Linking Tax Refunds and Low-Cost Bank Accounts: Findings from the Extra Credit Savings Program

Sondra G. Beverly
University of Kansas

Jennifer Tescher
ShoreBank

Jennifer L. Romich
Northwestern University

David Marzahl
Center for Law and Human Services

September 2001

AUTHORS' NOTE

The Extra Credit Savings Program was made possible in part by a grant from the Ford Foundation. The Ford Foundation and the Joyce Foundation supported the evaluation research. The authors thank Dequiana Brooks, Emily Burkhalter-Blosser, Thamar King, Judy Martinez, Renell Morgan, Veronica Nelson, Seow Ling Ong, John Ottomanelli, Elizabeth Rossman, Kevin Ruland, Efrain Soto, Nicol Turner, and José Valdez for helping to collect and prepare the data.

1. OVERVIEW OF THE EXTRA CREDIT SAVINGS PROGRAM AND EVALUATION

Policy-makers and community advocates have become increasingly concerned about individuals who do not have a checking or savings account, who rely on "alternative" financial services such as check-cashing outlets and payday and pawnshop loans, and who have little or no assets. At the same time, participation in the Earned Income Tax Credit (EITC) program continues to rise, providing millions of low-income workers with a potentially substantial source of savings. In response to these two trends, ShoreBank (formerly South Shore Bank) and the Center for Law and Human Services created the Extra Credit Savings Program. This initiative seeks to connect the "unbanked" to mainstream financial services and to facilitate on-going saving and asset accumulation in low-income households by linking tax refunds to low-cost bank accounts.

This paper presents findings from an evaluation of the Extra Credit Savings Program (ECSP). The rest of this section provides background information on unbanked families, the EITC, the ECSP, and the evaluation research. The second section describes ECSP participants in terms of demographics, financial attitudes, and financial behaviors. Section 3 presents data regarding planned and actual uses of tax refunds by ECSP participants. Section 4 documents patterns of activity in ECSP accounts. The fifth section describes effects of the ECSP program, as perceived by the participants, and the final section summarizes and concludes.

UNBANKED FAMILIES IN THE U.S.

According to data from the Survey of Consumer Finances (SCF), in 1998, about 10 percent of all U.S. families had neither a checking or savings account (Kennickell, Starr-McCluer, & Surette, 2000). Estimates from the SCF indicate that about 13 percent of all U.S. families and about 24 percent of lower-income[1] families were unbanked in 1995 (Hogarth & O'Donnell, 1999). Estimates from other data sets suggest that as many as 20 percent of all American households are unbanked (Carney & Gale, 1999; Hurst, Luoh, & Stafford, 1998). The large number of unbanked families is troubling for several reasons: First, those without bank accounts pay more for routine financial transactions such as check-cashing and bill-paying (Caskey, 1994; Consumer Federation of America, 1997; Doyle, Lopez, & Saidenberg, 1998). Second, it is difficult for the unbanked to build a positive credit history (Caskey, 1997). Finally, it is more difficult to accumulate assets because financial savings kept outside of formal financial institutions are less secure, are more susceptible to consumption pressures and temptations (Beverly, Moore, & Schreiner, 2001), and do not earn interest.

Policy-makers and consumer groups have developed a number of initiatives to bring the unbanked into the financial mainstream, with limited success. In the 1980s, several states passed legislation requiring commercial banks to offer low-cost banking accounts called "lifeline" or basic accounts (Doyle et al., 1998; Hogarth & O'Donnell, 1999). In the middle- and late-1990s, the federal government created regulations that require electronic delivery of federal payments,

[1] Lower-income families had less than 80 percent of median family income (Hogarth & O'Donnell, 1999).

and consumer groups advocated for provisions that would help unbanked recipients of federal benefit payments open and maintain low-cost accounts (see Stegman, 1999). In December 2000, Congress appropriated $10 million to the Treasury Department for the "First Accounts" initiative (to help the unbanked access convenient, secure, and low-cost financial services), but the Bush administration has put this initiative on hold.

THE EARNED INCOME TAX CREDIT

The federal EITC is a refundable tax credit administered through the income tax system. The credit was created in 1975 to offset the burden of Social Security and Medicare payroll taxes for working-poor families with children. Major expansions of the credit were enacted in 1986, 1990, 1993, and 2001. In 1999, federal spending for the EITC was almost double the amount of federal spending for the Temporary Assistance for Needy Families (TANF) program. Although childless workers are eligible for a small refund, the program largely benefits working families with children. In the 1999 tax year, the maximum benefit was $2,312 for families with one child and $3,816 for families with two or more children (see Hotz & Scholz, 2001 for an overview of the EITC and related studies).

For several years, the Internal Revenue Service has promoted the advance EITC payment option, which allows EITC-eligible individuals to receive a portion of their credits through their paychecks, but virtually all EITC recipients receive a lump-sum refund after they file their tax returns (Hotz & Scholz, 2001). With an average EITC benefit of about $1,500 for families with one child, and about $2,300 for families with multiple children (Johnson, 2000), the credit offers a unique asset-building opportunity for low-income taxpayers, who often lack the resources to open, or contribute to, a savings account or other investment vehicle. In fact, a 1998 study of 826 EITC recipients in Chicago (Smeeding, Phillips, & O'Connor, 2000) found that nearly half of the sample planned to use all or some of their tax refunds for "social mobility" purposes such as the purchase or repair of a home or car, payment of school or college tuition, or debt payments. Saving was particularly important: More than a quarter (28 percent) identified saving as an important use of the EITC. However, only 36 percent of the sample had a checking account, and only 28 percent had a savings account. As Smeeding et al. suggest, those without bank accounts may have difficulty saving or even prioritizing uses of a large tax refund.

While the EITC provides many lower-income families with substantial income tax refunds, refund payments may also include overwithholding. If individuals make no distinction between EITC payments and overwithholding, then the essential link for the program described here is between *tax refunds* and low-cost savings accounts. However, if EITC payments are perceived differently than overwithholding—for example, if individuals are more likely to anticipate and make plans to use EITC payments—then the essential link is between the EITC and low-cost savings accounts.

THE EXTRA CREDIT SAVINGS PROGRAM

The Extra Credit Savings Program is a pilot program developed by ShoreBank, a community development financial institution serving under-invested communities in Chicago, and the Center for Law and Human Services (CLHS), a non-profit organization that seeks to increase the resources of low-income families and individuals by improving access to public benefit and

entitlement programs. Between January and April 2000, the Tax Counseling Project of CLHS offered free tax preparation assistance and electronic filing of tax returns to EITC-eligible individuals two nights a week at a ShoreBank branch. On these evenings, ShoreBank bankers invited individuals to join the Extra Credit Savings Program. Those who chose to participate opened no-fee, no-minimum-balance savings accounts and arranged to have their 1999 federal tax refunds directly deposited into these accounts. Funds in ECSP accounts earn a market rate of interest (2.5 percent in 2000), and a no-fee ATM card is available.[2] As an extra saving incentive, participants received an additional 10 percent bonus on funds remaining in the account on December 31, 2000 (up to a maximum bonus of $100 per account-holder). Enrollment in the ECSP was voluntary and was not limited to those without bank accounts.

DATA SOURCES AND RESEARCH QUESTIONS

This research uses six sources of data from ECSP participants. CLHS intake forms completed by participants as they waited to have their taxes prepared provide demographic data. Data from federal tax returns compiled by CLHS provide additional demographic data, as well as income and tax information. Monthly bank statements provide data on ECSP account transactions. Account-holders completed 15-minute surveys upon enrollment and 5-minute follow-up telephone surveys in November and December 2000. The baseline survey included both open- and closed-ended questions on planned EITC uses, saving-related attitudes, perceptions of banks and account features, and use of financial services. The follow-up survey asked participants about actual refund uses and about perceived effects of ECSP participation. Finally, in-home qualitative interviews were conducted with a subset of participants. In addition to these sources of data for ECSP participants, CLHS provided intake form and tax return data (with all identifying information removed) for the individuals who received tax preparation assistance at the ShoreBank site but chose not to open ECSP accounts.

With these data, we seek to answer several research questions:

1. How many eligible individuals chose to participate in the Extra Credit Savings Program?

2. What are the characteristics of ECSP participants, and how do they differ from those who chose not to enroll?

3. Why did participants choose to enroll in the program?

4. How did ECSP participants plan to use their tax refunds, and how did they actually use their refunds?

5. What are the patterns of saving and withdrawal for ECSP accounts?

---

[2] ShoreBank did not charge fees for ATM use, whether account holders used ShoreBank-owned ATMs or those owned by other banks. However, individuals may have been charged fees (typically $1.50 per use) by other banks for using their ATMs.

6. Do ECSP participants believe the program changed their financial attitudes and behaviors? If so, how?

TAKE-UP AND RESPONSE RATES

Table 1 provides information on the "take-up" rate and various response rates. Out of 446 individuals who filed their taxes at the CLHS-ShoreBank site,[3] 89 chose to open an ECSP account, for a take-up rate of 20 percent. Eighty-six of these account-openers were adults and therefore eligible study participants. Seventy-two of these eligible individuals completed the informed consent process, resulting in an overall study participation rate of 84 percent.[4] Sixty-nine individuals completed baseline surveys.

For many research questions, it is necessary to restrict the sample to participants whose refunds were directly deposited into an ECSP account. As of February 15, 2001, 60 participants had had 1999 tax refunds directly deposited into their ECSP accounts. After we exclude two individuals who received refunds smaller than $15, our primary sample for questions regarding account activity and refund use consists of 58 participants who received non-negligible refunds. Of these individuals, 34 completed follow-up phone surveys, resulting in an overall follow-up survey response rate of 59 percent.

