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Paola Boel, Daniela Puzzello, and Peter Zimmerman

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Beyond banks: Trust among the financially underserved

By PAOLA BOEL, DANIELA PUZZELLO, AND PETER ZIMMERMAN*

In 2023, over 18 percent of US households were either unbanked or underbanked, a group commonly referred to as financially underserved (e.g., see Burhouse, Navarro and Osaki (2016)).¹ Prior work and survey evidence identify a lack of broad-scope trust in banks as an important reason for financial exclusion (e.g., FDIC (2024), Falcettoni and Nygaard (2025), and Xu (2020)). Yet it is not clear whether this mistrust is unique to banks or whether it extends to other institutions, such as government entities or nonbank providers of account services. This distinction matters for policymakers when considering how to serve this segment of the population. If mistrust is specific to banks, then alternative providers of account services — such as nonbanks or government entities — could improve access to the financial system. But if mistrust extends to alternative providers, then financial education or other trust-building initiatives might be more effective at increasing financial inclusion.

To address this gap, we designed our own surveys and fielded them to a sample of unbanked and underbanked individuals in the US. We elicited their levels of trust in various institutions, including different types of banks, government-related entities, and alternative payment providers. Using principal component analysis, we identify three dominant components of the trust scores which we label, in descending order of importance: (1) *broad-scope trust*, (2) *concerns about traditional financial institutions*, and (3) *preference for a physical business presence*. We explore how sociodemographic characteristics, including income, age, education, race and political affiliation, affect these components of trust.

KEYWORDS: FINANCIAL ACCESS, TRUST

JEL CLASSIFICATIONS: D10, G21, G40, G50

I. Survey

Our surveys were fielded by IPSOS and Dynata between February and September 2023, with the goal of better understanding reasons for being financially underserved. We screened respondents based on their access to and use of financial services, resulting in a sample of 4,174 financially underserved individuals aged 18 and older.² Among other questions, we asked each respondent: “How much do you trust the following?” and then listed the following 11 institutions in randomized order: *Large banks (such as banks with many branches across multiple states); Small banks (such as community or local banks that only have branches in a small region); Credit unions; Online banks — banks that do not have physical branches (such as Ally, Varo, Discover); Federal Reserve; Large technology companies (such as Amazon, Apple, Facebook, Google); Check cashing stores; Cryp-*

* Boel: Federal Reserve Bank of Cleveland (email: paola.boel@clev.frb.org); Puzzello: Indiana University (e-mail: dpuzzell@iu.edu); Zimmerman: Federal Reserve Bank of Cleveland (email: peter.zimmerman@clev.frb.org). Any views expressed are those of the authors and not necessarily those of the Federal Reserve Bank of Cleveland or the Federal Reserve System. A version of the paper is forthcoming in the *AEA Papers and Proceedings*. We thank Geena Panzitta and Grant Rosenberger for superb research assistance. We are indebted to Ashley Clark, Amber Sherman and Stephanie Tulley for outstanding methodology, data and reference support. We gratefully acknowledge funding from the Social Sciences Research Funding Program and the Award for Research Methods Collaboration at Indiana University (IRB 15540).

¹This number is taken from FDIC (2024), which identifies a household as “unbanked” if no one in the household has a checking or savings account at a bank or credit union. A household is considered “underbanked” if it has access to such an account but has used at least one nonbank financial service in the past 12 months.

²We consider a respondent to be financially underserved if they are either unbanked or underbanked, that is, if either (a) they do not have a checking or savings account, or (b) they have such an account but they have used alternative financial services at least twice in the previous twelve months, that is, check cashing, money order purchases, bill paying, and loans obtained through businesses that are not banks or credit unions (such as payday loans, pawn shop loans, or auto-title loans). This follows the definition in FDIC (2024). See the Supplemental Appendix for our screening criteria.

