is at least 50% and less than 80% of the metropolitan statistical area/metropolitan division or statewide nonmetro median family income.

Low- and moderate-income *individuals* are those with individual incomes in these same ranges. The Federal Reserve defines low income as an individual income that is less than 50% of the area median income and moderate income as an individual income that is at least 50% and less than 80% of the area median income.⁹

Two analyses holistically characterize access to financial services from the community to the national level. The first is a quantitative analysis of the Federal Reserve Bank of New York's Consumer Credit Panel from the first quarter of 2023 to the first quarter of 2025. This report measures access to traditional credit in two ways: (1) the percentage of adults without a credit score, and (2) the quality of credit scores. The analysis examines the nation and Eighth District states, including adults in low- and moderate-income communities, where median family income is less than 80% of the region's median family income.

Map of Financial Well-being Roundtable Locations



The second is a qualitative analysis of 12 roundtable discussions about financial well-being held in communities across the Eighth District in 2025. St. Louis Fed Community Development staff convened these roundtables with representatives from banks, community development financial institutions, nonprofits, small-business development centers, community development corporations and chambers of commerce. At each roundtable, staff facilitated a conversation about the state of access to financial services in a community. Participants shared nuanced, on-the-ground insights about how low- and moderate-income individuals interact with institutions to access financial services in Eighth District communities.

The quantitative analysis found that some Eighth District states have less access to credit than the nation. Across income levels, adults in low- and moderate-income Eighth District census tracts had the least access to credit. An estimated 11.3 million (33.9%) adults in Eighth District states either do not have a credit score or have a subprime credit score in 2025. Overall, more adults seem to have limited access to credit because of a subprime credit score rather than no credit score.



The qualitative analysis found that financial literacy drives access to traditional financial services for low- and moderate-income individuals. Trust in banks is closely related to an individual's financial literacy and similarly drives access. Roundtable participants discussed the largest gaps in financial literacy; their principal recommendation is to expand financial education. They also recommend that traditional financial institutions offer services which meet the needs of low- and moderate-income individuals and that they partner with peers to better connect individuals to resources. A marriage of these solutions could improve access to financial services and, ultimately, financial well-being in Eighth District communities.

Key Findings

What the data show: Access to traditional credit in the U.S. and Eighth District states:

- An estimated 12.7 million (4.9%) adults in the nation and 2.1 million (6.3%) adults in Eighth District states do not have a credit score in 2025. Tennessee is the only state in the Eighth District that has a smaller share of adults without a credit score (3.8%) than the nation.
- Nationally, close to a quarter (23.9%) of adults with a credit record have a subprime credit score. All but one of the Eighth District states—Illinois—have a larger share of adults with a subprime credit score than the nation; Mississippi and Arkansas stand out, with rates of 36.7% and 29.5%, respectively.
- More than half (53.2%) of adults living in low-income census tracts and 40.7% of adults in moderate-income census tracts in Eighth District states had a subprime credit score. By comparison, most (67.5%) adults living in upper-income census tracts had a super-prime credit score (720 or higher).

What communities tell us: How low- and moderate-income individuals interact with institutions to access financial services:

- Financial literacy and financial education were identified as key to improving access to financial services.
- When accessing financial services, common sentiments are frustration, confusion, lack of confidence and feeling overwhelmed.
- Document requirements, technical language and slowness create barriers to accessing bank accounts and traditional credit.
- The biggest gaps in financial literacy involve banks and credit, including how to apply for products and services. Another notable gap is preparing tax and business documents.
- Eighth District roundtable participants recommend increasing access to bank accounts and traditional credit by expanding high-quality financial education, ensuring products meet the needs of low- and moderate-income individuals and households, and creating strong partnerships among organizations.



Access to Traditional Credit in the U.S. and the Fed's Eighth District

This section presents findings from the analysis of Consumer Credit Panel data for the nation and the Eighth District, focusing on adults in low- and moderate-income census tracts. The analysis presents state-level findings. See Appendix A for information about the data and methodology.

Credit scores assess the likelihood that individuals will be delinquent on their loan payments.¹⁰ A high credit score represents less risk to lenders than a low credit score. Credit scores are a snapshot in time of an individual's creditworthiness and are based on an individual's credit history and reports. Credit reports include information about an individual's credit history and credit record, which contain information such as number and type of loans, length of credit history, credit utilization, and on-time and delinquent payments.¹¹ National credit reporting agencies use this information to calculate credit scores.

In this report, an individual's access to credit is measured in two ways: (1) whether an individual has a credit score, and (2) the quality of the credit score. An individual with a prime credit score, over 660, has more access to traditional credit than an individual without a credit score or with a lower score, like a subprime score. Individuals without a credit file or no credit score have the least access to traditional credit. The lower a person's credit score, the more likely it is that individual's access to traditional credit will be hindered by denials or less-favorable terms, like high interest rates.

Credit Score Classifications Used in This Report

- **Subprime:** below 660
- **Prime:** 660-719
- **Super-prime:** 720 and above

Key Terms Summarizing Access to Credit

Adults without a credit score: To determine the number of adults (18 and older) without a credit score, the number of adults with a credit score in a geography is subtracted from the number of adults living in that geography. To find the percentage of adults without a credit score, that difference is divided by the number of adults in the geography.

Adults with a subprime credit score: To find the percentage of adults with a credit score below 660 (considered subprime), the number of adults with a subprime credit score in a geography is divided by the total number of adults with a credit record in that geography. The credit scores in this report range from 280 to 850.

Census tract: Census tracts are small, relatively permanent statistical subdivisions of a county or equivalent entity that are updated locally prior to each decennial census (every 10 years). They generally have a population of 1,200 to 8,000 with an optimum size of 4,000 people.¹²

Income level: The definition for each income level comes from the Federal Financial Institutions Examination Council. It is calculated by dividing the census tract median family income by the metropolitan statistical area/ metropolitan division or statewide nonmetro median family income.¹³ An individual's income is not available in the consumer credit data, so income level is used as an alternative.

