

# *A MarketSearch Study*

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

April/May 2009

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## **Purpose and Methodology**

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# Purpose

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This report presents the findings of a Tracking Study conducted on behalf of the **North Carolina Office of the Commissioner of Banks** (NCCOB).

The study is designed to measure general perceptions among the public regarding the financial services industry in North Carolina, 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.

The study was first conducted in 2007. This year's survey repeats key questions for tracking purposes as well as adding some new measures to assess implications of recent changes in the banking and finance industry.

# Study Topics

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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

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

# Study Specifications

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<b>Methodology:</b>	Telephone Survey
<b>Market:</b>	North Carolina - Statewide
<b>Sample Size:</b>	N = 1,000
<b>Sampling Error:</b>	± 3.1 percentage points at the 95% Confidence Level
<b>Data Collection:</b>	March 27 - April 16, 2009
<b>Respondent Specs:</b>	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 Stratified mix of age, gender, ethnicity, and urban versus rural



# Study Specifications

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**Urban Counties:**

Alamance, Buncombe, Cabarras,  
Catawba, Cumberland, Davidson,  
Durham, Forsyth, Gaston, Guilford,  
Mecklenburg, New Hanover, Orange,  
Rowan, Wake (N = 511)

**Rural Counties:**

All others (N = 489)

# Report Format

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- ✓ 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.

# Report Format

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- ✓ In addition to “Total Sample” findings, frequently results are also presented for subsamples such as age, ethnicity, household income or users of specific financial services products. In some instances these findings may be based on small sample sizes (under 80). In these cases, findings are not necessarily statistically valid and should be used as directional indicators only. Cautionary notations are made in these instances.
- ✓ Findings presented for 2007 are based on the Benchmark survey for this study conducted during the same time period in 2007. These results are based on a total sample size of 500.

# *A MarketSearch Study*

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## **Summary of Key Findings**

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# Summary of Key Findings

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- Study findings indicate that the vast majority of North Carolina residents (89%) have had at least some direct experience with the financial services industry in the state.

Checking and savings accounts (80%), bank-issued Visa or Mastercards (63%), and secured loans such as a home mortgage loan, car loan, or some other type of consumer loan (57%) tend to be the most common types of financial services used among residents.

Non-traditional loans and alternative financial services such as wire transfers, check cashing, and money orders tend to be used by fewer and more narrowly defined consumers.

# Summary of Key Findings

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- Consistent with the 2007 Benchmark Study, findings identify the following skews in the penetration of financial services:
  - ✓ 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

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- Findings also identify some significant changes in consumer perceptions, concerns, and behaviors since the Benchmark Survey was completed in 2007. In large part these reflect issues relating to the financial and housing crisis in general.

Examples of some of these shifts:

- ✓ Among those who have checking and/or savings accounts at a bank, the use of state and community banks is down significantly;
- ✓ There has been a significant shift in the source of mortgage loans away from mortgage brokers and mortgage lenders to banks;

# Summary of Key Findings

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- ✓ The incidence of payday loans, while still limited, has nearly tripled over the past two years. Further, findings suggest that these loans are not limited to narrow demographic segments;
- ✓ There has been a major increase in concerns about financial services (banking, mortgages, and alternative financial services) and service providers, particularly relative to stability and financial strength; and
- ✓ Satisfaction with financial services and service providers has also dropped significantly, while the incidence of unresolved problems and/or complaints has increased.



# Summary of Key Findings

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- Awareness of and familiarity with the North Carolina Office of the Commissioner of Banks continues to be 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;
  - ✓ Virtually none automatically thinks of the NCCOB as a resource for problem resolution and only 3 respondents (out of 1000) have ever called the NCCOB; and
  - ✓ Impressions of the NCCOB and the job it is doing are uncertain or mixed.

# Summary of Key Findings

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Further, findings suggest that perceptions of and/or willingness to use the NCCOB have suffered to some degree over the past two years.

- Despite the limited awareness and usage of the North Carolina Office of the Commissioner of Banks, however, findings continue to identify support among residents for additional laws and regulations guiding the financial services market in the state and strong support for the agency's general mission.

Given the economic climate of the state and the significant increase in concerns about provider stability, it seems that this is an ideal time to promote the agency, its programs and efforts, and its commitment to the people of North Carolina.

# *A MarketSearch Study*

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## **Financial Services Category Usage and Experience**

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# General Category Incidence

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- According to study specifications, respondents are required to have had at least one type of financial services experience within the past two years.

Qualifying experiences include:

- Having a checking or savings account;
- Having a bank-issued Visa or MasterCard;
- Having a home mortgage loan, car loan, or some other type of consumer loan;
- Having purchased a money order;
- Having cashed a check at a place other than their bank; and/or
- Having wired money.

# General Category Incidence

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- Overall, study findings indicate that approximately 89% of North Carolina residents have had direct experience with one or more of these specific financial services within the past two years. (To achieve a sample size of 1,000, 129 prospective respondents were terminated because they had not had any of these financial services experiences. Therefore, the total sample of 1,000 reflects an incidence of 89%.)
- Checking and/or savings accounts (80%), bank-issued Visa or Mastercards (63%), and secured loans (home mortgage, car loan, or some other type of consumer loan) (57%) tend to be the most common financial services used by North Carolina residents.

# General Category Incidence

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- Penetration of specific financial services (projected to North Carolina residents as a whole) is outlined below:
  - ✓ Checking/savings (79%);
  - ✓ Home mortgage loan (50%);
  - ✓ Purchased a money order (25%);
  - ✓ Car loan from a dealership (15%);
  - ✓ Wired money (14%);
  - ✓ Cashed a check somewhere other than a bank where the individual has a personal account (10%);
  - ✓ Payday or car title loan (9%);
  - ✓ Personal loan from a finance company (6%);
  - ✓ Bought a prepaid debit card (5%);
  - ✓ Pawned a personal item for cash (5%);
  - ✓ Got a refund anticipation loan (5%); and
  - ✓ Purchased an item on a rent-to-own plan (4%).

# General Category Incidence

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(NOTE: In some instances category incidence figures vary depending upon which question you look at. For example, looking at “money orders,” one question says the incidence is at 34% while another says it is at 25%. The difference is in the time period. In the initial screening question, in which 34% say they have purchased a money order, there was not a closed time period. The second time the question is asked, however, the question specifically asks if the respondent has purchased a money order within the past two years. For the most accurate incidence measures, we recommend referring to data generated through questions 4, 11 and 19.)

# General Category Incidence

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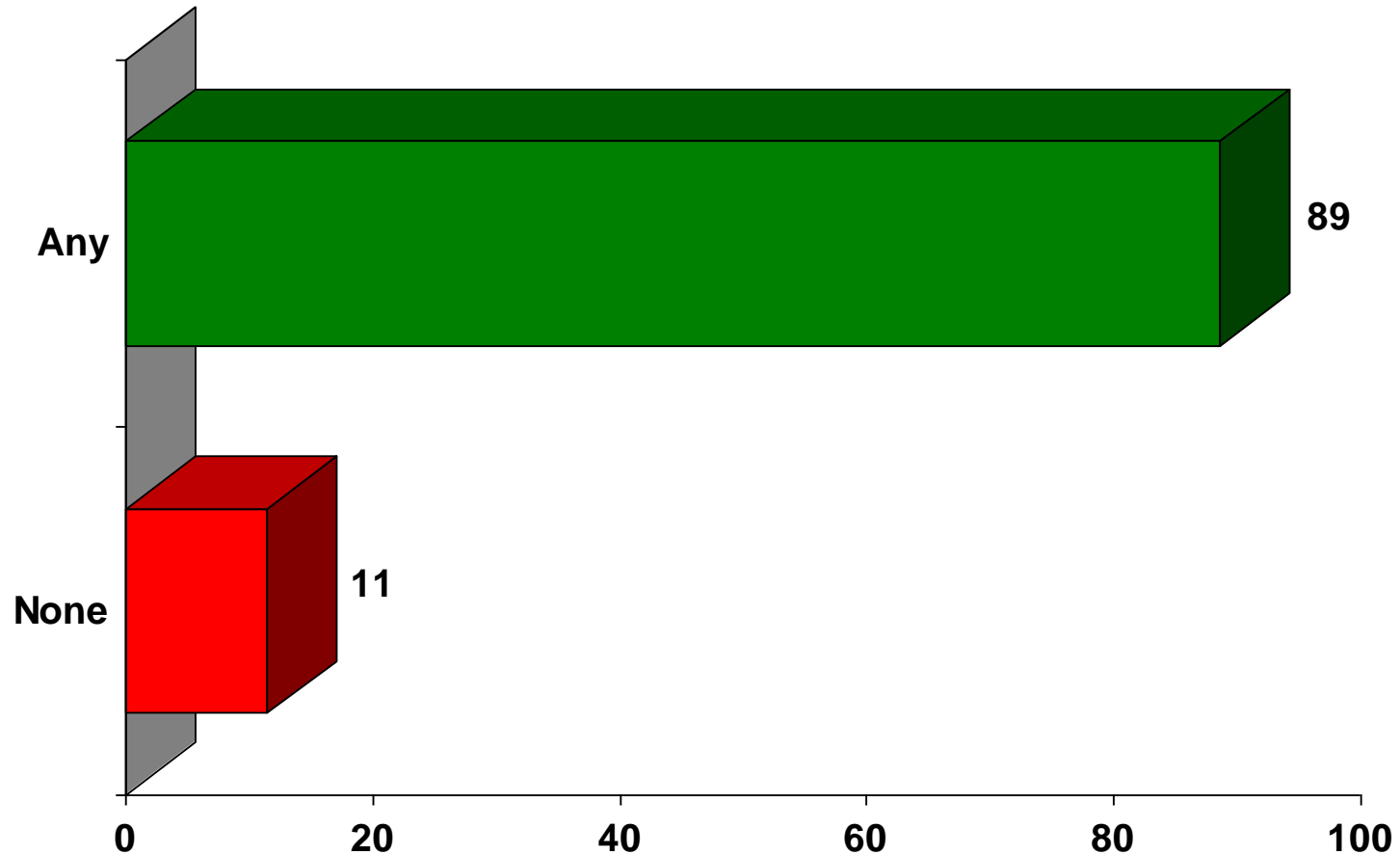
- In general, findings indicate that Caucasians and those between the ages of 25 and 54 are more likely to be users of financial services than their demographic counterparts.

There are, however, significant differences based on specific type of financial service. These differences are addressed in the next sections.



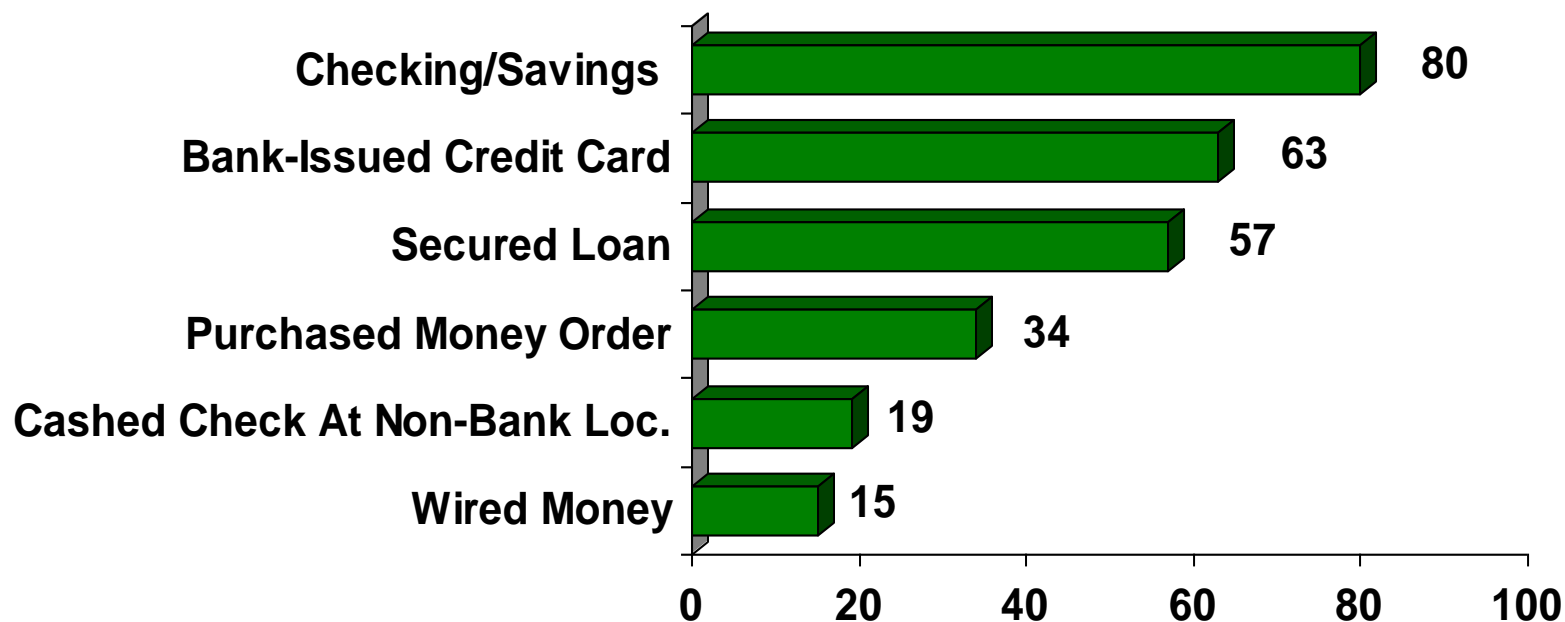
# General Incidence of Financial Services Experiences

(based on sample of 1,129, including those ultimately terminated for having no category experience within the past two years)



# Category Incidence / Points of Study Qualification

(among total sample of 1,129, including those terminated for not having active category experience)



# Age of NC Financial Services Category Users and Non-Users

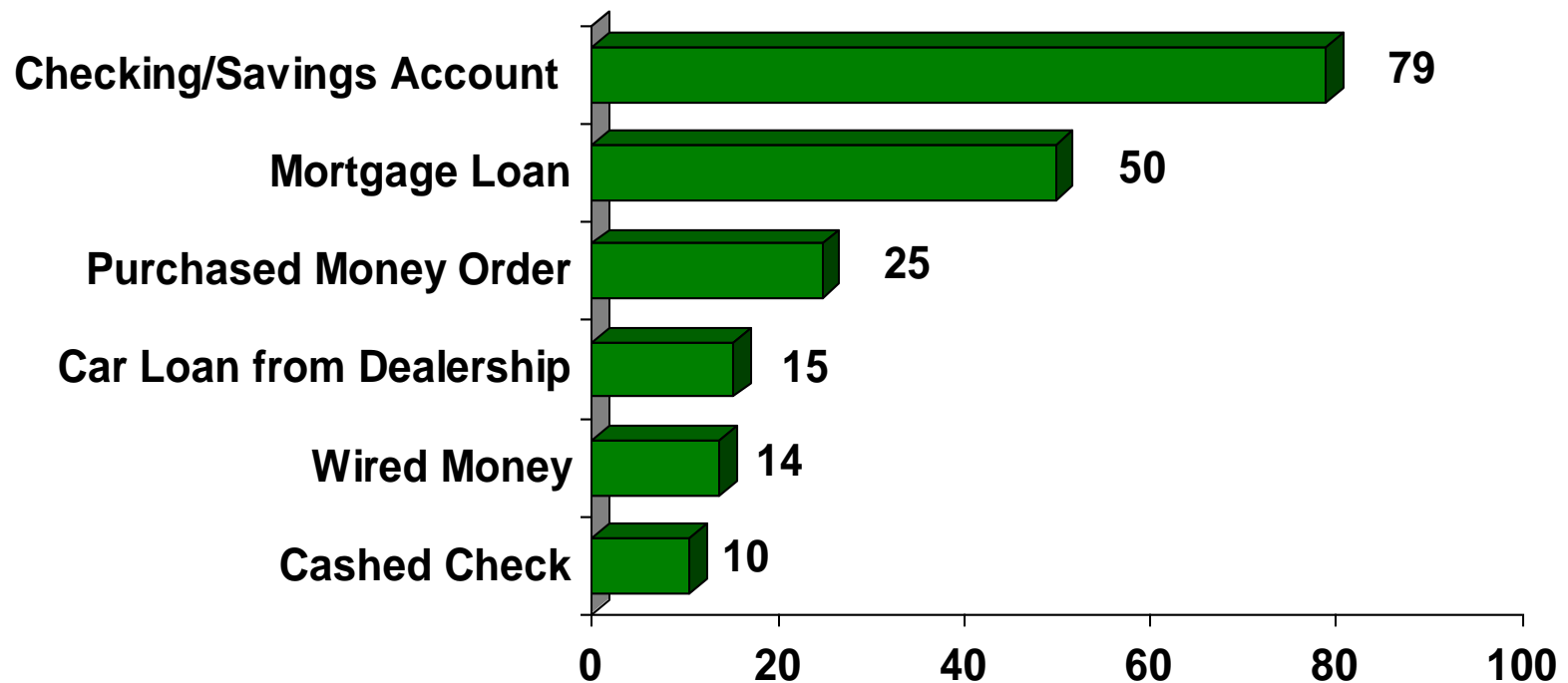
	<b>Category User</b>	<b>Non- User</b>
	(N = 1,000)	(N = 129)
18 to 24	4%	6%
25 to 34	<b>13</b>	8
35 to 44	<b>21</b>	12
45 to 54	<b>23</b>	14
55 to 64	20	17
65+	19	<b>43</b>

# Ethnicity of NC Financial Services Category Users and Non-Users

	<b>Category <u>User</u></b>	<b>Non- <u>User</u></b>
	(N = 1,000)	(N = 129)
Caucasian	<b>69%</b>	43%
African American	20	<b>41</b>
Hispanic	4	2
Other	3	5
Combination of two or more	2	5
Don't know/Refused	2	4

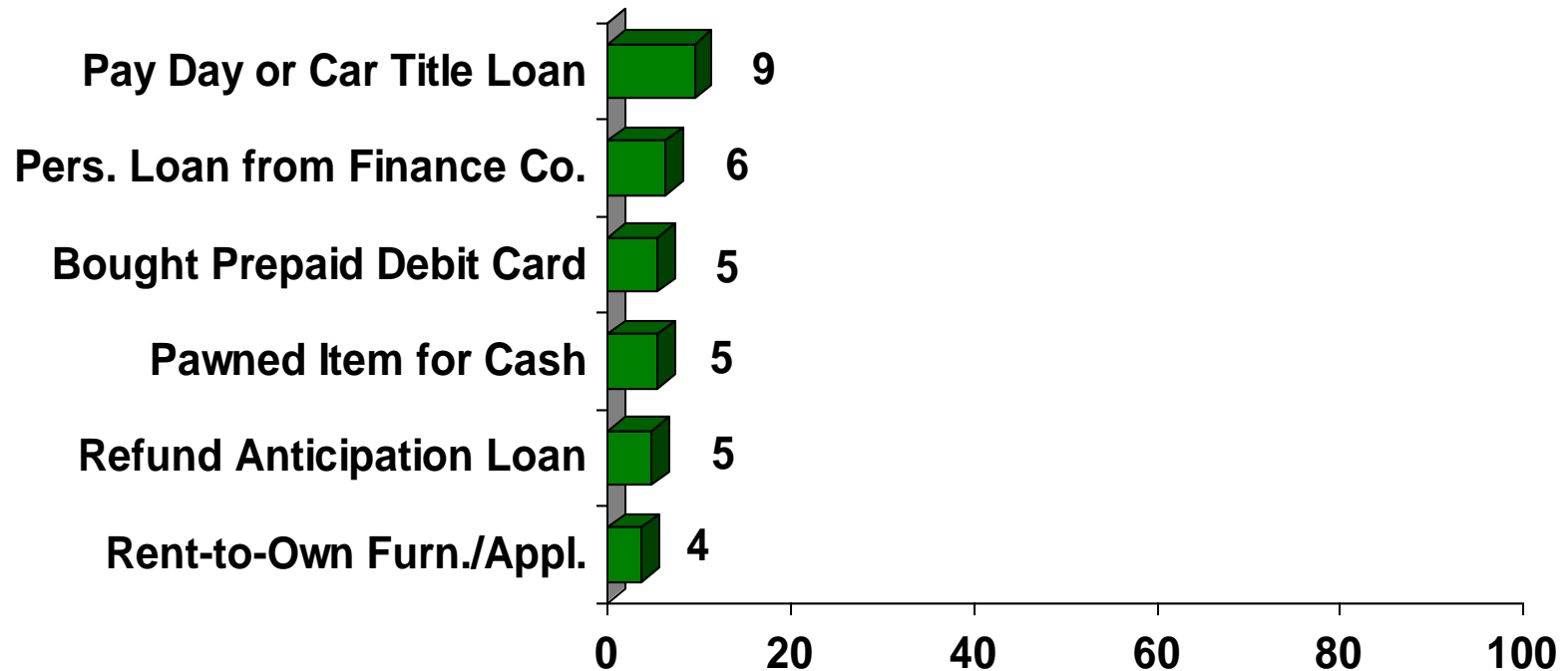
# Incidence of Specific Financial Services Experiences Current or Within Past 2 Years (1 of 2)

(among total sample of 1,129, including those terminated for not having active category experience)



# Incidence of Specific Financial Services Experiences Current or Within Past 2 Years (2 of 2)

(among total sample of 1,129, including those terminated for not having active category experience)



# Checking and Savings Accounts

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- As already reported, 79% of North Carolina residents indicate they have a checking or savings account. Among survey respondents, however, (who have been screened to use at least one type of qualifying financial service), penetration is approximately nine out of ten (89%).
- Findings suggest that the incidence of checking and/or savings accounts has dropped somewhat since 2007, from 92% to 89%.

While this shift is within sampling error, it should be monitored to identify a potential change in banking habits.

# Checking and Savings Accounts

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- Most respondents have a checking and/or savings account exclusively at a bank (50%) or use both a bank and credit union (23%). Sixteen percent (16%) have checking and/or savings accounts exclusively at a credit union.

These levels have remained reasonably consistent since the 2007 Benchmark Survey.

- Those with the highest incidence of checking and/or savings accounts in general include:
  - ✓ Those with household incomes over \$50,000 (97%); and
  - ✓ Caucasians (93%).



# Checking and Savings Accounts

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- For the most part, there are not significant differences between those who patronize banks and those who patronize credit unions for their checking and/or savings accounts.

“Other” ethnicities (non-Caucasian, non-African American), however, are somewhat less likely to use credit unions.

- Among those who have a checking and/or savings account at a bank (n = 728), more than half (55%) indicate they use a national bank (as opposed to a state or community bank) as their primary financial institution.

The use of national banks tends to be even stronger among those living in urban areas (63%), those with household incomes over \$50,000 (60%), and those between the ages of 35 and 54 (59%).

# Checking and Savings Accounts

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- Although significant minorities of respondents use state banks (24%) or community banks (12%) as their primary financial institution, findings suggest that the use of each has declined since 2007.

Among those who have a checking and/or savings account at a bank, use of state banks has dropped from 30% to 24% over the past two years and use of community banks has dropped from 14% to 12%.

- Rates and fees, convenience/locations, personal relationships, and general reputation continue to be identified as the most important factors in the selection of a financial institution (among those with an account at a bank and/or credit union).

# Checking and Savings Accounts

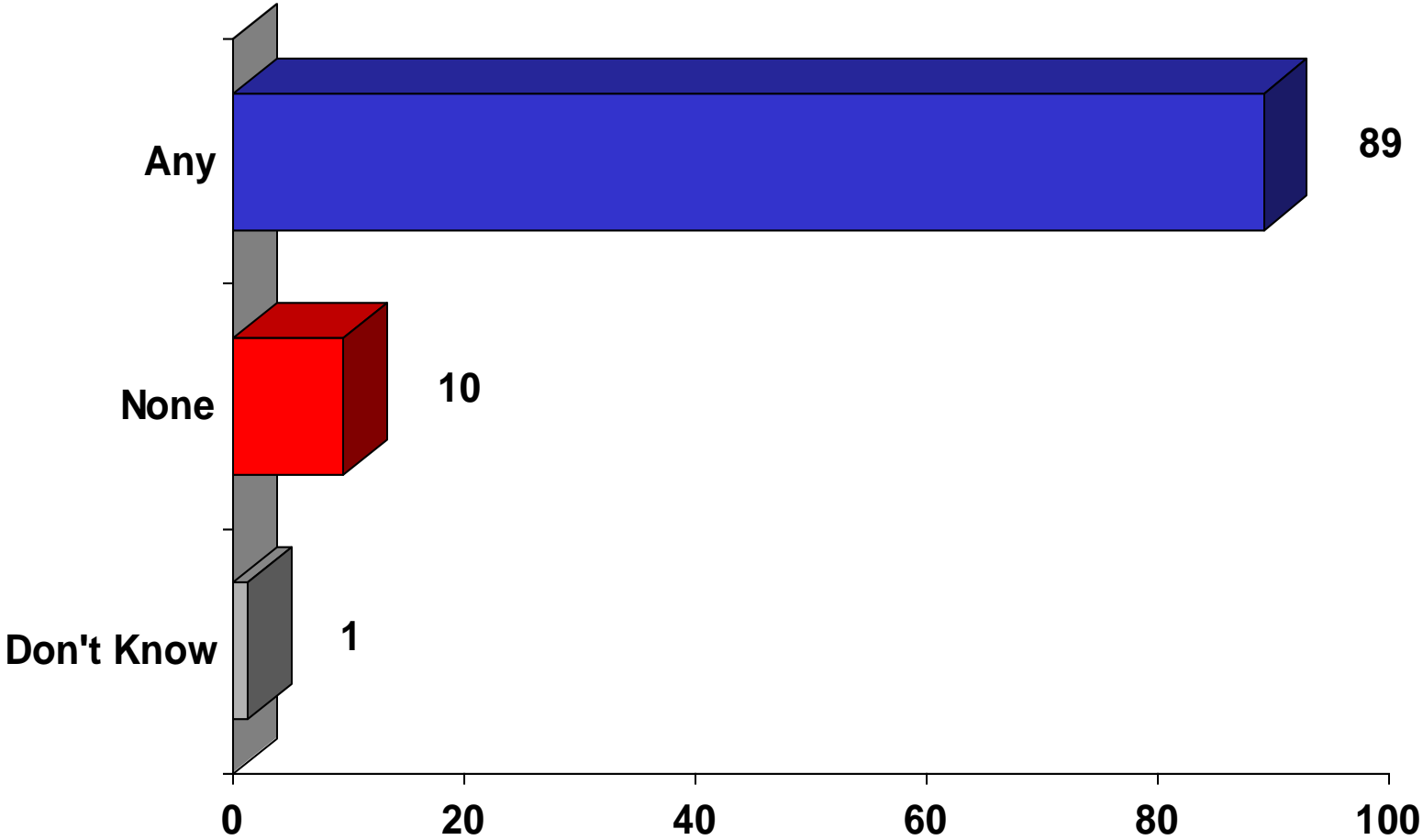
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- The vast majority of banking customers indicate they are satisfied with the financial services they receive from their bank or credit union – 68% say they are *very satisfied* and an additional 26% say they are *somewhat satisfied*.

Findings suggest that satisfaction may have dropped somewhat since 2007, from 73% *very satisfied* to 68% *very satisfied*.

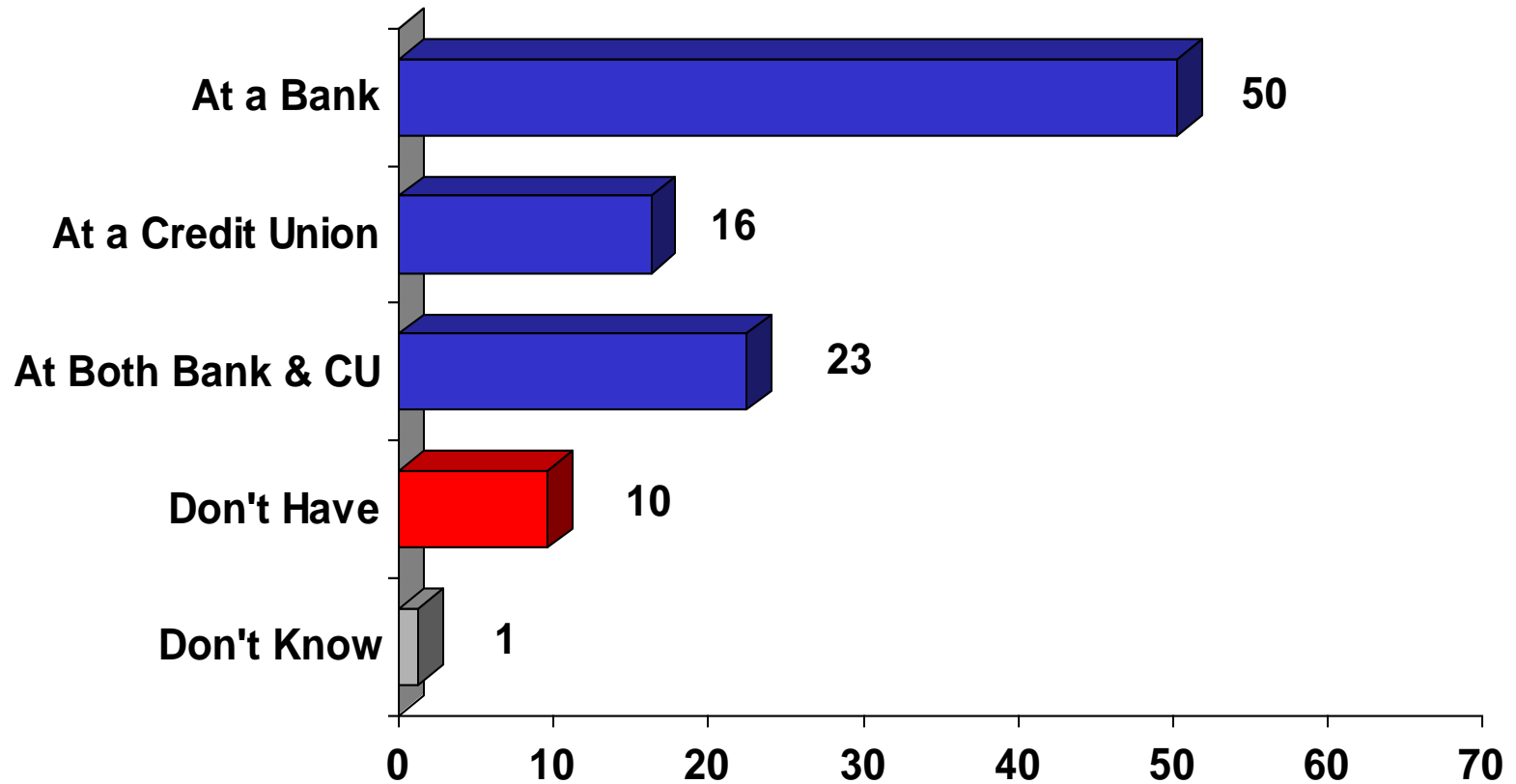
Further, findings indicate that satisfaction tends to be much higher among those who bank exclusively with credit unions (80% *very satisfied*) than those who bank exclusively at banks (64% *very satisfied*).