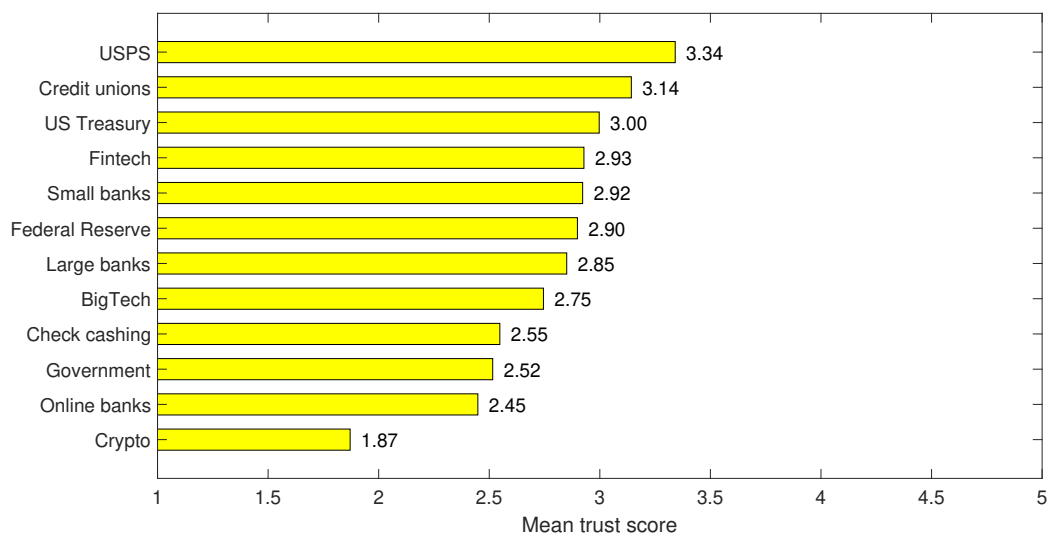


FIGURE 1. MEAN RESPONSE SCORES TO THE QUESTION “HOW MUCH DO YOU TRUST THE FOLLOWING?”

Note: We asked 4,174 financially underserved respondents how much they trust each institution and invited them to give a score from 1 (“do not trust”) to 5 (“trust completely”). Respondents could respond “not familiar” or decline to answer, in which case they are not included when computing the average. Bars are displayed in descending order of mean score. We randomized the order in which institutions were displayed for each respondent. The question about government was asked separately at a later point in the survey.

tocurrencies (such as Bitcoin and Ethereum); Online financial services companies (such as Paypal, Venmo, Cash App, Chime); US Postal Service; US Treasury. Later in the survey, we ask: “How much do you trust the government overall?”³ We chose to focus mainly on financial institutions that can substitute for banks, and on public sector entities, given the importance of trust in how consumers relate to them.⁴

For each institution, respondents were asked to provide a score on a 5-point Likert scale: (1) do not trust; (2) do not trust much; (3) trust somewhat; (4) trust a lot; (5) trust completely. They could also respond “not familiar” or decline to answer the question, in which case they are treated as missing values in our analysis. We also obtained sociodemographic data on each respondent to analyze heterogeneity in trust patterns.

II. Results

Figure 1 shows the mean trust response score for each institution. The US Postal Service (USPS) is the most trusted institution, while cryptocurrencies are the least trusted. Credit unions and small banks are more trusted than large and online banks. The US Treasury and Federal Reserve are rated more favorably than the government overall.⁵ The median response score is 3 (“trust somewhat”) for each institution, except for cryptocurrencies, which have a median score of 1 (“do not trust”).

Figure 2 shows pairwise correlations between respondents’ trust scores. Every pairwise correlation is positive, indicating the existence of a common trust factor. Trust in large banks tends to be highly correlated with trust in the Federal Reserve and US Treasury. But trust scores for check cashing stores and cryptocurrencies tend to be less positively correlated with those of other institutions, suggesting that check cashing stores and cryptocurrencies may be regarded by some respondents as alternatives

³We ask about government later and separately, because in focus groups we became concerned that asking about government prompted respondents to associate the Federal Reserve with the government, creating bias.

⁴Welburn et al. (2024) carry out a similar exercise among underserved households in California.

⁵Each of the differences between means described in this paragraph are statistically significant at the 1 percent level, under t-tests.