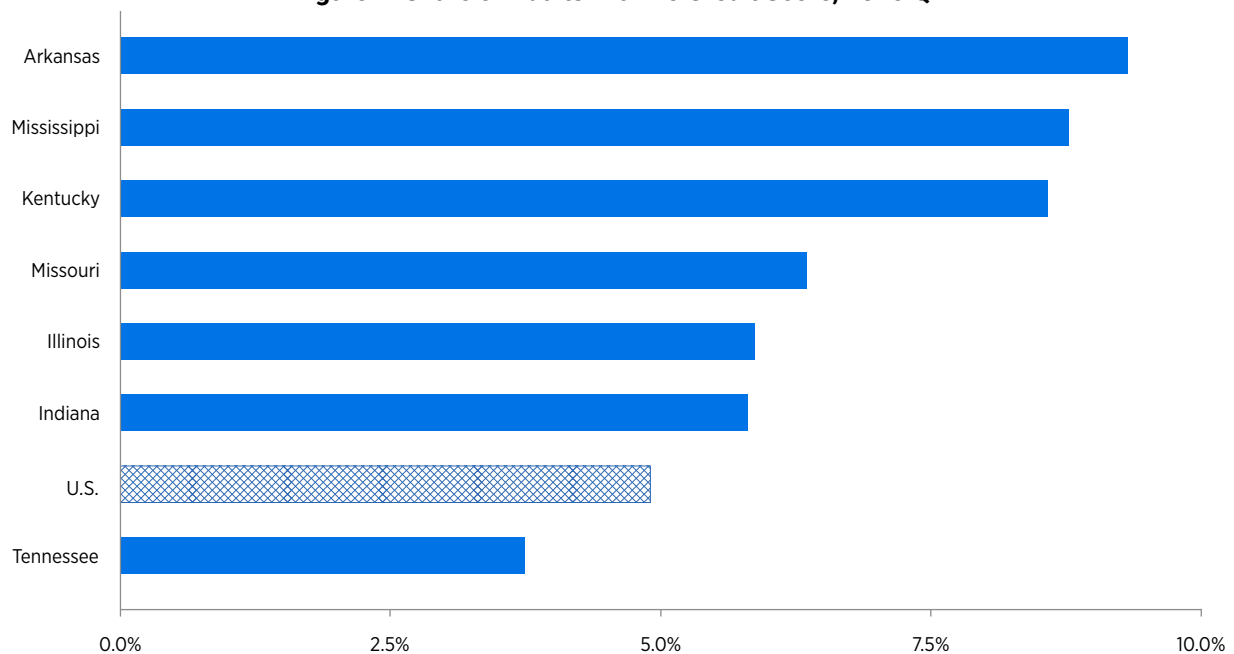


- **Upper:** Tract median family income is $\geq 120\%$ of the metropolitan statistical area/metropolitan division median family income.
- **Middle:** Tract median family income is $\geq 80\%$ and $< 120\%$ of the metropolitan statistical area/metropolitan division median family income.
- **Moderate:** Tract median family income is $\geq 50\%$ and $< 80\%$ of the metropolitan statistical area/metropolitan division median family income.
- **Low:** Tract median family income is $< 50\%$ of the metropolitan statistical area/metropolitan division median family income.

Adults without a Credit Score

In 2025, an estimated 12.7 million (4.9%) adults in the nation do not have a credit score. Figure 1 shows that states in the Eighth District, except for Tennessee, have a higher percentage of adults without a credit score than the nation. More than 2.1 million (6.3%) adults in Eighth District states have no credit score, which limits their access to traditional credit. Almost 1 in 10 (9.3%) adults in Arkansas do not have a credit score—the highest rate of any Eighth District state. Mississippi and Kentucky closely follow with 8.8% and 8.6%, respectively, of adults without a credit score. Illinois' and Indiana's percentages of adults without a credit score are slightly higher than the nation's. At 3.8%, Tennessee has the lowest percentage of adults without a credit score among states in the Eighth District.

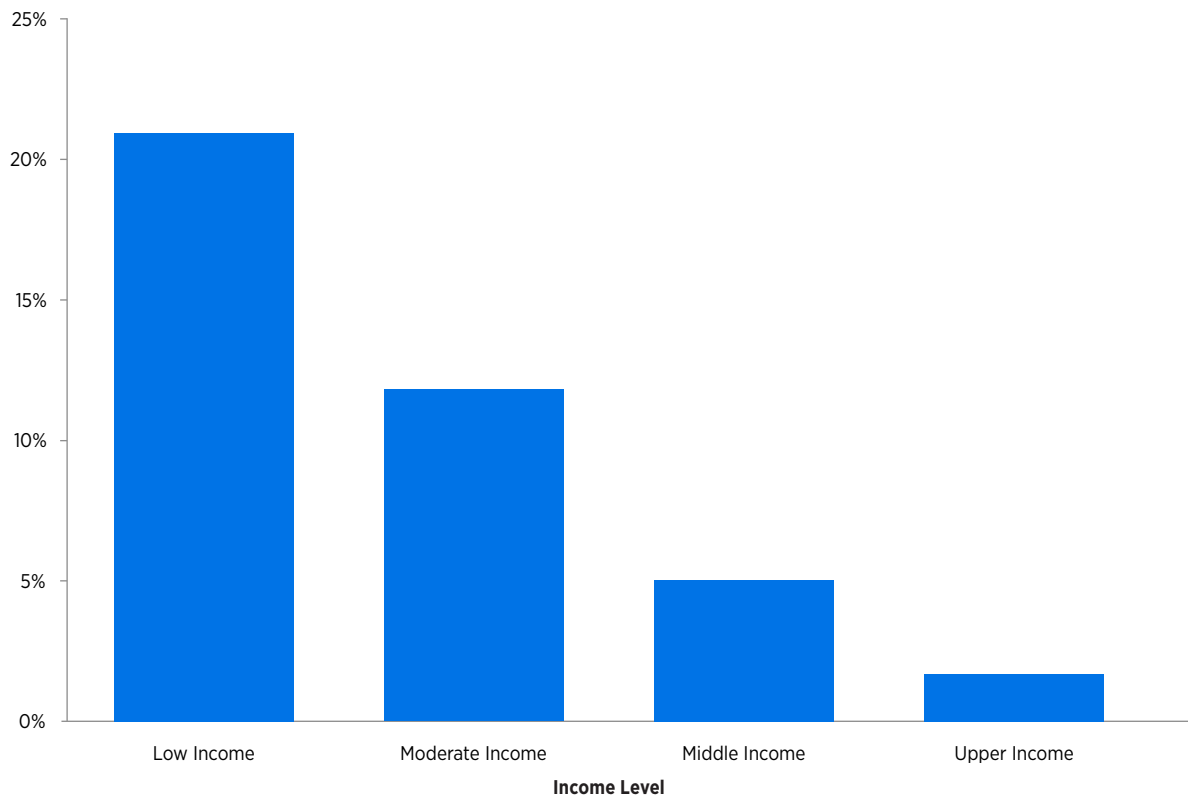
Figure 1: Share of Adults with No Credit Score, 2025:Q1