In-depth open-ended interviews were conducted with participants representing different types of account users. Potential interviewees were drawn from those who did not have bank accounts at baseline and who were contacted during the round of phone surveys. Nine of the first 12 participants for the in-person interviews were contacted and interviewed; two were never contacted and one declined to participate. This gives an overall interview participation rate of 75 percent among those selected and 90 percent among those ever reached. Appendix 1 provides additional details on the selection process and methods used in in-depth interviews.

[3] Sixty-three other individuals met with CLHS volunteers at the ShoreBank site but did not complete the filing process.

[4] Of the remaining 14 adults who opened ECSP accounts, seven refused to participate in the research study, and seven could not be reached.

Table 1 Percent of Eligible Individuals Who Opened an Account, Completed Consent Process, and Completed Surveys and Interviews

Number of individuals filing taxes at CLHS-ShoreBank site	446	
Number of CLHS-ShoreBank filers opening ECSP account	89	
Percent of eligible individuals opening ECSP account		20%
Number of eligible study participants	86	
Number of eligible individuals completing informed consent process	72	
Percent of eligible individuals participating in study		84%
Number of ECSP account-openers completing baseline survey	69	
Percent of study participants completing baseline survey		96%
Percent of ECSP account-holders completing baseline survey		80%
Number of study participants receiving non-negligible refunds	58	
Number of refund-receivers completing follow-up survey	34	
Percent of refund-receivers completing follow-up survey		59%
Number of account-holders selected for in-depth interviews	12	
Number of account-holders completing in-depth interview	9	
Percent of selected account-holders completing in-depth interview		75%

2. CHARACTERISTICS OF ECSP PARTICIPANTS AND CORRELATES OF ECSP ENROLLMENT

As noted in the previous section, 89 individuals chose to open ECSP accounts, for a take-up rate of 20 percent. In this chapter, we summarize demographic and tax information for ECSP participants. We also use logistic regression analysis to identify the demographic and tax variables associated with the decision to enroll in the ECSP. In addition, we use baseline survey data to describe behavioral and attitudinal characteristics of ECSP participants.

DEMOGRAPHIC CHARACTERISTICS AND TAX REFUND INFORMATION

Table 2 provides information on demographic characteristics and 1999 federal income tax status for ECSP participants and non-participants. Participants were predominantly female and African-American, and most had never been married. The median age was 34, and the median number of dependents was 1. In economic terms, the group was fairly disadvantaged: Half had received Food Stamps in 1999, and almost one-third had received TANF. The median 1999 federal adjusted gross income (AGI) was under $9,000. The median anticipated federal tax refund was $1,206.[5]

Because one goal of the Extra Credit Savings Program is to connect the unbanked to the financial mainstream, we are particularly interested in the percentage of participants who did not have a checking or savings account upon enrollment. According to CLHS intake form data, 74 percent were unbanked at the time of enrollment. According to baseline survey data, however, about 60 percent of ECSP participants were unbanked. It is impossible to know which figure is more accurate, but we have greater confidence in the survey data for at least two reasons: First, individuals may not have reported account ownership on the intake form because they mistakenly believed that having an account would make them ineligible for the ECSP. This fear is less likely to have affected survey responses because individuals usually completed surveys after opening their ECSP accounts. Second, the surveys were completed via face-to-face interviews, while the intake forms were completed by individuals as they waited for tax preparation assistance. It seems reasonable to expect more complete and accurate data from the surveys. On the other hand, survey data could underestimate the number of participants without bank accounts upon enrollment if individuals mistakenly considered their new ECSP accounts when asked whether they had bank accounts.[6] Still, we adopt the smaller estimate and conclude that about 60 percent of participants were unbanked at enrollment.

[5] "Anticipated" refunds come from completed tax forms. Actual amounts may differ from anticipated amounts. Refunds are negative for individuals who owe taxes.

[6] The first relevant survey question read, "Other than the Extra Credit Savings Account you just opened, do you currently have a savings account at a bank or credit union?"

Table 2 Characteristics of ECSP Participants (N=70) and Non-Participants (N=357)

		Participants	Non-Participants
Female		84%	77%
Race/Ethnicity			
African-American		99%	97%
Latino		0%	2%
Native American		1%	0%
Other Race		0%	1%
Marital Status			
Married		7%	9%
Never Married		72%	72%
Separated or Divorced		16%	15%
Widowed		4%	4%
Number of Dependents	Mean	1.2	1.1
1999 Program Participation			
Social Security or Unemployment Insurance		9%	16%
TANF		29%	23%
Food Stamp		51%	33%
Medicaid		27%	28%
1999 Adjusted Gross Income	Mean	$9,051	$10,745
	Median	$8,570	$9,312
	Range	$161 – $31,590	$0 – $37,059
Calendar Week of Tax Return Submission			
	Mean	7.5	8.6
	Median	6.4	8.4
	Range	3.3 – 14.4	3.3 – 19.3
Anticipated Federal Refund Amount	Mean	$1,692	$1,434
	Median	$1,206	$841
	Range	$0 – $4,688	-$2,197 – $5,557
Unbanked[a]		61%	54%

Source: Tax return and intake form data collected by the Tax Counseling Project of CLHS

[a] Data on account ownership for participants come from the baseline survey. See text for explanation.

CORRELATES OF ECSP PARTICIPATION

Next, we identify differences between ECSP participants and non-participants. Table 2 shows demographic characteristics and tax refund information for non-participants. In Table 3, we use logistic regression to identify the independent effects of these variables on ECSP participation. Because there is so little variance, we omit race and ethnicity variables from the model, and we collapse the four marital status variables into one variable contrasting never-married participants with all others. We also replace number of children with a dichotomous variable identifying participants with children in the household. Finally, we divide anticipated federal refund amount and anticipated EITC amount by 500 to make the odds ratios easier to interpret (see below). Given the small sample, point estimates tend to be imprecise, and it is difficult to achieve statistical significance at conventional levels. Here, we note some differences that are not statistically significant but emphasize the need to re-examine correlates of program participation with a larger sample.

Three independent variables are significant at conventional levels. Controlling for other variables in the model, Food Stamp recipients were about three times more likely than non-recipients to enroll in the ECSP (odds ratio = 3.2). Those who did not receive Medicaid were 2.6 (1/0.39) times more likely than Medicaid recipients to enroll. It is difficult to explain these patterns. In addition, individuals who filed their taxes earlier were more likely to enroll. This finding contradicts our expectation that early filers would be less interested in a saving program because they were especially eager for their tax refunds. Perhaps early filers who came to the CLHS-ShoreBank site were unwilling to pay the fees associated with "rapid refund" loans but found the direct deposit of tax refunds—associated with the ECSP—very appealing.

Several other variables have significance levels somewhat higher than conventional levels. Anticipated refund amount was positively associated with enrollment. The odds ratio implies that a $500 increase in anticipated refund is associated with a 11 percent increase in the odds of ECSP participation. This relationship is significant at the 0.17 level and is consistent with anecdotal evidence: ShoreBank employees noticed that individuals often wanted to complete their tax forms to determine refund status and size before deciding whether to open an ECSP account. Unbanked individuals may have been more likely to open ECSP accounts, but this relationship is significant only at the 0.47 level. Controlling for all other variables in the model—including account ownership—higher-income individuals were less likely to open ECSP accounts, but the estimated effect is small. Finally, females may have been more likely to enroll in the ECSP, and never-married individuals, Social Security or UI recipients, TANF recipients, and those living with children may have been less likely to enroll.

Table 3 Correlates of ECSP Participation: Logistic Regression Results (N=385)

	Parameter Estimate	p-value	Odds Ratio
Intercept	-0.81	0.24	—
Female	0.42	0.51	1.52
Never married	-0.22	0.43	0.81
Children in the household	-0.42	0.33	0.65
Social Security or Unemployment Insurance recipient	-0.60	0.22	0.55
TANF recipient	-0.30	0.48	0.74
Food Stamp recipient	1.17	0.003**	3.21
Medicaid recipient	-0.95	0.02*	0.39
Calendar week of tax return submission	-0.10	0.04*	0.91
Adjusted Gross Income / 500	-0.02	0.10	0.98
Unbanked	0.23	0.47	1.26
Anticipated federal refund amount / 500	0.10	0.17	1.11
-2 log likelihood	323.94	—	—
Chi-square (df=11)	28.46*	0.003	—

Source: Tax return and intake form data collected by the Tax Counseling Project of CLHS

* $p < 0.05$; ** $p < 0.01$

BEHAVIORAL AND ATTITUDINAL CHARACTERISTICS OF ECSP PARTICIPANTS

By creating a low-cost conventional savings account, the ECSP aimed to reduce reliance on "fringe" banking services such as check-cashing, money orders, and short-term high-interest loans. Another goal of the program was to increase awareness of and comfort with mainstream financial institutions. We expected ECSP participants to have fairly strong saving motives. In this section, we use survey and interview data to describe baseline use of financial services, reasons for opening ECSP accounts, attitudes about saving and financial institutions, saving motives, and saving barriers.

Use of Financial Services

In the baseline survey, we asked participants about financial services used recently. In the past month, 62 percent of respondents had purchased at least one money order, and 53 percent had cashed at least one check at a check-cashing outlet. In interviews, participants often noted that their landlords required rent to be paid in cash or with a money order. Some participants

preferred money orders as a way to keep records of child care or tuition payments without having the liability of a checking account. Forty-three percent of respondents had a credit card, usually a Visa or Mastercard. The use of other credit products, including bank, finance-company, payday, and auto-title loans, was much less common.