	USPS	Credit unions	US Treasury	Fintech	Small banks	Federal Reserve	Large banks	BigTech	Check cashing	Government	Online banks	Crypto
USPS	1.00	0.49	0.58	0.45	0.46	0.55	0.51	0.47	0.36	0.41	0.38	0.18
Credit unions	0.49	1.00	0.55	0.45	0.63	0.55	0.56	0.44	0.31	0.37	0.45	0.23
US Treasury	0.58	0.55	1.00	0.43	0.52	0.77	0.64	0.55	0.35	0.60	0.46	0.24
Fintech	0.45	0.45	0.43	1.00	0.44	0.41	0.44	0.54	0.42	0.33	0.54	0.36
Small banks	0.46	0.63	0.52	0.44	1.00	0.51	0.60	0.45	0.34	0.38	0.52	0.28
Federal Reserve	0.55	0.55	0.77	0.41	0.51	1.00	0.65	0.53	0.37	0.58	0.46	0.25
Large banks	0.51	0.56	0.64	0.44	0.60	0.65	1.00	0.55	0.36	0.52	0.52	0.30
BigTech	0.47	0.44	0.55	0.54	0.45	0.53	0.55	1.00	0.44	0.45	0.49	0.37
Check cashing	0.36	0.31	0.35	0.42	0.34	0.37	0.36	0.44	1.00	0.34	0.41	0.41
Government	0.41	0.37	0.60	0.33	0.38	0.58	0.52	0.45	0.34	1.00	0.39	0.23
Online banks	0.38	0.45	0.46	0.54	0.52	0.46	0.52	0.49	0.41	0.39	1.00	0.46
Crypto	0.18	0.23	0.24	0.36	0.28	0.25	0.30	0.37	0.41	0.23	0.46	1.00

FIGURE 2. PAIRWISE CORRELATION BETWEEN RESPONDENTS' SCORES

Note: Each cell shows the Pearson correlation coefficient between response scores. The highest correlations are shown in green and the lowest correlations in red. The institutions are listed in descending order of mean trust score, as shown in Figure 1.

to the established financial system.

We conduct a principal component analysis to explore common drivers of trust across institutions. Table 1 summarizes the three largest principal components and their loadings for each of the twelve trust scores. Positive loadings indicate the component is associated with a higher trust score for that institution, while negative loadings indicate the opposite. These principal components together describe around 64 percent of the variation in trust scores.

TABLE 1—LOADINGS OF THE THREE LARGEST PRINCIPAL COMPONENTS ON TRUST SCORES

	PC1	PC2	PC3
Proportion of variance explained	0.45	0.11	0.08
USPS	0.27	-0.09	0.16
Credit unions	0.30	-0.16	0.35
US Treasury	0.37	-0.33	-0.33
Fintech	0.26	0.29	0.16
Small banks	0.28	-0.08	0.41
Federal Reserve	0.40	-0.24	-0.40
Large banks	0.32	-0.14	0.06
BigTech	0.28	0.15	0.02
Check cashing	0.22	0.50	0.26
Government	0.25	-0.06	-0.22
Online banks	0.28	0.17	0.14
Crypto	0.16	0.63	-0.49

Note: Results of a principal component analysis on trust scores. Missing responses are estimated using the alternating least squares algorithm. The institutions are listed in descending order of mean trust score, as shown in Figure 1.

The largest principal component (PC1) is positively related to all twelve trust scores. We can think of PC1 as representing *broad-scope trust*.⁶ The second principal component (PC2) has a strong association with trust in cryptocurrencies, check cashing stores and fintech, and with skepticism toward the public sector and traditional financial institutions. We infer that this component reflects preferences for entities that operate outside traditional regulatory or governmental frameworks. Thus,

⁶Van der Crujisen, de Haan and Roerink (2023) discuss the distinction between broad- and narrow-scope trust in the context of trust in financial institutions.