The percentage of adults without a credit score decreased in recent years. In the nation, the percentage of adults without a credit score dropped considerably from 8.2% in the first quarter of 2023 to 4.9% in the first quarter of 2025. The percentage of adults without a credit score also fell in Eighth District states, with Tennessee and Indiana recording the largest decreases, at 3.6 percentage points and 3.5 percentage points, respectively. Mississippi had the smallest decrease among Eighth District states, at 2 percentage points. It is possible that decreases in the percentage of adults without a credit score during this period occurred because of an increase in adults with bank accounts or economic growth, which might spur access to traditional credit.¹⁴

Within Eighth District states, the percentage of adults without a credit score decreases as income level increases, as shown in Figure 2. Nearly 21% of individuals living in low-income census tracts and 11.8% of those living in moderate-income census tracts did not have a credit score in the first quarter of 2025. Comparatively, 1.7% of adults living in upper-income census tracts do not have a credit score.

Figure 2: Share of Adults with No Credit Score in the Eighth District by Census Tract Income Level, 2025:Q1



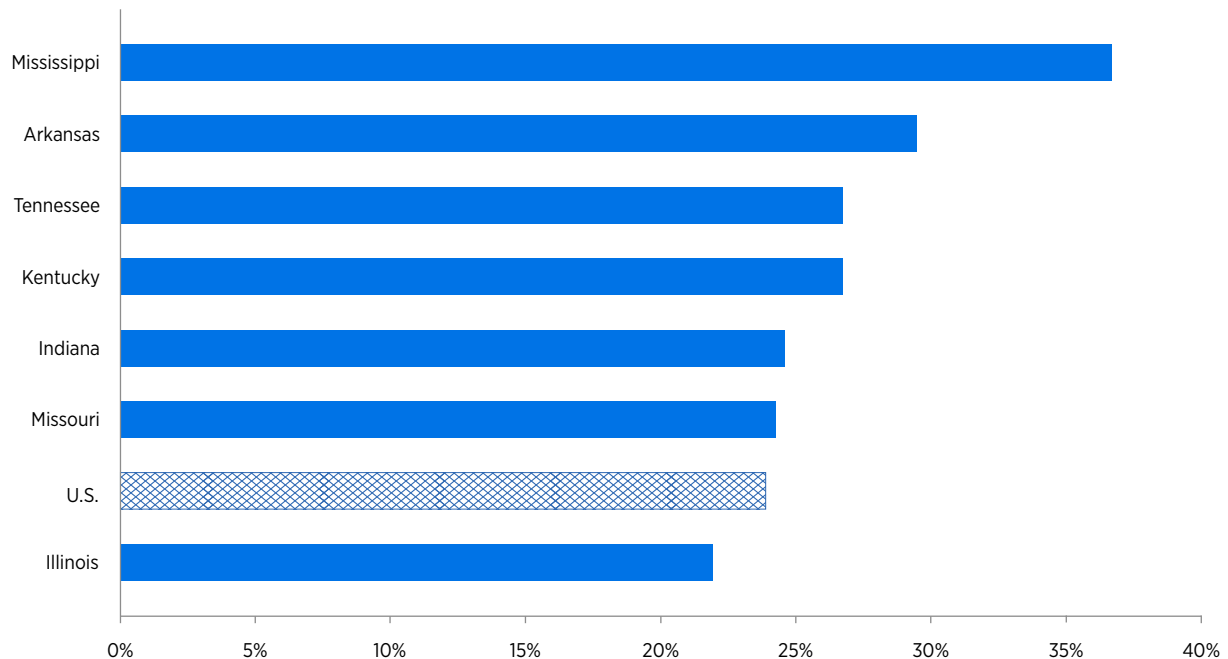
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SOURCES: New York Fed Consumer Credit Panel/Equifax, Federal Financial Institutions Examination Council 2024 U.S. Census Flat File and author's calculations.

Adults with a Subprime Credit Score

Figure 3 shows that, nationally, an estimated 23.9% of adults with a credit record had a subprime credit score in the first quarter of 2025. The percentage of adults with a credit record and a subprime credit score was higher among Eighth District states (25.5%) than it was for the U.S. and represented more than 9.2 million adults. Illinois is the only Eighth District state that has a smaller percentage of adults with a subprime credit score than the nation does. Mississippi (36.7%) and Arkansas (29.5%) had the highest percentages of adults with a subprime credit score among Eighth District states. The share of adults with a subprime credit score in Kentucky and Tennessee was about 3 percentage points higher than in the nation.

