

A MarketSearch Study

North Carolina Office of the Commissioner of Banks Consumer Banking and Finance Survey

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Purpose and Methodology

Purpose

This report presents the findings of telephone survey conducted on behalf of the **North Carolina Office of the Commissioner of Banks** (NCCOB).

The study was conducted to measure general perceptions of the public regarding the financial services industry, to assess their level of activity in the industry, to assess awareness and perceptions of the **NCCOB** and its performance in meeting its mission, and to identify differences in experiences and perceptions based on demographic or other consumer segmentation characteristics.

Finally, the study also establishes a benchmark of consumer opinions and behaviors by which to evaluate the impact and effectiveness of agency efforts over time.

Study Topics

Specific topics addressed through the research include:

- ✓ Incidence and dynamics of usage with each of the specific financial services categories, including: depository institutions, mortgage lenders and brokers, consumer finance companies, and other entities regulated by the **NCCOB**;
- ✓ Experiences and satisfaction with each of the specific financial services categories in which the consumer has had experience;
- ✓ General attitudes toward the financial services industry in North Carolina and confidence in the integrity, stability, and fairness of the industry in general and all categories of institutions regulated by the **NCCOB**;

Study Topics

- ✓ Awareness and perceptions of the **NCCOB** itself and other relevant regulatory bodies and assess the degree to which residents feel the agencies are serving their needs; and
- ✓ Support for legislation and other government control within the industry.

Study Specifications

Methodology:	Telephone Survey
Market:	North Carolina - Statewide
Sample Size:	N = 500 (239 among urban counties and 261 among rural counties)
Sampling Error:	\pm 4.4% at 95% Confidence Level
Data Collection:	March 27 - April 21, 2007
Respondent Specs:	Current resident of North Carolina Head of household 20+ years of age Have a checking account, savings account, home mortgage, and/or other consumer loan Mix of age, gender, and ethnicity

Study Specifications

Urban Counties:

Alamance, Buncombe, Cabarras,
Catawba, Cumberland, Davidson,
Durham, Forsyth, Gaston, Guilford,
Mecklenburg, New Hanover, Orange,
Rowan, Wake

Rural Counties:

All others

Report Format

- ✓ Unless otherwise indicated, findings are presented in percent and based on the total sample.
- ✓ Percentages have been rounded to the nearest whole number. In some instances, rounding may cause the sum of two or more entries to be off slightly. (For example, 45.4% and 33.4% would be presented as 45% and 33%. If the two entries were added together for a total, it would appear to add to 78%, but the total would actually be 79%.)
- ✓ In tables, the bolded numbers reflect those that are statistically different at the 95% confidence level.
- ✓ In some instances findings have been presented for subsamples that are small (under 80). These findings are not necessarily statistically valid and should be used as directional indicators only. Cautionary notations are made on these pages.

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Summary of Key Findings

Summary of Key Findings

- ✓ Checking and/or savings accounts are North Carolinians' primary exposure to financial services. Fully 92% of study respondents (who are required to have had at least one type of experience with financial services within the past two years) indicate they currently have this type of account.

Conversely, however, 8% of study participants have no relationship with a depository institution.

- ✓ Secondary financial services include bank cards/Visa/Master Card (68%) and loans (59%).

Incidence of alternative consumer loans (i.e.: pay day or title loans, refund anticipation loan, etc.) and other types of alternative financial services (i.e.: money orders, check cashing, prepaid debit cards, wiring money, etc.) are much more limited in penetration.

Summary of Key Findings

- ✓ Although, for the most part, consumers do not have *major* concerns about the financial services market, the majority feels there may at least be minor problems relative to the fairness of rates and fees associated with checking accounts, savings accounts, and/or alternative financial services, as well as misrepresentation of mortgage information.
- ✓ In addition 12% feel they were treated unfairly or things were misrepresented with a financial service within the past two years and 9% say they had an unresolved problem or complaint.

Summary of Key Findings

- ✓ Currently, awareness of and familiarity with the NCCOB tends to be rather limited:
 - Less than one out of five (18%) indicates they have ever heard of the NCCOB;
 - Only 6% are familiar with the NCCOB and its mission;
 - 73% say they *don't know* how the NCCOB is doing when it comes to promoting a strong and financially stable industry in the state; and
 - 70% say they *don't know* how the NCCOB is doing when it comes to promoting a fair and responsible industry.

Summary of Key Findings

- ✓ In addition, findings indicate that the NCCOB does not have a clear or well-established image. For example, among the 27% who evaluate the NCCOB on the dimension of its effectiveness in promoting a strong and financially stable industry, 15% give the Office a favorable rating and 12% give an unfavorable rating.

Similarly, among the 30% who evaluate the NCCOB on the dimension of its effectiveness in promoting a fair and responsible industry, 17% give the Office a favorable rating and 13% give an unfavorable rating.

Summary of Key Findings

- ✓ Because little is known about the NCCOB, it is not immediately thought of as a resource for problems and/or issues relating to the financial services market. After learning more about the agency, however, the vast majority indicates they would be inclined to use it as a resource for complaints and/or problems.
- ✓ Findings also identify uncertainty and mixed opinions relative to the state's banking regulations, their effectiveness, and how North Carolina compares to other states.

Despite this unfamiliarity, however, findings identify clear support for regulations and opportunities to strengthen them even more.

Summary of Key Findings

- ✓ Findings identify a number of demographic differences in the penetration of financial services.

In general:

- Caucasians, those over 55 years of age, and those with household incomes over \$25,000 are significantly more likely than their demographic counterparts to use a depository institution;
- Usage of alternative financial services tends to decrease as age and/or household income increases; and
- African-Americans are significantly more likely than Caucasians to utilize alternative financial services.

Summary of Key Findings

- ✓ There are also some differences in experiences and perceptions between urban and rural counties. In large part, however, there are fewer differences than might be expected based on this dimension.
- ✓ Findings also identify a significant amount of cross-product usage among those who use alternative financial services.

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Financial Services Category Usage and Experience

General Incidence of Financial Services Experiences

- According to study specifications, all respondents currently have at least one type of financial services experience (checking account, savings account, mortgage loan, and or other type of loan).
- Among respondents, more than nine out of ten (92%) currently have a checking and/or savings account, making it the most common type of financial service in the state.

While bank cards (68%) and loans (59%) are also reasonably common, incidence of alternative financial services tends to be somewhat limited.

General Incidence of Financial Services Experiences

Within the past two years:

- ✓ About a third have purchased a money order (33%);
- ✓ About one out of seven has gotten a car loan from a dealer (15%) or wired money to someone else (15%);
- ✓ About one out of ten has cashed a check at a check casher other than their bank (11%); and
- ✓ Less than one out of twelve has gotten a personal loan from a consumer finance company (8%), gotten a refund anticipation loan (7%), bought a prepaid debit card (6%), purchased furniture or appliances on a rent-to-own plan (5%), gotten a pay day or title loan (4%), or pawned a personal item for cash (3%).

General Incidence of Financial Services Experiences

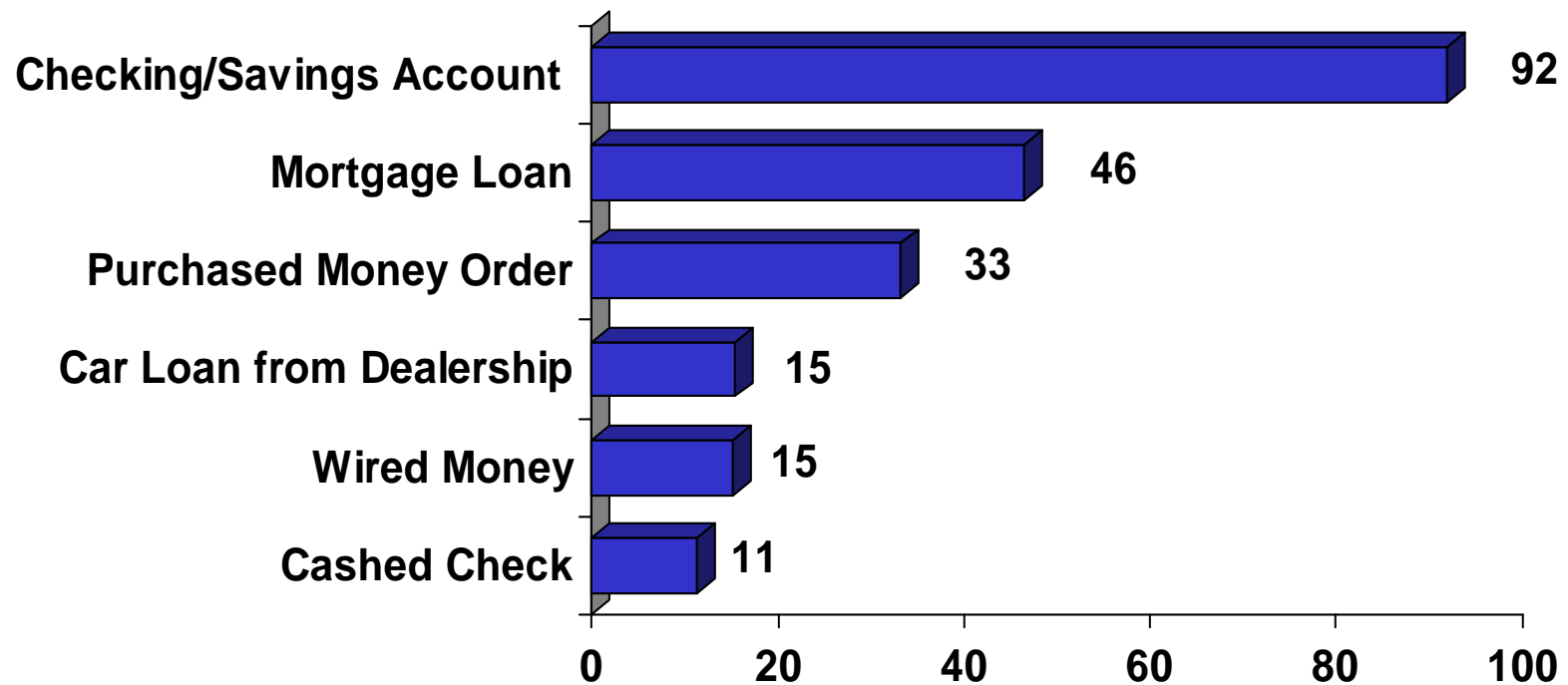
- Demographically, findings identify differences in usage of financial products based on age, ethnicity, and household income:
 - ✓ Caucasians, those over 55 years of age, and those with household incomes over \$25,000 are significantly more likely than their demographic counterparts to use a depository institution;
 - ✓ Usage of alternative financial services tends to decrease as age and/or household income increases; and
 - ✓ African-Americans are significantly more likely than Caucasians to utilize alternative financial services.

General Incidence of Financial Services Experiences

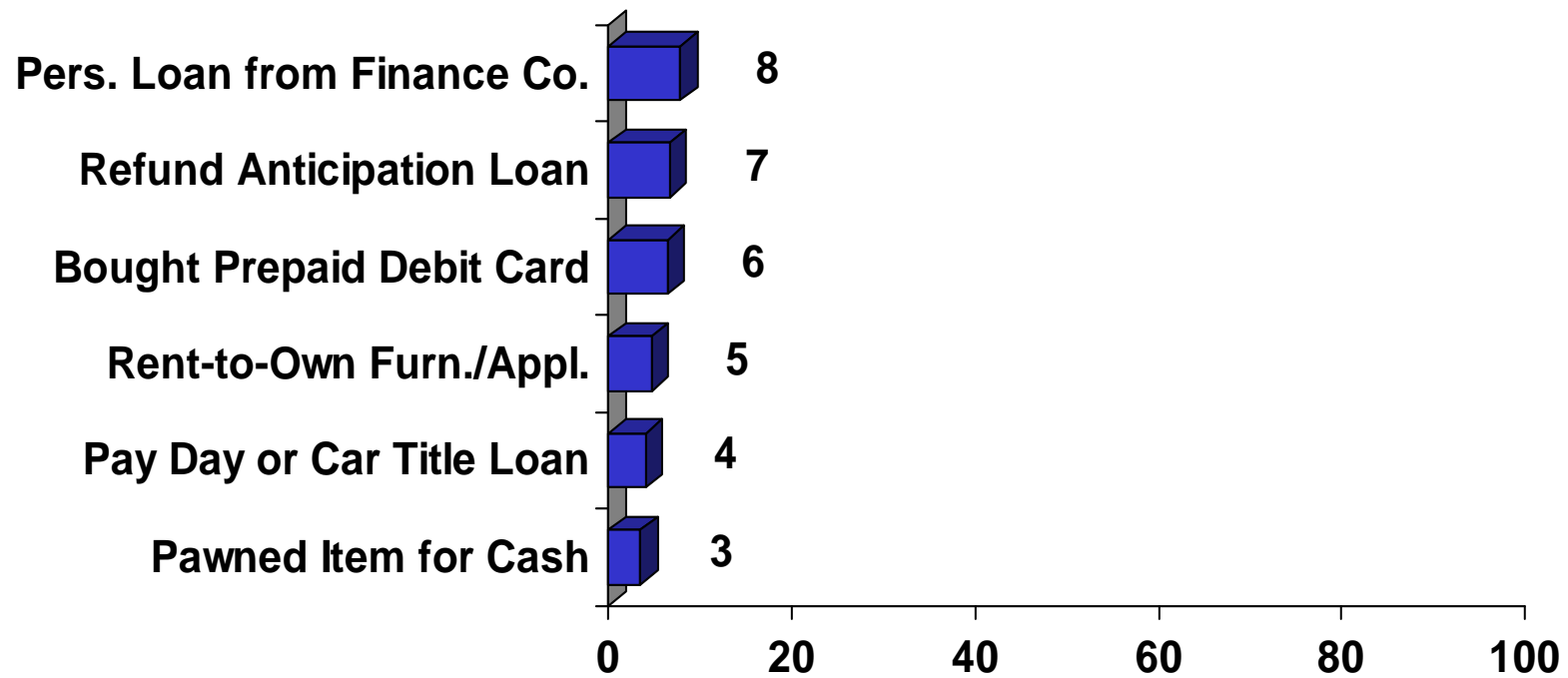
- In general, usage of the various financial services tends to be consistent between urban and rural residents. The exception relates to “getting a car loan from a car dealership.” Urban residents (19%) are significantly more likely than rural (12%) to have done this.
- In terms of product usage, findings identify significant correlations. For example, those with one type of alternative financial service are also more likely to have another type of alternative financial service.

Those without a checking or savings account are significantly more likely to have purchased a money order and/or cashed a check at a check-casher. They are also more likely than others to have pawned a personal item.

Incidence of Financial Services Experiences Current or within Past 2 Years (1 of 2)



Incidence of Financial Services Experiences Current or within Past 2 Years (2 of 2)



Usage of Financial Services Products by Age

	<u>Total</u>	<u>18 to 34</u>	<u>35 to 54</u>	<u>55+</u>
	(N = 500)	(N = 73*)	(N = 211)	(N = 216)
Checking or savings account	92%	92%	88%	95%
Mortgage loan	46	44	58	36
Purchased a money order	33	43	44	20
Wired money to another person	15	14	26	6
Car loan from car dealership	15	21	20	9
Cashed a check somewhere other than where you have a checking account	11	18	13	7
Personal loan from consumer finance company	8	8	9	7
Refund anticipation loan	7	12	10	2
Bought a pre-paid debit card	6	7	10	3
Goten furniture or appliances on a rent-to-own plan	5	7	7	1
Pay day or title loan	4	10	5	1
Pawned a personal item to obtain cash	3	6	7	1

Qs 2, 9, 17

*Small sample size limits data reliability and/or projectability.

Usage of Financial Services Products by Household Income

	<u>Total</u>	<u><\$25K</u>	<u>\$25-50K</u>	<u>\$50-75K</u>	<u>\$75K+</u>
	(N = 500)	(N = 83)	(N = 151)	(N = 99)	(N = 94)
Checking or savings account	92%	80%	94%	95%	99%
Mortgage loan	46	13	42	63	73
Purchased a money order	33	42	34	34	32
Wired money to another person	15	17	15	20	18
Car loan from car dealership	15	8	15	26	16
Cashed a check somewhere other than where you have a checking account	11	21	13	6	7
Personal loan from consumer finance company	8	10	10	7	7
Refund anticipation loan	7	11	6	10	2
Bought a pre-paid debit card	6	13	7	3	4
Got furniture or appliances on a rent-to-own plan	5	12	5	3	3
Pay day or title loan	4	4	5	9	1
Pawned a personal item to obtain cash	3	7	3	3	1

Usage of Financial Services Products by Ethnicity

	<u>Total</u>	<u>Caucasian</u>	<u>African-American</u>	<u>Other</u>
	(N = 500)	(N = 384)	(N = 77*)	(N = 30*)
Checking or savings account	92%	96%	71%	90%
Mortgage loan	46	51	31	30
Purchased a money order	33	25	64	53
Wired money to another person	15	13	26	17
Car loan from car dealership	15	15	16	27
Cashed a check somewhere other than where you have a checking account	11	8	25	20
Personal loan from consumer finance company	8	7	10	13
Refund anticipation loan	7	3	20	10
Bought a pre-paid debit card	6	4	18	10
Gotten furniture or appliances on a rent-to-own plan	5	2	20	7
Pay day or title loan	4	2	12	7
Pawned a personal item to obtain cash	3	2	12	0

Qs 2, 9, 17

*Small sample size limits data reliability and/or projectability.

Usage of Financial Services Products by Gender

	<u>Total</u>	<u>Male</u>	<u>Female</u>
	(N = 500)	(N = 209)	(N = 291)
Checking or savings account	92%	94%	90%
Mortgage loan	46	47	46
Purchased a money order	33	34	33
Wired money to another person	15	17	14
Car loan from car dealership	15	16	15
Cashed a check somewhere other than where you have a checking account	11	10	12
Personal loan from consumer finance company	8	10	6
Refund anticipation loan	7	4	8
Bought a pre-paid debit card	6	7	6
Got furniture or appliances on a rent-to-own plan	5	5	5
Pay day or title loan	4	2	5
Pawned a personal item to obtain cash	3	3	4

Usage of Financial Services Products by Area

	<u>Total</u>	<u>Urban</u>	<u>Rural</u>
	(N = 500)	(N = 239)	(N = 261)
Checking or savings account	92%	94%	90%
Mortgage loan	46	50	43
Purchased a money order	33	34	32
Wired money to another person	15	17	14
Car loan from car dealership	15	19	12
Cashed a check somewhere other than where you have a checking account	11	13	10
Personal loan from consumer finance company	8	9	7
Refund anticipation loan	7	5	8
Bought a pre-paid debit card	6	7	6
Got furniture or appliances on a rent-to-own plan	5	5	4
Pay day or title loan	4	4	4
Pawned a personal item to obtain cash	3	3	3

Bank Accounts

- As indicated, 92% of respondents indicate they currently have a checking and/or savings account while 8% do not have a relationship with a depository institution.

Those with the highest incidence of checking and/or savings accounts include:

- ✓ Those with household incomes over \$75,000 (99%);
- ✓ Caucasians (96%);
- ✓ Those over 55 years of age (95%);
- ✓ Men (94%); and
- ✓ Residents of urban counties (94%).

Bank Accounts

- Just over half (54%) have a checking and/or savings account at a bank only, while an additional 22% have accounts at a bank and a credit union. Sixteen percent (16%) have accounts at a credit union only.
- Among those with a checking and/or savings account at a bank (N = 377), most (53%) indicate they use a *national bank* as their primary institution.

In comparison, 30% say they use a *state bank* and 14% use a *community bank*.

Bank Accounts

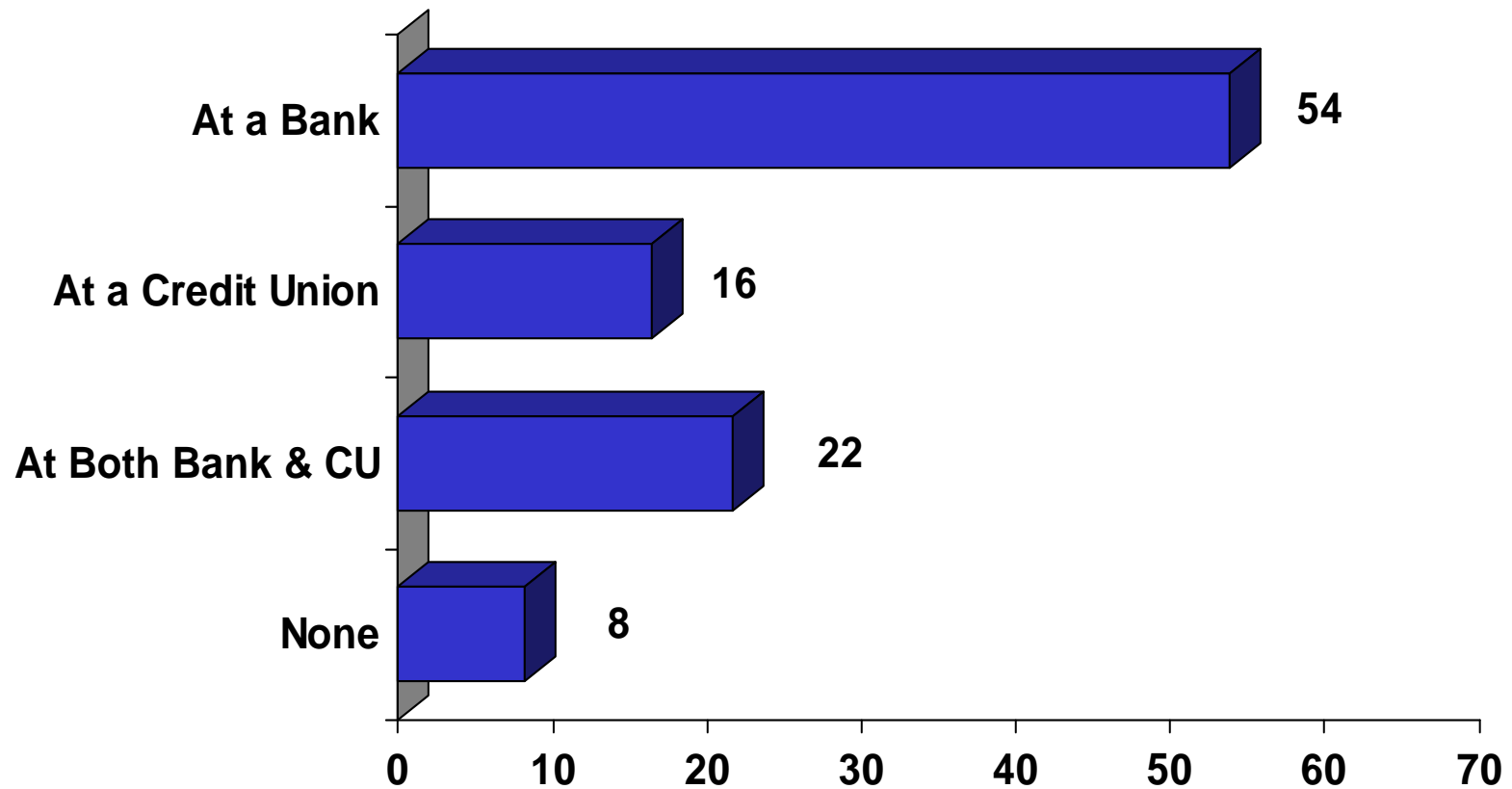
- ✓ *National banks* tend to be the most common type of institution used among both urban and rural residents. However, rural residents are significantly more likely than their urban counterparts to use *state banks* (36% versus 24%) and *community banks* (20% versus 9%).
- ✓ For the most part, there do not tend to be significant differences in the type of bank used (among those who use a bank for the checking and/or savings account) based on gender, ethnicity, or age.