TABLE 2—REGRESSIONS OF PRINCIPAL COMPONENT LOADINGS ON RESPONDENTS' SOCIODEMOGRAPHIC CHARACTERISTICS

	PC1	PC2	PC3
Income (log)	0.26 (0.05)	-0.11 (0.02)	0.06 (0.02)
Age (log)	0.12 (0.14)	-0.90 (0.07)	0.21 (0.06)
Education	0.19 (0.04)	-0.10 (0.02)	0.03 (0.02)
Household size	0.05 (0.03)	0.02 (0.01)	0.00 (0.01)
Gender (reference category: Female)			
Male	0.19 (0.09)	0.07 (0.04)	-0.08 (0.04)
Not disclosed	-0.76 (0.63)	-0.11 (0.30)	-0.09 (0.26)
Race (reference category: White)			
American Indian or Alaska Native	-0.14 (0.28)	0.24 (0.13)	0.24 (0.12)
Asian	-0.21 (0.31)	-0.03 (0.14)	-0.16 (0.13)
Black	-0.05 (0.11)	0.23 (0.05)	0.00 (0.05)
Native Hawaiian/Pacific Islander	0.71 (0.69)	0.51 (0.33)	-0.59 (0.29)
Two or more races	-0.45 (0.20)	0.26 (0.09)	0.17 (0.08)
Refused	-0.82 (0.49)	0.35 (0.23)	-0.10 (0.20)
Citizenship (reference category: US-born citizen)			
Foreign-born citizen	0.32 (0.17)	0.09 (0.08)	-0.20 (0.07)
Foreign-born noncitizen	0.52 (0.18)	-0.03 (0.09)	-0.22 (0.08)
Not disclosed	-1.28 (0.43)	-0.03 (0.20)	-0.09 (0.18)
Political affiliation (reference category: Republican)			
Democrat	1.06 (0.12)	-0.20 (0.06)	-0.31 (0.05)
Independent	0.27 (0.12)	-0.17 (0.06)	-0.10 (0.05)
Something else	0.18 (0.15)	-0.09 (0.07)	-0.03 (0.06)
Number of observations	4174	4174	4174
Ordinary R^2	0.08	0.11	0.04

Note: Standard errors are in parentheses. Independent variables are categorical if a reference category is mentioned, otherwise they are numerical. Education is coded as an ordinal score from 0 to 5 representing the highest level of educational status. For brevity, we only display results for characteristics that are significant at the 5 percent level or better for at least one principal component. The other characteristics included in the regressions are: region of domicile, housing status, residing in a metropolitan area, marital status, and Hispanicity. Respondents were asked separately about race and Hispanic identity; so they could, for example, identify as both Black and Hispanic.

we can think of PC2 as representing *concerns about traditional institutions*. The third principal component (PC3) appears to reflect trust in smaller financial services providers that tend to carry out their business from physical premises: small banks, credit unions, and check cashing stores. We interpret PC3 as *preference for a physical business presence*. Of course, other interpretations of these principal component loadings are possible.

We run a regression to examine how our respondents' sociodemographic characteristics affect the loadings for each of the three largest principal components. Table 2 shows the results. Generally, respondents who are older, more educated, or have higher incomes are associated with greater levels of broad-scope trust (PC1), fewer concerns about traditional institutions (PC2), and stronger preference for a physical business presence (PC3). Relative to white people, minority respondents tend to have greater concern about traditional institutions, especially those who are Black or multiracial.⁷ But most of the other racial effects are either statistically insignificant or economically small. After controlling for race, citizenship, and other factors listed in Table 2, we do not find that respondents who identify as Hispanic have significantly different trust factors from those who do not.

Foreign-born respondents tend to have somewhat higher levels of broad-scope trust, consistent

⁷This is broadly consistent with Armantier et al. (2021), who find that minority respondents trust traditional financial institutions less to safeguard their personal data.

with other work (Röder and Mühlau, 2012). But they also tend to have weaker preference for institutions with physical premises, relative to those born in the US. A reason for this could be negative experiences of financial crises in their home countries (Paulson et al., 2006).