Figure 3: Share of Adults with a Subprime Credit Score, 2025:Q1



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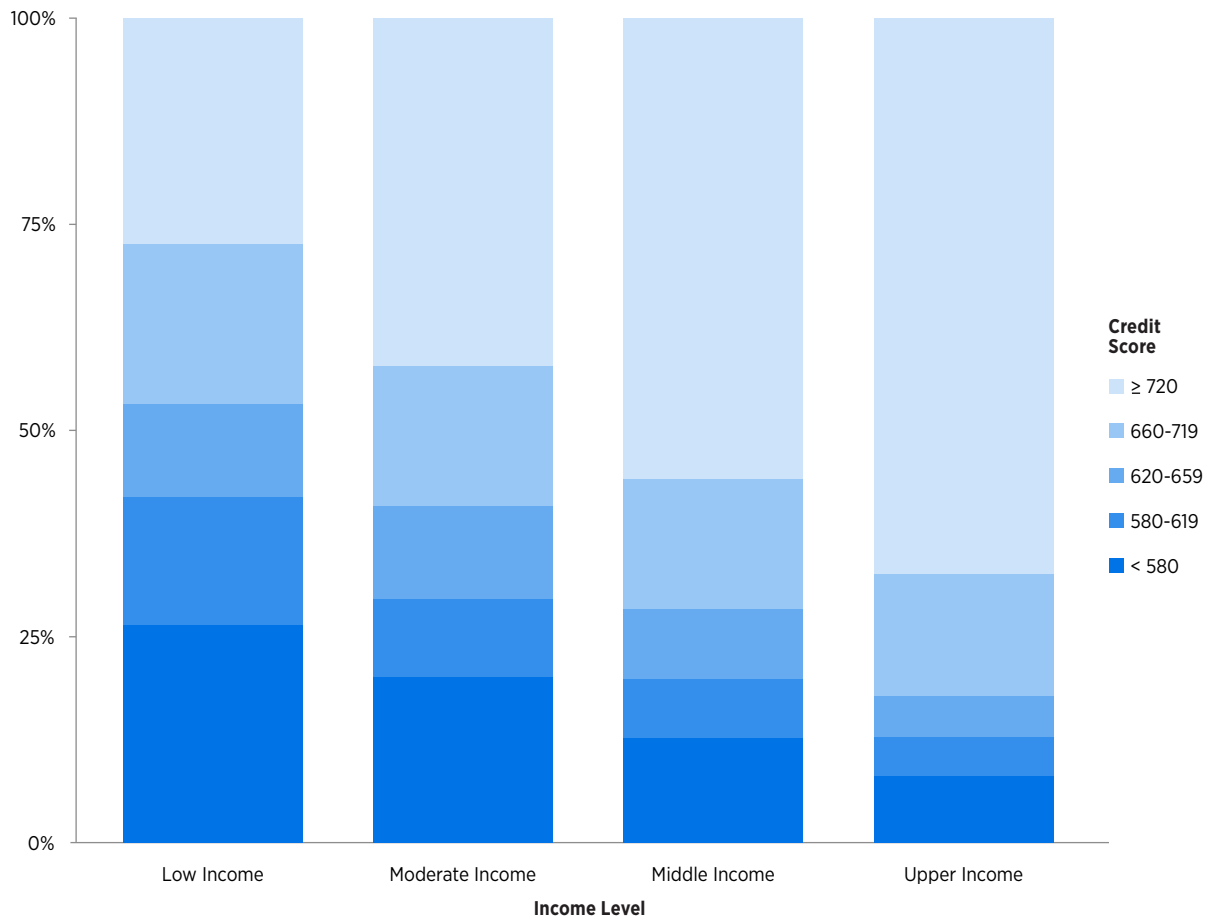
SOURCES: New York Fed Consumer Credit Panel/Equifax, Federal Financial Institutions Examination Council 2024 U.S. Census Flat File and author's calculations.

Since the first quarter of 2023, the change in the percentage of adults with a subprime credit score was mixed across states but was not substantial either for the nation or for Eighth District states as a whole. Most notably, Indiana had a slight increase of 1 percentage point of adults with credit scores under 660.

In Eighth District states, about one-quarter (26.4%) of adults living in low-income census tracts had a subprime credit score below 580, and another 26.8% had a subprime credit score from 580 to 659. (See Figure 4.) While most adults living in moderate-income census tracts had a prime or super-prime credit score (over 660), 20.2% of adults in those census tracts had a subprime credit score below 580. In middle-income census tracts, 71.5% of adults had at least

a prime credit score; in fact, 55.8% had a super-prime credit score (720 or above). About two-thirds (67.5%) of adults living in upper-income census tracts had a super-prime credit score; 8.1% of these adults, however, had a subprime credit score below 580.

Figure 4: Credit Score Distribution in the Eighth District across Census Tract Income Levels, 2025:Q1



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SOURCES: New York Fed Consumer Credit Panel/Equifax, Federal Financial Institutions Examination Council 2024 U.S. Census Flat File and author's calculations.

The average credit score for adults in Eighth District states, except for Illinois and Indiana, is lower than for adults in the nation. (See Table 1.) Mississippi has the lowest average credit score in the Eighth District, followed by Arkansas. For the nation and each state, the average credit score increases with income level.

Table 1: Average Credit Score by Total Population and Census Tract Income Level, 2025:Q1

	Total Population	Low Income	Moderate Income	Middle Income	Upper Income
U.S.	716	655	685	717	745
Arkansas	700	641	658	703	724
Illinois	721	661	690	723	754
Indiana	716	665	677	717	746
Kentucky	708	646	681	707	737
Missouri	714	630	693	717	740
Mississippi	670	611	643	667	703
Tennessee	710	634	671	713	742

SOURCES: New York Fed Consumer Credit Panel/Equifax and author's calculations.

Both Figure 4 and Table 1 show that the credit scores of adults by income level tend to represent different credit score ranges: Generally, low-income census tracts correspond to subprime credit scores, moderate- and middle-income census tracts correspond to prime credit scores, and upper-income census tracts correspond to super-prime credit scores. Of adults living in upper-income census tracts in Eighth District states, only those in Mississippi have an average credit score below super-prime.

In summary, this analysis shows that some Eighth District states have less access to credit than the nation and that access to credit differs by income level. Among Eighth District states, adults in Mississippi and Arkansas appear to have the least access to credit, while adults in Illinois have the greatest access to credit. Overall, more adults seem to have limited access to credit because of a low credit score rather than no credit score. The percentage of adults without a credit score and the percentage of adults with subprime credit scores decrease as income level increases. Similarly, average credit scores increase with income level. In Eighth District states, adults living in low- and moderate-income census tracts have the least access to traditional credit.

The state of access to credit in the Eighth District, and how it compares with the nation, sets the stage for the accompanying qualitative analysis. In particular, the comparably high percentage of adults in low- and moderate-income communities without a credit score and with a subprime credit score illustrates their limited access to credit. A clear understanding of factors that limit credit, and to what extent, provides context for an in-depth discussion about how low- and moderate-income individuals interact with institutions to access financial services. The next section of this report will add nuance and depth to the quantitative findings.