As noted above, about 60 percent of participants were unbanked at the time of enrollment. About one-third of these unbanked individuals had never had an account, and another one-third had not had an account in at least three years. For those without accounts, we read a list of possible reasons for not having an account and asked whether each item helped explain why they did not have an account. Four items were named by more than half of respondents: "You don't need an account because you don't have any savings" (66 percent); "You want to keep your financial records private" (66 percent); "Banks require too much money just to open an account" (59 percent); and "Bank account fees are too high" (56 percent). In interviews, respondents noted that they had previously closed bank accounts because of minimum balance rules. One woman explained that she closed her savings account during an unemployment spell:

> Because I didn't have a job. I didn't maintain a minimum balance and the fees start getting at you, they started charging you. After a while you ain't working, you're constantly taking money out instead of putting some in. I just went ahead and cashed it out.

Relatively few survey respondents (10 percent) blamed inconvenient bank hours and locations.

Next, we asked participants without accounts to name the most important reason they did not have an account. The same four items ranked highly. However, the most commonly-cited reasons were large opening deposit requirements (28 percent) and the desire to keep financial records private (28 percent). The desire for privacy may be related to concerns about credit history. One college graduate with outstanding student loans said that she took advantage of the on-site account because there was no credit check.

Reasons for Opening an ECSP Account

Survey respondents were also asked why they decided to open an ECSP account. The first question on this topic was open-ended,[7] and the 69 survey respondents mentioned a total of 96 reasons. Thirty-two respondents (46 percent) named some sort of saving motive, usually a general saving motive (e.g., "To learn to save money," "To try to save more money," "I need to save"). Twenty-eight respondents (41 percent) mentioned wanting a bank account, including 21 who expressed a general desire for an account (e.g., "I wanted to open up a savings account before," "This is something I've been meaning to do for awhile") and seven who expressed a specific desire to save in a formal institution (e.g., "Need an account to save money," "To have a secure place for money," "It's easier to save when money is in the bank and not in my hand"). These last responses reveal a saving motive as well as a desire for a bank account.

[7] We coded all open-ended questions in four steps: Two individuals separately developed coding schemes and then discussed each discrepancy until they reached consensus. The same two individuals separately assigned codes and then reached consensus on discrepancies.

Responses from the in-depth interviews indicate that the ECSP offer nudged some people to act on pre-existing desires for accounts and savings. However, many of these participants were not actively looking for an account. For instance, one young woman who was asked if she would have opened any account in the absence of the program replied:

> Yes, eventually, I always said that I wanted to open another savings account, especially since I have a son now… [The offer] was another good thing, because I had kinda been talking about getting it, and that just kinda pushed me on to do it.

Another woman used very similar language, saying that the offer "helped me, pushed me a little."

In another portion of the survey, participants were read a list of nine account features and asked: (1) whether each feature was important in their decision to open an account, and (2) which feature was most important in their decision to open an account. When allowed to name multiple features, more than half of respondents named each of the nine account features (Table 4). When asked to choose the most important account feature, 16 respondents (24 percent) cited the absence of fees, 12 (18 percent) cited the tax refund serving as opening deposit, and 11 (16 percent) cited interest payments.

Table 4 Number and Percentage of ECSP Participants Citing Account Features as Important in Decision to Open an ECSP Account, by Account Ownership

		Most Important		
	Ever-Mentioned (N=69)	All (N=68)	Unbanked (n=41)	Banked (n=27)
Account has no fees	69 (100%)	16 (24%)	8 (20%)	8 (30%)
Money earns interest	68 (99%)	11 (16%)	9 (23%)	2 (7%)
Money earns 10% year-end bonus	64 (93%)	8 (12%)	3 (8%)	5 (19%)
Account has no minimum balance	61 (88%)	8 (12%)	3 (8%)	5 (19%)
Tax refund is opening deposit	57 (83%)	12 (18%)	11 (27%)	1 (4%)
Tax Counseling Project co-sponsored ECSP program	57 (83%)	1 (1%)	0	1 (4%)
Account comes with free ATM card	55 (80%)	1 (1%)	1 (3%)	0
Refund will arrive faster	53 (77%)	5 (7%)	3 (8%)	2 (7%)
Account provides access to other bank services	47 (68%)	4 (6%)	2 (5%)	2 (7%)
Other	9 (13%)	2 (3%)	1 (3%)	1 (4%)

Source: ECSP baseline survey data

Table 4 also shows the most important account features separately for those with and without accounts upon enrollment. For the unbanked, the most commonly-cited feature was the ability to open an account with a tax refund. We believe many unbanked individuals chose to open an ECSP account because the opportunity was presented *when they anticipated having money available*. The anecdotal evidence cited above also supports this proposition: Individuals often wanted to know their refund status before deciding whether to open an ECSP account.[8] Other important account features for the unbanked were interest payments and the absence of fees. For individuals with bank accounts, the most important account feature was the absence of fees. Other important features were the year-end bonus and the absence of a minimum balance requirement. We suspect that banked participants compared ECSP features to features of their other accounts and decided that the ECSP account was a more attractive depository for tax refunds.

Attitudes about Saving and Financial Institutions

We asked participants how much they agreed or disagreed with a series of statements designed to measure attitudes about saving and financial institutions. All respondents said that saving was important, but most expressed some pessimism about their ability to save, or to save meaningful amounts. Respondents also generally had favorable attitudes toward financial institutions. Of course, ECSP participants are a self-selected group and probably had more favorable and optimistic attitudes toward saving and financial institutions than the general lower-income population.[9]

Unbanked ECSP participants were somewhat less likely than banked participants to strongly agree that saving is important. This finding could indicate that those who place less value on saving are less likely to open accounts (and thus were more likely to be unbanked at the time of enrollment). Because the unbanked tend to be more economically disadvantaged, this finding may also indicate that saving seems somewhat less important in the face of more urgent subsistence needs. Unbanked individuals were also more pessimistic about their ability to save. They were equally likely to believe that checking and savings accounts are secure. Interestingly, the unbanked were more likely to believe that it is easier for people to save when they have a bank account and that direct deposit is a good idea. These findings may suggest that the unbanked somewhat overestimate the extent to which account ownership and direct deposit lead to asset accumulation.

---

[8] In interviews, unbanked participants wavered on whether they would have opened the account in the absence of a refund. One woman who had never held an account before hesitated and quietly offered, "Probably somewhere else eventually." Another flatly responded no. The one woman who was convinced she would have opened the account in the absence of the refund had recently closed another account and was receiving steady unemployment checks.

[9] Responses may also reflect social desirability bias, the tendency for survey participants to give responses they believe will please interviewers. Pro-saving sentiments were just as frequently expressed during the in-depth interviews perhaps indicating that social desirability bias is consistent across methods. An alternative explanation is that wanting to save is a widely-held social norm. Hence making any effort toward savings represents a validating activity (Rainwater, 1974), linking potential savers with mainstream society.

Saving Motives

We asked respondents whether their households were currently saving money, and if so, if they were saving for anything in particular. For those who reported having a particular saving motive, we asked an open-ended question, "What are you saving for?" Thirty-one participants (45 percent) said their households were currently saving. Of these, nine said they were not saving for anything in particular. The remaining 22 participants named 35 specific saving motives. The most common motives were home purchase, mentioned by 15 percent of participants, and education for children or grandchildren, mentioned by 10 percent of participants. Other motives named by multiple participants were vehicle purchase (6 percent); emergencies, hard times, or "the future" (6 percent); and retirement (3 percent). The unbanked were less likely to report currently saving, and those who were saving were less likely to report specific saving motives.

Saving Barriers

To assess barriers to saving, we asked respondents the following open-ended question: "What, if anything, makes it difficult for you to save?" Seven participants (10 percent) named no barriers. The most commonly-cited barriers reflect difficulties finding "surplus" resources: Almost half of the participants (48 percent) mentioned bills or debt payments, 19 (28 percent) referred to inadequate income, 11 (16 percent) mentioned expenses for children, and 7 (10 percent) mentioned emergencies or unusual expenses. In-depth interviews show that multiple types of unexpected expenses occur over the course of a year. One woman without children in the household complained that many unexpected expenses arose, "I thought I was going to be saving some money, but then different things started happening in the house, and to the cars, … you know, different things." By targeting low-income participants, the ECSP naturally tapped into a group of persons for whom expenses generally equal or exceed income.

Variations in spending discipline may also contribute to difficulties in saving. Four phone survey respondents (6 percent) said they had trouble resisting temptations to spend money. In in-depth interviews two persons also cited splurging as a major barrier to saving. One young woman criticized her own money management,

> 'cause the things that I don't need, I be thinking that I need. I just go out and spend money because I have it and say, 'yeah, I can get it.' Then when it's time for me to really need that [money] I don't have it and I'm like, 'dang.'

Two others said they too splurged, but only after paying bills. Paying bills early, cutting up ATM cards and purposefully choosing a bank branch far from home were cited as methods to control impulsive spending. On the other end of the spectrum were good savers, one of whom wrote out a complete weekly balance sheet every Sunday evening and another who saved over $1000 at home and bragged, "I can manage money real well."

3. USES OF TAX REFUNDS BY ECSP PARTICIPANTS

This section describes planned and actual uses of tax refunds by ECSP participants.

PLANNED USES OF TAX REFUNDS BY ECSP PARTICIPANTS

Like Smeeding et al. (2000), we asked respondents to the baseline survey how they planned to use their tax refunds. Respondents were first asked, "What are the most important things you plan to do with your tax refund?"[10] Twenty-seven respondents identified one planned tax refund use, 19 respondents named two uses, 14 named three uses, and eight named four uses. Thus, when allowed to identify multiple uses, 68 respondents named a total of 139 uses. Next, those who gave multiple responses were asked to name the most important use.