# Incidence of Checking or Savings Accounts



# Location of Checking or Savings Accounts

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# Incidence of Checking or Savings Accounts Changes Since 2007

	<u>2007</u>	<u>2009</u>	<u>Change</u>
	(N = 500)	(N = 1,000)	(in % points)
Any	92%	89%	- 3
At a Bank	54	50	- 4
At a Credit Union	16	16	NC
At Both a Bank and Credit Union	22	23	+ 1
No Checking or Savings Accounts	8	10	+ 2
Don't Know	0	1	+ 1

# 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 = 1,000)	(N = 169)	(N = 443)	(N = 388)
Any	89%	88%	91%	88%
At a Bank	50	50	47	54
At a Credit Union	16	18	18	13
At Both a Bank and Credit Union	23	19	25	21
No Checking or Savings Accounts	10	12	8	10
Don't Know	1	1	1	2

# Incidence of Checking or Savings Accounts by Household Income

	<u>Total</u>	<u>&lt;\$25K</u>	<u>\$25-50K</u>	<u>\$50-75K</u>	<u>\$75K+</u>
	(N = 1,000)	(N = 175)	(N = 214)	(N = 188)	(N = 296)
Any	89%	74%	88%	<b>96%</b>	<b>98%</b>
At a Bank	50	53	48	51	50
At a Credit Union	16	16	18	17	17
At Both a Bank and Credit Union	23	5	<b>22</b>	<b>28</b>	<b>30</b>
No Checking or Savings Accounts	10	<b>26</b>	10	4	2
Don't Know	1	1	2	0	0



# Incidence of Checking or Savings Accounts by Ethnicity

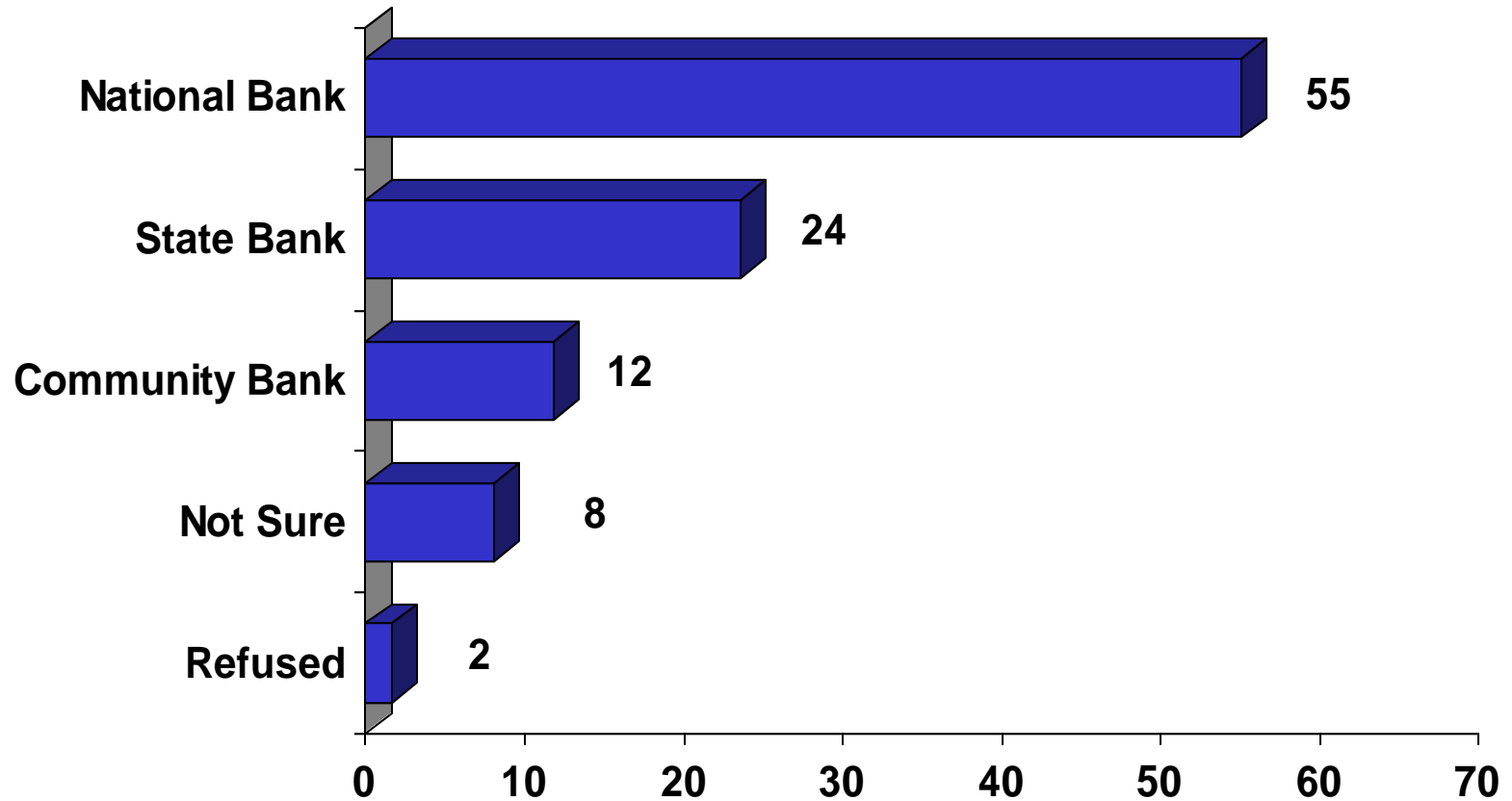
	<u>Total</u>	<u>Caucasian</u>	<u>African-American</u>	<u>Other</u>
	(N = 1,000)	(N = 688)	(N = 204)	(N = 92)
Any	89%	<b>93%</b>	76%	86%
At a Bank	50	<b>52</b>	41	<b>58</b>
At a Credit Union	16	17	17	11
At Both a Bank and Credit Union	23	<b>24</b>	19	17
No Checking or Savings Accounts	10	6	<b>22</b>	14
Don't Know	1	1	<b>2</b>	0

# Incidence of Checking and/or Savings Accounts by Area

	<u>Total</u>	<u>Urban</u>	<u>Rural</u>
	(N = 1,000)	(N = 511)	(N = 489)
Any	89%	89%	89%
At a Bank	50	52	49
At a Credit Union	16	14	19
At Both a Bank and Credit Union	23	24	21
No Checking or Savings Accounts	10	9	10
Don't Know	1	1	1

# Type of Bank Used for Primary Account

(among those who have a checking and/or savings account at a bank, N = 728)



# Type of Bank Used for Primary Account

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

	<u>2007</u>	<u>2009</u>	<u>Change</u>
	(N = 377)	(N = 728)	(in % points)
National Bank	53%	55%	+ 2
State Bank	30	24	- 6
Community Bank	14	12	- 2
Not Sure	2	8	+ 6
Refused	1	2	+ 1

# Type of Bank Used for Primary Account

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

	<u>Total</u>	<u>18 to 34</u>	<u>35 to 54</u>	<u>55+</u>
	(N = 728)	(N = 117)	(N = 322)	(N = 289)
National Bank	55%	56%	<b>59%</b>	51%
State Bank	24	21	24	24
Community Bank	12	14	8	15
Not Sure	8	7	8	9
Refused	2	2	1	2

# Type of Bank Used for Primary Account

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

	<u>Total</u>	<u>&lt;\$25K</u>	<u>\$25-50K</u>	<u>\$50-75K</u>	<u>\$75K+</u>
	(N = 728)	(N = 101)	(N = 150)	(N = 149)	(N = 238)
National Bank	55%	43%	<b>56%</b>	<b>60%</b>	<b>59%</b>
State Bank	24	28	22	23	23
Community Bank	12	12	15	11	12
Not Sure	8	13	6	5	6
Refused	2	5	1	1	1

# Type of Bank Used for Primary Account

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

	<u>Total</u>	<u>Caucasian</u>	<u>African-American</u>	<u>Other</u>
	(N = 728)	(N = 524)	(N = 122)	(N = 69*)
National Bank	55%	56%	54%	55%
State Bank	24	23	27	22
Community Bank	12	12	8	15
Not Sure	8	8	8	4
Refused	2	1	3	4

# Type of Bank Used for Primary Account

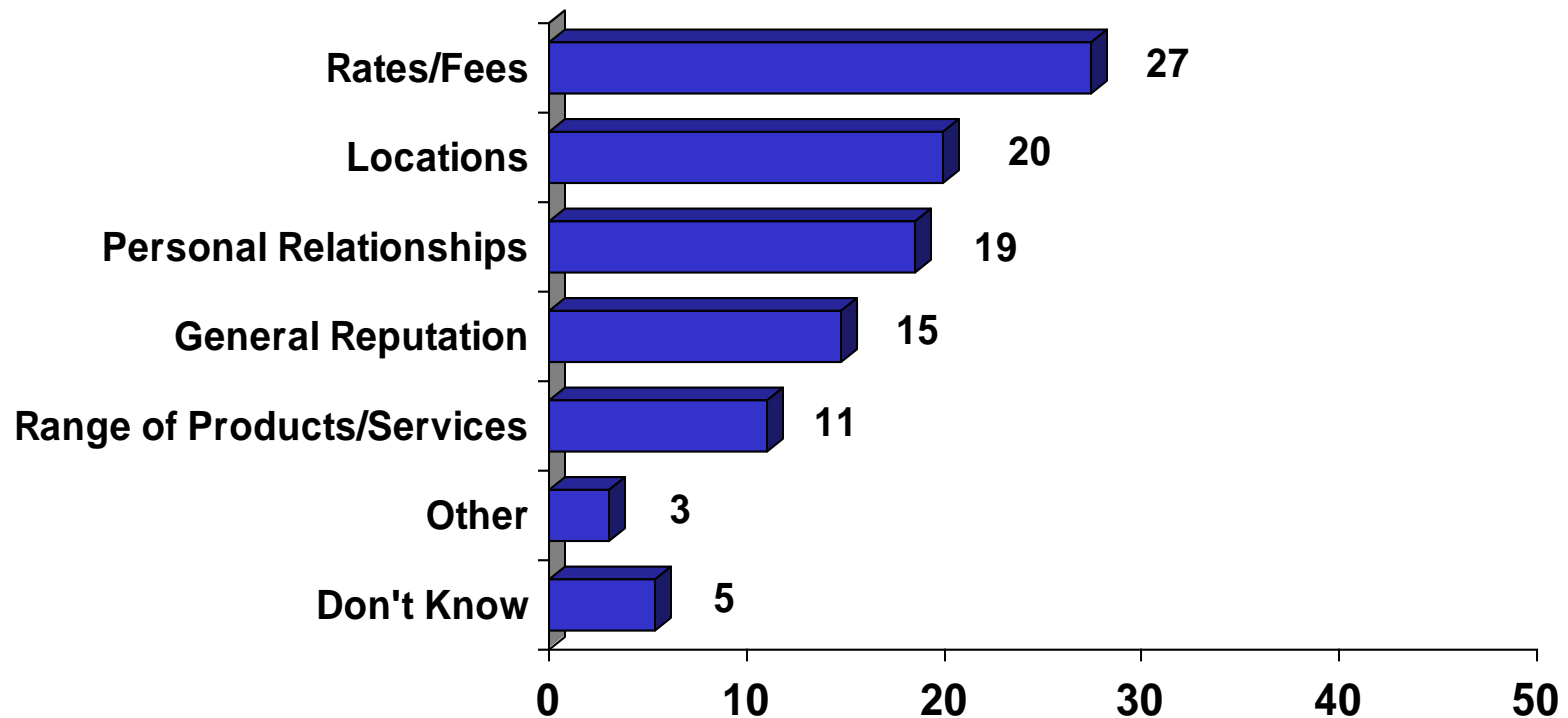
(among those who have a checking and/or savings account at a bank)

	<u>Total</u>	<u>Urban</u>	<u>Rural</u>
	(N = 728)	(N = 385)	(N = 343)
National Bank	55%	<b>63%</b>	47%
State Bank	24	20	<b>27</b>
Community Bank	12	9	<b>16</b>
Not Sure	8	7	9
Refused	2	2	2



# Single Most Important Factor When Selecting a Financial Institution

(among those who have a checking and/or savings account, N = 891)



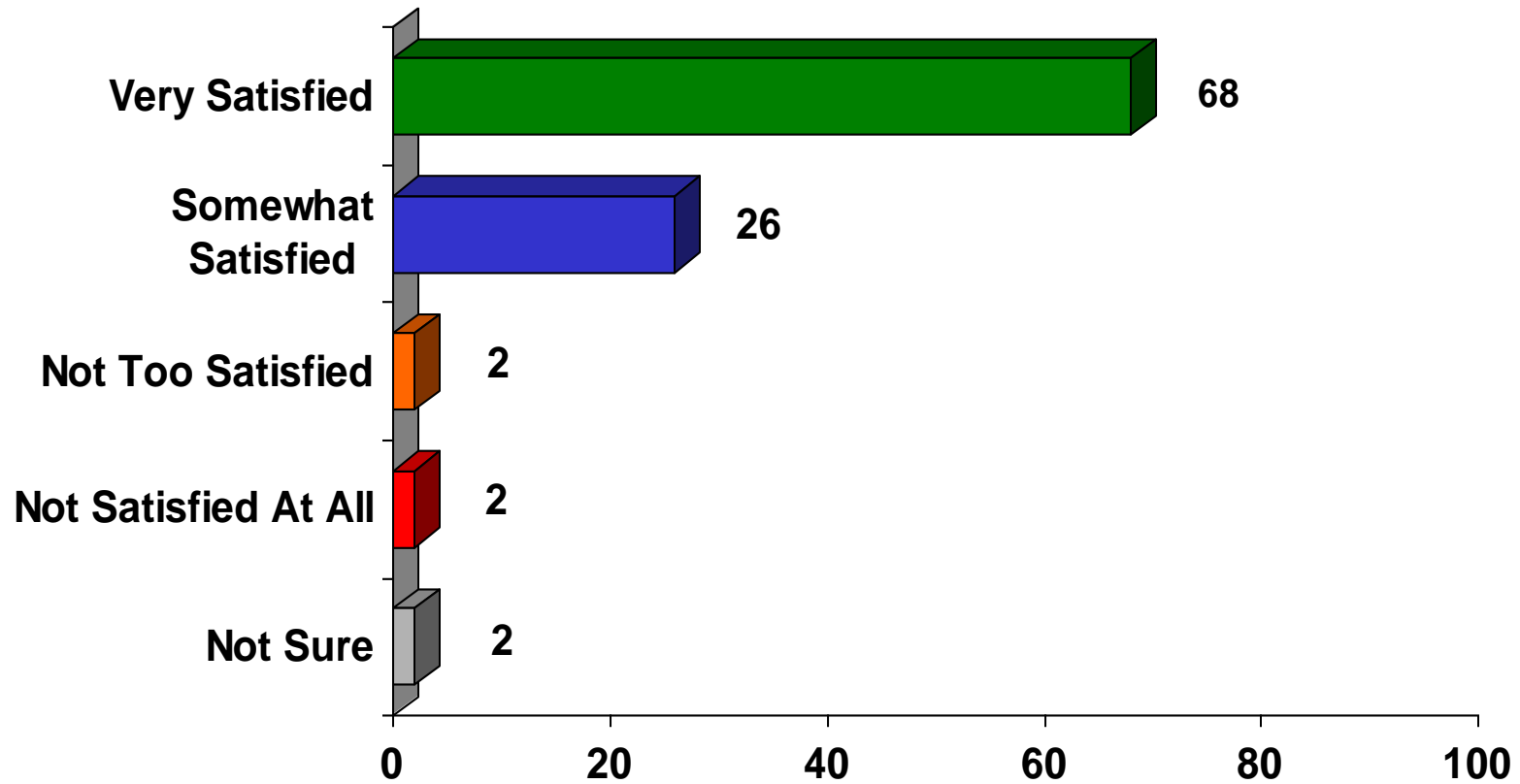
# Single Most Important Factor When Selecting a Financial Institution

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

	<u>2007</u>	<u>2009</u>	<u>Change</u>
	(N = 459)	(N = 891)	(in % points)
Rates and Fees	33%	27%	- 6
Locations	23	20	- 3
Personal Relationships	19	19	NC
General Reputation	14	15	+ 1
Range of Products/Services	10	11	+ 1
Other	1	3	+ 2
Don't Know	1	5	+ 4

# Overall Satisfaction with Financial Services from Financial Institution

(among those who have a checking and/or savings account, N = 891)



# Overall Satisfaction with Financial Services from Financial Institution

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

	<u>2007</u>	<u>2009</u>	<u>Change</u>
	(N = 459)	(N = 891)	(in % points)
Very Satisfied	73%	68%	- 5
Somewhat Satisfied	23	26	+ 3
Not Too Satisfied	2	2	NC
Not Satisfied At All	1	2	+ 1
Not Sure	0	2	+ 2

# Overall Satisfaction with Financial Services from Financial Institution

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

	<b>Bank <u>Only</u></b>	<b>Credit Union <u>Only</u></b>	<b>Bank &amp; Credit Union</b>
	(N = 503)	(N = 163)	(N = 225)
Very Satisfied	64%	<b>80%</b>	70%
Somewhat Satisfied	30	15	26
Not Too Satisfied	3	2	<1
Not Satisfied At All	2	2	2
Not Sure	2	0	2

# Mortgage Loans

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- Fifty six percent (56%) of study respondents indicate they currently have a home mortgage. This is up significantly from 46% in 2007.
- Of the 56%, 41% are established mortgage loans (more than two years old), 3% are new, 11% have been refinanced within the past two years, and 2% say they have both gotten a new mortgage and refinanced it within the past two years.
- Demographically, the incidence of mortgage loans is highest among:
  - ✓ Those with household incomes between \$50,000 and \$75,000 (67%) and over \$75,000 (81%);
  - ✓ 35 to 54 year olds (71%);
  - ✓ Caucasians (62%); and
  - ✓ Those living in urban counties (62%).

# Mortgage Loans

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- Among those who have gotten a mortgage loan within the past two years (n = 156), half (51%) obtained the mortgage through a bank, compared to 22% through a mortgage lender, 14% through a mortgage broker, and 7% through a credit union.

Findings indicate that bank-originated mortgages have increased significantly over the past two years (from 31% to 51%), while those originated through mortgage brokers have dropped by 10 percentage points and those originated through mortgage lenders have dropped by 5 percentage points.

- While rates/fees continues to be the dominant factor in the selection of a mortgage provider (single most important factor for 62% of those who have gotten a new mortgage in the past two years), the role of “previous relationship” and “general reputation” has increased significantly (increasing by 6 percentage points and 4 percentage points respectively).

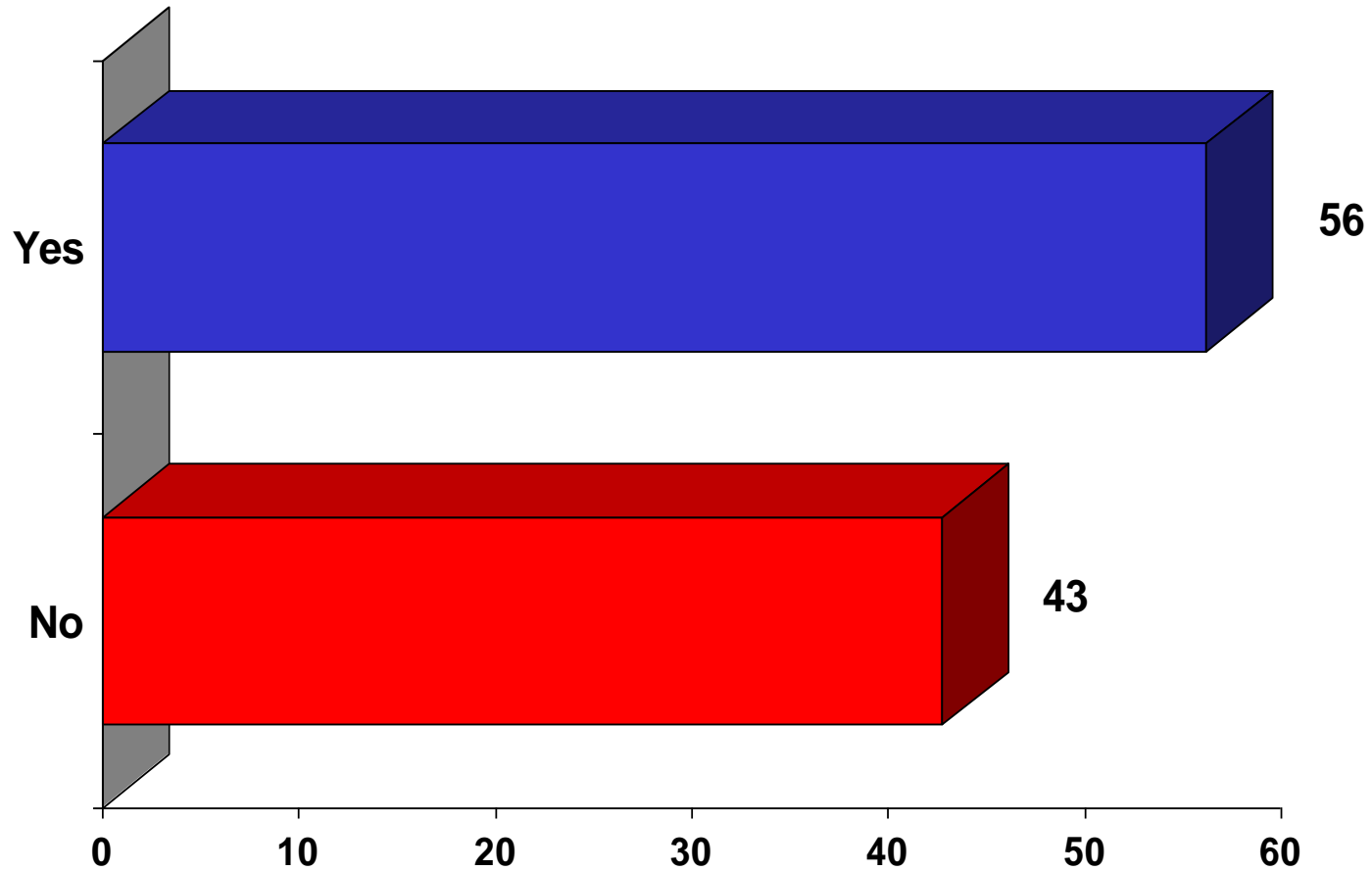
# Mortgage Loans

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- The vast majority of those who have gotten a new mortgage loan within the past two years (n = 156) indicate they have been satisfied. The proportion of those who are *very satisfied*, however, has dropped significantly.
  - ✓ A total of 88% say they were satisfied with the mortgage loan process in general. The proportion indicating they were *very satisfied*, however, dropped from 68% in 2007 to 52% in 2009.
  - ✓ Fully 79% say they were satisfied with the fairness of the mortgage loan charges. The proportion indicating they were *very satisfied*, however, dropped from 45% in 2007 to 29% in 2009.

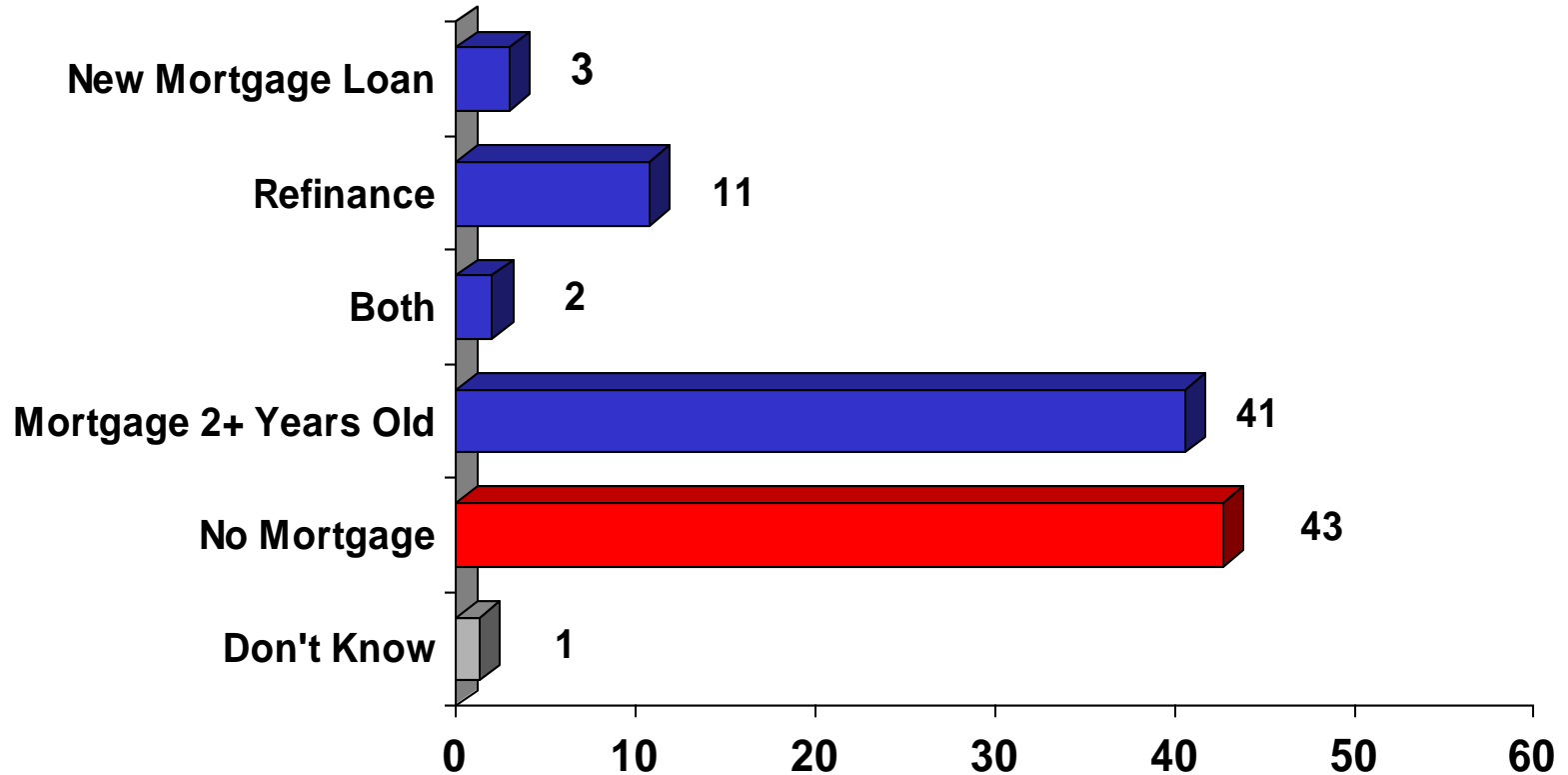


# Incidence of Mortgage Loan



# Status of Mortgage Loan

(within past two years)



# Home Mortgage Status Changes Since 2007

	<u>2007</u>	<u>2009</u>	<u>Change</u>
	(N = 500)	(N = 1,000)	(in % points)
Have a Mortgage Loan	46%	56%	+ 10
New Mortgage Loan (within past two years)	5	3	- 2
Refinance (within past two years)	7	11	+ 4
Both (new mortgage loan and refinance)	1	2	+ 1
Have Mortgage Loan, but more than two years old	34	41	+ 7
No Mortgage Loan	53	43	- 10

# Home Mortgage Status by Age

	<u>Total</u>	<u>18 to 34</u>	<u>35 to 54</u>	<u>55+</u>
	(N = 1,000)	(N = 169)	(N = 443)	(N = 388)
Have a Mortgage Loan	56%	42%	<b>71%</b>	45%
New Mortgage Loan (within past two years)	3	7	3	1
Refinance (within past two years)	11	10	12	9
Both (new mortgage loan and refinance)	2	1	3	2
Have Mortgage Loan, but more than two years old	41	25	<b>53</b>	34
No Mortgage Loan	43	<b>57</b>	28	<b>53</b>

# Home Mortgage Status by Household Income

	<u>Total</u>	<u>&lt;\$25K</u>	<u>\$25-50K</u>	<u>\$50-75K</u>	<u>\$75K+</u>
	(N = 1,000)	(N = 175)	(N = 214)	(N = 188)	(N = 296)
Have a Mortgage Loan	56%	25%	49%	<b>67%</b>	<b>81%</b>
New Mortgage Loan (within past 2 years)	3	1	3	5	3
Refinance (within past 2 years)	11	5	7	<b>14</b>	<b>18</b>
Both (new mortgage loan and refinance)	2	1	2	1	4
Have Mortgage Loan, but not new	41	18	<b>37</b>	<b>46</b>	<b>56</b>
No Mortgage Loan	43	<b>74</b>	<b>51</b>	32	19