How Low- and Moderate-Income Individuals Interact with Institutions to Access Financial Services

This section discusses findings from a content analysis of the conversations and journey maps that were part of the 12 financial well-being roundtables held by the St. Louis Fed throughout the Eighth District in 2025. See Appendix B for a description of the qualitative methodology, Appendix C for facilitation guide questions and Appendix D for journey map prompts.

The content analysis identified five themes: individual backgrounds, traditional financial institutions, nontraditional financial institutions, resource providers and community approaches to addressing access. Together, the themes describe low- and moderate-income individuals' access to and utilization of transaction accounts and credit in their communities. Low- and moderate-income individuals' journey to accessing financial services is typically shaped by sociodemographic characteristics and their experiences navigating the advantages and disadvantages of interacting with institutions. Participants voiced their recommendations for making the journey successful.

Findings from this qualitative analysis are described below, organized by the five themes identified above and key topics within them. Together, they represent the most frequently discussed items in the roundtables. This section also communicates participants' perspectives on key areas in their own words.

Individual Backgrounds

Participants described that an individual's background, characteristics and sentiments are foundational to financial well-being. Roundtable conversations paid particular attention to individuals' lived experiences and the effects of external factors, like the financial system, on them. The individual consumer was at the center of participant conversations, and this theme was the second-most popular after community approaches.

■ *Financial literacy and trust in banks are key to accessing bank accounts and credit.*

Financial literacy was described as what an individual learns through both informal education—unstructured learning from family and friends in everyday life—and formal education—structured learning that follows a curriculum, like financial counseling or education webinars. Participants said that informal education early in life had the greatest effect on financial literacy.

"It comes down to what we have learned from our families. What are our money values? What are our attitudes toward money and banking, and that sort of thing?"

Individuals with high financial literacy are typically introduced to a traditional financial institution by family and use services from one later in life. Conversely, individuals with low financial literacy are more likely to use nontraditional financial intuitions—in part because they are unfamiliar with banks—and to struggle with debt.



Financial literacy was an important factor in how much an individual trusts traditional financial institutions. Participants said that individuals with low financial literacy or a negative experience with a bank, like an account closure or credit denial, had low trust in banks. Further, participants said that, just like for financial literacy, individuals may learn to have low trust in banks from their family and friends.

■ *Individuals have negative feelings about accessing financial services.*

Participants said that interactions with financial institutions tend to provoke negative emotions in low- and moderate-income individuals. The top emotions attributed to individuals were frustration, confusion, low confidence and feeling overwhelmed.

Individuals are frustrated by the slow speed of accessing or building their credit scores, having to miss work to make it to a traditional financial institution during business hours, and being denied credit, according to participants.

“Credit-building is not a quick journey. It takes time, and it is frustrating. Some people will stick it out and continue the journey. Others will get frustrated and try to go find that shortcut.”

Participants said individuals, especially those with low financial literacy, are often confused and overwhelmed by traditional financial institutions’ credit application processes. Such emotions are elicited by technical language and required documents.

“They might be overwhelmed with the kinds of information that are being requested of them, which could lead them to not even applying somewhere like a bank. Being overwhelmed with the process ... could lead them to being frustrated.”

Individuals are not confident about how to approach or apply for credit from a bank. In time, however, individuals may become more confident as they learn about traditional financial institutions and credit, participants noted.

Traditional Financial Institutions

Participants defined traditional financial institutions as banks, credit unions and community development financial institutions. This theme describes the advantages, disadvantages and outcomes that low- and moderate-income individuals experience in their interactions with traditional financial institutions.

■ *Low- and moderate-income individuals struggle with the requirements for and speed of accessing bank accounts and credit.*



Community stakeholders and St. Louis Fed community development staff take part in a March 11, 2025, roundtable at the St. Louis Community Foundation. The St. Louis Fed convened 12 roundtables in 2025 across the Eighth District, bringing together representatives from banks, community development financial institutions, nonprofits, small-business development centers, community development corporations and chambers of commerce.



Documentation and language were the most-cited barriers to traditional financial institutions' transaction accounts and credit. To access either, banks require that individuals submit identification, like a driver's license, and other documents, like a business plan or tax returns. Individuals may not have these documents or know how to prepare them. Participants said that business loans are especially difficult because individuals often do not have a business plan. Individuals may find it difficult to understand technical language, which one participant called "jargon," in application forms and other bank materials.

"I have 10 folks that come to me wanting capital for their small business; maybe one has the financial statements."

Participants said opening a checking or savings account or applying for credit is time-consuming. The process can be slowed if an individual needs to take time to gather or prepare the required documents or understand technical language. The journey may be the most time-consuming for individuals who are denied credit and need to apply again or build their credit score to qualify for a loan.

"You may get a no, but why? Because your business plan isn't well-thought-out or you have some discrepancies here that need to be shored up. It doesn't mean it's a no forever; it just may be a 'not right now.'"

■ *While relationships with banks can benefit customers, there are limits.*

Participants discussed the need for low- and moderate-income individuals to build relationships with bankers. They said that bankers can help individuals meet their financial goals by answering questions, recommending products, and walking them through the process of opening an account or applying for credit. Several participants added that bankers may check in with individuals, especially small-business owners, on a regular basis to provide ongoing support and build rapport.

Participants described that some individuals, regardless of their income level, have no relationship with a banker and use only online financial services. While those are convenient, one participant said that it makes it "hard for [bankers] to coach you and steer you in the right direction," and another described it as a "transactional" relationship.

There may be limits to what banks can do to assist individuals if those actions are outside their expertise or prohibited by laws or regulations. Additionally, banks may not offer financial education, which could advance individuals' financial well-being, or they may offer products that aren't a best fit for an individual, like those with less-favorable terms. When either is the case, a bank may refer an individual to another lender or a resource provider. An individual's journey toward credit may stall at this point, according to participants; if the credit journey continues, it may not be with the same bank, which can sever relationships already built.

"The truth is, in this country, you really have to have a relationship with a mainstream financial institution. It starts off with checking and savings accounts, and then ... goes to a credit card or an auto loan or a mortgage loan."



Nontraditional Financial Institutions

Participants described nontraditional financial institutions as check cashers, payday lenders, auto financiers, rent-to-own stores, and financial technology, or fintech, companies (e.g., peer-to-peer lending; buy now, pay later; and earned wage access).¹⁵ These institutions are also referred to as nonbanks. Like the last theme, this one describes the advantages, disadvantages and outcomes that low- and moderate-income individuals experience in their interactions with nontraditional financial institutions.