We coded responses into 42 initial categories[11] but believe some grouping of these items is desirable. In Table 5, we present the number and percentage of respondents naming uses in seven fairly broad categories: bills, housing-related uses, vehicle-related uses, educational uses, personal and household purchases, social network-related uses, and special events. In most of these categories, participants named both current and future uses. For example, under educational uses, some planned to pay current educational expenses, and some planned to save for future educational expenses. In addition, many participants mentioned future uses that did not fall into one of the seven categories just mentioned (e.g., save for a "rainy day", save to establish a credit record). Thus, we created an eighth category, other saving and investment. We also computed the number of individuals giving responses that explicitly mentioned saving. These responses could fall into any of the eight categories. We refer to this cross-cutting category as "all saving." Finally, we created a tenth category, labeled asset uses, that includes saving, education-related uses, vehicle-related uses, housing-related uses, and computer purchases. This category is similar, but not identical, to the "improving social mobility" bundle of uses created by Smeeding et al. (2000).

[10] Interviewers were trained to prompt for some detail. For example, when respondents said they planned to "pay bills", interviewers asked, "What are the most important bills you plan to pay with your tax refund?"

[11] Table available from authors.

Table 5 Number and Percentage of ECSP Participants Reporting Categories of Planned Tax Refund Uses (N=68)

	Ever-Mentioned Use	Most Important Use
Bills	28 (41%)	20 (29%)
Other saving and investment	22 (32%)	18 (27%)
Personal and household purchases	19 (28%)	3 (4%)
Vehicle-related uses[a]	15 (22%)	7 (10%)
Housing-related uses[b]	13 (19%)	10 (15%)
Educational uses	11 (16%)	5 (7%)
Special events	8 (12%)	2 (3%)
Social network-related uses	4 (6%)	3 (4%)
All saving[c]	35 (52%)	26 (38%)
Asset uses[c]	53 (78%)	41 (60%)

Source: ECSP baseline survey data

[a] Excludes payments for vehicle insurance and loans, which are defined as bills.

[b] Excludes rent and utility payments, which are defined as bills.

[c] Items in this category overlap items in other categories.

When ECSP participants were allowed to name multiple uses, the most common were bills (especially utility and credit card bills), other saving and investment (primarily precautionary saving), personal and household items (especially clothes for children), and vehicle-related uses (primarily vehicle purchase). Thirty-five participants (52 percent) said they planned to save some or all of their tax refunds. Fifty-three participants (78 percent) named an asset use. When asked to name the most important use, twenty participants (29 percent) named bills, and 18 (27 percent) named other saving and investment, primarily precautionary saving. Ten participants (15 percent) mentioned housing-related uses, including eight who planned to move to a new apartment and two who planned to purchase a home. Finally, seven participants (10 percent) named vehicle-related uses (primarily vehicle purchase) as their most important planned use. Twenty-six participants (38 percent) named a most important use that explicitly mentioned saving, and 41 (60 percent) named an asset use.

These findings are quite consistent with planned EITC uses documented by Smeeding et al. (2000). Many ECSP participants planned to use their tax refunds to "make ends meet" (e.g., to pay bills or to purchase basic household items). At the same time, ECSP participants demonstrated strong saving motives and appeared to view tax refunds as an important source of savings. These saving motives point to the importance of account ownership because it is more difficult to accumulate and maintain savings without a bank account. As always, it is important to acknowledge that ECSP participants are self-selected, but these findings provide support for programs that link tax refunds with low-cost savings accounts.

ACTUAL USES OF TAX REFUNDS BY ECSP PARTICIPANTS

The phone survey provided data on actual uses of tax refunds by ECSP participants. As noted previously, the response rate for the phone survey was 59 percent, and we examined differences between phone survey respondents and non-respondents (Appendix 2). Respondents were somewhat less likely than non-respondents to receive TANF and Food Stamps, and they were less likely to be unbanked at the time of enrollment. However, the mean and median AGIs were lower for respondents than for non-respondents. There is no clear pattern of advantage or disadvantage across the two groups. The mean and median refund amounts were lower for respondents than for non-respondents. If those who receive larger refunds are more likely to save some of their refunds or use some of the money to purchase assets, our phone survey data may slightly underestimate the use of tax refunds for saving and asset purchases.

In the follow-up survey, we asked participants the following question:

> People use their tax refunds in different ways. Some people spend all of it in the first few months. Some people save all or most of it. And some people spend some and save some. Which pattern best describes how you have used your tax refund? Have you spent all or almost all of it? Have you saved all or almost all of it? Or have you spent some and saved some?

Twenty participants (59 percent) said they had spent all or almost all of their refunds, one (3 percent) said she had saved all or almost all of her refund, and thirteen (38 percent) said they had saved some and spent some. The unbanked were somewhat more likely than the banked to report spending all or almost all of their refunds (68 percent vs.47 percent).[12] Seven participants who said their households were not saving at the time of enrollment (44 percent) said they were saving some of their tax refunds.

We also asked participants to name the most important uses of their refunds and coded these responses in the same 10 categories used for most important planned uses. These uses include goods and services respondents had purchased and were saving for. Respondents named a total of 107 uses. Number of uses per person ranged from one to seven, and the mean was 3.1.

Actual uses reported by phone survey respondents are summarized in the first column of Table 6. The most common use was paying bills, especially utility bills, credit card bills, and rent payments. Other common uses were personal and household items (especially clothing), vehicle-related uses (primarily vehicle purchase), and other saving and investment (primarily precautionary saving). Twenty-two participants (65 percent) named at least one use that we coded as an asset. The average refund for participants with an asset use was $1,753 (median = $1,918), and the average refund for those without an asset use was $1,126 (median = $353). This pattern may suggest that larger refunds facilitate asset uses.[13]

---

[12] The chi-square test for differences in self-reported patterns of refund use by account ownership is significant at the 0.30 level ($\chi^2 = 2.44$, df = 2, p = 0.30).

[13] The difference in means is significant at the 0.18 level (t = -1.37, df = 32, p = 0.18).

Table 6 Number and Percentage of ECSP Participants Reporting Categories of Actual and Planned Tax Refund Uses, for Those Completing Both Surveys (N=34)

	Actual Uses	Planned Uses
Bills	22 (65%)	11 (32%)
Personal and household purchases	14 (41%)	10 (29%)
Vehicle-related uses[a]	11 (32%)	9 (27%)
Other saving and investment	9 (27%)	14 (41%)
Educational uses	6 (18%)	6 (18%)
Housing-related uses[b]	5 (15%)	5 (15%)
Special events	3 (9%)	3 (9%)
Social network-related uses	3 (9%)	1 (3%)
All saving[c]	14 (41%)	20 (59%)
Asset uses[c]	22 (65%)	27 (79%)

Source: ECSP baseline and follow-up survey data

[a] Excludes payments for vehicle insurance and loans, which are defined as bills.

[b] Excludes rent and utility payments, which are defined as bills.

[c] Items in this category overlap items in other categories. See text for definition.

To facilitate comparisons between planned and actual refund uses, the second column of Table 6 shows ever-mentioned planned refund uses for the 34 participants who completed the phone survey. We would not expect the correspondence between planned and actual uses to be perfect, because needs and desires change. However, there is some evidence that respondents were overly optimistic when they named planned refund uses. As a group, participants used refunds for bills and personal and household purchases more often than they had planned. Conversely, the all-saving and asset-uses categories were less common for actual uses than for planned uses. Vehicle-related uses may have been somewhat more common actual uses than planned uses. In-depth interviews data suggest that expenditures on vehicles are often unexpected emergencies.[14] Findings should be viewed cautiously because of the small sample, but vehicle purchase or repair seems to be an important use of tax refunds for low-income families.

[14] For example, one woman said she was unable to save because of unexpected car problems, and one woman had to buy a car when her work schedule changed and she could no longer ride with a co-worker.

4. PATTERNS OF SAVING AND WITHDRAWAL FOR ECSP ACCOUNTS

In this section, we use data from account statements to describe deposit and withdrawal patterns for ECSP accounts. We use data from January 15 to November 15, 2000 to describe overall patterns of account activity following tax year 1999 refunds, data from November 16, 2000 to February 15, 2001 to describe account activity immediately before and after the year-end bonus, and data from January 15 to June 15, 2001 to describe use of ECSP accounts for tax year 2000 refunds. As noted above, we restrict our sample to the 58 participants who received non-negligible refunds. Although we do not discuss them here, six of the twelve individuals who did not receive refunds had deposited money into their ECSP accounts.

FEDERAL TAX REFUNDS

Most participants received their refunds in February or March 2000. Refunds ranged from $141 to $4,688. The mean was $1,808 (standard deviation=$1,463), and the median was $1,524. For these lower-income families, refund amounts were substantial. On average, anticipated refund amount was equal to 23 percent of adjusted gross income (median = 21 percent). The total value of refunds for the 58 participants who received refunds was $104,873.

INITIAL ACCOUNT ACTIVITY

In this section, we examine first post-refund withdrawals and account activity in the first thirty days. These data reveal initial responses to anticipated tax refunds.

First Withdrawal

Thirty-four participants (59 percent) made withdrawals in the first week, including twelve (21 percent) who made withdrawals the same day their refunds arrived. Nine (16 percent) waited at least thirty days before making a withdrawal. The median number of days between refund and first withdrawal was five, and the average was 17. The median value of first withdrawals was $250, and the median first withdrawal amount as a percentage of refund was 34 percent.

Withdrawals, Deposits, and Ending Balances in the First Thirty Days

The first column of Table 7 summarizes account activity in the first thirty days. The median number of withdrawals was 3, and the mean was 4.3. Withdrawals were fairly small. The total amount of withdrawals in the first month was $71,837, 68 percent of total refunds.

Fifteen individuals (26 percent) made at least one deposit (not including interest payments) in the first month. Individual deposits (N=23) ranged from $1 to $1,500. The median value was $150, and the mean was $292. The total amount of deposits in the first month was $6,723. Three individuals (including two who were unbanked at the time of enrollment) received paychecks or public transfer payments via direct deposit within the first thirty days. Arranging for direct deposit is important because it demonstrates some degree of comfort with a bank account and some commitment to using the account over time. By automatically converting money into a

less liquid form, direct deposit may also facilitate saving and asset accumulation (Beverly et al., 2001).