There is a difference, however, based on household income. Those with household incomes over \$75,000 are more likely than others to use a *national bank* as their primary institution (64%), while those with household incomes under \$25,000 are more likely than others to use a *community bank* (28%).

Bank Accounts

- Study findings indicate the key factors in the selection of a bank or credit union tend to relate to:
 - ✓ Rates and fees (33%);
 - ✓ Locations (23%); and
 - ✓ Personal relationships (19%);
 - ✓ General reputation (14%); and
 - ✓ Range of products and services (10%).
- Virtually all customers with a checking or savings account (N = 459), indicate they are satisfied with the financial services they receive from their primary financial institution -- 73% say they are *very satisfied* and an additional 23% say they are *somewhat satisfied*, while only 3% indicate they are dissatisfied. .

Incidence of Checking or Savings Accounts



Incidence of Checking or Savings Accounts by Age

	<u>Total</u>	<u>18 to 34</u>	<u>35 to 54</u>	<u>55+</u>
	(N = 500)	(N = 73*)	(N = 211)	(N = 216)
Yes, at a Bank	54%	48%	48%	62%
Yes, at a Credit Union	16	23	17	14
Yes, at Both a Bank and Credit Union	22	21	24	20
No Checking or Savings Accounts	8	8	12	5

Incidence of Checking or Savings Accounts by Household Income

	<u>Total</u>	<u><\$25K</u>	<u>\$25-50K</u>	<u>\$50-75K</u>	<u>\$75K+</u>
	(N = 500)	(N = 83)	(N = 151)	(N = 99)	(N = 94)
Yes, at a Bank	54%	57%	60%	48%	49%
Yes, at a Credit Union	16	15	18	14	14
Yes, at Both a Bank and Credit Union	22	8	17	33	36
No Checking or Savings Accounts	8	21	6	5	1

Incidence of Checking or Savings Accounts by Ethnicity

	<u>Total</u>	<u>Caucasian</u>	<u>African- American</u>	<u>Other</u>
	(N = 500)	(N = 384)	(N = 77*)	(N = 30*)
Yes, at a Bank	54%	58%	27%	67%
Yes, at a Credit Union	16	15	22	10
Yes, at Both a Bank and Credit Union	22	23	22	13
No Checking or Savings Accounts	8	4	29	10

Incidence of Checking or Savings Accounts by Gender

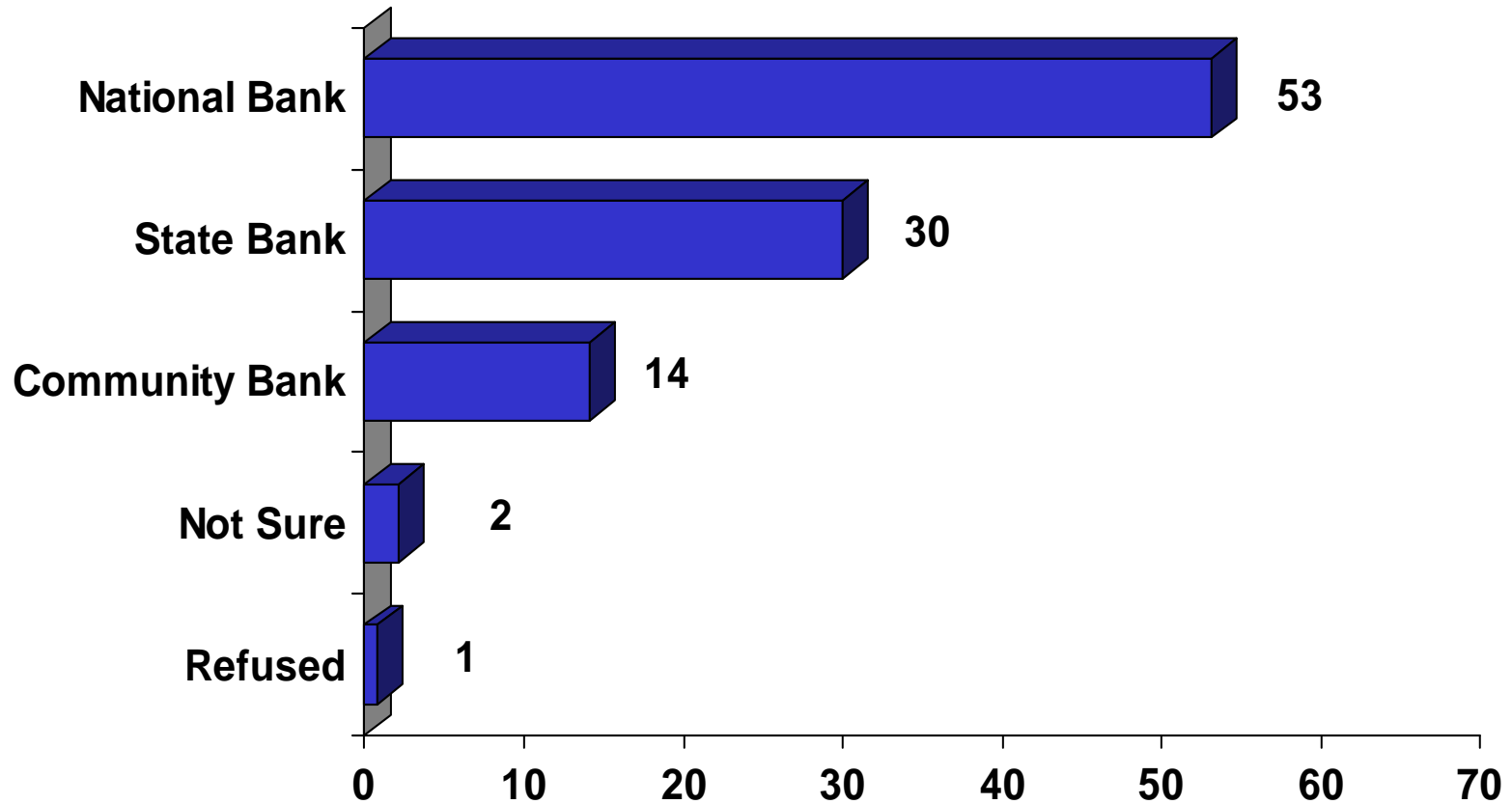
	<u>Total</u>	<u>Male</u>	<u>Female</u>
	(N = 500)	(N = 209)	(N = 291)
Yes, at a Bank	54%	55%	53%
Yes, at a Credit Union	16	14	18
Yes, at Both a Bank and Credit Union	22	25	19
No Checking or Savings Accounts	8	6	10

Incidence of Checking and/or Savings Accounts by Area

	<u>Total</u>	<u>Urban</u>	<u>Rural</u>
	(N = 500)	(N = 239)	(N = 261)
Yes, at a Bank	54%	54%	54%
Yes, at a Credit Union	16	15	18
Yes, at Both a Bank and Credit Union	22	25	18
No Checking or Savings Accounts	8	6	10

Type of Bank Used for Primary Account

(among those who have a checking and/or savings account at a bank, N = 377)



Type of Bank Used for Primary Account

(among those who have a checking and/or savings account at a bank)

	<u>Total</u>	<u><\$25K</u>	<u>\$25-50K</u>	<u>\$50-75K</u>	<u>\$75K+</u>
	(N = 377)	(N = 54*)	(N = 115)	(N = 80*)	(N = 80*)
National Bank	53%	39%	50%	58%	64%
State Bank	30	33	34	24	26
Community Bank	14	28	13	14	10
Not Sure	2	0	3	3	0
Refused	1	0	0	3	0

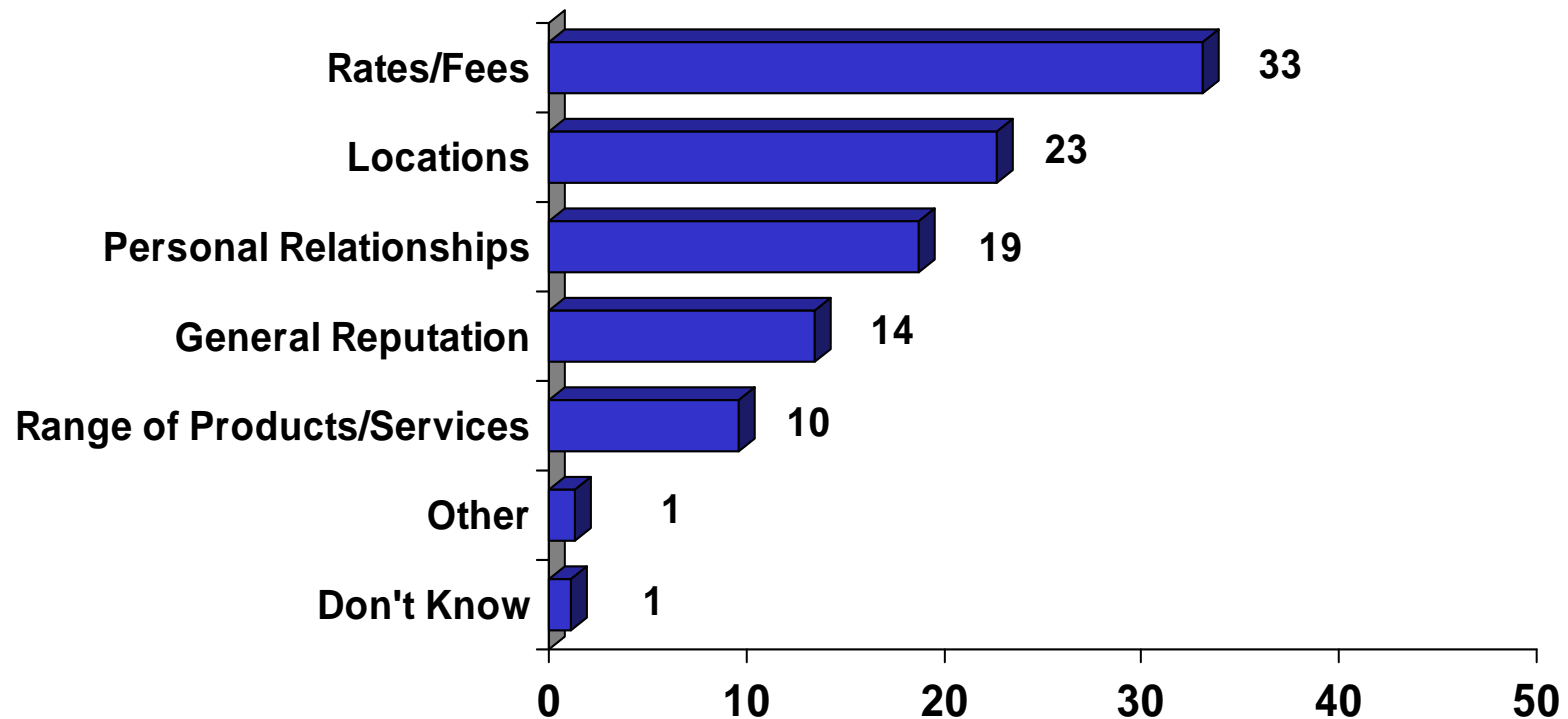
Type of Bank Used for Primary Account

(among those who have a checking and/or savings account at a bank)

	<u>Total</u>	<u>Urban</u>	<u>Rural</u>
	(N = 377)	(N = 189)	(N = 188)
National Bank	53%	66%	40%
State Bank	30	24	36
Community Bank	14	9	20
Not Sure	2	1	3
Refused	1	1	1

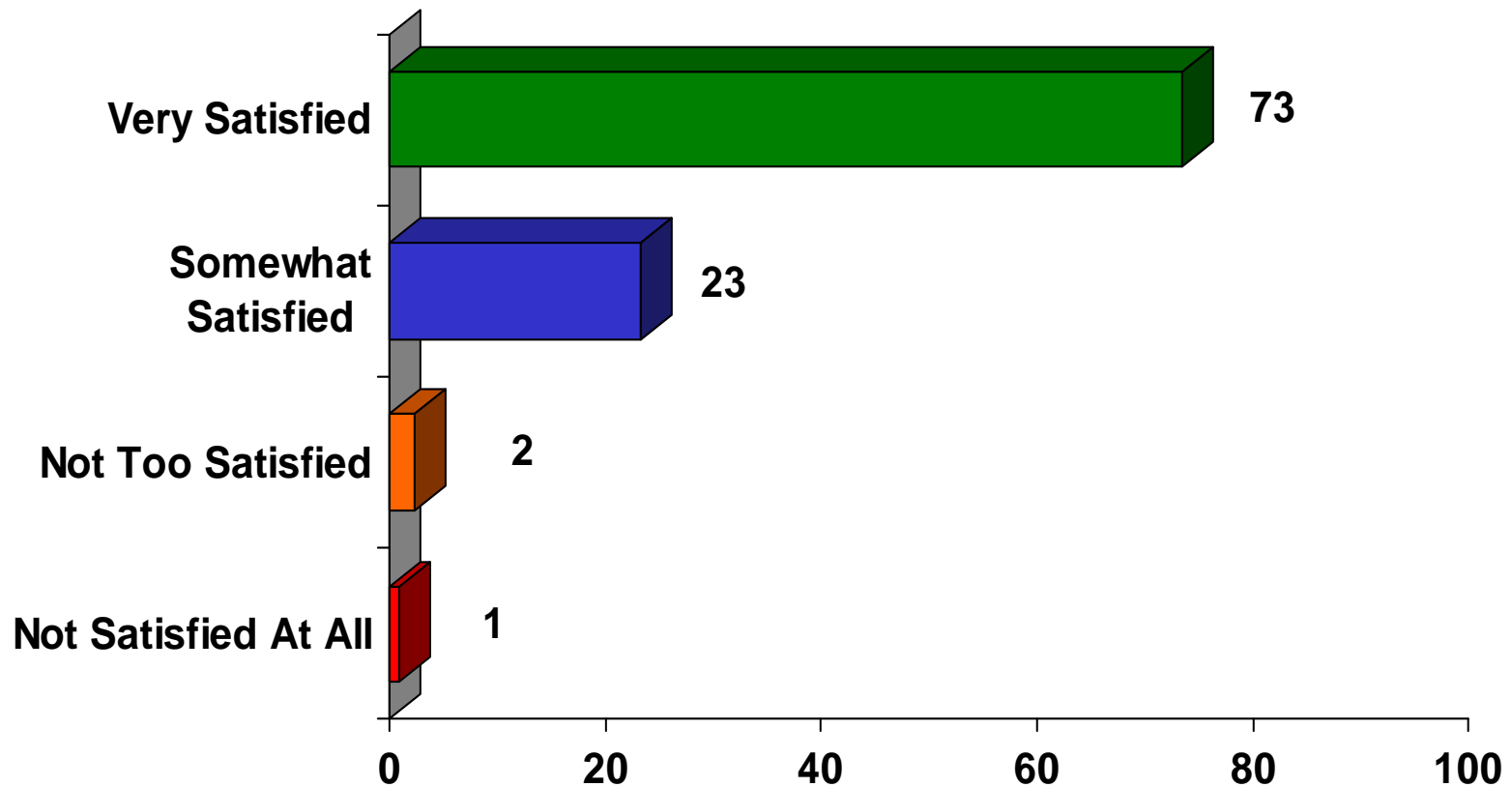
Single Most Important Factor When Selecting a Financial Institution

(among those who have a checking and/or savings account, N = 459)



Overall Satisfaction with Financial Services from Financial Institution

(among those who have a checking and/or savings account, N = 459)



Mortgage Loans

- Forty six percent (46%) of study respondents indicate they currently have a home mortgage.

Demographically, the incidence of mortgages is highest among:

- ✓ Those with household incomes between \$50,000 and \$75,000 (63%) and over \$75,000 (74%);
- ✓ 35 to 54 year olds (58%);
- ✓ Caucasians (51%); and
- ✓ Those living in urban counties (50%).

Mortgage Loans

- Approximately one out of eight indicates they have obtained a new mortgage (5%), refinanced (7%), or both (1%) within the past two years.
 - ✓ The incidence of new mortgages is highest among:
 - 18 to 34 year olds (10%); and
 - Those with household incomes between \$50,000 and \$75,000 (9%) and over \$75,000 (11%).
 - ✓ The incidence of refinancing is highest among:
 - 35 to 54 year olds (11%);
 - Those with household incomes over \$75,000 (11%); and
 - Caucasians (9%).

Mortgage Loans

- Findings indicate that consumers are using a variety of sources for their mortgages.

Among those who got a new mortgage or refinanced within the past two years (N = 62), 31% used a bank, 27% used a mortgage lender, and 24% used a mortgage broker.

(Samples are too small for subsegment analysis.)

- Rates and fees tends to be the primary factor driving the selection of the financial service provider for a new mortgage and/or refinance. Fully 65% of those who got a new mortgage or refinanced within the past two years (N = 62) say they selected their lender based on rates and fees.

Mortgage Loans

- Findings indicate that most consumers are satisfied with their mortgage loan process, but there may be opportunities for improvement.

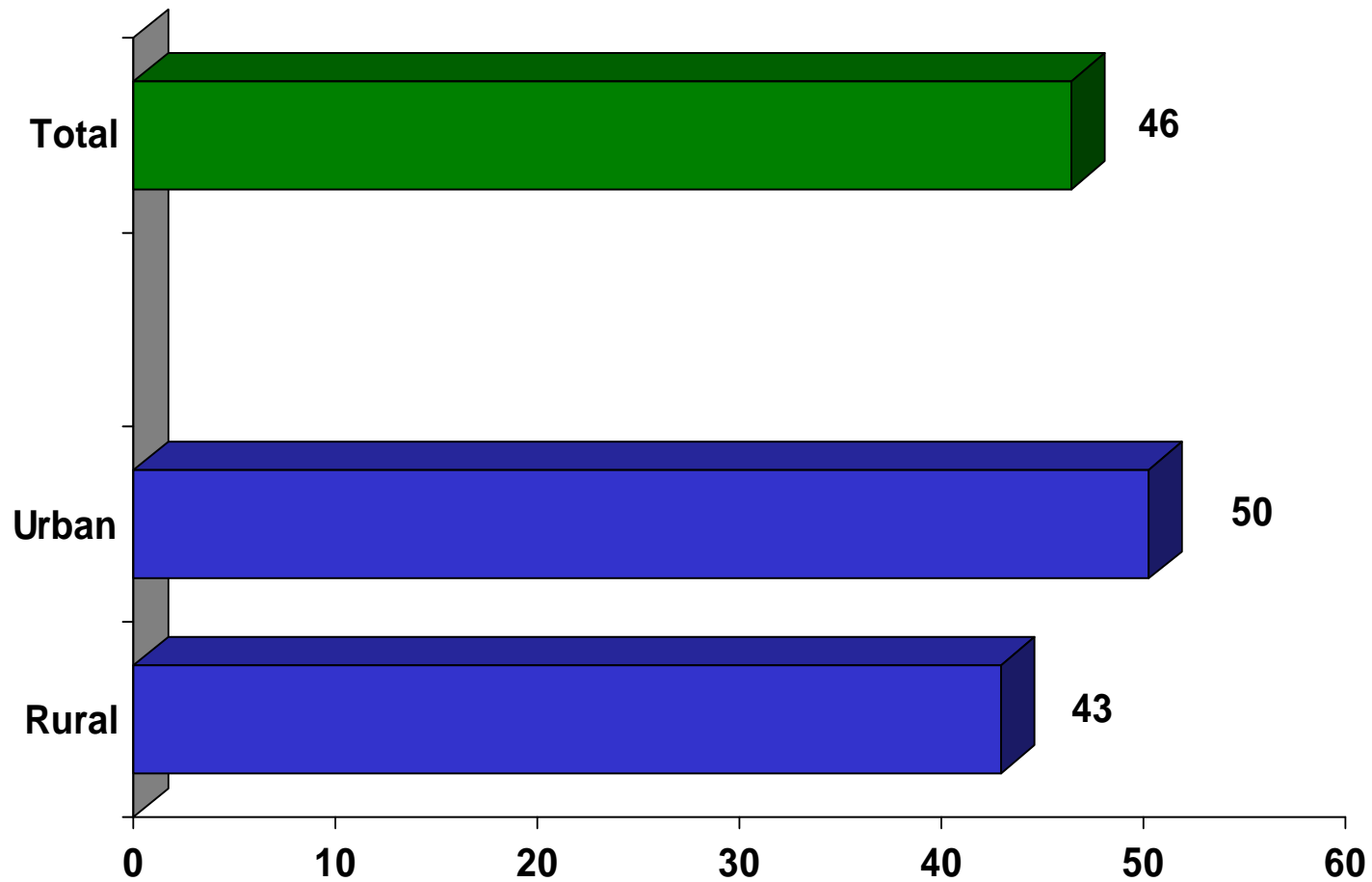
Among those who got a new mortgage or refinanced within the past two years (N = 62):

- ✓ 68% say they were *very satisfied* with the mortgage loan process, 21% were *somewhat satisfied*, and 11% were dissatisfied;
- ✓ Significantly fewer, 45%, indicate they were *very satisfied* with the fairness of mortgage charges. This compares to 32% who were *somewhat satisfied* and 19% who were dissatisfied.