■ *Convenience and visibility drive the use of nonbank products and services.*

Convenience is the defining feature of nontraditional financial institutions. Participants identified three key aspects of convenience: availability, ease and speed. For example, payday lenders have long business hours and operate many locations in communities where low- and moderate-income individuals live, and fintech platforms, as one participant said, are “available 24 hours.” Individuals typically face fewer application requirements with nontraditional financial institutions and little or no technical language. Additionally, nontraditional financial institutions tend to move fast, so individuals might send and receive money or access credit in a matter of minutes.

“In literally three clicks on a phone, [a client] got approved for ... a \$1,200 loan, and it took 10 minutes to get it. I ... need at least a few hours to get her documents and language in, run it through my underwriter, and get back and approve it.”

Convenience seems especially important if an individual struggles to get to the bank during business hours or needs quick access to financial services in an emergency.

“[Fintech] is available 24 hours. [A banker] leaves at 5 p.m., but a client doesn't finish their shift until 7 p.m. and has to figure out how to afford lunch for their kid or be out of the office.”

Participants also said fintech platforms are more visible in everyday life than traditional financial institutions. Fintech's online presence, especially on social media, makes it an important way that individuals learn about and access financial services. Several participants said fintech's availability continues to grow as more retailers offer installment loans or buy now, pay later programs.

■ *Nonbanks have high fees and rates that can result in unaffordable payments for individuals.*

The second-most discussed characteristic of nonbanks was their high rates and fees. Participants provided examples of double- and triple-digit interest rates at auto financiers and payday lenders in their communities. They said rates and fees can be so high that they cost individuals as much as or more than the original loan amount itself.

“If you borrow \$400, and you only pay the minimum every two weeks to roll that debt, in four months you've already paid back more than you borrowed, and you still owe \$400.”

At first, the total cost of a loan might not be apparent to individuals, but it is understood once they face unaffordable monthly payments that strain their budgets and force them to choose between paying an auto loan or a utility bill, according to participants.

“There’s a phrase that says, ‘The high cost of being poor.’ Unfortunately, ... low- to moderate-income households and individuals often start using alternative fringe services, financial services, and end up paying more in fees and interest.”

Despite the high cost, nontraditional financial institutions might be the best option available to low- and moderate-income individuals to purchase items, from groceries to vacations. Participants said this is particularly true for individuals who can’t get approved for a loan from a traditional financial institution or can’t manage everyday expenses with their income.

■ *Some individuals replace traditional financial services with nontraditional financial services and cash.*

Participants noted that some individuals in their communities use a combination of nontraditional financial institutions and cash instead of traditional financial institutions. While convenience, trust in banks and other aforementioned factors play a role in the decision, participants provided yet another: Individuals may think nontraditional financial services are comparable with traditional financial services.

“Their bank is Cash App. Their bank is Chime. Their bank is Venmo. There are people still, yeah, who hold onto cash.”

Individuals may not understand that nontraditional financial services, namely fintech platforms, may not be regulated, insured or build their credit scores. Participants also said that fintech makes it harder for individuals to track spending and prepare taxes or financial statements. As a result, individuals who solely rely on nontraditional financial institutions may be in a worse financial position or have a harder time accessing traditional financial services in the future.

“A bank account is better for your business than the fintech account. [Business] owners are busy, and they wear lots of hats and might have started off that way. If you’re doing it as a gig, that’s fine, but we can’t give you a loan off a hobby.”

Resource Providers

Resource providers address gaps in financial literacy, build trust and offer support that can be a bridge to greater financial well-being. Participants identified a variety of resource providers in their communities: nonprofits, economic development centers, small-business development centers, chambers of commerce, schools, employers, and local and state agencies. This theme describes interactions with and outcomes for low- and moderate-income individuals who engage resources that improve access to traditional financial services.



St. Louis Fed community development staff facilitate a journey mapping exercise with community stakeholders at a March 11, 2025, roundtable held at the St. Louis Community Foundation to discuss lower-income individuals’ access to credit and the state of financial well-being in the Eighth District.

- *Individuals are most likely to learn about banks, credit and document preparation from resource providers.*

Individuals turn to resource providers to learn about banks and credit. Individuals may learn how to open a checking account or apply for a loan at a bank. Participants said the most in-demand topic is credit, and that resource providers teach individuals what credit is, how to build credit, how to pull and read their credit report, and about different credit products. Participants said individuals who learned that credit is “bad” and, in the past, avoided using it, find these topics most beneficial.

“Credit is a tool to be used. You ... can break a window with a hammer, or you can build a house with a hammer. The hammer is not the problem. So, credit is not the problem. It’s how to use it correctly that needs to be the message, not that it is good or bad.”

Given the challenge that documentation presents to accessing traditional credit products, individuals turn to resource providers for assistance with their preparation. Traditional financial institutions said that they often refer small-business owners to resource providers, like a small-business development center, to assist with drafting their business plans.

“If you’re a low- to moderate-income person and don’t know ... basic financial literacy, [and] you don’t know how to manage your money, [it] can get you into a cycle of debt.”

- *Resource providers build and facilitate relationships that cultivate confidence and trust.*

Participants said, over time, resource providers can build relationships with individuals and facilitate relationships between individuals and traditional financial institutions. Improved financial literacy and relationships can increase individuals’ confidence in their ability to manage their finances and trust in banks. Participants said that these are critical for individuals with low financial literacy to achieve financial well-being.

“It’s about making sure you’re connecting [clients] to the right people ... [and] building those relationships.”

Community Approaches to Addressing Access

Participants shared their thoughts on how to improve access to and utilization of traditional financial services in their communities. This was the most popular theme of the roundtables, accounting for one-quarter of all statements analyzed, and it attests to participants’ investment in a forward-looking vision for their communities.

- *Expand high-quality financial education.*

Participants stressed the importance of teaching financial knowledge and skills to increase access to and utilization of traditional financial services and, ultimately, to improve financial well-being.