Table 7 Summary of Account Activity for Refund Recipients in First 30, First 60 Days, First 90, and First 120 Days Following Refund

	30 Days	60 Days	90 Days	120 Days
Withdrawals (N=58)				
Number (percent) with no withdrawals	9 (16%)	5 (9%)	4 (7%)	2 (3%)
Median number of withdrawals	3	5	6	6
Median withdrawal amount[a]	$67	$61	$60	$60
Median withdrawal amount as percent of refund[a]	8%	6%	6%	6%
Deposits (excluding interest payments) (N=58)				
Number (percent) with one or more deposits	15 (26%)	19 (33%)	22 (38%)	25 (43%)
Number (percent) who had received direct deposit paychecks or transfer payments	3 (5%)	4 (7%)	7 (12%)	8 (14%)
Ending Balance (N=57)				
Number (percent) with closed accounts	1 (2%)	1 (2%)	1 (2%)	1 (2%)
Number (percent) with ending balance less than $5[b]	7 (12%)	11 (19%)	13 (23%)	16 (28%)
Median ending balance	$206	$86	$36	$19
Mean ending balance	$649	$433	$379	$271
Median ending balance as percent of refund	13%	5%	4%	2%
Mean ending balance as percent of refund	39%	28%	41%	29%
Number (percent) with ending balance greater than refund	10 (18%)	7 (12%)	6 (11%)	4 (7%)

Source: ShoreBank account statements through November 15, 2000

[a] Withdrawal amounts are calculated across the sample of withdrawals.

[b] Includes those with closed accounts.

Total funds on deposit declined by 63 percent in the first thirty days following refund receipt. By the end of the first month, one individual had closed her account, and six others had less than $5. Thus, 12 percent had essentially depleted their accounts, at least in absolute terms.[15] The median ending balance after the first thirty days was $206, and the mean was $649. The median ending balance as a percent of refund was 13 percent, and the mean was 39 percent. Ten participants (18 percent) had ending balances that were larger than their refunds; four of these individuals had made deposits in addition to receiving interest payments.

Patterns of Account Activity

To summarize account activity in the first thirty days, we defined three general patterns:

(1) Maintenance (i.e., thirty-day ending balance was greater than or equal to 95 percent of refund amount);

(2) Decline (i.e., thirty-day ending balance was less than 95 percent but greater than or equal to 15 percent of refund amount);

(3) Depletion (i.e., thirty-day ending balance was less than 15 percent of refund amount).

Table 8 shows the distribution of patterns for all participants and by account ownership. In the full sample, 19 percent of refund recipients left their refunds virtually untouched and/or had thirty-day ending balances that exceeded their refund amounts. Twenty-eight percent withdrew some of their refunds but did not deplete their accounts. Fifty-three percent depleted their accounts in the first month, including 21 percent who depleted their accounts within the first week. Unbanked participants appear to have been more likely than banked participants to deplete their accounts in the first month and less likely to have high (relative to refund amounts) ending balances.[16]

[15] Accounts remain open until individuals ask that they be closed, and some individuals with very low balances may have no plans to use their accounts in the future.

[16] The chi-square test for differences in patterns by account ownership is significant at the 21 percent level (χ^2 = 3.15, df = 2, p = 0.21).

Table 8 Number and Percentage of ECSP Participants with Patterns of Account Activity in First 30 Days, by Account Ownership

	All (N=57)	Unbanked (n=34)	Banked (n=23)
Maintenance	11 (19%)	4 (12%)	7 (30%)
Decline	16 (28%)	10 (29%)	6 (26%)
Depletion	30 (53%)	20 (59%)	10 (43%)

Source: ShoreBank account statements through November 15, 2000

Note: See text for definitions of patterns.

SUBSEQUENT ACCOUNT ACTIVITY

In the previous section, we documented account activity in the first thirty days following refund receipt. In this section, we discuss deposit and withdrawal activity in subsequent time periods. We describe withdrawals, deposits, and ending balances in the first sixty, ninety, and 120 days and then discuss overall patterns of account activity. In particular, we document the extent to which individuals have used ECSP accounts for something more than "short-term storage" for tax refunds.

Withdrawals, Deposits, and Ending Balances

The second, third, and fourth columns of Table 7 summarize account activity in the first sixty, ninety, and 120 days. (Figures are cumulative.) As one would expect, the number of individuals with no withdrawals declined over time. Still, four participants (7 percent) did not make any withdrawals in the first three months, and two (3 percent) did not make any withdrawals in the first four months. The median withdrawal amount changed very little, in absolute or percentage terms.

The number of individuals who had made one or more deposits increased over time, as did the number who had received direct deposit paychecks. Seventeen of the twenty-five individuals who made deposits—including six of the eight who had received direct deposit paychecks or transfer payments—were unbanked at the time of enrollment.

No additional accounts were closed in the second, third, and fourth months, but the number of individuals with less than $5 increased to sixteen (28 percent). The median ending balance declined substantially over time. After 120 days, only half of the participants had ending balances greater than $19, and only half had ending balances greater than 2 percent of refund amount. The mean balance after 120 days was $271, and the mean balance as a percent of refund was 29 percent.

Overall Patterns of Account Activity

Next, we examined graphs for each individual showing daily balance between the date of refund receipt and November 15, 2000 and assigned one of four overall patterns of account activity to

each account-holder: (1) rapid spend-down, (2) slow spend-down, (3) transaction, and (4) saving.[17] For each account-holder, we also computed the average daily balance (ADB) between date of refund receipt and November 15, 2000, the ADB as a percentage of refund amount, and the number of account transactions per month.

The first row of Table 9 shows the number and percentage of ECSP participants in each category. The most common pattern is *rapid spend-down*. The 24 individuals in this group (41 percent of the sample) depleted their accounts (i.e., account balance fell below 15 percent of refund amount) in the first thirty days, and their accounts were largely inactive from this point on. Six of these individuals made at least one deposit, but funds were quickly withdrawn. For this group, the median ADB was $25, the median ADB as a percent of refund was 4, and the median number of transactions per month was 0.6. To a large extent, these ECSP participants used their accounts solely for short-term storage of tax refunds.

The second pattern is *slow spend-down*. The 13 individuals in this group (22 percent of the sample) did not deplete their accounts in the first thirty days, but their account activity was dominated by withdrawals. Almost all had balances of at least $500 two months after refund receipt, and many had balances of at least $500 after three months. For this group, the median ADB was $618, the median ADB as percent of refund was 32, and the median number of transactions per month was 1.4. Like ECSP participants who spent their refunds very quickly, these individuals used their accounts for storage of tax refunds, but funds remained in accounts longer. This postponed consumption might be viewed as saving, especially since ADBs were fairly high.

The third overall pattern of account activity is *transaction*. The 13 individuals in this group (22 percent of the sample) may have rapidly withdrawn their tax refunds but in later months had frequent deposits and withdrawals. ADBs tended to be low: The median ADB was $188, the median ADB as a percent of refund was 10, and the median number of transactions per month was 5.7. These individuals were essentially using their ECSP accounts like checking accounts. Nine of these individuals had received direct deposit paychecks or transfer payments.

Eight individuals (14 percent) fell into the fourth pattern—*saving*. All of these individuals had periods of time when account balances were increasing, and all had account balances on November 15 that were greater than 15 percent of their refund amounts. The median ADB was $537, the median ADB as a percent of refund was 55, and the median number of transactions per month was 1.4. We assume that these individuals were attempting to save in their ECSP accounts.

[17] Here, we do not consider length of time since refund receipt. The number of days since refund receipt ranged from 130 to 277. The mean was 244 with a standard deviation of 27.

Table 9 Summary of Account Activity for ECSP Participants by Overall Patterns of Account Activity (N=58)

	Rapid Spend-Down	Slow Spend-Down	Transaction	Saving
Number (Percent) of ECSP Participants	24 (41%)	13 (22%)	13 (22%)	8 (14%)
ADB				
Median	$25	$618	$188	$537
Mean (SD)	$88 ($182)	$727 ($460)	$287 ($374)	$688 ($683)
ADB as Percent of Refund				
Median	4.1	31.9	9.7	55.1
Mean (SD)	5.4 (5.4)	38.6 (23.8)	43.7 (99.8)	54.5 (35.7)
Transactions per Month				
Median	0.6	1.4	5.7	1.4
Mean (SD)	0.9 (0.8)	1.9 (1.5)	6.7 (4.3)	1.2 (0.7)
Adjusted Gross Income				
Median	$6,628	$10,198	$9,515	$13,702
Mean (SD)	$7,213 ($4,534)	$12,495 ($8,223)	$9,713 ($6,365)	$14,598 ($10,078)
Federal Refund				
Median	$647	$2,661	$1,081	$1,462
Mean (SD)	$1,599 ($1,569)	$2,391 ($1,309)	$1,670 ($1,492)	$1,713 ($1,330)

Source: ShoreBank account statements through November 15, 2000

Notes: See text for definitions of patterns. SD = standard deviation.

Because of the small sample size, we do not report results from a multivariate analysis predicting overall pattern of account activity. However, the last few rows of Table 9 provide information on AGI and federal refund for each of the four groups, and Table 10 shows overall patterns of account activity by account ownership. Participants in the saving and slow spend-down groups had higher incomes and may therefore have been more able to keep money in their ECSP accounts. Those in the slow spend-down group received relatively large refunds and those in the rapid spend-down group received relatively small refunds. Because it is easy to spend small refunds, refund size may partly explain observed patterns of account activity. Rapid spend-down and transaction appear to have been more common for the unbanked than for the banked, and saving and slow spend-down appear to have been less common for the unbanked.

