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Authors
Maurer, Bill
Wrapp, Melissa K

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REPORT

Tech and Trust

Building Credibility in Your Community

Bill Maurer
Dean, School of Social Sciences; Professor, Department of Anthropology and School of Law;
Director, Institute for Money, Technology and Financial Inclusion, University of California, Irvine

Melissa K. Wrapp, PhD
Postdoctoral Scholar, Department of Anthropology
University of California, Irvine

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Executive Summary

MEET THE AUTHORS

Bill Maurer
Dean, School of Social Sciences; Professor, Department of Anthropology and School of Law; Director, Institute for Money, Technology and Financial Inclusion at University of California, Irvine

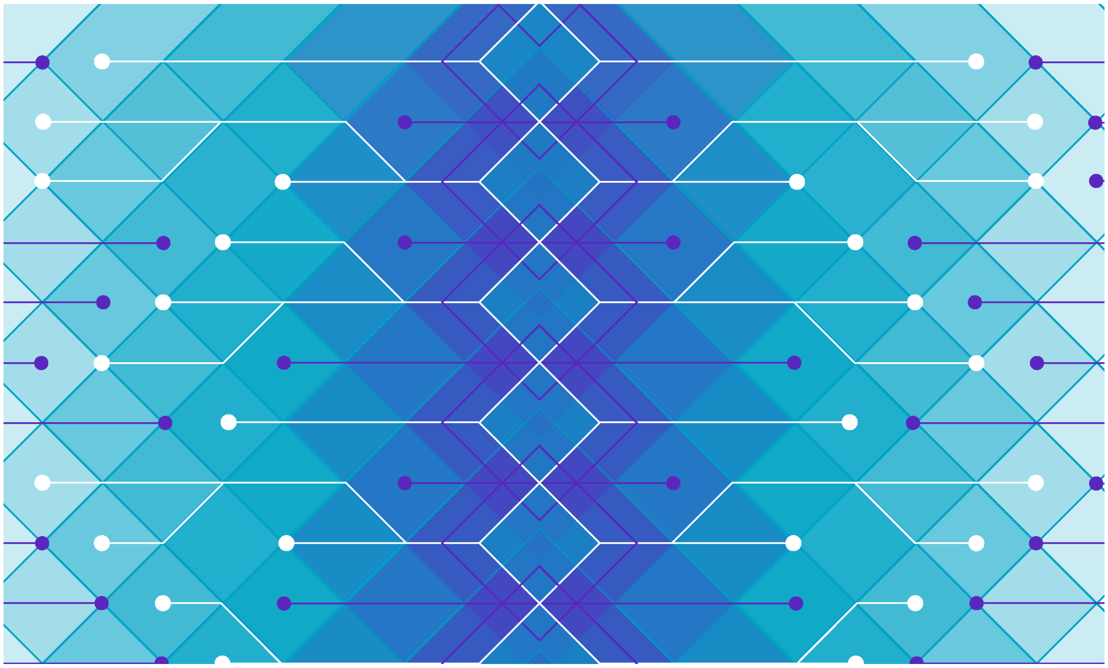
Melissa K. Wrapp, PhD
Postdoctoral Scholar, Department of Anthropology University of California, Irvine

Trust has always mattered to the financial services industry; however emerging technology has created a challenging landscape as credit unions face tremendous pressure to differentiate themselves from disruptors and other traditional financial institutions. At the same time, the dynamics of trust and mistrust of the financial services industry from community members of low-income and historically marginalized backgrounds may leave many of these community members locked out of a system not designed to accommodate their financial lives. Oftentimes, these members' financial needs have been met elsewhere.

Yet, credit unions have always excelled at listening to and knowing their members—their struggles, their concerns, their views, and their motivations. In terms of technology and trust, credit unions seeking to grow membership by developing long-term relationships and deepening trust in minoritized communities should focus on three key areas.

- Trust requires mutuality.
- Trust requires vulnerability.
- Trust requires continuous engagement.