# Home Mortgage Status by Ethnicity

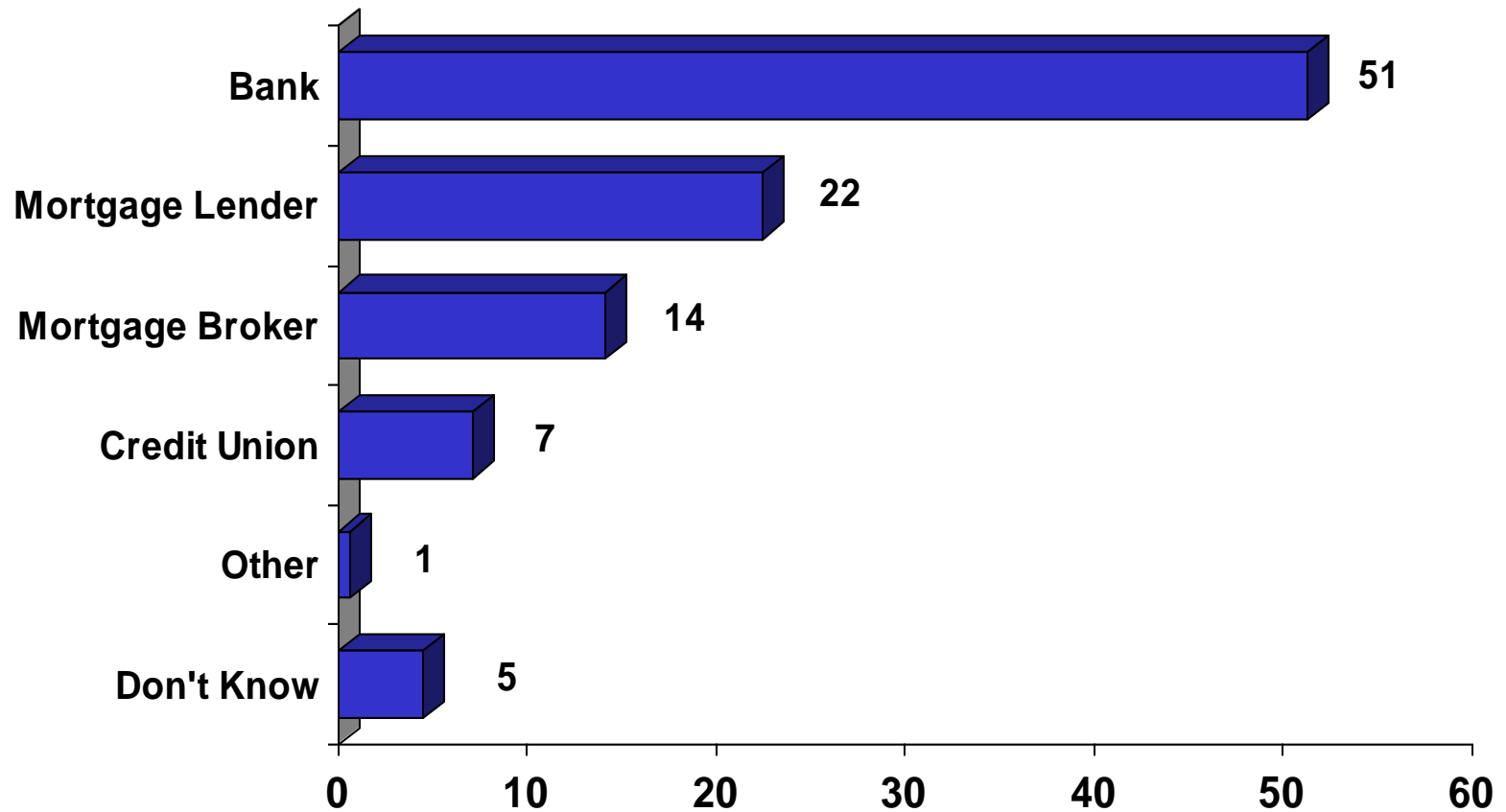
	<u>Total</u>	<u>Caucasian</u>	<u>African-American</u>	<u>Other</u>
	(N = 1,000)	(N = 688)	(N = 204)	(N = 92)
Have a Mortgage Loan	56%	<b>62%</b>	44%	49%
New Mortgage Loan (within past 2 years)	3	4	2	2
Refinance (within past 2 years)	11	<b>13</b>	5	9
Both (new mortgage loan and refinance)	2	2	2	1
Have Mortgage Loan, but not new	41	<b>43</b>	35	37
No Mortgage Loan	43	38	<b>54</b>	<b>51</b>

# Home Mortgage Status by Area

	<u>Total</u>	<u>Urban</u>	<u>Rural</u>
	(N = 1,000)	(N = 511)	(N = 489)
Have a Mortgage Loan	56%	<b>62%</b>	50%
New Mortgage Loan (within past 2 years)	3	3	3
Refinance (within past 2 years)	11	11	10
Both (new mortgage loan and refinance)	2	2	3
Have Mortgage Loan, but not new	41	<b>46</b>	35
No Mortgage Loan	43	37	<b>48</b>

# Source of Mortgage Loan

(among those who got a mortgage loan/refinance within past 2 years, N = 156)





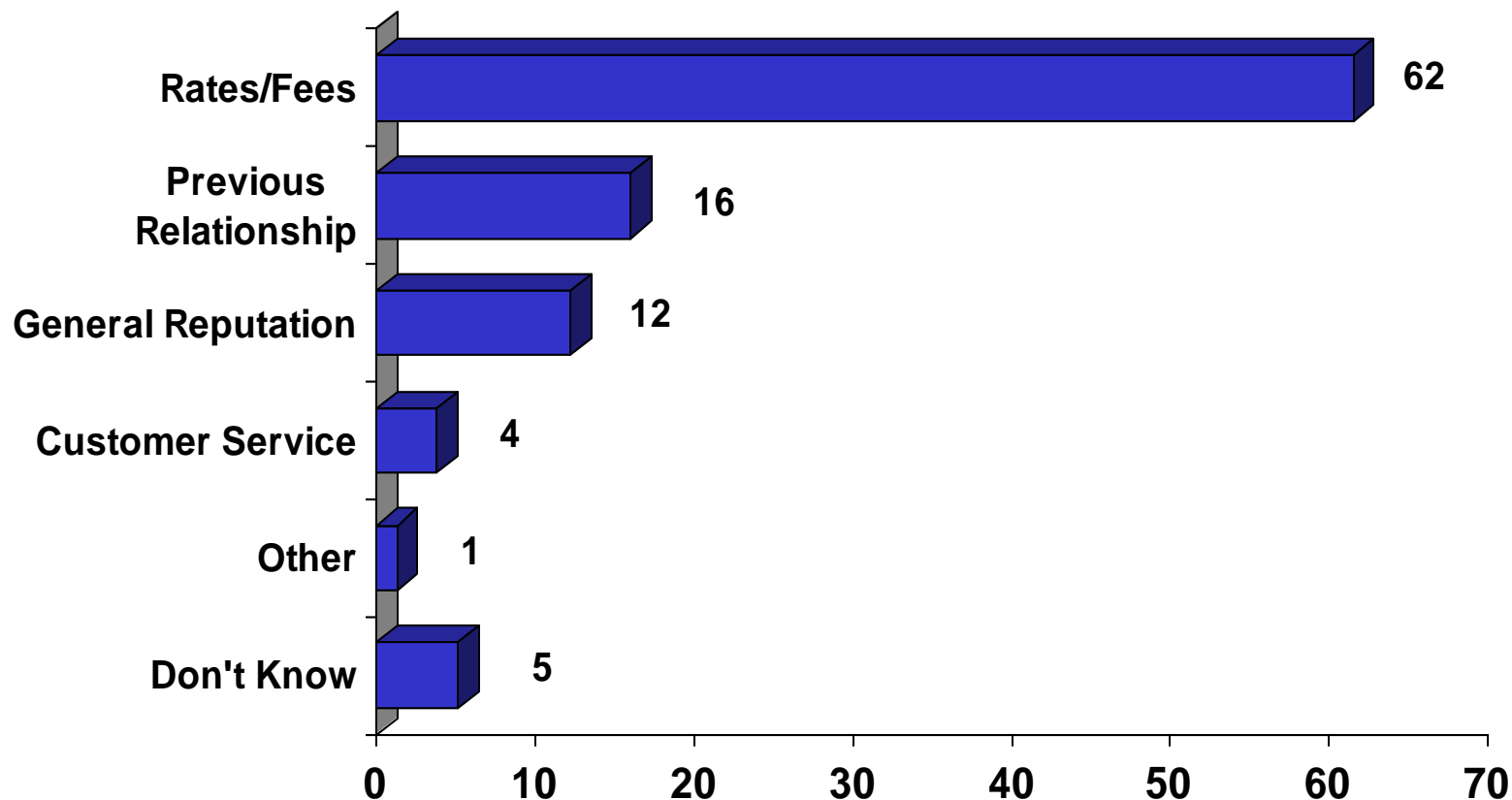
# Source of Mortgage Loan

(among those who got a mortgage loan/refinance within past 2 years)

	<u>2007</u>	<u>2009</u>	<u>Change</u>
	(N = 62*)	(N = 156)	(in % points)
Bank	31%	51%	+ 20
Mortgage Lender	27	22	- 5
Mortgage Broker	24	14	- 10
Credit Union	8	7	- 1
Other	8	1	- 7
Don't Know	2	5	+ 3

# Single Most Important Factor When Selecting a Mortgage Provider

(among those who have gotten a mortgage loan within the past 2 years, N = 156)



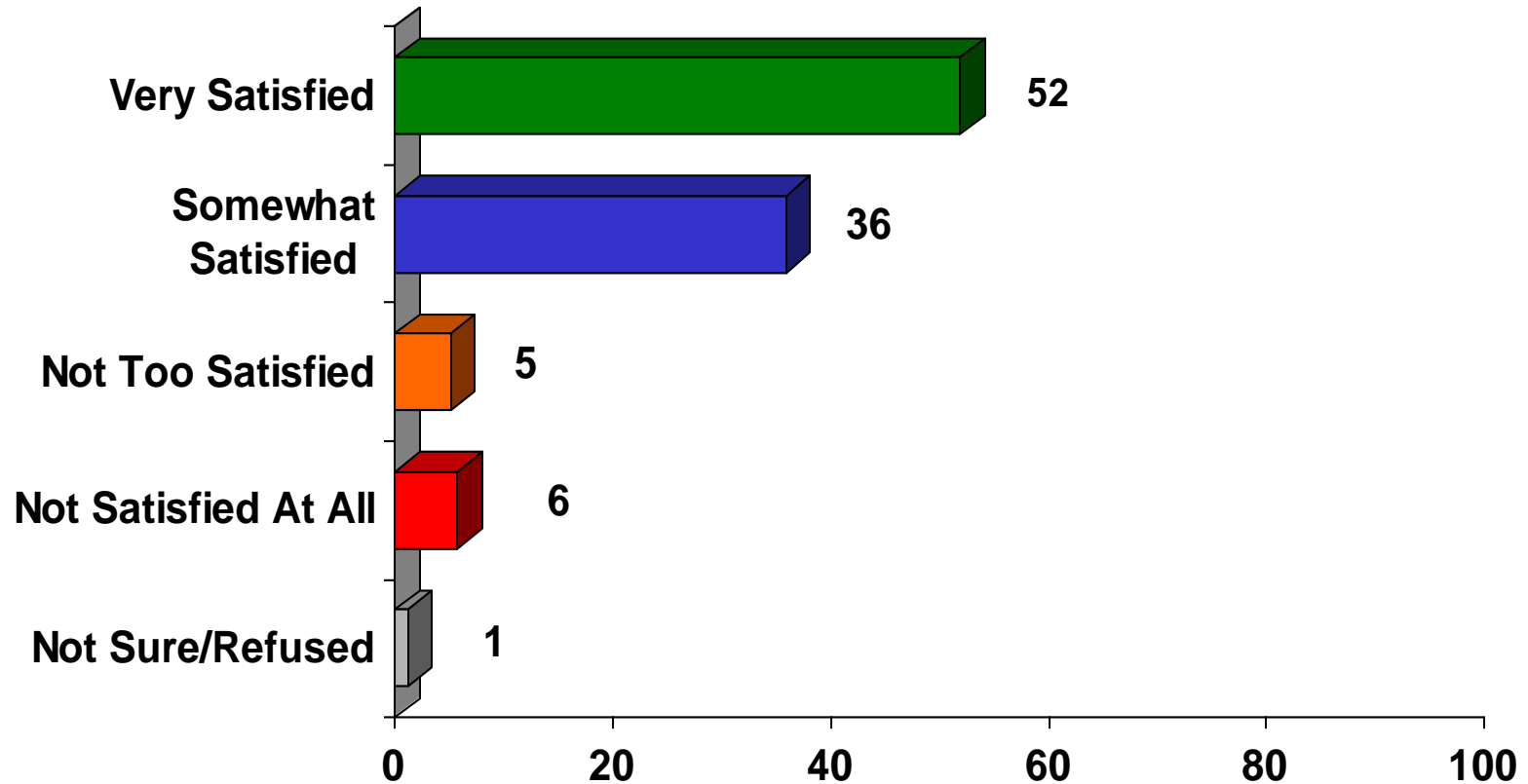
# Single Most Important Factor When Selecting a Mortgage Provider

(among those who have gotten a mortgage loan within the past 2 years)

	<u>2007</u>	<u>2009</u>	<u>Change</u>
	(N = 62*)	(N = 156)	(in % points)
Rates and Fees	65%	62%	- 3
Previous Relationship	10	16	+ 6
General Reputation	8	12	+ 4
Customer Service	7	4	- 3
Other	8	1	- 7
Don't Know	3	5	+ 2

# Overall Satisfaction with Mortgage Loan Process

(among those who have gotten a mortgage loan within the past 2 years, N = 156)



# Overall Satisfaction with Mortgage Loan Process

(among those who have gotten a mortgage loan within the past 2 years)

	<u>2007</u>	<u>2009</u>	<u>Change</u>
	(N = 62*)	(N = 156)	(in % points)
Very Satisfied	68%	52%	- 16
Somewhat Satisfied	21	36	+ 15
Not Too Satisfied	8	5	- 3
Not Satisfied At All	3	6	+ 3
Not Sure/Refused	0	1	+ 1

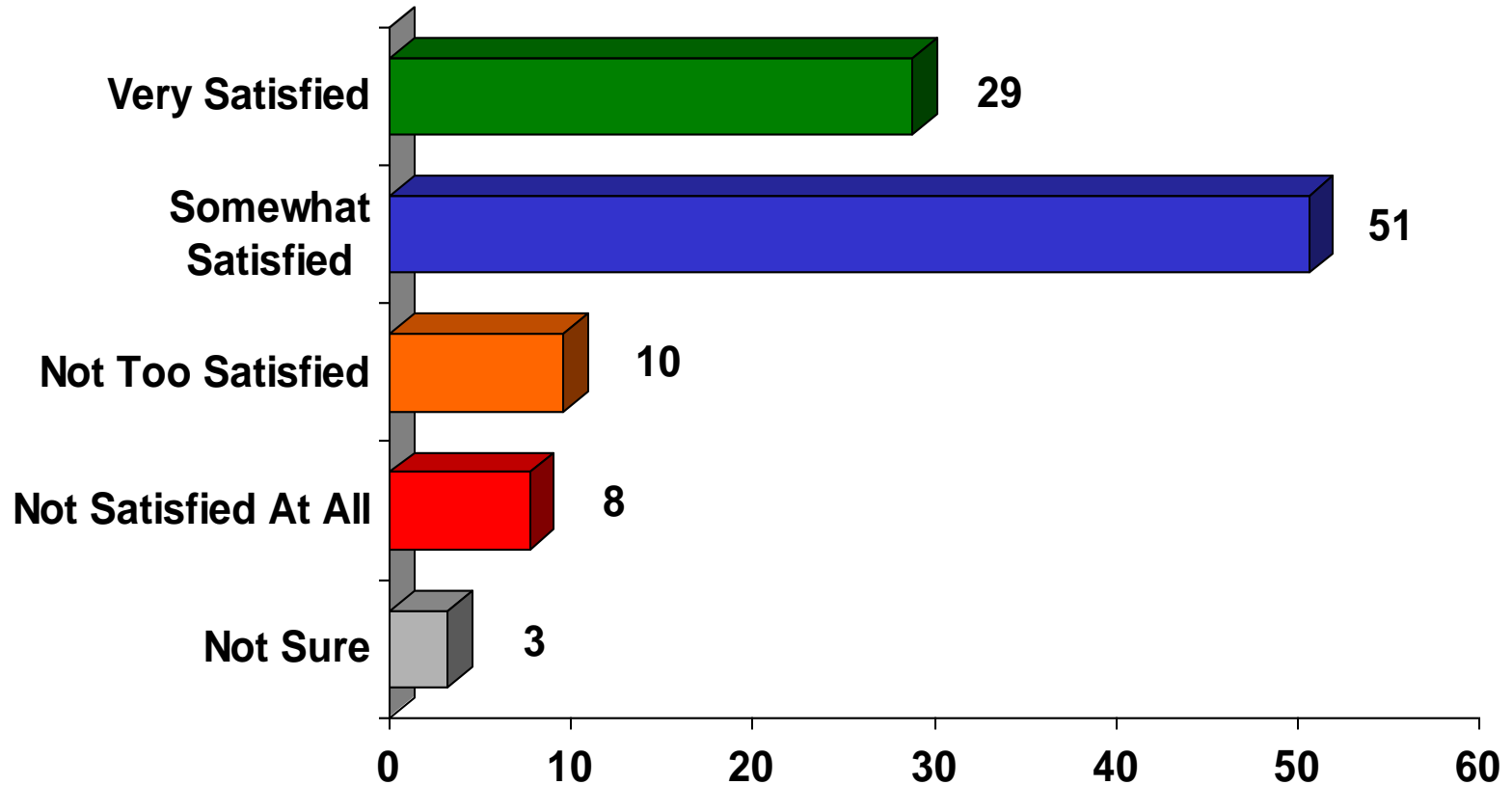
# Overall Satisfaction with Mortgage Loan Process

(among those who have gotten a mortgage loan within the past 2 years, by source)

	<b>Bank/ Credit Union</b>	<b>Mortgage Lender/ Broker</b>
	(N = 91)	(N = 57*)
Very Satisfied	51%	53%
Somewhat Satisfied	39	33
Not Too Satisfied	4	7
Not Satisfied At All	6	5
Not Sure/Refused	0	2

# Satisfaction with Fairness of Mortgage Charges

(among those who have gotten a mortgage loan within the past 2 years, N = 156)



# Satisfaction with Fairness of Mortgage Charges

(among those who have gotten a mortgage loan within the past 2 years)

	<u>2007</u>	<u>2009</u>	<u>Change</u>
	(N = 62*)	(N = 156)	(in % points)
Very Satisfied	45%	29%	- 16
Somewhat Satisfied	32	51	+ 19
Not Too Satisfied	11	10	- 1
Not Satisfied At All	8	8	NC
Not Sure/Refused	3	3	NC



# Satisfaction with Fairness of Mortgage Charges

(among those who have gotten a mortgage loan within the past 2 years, by source)

	<b>Bank/ Credit Union</b>	<b>Mortgage Lender/ Broker</b>
	(N = 91)	(N = 57*)
Very Satisfied	28%	26%
Somewhat Satisfied	54	51
Not Too Satisfied	8	12
Not Satisfied At All	8	7
Not Sure/Refused	3	4

# What Charges were Unfair?

(among those not satisfied with mortgage loan charges)

	<u>2007</u>	<u>2009</u>	<u>Change</u>
	(N = 12*)	(N = 27*)	(in % points)
Excessive Charges/Hidden Charges/Fees	50%	48%	- 2
Interest Rates	33	22	- 11
Closing Costs	33	11	- 22
Other	33	7	- 26
Can't Remember/Don't Recall	0	11	+ 11

# Alternative Financial Services

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- Survey results identify somewhat limited penetration of alternative financial services:
  - ✓ 28% say they have purchased a money order within the past two years;
  - ✓ 17% have gotten a car loan from a car dealership;
  - ✓ 15% have wired money to someone else;
  - ✓ 12% have cashed a check at a check casher;
  - ✓ 11% have gotten a payday or car title loan;
  - ✓ 7% have gotten a personal loan from a consumer finance company;
  - ✓ 6% have purchased a prepaid debit card;
  - ✓ 6% have pawned an item for cash;
  - ✓ 5% have gotten a refund anticipation loan (5%); and/or
  - ✓ 4% have purchased furniture or appliances on a rent-to-own plan.

# Alternative Financial Services

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- For the most part, the incidence of resident experiences with these alternative financial services did not change significantly over the past two years.

The exception, however, is payday/car title loans. The proportion of respondents identifying an experience with a payday or car title loan nearly tripled, from 4% in 2007 to 11% in 2009.

- In general, users of alternative financial services tend to skew younger, lower income, and non-Caucasian. There are, however, some exceptions to this (i.e., dealership car loans), as well as some differences from product to product.

# Alternative Financial Services

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- **Money Order:** 28% have purchased a money order in the past two years (down by 5 percentage points compared to 2007). Those most likely to have purchased money orders include African-Americans, individuals with household incomes under \$25,000, and those 18 to 34 years of age. Satisfaction with the experience is down somewhat but still quite high overall.
- **Dealership Car Loan:** 17% have gotten a car loan from a dealership within the past two years (up by 2 percentage points compared to 2007). Those most likely to have gotten a dealership car loan include those with \$75,000+ household incomes, those between the ages of 18 and 54, and “other” ethnicities (non-Caucasian, non-African American). Satisfaction has dropped moderately but continues to be reasonably strong overall.

# Alternative Financial Services

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- **Wired Money.** 15% of respondents indicate they have wired money within the past two years. This level is consistent with the level recorded in 2007. Usage of this financial service skews toward those with middle household incomes and non-Caucasian ethnicities. Satisfaction is high and reasonably consistent with 2007.
- **Cashed a Check.** 12% of respondents say that within the past two years they have cashed a check at a check-casher or somewhere other than a financial institution where they have an account. This level is consistent with the 2007 incidence level. Those most likely to use this financial service are those under 34 years of age, those with household incomes under \$50,000, and non-Caucasians. Although the majority say they are *very satisfied* with the service, satisfaction has dropped significantly since 2007.

# Alternative Financial Services

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- **Payday/Car Title Loan.** 11% of respondents say they have gotten a payday or car title loan within the past two years. This is up dramatically compared to the level of 4% in 2007. Payday/car title loans tend to be evenly represented across the various demographic segments. The majority of these loans were at a local office and satisfaction has increased significantly since 2007.
- **Consumer Finance Loan.** 7% of respondents have gotten a personal loan from a consumer finance company within the past two years. This level is consistent with the level recorded in 2007. This type of loan tends to skew toward African-Americans. Only about a third of product users say they have been *very satisfied* with their experience, a sharp drop compared to 2007.

# Alternative Financial Services

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- **Prepaid Debit Card.** 6% of respondents indicate they purchased a prepaid debit card within the past two years, a level consistent with 2007. Purchase tends to skew toward those between the ages of 18 and 54 and those with household incomes between \$25,000 and \$50,000. Also consistent with 2007, more than half say they are *very satisfied* with their experience.
- **Pawn Item for Cash.** 6% of respondents say they have pawned a personal item for cash within the past two years. This is double the incidence reported in 2007. Pawning tends to skew toward younger residents, those with lower household incomes, and non-Caucasian ethnicities. Satisfaction is significantly lower for this category of service than others, but results suggest that satisfaction is higher this year than in 2007.



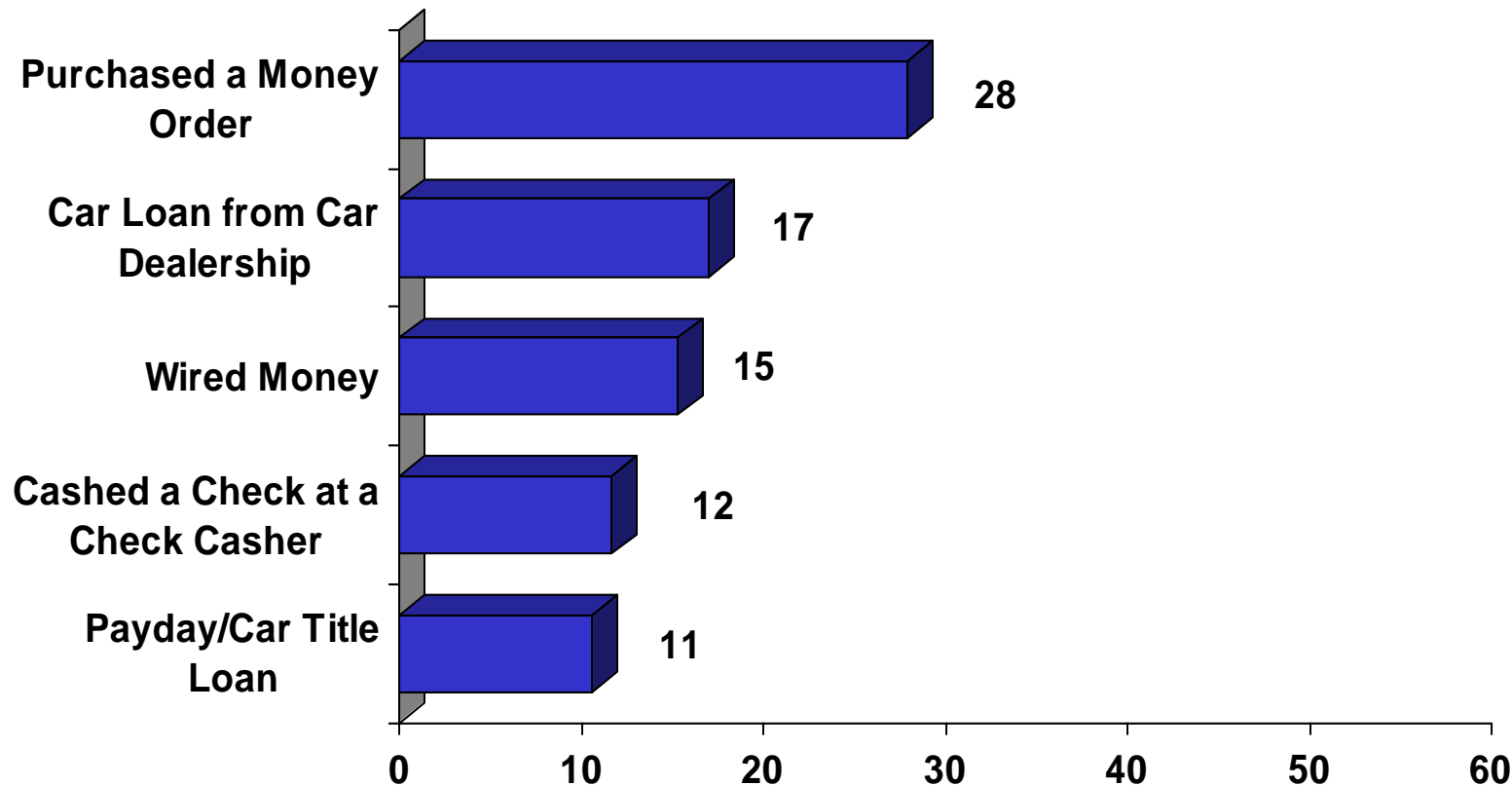
# Alternative Financial Services

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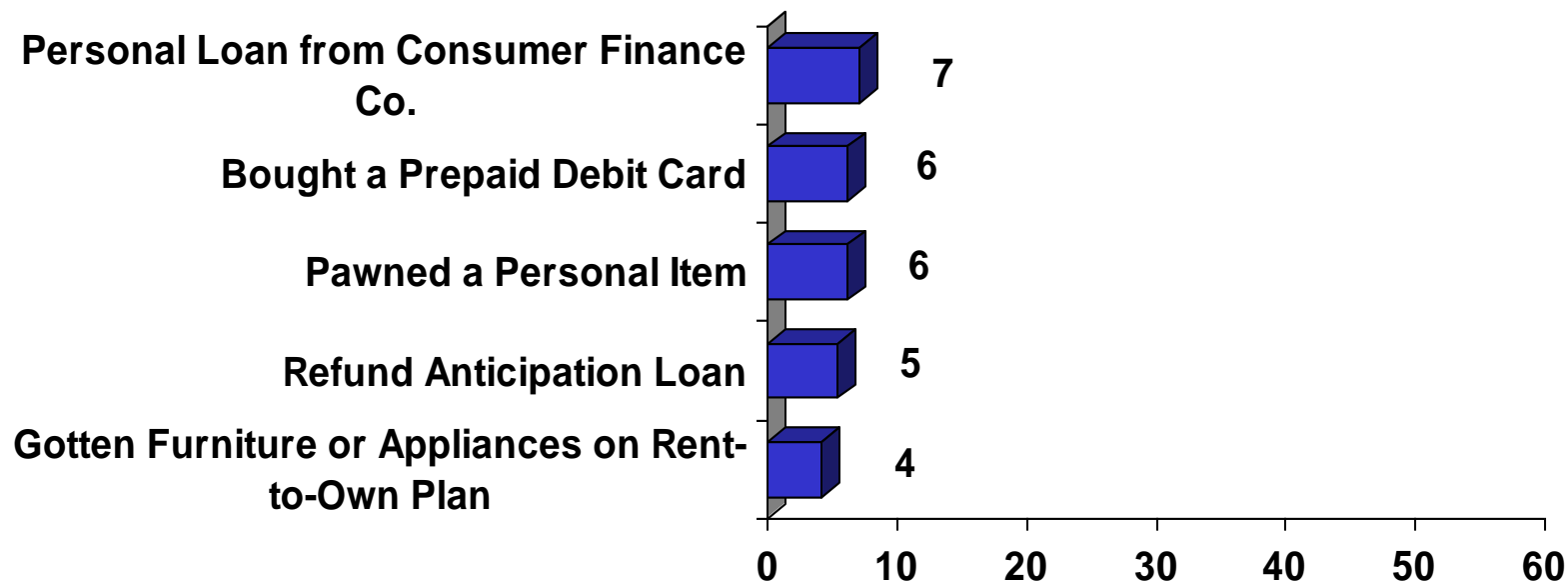
- **Refund Anticipation Loan.** 5% of study respondents indicate they have gotten a refund anticipation loan within the past two years. This level is down slightly compared to 2007. Refund anticipation loans tend to skew toward those in middle income categories and African-Americans. Satisfaction tends to be quite high and up compared to 2007.
- **Rent-to-Own Purchase.** 4% of respondents indicate they have made a furniture or appliance purchase within the past two years using a rent-to-own plan. This level is generally consistent with the 2007 level of 5%. Rent-to-own purchases tend to skew toward those in middle income categories and non-Caucasian ethnicities. Satisfaction is moderate and reasonably consistent with 2007.