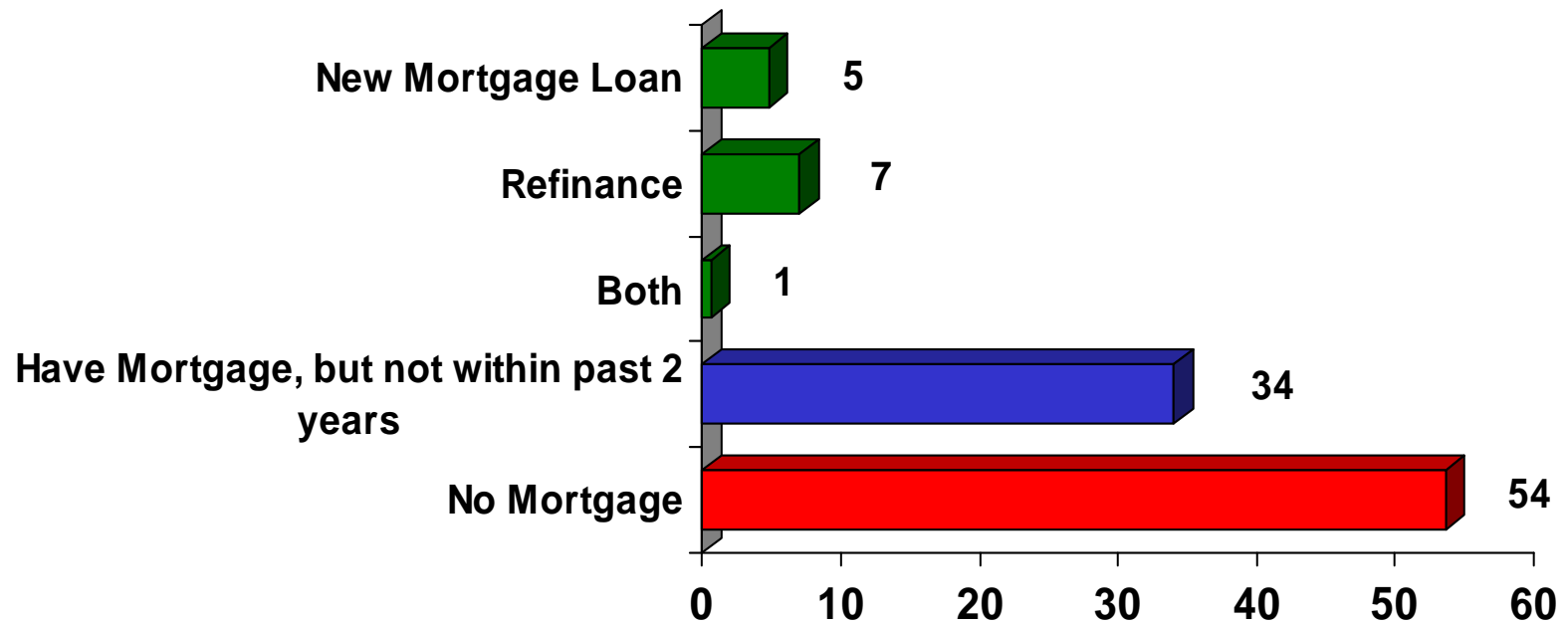
Mortgage Loans

- No single issue stands out as a consistent problem or unfair charge related to mortgage loans in North Carolina.

Incidence of Mortgage Loan



Have Initiated a New Mortgage Loan or Refinance in the Past Two Years



Home Mortgage Status by Age

	<u>Total</u>	<u>18 to 34</u>	<u>35 to 54</u>	<u>55+</u>
	(N = 500)	(N = 73*)	(N = 211)	(N = 216)
Yes, New Mortgage Loan	5%	10%	6%	2%
Yes, Refinance	7	6	11	4
Yes, Both (new mortgage loan and refi)	1	0	1	1
Have Mortgage Loan, but not within past two years	34	29	41	29
No Mortgage Loan	54	56	42	64

Home Mortgage Status by Household Income

	<u>Total</u>	<u><\$25K</u>	<u>\$25-50K</u>	<u>\$50-75K</u>	<u>\$75K+</u>
	(N = 500)	(N = 83)	(N = 151)	(N = 99)	(N = 94)
Yes, New Mortgage Loan	5%	1%	1%	9%	11%
Yes, Refinance	7	1	7	8	11
Yes, Both (new mortgage loan and refi)	1	0	1	1	0
Have Mortgage Loan, but not within past two years	34	11	33	44	52
No Mortgage Loan	54	87	58	37	27

Home Mortgage Status by Ethnicity

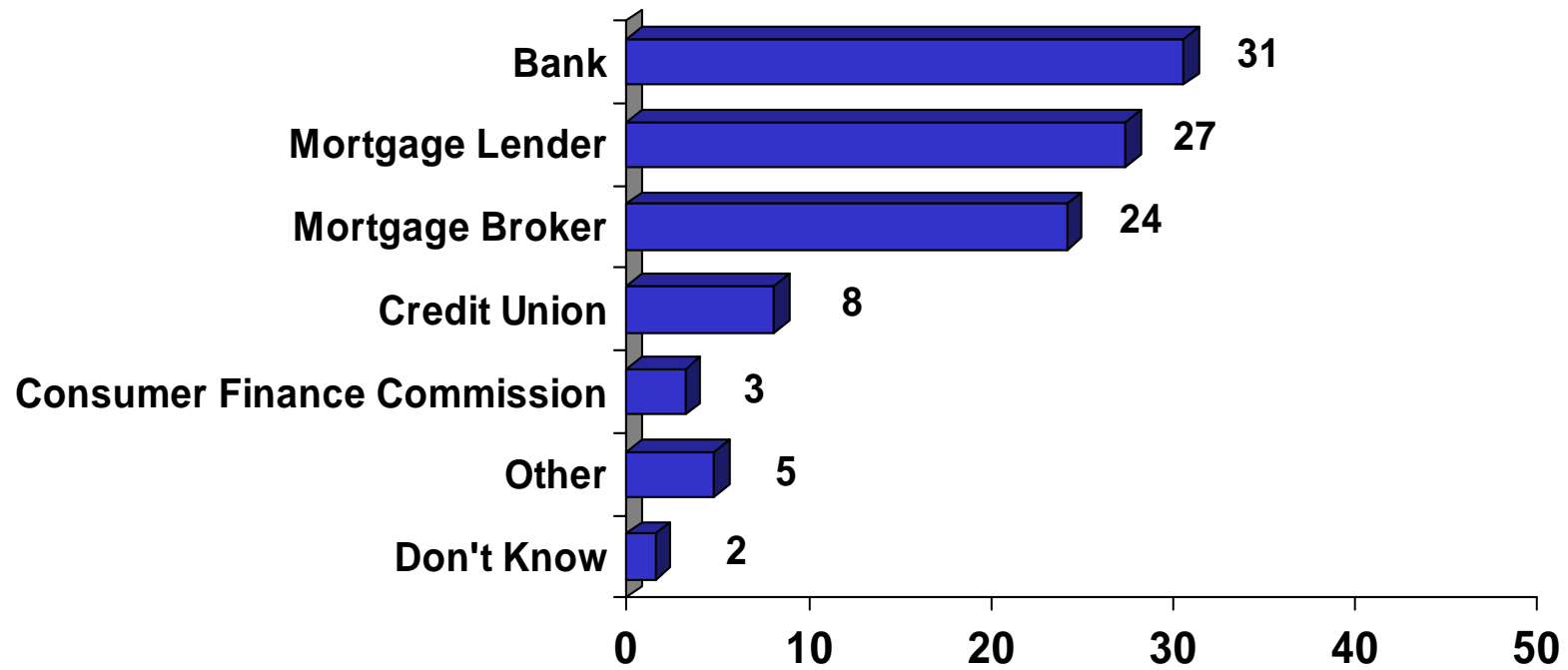
	<u>Total</u>	<u>Caucasian</u>	<u>African-American</u>	<u>Other</u>
	(N = 500)	(N = 384)	(N = 77*)	(N = 30*)
Yes, New Mortgage Loan	5%	5%	5%	0%
Yes, Refinance	7	9	1	3
Yes, Both (new mortgage loan and refi)	1	1	0	0
Have Mortgage Loan, but not within past two years	34	37	25	27
No Mortgage Loan	54	50	69	70

Home Mortgage Status by Area

	<u>Total</u>	<u>Urban</u>	<u>Rural</u>
	(N = 500)	(N = 239)	(N = 261)
Yes, New Mortgage Loan	5%	3%	7%
Yes, Refinance	7	9	5
Yes, Both (new mortgage loan and refi)	1	0	1
Have Mortgage Loan, but not within past two years	34	38	30
No Mortgage Loan	54	50	57

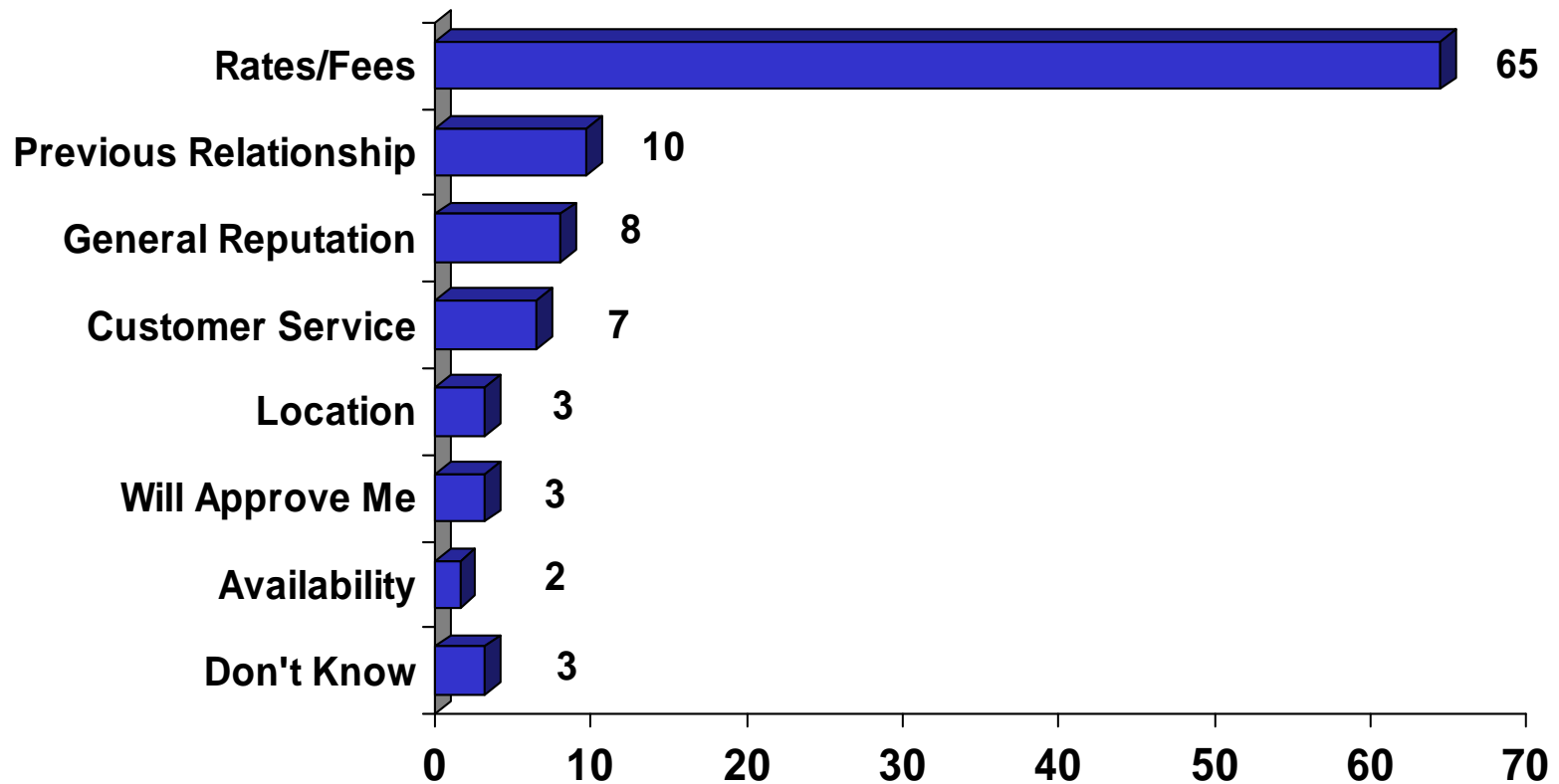
Source of Mortgage Loan

(among those who got a mortgage loan/refinance within past 2 years, N = 62*)



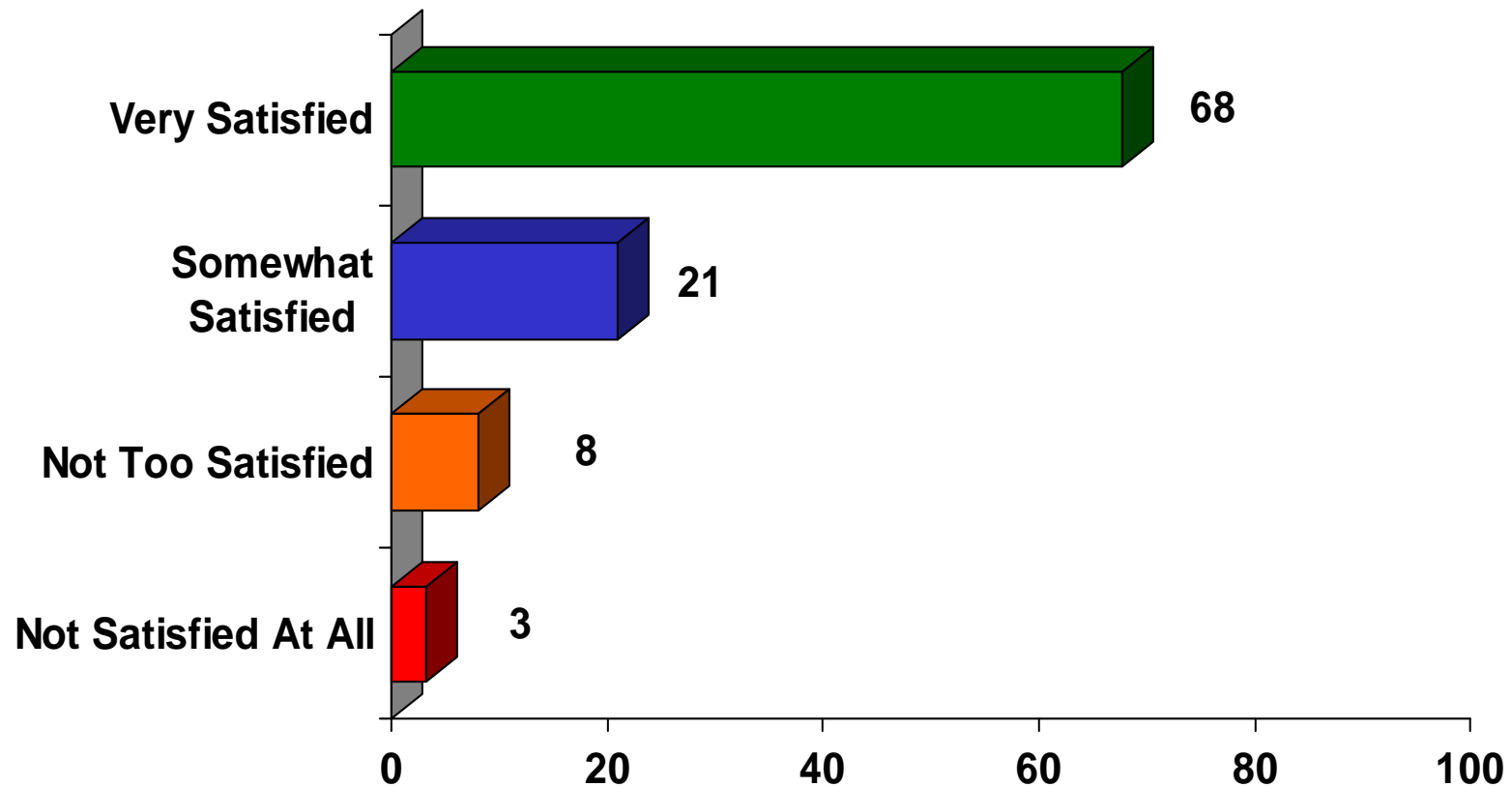
Single Most Important Factor When Selecting a Mortgage Provider

(among those who have gotten a mortgage loan within the past 2 years, N = 62*)



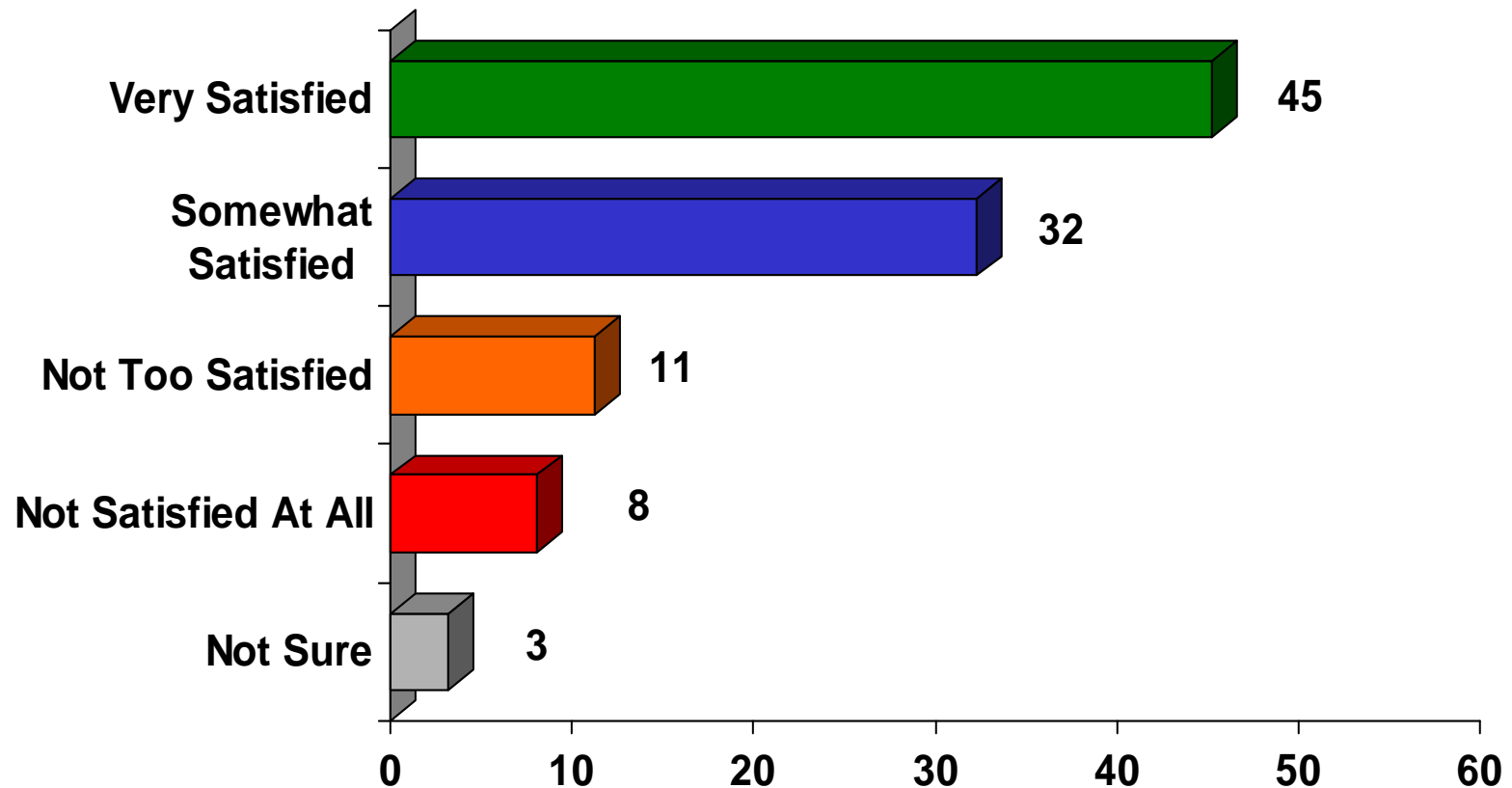
Overall Satisfaction with Mortgage Loan Process

(among those who have gotten a mortgage loan within the past 2 years, N = 62*)



Satisfaction with Fairness of Mortgage Charges

(among those who have gotten a mortgage loan within the past 2 years, N = 62*)



What Charges were Unfair?

(among those not satisfied with mortgage loan charges, N = 12*)

Closing Costs	33%
Interest Rates	33
Excessive/Hidden Charges	17
Added Fees added to Payment	17
Other	50

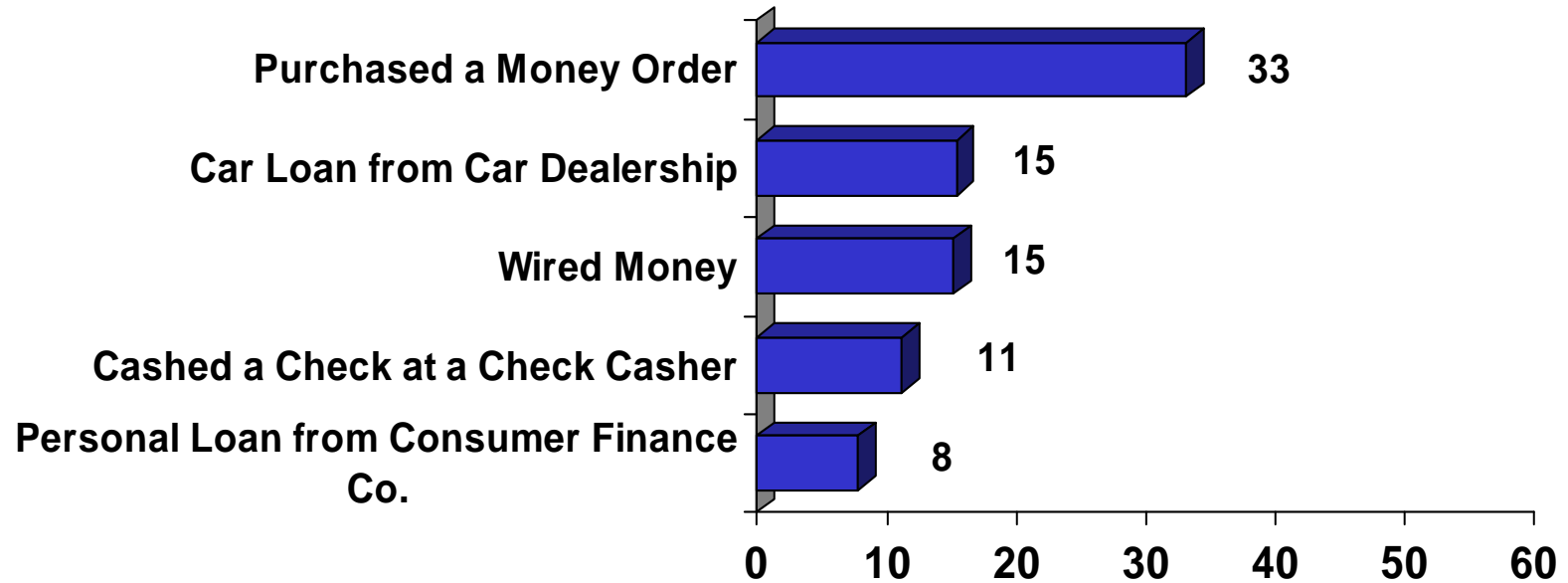
Alternative Financial Services

- Survey results identify somewhat limited penetration of alternative financial services:
 - ✓ Purchased a money order (33%);
 - ✓ Car loan from a car dealership (15%);
 - ✓ Wired money to someone else (15%);
 - ✓ Cashed a check at a check casher (11%);
 - ✓ Got a personal loan from a consumer finance company (8%);
 - ✓ Got a refund anticipation loan (7%);
 - ✓ Bought a prepaid debit card (6%);
 - ✓ Bought furniture or appliances on a rent-to-own plan (5%);
 - ✓ Got a pay day or car title loan (4%); and/or
 - ✓ Pawned an item for cash (3%).