Tech and Trust
Building Credibility in Your Community



CHAPTER 1

Introduction

In today's financial services landscape, credit unions are fighting the battle for trust on two fronts. On the one hand, they face the challenge of establishing trust in the digital age. In a field flooded with new entrants—startups, fintech apps, online lenders, and other nonbank providers—differentiation amidst a flattened and homogeneous digital environment is harder than ever; differentiating on the traditional, interpersonal credit union difference of a handshake and a smile, even more so. On the other hand, credit unions operate in the context of an increasingly widespread erosion of social and institutional trust.

In the United States, trust in the government,[1] public health institutions,[2] and the media[3] hovers around record lows. Globally, distrust is now the "default" emotion, with nearly 6 in 10 saying their "default tendency is to distrust something until they see evidence it is trustworthy" (Edelman 2022).[4] The digital age means information is everywhere, and more easily accessible than ever, and AI promises to deliver it to our fingertips. But how do we know if we can trust what digital tools deliver?

In 2021, researchers from the University of California, Irvine, partnered with Filene to study the role of financial institutions in our era of mis- and disinformation. This partnership, known as "Community Credit," was funded by the National Science Foundation. Many scholars point to mis- and disinformation as central to the contemporary problem of trust and technology, linking a rise in "fake news" and false information across media channels to a decline in trust. In this framework, solutions to the problem of distrust lie in disseminating accurate information from authoritative expert sources, fact-checking and labeling misinformation, and promoting digital and media literacy in the public. In financial services, this might mean providing authoritative information to discredit scams or deceptive and predatory financial products.

> "Research on disinformation relies on implicit norms of representative governance, namely the commitment that democratic life requires trustworthy channels of public communication, particularly in the form of legally protected journalism. Analyses that center disinformation—even those critically attuned to power, history, and overlapping forms of oppression—presume a normative conception of the public. This presumption ignores the ways that a majoritarian public sphere might be conceptualized and controlled in ways that favor the interests of elites, dominant cultural groups, or other powerful actors."
>
> – Roderic Crooks and Bryan Truitt (2023), Community Credit team members, in critically analyzing the field of disinformation studies.
>
> In other words, mainstream approaches to studying disinformation start from the premise that simply providing accurate information will "solve" the challenges of democratic life. This ignores the state violence that, for many marginalized people, is inherent to the public sphere. One cannot assume that the norm of a democratic public protects everyone.

Community Credit takes a different approach from fact-checking or promoting digital financial literacy, though we recognize their importance.

Instead, we start from a place of acknowledging that even *before* the digital age, there were good reasons why people in some communities distrusted financial service providers. If your parents couldn't get a mortgage in a "nice" neighborhood because of redlining, or your family member turns to payday lenders because the staff speak her language and make her feel welcome, it is going to take more than "good" information about trustworthy financial service providers to convince her to actually trust and use them. At every income level, Black and Hispanic households are unbanked at higher rates than white households, and the second most reported reason for not opening a bank account was "don't trust banks" (FDIC 2022).[5]

In other words, we cannot ignore the deep history of racialized exclusion and predatory inclusion of people of color in financial services, and ongoing patterns of racial inequality in banking access and racialized gaps in wealth distribution. From this perspective, there are legitimate reasons for distrust. It is thus not only that historically marginalized communities are "mistrusting" in this context, but rather that the financial services industry must continue to work to become more worthy of trust.

Community Credit discovered that participants in our research—community members from low-income and historically marginalized backgrounds in Southern California—were indeed more impacted by distrust than any kind of mis- or disinformation, expressing an acute skepticism of finance, which they associated with predatory practices.

Where does this leave credit unions? Community Credit finds that credit unions must differentiate on the initial value proposition of their movement: trusted relationships forged through strong community connections. Credit unions need to think more seriously about closing the loop between product development and the communities they serve; and it's only through a continuous process of engagement that trust will be built. Community Credit offers a model for a way forward, providing mechanisms for co-creation of financial products and services as an end in itself and as a process that concurrently builds those trusted relationships. This paper shares key research findings and insights from our piloting the Community Credit toolkit. We begin by laying out Community Credit's research methods. Next, we contextualize the study with an analysis of data resulting from a large-scale survey on trust in financial services in Southern California before moving into an exploration of key findings. We conclude with key takeaways for credit unions seeking to develop and deepen trust in their communities.