# Incidence of Alternative Financial Services (1 of 2)

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# Incidence of Alternative Financial Services (2 of 2)



# Incidence of Alternative Financial Services Changes Since 2007

	<u>2007</u>	<u>2009</u>	<u>Change</u>
	(N = 500)	(N = 1000)	(in % points)
Purchased money order	33%	28%	- 5
Gotten a car loan from dealership	15	17	+ 2
Wired money to another person	15	15	NC
Cashed a check at a check casher	11	12	+ 1
Gotten a payday loan or car title loan	4	11	+ 7
Gotten a personal loan from a consumer finance company	8	7	- 1
Pawned a personal item to obtain cash	3	6	+ 3
Bought a prepaid debit card	6	6	NC
Gotten a refund anticipation loan	7	5	- 2
Gotten furniture or appliances on rent-to-own plan	5	4	- 1

# Incidence of Alternative Financial Services by Age

	<u>Total</u>	<u>18 to 34</u>	<u>35 to 54</u>	<u>55+</u>
	(N = 1,000)	(N = 169)	(N = 443)	(N = 388)
Purchased a money order	28%	<b>37%</b>	29%	23%
Car loan from car dealership	17	<b>23</b>	<b>19</b>	13
Wired money to another person	15	15	14	17
Cashed a check somewhere other than where you have a checking account	12	<b>21</b>	10	10
Payday or car title loan	11	10	11	11
Personal loan from consumer finance company	7	10	7	6
Bought a pre-paid debit card	6	<b>10</b>	<b>8</b>	2
Pawned a personal item to obtain cash	6	<b>10</b>	7	4
Refund anticipation loan	5	8	6	4
Gotten furniture or appliances on a rent-to-own plan	4	6	4	4

# Incidence of Alternative Financial Services by Household Income

	<u>Total</u>	<u>&lt;\$25K</u>	<u>\$25-50K</u>	<u>\$50-75K</u>	<u>\$75K+</u>
	(N = 1,000)	(N = 175)	(N = 214)	(N = 188)	(N = 296)
Purchased a money order	28%	<b>42%</b>	<b>33%</b>	<b>34%</b>	17%
Car loan from car dealership	17	9	17	18	<b>23</b>
Wired money to another person	15	19	<b>20</b>	14	13
Cashed a check somewhere other than where you have a checking account	12	<b>20</b>	<b>18</b>	11	5
Payday or car title loan	11	7	12	10	12
Personal loan from consumer finance company	7	6	7	9	7
Bought a pre-paid debit card	6	7	<b>9</b>	6	4
Pawned a personal item to obtain cash	6	<b>15</b>	<b>9</b>	2	3
Refund anticipation loan	5	6	<b>10</b>	5	3
Gotten furniture or appliances on a rent-to-own plan	4	4	<b>8</b>	3	2

# Incidence of Alternative Financial Services by Ethnicity

	<u>Total</u>	<u>Caucasian</u>	<u>African-American</u>	<u>Other</u>
	(N = 1,000)	(N = 688)	(N = 204)	(N = 92)
Purchased a money order	28%	21%	<b>48%</b>	<b>32%</b>
Car loan from car dealership	17	17	15	<b>22</b>
Wired money to another person	15	11	<b>24</b>	<b>30</b>
Cashed a check somewhere other than where you have a checking account	12	10	<b>16</b>	<b>15</b>
Payday or car title loan	11	11	9	13
Personal loan from consumer finance company	7	6	<b>11</b>	9
Bought a pre-paid debit card	6	5	8	9
Pawned a personal item to obtain cash	6	5	<b>10</b>	<b>9</b>
Refund anticipation loan	5	4	<b>9</b>	3
Gotten furniture or appliances on a rent-to-own plan	4	3	<b>7</b>	<b>8</b>

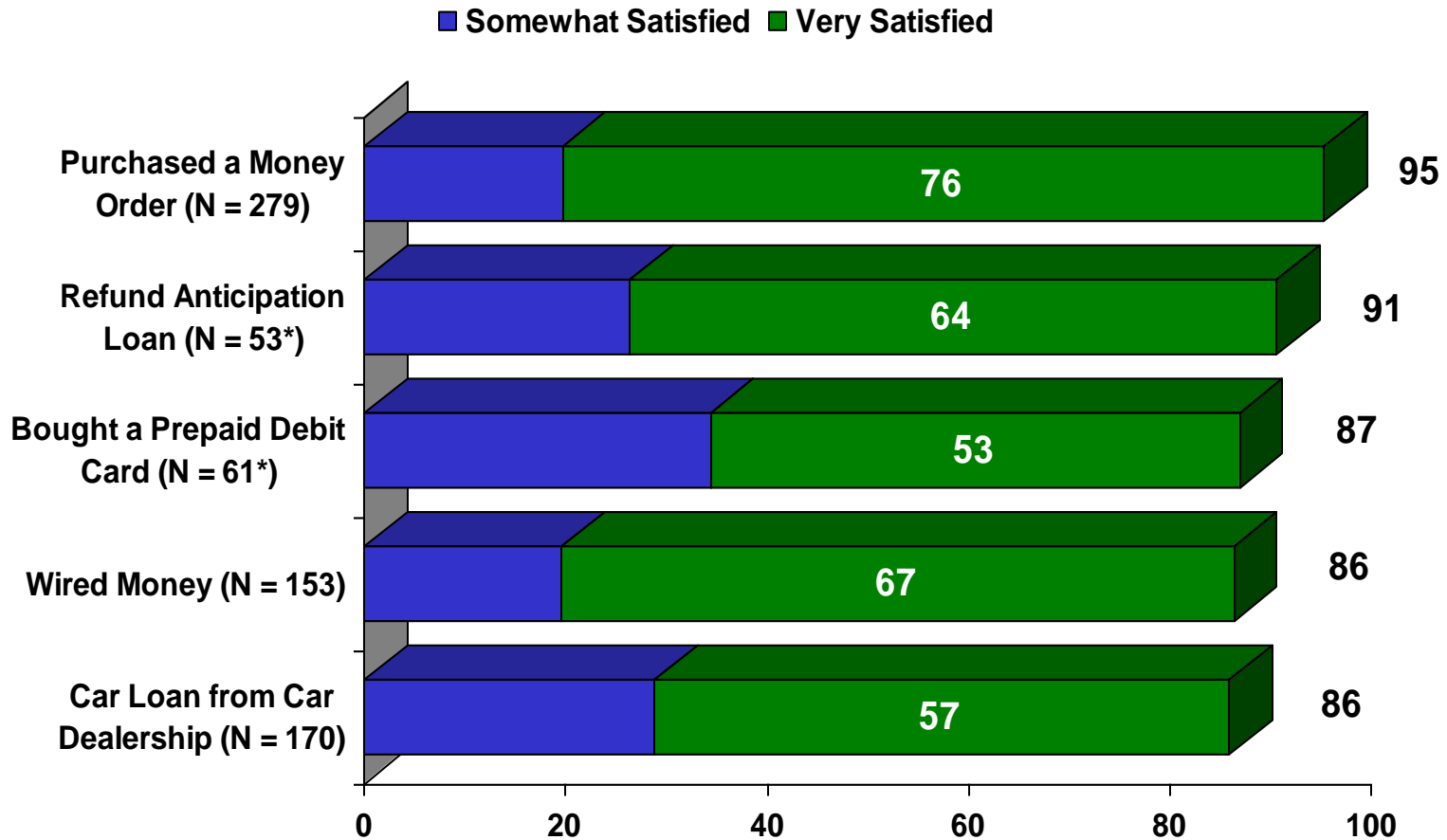
# Incidence of Alternative Financial Services by Area

	<u>Total</u>	<u>Urban</u>	<u>Rural</u>
	(N = 1,000)	(N = 511)	(N = 489)
Purchased a money order	28	28	27
Car loan from car dealership	17	16	18
Wired money to another person	15	17	14
Cashed a check somewhere other than where you have a checking account	12	11	13
Payday or car title loan	11	11	11
Personal loan from consumer finance company	7	6	8
Bought a pre-paid debit card	6	6	6
Pawned a personal item to obtain cash	6	5	7
Refund anticipation loan	5	5	6
Gotten furniture or appliances on a rent-to-own plan	4	4	5



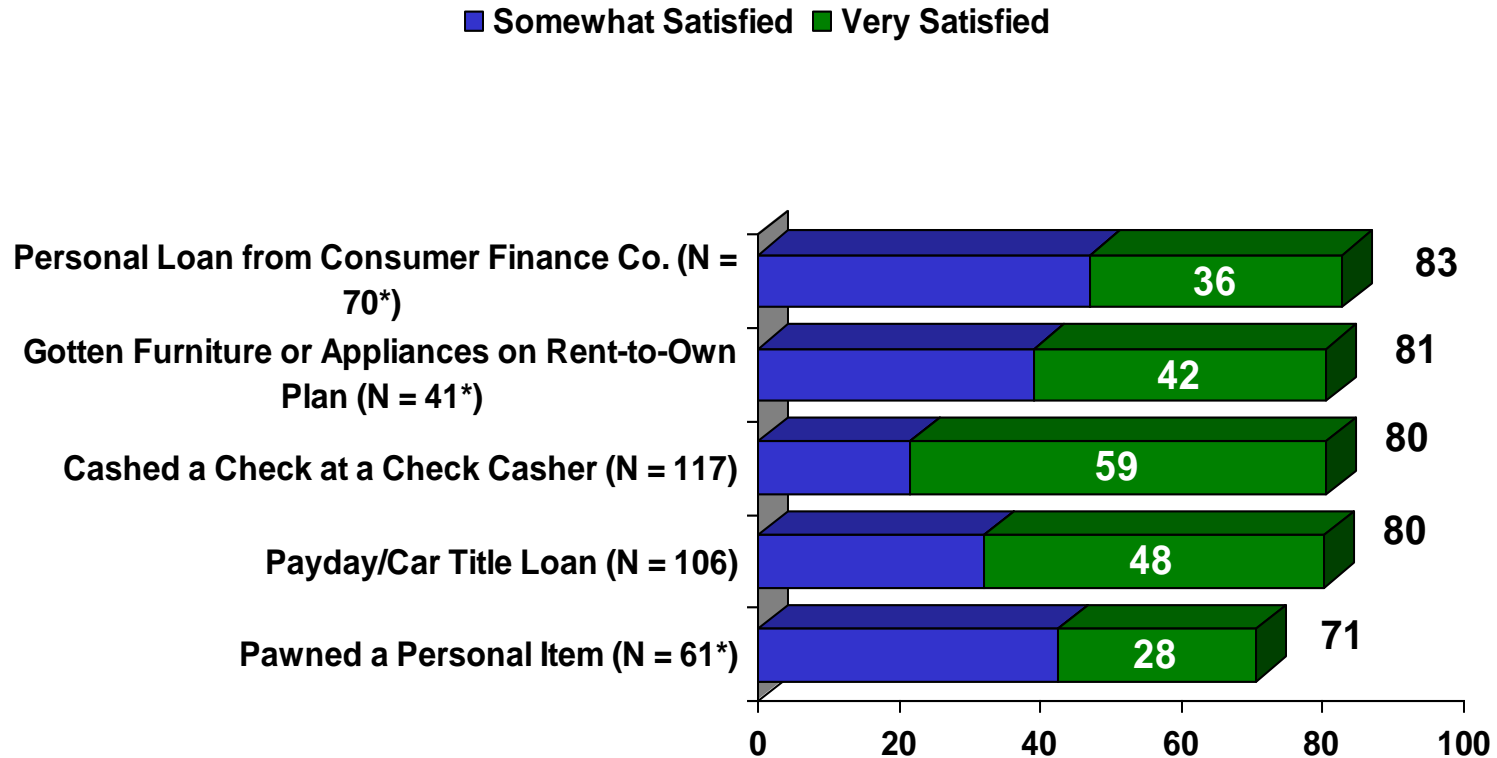
# Overall Satisfaction with Loan Services (1 of 2)

(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)



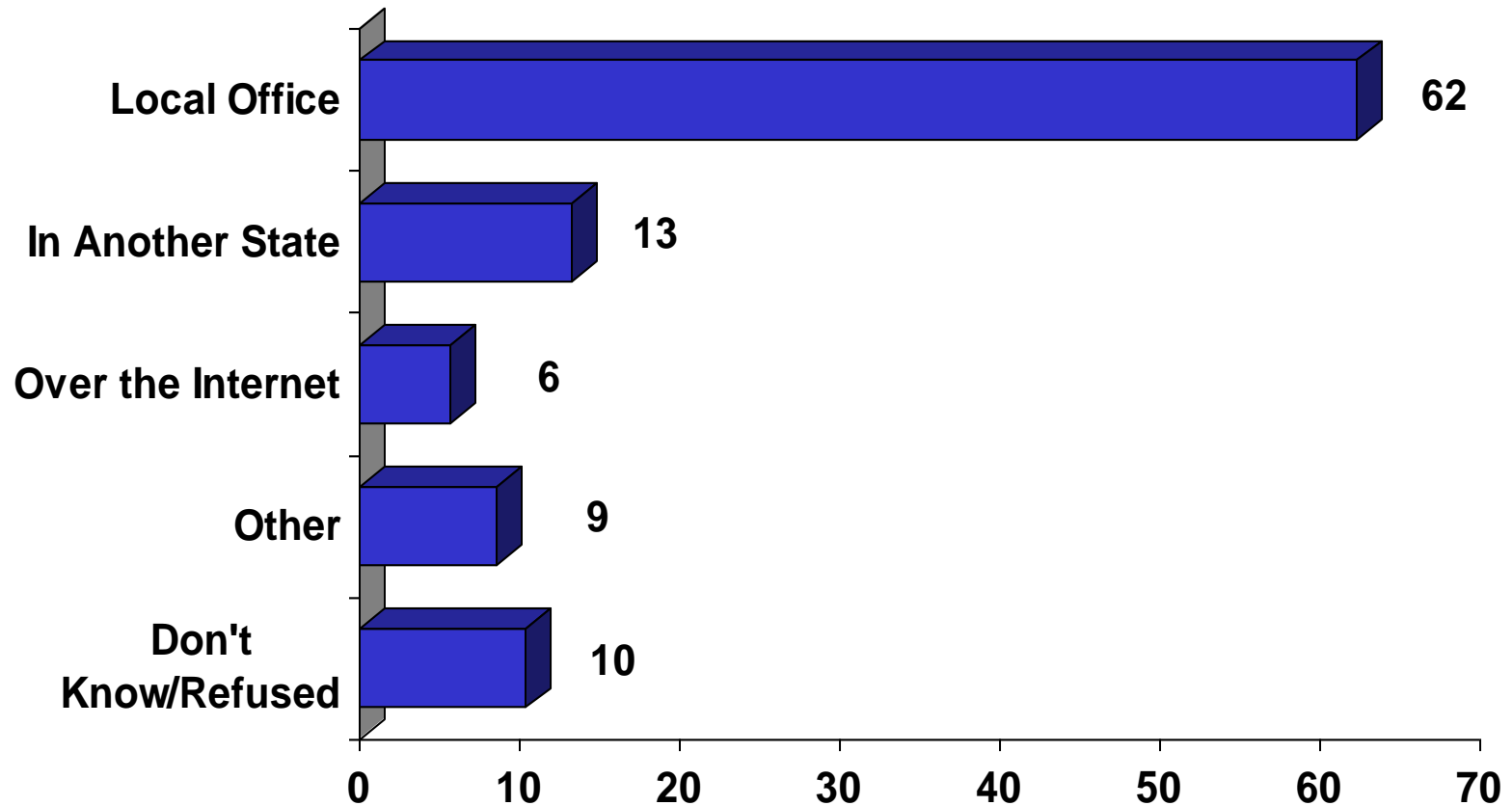
# “Very Satisfied” with Loan Services

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

	<u>2007</u>	<u>2009</u>	<u>Change</u>
	(N = varied)	(N = varied)	(in % points)
Purchased Money Order	84%	76%	- 8
Wired Money	70	67	- 3
Refund Anticipation Loan	55	64	+ 9
Cashed a Check at a Check Casher	66	59	- 7
Car Loan from Dealership	62	57	- 5
Bought a Prepaid Debit Card	56	53	- 3
Payday or Car Title Loan	30	48	+ 18
Bought Furniture or Appliances on a Rent-to-Own Plan	44	42	- 2
Personal Loan from Consumer Finance Company	51	36	- 15
Pawned a Personal Item for Cash	18	28	+ 10

# Source of Payday/Car Title Loan

(among those who have gotten a payday/car title loan within past 2 years, N = 106)



# Source of Payday/Car Title Loan

(among those who have gotten a payday/car title loan within past 2 years)

	<u>2007</u>	<u>2009</u>	<u>Change</u>
	(N = 20*)	(N = 106)	(in % points)
At Local Office	55%	62%	+ 7
In Another State	15	13	- 2
Over the Internet	15	6	- 9
Other	10	9	- 1
Don't Know/Refused	5	10	+ 5

# *A MarketSearch Study*

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## **Concerns and Perceptions of Unfair Practices**

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# Concerns and Perceptions of Unfair Practices

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- Findings identify a number of concerns among North Carolina financial services customers. Further, study results indicate that these concerns have increased significantly over the past two years.
- When it comes to banking institutions, residents are concerned with:
  - ✓ Stability and financial strength (70% now feel there is a problem with this in North Carolina, up from 32% in 2007);
  - ✓ Unfair lending practices (65% feel there is a problem with this, up from 41% in 2007);
  - ✓ Availability of credit and credit products (63% feel there is a problem with this, up from 41% in 2007); and
  - ✓ Fairness of rates and fees (62% feel there is a problem with this, up from 52% in 2007).

# Concerns and Perceptions of Unfair Practices

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- When it comes to mortgage lending, residents are concerned with:
  - ✓ Foreclosure rates (71% feel this is now a problem in North Carolina, up from 47% in 2007);
  - ✓ Ability to get a loan (67% feel this is a problem, up from 44% in 2007);
  - ✓ Stability and financial strength (65% feel this is a problem in the state, up from 36% in 2007);
  - ✓ Unfair lending practices (62% feel this is a problem, up from 42% in 2007);
  - ✓ Fairness of rates and fees (62% feel this is a problem, up from 49% in 2007);
  - ✓ Misrepresentation of information (61% feel this is a problem, up from 51% in 2007); and
  - ✓ Mortgage fraud (59% feel this is a problem, up from 37% in 2007).



# Concerns and Perceptions of Unfair Practices

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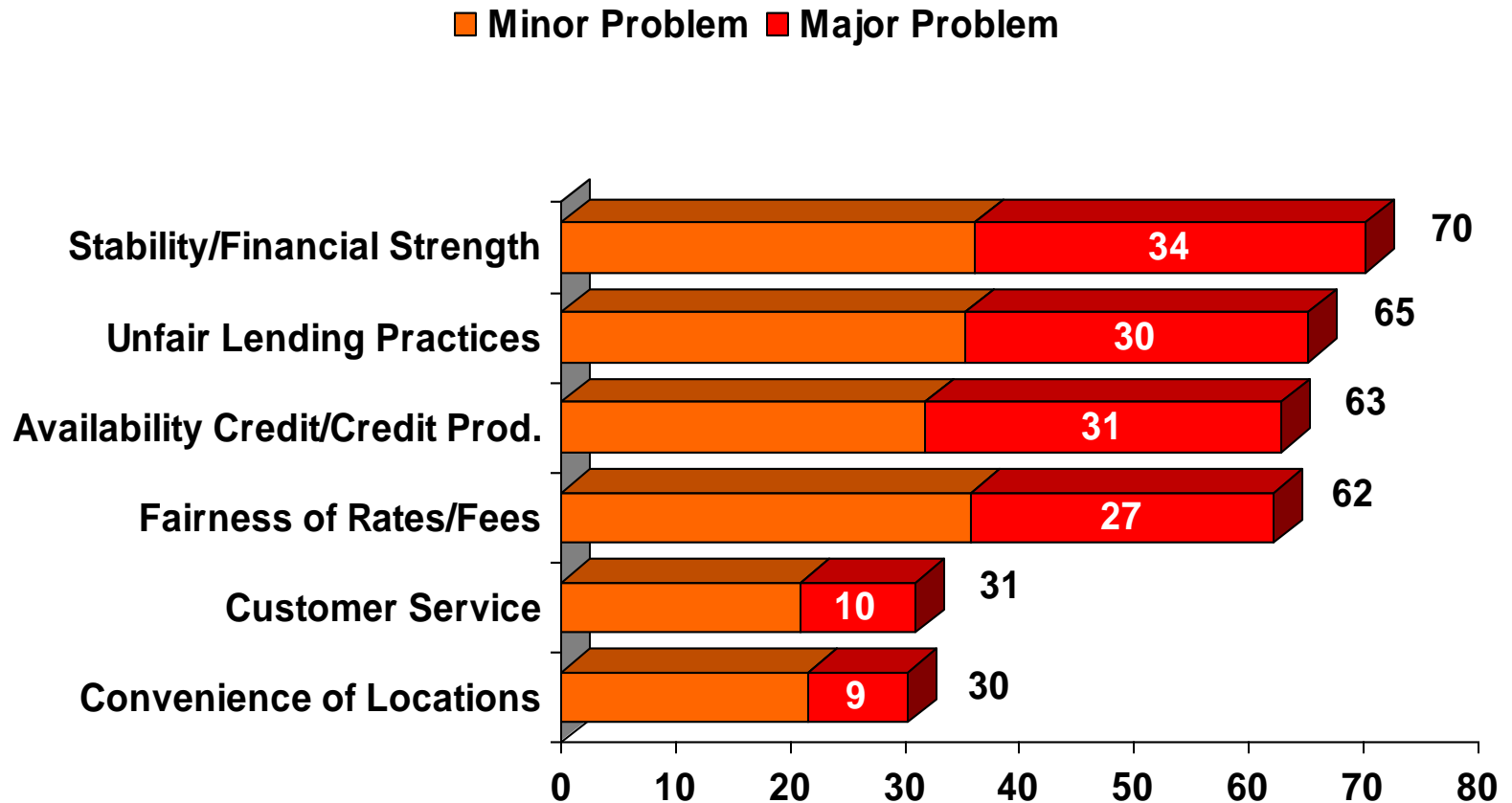
- And when it comes to consumer finance companies and other non-bank lenders, residents are concerned with:
  - ✓ Fairness of rates and fees (66% feel this is now a problem in the state, up from 50% in 2007);
  - ✓ Stability and financial strength (64% feel this is a problem, compared to 39% in 2007);
  - ✓ Fraud (64% feel this is a problem, compared to 44% in 2007);
  - ✓ Misrepresentation of information (64% feel this is a problem, compared to 47% in 2007);
  - ✓ Unfair lending practices (63% feel this is a problem in North Carolina, compared to 43% in 2007); and
  - ✓ Availability of credit and loans (61% now feel this is a problem, up from 37% in 2007).

# Concerns and Perceptions of Unfair Practices

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- Findings indicate that significant minorities of North Carolina financial services customers have experienced notable problems with financial services within the past two years. Further, these levels are significantly higher than what was reported in 2007.
  - ✓ 19% indicate they feel they were treated unfairly or that things were misrepresented by any type of financial service organization within the past two years. This is up from 12% in 2007; and
  - ✓ 12% report having an unresolved problem or complaint with any type of financial service or organization within the past two years, up from 9% in 2007.

# Perceived Problems with Banking Institutions in NC



# Perceived Problems with Banking Institutions in NC

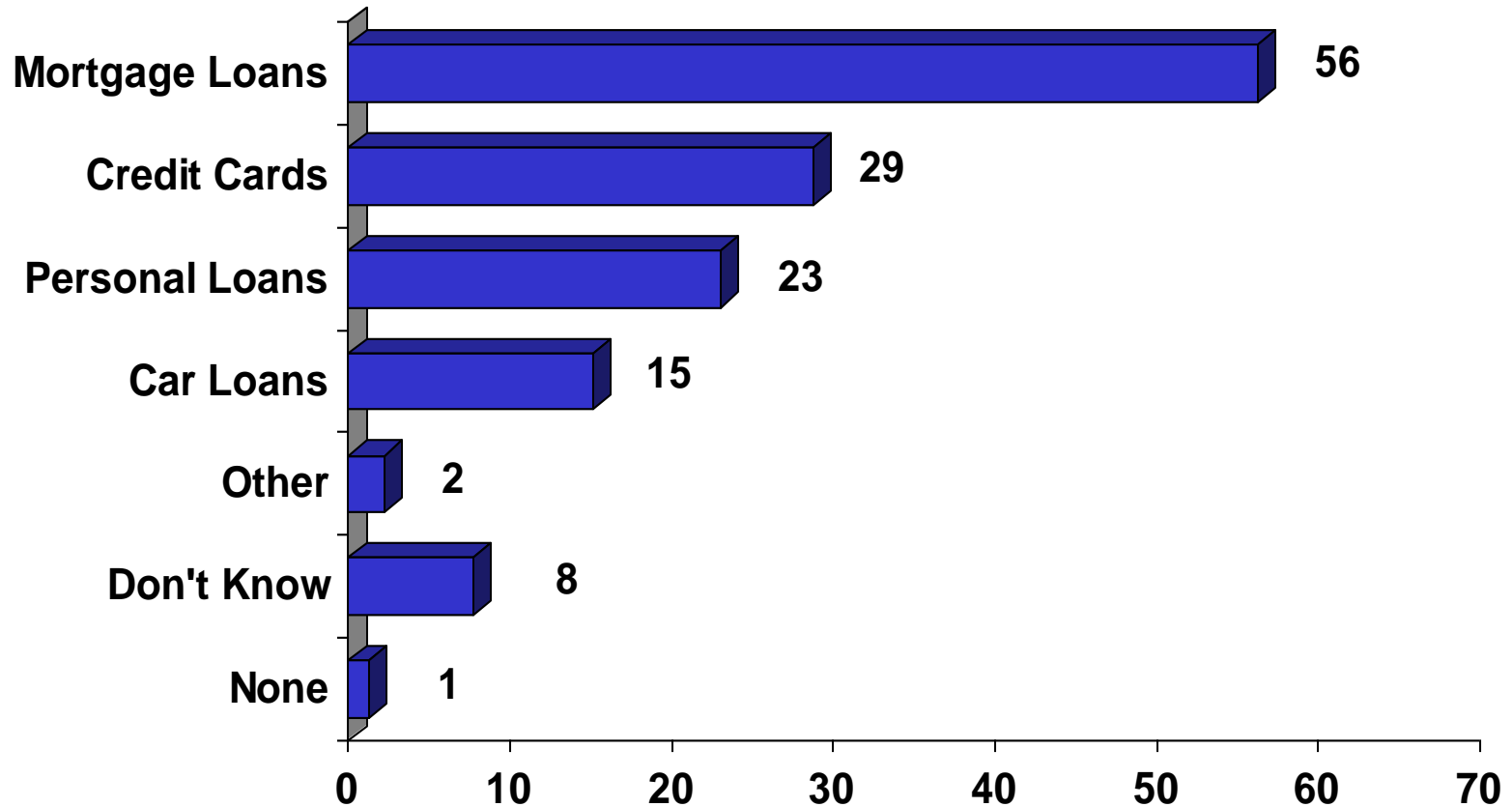
(% indicating issue is a *Major Problem*)

	<u>2007</u>	<u>2009</u>	<u>Change</u>
	(N = 500)	(N = 1000)	(in % points)
Stability/Financial Strength	9%	34%	+ 25
Unfair Lending Practices	18	30	+ 12
Availability of Credit and Credit-Related Products	16	31	+ 15
Fairness of Rates and Fees	22	27	+ 5
Customer Service	7	10	+ 3
Convenience of Locations	4	9	+ 5

# What Types of (Banking) Loans are Greatest Concern

## RE: Unfair Lending Practices

(among those who feel there is a problem, N = 651)



# What Types of (Banking) Loans are Greatest Concern

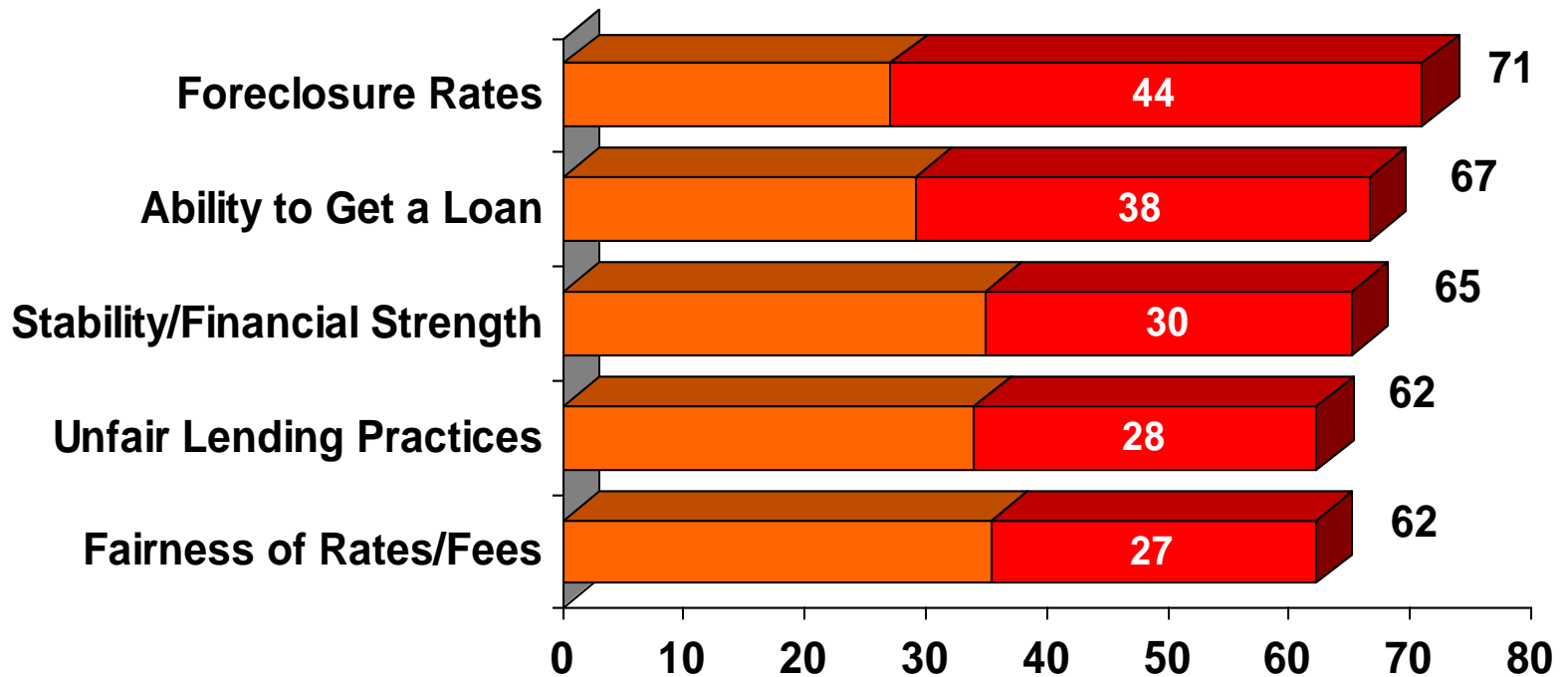
## RE: Unfair Lending Practices

(among those who feel there is a problem)