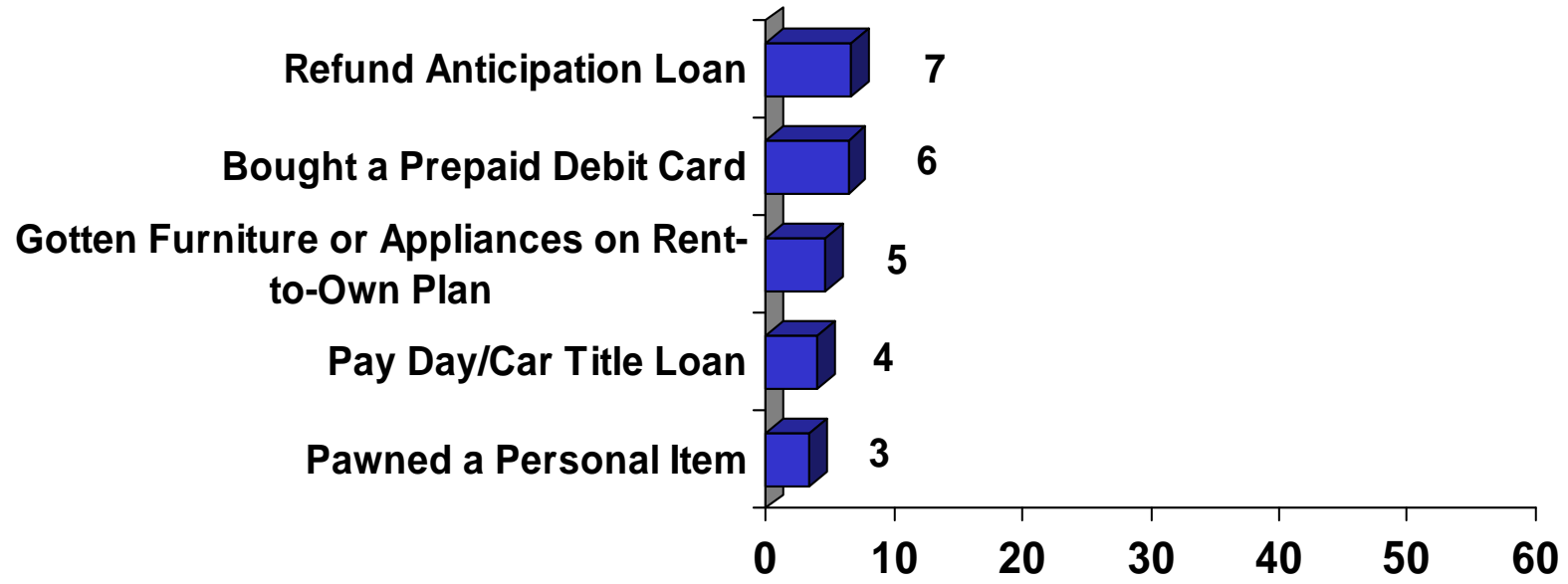
Alternative Financial Services

- Demographic differences in the usage of the various financial service products is discussed under the “General Incidence of Finance Services Experiences” section on pages 16 through 19 and 22 through 26.
- Overall, the majority of consumers experiencing these types of alternative financial services tend to be satisfied with their experiences. The proportion who indicates they are *very satisfied*, however, tends to be lower than what is evidenced relative to traditional financial services (such as checking and savings accounts and mortgage loans).

Incidence of Alternative Financial Services (1 of 2)

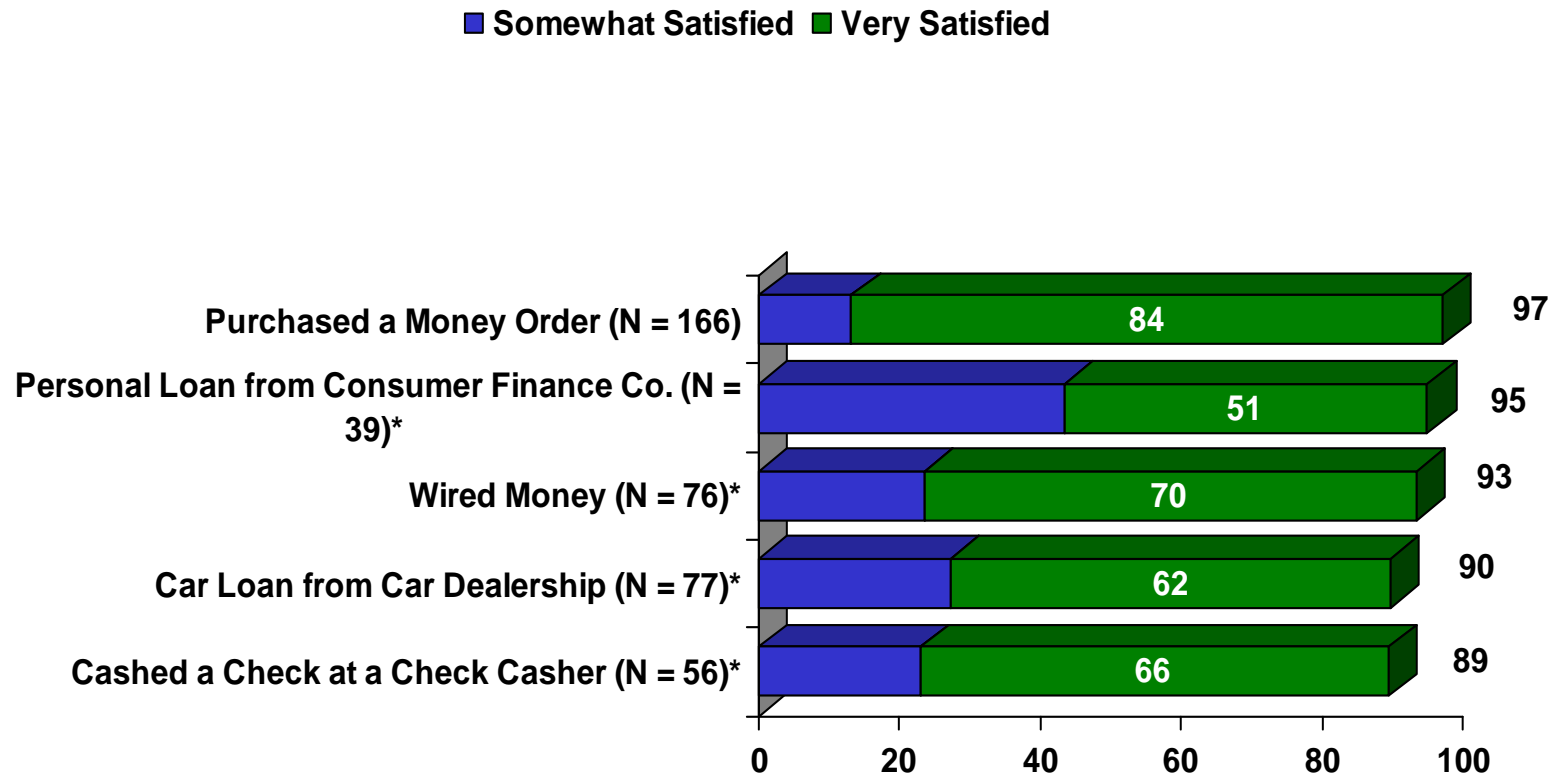


Incidence of Alternative Financial Services (2 of 2)



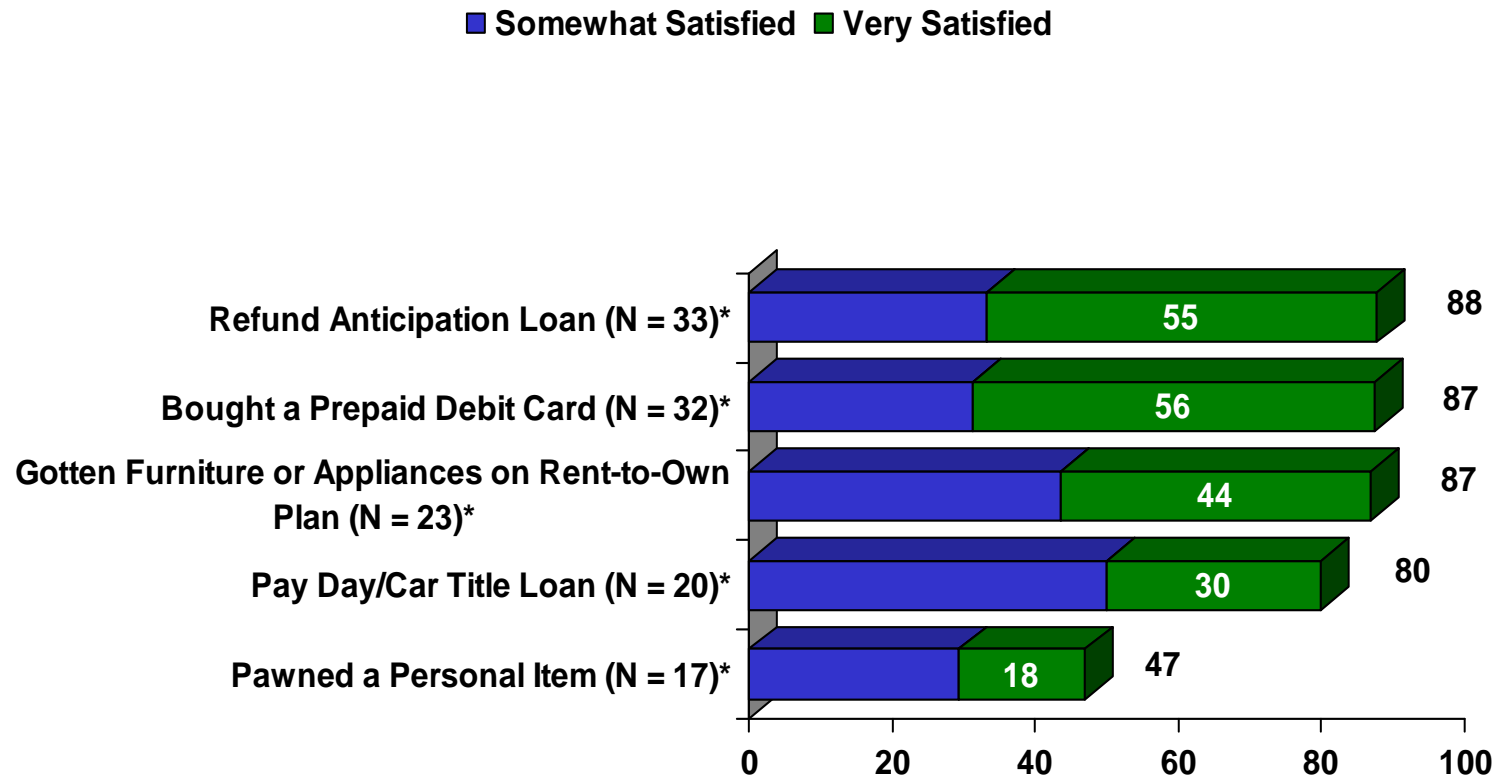
Overall Satisfaction with Loan Services (1 of 2)

(among those with respective alternative financial services experience over past 2 years)



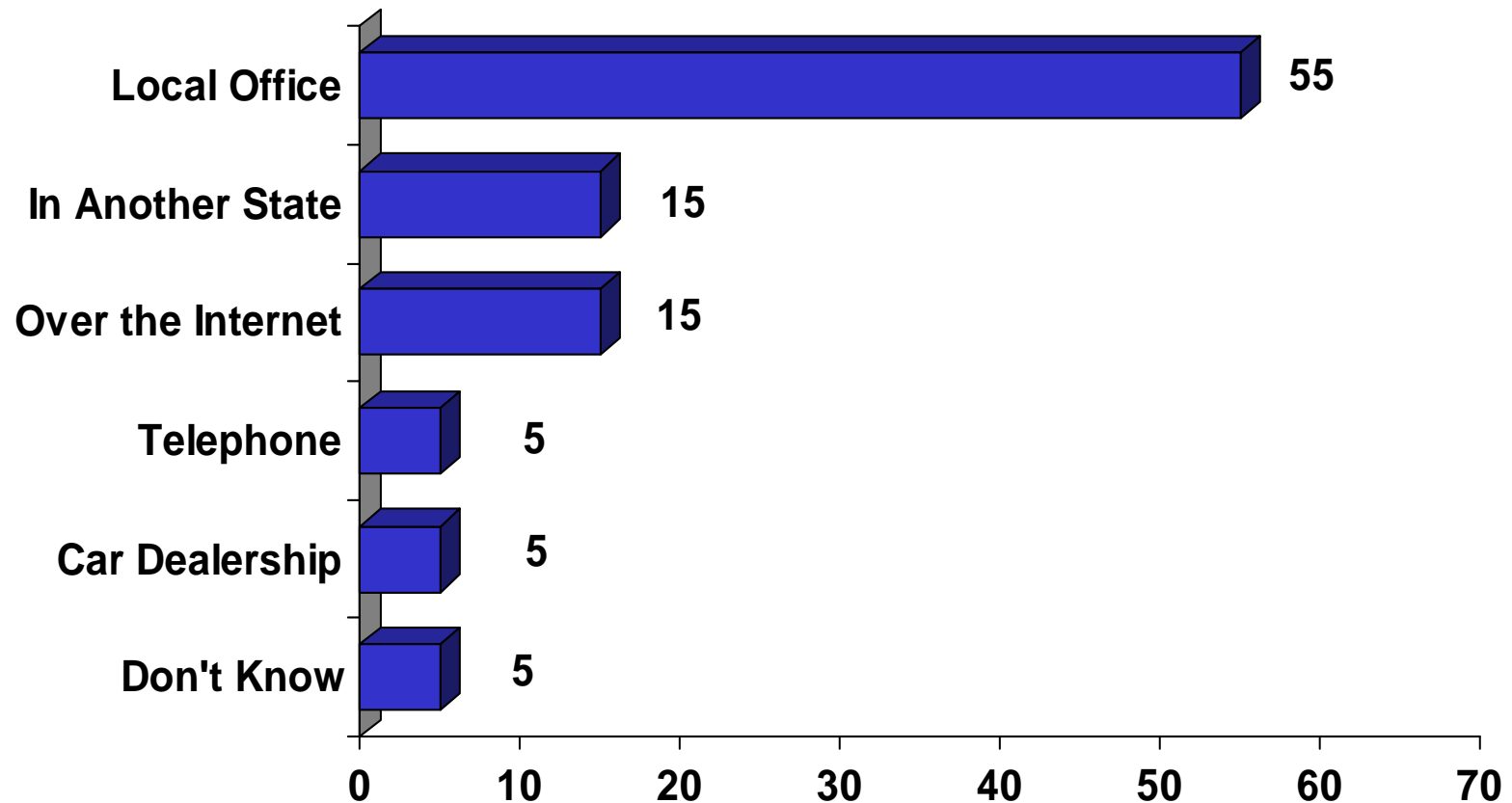
Overall Satisfaction with Loan Services (2 of 2)

(among those with respective alternative financial services experience over past 2 years)



Source of Pay Day/Car Title Loan

(among those who have gotten a pay day/car title loan within past 2 years, N = 20*)



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Concerns and Perceptions of Unfair Practices

Concerns and Perceptions of Unfair Practices

- For the most part, North Carolina consumers do not have too many concerns relative to the financial services market in the state. There are, however, three concerns that are noted by a majority of consumers:
 - ✓ The fairness of checking and savings account rates and fees (52% consider it to be a problem, with 22% indicating it is a *major problem*);
 - ✓ Misrepresentation of mortgage information (51% consider it to be a problem, with 21% saying it is a *major problem*); and
 - ✓ The fairness of rates and fees associated with alternative lending services (50% consider it to be a problem, with 32% indicating it is a *major problem*).

Concerns and Perceptions of Unfair Practices

- Although actual incidence of negative experiences within the financial services market tends to be somewhat limited,
 - ✓ 12% indicate they were treated unfairly or things were misrepresented within the past two years; and
 - ✓ 9% say they had an unresolved problem or complaint within the past two years.

This seems to be a significant proportion within a two year period.

Concerns and Perceptions of Unfair Practices

- Findings identify some variation in the incidence of problems, unfair treatment, and/or misrepresentation of information based on demographics, area, and/or type of financial services product the individual has experience with.

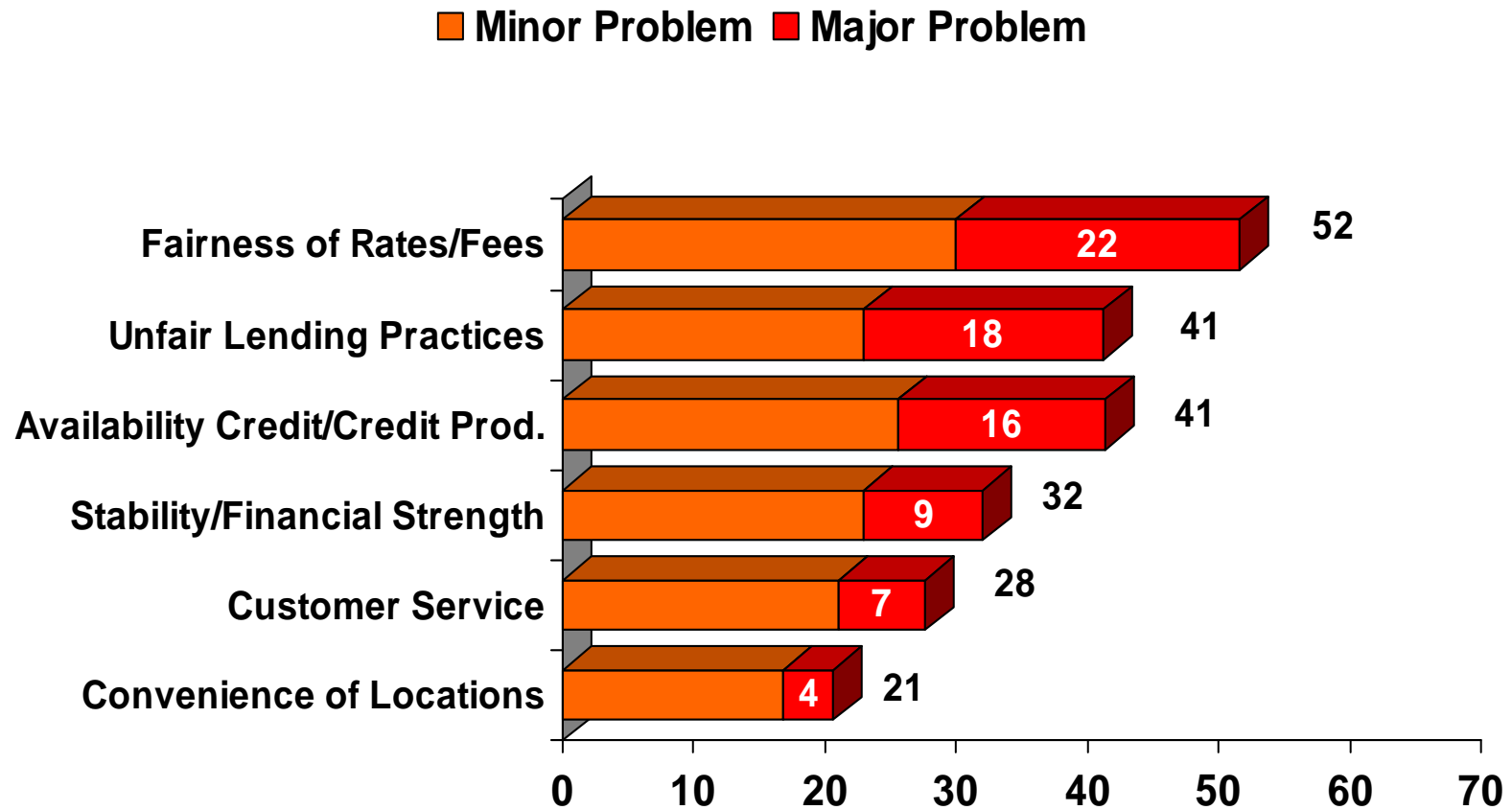
In general:

- ✓ Younger people are more likely to feel that they have been treated unfairly or had a problem than those over the age of 55;
- ✓ African-Americans are more likely than others to feel they have been treated unfairly;

Concerns and Perceptions of Unfair Practices

- ✓ Urban consumers are somewhat more likely to feel they were treated unfairly or that things were misrepresented than those living in rural counties; and
- ✓ Those using alternative financial services are significantly more likely to have had a problem or feel they were treated unfairly or that information was misrepresented. (It should be noted, however, that the question is not specifically linked to the product. Rather, individuals utilizing these types of financial services products are more likely to have experienced an issue than those not using them.)