Table 10 Number and Percentage of ECSP Participants with Overall Patterns of Account Activity, by Account Ownership

	All (N=58)	Unbanked (n=35)	Banked (n=23)
Rapid Spend-Down	24 (41%)	16 (46%)	8 (35%)
Slow Spend-Down	13 (22%)	6 (17%)	7 (30%)
Transaction	13 (22%)	11 (31%)	2 (9%)
Saving	8 (14%)	2 (6%)	6 (26%)

Source: ShoreBank account statements through November 15, 2000

Note: See text for definitions of patterns.

Follow-up phone surveys and in-depth interviews suggest that financial strain shaped patterns of account activity. Those without extra money could not save and thus ended up in the spend-down or transaction groups. Four phone survey respondents (12 percent) volunteered information about unforeseen expenses affecting attempts to save. Financial shortages—both chronic and emergency—were also frequently cited in in-depth interviews. One respondent with several children explained the ebb and flow of her financial life to the interviewer:

> R: I pay my bills good, I have a little money in the bank, basically you know I save. I don't; I do. I have; I don't have. You know.
>
> I: With kids it's…
>
> R: [interrupts] It is very hard to save a lot.
>
> I: It's very hard to save a little.
>
> R: [laughs] Right.

Among the nine in-depth interviewees, two women gave birth in 2000 and used the refunds to partly finance maternity leaves. Two also had unemployment spells.

A second factor shaping patterns of account activity was the fit between the account and other financial options. Those for whom banking was more hassle than it was worth did not bother to use the account. Among the in-depth interviewees, most in the spend-down category had paid employment and hence could potentially use ECSP accounts for transactions. However only a subset used the accounts regularly. This subset consisted of those who found ECSP account use more convenient than their alternatives. One woman from the transaction group explained how easy it was to conduct her banking at ShoreBank: "Where I work at there is a [ShoreBank] on 31st and Kings Drive so I'm walking distance to that, so I go there basically all the time now." In contrast, another woman with two part-time jobs continued to use currency exchanges for her

routine business because they were easier for her. When asked if she ever thought about putting money into her account she replied,

> Yeah, I thought about it. I thought about it, but I don't know why I didn't do it that way, I just go pick up the check and just leave it at that. I thought about it, but I just didn't want to. Well, you know what, it really don't make a difference because I still got to go get the money out the machine and I still got to go get the check."

Those who can easily fit a stop at the bank into their daily routines are more likely to use accounts for transactions.

Taken together, these findings reveal that about two-fifths of ECSP participants used their accounts simply as short-term storage for tax refunds. Although one might assume that the ECSP provided few benefits to these individuals, the program presumably enabled some individuals to open bank accounts (by allowing tax refunds to serve as opening deposits.) Participants also did not have to pay to cash their refund checks, and they received refunds quickly—without the fee charged by commercial rapid-refund providers. The program also may have helped them prioritize refund uses, even over a short time period.

In addition to the two-fifths who used their accounts for short-term storage of tax refunds, one-fifth of participants made frequent deposits and withdrawals into their ECSP accounts and might be good candidates for checking accounts. One-fourth of participants used their accounts largely to store refunds, but many of these individuals held substantial balances for two months or longer. Several had periods of at least thirty days where account balances remained steady and above $500. When these individuals are combined with the 15 percent who had periods of increasing account balances, it appears that about one-third of participants could be viewed as saving in ECSP accounts. Decomposition by account ownership reveals that about one-half of the unbanked used their accounts for something other than short-term storage of tax refunds. These findings suggest that programs such as the ECSP that link tax refunds and low-cost accounts have the potential to encourage the unbanked to develop more enduring relationships with banks, which in turn provides them with opportunities to save and accumulate assets.

YEAR-END BONUS AND RELATED ACCOUNT ACTIVITY

Of the 72 study participants, 62 (86 percent) received the year-end 10-percent bonus offered by ShoreBank.[18] Most bonuses were small because most account balances were low. Among the bonus recipients, the median bonus was $1.30, and the average was $18 (standard deviation = $31). Four study participants received the maximum bonus ($100), and another seven received bonuses greater than $50. The median balance for those who, in the baseline survey, had named the bonus as the most important account feature was $31 (mean = $33), compared to an median bonus of $1 (mean = $14) for those who did not name the bonus as the most important account

[18] Four of the ten who did not receive bonuses had closed accounts. The other six did not receive refunds and had never used their accounts.

feature. However, of the eleven individuals with bonuses greater than $50, only two had named the bonus as the most important account feature.

Using account statements and graphs of account activity, we looked for individuals who appeared to be building up account balances in December, in anticipation of the bonus. We identified eight individuals who seemed to be actively working to earn a large bonus.[19] For example, one individual made five deposits ranging from $25 to $400 between late November and late December. Her most recent deposit prior to November occurred in August. Four of these eight individuals made large withdrawals in January and early February, but four maintained substantial balances at least through February 15. We also observed five individuals who received direct deposit payments in late December and who would have earned substantially larger bonuses if they had postponed withdrawals for three to ten days. Overall, these data suggest that the bonus did not substantially influence deposits and withdrawals.

In-depth interviews confirm that the bonus generally did not affect behavior. Only one of the nine interviewees accurately described the ten-percent structure. Two others thought there was a minimum threshold. As one participant explained, "[If] you had a certain amount in there by the end of the year, you know you'd get a hundred dollars." Two others noted that they had forgotten all about the bonus until they received the reminder letter and by then it was too late to save.

The year-end timing may have dampened any possible effect of the bonus. Account-holders said it was particularly difficult to save during the holiday season.

> I didn't really get [a bonus], because I didn't really have enough money in there. I thought about it, I was trying, but it just didn't happen, especially Christmas was right there too. …I was telling someone about it and we were talking about that, why would [it be] at the end of the year? That is silly because of Christmas and at the end of the year you are going to have more bills, and then you really won't have anything in there.

This woman suggested that a bonus to be paid before Christmas might be more successful. Two other interviewees noted that they had kept money in their accounts explicitly for purchasing their children's holiday gifts and had therefore made substantial withdrawals right before the holidays.

USE OF ACCOUNTS FOR TAX YEAR 2000 REFUNDS

One way to assess comfort with and commitment to ECSP accounts is to note whether participants arranged to have federal refunds for the 2000 tax year directly deposited into their accounts. By June 15, 2001, 16 of the 72 study participants (22 percent) had received 2000 refunds via direct deposit. Because some study participants may not have been eligible for federal refunds (and thus could not have used their ECSP accounts for 2000 refunds), it is useful

[19] Of course, we do not know that these individuals were responding to the incentive created by the bonus. And other individuals besides these eight may have shaped their behavior in response to the bonus.

to note that these 16 participants represent 28 percent of the 58 study participants who received refunds via direct deposit for the 1999 tax year. Within this group of 58, the unbanked were much less likely than the banked to receive 2000 refunds in their ECSP accounts (20 percent vs. 39 percent). Tax year 2000 refunds ranged from $231 to $4,303. The median was $2,203, and the mean was $1,878.

In addition to the 16 people who received direct deposit federal refunds, ten account-holders did not receive direct deposit refunds but made deposits greater than $500 between February 15 and June 15, 2001. Some of these deposits may have come from refunds received by mail rather than by direct deposit.

5. PERCEIVED EFFECTS OF ECSP PARTICIPATION

This section describes effects of the ECSP program on refund use and other financial behaviors and attitudes, as perceived by the participants.

PERCEIVED CHANGES IN REFUND USE

In the follow-up phone survey, we asked those who said they had saved some or all of their tax refunds (n=14) the following question:

> If you had *not* had the Extra Credit Savings account at South Shore Bank, how likely would you have been to save this much of your tax refund? Would you have been very likely, somewhat likely, somewhat unlikely, or very unlikely to save this much of your refund?

One respondent said she would have been very likely to save this much of her refund without the ECSP account, two respondents said they would have been somewhat likely, five respondents said they would have been somewhat unlikely, and five respondents said they would have been very unlikely.[20]

In addition, we asked all 34 telephone survey respondents the following question: "Overall, did having the Extra Credit Savings Account at South Shore Bank change the way you used your tax refund?" Twenty-five respondents (74 percent) answered affirmatively. A follow-up question asked these individuals how the account had changed the way they used their tax refunds. We also asked all respondents if they had any other comments, positive or negative, about the Extra Credit Savings Program, and we classified a few of these comments as changes in refund use. Here, we summarize responses to both of these open-ended questions, and percentages refer to the entire follow-up survey sample (N=34).

Twenty-one follow-up survey respondents (62 percent) implied that ECSP participation changed their spending patterns and/or helped them save. Three individuals (9 percent) suggested that the ECSP helped them save by creating an incentive or a goal.[21] Four (12 percent) said that having an account helped them to save but did not say how or why. The majority, however, described changes in spending. For example, thirteen respondents (38 percent) said they had fewer spending temptations and/or spent the money more slowly than they otherwise would have (e.g., "Couldn't spend the money on a whim", "By keeping it in the bank, I had to go and get it instead of having it in hand; I didn't have the urge to spend it all at once", "Normally I would have done what I wanted to do with it and it would have been gone quicker"). In addition, three individuals (9 percent) said ECSP participation helped them prioritize spending in favor of "more important

[20] One respondent was "not sure".

[21] For instance, in the in-depth interviews, one young woman who spent her small refund quickly said, "I think it is just nice to have something to look forward to. A savings account, checking account, it would give me something to do, something to try to put into."

things, like appliances." Three individuals (9 percent) mentioned having other accounts and implied that physical accounting (i.e., using separate accounts for specific purposes) helped them achieve financial goals.