Community Credit's Methods

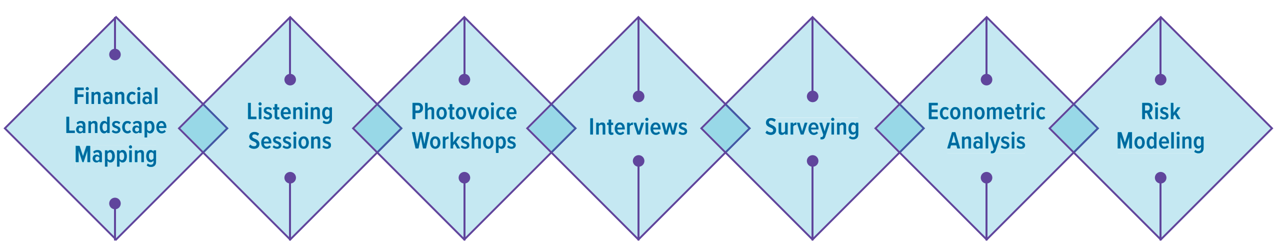
Research activities utilized a range of qualitative and quantitative social science research methods reflecting the interdisciplinarity of our team—ethnographers, econometricians, philosophers, political scientists, and data justice scholars (see Figure 1). Data collection was concentrated in Orange County and Los Angeles County, California. Collaborative partnerships with local credit unions and nonprofit organizations were central to iteratively developing the research project and successful data collection.

We began with community mapping and content analysis of financial advertising and financial institutions in neighborhoods with a low Family Financial Stability Index (FFSI) score,[6] as well as public listening sessions with credit union professionals and nonprofit organizations serving low-income and un/under-banked community members. In light of ongoing COVID-19 safety measures, these listening sessions were hosted over Zoom. In the first session, participants were introduced to Community Credit before they were then invited to experiment with elements of personal storytelling central to the project's methodology. The second listening session was organized around the theme "Where Credit Is Due." After completing a few icebreakers and introductions, participants in this session engaged in both breakout and group discussions about community challenges and creative brainstorming around potential financial services solutions.

These research activities forged relationships between Community Credit, local credit unions, and community-based organizations that facilitated recruitment for more than thirty in-depth, semi-structured interviews with low-income Southern California residents on their financial lives and relationships to financial institutions. From 2021 to 2023, we experimented with the use of photovoice, a research-action community photography method, for eliciting discussion on consumers' financial lives, as well as a tool for trust-building itself through two four-week pilot workshops. With the support of Filene, we conducted a large-scale

FIGURE 1

METHODS USED IN THE COMMUNITY CREDIT RESEARCH PROJECT



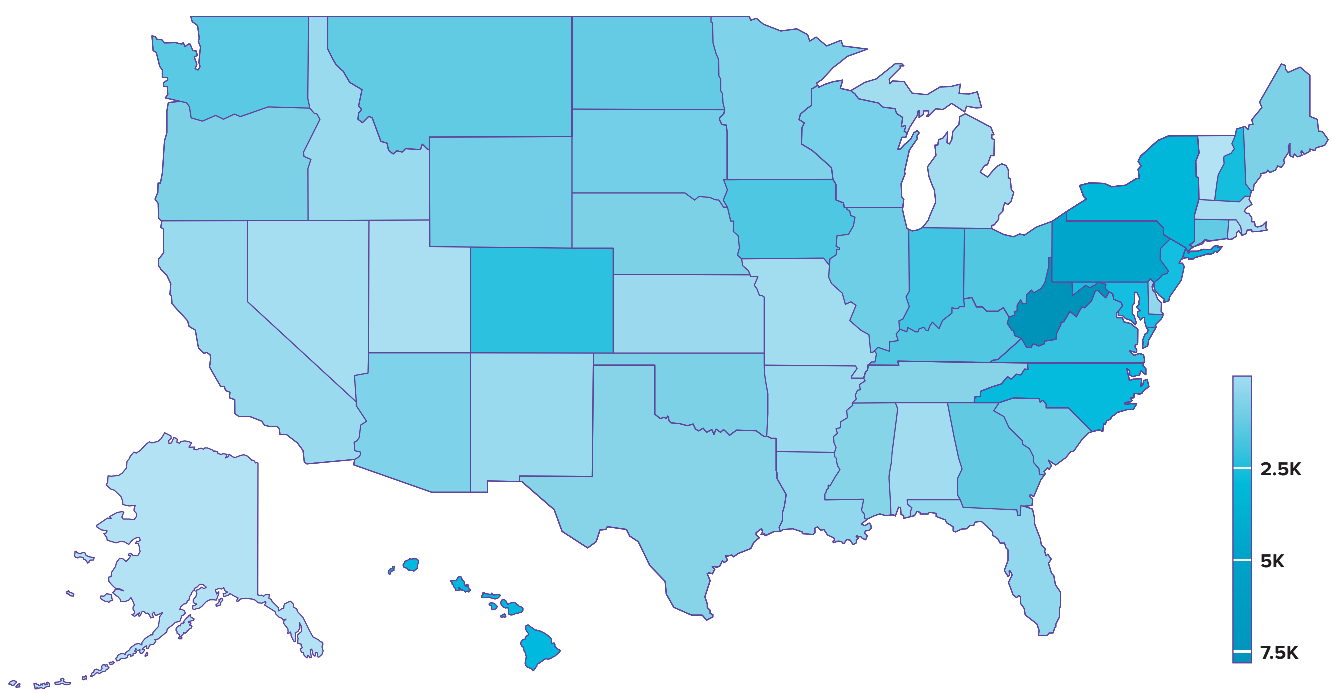
quantitative survey on trust and financial services with over 1,400 respondents, with a significant segment drawn from SchoolsFirst's membership.