Political affiliation has an important effect. Relative to those who identify as Republican, Democrat-leaning respondents tend to have higher broad-scope trust, fewer concerns about traditional institutions, and a weaker preference for physical business premises. The same is true of those who identify as Independent, but to a lesser extent.⁸

III. Conclusion

We explore the determinants of trust in various institutions among financially underserved people in the United States. Trust factors differ across institutions, with the USPS the most trusted and crypto the least trusted entities. We carry out a principal component analysis to identify common drivers of trust. The three largest principal components, in descending order, relate to: (1) broad-scope trust; (2) concerns about traditional financial institutions; and (3) a preference for institutions with a physical business presence. We find that sociodemographic characteristics—especially income, age, education and political affiliation—help explain the principal component loadings. In addition, foreign-born respondents tend to have somewhat higher broad-scope trust and less preference for physical premises. Race has a small effect once other factors are controlled for, although it seems Black and multiracial respondents are less likely to trust traditional institutions. These results suggest that it is crucial to tailor policy regarding the financially underserved to the specific form of trust concerns. Expanding access through traditional banks or government-affiliated accounts may be effective for individuals with high trust in traditional institutions but less so for those who have concerns about such institutions. For individuals who tend to trust providers with a physical presence, strengthening community-based financial infrastructure may be more effective. Understanding these underlying trust components is essential for designing policies that aim to expand financial access.

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⁸The surveys took place while there was a Democratic president in the US, which could to some extent explain why Democratic-identifying respondents had greater trust in the government.

SUPPLEMENTAL APPENDIX

Beyond banks: Trust among the financially underserved*Paola Boel, Daniela Puzzello, Peter Zimmerman*

This section reproduces relevant parts of the IPSOS survey instrument.

SECTION: INFORMED CONSENT

BASE: ALL RESPONDENTS

INTRO100. [DISPLAY]

You are invited to participate in a survey on banking and financial services. You will be asked a series of questions to help us better understand what kind of banking and financial services the US population uses. This is a short survey that should take approximately 15 minutes to complete. If you qualify and complete this survey, you will receive your standard incentive. Your responses are confidential, and it helps us a great deal if you respond as carefully as possible. De-identified data may be shared with the research community to advance scholarly knowledge. If you have any questions, you may contact the researcher at Indiana University, Daniela Puzzello at dpuzzell@indiana.edu. For questions about your rights as a study participant, contact the Indiana University Human Subjects Office at 800-696-2949 or irb@iu.edu (reference study #15540).

Please click the forward arrow to continue.

SECTION: SCREENING QUESTIONS

BASE: ALL RESPONDENTS

BASE: ALL RESPONDENTS

PROMPT TWICE, TERMINATE IF REFUSED.

SCREEN110. [S] How much do you participate in making financial decisions for your household, such as spending, saving, borrowing or investing money?

- 1) Not at all [TERMINATE]
- 2) Very little
- 3) Some
- 4) A lot
- 5) I make all the decisions

BASE: ALL QUALIFIED

DISP_101 Next, some questions about checking or savings accounts at banks or credit unions.

BASE: ALL RESPONDENTS

SCREEN120. [S] Do you currently have a checking or savings account? We are asking about accounts in your name only OR accounts that you might have jointly with your spouse/partner or another member of your HOUSEHOLD.

- 1) Yes
- 2) No

BASE: ALL RESPONDENTS

SCREEN140. [S] Does anyone else in your household currently have a checking or savings account?

- 1) Yes
- 2) No
- 3) Not sure

BASE: ALL RESPONDENTS

DOV_UNBANKED. [HIDDEN QUESTION – ASSIGN CODE]

IF NO ACCOUNT (SCREEN120=2), GET CODE 1. ELSE, GET CODE 0.

- 0 Not unbanked
- 1 Unbanked

SECTION: ALTERNATE FINANCIAL SERVICES (AFS) USAGE

BASE: ALL RESPONDENTS

AFS100. [S] Next, some questions about other financial services that you might have used in the past 12 months through businesses that are not banks or credit unions.