Given the discussion of financial literacy, there was significant interest in school-based financial education. Indiana, which will require high school students to take a financial literacy course starting in 2028, served as an example to participants

in Kentucky and Tennessee.¹⁶ Participants also suggested that employers are well positioned to offer financial education. Several participants voiced the importance of offering ongoing financial education to ensure individuals can keep up with changes in the financial services sector and manage what each phase of life brings, from student loans to retirement.

“To function in our society, there’s a level of basic financial literacy that you have to have. It’s as important as being able to add or subtract or ... write. It’s put on the back burner as a ‘nice to have’ rather than a priority.”

■ *Ensure financial services and products address the needs of individuals and households.*

Participants wanted traditional financial institutions to address the challenges that low- and moderate-income individuals face when accessing financial services. The discussion focused on improving the ease and speed of accessing existing products. Several participants shared that the financial institutions they represented reduced the burden on loan applicants by lowering credit score minimums and requiring fewer documents. Others offered unsecured loans and loan approval within 48 hours. For some participants, nontraditional financial institutions served as an example of how traditional financial institutions might improve convenience.

“We need to outcompete payday lenders ... and make [traditional lending] as simple as a payday loan. And we can do it, at a lower rate.”

Participants also expressed their interest in better connecting individuals to underutilized products and offering new products that respond to changing conditions in communities.

“We’d love to find ways to expand our loan portfolio and meet the needs of the community beyond the products and services we currently offer.”

■ *Create organizational partnerships and networks.*

Participants said that they wanted to get to know and work more closely with peer organizations to increase their knowledge of products and resources and build relationships in their communities.

“It’s very important that we ... become a part of a group, so that nonprofits and banks ... are all working together to try to reach people.”

They envisioned organizations coming together to share best practices and coordinate community-level interventions, like public service announcements, that make traditional financial services as visible as fintech platforms and payday lenders. There was interest in improving referrals among organizations and creating partnerships that pair financial education with traditional financial services. Participants expressed that, together, they could serve more individuals and make it easier to access bank accounts and credit.

“We could get together and create a network. We could share information on the radio, on the news. I think the challenge is that the community doesn’t know about us, about credit. So, we set up something together and do, like, a PR run to ... push it out into the community.”



■ *Meet with individuals in their communities.*

Participants said that institutions need to have a physical presence in the communities they want to serve. It is important that traditional financial institutions meet and get to know individuals in places and at times that are convenient and comfortable for them. There were several examples of traditional financial institutions holding workshops and meetings outside of their normal business hours, in barbershops, churches and small-business incubators. Participants said that the events were popular and a first step toward building relationships with and trust in banks.

“One of the things we learned early on in working with people with generational poverty is that relationships are everything. If you’re not going to sit down and make them feel comfortable, you’re not going to ... provide whatever services you’re trying to provide to them. And it’s a small thing, but that’s important.”

Several participants emphasized the value of a holistic approach to serving individuals. They stressed that individuals often face crises that keep them from better attending to their financial well-being. Individuals might need to address more immediate challenges before they are able to apply for a bank account or build their credit.

■ *Strengthen regulation of interest rates, fees and disclosures.*

Participants want to keep or strengthen financial regulations to protect low- and moderate-income individuals. Faced with uncertainty about regulations, participants expressed concern regarding the future state of interest rates and disclosures.

“What does scare me is the fact that [regulation] is going away, and the cost of credit won’t be on statements. Because [if] that number goes away, it’s out of sight, out of mind.”

The bulk of the conversation focused on limiting interest rates for payday loans. At roundtables in the two Eighth District states where there were proposals to increase the limit on the interest rates charged by payday lenders, participants recommended capping or reducing them. Arkansas, which enacted a law to cap interest rates, was a model to participants.¹⁷

Regarding disclosures, participants said that if there is less information about the cost of loans, individuals might have a harder time managing their finances. There was also a discussion that more individuals might become unbanked or underbanked if bank fees increase.

Conclusion

About 30% of U.S. adults and 34% of adults in the Eighth District have limited access to traditional credit. For most of these individuals, limited access to credit is due to a subprime credit score. The quantitative analysis in this report shows that states in the Fed’s Eighth District have less access to credit than the nation overall and that access to credit increases with income level. In Eighth District states, adults living in low- and moderate-income census tracts have the least access to traditional credit.



During the St. Louis Fed's 2025 financial well-being roundtables, Eighth District community members helped shed light on why adults in low- and moderate-income communities often have the least access to affordable financial services, especially credit. Individuals with low financial literacy and little trust in banks might not know how or want to access traditional credit. The speed of service at traditional financial institutions and their documentation requirements and technical language push individuals away, while the convenience of nontraditional financial institutions pulls them in. The combination of these factors can result in low- and moderate-income individuals utilizing financial services on terms that are costly and less transparent. The journey toward access to financial services may be long and challenging for low- and moderate-income individuals.

The roundtable conversations exemplified a broad commitment to advancing access to financial services in Eighth District communities. Roundtable participants proposed approaches that included expanding high-quality financial education, making financial services more convenient, and developing networks and partnerships among organizations. The approaches collected from participants, along with their insights into how individuals interact with financial institutions, might serve to inform the public, decision-makers and community stakeholders about ways to improve financial services for low- and moderate-income individuals and bolster their future financial well-being.