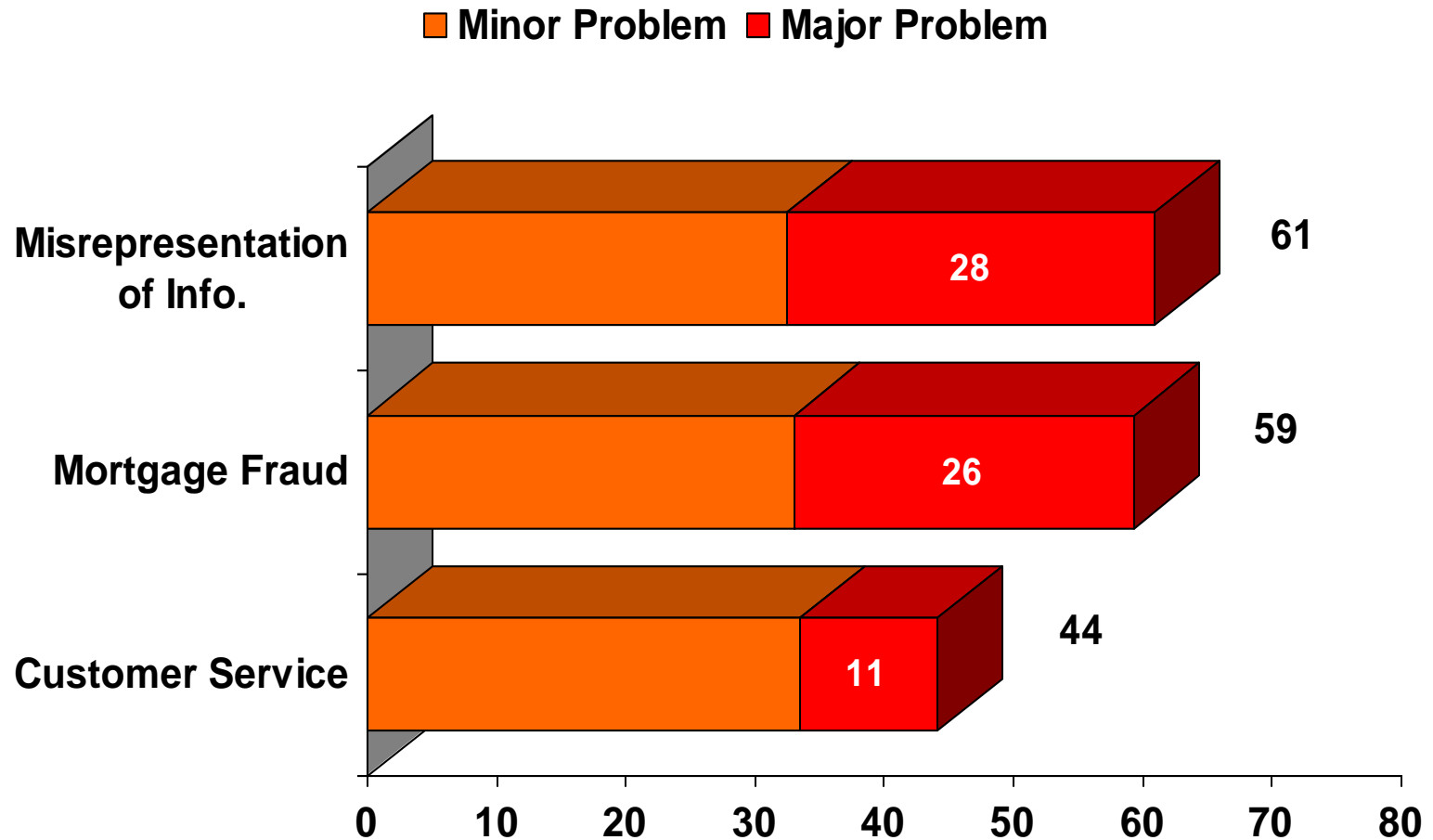
	<u>2007</u>	<u>2009</u>	<u>Change</u>
	(N = 206)	(N = 651)	(in % points)
Mortgage Loans	51%	56%	+ 5
Credit Cards	34	29	- 5
Personal Loans	36	23	- 13
Car Loans	24	15	- 9
Other	2	2	NC
Don't Know	6	8	+ 2
None	0	1	+ 1

# Perceived Problems with Mortgage Lending in NC (1 of 2)

■ Minor Problem ■ Major Problem



# Perceived Problems with Mortgage Lending in NC (2 of 2)



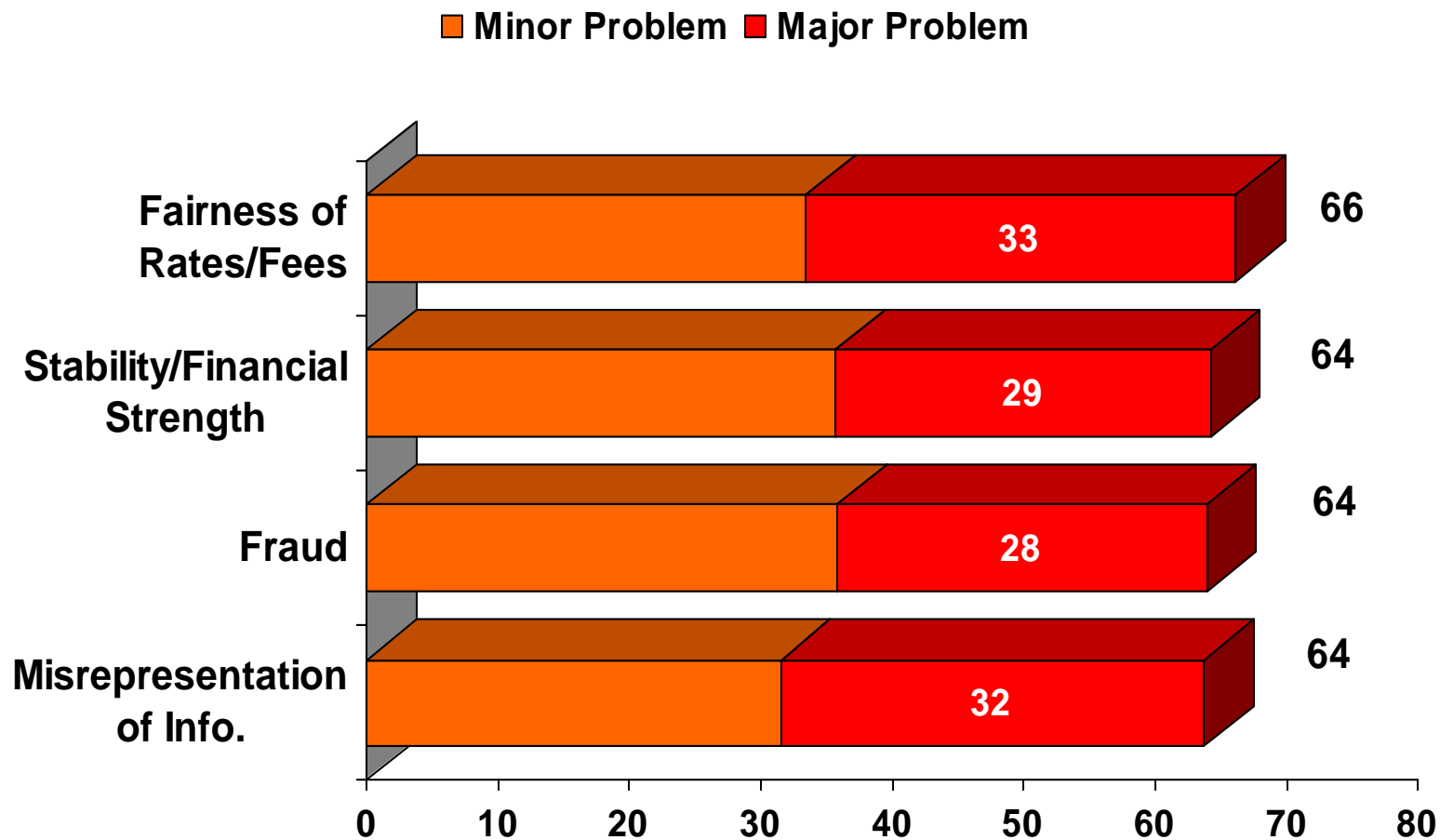


# Perceived Problems with Mortgage Lending in NC

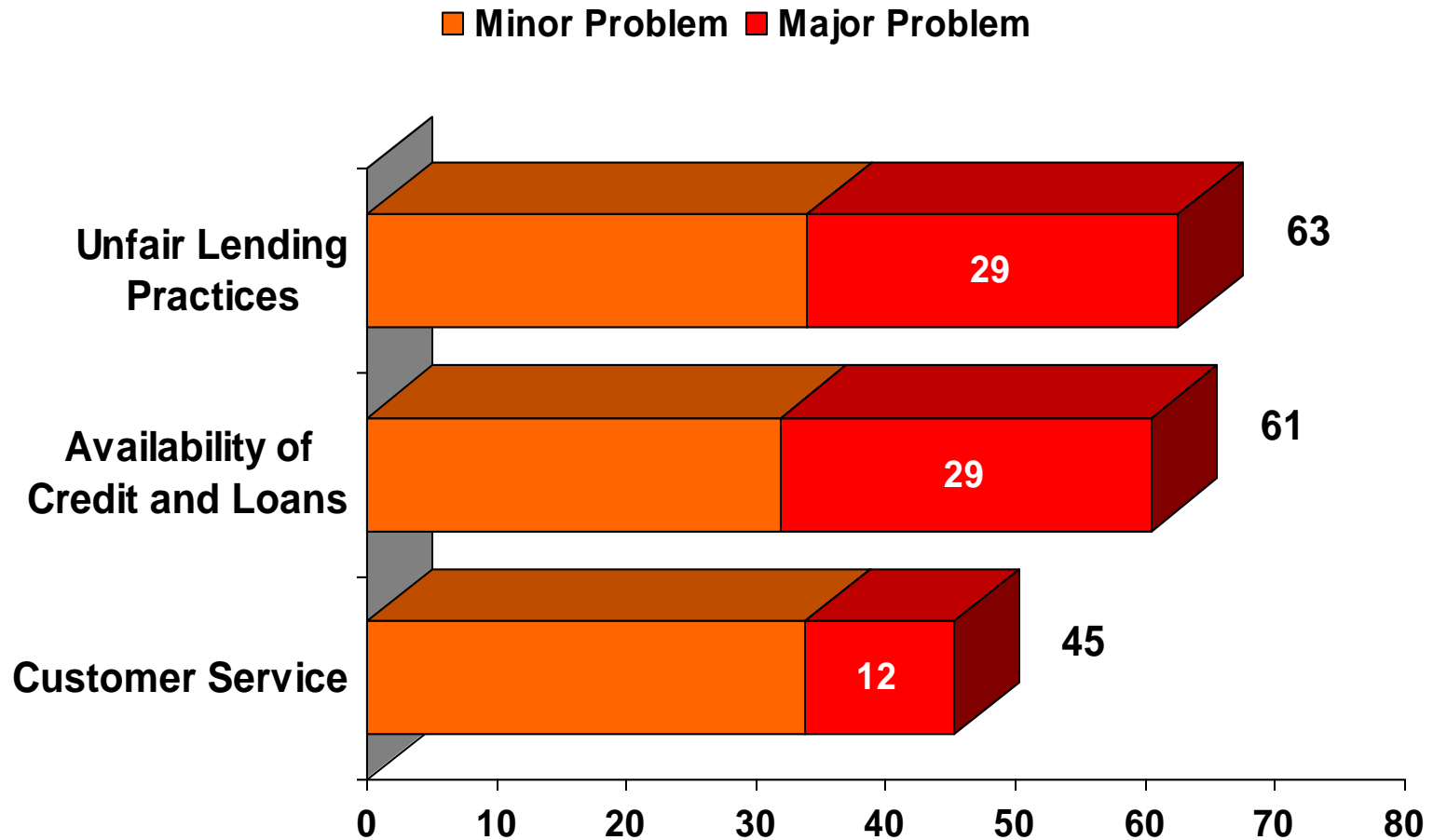
(% indicating issue is a *Major Problem*)

	<u>2007</u>	<u>2009</u>	<u>Change</u>
	(N = 500)	(N = 1000)	(in % points)
Foreclosure Rates	27%	44%	+ 17
Ability to Get a Loan	19	38	+ 19
Stability/Financial Strength	10	30	+ 20
Unfair Lending Practices	16	28	+ 12
Misrepresentation of Information	21	28	+ 7
Fairness of Rates and Fees	21	27	+ 6
Mortgage Fraud	16	26	+ 10
Customer Service	6	11	+ 5

# Perceived Problems with Consumer Finance Companies and Other Non-Bank Lenders (1 of 2)



# Perceived Problems with Consumer Finance Companies and Other Non-Bank Lenders (2 of 2)

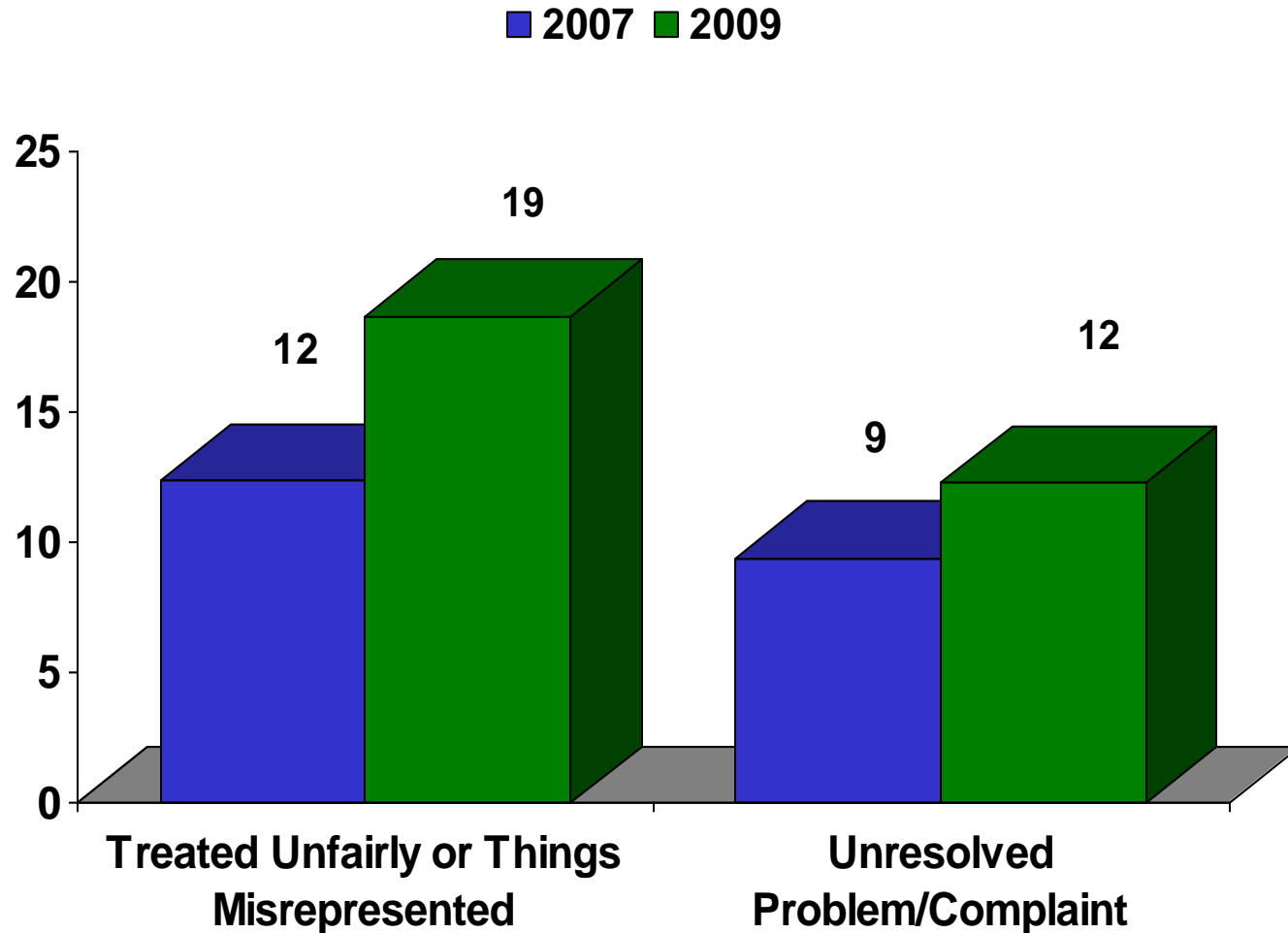


# Perceived Problems with Consumer Finance Companies and Other Non-Bank Lenders

(% indicating “major problem”)

	<u>2007</u>	<u>2009</u>	<u>Change</u>
	(N = 500)	(N = 1000)	(in % points)
Fairness of Rates and Fees	32%	33%	+ 1
Stability and Financial Strength	16	29	+ 13
Fraud	22	28	+ 6
Misrepresentation of Information	27	32	+ 5
Unfair Lending Practices	24	29	+ 5
Availability of Credit and Loans	15	29	+ 14
Customer Service	8	12	+ 4

# 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 = 1,000)	(N = 169)	(N = 443)	(N = 388)
Unresolved Problem or Complaint	12%	10%	14%	12%
Treated Unfairly or Things Misrepresented	19	17	21	17

# 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 = 1,000)	(N = 688)	(N = 204)	(N = 92)
Unresolved Problem or Complaint	12%	12%	14%	11%
Treated Unfairly or Things Misrepresented	19	17	22	23

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

	<u>Total</u>	<u>HHI</u> <u>&lt;\$25K</u>	<u>HHI \$25-</u> <u>50K</u>	<u>HHI \$50-</u> <u>75K</u>	<u>HHI</u> <u>\$75K+</u>
	(N = 1,000)	(N = 175)	(N = 214)	(N = 188)	(N = 296)
Unresolved Problem or Complaint	12%	<b>15%</b>	<b>20%</b>	9%	10%
Treated Unfairly or Things Misrepresented	19	<b>25</b>	<b>26</b>	17	15



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

	<u>Total</u>	<u>Urban</u>	<u>Rural</u>
	(N = 1,000)	(N = 511)	(N = 489)
Unresolved Problem or Complaint	12%	14%	11%
Treated Unfairly or Things Misrepresented	19	19	18

# *A MarketSearch Study*

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## **North Carolina Banking Regulations and the Commissioner of Banks**

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# General Impressions of the Financial Services Market in North Carolina

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- Three out of four consumers (74%) recognize that the financial services market has a *major impact* on North Carolina's economy. This is up significantly compared to 2007.
- Attitudes have clearly shifted on many measures and consumers identify increased concerns and reservations with respect to the financial services industry. Still, most feel that the impact of the financial industry crisis on North Carolina has been *about the same as on other states*.
- Results tend to be somewhat mixed with respect to consumer positions on the housing crisis and its impact on North Carolina.

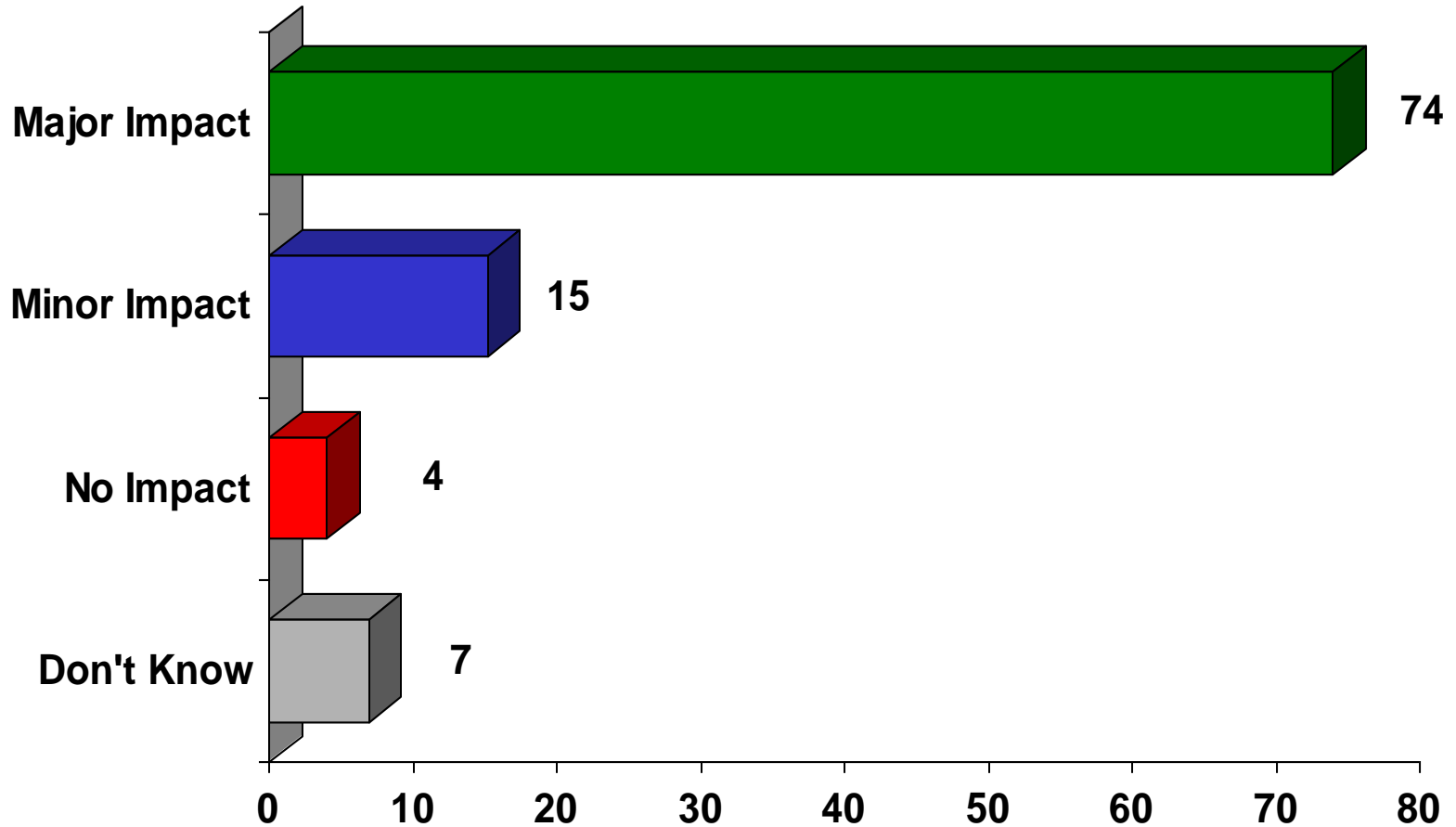
# General Impressions of the Financial Services Market in North Carolina

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- ✓ Perceptions of the housing crisis are not overwhelmingly negative – most (64%) say that the impact of the housing crisis on the state has been *about the same* as elsewhere. And, among the balance, more residents say North Carolina has been *less affected* (17%) than *more affected* (12%) than other states;
- ✓ Only 2% of respondents say they have faced foreclosure within the past two years; and
- ✓ Respondents tend to be split on whether the state is doing enough (27%), too much (9%), or not enough (43%) for those facing foreclosure in the state.

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

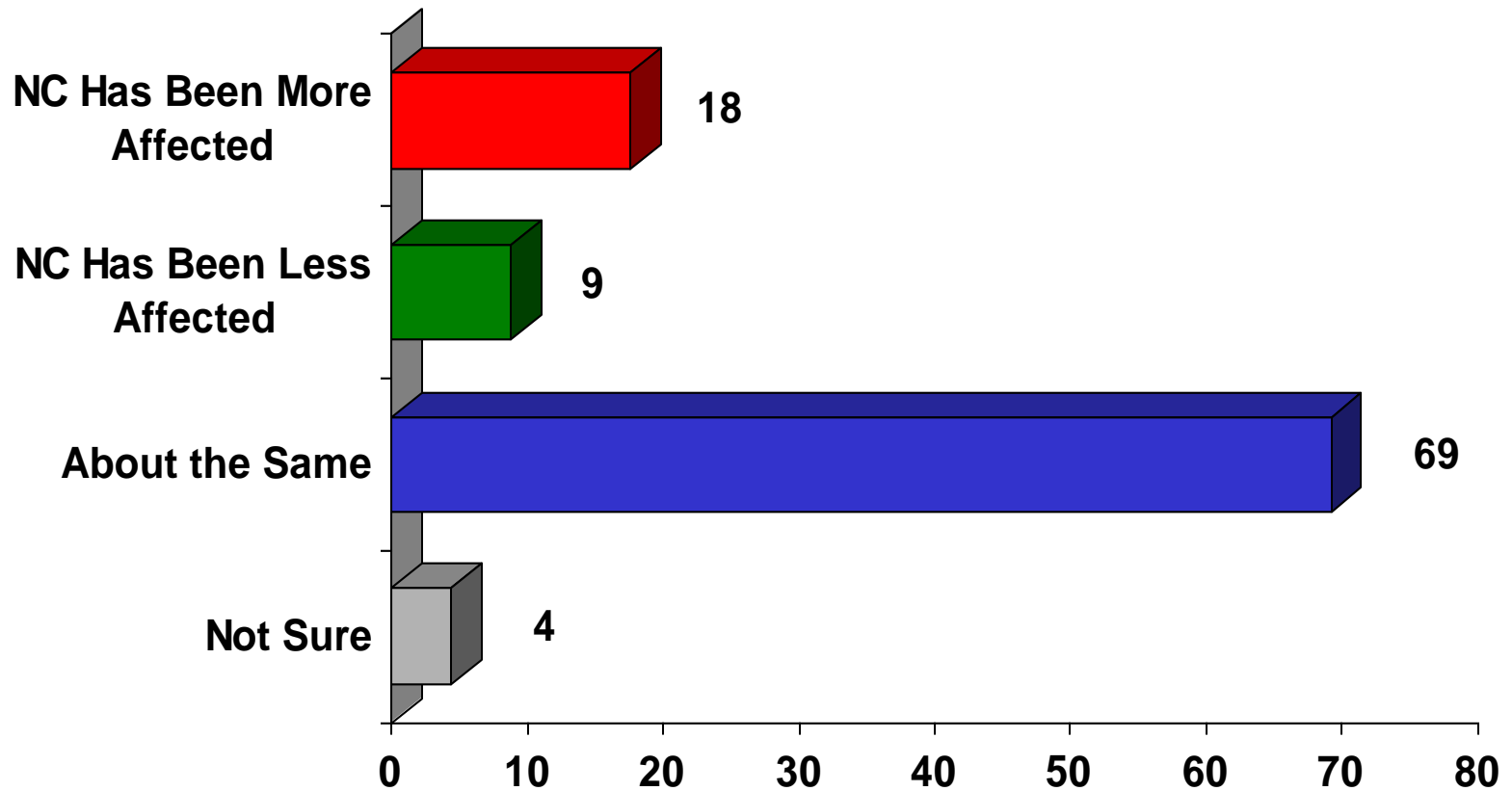
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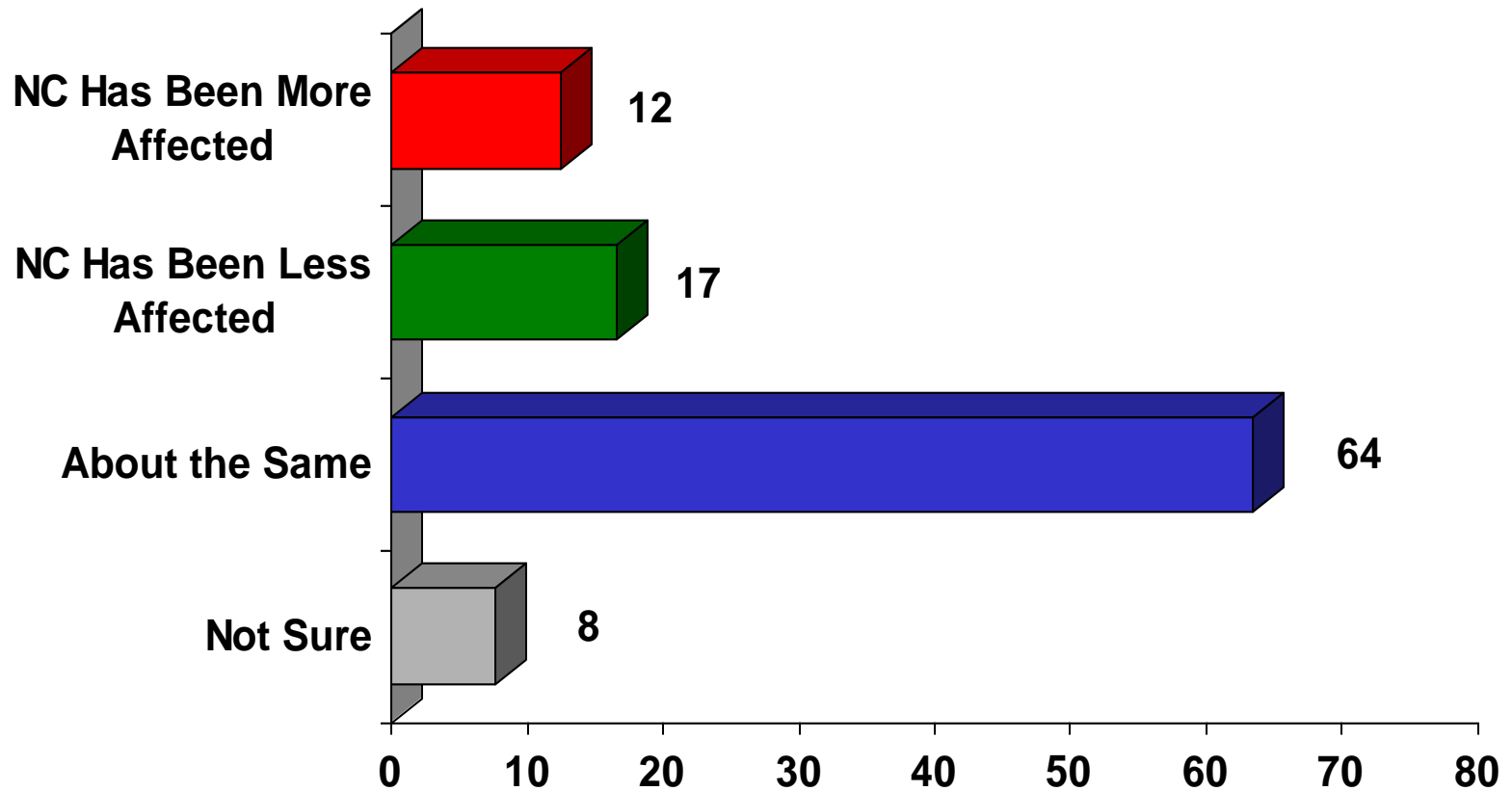
# Perceived Impact of the Financial Services Industry on North Carolina's Economy