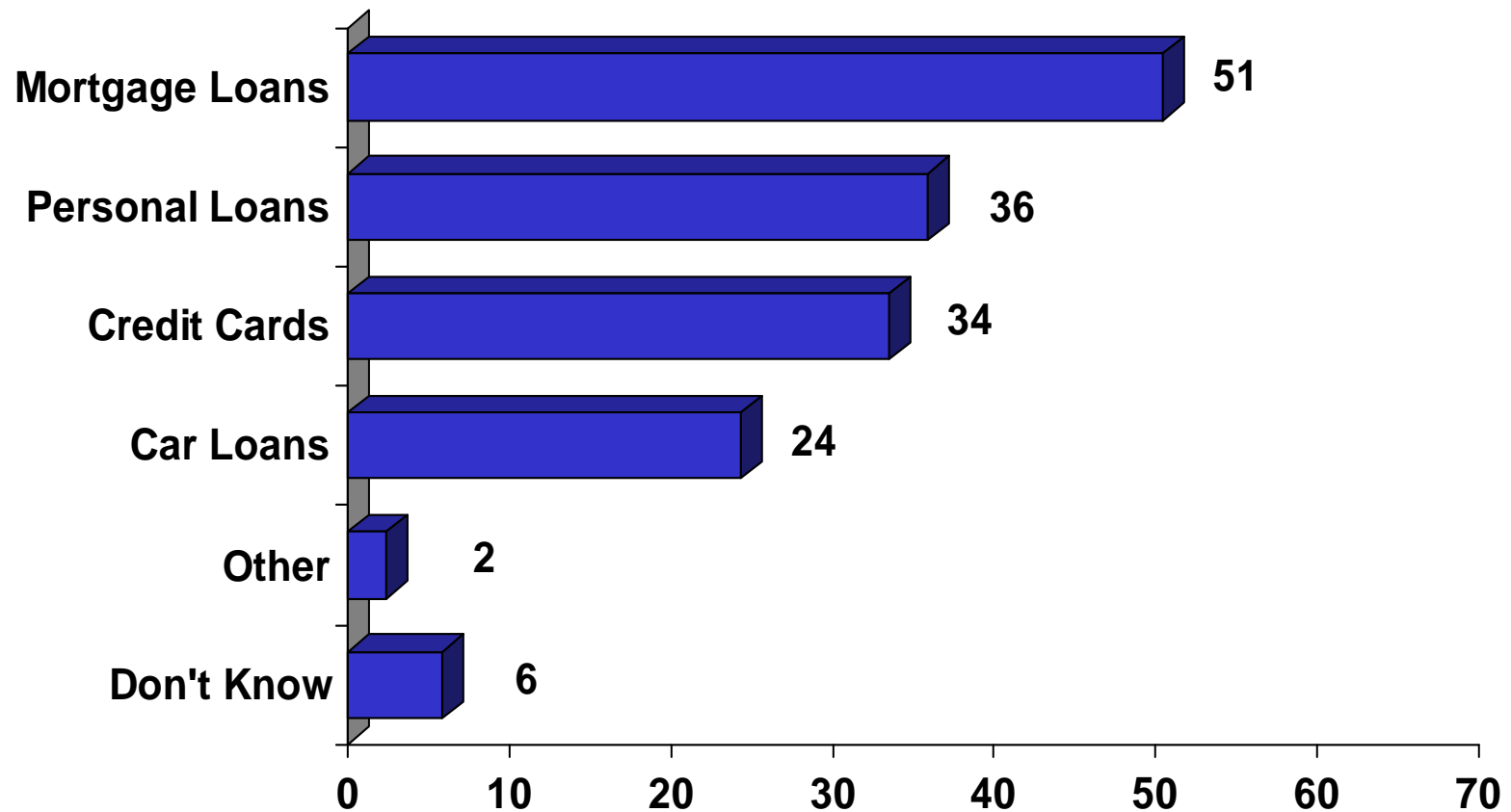
Perceived Problems with Banking Institutions



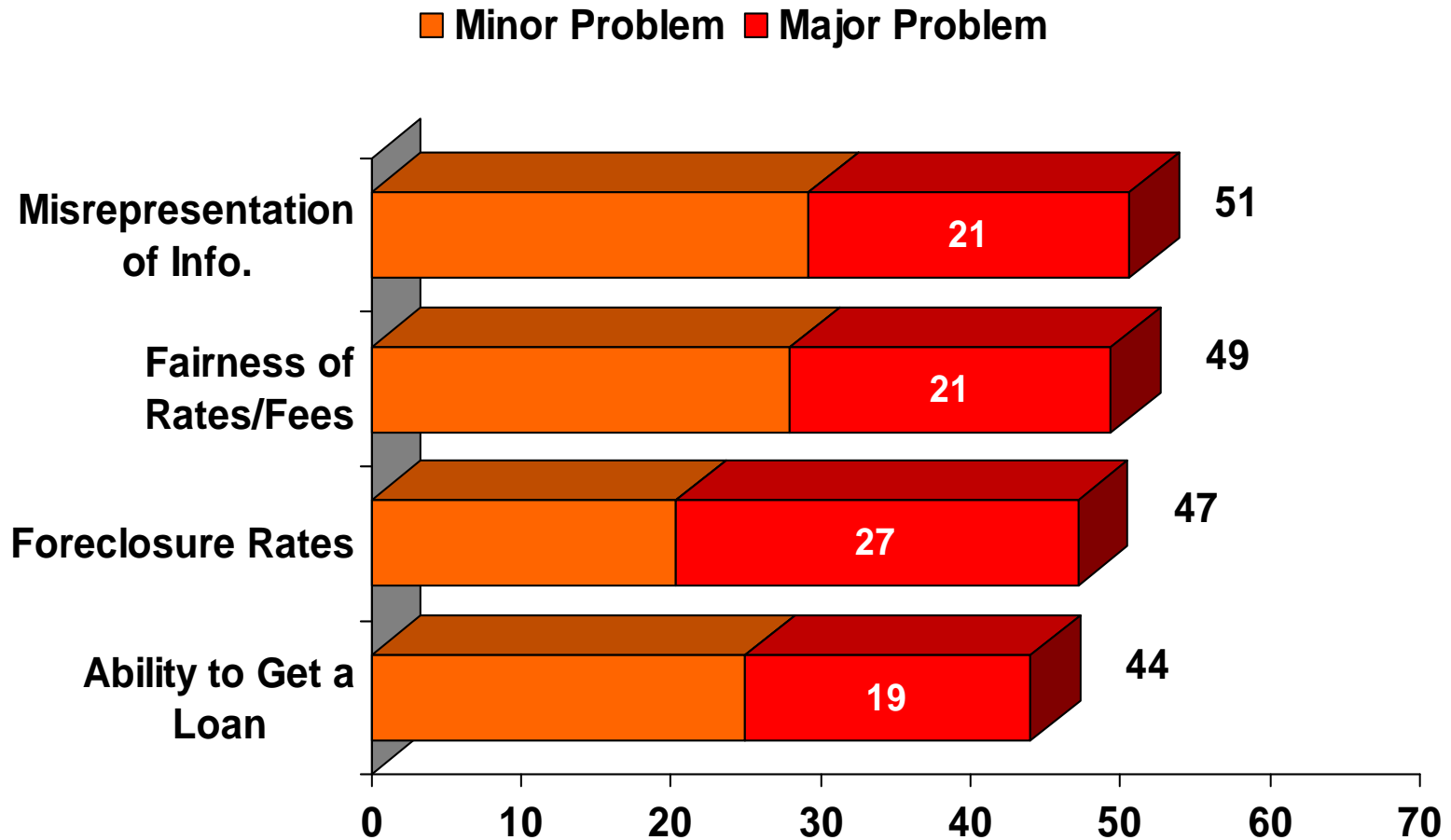
What Types of (Banking) Loans are Greatest Concern

RE: Unfair Lending Practices

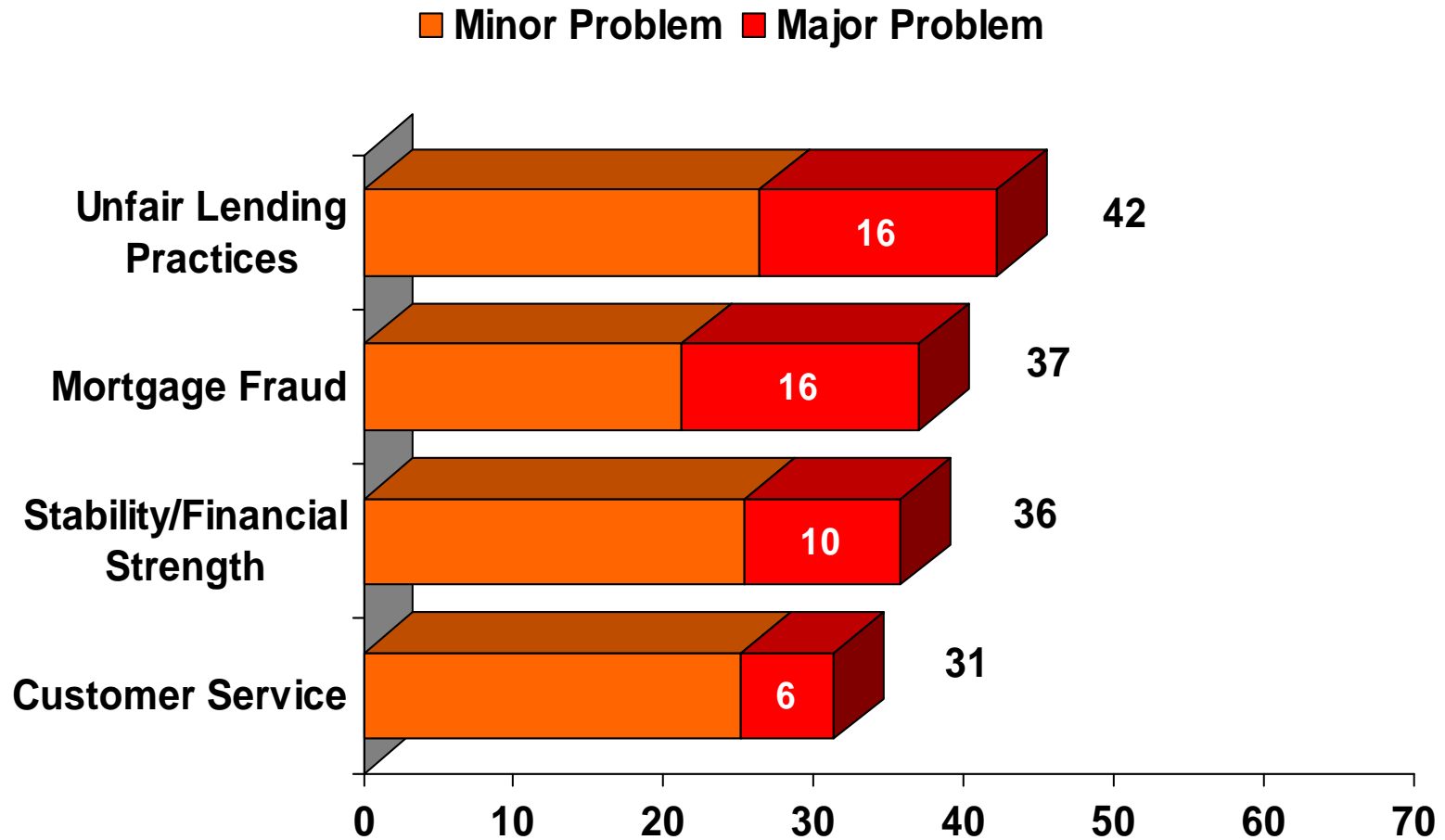
(among those who feel there is a problem, N = 206)



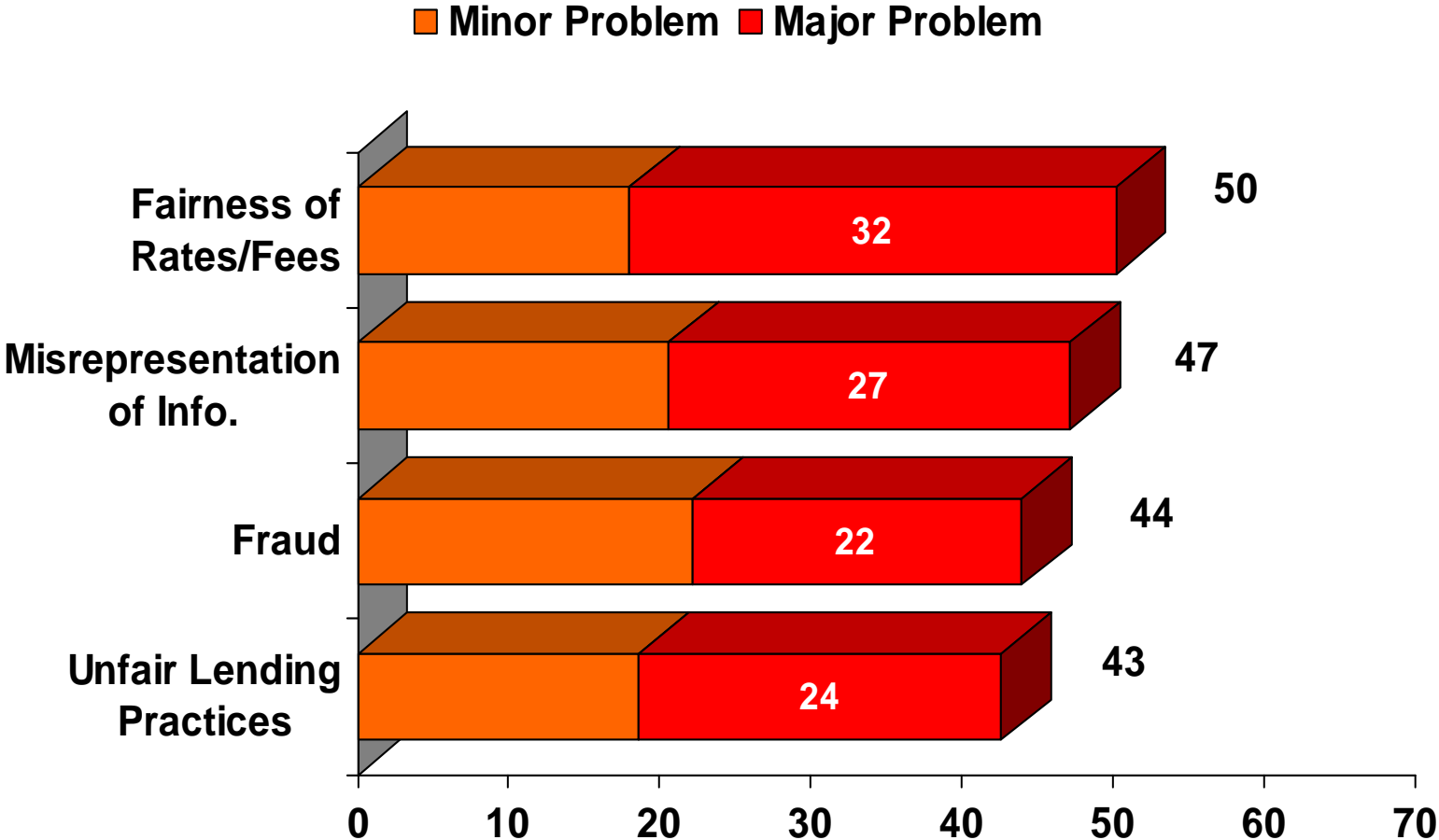
Perceived Problems with Mortgage Lending (1 of 2)



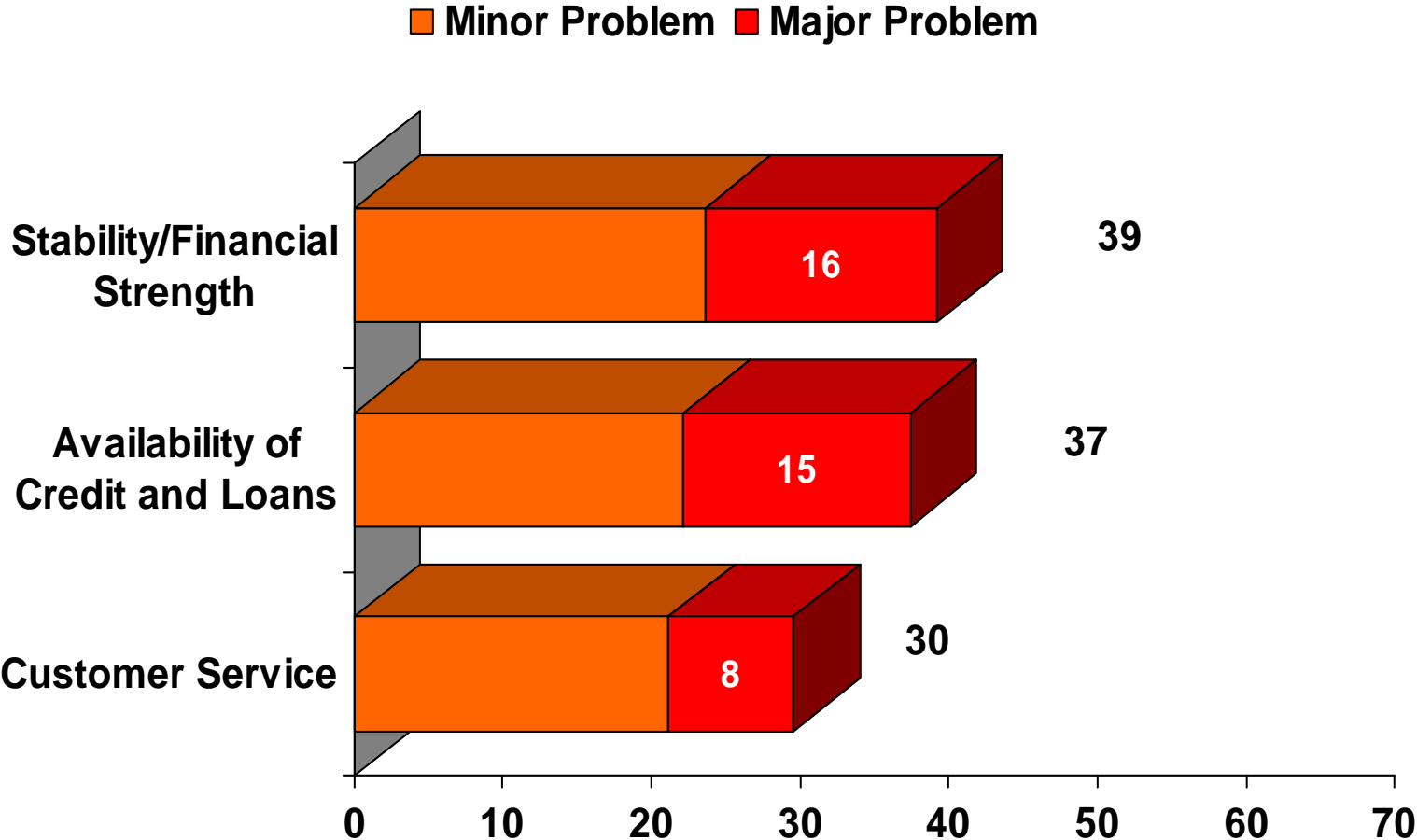
Perceived Problems with Mortgage Lending (2 of 2)



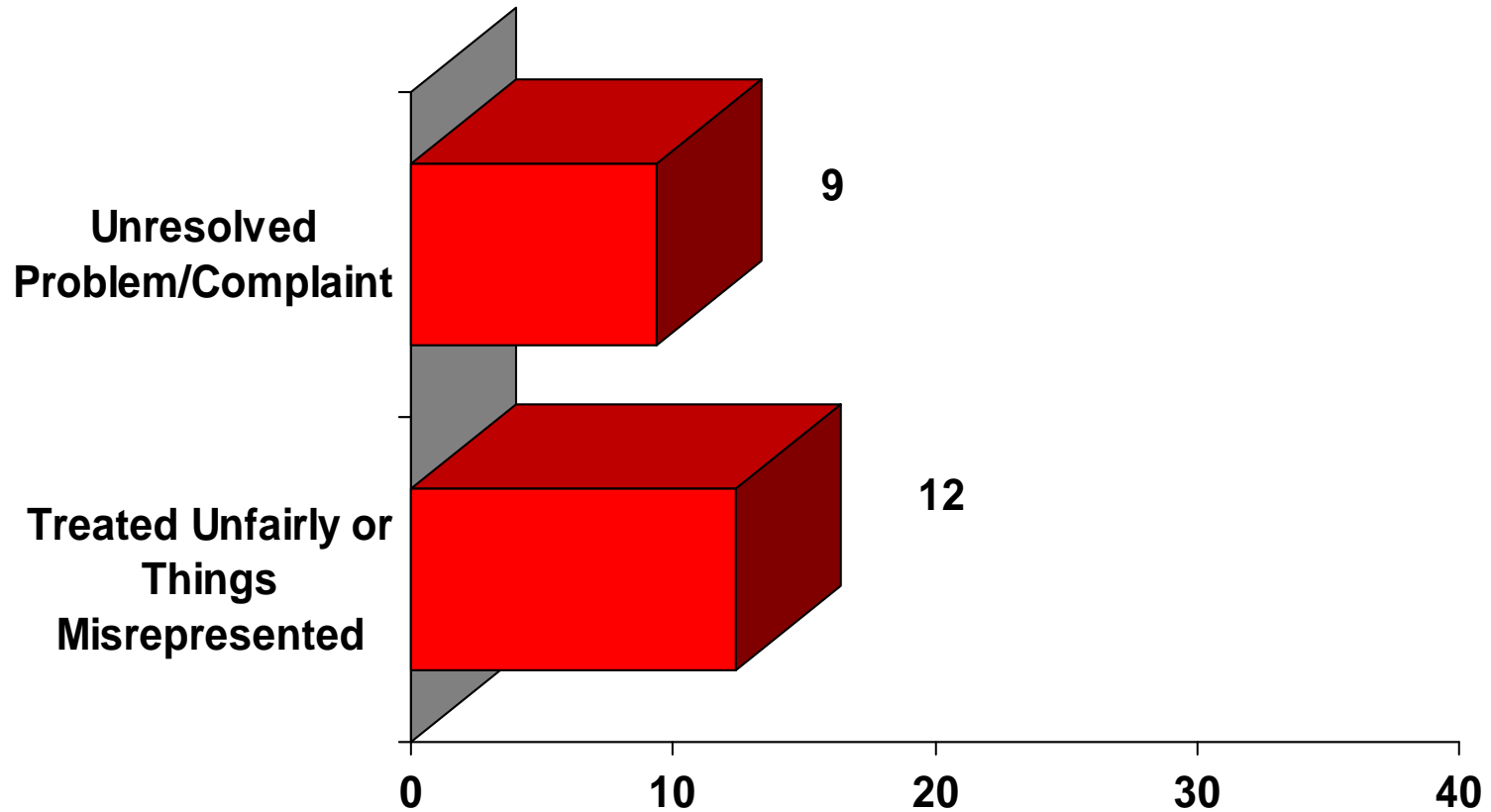
Perceived Problems with Alternative Financial Services (1 of 2)



Perceived Problems with Alternative Financial Services (2 of 2)



Incidence of Specific Problems with Any Financial Organization or Services Over Past Two Years



Incidence of Specific Problems with Any Financial Organization or Services Over Past Two Years

	<u>Total</u>	<u>18 to 34</u>	<u>35 to 54</u>	<u>55+</u>
	(N = 500)	(N = 73*)	(N = 211)	(N = 216)
Unresolved Problem or Complaint	9%	12%	11%	7%
Treated Unfairly or Things Misrepresented	12	18	16	7

Incidence of Specific Problems with Any Financial Organization or Services Over Past Two Years

	<u>Total</u>	<u>Caucasian</u>	<u>African-American</u>	<u>Other</u>
	(N = 500)	(N = 384)	(N = 77*)	(N = 30*)
Unresolved Problem or Complaint	9%	9%	13%	10%
Treated Unfairly or Things Misrepresented	12	10	23	7

Incidence of Specific Problems with Any Financial Organization or Services Over Past Two Years

	<u>Total</u>	<u>Urban</u>	<u>Rural</u>
	(N = 500)	(N = 239)	(N = 261)
Unresolved Problem or Complaint	9%	10%	9%
Treated Unfairly or Things Misrepresented	12	15	10

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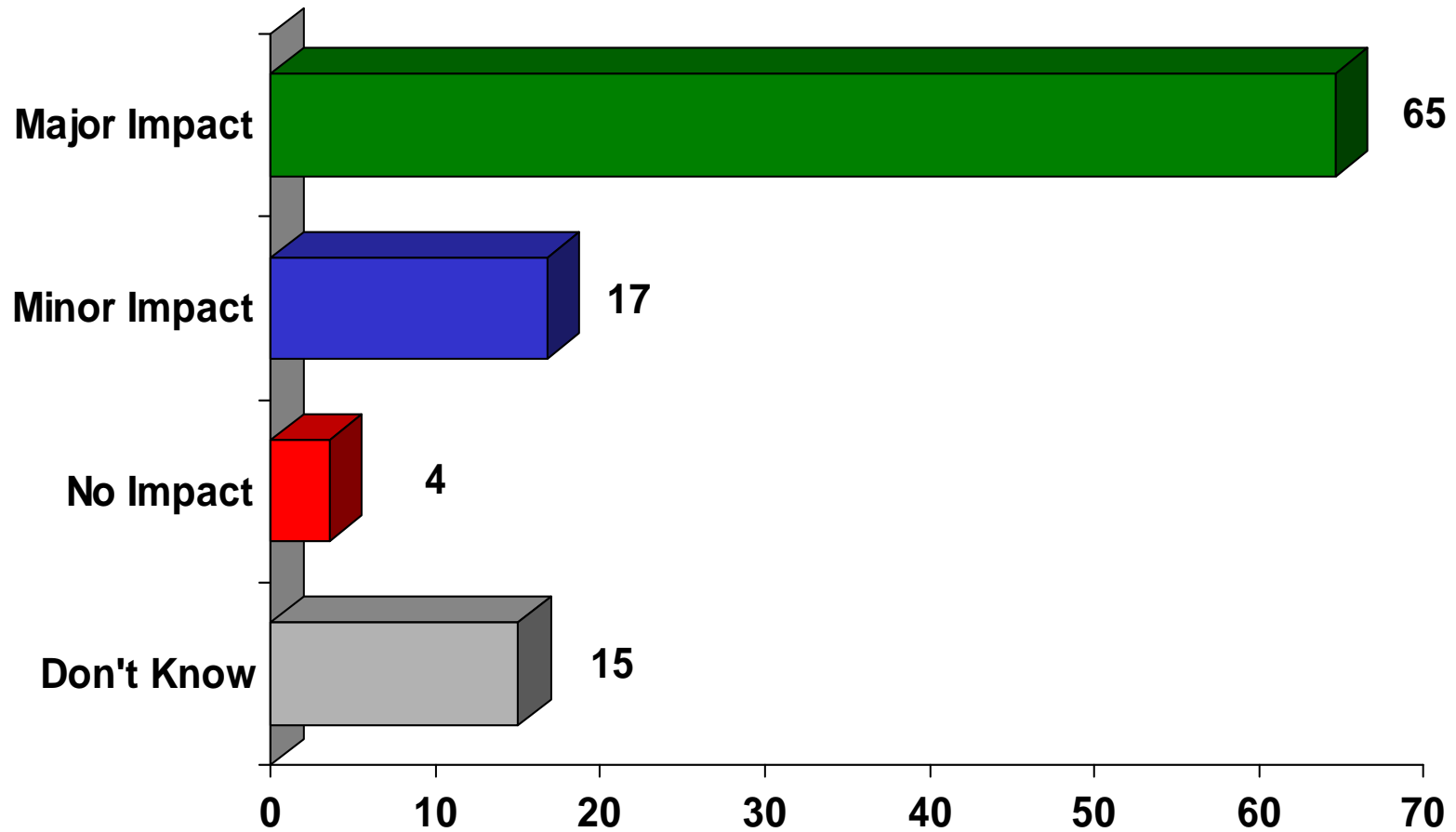
North Carolina Banking Regulations and the Commissioner of Banks

General Impressions of the Financial Services Market in North Carolina

- Most consumers (65%) recognize that the financial services market has a *major impact* on North Carolina's economy.