A key component of our research involved taking insights from the data collected through ethnographic, visual, and content analysis to inform models of organizational structures conducive to trusted information flow. Regular meetings of the research team allowed for continuous sharing so that qualitative components informed quantitative analysis and modeling, and vice versa. The work here involved drawing on multiple modeling paradigms to explore how factors such as social trust, the illusory truth effect, and data selection effects can be used to manipulate belief. Modeling the evidence-sharing among members of a network can help identify the types of social or organizational arrangements that are more conducive to building authentic communication and trustworthy communities (Fazelpour and Steel 2022; O'Connor and Weatherall 2018; O'Connor and Weatherall 2020; Wu 2022).

In addition, econometric models to understand the current advertising targeting practices and the process of algorithmic scoring provided insights on advertisers targeting minoritized communities. The alternative loan industry relies on a broad collection of information of hundreds of payments routinely made by consumers to utilities, phone companies, landlords, insurance companies, etc. in order to assess the credit worthiness of a client. Our team conducted machine learning analytics on alternative credit loan applications at the state and county level from 2015 to 2020 using a 2% random sample—1,498,188 unique applicants—from Experian credit data (see Figure 2).[7]

FIGURE 2

ALTERNATIVE LOAN APPLICANTS ON THE ALTERNATIVE LOAN LAB (ALL) SITE



Along the way, we discovered that the research methodologies we had anticipated would provide data to answer our research questions in fact could function as prototype trust-building tools in themselves. Community listening sessions and photovoice, in particular, became not just data-gathering methods, but also fostered difficult conversations that forged new relationships. They also helped surface questions and themes from community members that had not figured into our original research questions.

CHAPTER 3

Surveying the Landscape

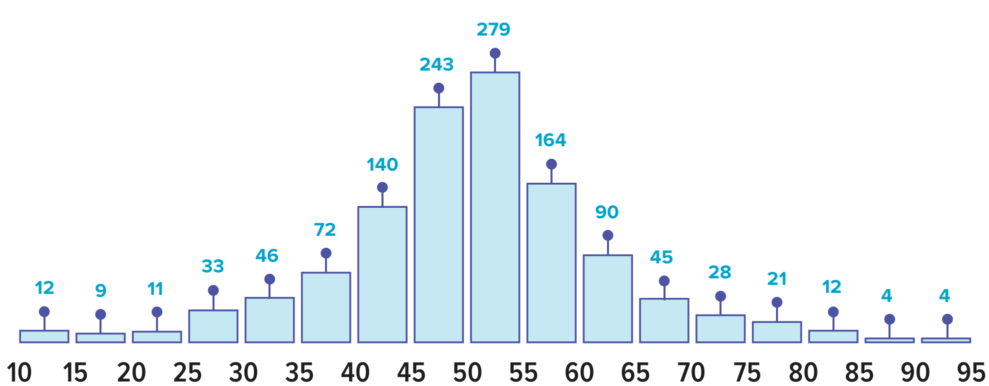
The Community Credit *Trust in Financial Services Survey* was fielded to the general population and SchoolsFirst FCU members in Los Angeles and Orange counties in 2022, yielding over 1,400 respondents. After establishing a demographic profile, the survey proceeds in five parts:

- Financial profile.
- Financial well-being.
- Perceptions of advertisements.
- Perceptions of trust.
- Understanding unmet financial needs.

In this section of the paper, we explore findings from the 1,213 general population respondents.[8] Respondents are divided into quartiles based on the Consumer Financial

FIGURE 3

DISTRIBUTION OF THE GENERAL POPULATION SURVEY RESPONDENTS' CONSUMER FINANCIAL PROTECTION BUREAU'S FINANCIAL WELL-BEING SCALE SCORES



Protection Bureau's (CFPB) Financial Well-Being Scale score. Scores range from 0 to 100—a higher score indicates a higher level of measured financial well-being.

Our analysis focuses on the behavior, relationship to institutions, and everyday financial lives of people who fall on the upper and lower tails of score distribution.

Signs of Financial Distress

Survey responses showed trends we would expect to find around financial distress. Compared to the top quartile, the bottom quartiles are statistically:

- Less likely to agree with the statement that they can cover a $400 emergency expense (Figure 4).
- More likely to skip buying something they need in order to save money, and not pay their bills on time or pay off a credit card balance in full (Figure 5).
- More likely to "frequently" experience discomfort and embarrassment in dealing with financial service providers (Figure 6).

The Federal Reserve has tracked consumers' ability to afford a $400 emergency expense since 2013 in its annual "Economic Well-Being of U.S. Households" reports. In 2022, the Federal Reserve found that 37% of Americans stated they did not have enough money to

FIGURE 4

COVERING EMERGENCY EXPENSES

	CFPB FINANCIAL WELL-BEING QUARTILES (Approximate, slight variations due to outliers and rounding)				
Cover Emergency Expense	Quartile 1	Quartile 2	Quartile 3	Quartile 4	All
Top 2	**14%**	**40%**	**49%**	**81%**	**45%**
Completely Agree	8%	17%	26%	66%	28%
Strongly Agree	6%	23%	23%	15%	16%
Somewhat Agree	13%	33%	33%	14%	23%
Slightly Agree	19%	14%	11%	2%	12%
Do Not Agree at All	54%	14%	8%	2%	21%
n	323	332	270	288	1,213

Compared to the top quartile, the bottom quartiles are statistically less likely to agree with the statement that they can cover a $400 emergency expense.

p<.001 p<.01 p<.05 p<.10 p<.010 p<.05 p<.01 p<.001

FIGURE 5

PASSING ON PAYMENTS

Always	CFPB FINANCIAL WELL-BEING QUARTILES (Approximate, slight variations due to outliers and rounding)				
P12M Frequency	**Quartile 1**	**Quartile 2**	**Quartile 3**	**Quartile 4**	**All**
Paid your bills on time	37%	38%	52%	87%	53%
Skipped buying something because you needed to save money	29%	14%	10%	5%	15%
Paid off a credit card balance in full	13%	21%	27%	51%	27%
n	323	332	270	288	1,213

Compared to the top quartile, a significantly significant percentage of the respondents "always" skip buying something they need in order to save money, and did not pay their bills on time of pay off a credit card balance in full.

p<.001 p<.01 p<.05 p<.10 p<.010 p<.05 p<.01 p<.001

FIGURE 6

EXPERIENCING DISCOMFORT OR EMBARRASSMENT

	CFPB FINANCIAL WELL-BEING QUARTILES (Approximate, slight variations due to outliers and rounding)				
Discomfort or Embarrassment	**Quartile 1**	**Quartile 2**	**Quartile 3**	**Quartile 4**	**All**
Yes, frequently	40%	29%	16%	1%	22%
Yes, sometimes	40%	45%	41%	19%	36%
No, never	21%	26%	43%	80%	41%
n	323	332	270	288	1,213

The lower quartiles frequently experience discomfort or embarrassment in dealing with financial service providers. The top quartile does not (p<.001) in each case.

p<.001 p<.01 p<.05 p<.10 p<.010 p<.05 p<.01 p<.001

cover a hypothetical $400 emergency expense exclusively using cash or its equivalent.[9] Our survey similarly points to a context in which people who are more financially precarious are unable to buffer against unforeseen circumstances with their own resources, and instead may be vulnerable to taking on high-cost debt.