	<b><u>2007</u></b>	<b><u>2009</u></b>	<b><u>Change</u></b>
	(N = 500)	(N = 1000)	(in % points)
Major Impact	65%	74%	+ 9
Minor Impact	17	15	- 2
No Impact	4	4	NC
Don't Know	15	7	- 8

# Perceived Effect of Turmoil in the Financial Services Sector in General on North Carolina

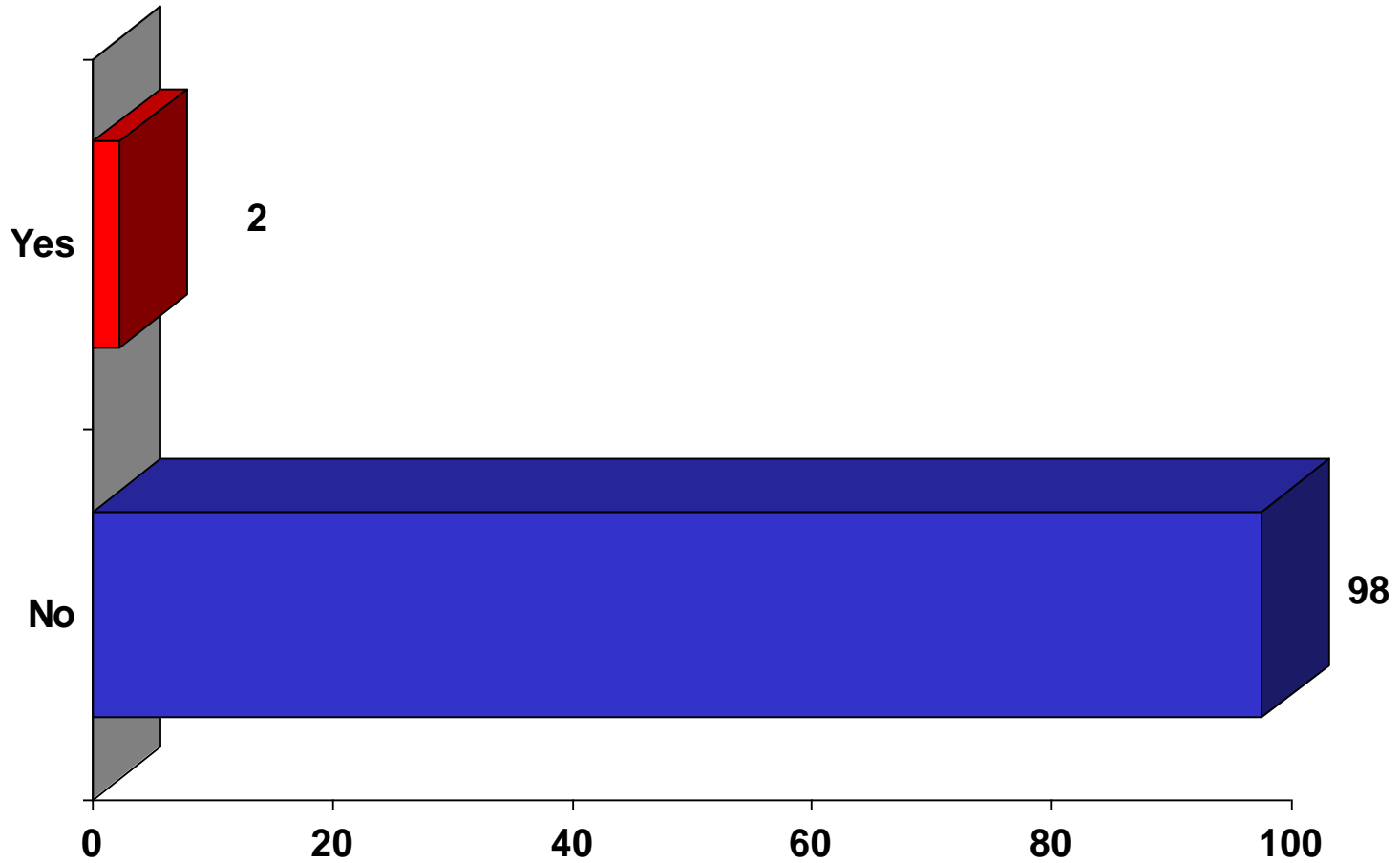


# Perceived Effect of Foreclosures and the Housing Crisis on North Carolina

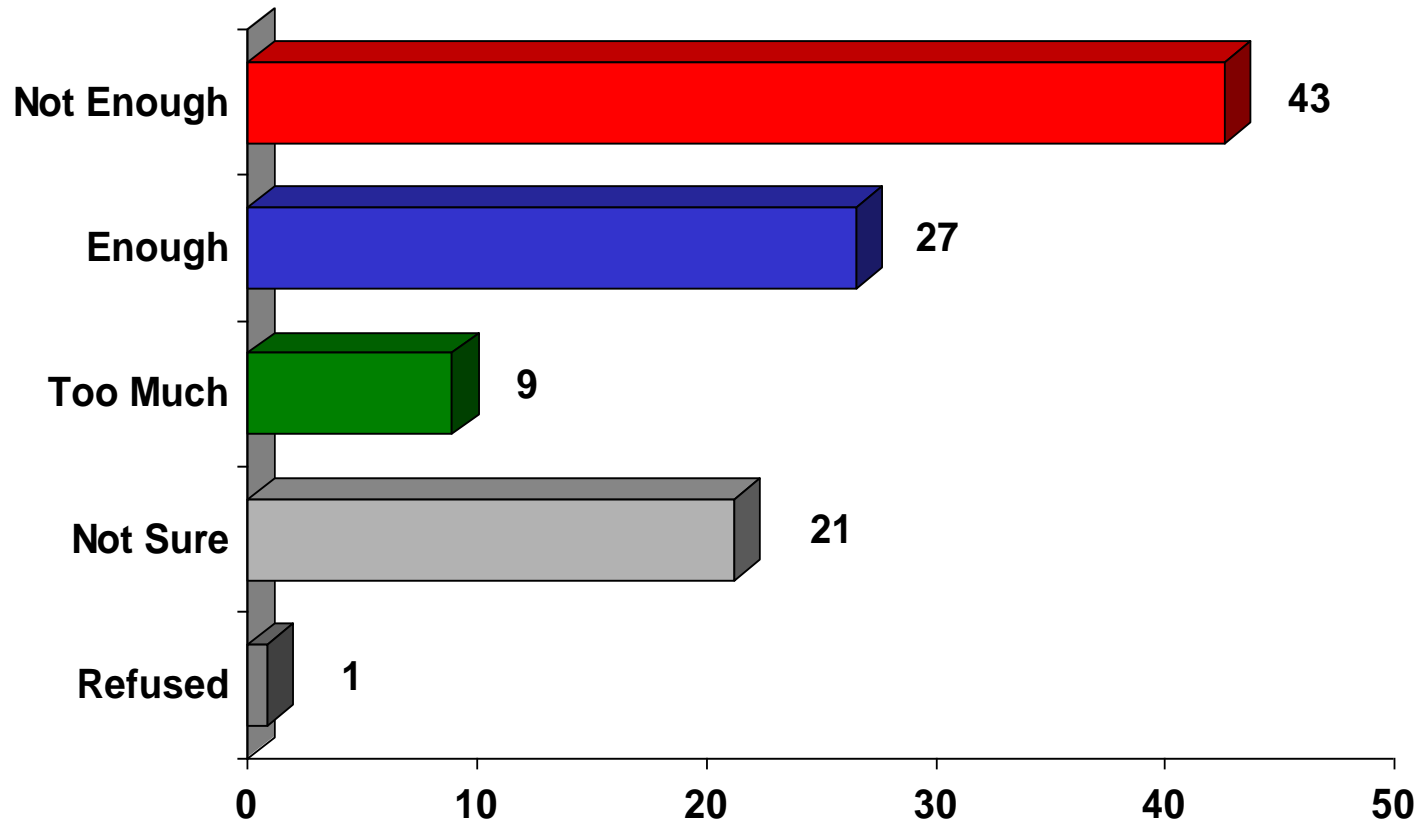




# Faced Foreclosure of a Mortgage Loan in Past Two Years



# Is North Carolina Doing Enough or Too Much to Help Those Facing Foreclosure in the State?



# Is North Carolina Doing Enough or Too Much to Help Those Facing Foreclosure in the State?

	<u>Total</u>	<u>18 to 34</u>	<u>35 to 54</u>	<u>55+</u>
	(N = 1,000)	(N = 169)	(N = 443)	(N = 388)
Not Enough	43%	42%	45%	40%
Enough	27	<b>35</b>	<b>28</b>	21
Too Much	9	7	10	9
Not Sure	21	15	17	<b>29</b>
Refused	1	1	<1	1

# Is North Carolina Doing Enough or Too Much to Help Those Facing Foreclosure in the State?

	<u>Total</u>	<u>Caucasian</u>	<u>African-American</u>	<u>Other</u>
	(N = 1,000)	(N = 688)	(N = 204)	(N = 92)
Not Enough	43%	39%	<b>56%</b>	43%
Enough	27	29	22	22
Too Much	9	<b>11</b>	3	8
Not Sure	21	21	17	26
Refused	1	<1	2	1

# Is North Carolina Doing Enough or Too Much to Help Those Facing Foreclosure in the State?

	<u>Total</u>	<u>HHI</u> <u>&lt;\$25K</u>	<u>HHI \$25-</u> <u>50K</u>	<u>HHI \$50-</u> <u>75K</u>	<u>HHI</u> <u>\$75K+</u>
	(N = 1,000)	(N = 175)	(N = 214)	(N = 188)	(N = 296)
Not Enough	43%	<b>53%</b>	46%	45%	41%
Enough	27	18	25	<b>30</b>	<b>30</b>
Too Much	9	6	5	7	<b>14</b>
Not Sure	21	<b>21</b>	<b>23</b>	18	15
Refused	1	1	1	0	1

# Is North Carolina Doing Enough or Too Much to Help Those Facing Foreclosure in the State?

	<u>Total</u>	<u>Urban</u>	<u>Rural</u>
	(N = 1,000)	(N = 511)	(N = 489)
Not Enough	43%	40%	45%
Enough	27	29	24
Too Much	9	8	10
Not Sure	21	22	20
Refused	1	1	1

# Awareness and Perceptions of the North Carolina Office of the Commissioner of Banks

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- Awareness of and familiarity with the North Carolina Office of the Commissioner of Banks (NCCOB) continues to be quite limited:
  - ✓ Only 18% indicate they have ever heard of the NCCOB (consistent with 2007);
  - ✓ 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 (consistent with 2007);
  - ✓ 89% *don't know* how the NCCOB is doing when it comes to promoting a strong and financially stable industry (they are either *not at all familiar* with the agency or say they don't know enough to evaluate them); and
  - ✓ 89% *don't know* how the NCCOB is doing when it comes to promoting a fair and responsible industry (they are either *not at all familiar* with the agency or say they don't know enough to evaluate them).

# Awareness and Perceptions of the North Carolina Office of the Commissioner of Banks

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- There are essentially no skews in awareness of or familiarity with the NCCOB.
- Among those who are familiar with the North Carolina Office of the Commissioner of Banks (n = 136), most have heard about it through major media. Newspaper (29%) and television (23%) tend to be the dominant sources of information.
- Among those familiar (n = 136), most feel the Office is doing a *good* to *fair* job of promoting the industry and protecting consumers:



# Awareness and Perceptions of the North Carolina Office of the Commissioner of Banks

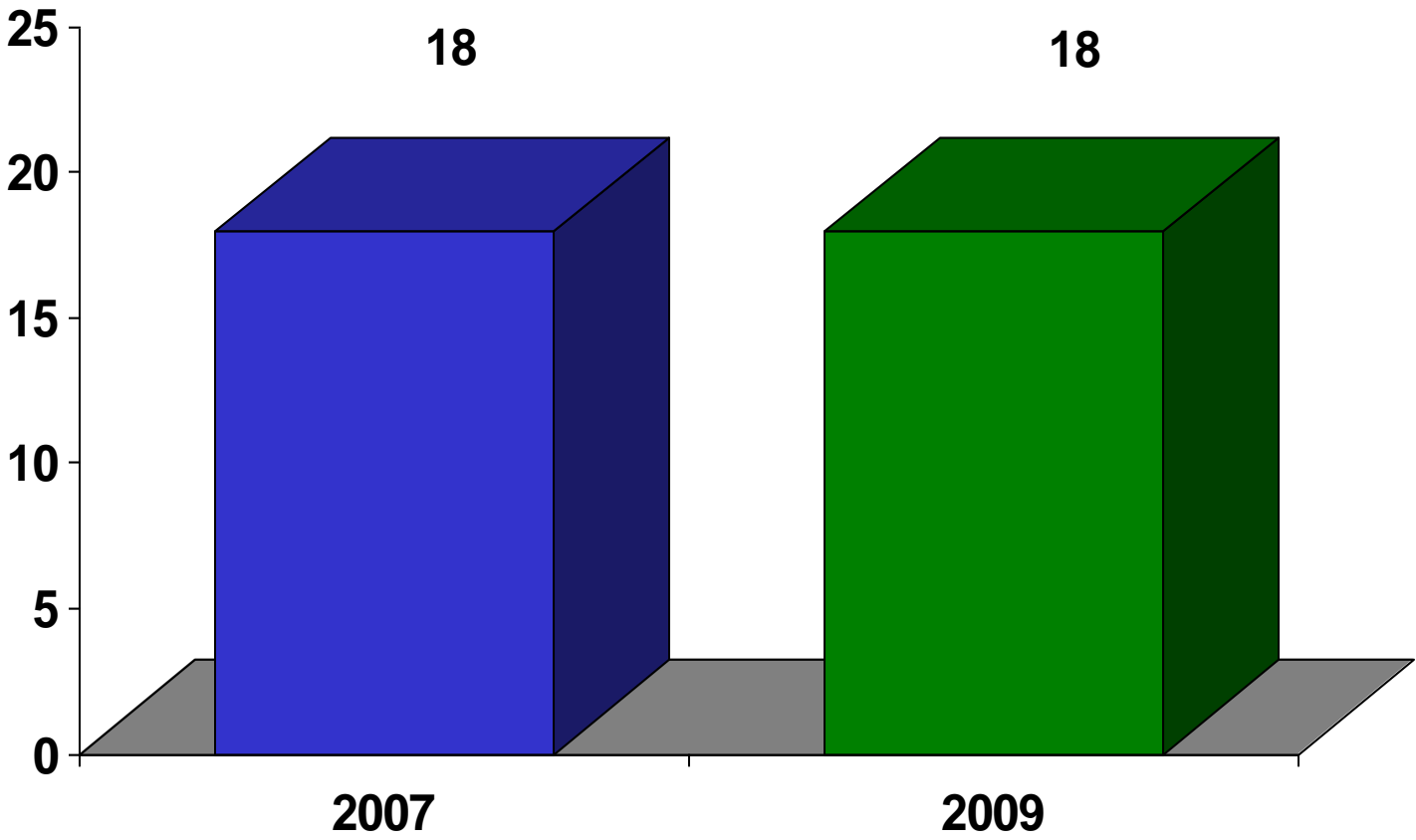
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- ✓ When it comes to promoting a strong and financially sound industry, only 7% say NCCOB is doing a *very good* job, down from 17% in 2007. Rather, most say the NCCOB does a *good* (21%) or *fair* (35%) job.
- ✓ When it comes to promoting a fair and responsible industry, only 6% give the NCCOB ratings of *very good* (down from 10% in 2007), compared to 32% who rate the Office as *good* and an additional 28% giving a rating of *fair*.

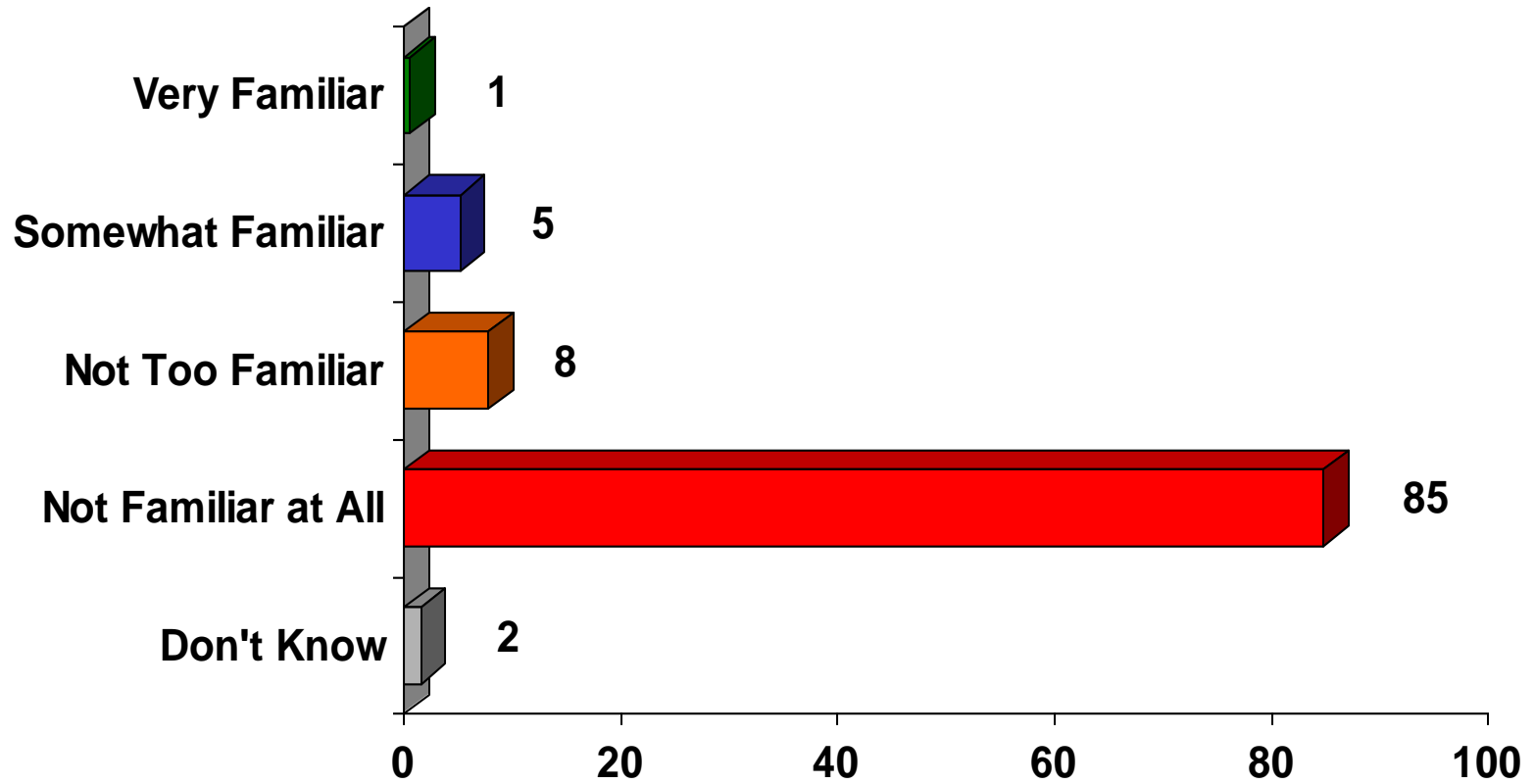
Favorable ratings for both measures dropped significantly between 2007 and 2009. It should be noted, however, that 2007 data for these measures are based on very small sample sizes and are not necessarily projectable.

# Have Heard of North Carolina Office of the Commissioner of Banks

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# Familiarity with the NCCOB and Its Mission



# Familiarity with the NCCOB and Its Mission

	<u>2007</u>	<u>2009</u>	<u>Change</u>
	(N = 500)	(N = 1000)	(in % points)
Very Familiar	1%	1%	NC
Somewhat Familiar	5	5	NC
Not too Familiar	14	8	- 6
Not Familiar at All	78	85	+ 7
Don't Know	1	2	+ 1

# Familiarity with the NCCOB and Its Mission

	<u>Total</u>	<u>18 to 34</u>	<u>35 to 54</u>	<u>55+</u>
	(N = 1,000)	(N = 169)	(N = 443)	(N = 388)
Very Familiar	1%	0%	1%	1%
Somewhat Familiar	5	4	4	<b>8</b>
Not too Familiar	8	7	7	9
Not Familiar at All	85	<b>89</b>	<b>87</b>	80
Don't Know	2	0	1	3

# Familiarity with the NCCOB and Its Mission

	<u>Total</u>	<u>Caucasian</u>	<u>African-American</u>	<u>Other</u>
	(N = 1,000)	(N = 688)	(N = 204)	(N = 92)
Very Familiar	1%	1%	1%	0%
Somewhat Familiar	5	4	7	5
Not too Familiar	8	7	10	7
Not Familiar at All	85	<b>86</b>	80	86
Don't Know	2	1	3	2

# Familiarity with the NCCOB and Its Mission

	<u>Total</u>	<u>HHI</u> <u>&lt;\$25K</u>	<u>HHI \$25-</u> <u>50K</u>	<u>HHI \$50-</u> <u>75K</u>	<u>HHI</u> <u>\$75K+</u>
	(N = 1,000)	(N = 175)	(N = 214)	(N = 188)	(N = 296)
Very Familiar	1%	0%	0%	1%	2%
Somewhat Familiar	5	5	7	3	5
Not too Familiar	8	8	8	5	9
Not Familiar at All	85	85	85	<b>90</b>	83
Don't Know	2	2	1	2	1

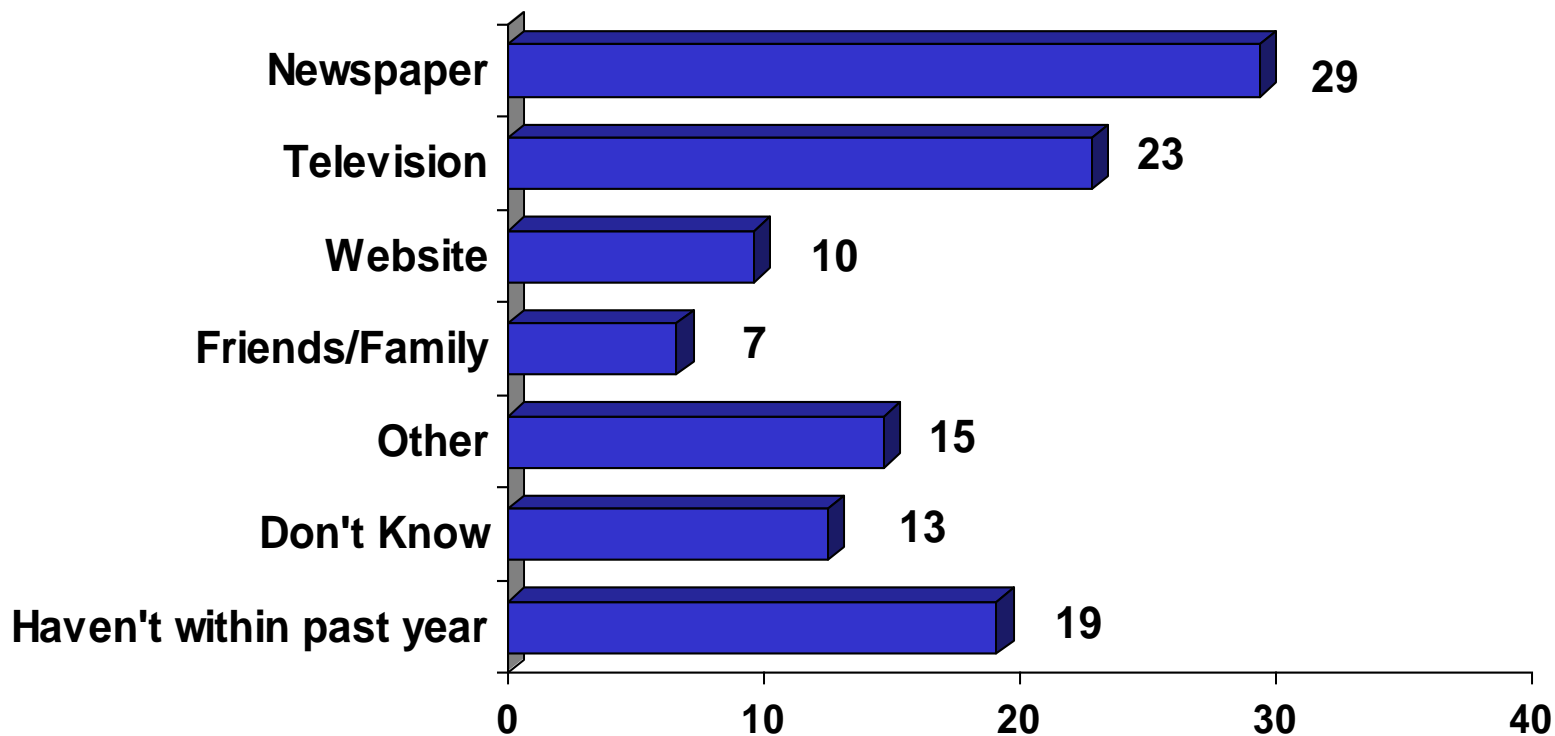
# Familiarity with the NCCOB and Its Mission

	<u>Total</u>	<u>Urban</u>	<u>Rural</u>
	(N = 1,000)	(N = 511)	(N = 489)
Very Familiar	1%	1%	<1%
Somewhat Familiar	5	5	6
Not too Familiar	8	7	9
Not Familiar at All	85	86	84
Don't Know	2	2	1



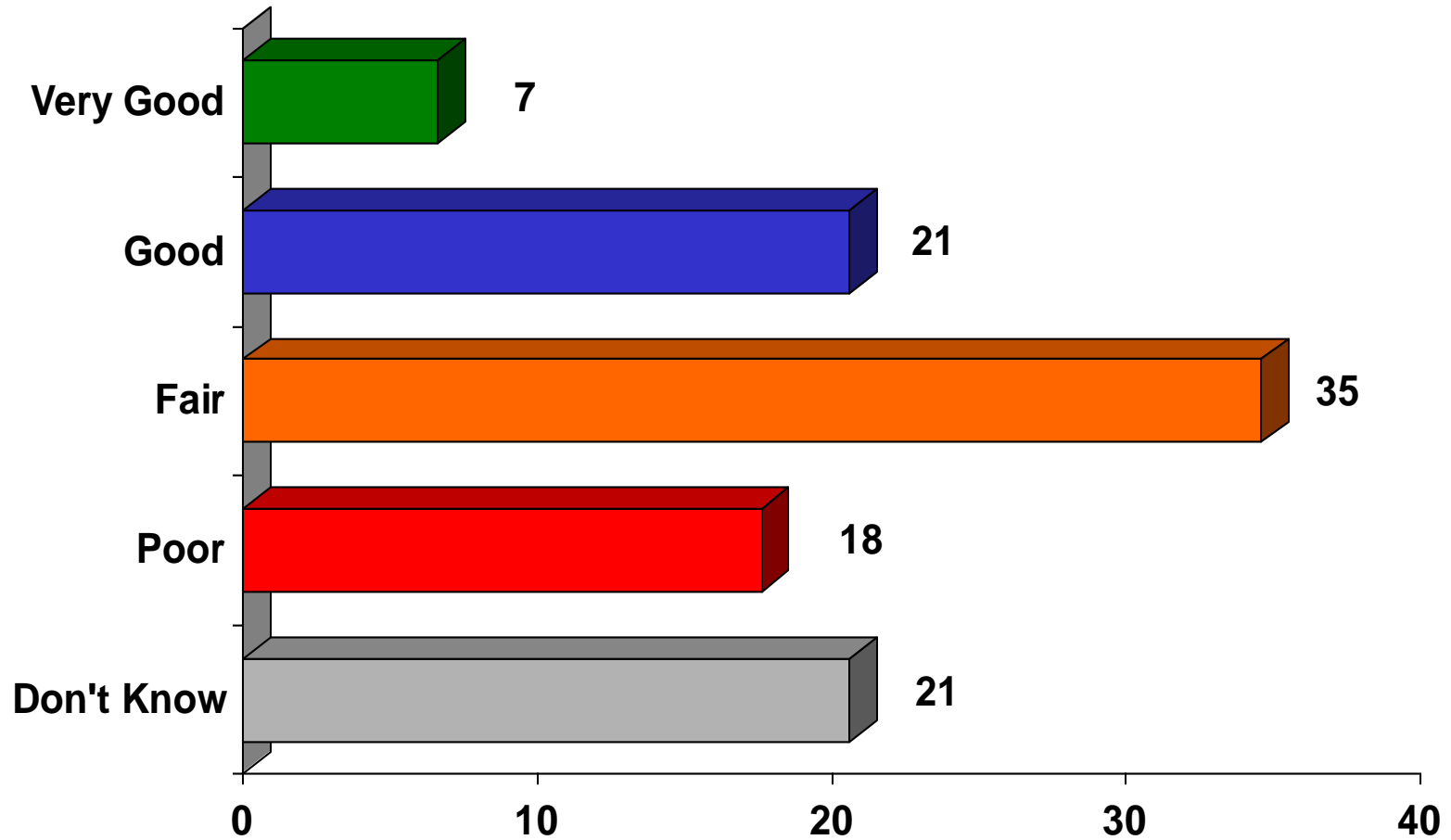
# Where, If Anywhere, Have You Heard About the North Carolina Office of the Commissioner of Banks?