Only 4% say that it has *no impact*.

Impact of the Financial Services Industry on North Carolina's Economy



Impact of the Financial Services Industry on North Carolina's Economy

	<u>Total</u>	<u>Urban</u>	<u>Rural</u>
	(N = 500)	(N = 239)	(N = 261)
Major Impact	65%	68%	61%
Minor Impact	17	16	18
No Impact	4	3	4
Don't Know	15	13	17

Awareness and Perceptions of the NCCOB

- Currently, awareness of and familiarity with the North Carolina Office of the Commissioner of Banks (NCCOB) tends to be somewhat limited:
 - ✓ Only 18% indicate they have ever heard of the NCCOB;
 - ✓ Only 6% say they are familiar with the NCCOB and its mission to regulate financial service providers to promote the strength, efficiency and fairness of the financial services marketplace for North Carolina's residents;
 - ✓ 73% say they *don't know* how the NCCOB is doing when it comes to promoting a strong and financially stable industry; and
 - ✓ 70% say they *don't know* how the NCCOB is doing when it comes to promoting a fair and responsible industry.

Awareness and Perceptions of the NCCOB

- While most are not familiar with the NCCOB and choose to reserve judgment, those who do offer an evaluation tend to be split in their perceptions.

For example, among the 27% who evaluate the NCCOB on the dimension of its effectiveness in promoting a strong and financially stable industry, 15% give the Office a favorable rating and 12% give an unfavorable rating.

Similarly, among the 30% who evaluate the NCCOB on the dimension of its effectiveness in promoting a fair and responsible industry, 17% give the Office a favorable rating and 13% give an unfavorable rating.

This suggests that, even among the limited proportion of residents who say they are familiar, the Office does not have a clear or consistent image.

Awareness and Perceptions of the NCCOB

- There are only minor differences in awareness of the NCCOB based on demographics, area, and/or types of financial products used.

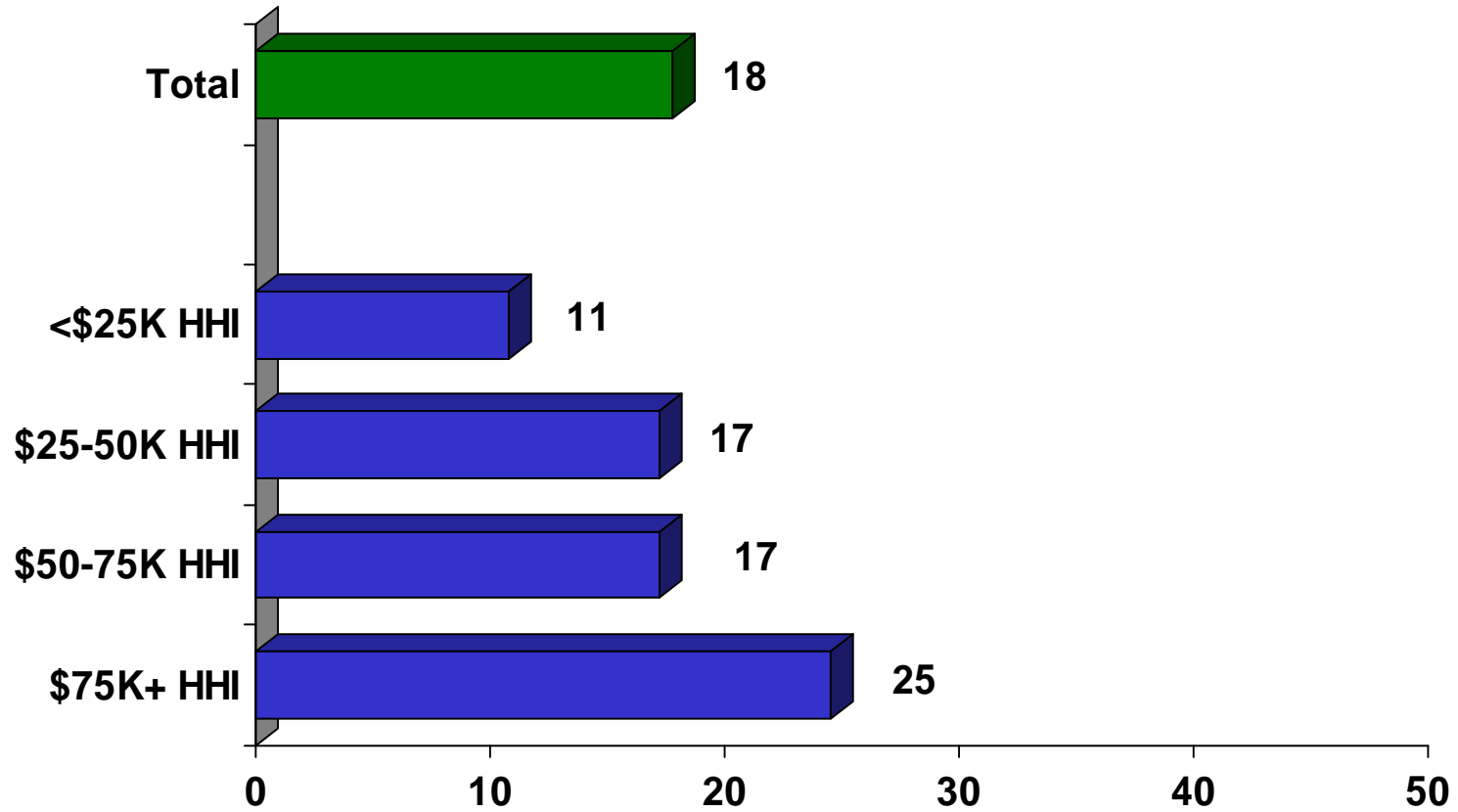
In general, awareness is higher among:

- ✓ Younger (under 34) or older (over 55) residents;
- ✓ Those with household incomes over \$75,000;
- ✓ Urban residents; and
- ✓ Those who have a checking and/or savings account.

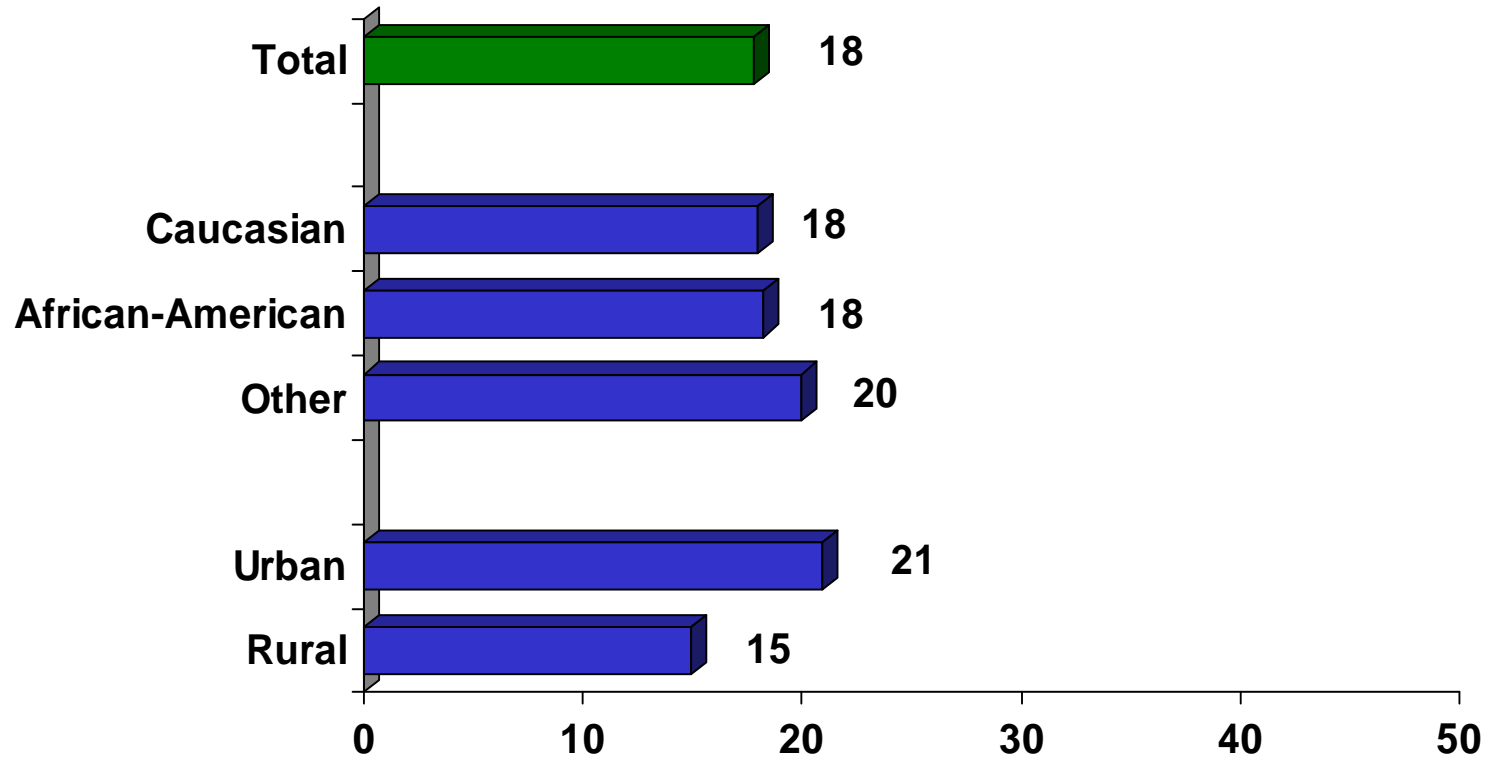
Awareness tends to be lowest among:

- ✓ Those with household incomes under \$25,000;
- ✓ Rural residents; and
- ✓ Those with experience with alternative financial services.