Thinking ahead to next year's refund is also an important outcome because it suggests that there may be a learning curve associated with programs like the ECSP and that these programs may have positive effects beyond any observed in the first year. Four phone survey respondents (12 percent) implied that they were thinking ahead to next year's refund (e.g., "This year I'm going to do it a little differently", "Will save more next time"). This sentiment was echoed by over half of the in-depth interviewees, particularly with regard to the bonus. One woman who did not actively save for the bonus payment explains, "They sent me a letter in the mail, I was like 'oh okay, it is a little late for that,' but okay next year come around, I'll be all good." Another failed saver noted hopefully, "I'm going to try again this year." And, as noted above, at least 16 participants deposited their 2000 tax year refund into ECSP accounts.

PERCEIVED CHANGES IN OTHER FINANCIAL BEHAVIORS AND ATTITUDES

In addition to naming ways ECSP participation had changed refund use, some phone survey respondents described changes in other financial behaviors and attitudes. For example, one respondent said she was thinking about opening a checking account, and another commented on the benefits of direct deposit: "Now I have an account. I have my work check deposited. It's been a little better. It's helping me to save more." One respondent said the program "helps people get back on the right track." This notion of getting back on track was also mentioned in in-depth interviews. Five of the nine interviewees had previously closed or stopped using other checking or savings accounts, and most cited problems with bounced checks or maintaining minimum balances.

Among participants who had never had a bank account, in-depth interviews revealed an increased familiarity with banks. One woman gave her before-and-after account on banks: "I always thought all banks you had to put an amount of money in them, that you couldn't spend it or touch it, so it gave me another outlook on it." Another reported helping her mother open an account at a different bank and contrasted the features, noting that her mother opened a checking account to avoid the other institution's minimum balance on savings accounts. Two of the four never-banked participants spoke about positive interactions with ShoreBank tellers, calling them "helpful" and "classy."

In-depth interviews also suggest that many account-holders viewed the ECSP as a bridge to other mainstream financial products and services. One interviewee described her decision to sign up for direct deposit:

> I always knew that the school did it, you know, you have the check deposit, you know the safe deposit, but I never thought about it until I started going to [ShoreBank], and then I said, there is a good idea, because when I get paid in the summer I don't have to wait for the mailman.

Others said that having a savings account helped them establish credit, obtain a legal lease, and obtain credit cards. For some the account was a first step on the path. One articulate 21-year-old

spoke of wanting to build her credit. The account was a springboard to another account and now a secured credit card. She describes her next steps to an interviewer:

> R: I'm just building my credit by paying [my secured credit card bill] on time.
>
> I: How did you learn to build your credit?
>
> R: Well, actually I want to own a house. I called this [company]…it's called Discover I think. It's a handbook for how a credit card works.

Two other mothers talked about opening IRAs, mutual funds, or college savings accounts for their children. For others who had gotten off track financially, the account provided a risk-free second chance after past financial mishaps. These comments suggest that some ECSP participants have begun to think about their financial activities somewhat differently and perhaps have become more future-oriented and/or more comfortable with mainstream financial institutions. Whether participants would have sought other routes in the absence of the ShoreBank offer is unclear, but the ECSP seems to represent an important step toward participation in a full range of financial services.

6. SUMMARY AND CONCLUSIONS

The essential feature of the Extra Credit Savings Program is the link between tax refunds and low-cost bank accounts. Linking refunds and accounts may: (1) facilitate account ownership among the unbanked, (2) facilitate further integration into the financial mainstream, (3) facilitate saving, and/or (4) promote asset purchases.

LINKING TAX REFUNDS AND LOW-COST BANK ACCOUNTS TO FACILITATE ACCOUNT OWNERSHIP

About 60 percent of ECSP participants lacked a checking or savings account at the time of enrollment. Over 20 percent of participants had never had an account, and another 19 percent had not had an account in at least three years. From interviews we know that the ECSP offer tapped into pre-existing desires to have accounts and to save but that many unbanked participants were not actively looking for an account. These findings suggest that the ECSP was an effective outreach tool for the unbanked. The program encouraged individuals without accounts to open accounts. Contrary to our expectations, the year-end financial bonus did not emerge as a key incentive encouraging the unbanked to open accounts. Instead, the most important account features were those that reduced the cost of a savings account, such as allowing a tax refund (no matter how small) to serve as opening deposit and the absence of fees.

The timing of outreach efforts is paramount. Individuals are more likely to open accounts or to join a savings program *when they anticipate having money available*. One of the most common reasons given by the unbanked for not having an account was the fact that banks require large opening deposits. For this same group, the ability to use a tax refund as the opening deposit was most influential in the decision to open an account. Finally, reports from ShoreBank employees noting that individuals often wanted to determine refund status before deciding whether to open ECSP accounts further suggest that the income tax system—particularly through refundable credits such as the EITC—is an effective vehicle to connect the unbanked to mainstream financial institutions, as long as the timing of the account offer is right.

Individuals who chose to participate in the ECSP program anticipated larger refunds than those who chose not to participate. Particularly in light of the anecdotal reports from bank employees, we believe that the ECSP had particular appeal to individuals receiving larger tax refunds. Those who receive large refunds are more likely to need a secure place to keep money. They may also have a greater incentive to avoid check-cashing fees, which are generally set at a percentage of the face value of the check. Our finding that large refunds encouraged account participation suggests that future increases in refundable tax credits may facilitate both demand for and supply of low-cost bank accounts. Expansions in refundable tax credits could encourage individuals to open accounts and/or join saving programs. In addition, larger refunds help counter banks' concerns that low-income customers have account balances that are too low to cover the costs of opening and maintaining them. A larger initial deposit may improve the chances of an account paying for itself.

LINKING TAX REFUNDS AND LOW-COST BANK ACCOUNTS TO FACILITATE FURTHER INTEGRATION INTO THE FINANCIAL MAINSTREAM

A second possible outcome of the ECSP program is connecting ECSP account holders with other financial market opportunities. The program may have encouraged the unbanked to develop *on-going* relationships with banks, and it may have encouraged participants—both banked and unbanked—to consider other mainstream financial services like checking accounts and direct deposit of paychecks. The program may also have helped participants establish a positive credit history.

Data on overall patterns of account use suggest that over half of unbanked participants were using their accounts for something other than short-term storage of tax refunds. Interview data suggest that participants were most likely to become active account-holders if they could integrate the account into their established routines. Many participants spoke positively about the program and ShoreBank, and in interviews, some unbanked participants said the program had made them think more positively about banks. Some participants seemed to view the program as a bridge to other financial products and services such as checking accounts, direct deposit, and credit cards. These findings suggest that programs such as the ECSP can help integrate individuals into the financial mainstream as long as banks: (1) provide convenient access to accounts, (2) make terms of the account relationship clear, and (3) fulfill their "promises" to account-holders. It is important to note that ShoreBank did not market other bank products and services to ECSP participants, except through generic marketing materials sent with all account statements. The "bridge" or "gateway" function of programs such as the ECSP would probably be even more successful if banks marketed appropriate products and services directly to program participants.

LINKING TAX REFUNDS AND LOW-COST BANK ACCOUNTS TO FACILITATE SAVING

In response to an open-ended question about why they decided to open ECSP accounts, 46 percent of respondents named some sort of saving motive. In addition, 10 percent of respondents expressed a desire to save in some type of formal institution. When asked to name the most important use of their tax refunds, the single most common response—named by 21 percent of the sample—was precautionary saving. Almost two-fifths of the responses (38 percent) explicitly mentioned some type of saving. We believe that ECSP participants, as a group, had strong saving motives and that many joined the program because they expected it to help them save.

Participants defined saving as both keeping money in an account ("maintaining", according to Beverly et al., 2001) and adding additional funds ("depositing"). Data on actual use of ECSP accounts reveal that 43 percent of participants made deposits (excluding interest payments and tax refunds) in the first four months. Data on overall patterns of account use suggest that 30 to 40 percent of participants saved in their ECSP accounts. These individuals either maintained substantial account balances over a period of weeks or had periods of time when account balances increased.

In the follow-up survey and interview, participants described two primary barriers to saving. Not surprisingly given the target group of low-income workers, participants spoke of income

constraints and changing circumstances that derailed their plans to save. Spending discipline was the second most common theme that arose as a barrier to savings. One of the key findings from this study is that the ECSP account helped participants resist spending temptations and prioritize expenditures. Many of those who did not appear to be saving their tax refunds said that the account helped them spend their refunds more slowly and more thoughtfully. This prioritizing behavior is consistent with both the maintaining and depositing definitions of saving.

LINKING TAX REFUNDS AND LOW-COST BANK ACCOUNTS TO FACILITATE ASSET PURCHASES

A fourth possible outcome from the ECSP program is an increase in asset purchases (as distinct from saving). Several studies (Barrow & Granahan, 2000; Romich & Weisner, 2000; Smeeding et al., 2000; Souleles, 1999) suggest that people often use tax refunds to purchase vehicles, homes, cars, and furniture or to pay for educational expenses. At least one study (Smeeding et al., 2000) suggests that tax refunds may make these purchases possible for low-income families.

The data are consistent with the idea that larger refunds facilitate asset purchases. It is unclear, however, whether adding a low-cost bank account such as the ECSP reinforces or diminishes the connection between refunds and asset purchases. By providing a safe place to hold money, low-cost accounts may actually decrease asset purchases. Without a bank account, the recipient of a large refund has limited options. Some combination of immediate spending and saving appeals to most participants. However, keeping the money in cash increases the likelihood that it will be spent quickly and increases the possibility of loss or theft. Safer methods entail costs such as having to buy and then pay to cash money orders made out to one's self (a method mentioned by one person in the in-depth interviews) or having to open an account and face the likelihood of minimum-balance fees. These saving methods cause some portion of the tax refund to be wasted. Buying an asset such as a living room set or a used car is a way to avoid wasting money. The ECSP reduces the costs of saving and thus may make asset purchases less common. In this manner, the ECSP account acts as the advance payment was intended—helping to spread the benefit over time. This observation does not diminish the long-term effect of the ECSP as a "bridge" to other formal financial services.