(within the past year, among those familiar with the NCCOB, n = 136)



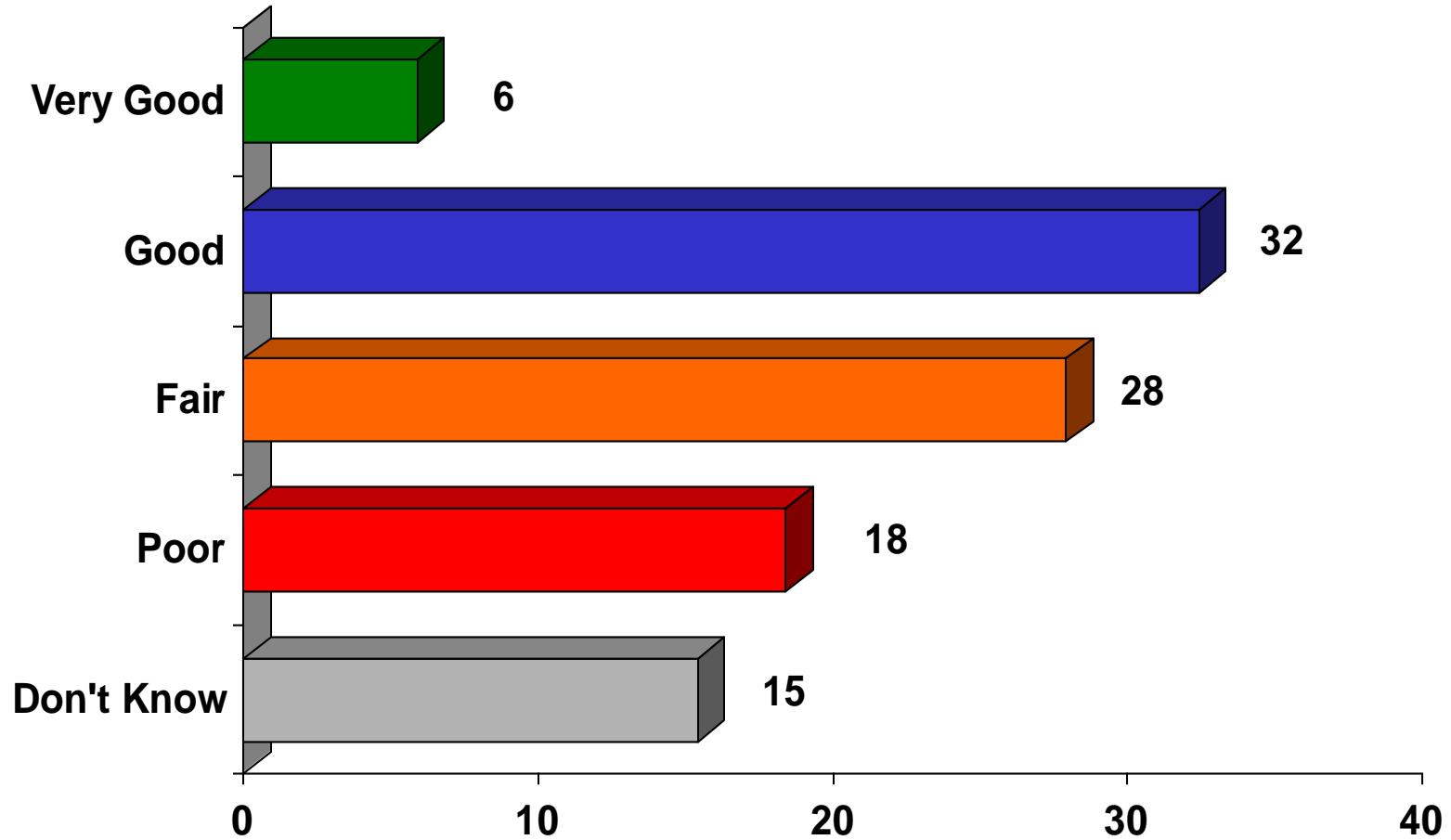
# Effectiveness of the NC Office of the COB in Promoting a Strong and Financially Strong Industry

(among those familiar with the NCCOB, n = 136)



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

(among those familiar with the NCCOB, n = 136)



# Effectiveness of NCCOB

## (among those familiar with NCCOB)

	<u>2007</u>	<u>2009</u>	<u>Change</u>
	(N = 29*)	(N = 136)	(in % points)
<b>Promoting a Strong and Financially Sound Industry</b>			
Very Good	17%	7%	- 10
Good	35	21	- 14
Fair	24	35	+ 11
Poor	10	18	+ 8
Don't Know	14	21	+ 7
<b>Promoting a Fair and Responsible Industry</b>			
Very Good	10%	6%	- 4
Good	48	32	- 16
Fair	17	28	+ 11
Poor	10	18	+ 8
Don't Know	14	15	+ 1

Q32a, b      \*Very small sample size limits data reliability and/or projectability.

# Likelihood of Utilizing the NCCOB

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- As in 2007, the NCCOB is not immediately thought of as a resource for problems and/or issues relating to the financial services market. This is due to its limited familiarity as opposed to any negative impressions or barriers.
- Only 3 respondents (out of 1000), indicate they have ever had dealings with the NCCOB.
- Still, findings identify significant willingness to utilize the NCCOB once more is known about it.

After being told about the the Office during the interview, two out of three (67%) respondents indicate they'd be likely to call if they had a problem or issue with a financial services provider and 68% say they'd contact the state if they had a problem or complaint with a lender.

# Likelihood of Utilizing the NCCOB

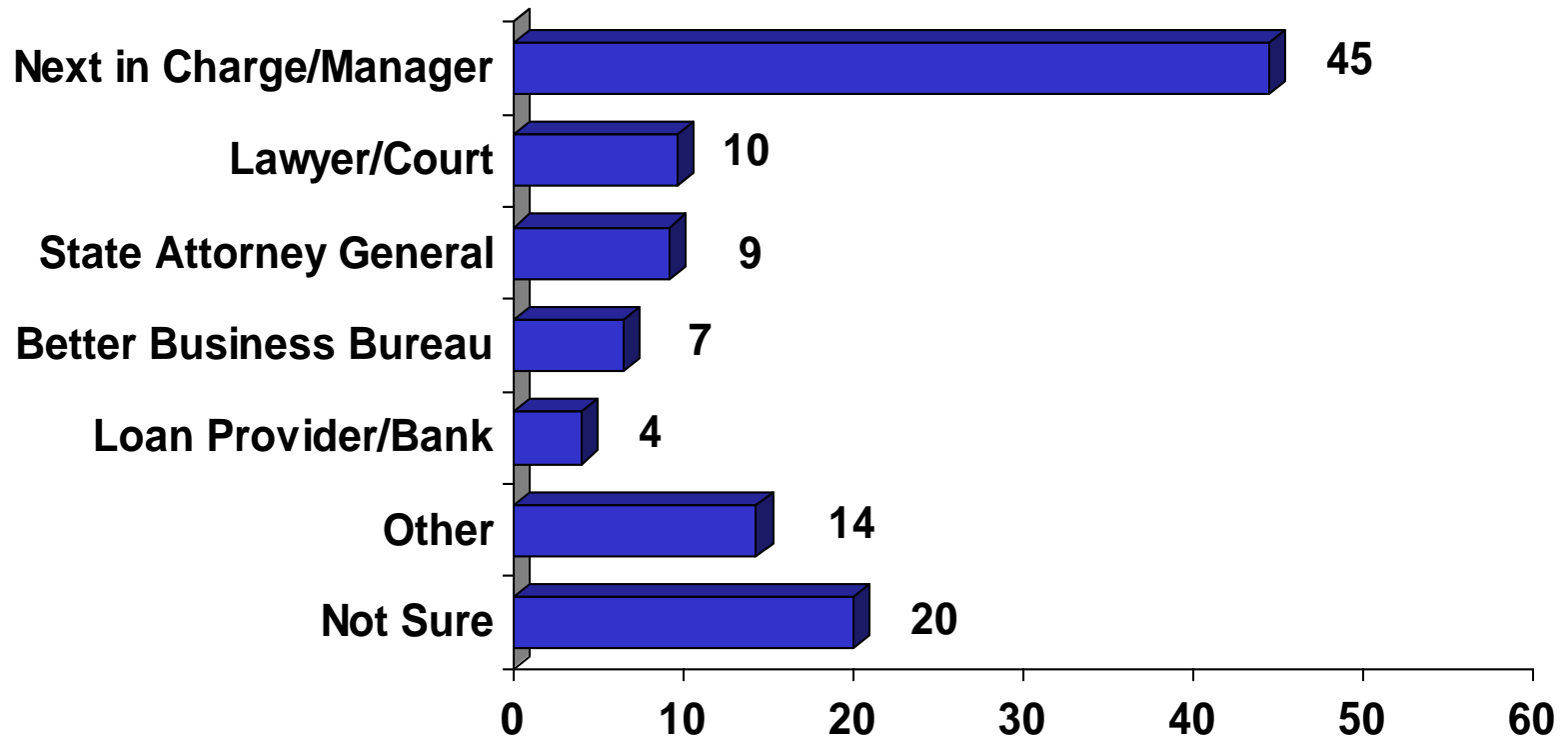
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Although the majority of respondents identify positive willingness, both measures are down significantly compared to 2007:

- ✓ Those saying they *definitely would* call the North Carolina Office of the Commissioner of Banks if they had a problem with a bank, mortgage lender, loan company, or other financial services provider dropped from 45% in 2007 to 28% in 2009; and
- ✓ Those saying they *agree strongly* that if they had a problem or complaint with a lender, they would contact the state dropped from 45% in 2007 to 34% in 2009.

Study findings do not provide definitive insights to the reason for this significant drop.

# If You Had an Unresolved Problem or Complaint Who Would You Go To for Resolution Assistance?

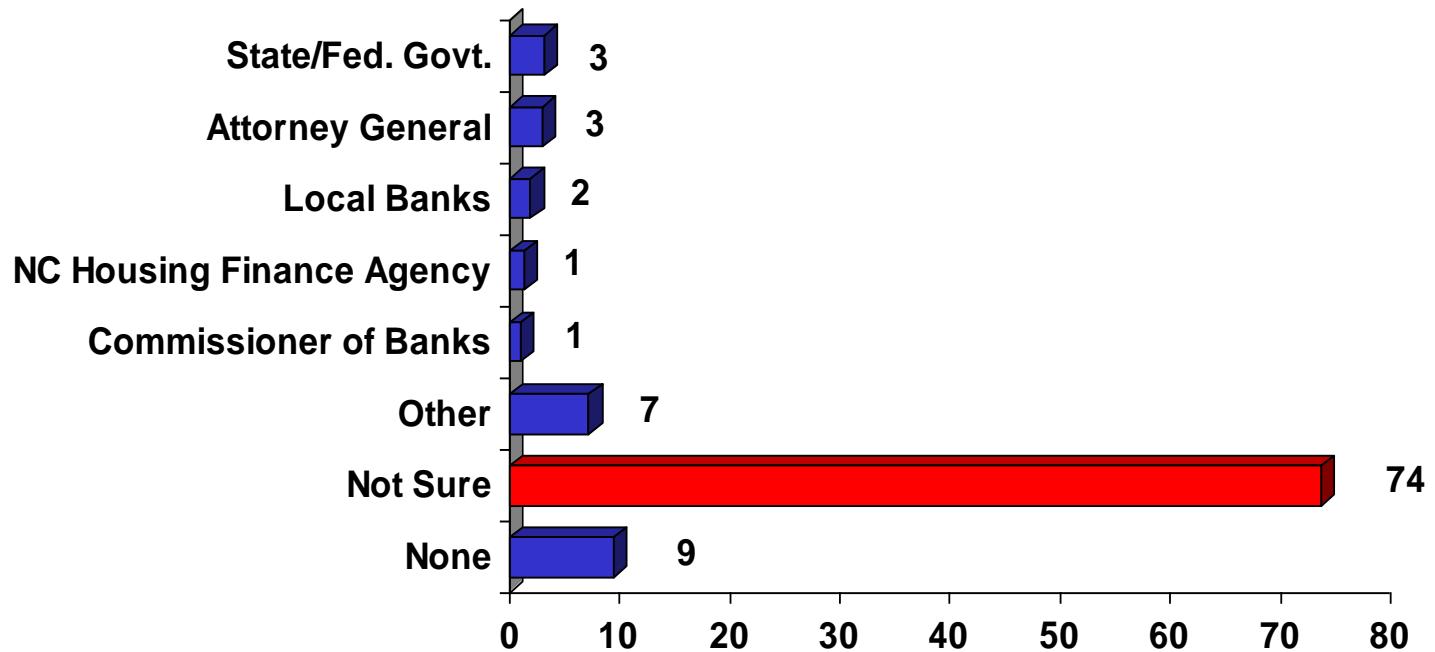


# If You Had an Unresolved Problem or Complaint Who Would You Go To for Resolution Assistance?

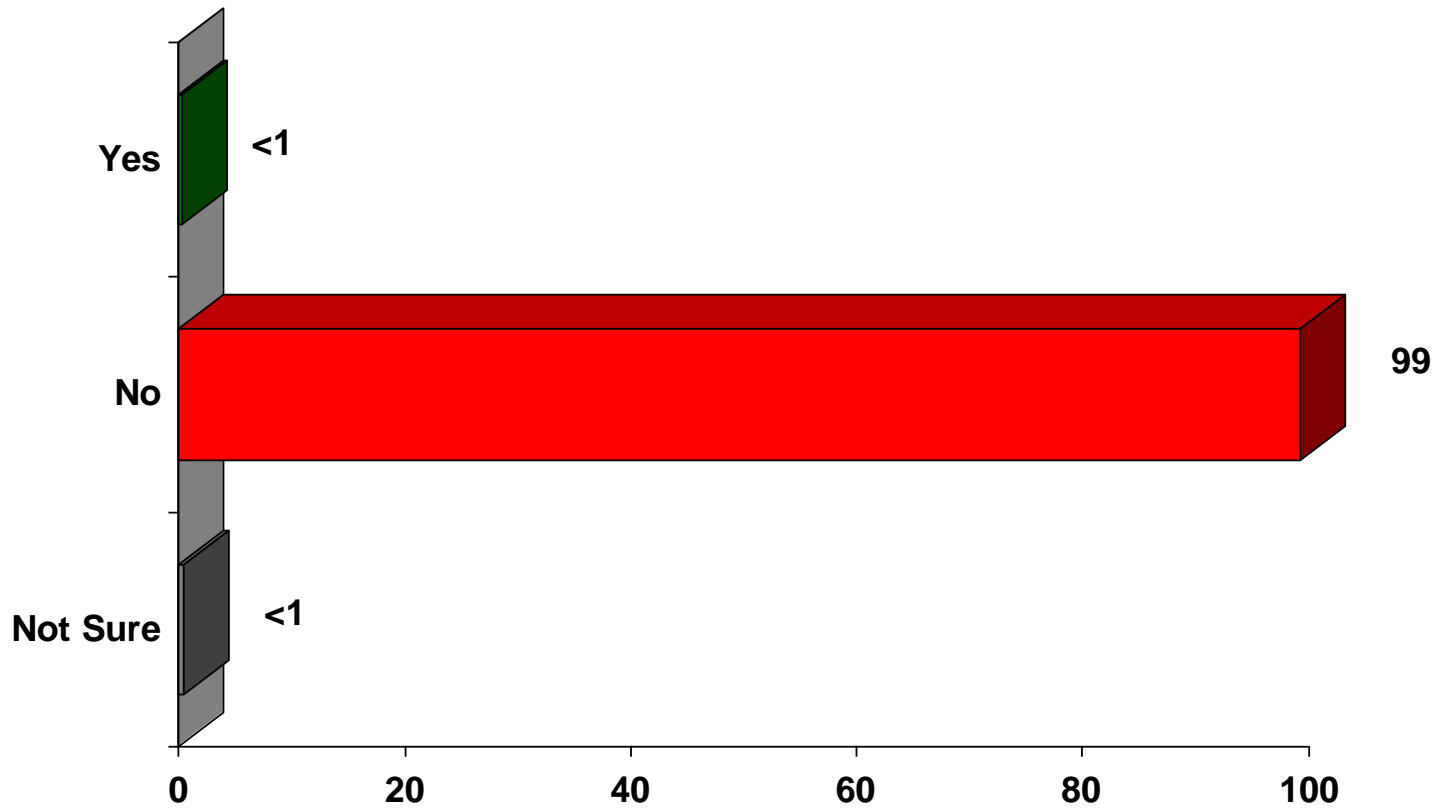
	<u>2007</u>	<u>2009</u>	<u>Change</u>
	(N = 500)	(N = 1000)	(in % points)
Next in Charge/President/Manager	27%	45%	+ 18
Lawyer/Court	11	10	- 1
State Attorney General/Govt. Official	5	9	+ 4
Better Business Bureau	10	7	- 3
Loan Provider/Bank/Fin. Institution	11	4	- 7
Other	8	14	+ 6
Not Sure/No Idea/Don't Know	27	20	- 7



# State Agencies Most Likely to Think of for Foreclosure Prevention and Related Programs



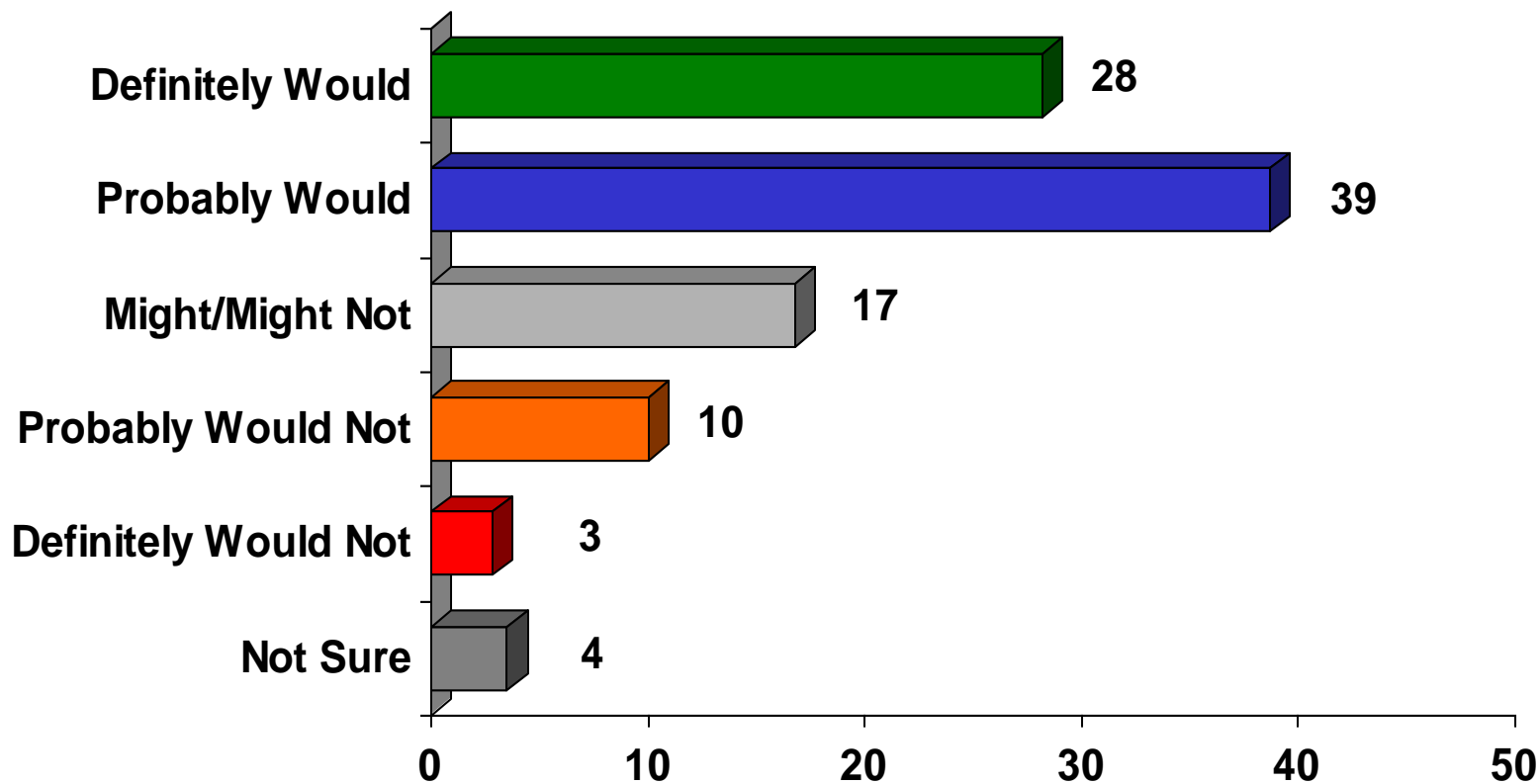
# Have Had Dealings with the NCCOB



# Have Had Dealings with the NCCOB

	<u>2007</u>	<u>2009</u>	<u>Change</u>
	(N = 500)	(N = 1000)	(in % points)
Yes	1	<1	NC
No	99	99	NC
Not Sure	1	<1	NC

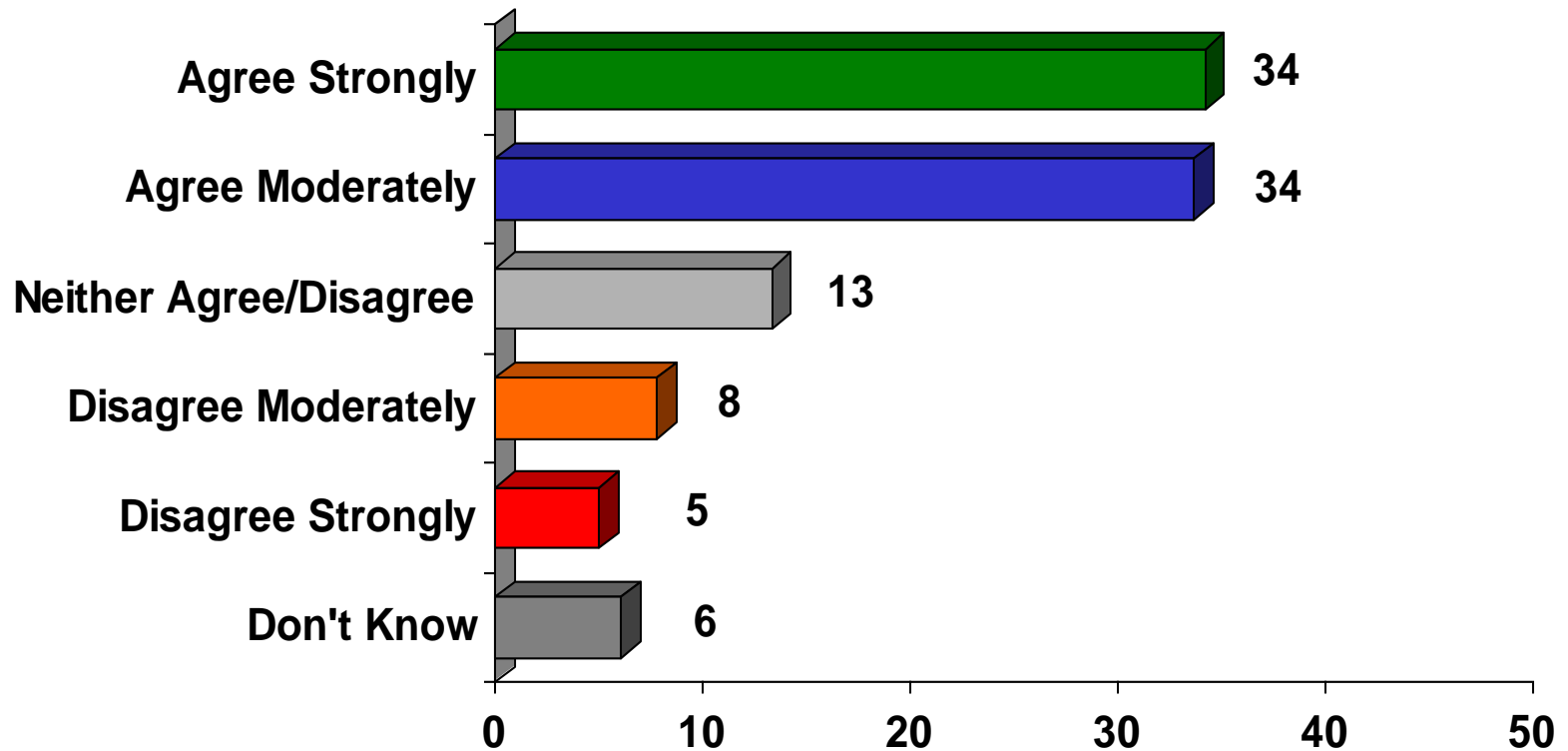
# Likelihood of Calling the Office of the COB if You Had a Problem with a Financial Services Provider (after learning about the agency and its mission)



# 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)

	<u>2007</u>	<u>2009</u>	<u>Change</u>
	(N = 500)	(N = 1000)	(in % points)
Definitely Would	45%	28%	- 17
Probably Would	30	39	+ 9
Might or Might Not	14	17	+ 3
Probably Would Not	7	10	+ 3
Definitely Would Not	1	3	+ 2
Not Sure	3	4	+ 1

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



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

	<b><u>2007</u></b>	<b><u>2009</u></b>	<b><u>Change</u></b>
	(N = 500)	(N = 1000)	(in % points)
Agree Strongly	45%	34%	- 11
Agree Moderately	26	34	+ 8
Neither Agree Nor Disagree	7	13	+ 6
Disagree Moderately	7	8	+ 1
Disagree Strongly	3	5	+ 2
Don't Know	11	6	- 5

# Perceptions Regarding North Carolina's Banking Regulations

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- Findings indicate that familiarity with North Carolina's banking regulations and how they might compare to other states continues to be very limited.
- Among those with a checking and/or savings account (n = 891), 32% say they *don't know* what government agency regulates it. The majority (60%), however, believes their institution is regulated by the FDIC.

As in 2007, only 1% mentions the North Carolina Office of the Commissioner of Banks.



# Perceptions Regarding North Carolina's Banking Regulations

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- In addition, when asked about the state's banking regulations, results identify a high degree of uncertainty and/or division:
  - ✓ *“North Carolina has stricter regulations for the financial services industry than other states”* -- 57% are neutral or don't know, 26% agree, and 18% disagree;
  - ✓ *“The state of North Carolina does an outstanding job of protecting the rights of customers against abuses in the financial services industry”* -- 42% are neutral or don't know, 38% agree, and 20% disagree; and
  - ✓ *“I think lenders in this state treat customers fairly”* – 46% agree, 30% are neutral or don't know, and 24% disagree.

# Perceptions Regarding North Carolina's Banking Regulations

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- Despite this uncertainty, however, findings identify support for stronger laws and regulations guiding financial services in North Carolina.

When asked if they feel North Carolina's laws and regulations regarding financial services in the state are too strong, not strong enough or about right, 38% feel they are not currently strong enough. This compares to only 13% who feel they are too strong and, even more importantly, it represents a significant increase from 2007 when 25% said they were not strong enough.

- In particular, respondents support more regulations in the mortgage loan industry:

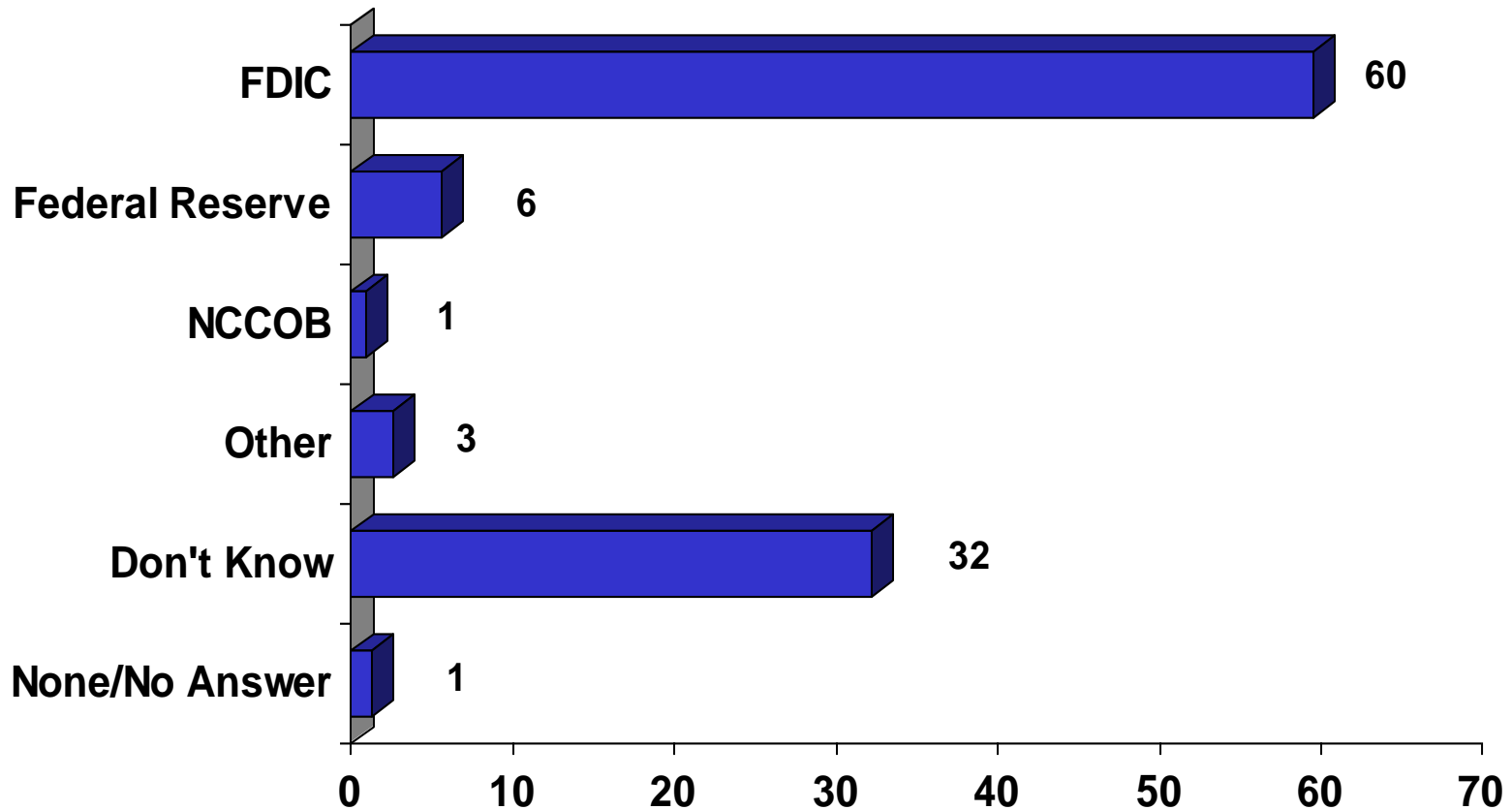
# Perceptions Regarding North Carolina's Banking Regulations

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- ✓ 64% support requiring mortgage brokers to represent their customers with the same duty as lawyers, doctors and other financial advisors; and
- ✓ 51% support reducing foreclosure rates, even if it means reducing opportunities for people with credit problems to become homeowners.