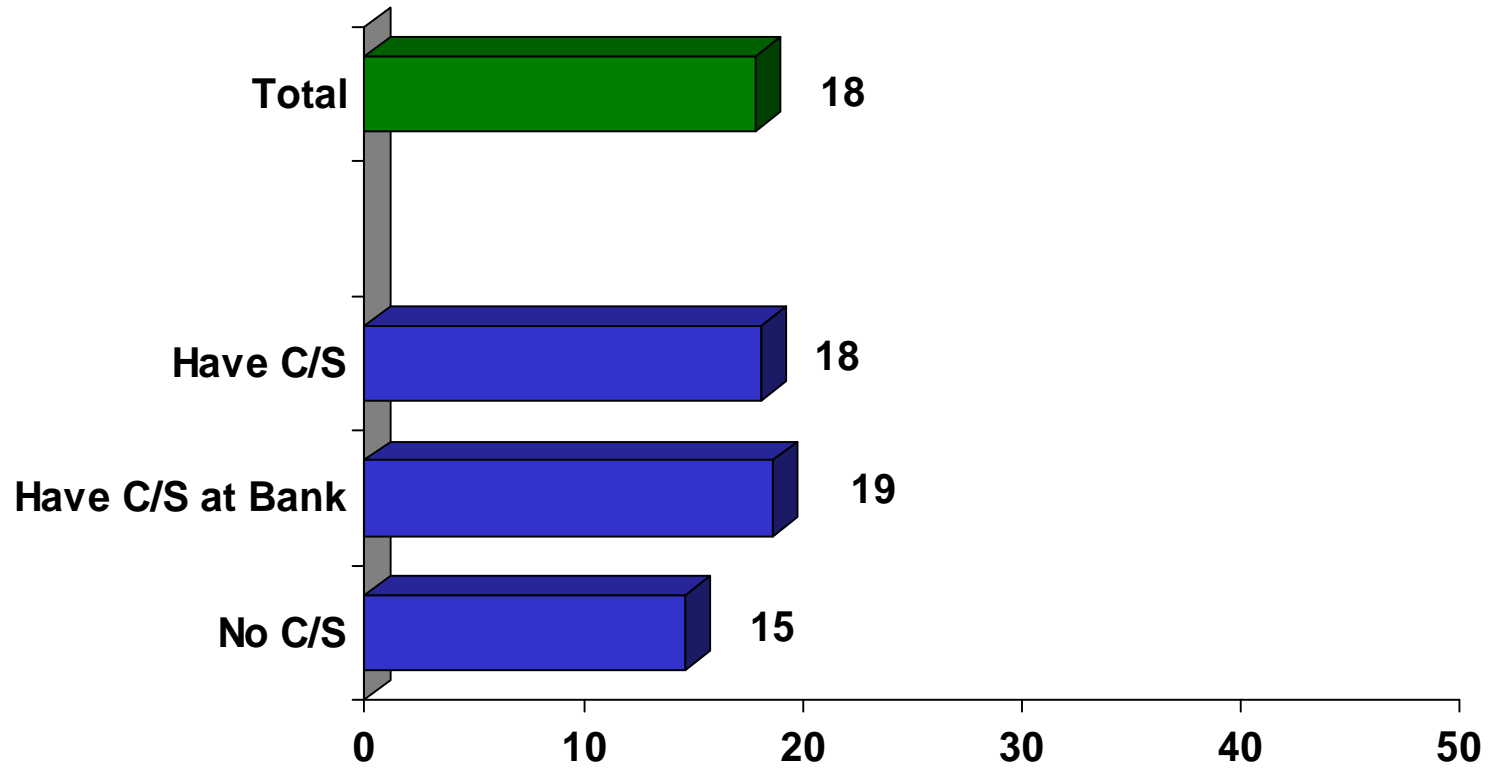
Have Heard of the NC Office of the COB



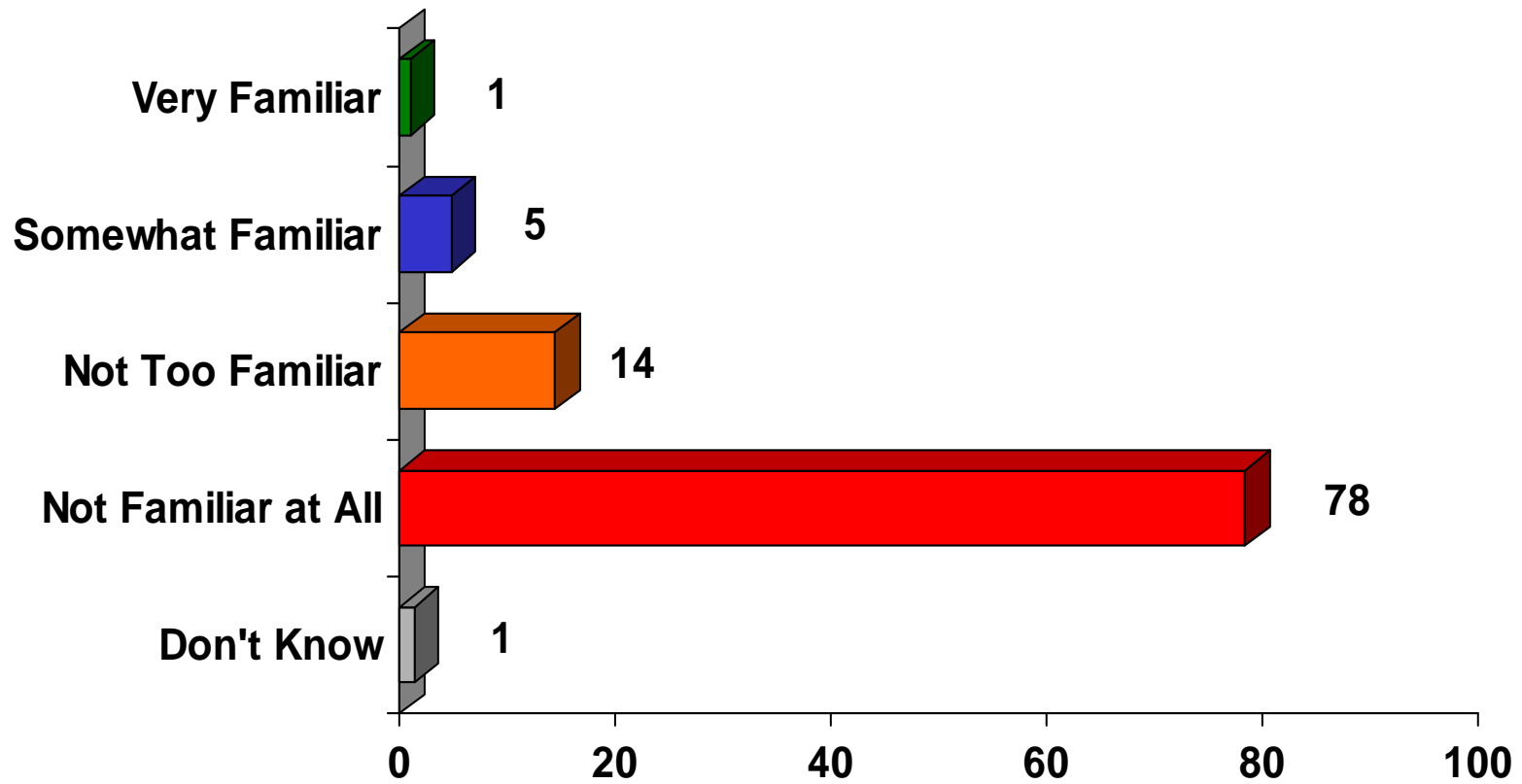
Have Heard of the NC Office of the COB



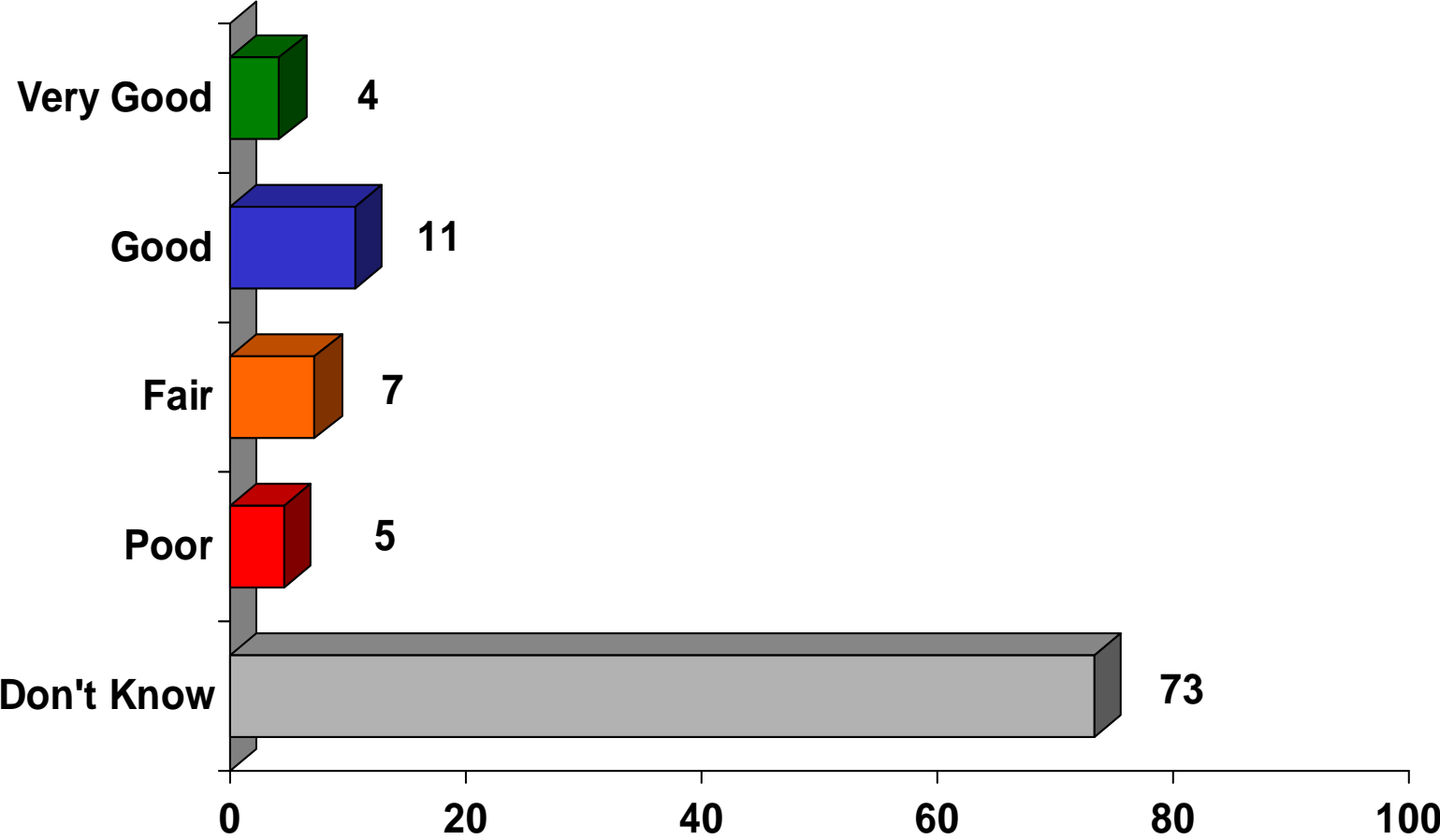
Have Heard of the NC Office of the COB



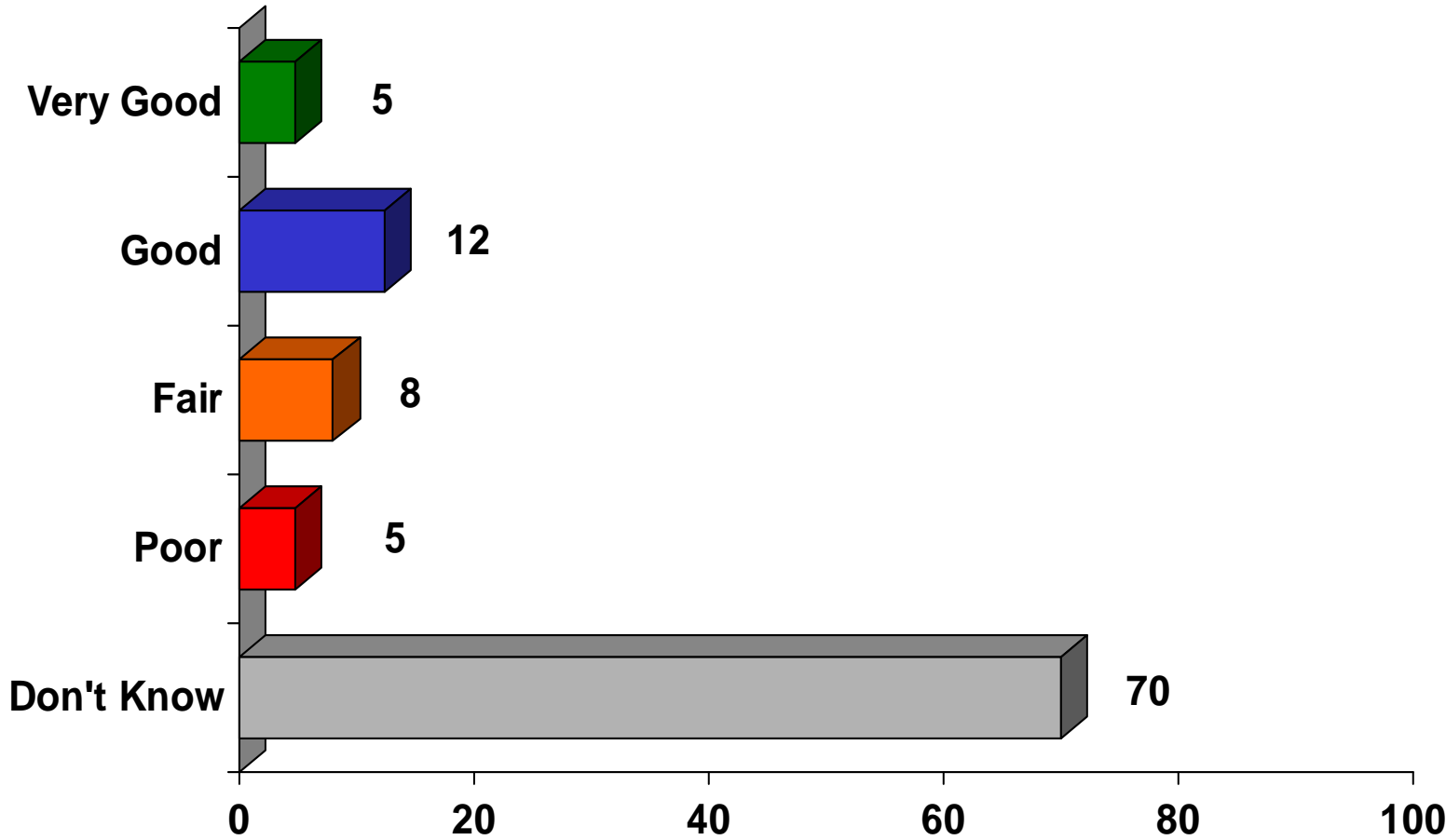
Familiarity with the Office of the COB and it's Mission



Effectiveness of the Office of the COB in Promoting a Strong and Financially Strong Industry



Effectiveness of the Office of the COB in Promoting a Fair and Responsible Industry



Likelihood of Utilizing the NCCOB

- Because little is known about the NCCOB, it is not immediately thought of as a resource for problems and/or issues relating to the financial services market.

Only 3 respondents indicate they have ever had dealings with the NCCOB.

- After learning more about the NCCOB, however, three out of four (75%) indicate they'd be likely to call the agency if they had a problem or issue with a financial services provider. An additional 14% say they *might or might not* while only 8% say they would not call NCCOB.

Likelihood of Utilizing the NCCOB

- Although the majority of all demographic segments indicates they would be willing to call the NCCOB if they had a problem with a financial services provider.

Those most willing to call the NCCOB include:

- ✓ Those 35 to 54 years of age;
- ✓ Women; and
- ✓ Non-Caucasians.

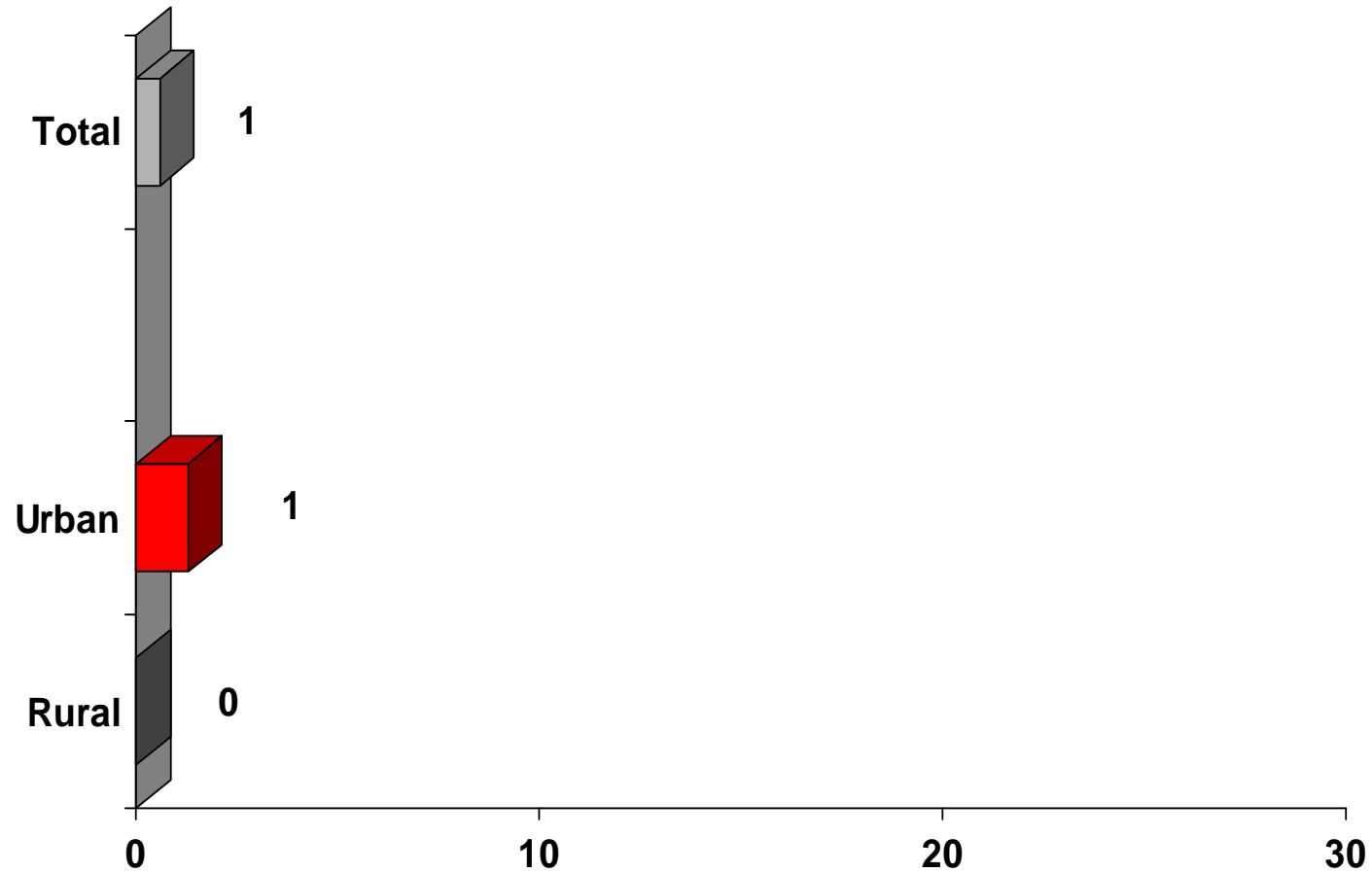
Those least willing to call the NCCOB include:

- ✓ 18 to 35 year olds; and
- ✓ Caucasians.

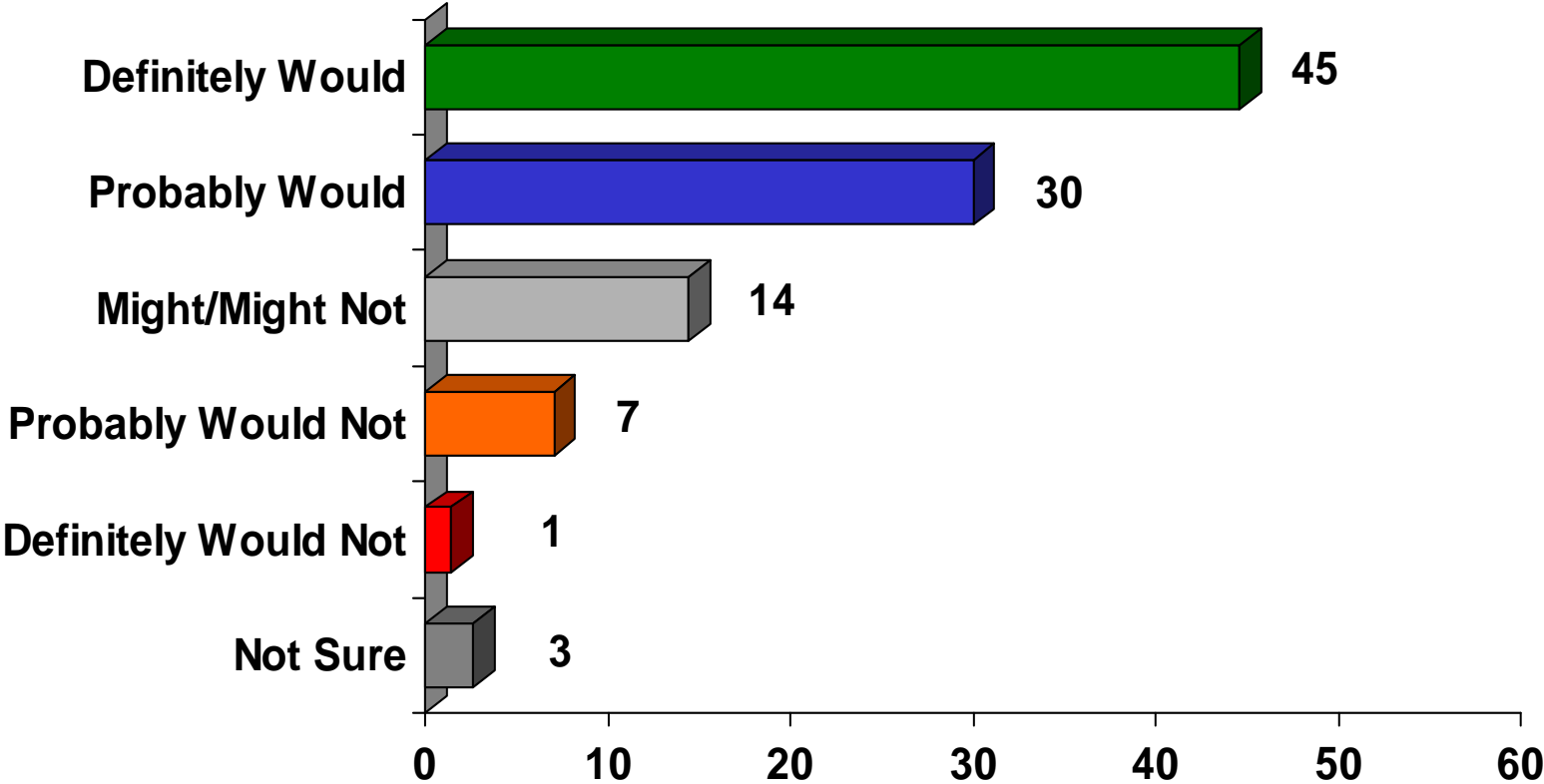
If You Had an Unresolved Problem or Complaint, Who Would You Go to for Resolution?

Next in charge/President/Manager	27%
Lawyer/Court	11
Loan Provider/Bank/Institution	11
Better Business Bureau	10
State Attorney General	5
Customer Service Department	3
NC Banking Commission/Commissioner	1
State Consumer Protection Agency	1
Other	3
Don't Know	20
None/No Answer	7

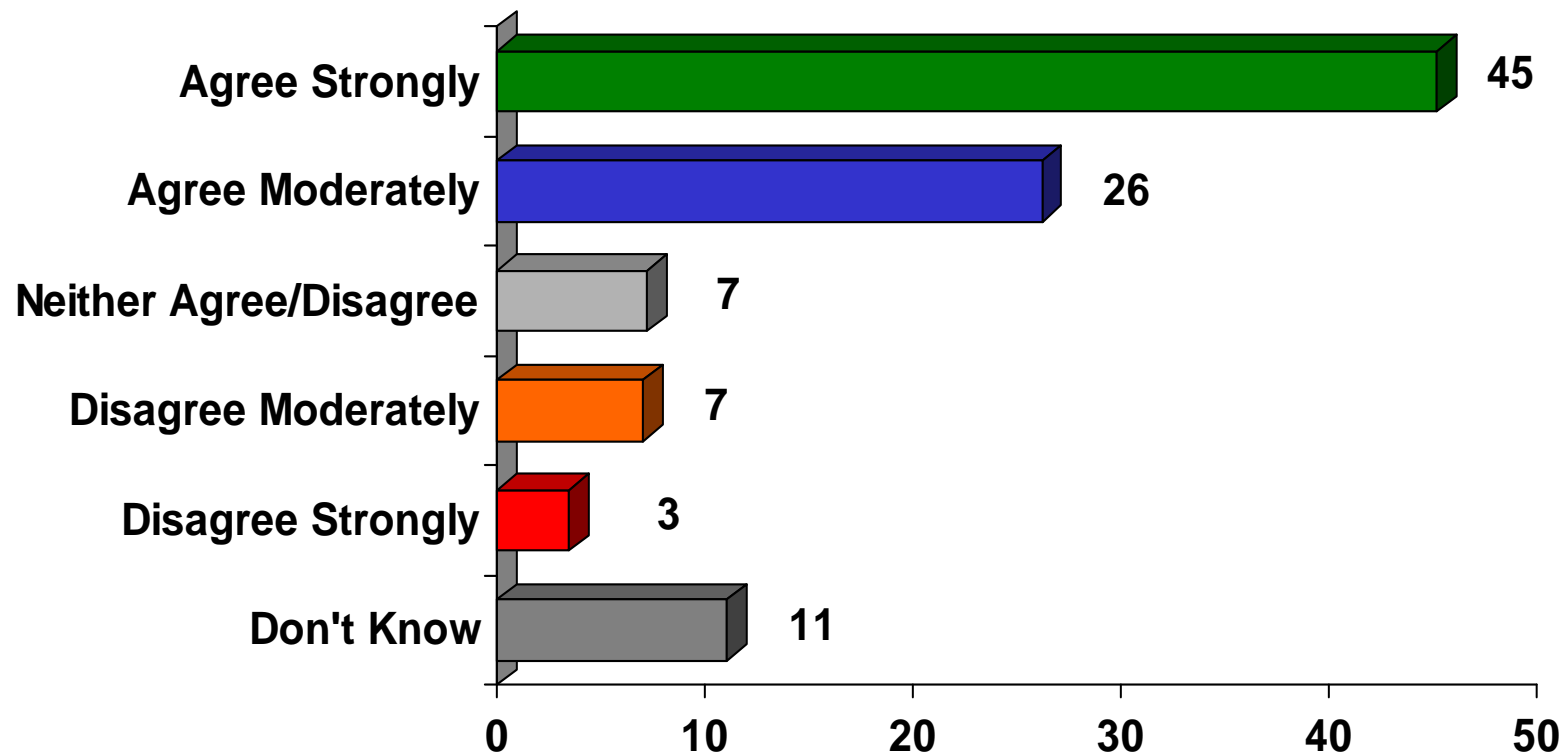
Have Had Dealings with the NCCOB



Likelihood of Calling the Office of the COB if You Had a Problem with a Financial Services Provider (after learning about the agency and its mission)



“If I had a problem or complaint with a lender, I would contact the state.”



Perceptions Regarding North Carolina's Banking Regulations

- Findings suggest there is limited familiarity with North Carolina's banking regulations and how it might compare to other states.
- Among those with a checking and/or savings account (N = 459), 28% say they *don't know* what government agency regulates it. The majority (59%), however, believe their institution is regulated by the FDIC.

Only 1% mentions the North Carolina Office of the Commissioner of Banks.

Perceptions Regarding North Carolina's Banking Regulations

- Findings also identify a great deal of uncertainty and mixed opinions relative to North Carolina's banking regulations, their effectiveness, and how they compare to other states.
 - ✓ *"The state of North Carolina does an outstanding job of protecting the rights of customers against abuses in the financial services industry."* -- 46% agree, 14% disagree, and 40% are neutral or uncertain;
 - ✓ *"I think lenders in this state treat customers fairly."* -- 52% agree, 21% disagree, and 28% are neutral or uncertain; and
 - ✓ *"North Carolina has stricter regulations for the financial services industry than other states."* -- 24% agree, 11% disagree, and 65% are neutral or uncertain.

Perceptions Regarding North Carolina's Banking Regulations

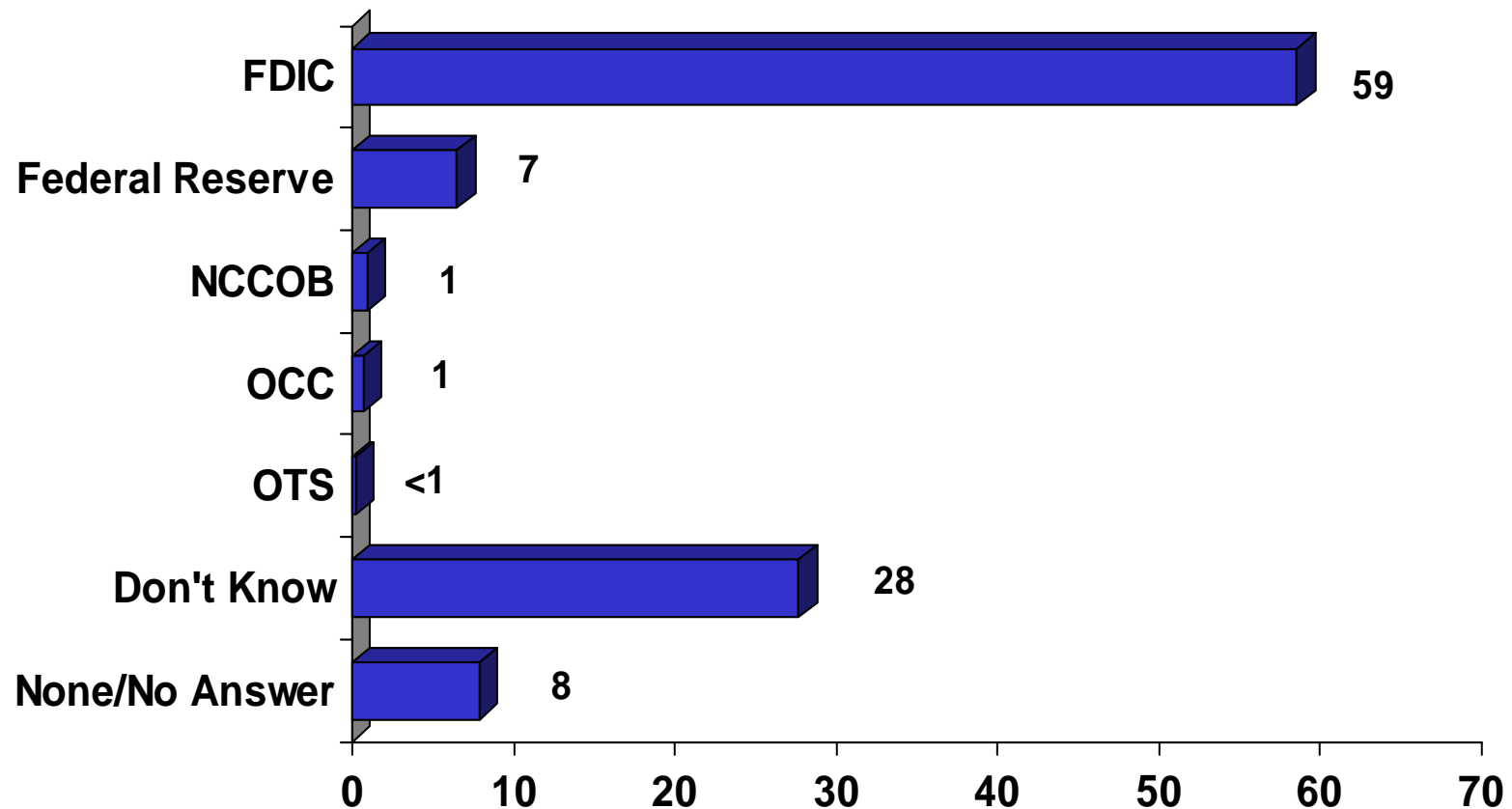
- Despite this unfamiliarity, however, residents support banking regulations and feel there are opportunities to strengthen them even more.
 - ✓ 43% say that North Carolina's banking regulations are *about right*, but 25% indicate they are *not strong enough*. Only 10% say they're *too strong*;
 - ✓ Fully 68% say they support stronger regulations relative to requiring mortgage brokers to represent their customers with the same duty as lawyers, doctors and other financial advisors; and
 - ✓ 51% support not allowing prepayment penalties in mortgage loans/refinancing.