In the past 12 months, did you cash a check through a business that is not a bank or credit union? Examples of other businesses where you can cash a check include Western Union, Ace Cash Express, United Check Cashing, Walmart Money Center, convenience stores, or liquor stores.

- 1) Yes
- 2) No

BASE: CASHED A CHECK (AFS100=1)

AFS110. [S] In the past 12 months, how many times did you cash a check through a business that is not a bank or credit union?

- 1) 1 time
- 2) 2 or 3 times
- 3) 4 or more times

BASE: ALL RESPONDENTS

AFS200. [S] In the past 12 months, did you purchase a money order through a business that is not a bank or credit union? For example, you can purchase money orders at the Post Office, retail stores like Walmart, or Western Union and MoneyGram locations.

- 1) Yes
- 2) No

BASE: PURCHASED A MONEY ORDER (AFS200=1)

AFS210. [S] In the past 12 months, how many times did you purchase a money order through a business that is not a bank or credit union?

- 1) 1 time
- 2) 2 or 3 times
- 3) 4 or more times

BASE: ALL RESPONDENTS

AFS300. [S] In the past 12 months, did you pay bills through a business that is not a bank or credit union, such as through Western Union or MoneyGram?

- 1) Yes
- 2) No

BASE: PAID BILLS (AFS300=1)

AFS310. [S] In the past 12 months, how many times did you pay bills through a business that is not a bank or credit union?

- 1) 1 time
- 2) 2 or 3 times
- 3) 4 or more times

BASE: QUALIFIED RESPONDENTS

AFS400. [S] In the past 12 months, did you get a loan through a business that is not a bank or credit union (such as a payday loan, pawn shop loan, or auto-title loan)?

- 1) Yes
- 2) No

BASE: GOT A LOAN (AFS400=1)

AFS410. [S] In the past 12 months, how many times did you get a loan through a business that is not a bank or credit union?

- 1) 1 time
- 2) 2 or 3 times
- 3) 4 or more times

BASE: ALL RESPONDENTS DOV_UNDERBANKED. [HIDDEN QUESTION]

IF [(ACCOUNT (SCREEN120=1)) AND [(USE AN AFS 2+ TIMES (AFS110=2,3 OR AFS210=2,3 OR AFS310=2,3 OR AFS410=2,3)) OR (Across AFS110, AFS210, AFS310 or AFS410 "one time" or "1" is selected twice or more)]], GET CODE 1. ELSE, GET CODE 0.

- 0. Not underbanked

1. Underbanked

IF DOV_UNBANKED=1 OR DOV_UNDERBANKED=1, CLASSIFY AS QUALIFIED RESPONDENT AND CONTINUE SURVEY. ELSE IF DOV_UNBANKED=0 AND DOV_UNDERBANKED=0, THANK AND TERMINATE.

SECTION: TRUST IN SPECIFIC ORGANIZATIONS

BASE: QUALIFIED RESPONDENTS

TRUST100.

Next, some questions about trust in entities related to finance.

How much do you trust the following?

PROGRAMMER: Randomize statements

Statements:

- 1) Large banks (such as banks with many branches across multiple states)
- 2) Small banks (such as community or local banks that only have branches in a small region)
- 3) Credit unions
- 4) Online banks – banks that do not have physical branches (such as Ally, Varo, Discover)
- 5) Federal Reserve
- 6) Large technology companies (such as Amazon, Apple, Facebook, Google)
- 7) Check cashing stores
- 8) Cryptocurrencies (such as Bitcoin and Ethereum)
- 9) Online financial services companies (such as Paypal, Venmo, Cash App, Chime)
- 10) U.S. Postal Service
- 11) U.S. Treasury

Responses:

- 1) Do not trust
- 2) Do not trust much
- 3) Trust somewhat
- 4) Trust a lot
- 5) Trust completely
- 6) *Not familiar*

SECTION: OTHER QUESTIONS

BASE: QUALIFIED RESPONDENTS

UNDERBANKEXP145. How much do you trust the government overall?

- 1) Do not trust
- 2) Do not trust much
- 3) Trust somewhat
- 4) Trust a lot
- 5) Trust completely