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

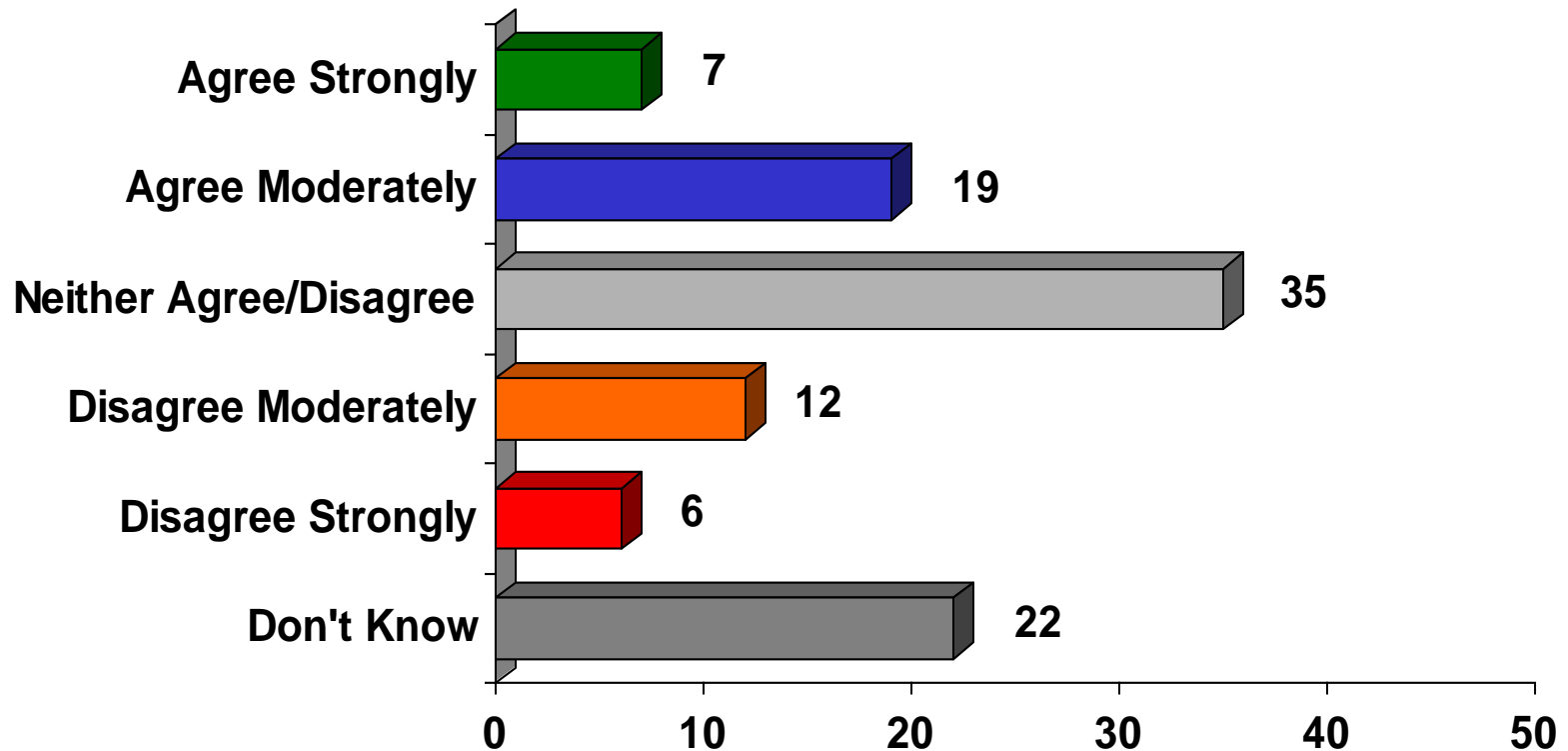
(among those with a savings and/or checking account, N = 891)



# Which Government Agency Regulates the Institution Where You Do Your Personal Banking? (among those with a savings and/or checking account)

	<u>2007</u>	<u>2009</u>	<u>Change</u>
	(N = 459)	(N = 891)	(in % points)
FDIC	59%	60%	+ 1
Federal Reserve	7	6	- 1
NCCOB	1	1	NC
Other	1	3	+ 2
Don't Know	28	32	+ 4
None/No Answer	8	1	- 7

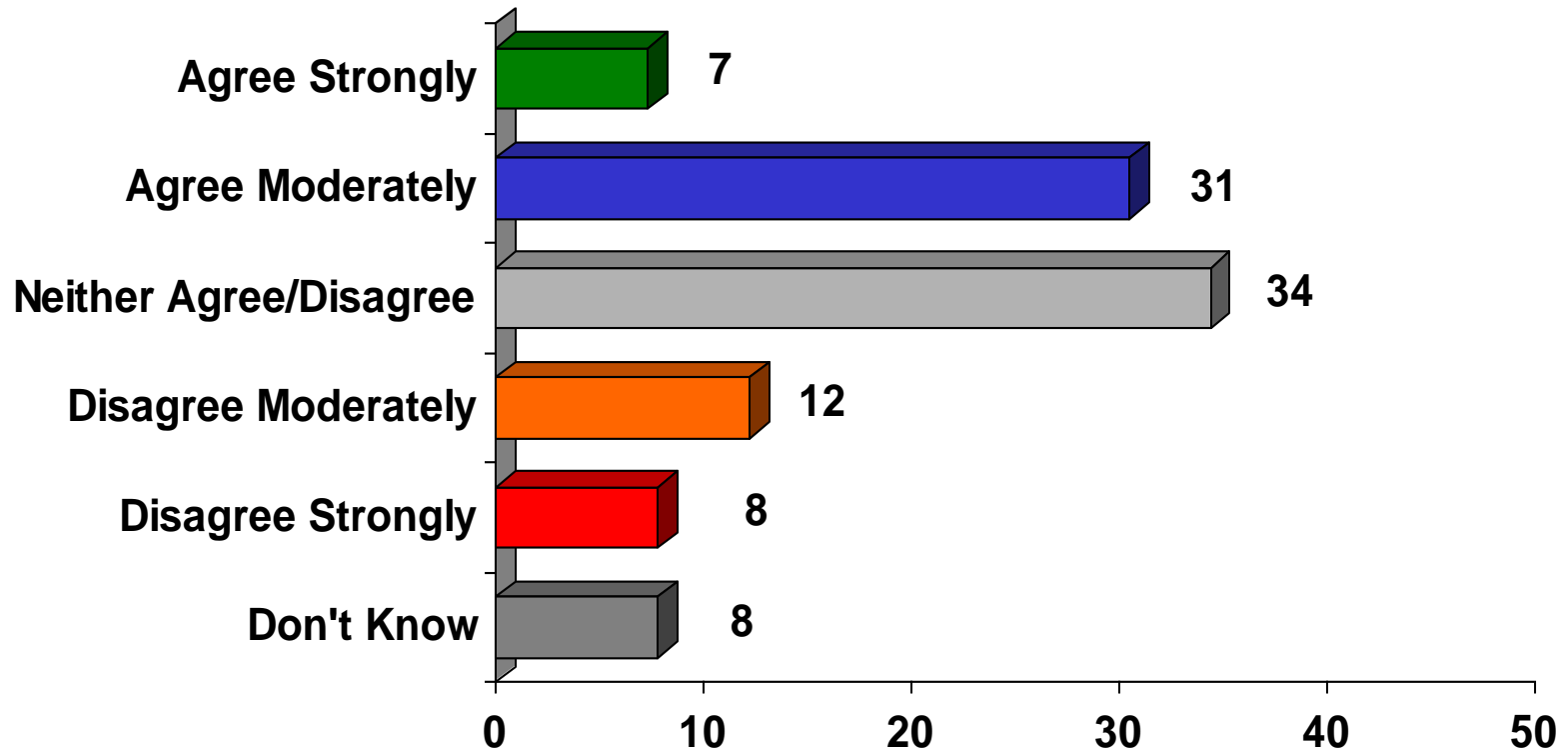
# “North Carolina has stricter regulations for the financial services industry than other states.”



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

	<u>2007</u>	<u>2009</u>	<u>Change</u>
	(N = 500)	(N = 1000)	(in % points)
Agree Strongly	10%	7%	- 3
Agree Moderately	13	19	+ 6
Neither Agree nor Disagree	27	35	+ 8
Disagree Moderately	8	12	+ 4
Disagree Strongly	4	6	+ 2
Don't Know	39	22	- 17

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

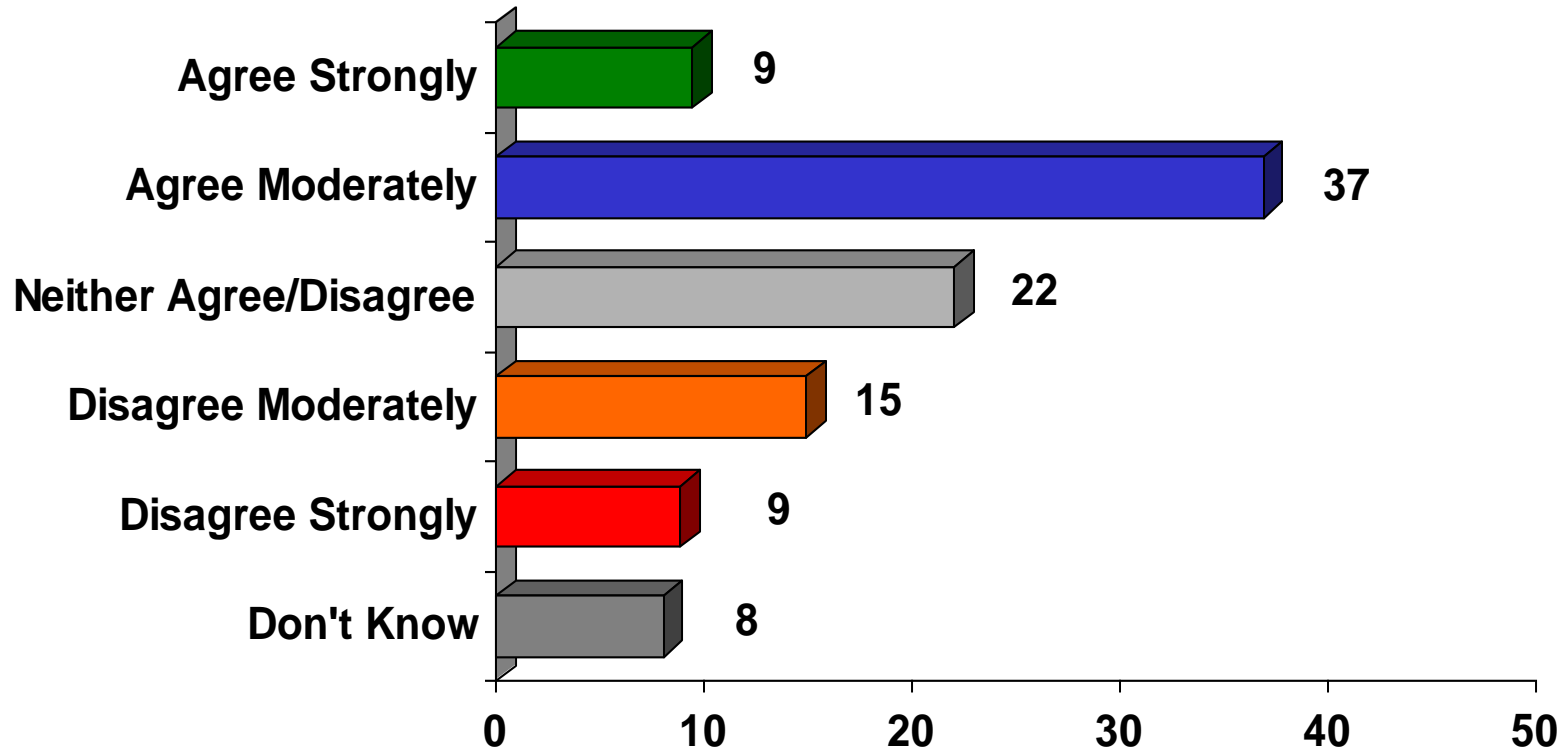




**“The state of North Carolina does an outstanding job of protecting the rights of customers against abuses in the financial services industry.”**

	<u>2007</u>	<u>2009</u>	<u>Change</u>
	(N = 500)	(N = 1000)	(in % points)
Agree Strongly	15%	7%	- 8
Agree Moderately	31	31	NC
Neither Agree nor Disagree	22	34	+ 12
Disagree Moderately	7	12	+ 5
Disagree Strongly	7	8	+ 1
Don't Know	18	8	- 10

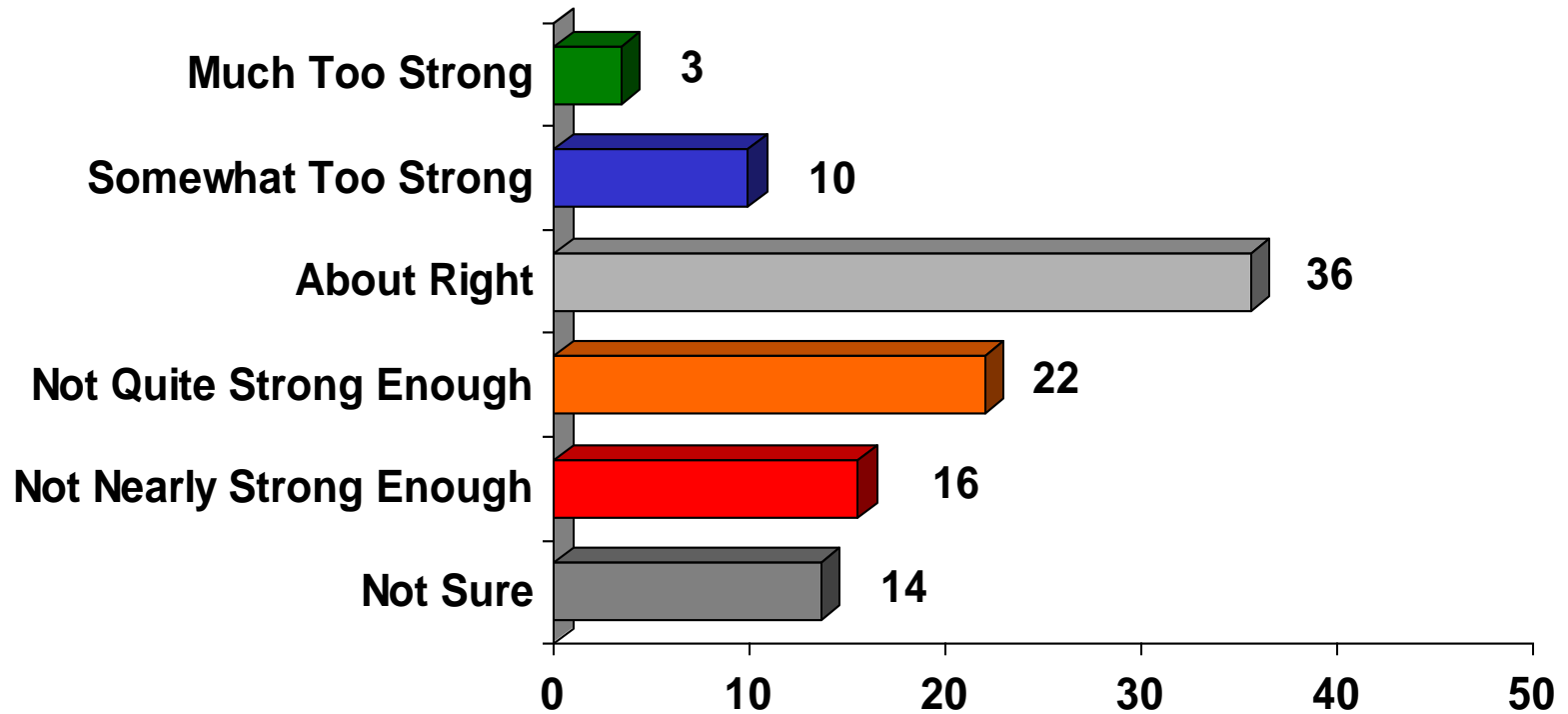
# “I think lenders in this state treat customers fairly.”



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

	<u>2007</u>	<u>2009</u>	<u>Change</u>
	(N = 500)	(N = 1000)	(in % points)
Agree Strongly	14%	9%	- 5
Agree Moderately	38	37	- 1
Neither Agree nor Disagree	16	22	+ 6
Disagree Moderately	13	15	+ 2
Disagree Strongly	8	9	+ 1
Don't Know	12	8	- 4

# Overall Perceptions of NC Regulations Relative to the Financial Services Industry



# Overall Perceptions of NC Regulations Relative to the Financial Services Industry

	<u>2007</u>	<u>2009</u>	<u>Change</u>
	(N = 500)	(N = 1000)	(in % points)
Much Too Strong	4%	3%	- 1
Somewhat Too Strong	6	10	+ 4
About Right	43	36	- 7
Not Quite Strong Enough	17	22	+ 5
Not Nearly Strong Enough	8	16	+ 8
Not Sure	22	14	- 8

# 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 = 1000)	(N = 169)	(N = 443)	(N = 388)
Much Too Strong	3%	3%	3%	4%
Somewhat Too Strong	10	9	11	10
About Right	36	40	37	32
Not Quite Strong Enough	22	<b>30</b>	21	20
Not Nearly Strong Enough	16	10	<b>18</b>	<b>16</b>
Not Sure	14	8	11	<b>19</b>

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

	<u>Total</u>	<u>&lt;\$25K</u>	<u>\$25-50K</u>	<u>\$50-75K</u>	<u>\$75K+</u>
	(N = 1000)	(N = 175)	(N = 214)	(N = 188)	(N = 296)
Much Too Strong	3%	<b>7%</b>	3%	4%	1%
Somewhat Too Strong	10	12	11	14	5
About Right	36	25	34	38	<b>46</b>
Not Quite Strong Enough	22	24	25	19	22
Not Nearly Strong Enough	16	17	15	16	18
Not Sure	14	15	13	10	8

# 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 = 1000)	(N = 688)	(N = 204)	(N = 92)
Much Too Strong	3%	3%	5%	2%
Somewhat Too Strong	10	8	<b>15</b>	12
About Right	36	<b>40</b>	25	26
Not Quite Strong Enough	22	22	20	<b>32</b>
Not Nearly Strong Enough	16	14	<b>20</b>	13
Not Sure	14	13	15	15



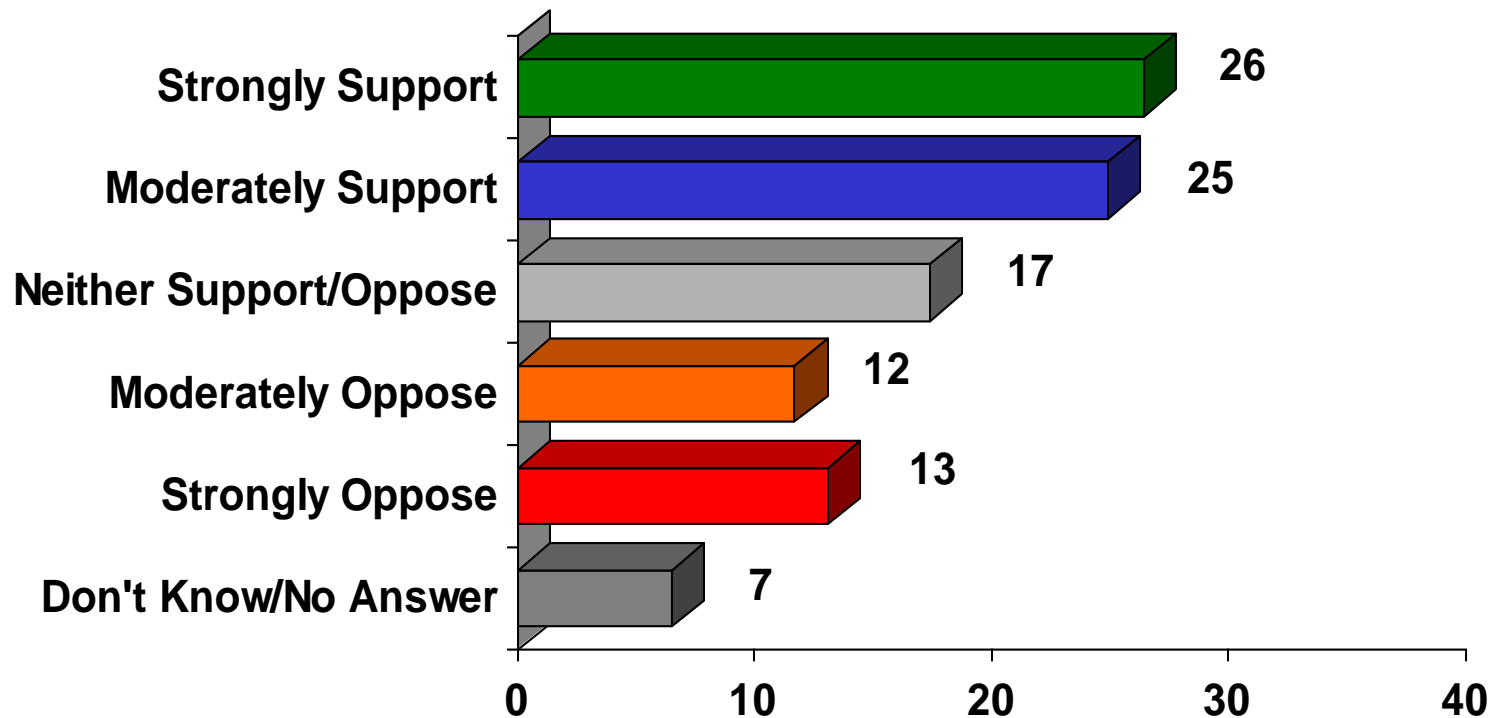
# Overall Perceptions of NC Regulations Relative to the Financial Services Industry by Area

	<u>Total</u>	<u>Urban</u>	<u>Rural</u>
	(N = 1000)	(N = 511)	(N = 489)
Much Too Strong	3%	3%	4%
Somewhat Too Strong	10	9	11
About Right	36	36	36
Not Quite Strong Enough	22	23	21
Not Nearly Strong Enough	16	16	15
Not Sure	14	14	14

# Support for Additional Legislation:

**“To reduce foreclosure rates, even if it means reducing opportunities for people with credit problems to become homeowners.”**

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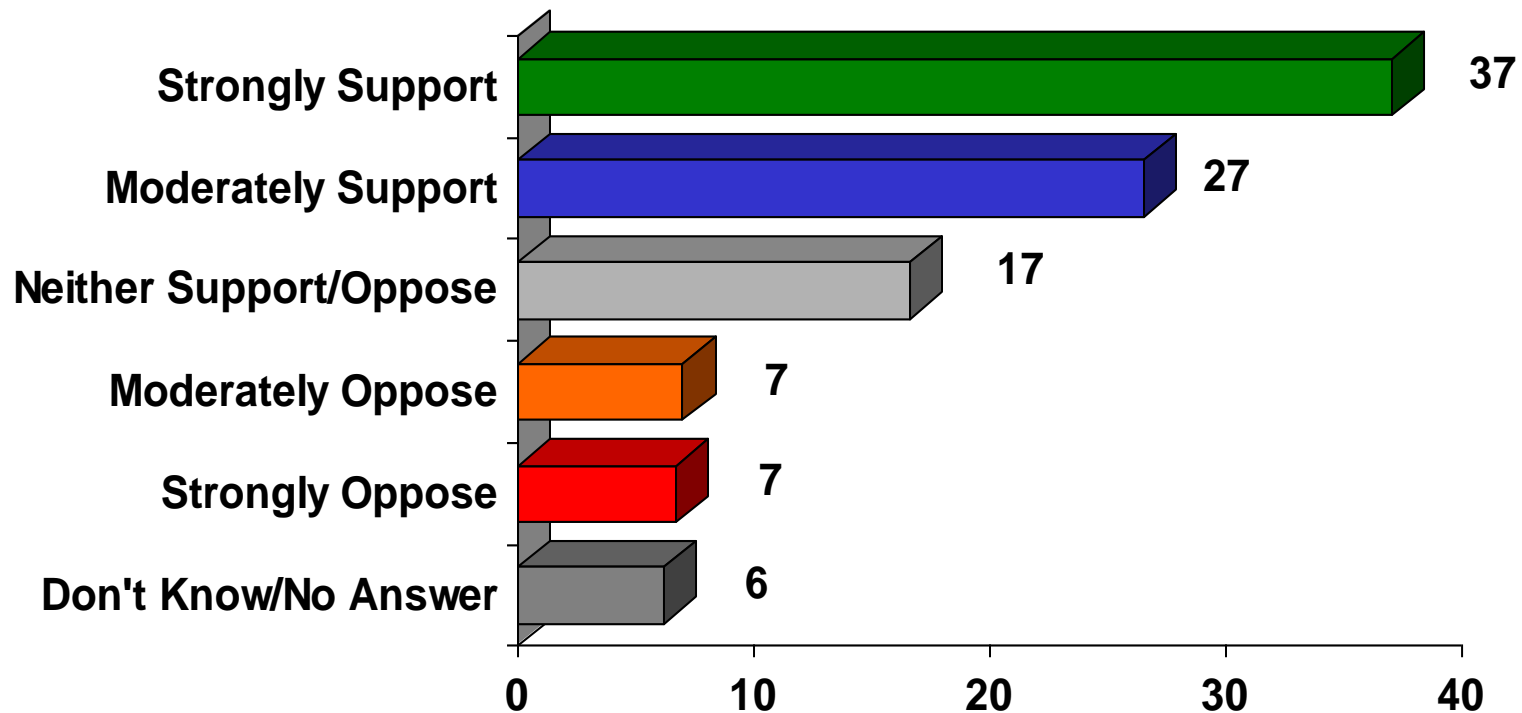
## Support for Additional Legislation:

**“To reduce foreclosure rates, even if it means reducing opportunities for people with credit problems to become homeowners.”**

	<u>2007</u>	<u>2009</u>	<u>Change</u>
	(N = 500)	(N = 1000)	(in % points)
Strongly Support	21%	26%	+ 5
Moderately Support	25	25	NC
Neither Support/Oppose	16	17	+ 1
Moderately Oppose	11	12	+ 1
Strongly Oppose	8	13	+ 5
Don't Know/No Answer	19	7	- 12

# Support for Additional Legislation:

**“To require mortgage brokers to represent their customers with the same duty as lawyers, doctors and other financial advisors.”**



## Support for Additional Legislation:

**“To reduce foreclosure rates, even if it means reducing opportunities for people with credit problems to become homeowners.”**

	<u>2007</u>	<u>2009</u>	<u>Change</u>
	(N = 500)	(N = 1000)	(in % points)
Strongly Support	48%	37%	- 11
Moderately Support	20	27	+ 7
Neither Support/Oppose	8	17	+ 9
Moderately Oppose	5	7	+ 2
Strongly Oppose	3	7	+ 4
Don't Know/No Answer	17	6	- 11

# *A MarketSearch Study*

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## **Respondent Profile**

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# Respondent Profile

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- To the degree possible, respondents reflect a representative mix of North Carolina residents with direct experience in one or more financial services categories within the past two years.
- The sample was stratified geographically throughout the state and to reflect an appropriate mix of rural and urban counties.

# Respondent Gender

	<u>2007</u>	<u>2009</u>	<u>Change</u>
	(N = 500)	(N = 1000)	(in % points)
Male	42%	47%	+ 5
Female	58	53	- 5



# Respondent Age

	<u>2007</u>	<u>2009</u>	<u>Change</u>
	(N = 500)	(N = 1000)	(in % points)
18 to 24	2%	4%	+ 2
25 to 34	12	13	+ 1
35 to 44	20	21	+ 1
45 to 54	22	23	+ 1
55 to 64	20	20	NC
65 or Older	23	19	- 4

# Respondent Education

	<u>2007</u>	<u>2009</u>	<u>Change</u>
	(N = 500)	(N = 1000)	(in % points)
8 <sup>th</sup> Grade or Less	3%	1%	- 2
Some High School	7	5	- 2
HS Diploma or GED	26	25	- 1
Trade or Technical School	7	4	- 3
Some College	18	21	+ 3
College Degree	24	29	+ 5
Graduate Degree	11	13	+ 2
Don't Know/Refused	3	2	- 1

# Respondent Ethnicity

	<u>2007</u>	<u>2009</u>	<u>Change</u>
	(N = 500)	(N = 1000)	(in % points)
Caucasian	77%	69%	- 8
African American	15	20	+ 5
Hispanic	1	4	+ 3
Asian/Pacific Islander	1	1	NC
Some Other Ethnicity	2	2	NC
A Combination of Two or More	3	2	- 1
Don't Know/Refused	2	2	NC

# Area of Residence

	<u>2007</u>	<u>2009</u>	<u>Change</u>
	(N = 500)	(N = 1000)	(in % points)
Rural	35%	32%	- 3
Small Town	22	26	+ 4
Suburban	19	19	NC
Urban	22	18	- 4
Not Sure	2	2	NC
Refused	1	2	+ 1

# Length of Time as Resident of NC

	<u>2007</u>	<u>2009</u>	<u>Change</u>
	(N = 500)	(N = 1000)	(in % points)
Less than 2 Years	3%	3%	NC
2 to 5 Years	5	9	+ 4
6 to 10 Years	9	9	NC
11 to 20 Years	9	14	+ 5
More than 20 Years	72	64	- 8
Don't Know/Refused	2	2	NC

# Household Income

	<u>2007</u>	<u>2009</u>	<u>Change</u>
	(N = 500)	(N = 1000)	(in % points)
Under \$25,000	17	18	+ 1
\$25,000 to \$49,999	30	21	- 9
\$50,000 to \$74,999	20	19	- 1
Over \$75,000	19	30	+ 11
Refused	15	13	- 2

# *A MarketSearch Study*

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**Conclusion**

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# Conclusion

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Overall, study findings identify a variety of changes in consumer behaviors and perceptions regarding the financial services market in North Carolina. While, for the most part, it appears that these changes relate to turmoil in the financial services sector in general (rather than being exclusive to North Carolina), there are implications for the state's financial institutions, lenders, and regulators. Further, consumers are increasingly concerned about and/or dissatisfied with financial services and service providers.

This climate represents an ideal opportunity for the North Carolina Office of the Commissioner of Banks to build awareness and communicate its mission of promoting strength, efficiency, and fairness of the financial services marketplace for the state's residents.