CONCLUSIONS

Asset accumulation is increasingly viewed as an important long-term anti-poverty strategy, and participation in mainstream financial systems is a principal prerequisite. This study suggests that programs that link tax refunds to low-cost bank accounts may facilitate account-ownership, further integration into the financial mainstream, and saving. As we witness expansions of the federal EITC and other tax credits and growth in the number of state EITCs, policy-makers should consider the potential for federal and state tax policy to facilitate integration and asset accumulation for lower-income households. With the increase in the number of Americans who use direct payroll deposit and the growth in the Electronic Benefits Transfer and Electronic Funds Transfer systems, a growing number of lower-income people may be willing to use direct deposit for tax refunds.

The Extra Credit Savings Program aims to influence current bank practice by demonstrating how banks, non-profit organizations, and low-income consumers can develop mutually satisfying

relationships—examples that can be replicated across institutions. Thus far, a limited number of banks have shown a willingness to open a small number of Individual Development Accounts or other types of low-cost access accounts, often as a way to enhance their Community Reinvestment Act (CRA) ratings. However, the cost of servicing thousands of these accounts will likely outweigh the CRA benefits until transaction costs can be reduced and a business case can be made for serving low-income consumers. With 19 million low-income Americans already taking advantage of the EITC program, and given the large size of average tax refunds, programs that link tax refunds and low-cost bank accounts may provide one opportunity to take inclusive asset-building programs to scale.

REFERENCES

Barrow, Lisa, & Granahan, Leslie. (2000). The effects of the Earned Income Credit on the seasonality of household expenditures. *National Tax Journal, 53*(4, Part 2), 1211-1244.

Beverly, Sondra G., Moore, Amanda, & Schreiner, Mark. (2001). *A framework of asset-accumulation stages and strategies* (Manuscript submitted for review). Lawrence, KS: University of Kansas, School of Social Welfare.

Carney, Stacie & Gale, William G. (forthcoming). Asset accumulation among low-income households. In Thomas M. Shapiro & Edward N. Wolff (Eds.). *Benefits and mechanisms for spreading asset ownership in the United States.* New York: Ford Foundation.

Caskey, John P. (1994). *Fringe banking: Check-cashing outlets, pawnshops, and the poor*. New York: Russell Sage Foundation.

Caskey, John P. (1997). *Beyond cash-and-carry: Financial savings, financial services, and low-income households in two communities* (Report written for the Consumer Federation of America and the Ford Foundation). Swarthmore, PA: Swarthmore College.

Consumer Federation of America. (1997). *The high cost of "banking" at the corner check casher: Check cashing outlet fees and payday loans*. Washington, DC: Author.

Doyle, Joseph J., Lopez, Jose A., & Saidenberg, Marc R. (1998). How effective is lifeline banking in assisting the "unbanked"? *Current Issues in Economics and Finance, 4*(6), 1-6.

Hogarth, Jeanne M., & O'Donnell, Kevin H. (1999). Banking relationships of lower-income families and the governmental trend toward electronic payment. *Federal Reserve Bulletin,* (July), 459-473.

Hotz, V. Joseph, & Scholz, John K. (2001). *The Earned Income Tax Credit* (Working Paper No. 8078). Cambridge, MA: National Bureau of Economic Research.

Hurst, Erik, Luoh, Ming Ching, & Stafford, Frank P. (1998). The wealth dynamics of American families, 1984-94. *Brookings Papers on Economic Activity, 1*, 267-337.

Johnson, Nicholas. (2000). *A hand up: How state earned income tax credits help working families escape poverty, 2000 Edition*. Washington, DC: Center on Budget and Policy Priorities.

Kennickell, Arthur B., Starr-McCluer, Martha, & Surette, Brian J. (2000). Recent changes in U.S. family finances: Results from the 1998 Survey of Consumer Finances. *Federal Reserve Bulletin, 86*(1), 1-29.

Rainwater, Lee. (1974). *What money buys: Inequality and the social meaning of income*. New York: Basic Books.

Romich, Jennifer L., & Weisner, Thomas. (2000). How families view and use the EITC: Advanced payment versus lump sum delivery. *National Tax Journal, 53*(4, Part 2), 1245-1265.

Smeeding, Timothy M., Phillips, Katherine R., & O'Connor, Michael. (2000). The Earned Income Tax Credit: Expectation, knowledge, use, and economic and social mobility. *National Tax Journal, 53*(4, Part 2), 1187-1209.

Souleles, Nicholas S. (1999). The response of household consumption to income tax refunds. *American Economic Review, 89*(4), 947-958.

Stegman, Michael A. (1999). *Savings and the poor: The hidden benefits of electronic banking*. Washington, DC: Brookings Institution Press.

APPENDIX 1

DETAILS OF IN-DEPTH INTERVIEW PROCESS

In-depth open-ended interviews were conducted with nine participants representing different types of account users. An interviewer spoke with four customers from the rapid spend-down group, two each from the spend down and transaction groups, and one account-holder who had not received a tax refund.

Potential interviewees were drawn from those who were unbanked at baseline and who had available contact information from the second round of phone interviews, if applicable. Nine of the first 12 participants randomly chosen for the in-person interviews were contacted and interviewed. Of the remaining three, one had no phone and was never contacted; one had moved out of state; and one declined to participate after missing several appointments. This gives an overall participation rate of 75 percent among those selected and 90 percent among those ever reached.

Interview topics and questions were designed to complement the survey and account data. The interview structure was designed by a fieldworker with experience working with low-income families. The protocol was tested for length and coherence with a paid volunteer who was a ShoreBank teller. An abbreviated version of the template follows. Interviews lasted from 35 minutes to just over an hour and were conducted either in the participant's home or at a neighborhood restaurant. Interviewees received a $20 gift certificate to a drug store with many South Side locations.

ABBREVIATED FIELD TEMPLATE: INTERVIEW TOPICS

Background

Tax preparation	-route to TCP -previous years
Work history/general pattern	-auto deposit at current job?
Finances	-overall 0-10 -money management -savings
ECSP	Recall of offer
	Features, including -free ATM card & use
	-interest -tax check is opening deposit
	-no fees -faster refund w/ direct deposit
	-bonus -no minimum balance
	Goals for account when opened
	Use of account

Other bank accounts or financial services	-past experiences with banks/bank personnel -had other account last year? has now? -recent use of following services

-savings accounts	-checking accounts
-ATM cards	-credit cards
-money orders	-payday loans
-pawn or title loans	-car loan
-personal bank loan	-check cashing places

ECSP Effects

Since signing up for the ECSP, have you or any of your close friends or family

…opened an account at South Shore Bank or another bank?

…looked into other services offered by banks, such as loans?

Are you interested in obtaining additional services, such as loans, ATM access, accounts or credit cards, from South Shore Bank or another bank?

Has having an ECSP changed the way you

…think or feel about saving money?	…think or feel about banks?
…think or feel about tax refunds?	…anything else?

Feedback

Do you think offering accounts like the ECSP is a valuable thing for South Shore Bank to be doing? Why or why not? If yes, do you have any advice on how they could better advertise these accounts and / or help people use them?

Is there anything else you think the Tax Counseling Project and South Shore Bank should think about when serving the community?

Are there other questions you think I should ask people? Anything else?

ECSP Service and Use

ONE OF BELOW CATEGORIES WILL APPLY					
	Net savings	Withdrawal & deposit (high ADB)	Withdrawal & deposit (low ADB)	Decline	Rapid depletion
What was your opinion of the bank account and any related services provided by South Shore Bank? [prompt for account itself, customer service, ATM, other features]	**X**	**X**	**X**	**X**	**X**
What made it possible for you to save and/or keep money in your account? Were you saving for something in particular?	**X**	**X**			
Are you currently saving money in any other way—for instance at another bank or at home?	**X**	**X**	**X**	**X**	**X**
A lot of people did not use their accounts like this. Can you think of any way it might have been easier for you or you might have been more motivated?	**X**	**X**			
Why did you make the withdrawal/s that you made? What did you use the money for?		**X**	**X**	**X**	**X**
Did you ever consider depositing money into your account? Why or why not?				**X**	**X**
Would you like to currently be saving/saving more? Why or why not?			**X**	**X**	**X**
Were you happy with using your account like this? If not, is there anything that would have made you more interested in / more able to use it as you wanted?	**X**	**X**	**X**	**X**	**X**
Did the year-end bonus change the way you made deposits or withdrawals in your account? How so or why not?	**X**	**X**	**X**	**X**	**X**

APPENDIX 2

Characteristics of Telephone Survey Respondents (N=34) and Non-Respondents (N=24)

		Respondents	Non-Respondents
Female		77%	91%
Marital Status			
Married		13%	4%
Never Married		72%	74%
Separated or Divorced		16%	17%
Widowed		0%	4%
Number of Dependents	Mean	1.0	1.4
1999 Program Participation			
Social Security or Unemployment Insurance		12%	4%
TANF		21%	33%
Food Stamp		39%	54%
Medicaid		27%	25%
Age	Mean	34	37
	Median	32	38
	Range	18 – 59	20 – 61
1999 Adjusted Gross Income	Mean	$9,476	$10,471
	Median	$8,962	$10,077
	Range	$877 – $31,590	$394 – $29,240
Actual Federal Refund Amount[a]	Mean	$1,532	$2,199
	Median	$1,023	$2,435
	Range	$141 – $3,729	$160 – $4,688
Unbanked		56%	67%

Source: Tax return and intake form data collected by the Tax Counseling Project of CLHS

[a] Data on refund amount come from ShoreBank account statements through November 15, 2000.