Notes

1. Federal Deposit Insurance Corp. [2023 FDIC National Survey of Unbanked and Underbanked Households \(PDF\)](#). November 2024.
2. Federal Deposit Insurance Corp. [2023 FDIC National Survey of Unbanked and Underbanked Households: Appendix Tables \(PDF\)](#). November 2024.
3. Michael S. Barr. ["Financial Inclusion: Past, Present, and Hopes for the Future" \(PDF\)](#). Financial Inclusion Practices and Innovations Conference, Board of Governors of the Federal Reserve System, Washington, D.C., July 9, 2024.
4. [2023 FDIC survey appendix tables \(PDF\)](#), loc. cit.
5. [Ibid \(PDF\)](#).
6. Satyajit Chatterjee, Dean Corbae, Kyle P. Dempsey and José-Víctor Ríos-Rull. ["Credit Scores and Inequality across the Life Cycle" \(PDF\)](#). National Bureau of Economic Research, Working Paper 34027, July 2025.
7. Sumit Agarwal, Paige Marta Skiba and Jeremy Tobacman. ["Payday Loans and Credit Cards: New Liquidity and Credit Scoring Puzzles?"](#) *The American Economic Review*, May 2009, Vol. 99, No. 2, pp. 412-17.
Brian T. Melzer. ["The Real Costs of Credit Access: Evidence from the Payday Lending Market."](#) *The Quarterly Journal of Economics*, February 2011, Vol. 126, No. 1, pp. 517-55.
Paige Marta Skiba and Jeremy Tobacman. ["Do Payday Loans Cause Bankruptcy?"](#) *The Journal of Law and Economics*, August 2019, Vol. 62, No. 3, pp. 485-519.
Marco Di Maggio and Vincent Yao. ["Fintech Borrowers: Lax Screening or Cream-Skimming?"](#) *The Review of Financial Studies*, October 2021, Vol. 34, No. 10, pp. 4565-618.
8. Will Dobbie, Paul Goldsmith-Pinkham, Neale Mahoney and Jae Song. ["Bad Credit, No Problem? Credit and Labor Market Consequences of Bad Credit Reports."](#) *The Journal of Finance*, October 2020, Vol. 75, No. 5, pp. 2377-419.
9. Board of Governors of the Federal Reserve System. [Community Reinvestment Act \(CRA\): Resources](#). Last updated July 16, 2025.
10. Donghoon Lee and Wilbert van der Klaauw. ["An Introduction to the New York Fed Consumer Credit Panel."](#) Federal Reserve Bank of New York, Staff Report No. 479, November 2010.
11. Consumer Financial Protection Bureau. ["Who Are the Credit Invisibles? How to Help People with Limited Credit Histories" \(PDF\)](#). December 2016.
12. U.S. Census Bureau. [Glossary](#). Last updated April 11, 2022.



13. Federal Financial Institutions Examination Council. [Online Data Dictionary](#). Last updated June 18, 2025.
14. Consumer Financial Protection Bureau. [“Technical Correction and Update to the CFPB’s Credit Invisibles Estimate” \(PDF\)](#). June 2025.
15. At the 2025 roundtables, participants described fintech as online platforms, services and apps that offer transaction accounts or short-term credit to individuals and small businesses. Affirm, Cash App, Chime, Klarna, PayPal, Sezzle and Zelle were the examples of fintech primarily given.
16. Indiana Department of Education. [“Personal Finance.”](#)
17. Arkansas Constitution, [Amendment 89](#), Section 3: “Other Loans.”

Appendix A: Quantitative Methodology

The analysis begins with an examination of the New York Fed’s Consumer Credit Panel, which is derived from randomly selected, anonymized Equifax consumer credit reports, to describe the state of access to credit in the nation and Eighth District states. The database contains a nationally representative 5% sample of all adults with a Social Security number and a credit report. Consumer credit data do not include income and demographic information about borrowers. Instead, consumer credit data were merged with the Federal Financial Institutions Examination Council’s 2024 U.S. Census flat files to approximate income using the income level of a borrower’s 2020 census tract. The populations for the nation and states come from the American Community Survey’s 2019-23 ACS Five-Year Estimates Data Profiles.

Credit access is measured at the individual level, with credit risk scores, and analyzed for the first quarters of 2023 to 2025. Descriptive statistics summarize credit access in the U.S. and states of the Eighth District. Records were excluded from the analysis if the borrower was deceased, was over the age of 100 or had a missing birth year. Borrowers were also excluded if they had an address outside the contiguous U.S. The place-based analysis excludes borrowers with nonresidential addresses.

Appendix B: Qualitative Methodology

The qualitative data were collected from the roundtables held across the Eighth District in urban, suburban and rural communities from March through April 2025. The roundtables included a facilitated discussion and a journey map exercise. St. Louis Fed Community Development staff recruited 120 unique participants who represented a variety of organizations: banks, community development financial institutions, nonprofits, foundations, small-business development centers, community development corporations and chambers of commerce. A facilitation guide included semi-structured questions about the financial well-being of low- and moderate-income individuals and families and approaches to improving access to bank accounts and traditional credit.

The roundtables were recorded and transcribed. Participant contributions to the journey maps were entered into a data-tracking tool. The analysis began with the development of a codebook from a sample of six transcripts from an equal number of urban, rural and suburban communities. An inductive approach identified topics in transcripts and participant contributions to journey maps. Almost 300 statements from transcripts were coded with up to three primary, secondary and tertiary codes; primary themes and tertiary themes (topics) are discussed in the report. Themes and topics were revised and codified based on input from St. Louis Fed Community Development staff and community stakeholders. The transcripts and journey maps were also analyzed for definitions, examples and other information.



Appendix C: Financial Well-being Roundtable Facilitation Questions

St. Louis Fed Community Development staff asked participants at the 2025 financial well-being roundtables the following questions about how low- and moderate-income individuals interact with credit and financial services:

1. How are consumer credit markets functioning for low- and moderate-income (LMI) and underserved individuals and communities?
2. How are LMI and underserved communities using low-cost transaction accounts?
 - a. Do most of your community members have bank accounts or access to affordable transaction accounts?
 - b. Who has access to bank accounts and who doesn't? What are the barriers?
 - c. How easy or difficult is it to get a loan within your community for those who want to start their own business, purchase a home, improve or maintain an existing home, and buy a vehicle?
 - d. Who are the primary lenders in your community?
5. What innovative approaches to addressing access to affordable financial products and services have you observed?
 - a. What have you seen in your community that helps people become more connected to financial services?
 - b. Are there partnerships or coalitions that are working toward better financial outcomes for their communities?

Appendix D: Financial Well-being Roundtable Journey Map Scenarios

The following prompts were offered to the St. Louis Fed's 2025 financial well-being roundtable participants to help them envision and describe an individual's path to and engagement with financial services.

1. This group will be creating the journey of a low- or moderate-income (LMI) hourly wage worker, with poor or no credit history and who doesn't have equity or collateral, looking to purchase a vehicle so that they can get to work on time or work extra shifts. Stakeholders will be asked to think about the opportunities and pain points of such borrowers when creating the Journey Map.
2. This group will be creating the journey of an LMI worker, with a decent income and some equity/collateral, who is now wanting to start a small business to grow their wealth. Stakeholders will be asked to think about the opportunities and pain points of such borrowers when creating the Journey Map.