Perceptions Regarding North Carolina's Banking Regulations

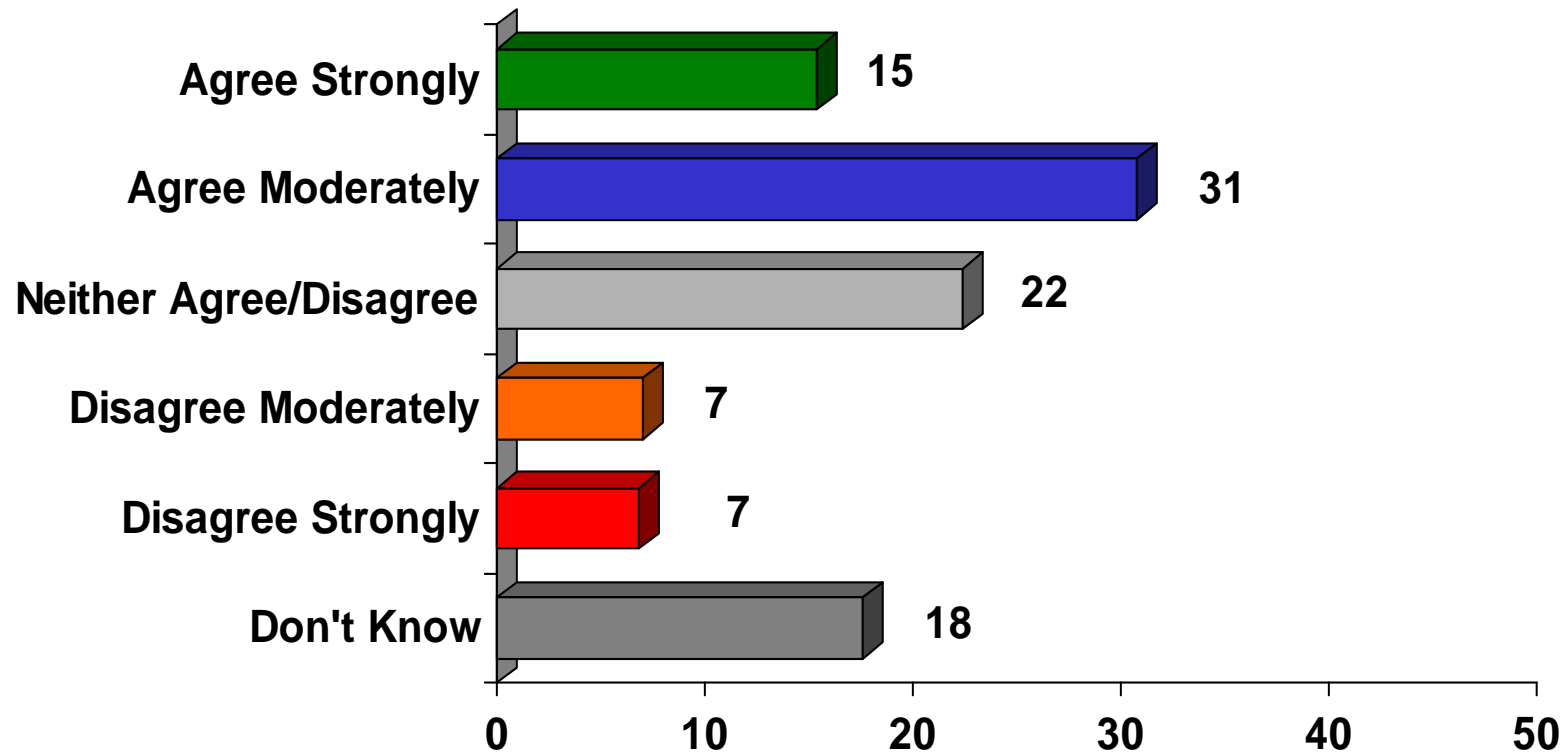
- Reducing foreclosures (at the risk of limiting access to less credit-worthy families) and the prevention of lending to illegal immigrants also tend to generate support, though neither is supported by a majority of residents.
- In general, positions and support relative to North Carolina's banking regulations tend to be reasonably consistent across all demographic segments and areas.

Which Government Agency Regulates the Institution Where You Do Your Personal Banking?

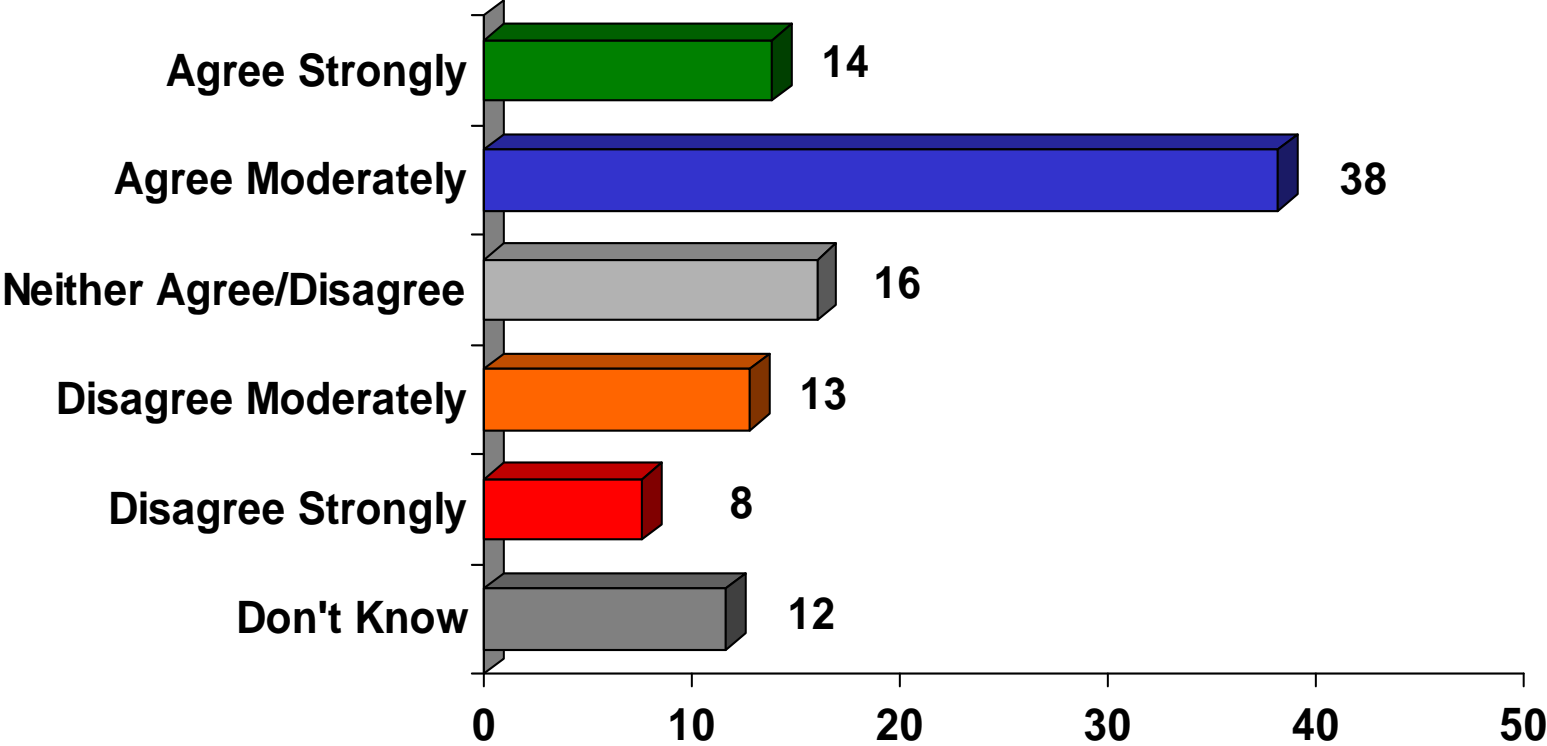
(among those with a savings and/or checking account, N = 459)



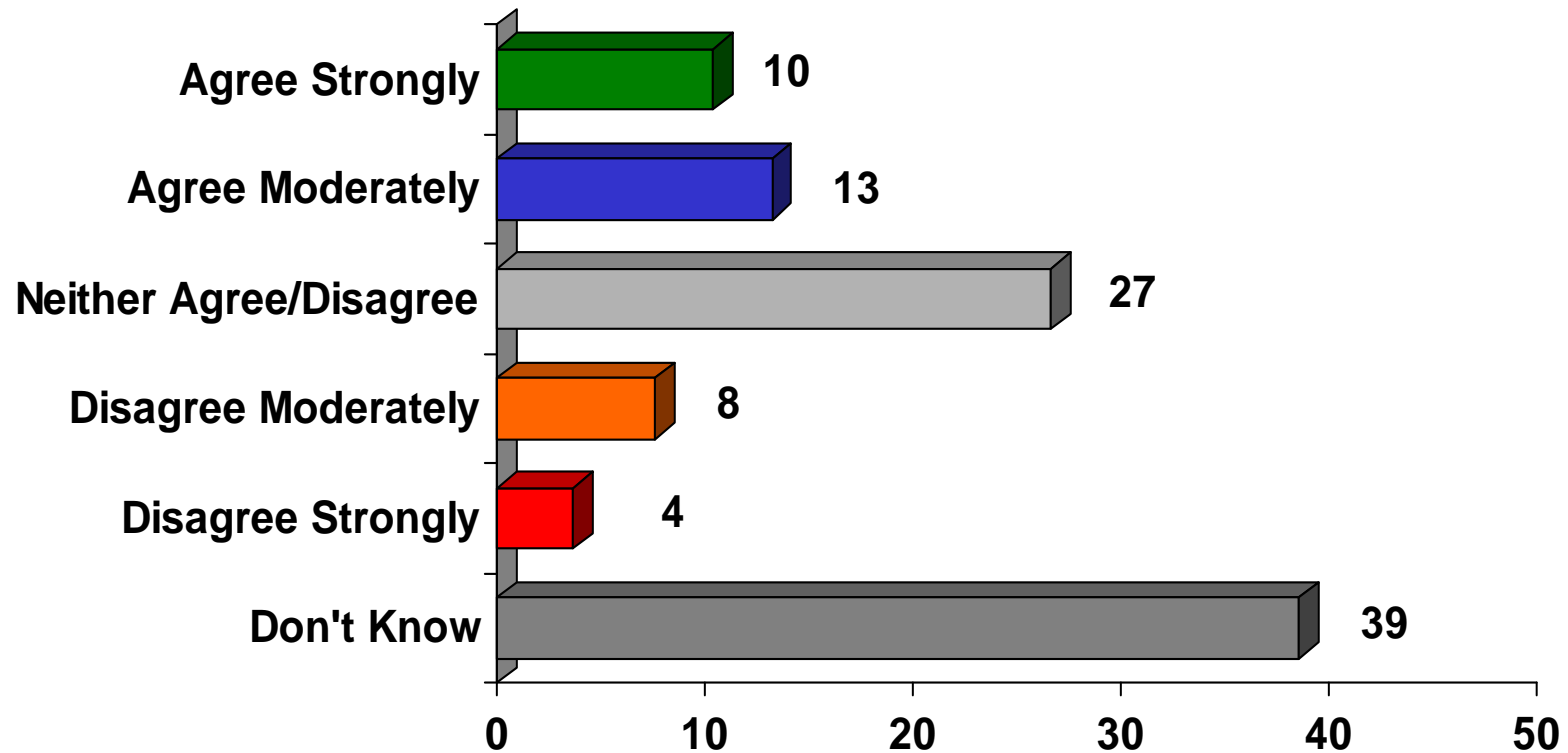
“The state of North Carolina does an outstanding job of protecting the rights of customers against abuses in the financial services industry.”



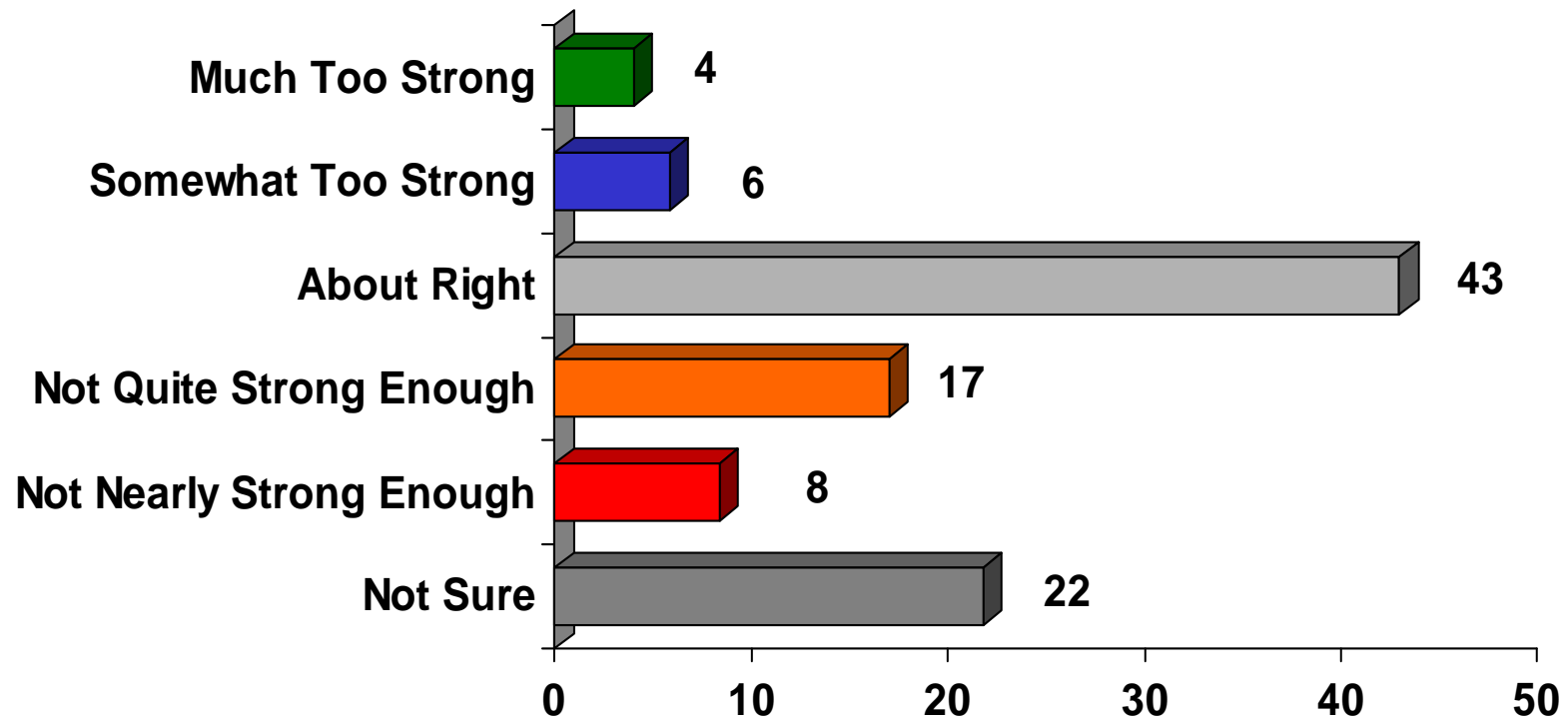
“I think lenders in this state treat customers fairly.”



“North Carolina has stricter regulations for the financial services industry than other states.”



Overall Perceptions of NC Regulations Relative to the Financial Services Industry



Overall Perceptions of NC Regulations Relative to the Financial Services Industry by Age

	<u>Total</u>	<u>18 to 34</u>	<u>35 to 54</u>	<u>55+</u>
	(N = 500)	(N = 73*)	(N = 211)	(N = 216)
Much Too Strong	4%	1%	5%	4
Somewhat Too Strong	6	8	8	3
About Right	43	49	42	42
Not Quite Strong Enough	17	15	18	17
Not Nearly Strong Enough	8	7	10	7
Not Sure	22	19	17	28

Overall Perceptions of NC Regulations Relative to the Financial Services Industry by HHI

	<u>Total</u>	<u><\$25K</u>	<u>\$25-50K</u>	<u>\$50-75K</u>	<u>\$75K+</u>
	(N = 500)	(N = 83)	(N = 151)	(N = 99)	(N = 94)
Much Too Strong	4%	2%	4%	8%	0%
Somewhat Too Strong	6	7	10	4	3
About Right	43	43	38	49	52
Not Quite Strong Enough	17	17	21	15	15
Not Nearly Strong Enough	8	11	7	8	11
Not Sure	22	19	19	16	19

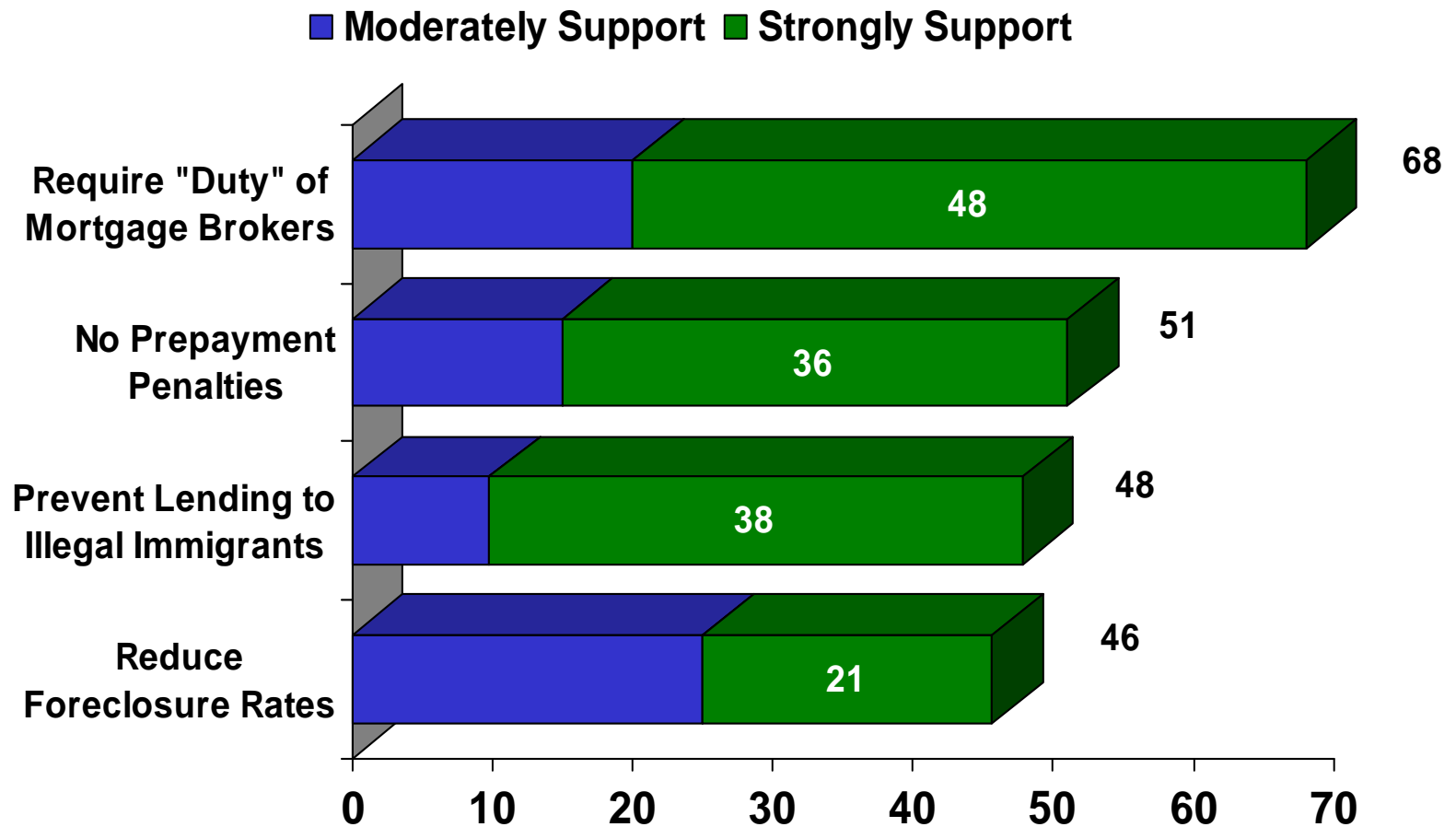
Overall Perceptions of NC Regulations Relative to the Financial Services Industry by Ethnicity

	<u>Total</u>	<u>Caucasian</u>	<u>African-American</u>	<u>Other</u>
	(N = 500)	(N = 384)	(N = 77*)	(N = 30*)
Much Too Strong	4%	2%	13%	7%
Somewhat Too Strong	6	6	7	7
About Right	43	45	30	47
Not Quite Strong Enough	17	17	23	10
Not Nearly Strong Enough	8	8	13	7
Not Sure	22	23	14	23

Overall Perceptions of NC Regulations Relative to the Financial Services Industry by Area

	<u>Total</u>	<u>Urban</u>	<u>Rural</u>
	(N = 500)	(N = 239)	(N = 261)
Much Too Strong	4%	5%	3
Somewhat Too Strong	6	7	5
About Right	43	39	46
Not Quite Strong Enough	17	17	17
Not Nearly Strong Enough	8	13	4
Not Sure	22	18	25

Support for Additional or Stronger Regulations



Support for Additional or Stronger Regulations

	<u>Total</u>	<u>Urban</u>	<u>Rural</u>
	(N = 500)	(N = 239)	(N = 261)
To require mortgage brokers to represent their customers with the same duty as lawyers, doctors and other financial advisors			
Support	68%	62%	74%
Oppose	7	8	7
Neutral	8	9	7
Not Sure/No Answer	17	21	12
Not allowing prepayment penalties in mortgage loans/refinancing			
Support	51%	48%	54%
Oppose	14	14	13
Neutral	13	12	15
Not Sure/No Answer	22	26	18

Support for Additional or Stronger Regulations

	<u>Total</u>	<u>Urban</u>	<u>Rural</u>
	(N = 500)	(N = 239)	(N = 261)
Prevent lending to illegal immigrants			
Support	48%	44%	52%
Oppose	28	28	28
Neutral	10	9	12
Not Sure/No Answer	14	20	9
To reduce foreclosure rates, even if it means reducing opportunities for people with credit problems to become home owners			
Support	46%	42%	49%
Oppose	19	23	16
Neutral	16	13	19
Not Sure/No Answer	19	23	16

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Conclusion

Conclusion

The study establishes a promising benchmark for the North Carolina Office of the Commissioner of Banks (NCCOB).

Currently, relatively little is known about the NCCOB, how the financial services market in the state is regulated, and/or how North Carolina compares to other states in that regard. Upon learning about the NCCOB and its mission, however, consumers are very open to utilizing its services and support the agency in implementing even stronger regulations.

Although consumers don't generally perceive there to be *major* problems with lenders and other financial services in the state, findings do identify significant levels of concern regarding fairness of loan rates and fees and misrepresentation of information, particularly among those utilizing alternative financial services.

Conclusion

In addition, approximately one out of ten (9%) indicates they have had an unresolved problem or complaint within the past two years and 12% say they feel they have been treated unfairly by a financial services provider. Despite this, only 1% has actually had dealings with the NCCOB.

This combination of findings indicates that the NCCOB has significant opportunities to promote itself, gain awareness, and strengthen its position as an ally for North Carolina's financial services consumers.