Forgoing necessary expenses and not paying bills in full are again signs of financial distress among survey respondents with lower levels of financial well-being, pointing to a gap between respondents' expenses and their income flows.

Although more frequent among lower quartiles, the emotion of stress is a common thread across all respondents' interactions with financial services providers. In fact, 54% experience a great, or even extreme, amount of stress when interacting with financial services providers. And 74% avoided seeking out financial services because of stress.

The emotion of stress is a common thread across all respondents' interactions with financial services providers.

Trusted Sources

A decided split is clear between top and bottom quartiles when it comes to sources of financial advice. While the top source for the bottom quartiles is searching on Google (38%), the top quartile is most likely to go to a financial advisor (36%). Although this split of course reflects dynamics around cost and access, it is also interesting to consider the commonality of Google searches among the bottom quartile in light of findings around discomfort and embarrassment in dealing with financial service providers.

In response to explicit questions around respondents' trust in their financial institutions (see Figure 7), essentially only the upper quartile showed a strong degree of trust. One notable exception is a statistically significant portion of the bottom quartile agreed with the statement that "I trust my institution to do what it says it will do." However, note that this statement is subject to multiple interpretations, and could signify a rather negative sentiment—for example, "I trust that my bank is going to hit me with overdraft charges and hidden fees."

FIGURE 7

SURVEY OF RESPONDENTS' INSTITUTIONAL TRUST

	CFPB FINANCIAL WELL-BEING QUARTILES (Approximate, slight variations due to outliers and rounding)				
	Quartile 1	Quartile 2	Quartile 3	Quartile 4	All
Overall, I feel I can trust my <institution>.	32%	24%	21%	43%	30%
I trust my <institution> to do what it says it will do.	30%	19%	18%	36%	26%
I trust my <institution> to have my best interests at heart.	22%	17%	17%	33%	22%
I trust my <institution> to make every effort to address my needs.	25%	18%	18%	38%	25%
Unweighted n	**292**	**291**	**234**	**258**	**1,075**

p<.001 p<.01 p<.05 p<.10

p<.010 p<.05 p<.01 p<.001

Providers

While credit unions often strive to differentiate themselves from major banks, the biggest differences observed in the data were not between credit unions and banks, but with the nonbank segment. Within the survey, nonbank providers include:

- Fintech applications.
- Payday lenders.
- Check cashers.
- BNPL loans.
- Crypto exchange platforms.

Those respondents who use nonbank providers are more likely to be:

- Younger.
- Male.
- Non-white (Black, Native American).
- Homeowners.
- Lower income.
- With children.

We found that 66% use multiple providers, possibly because of higher denial rates. In the last five years, whereas only 43% of credit union members have been denied a product or service by a financial institution in the last year, this figure rose to 77% for nonbank-provider users. **It is important to note that these high denial rates among nonbank-provider users may represent a place where credit unions could be fulfilling unmet needs.**

Among nonbank financial service customers, the vast majority (84%) have avoided seeking out financial services due to stress they have experienced. And yet, many are extremely confident in the financial decisions they make (Figure 8) and consider themselves to be risktakers if they think a decision will benefit their personal finances (Figure 9).

Together, these data create a picture of insecurity and concern among the lower quartiles, but also a certain level of willingness to take risks, seize the day, and "own the future." As one participant in our listening sessions somewhat cynically put it, if nothing else is working, "I might as well take a chance and throw my money at Bitcoin." This combination

FIGURE 8

RESPONDENTS' CONFIDENCE IN MAKING FINANCIAL DECISIONS

	BANK	CREDIT UNION	OTHER	ALL
Top 2	**51%**	**54%**	**59%**	**53%**
Extremely confident	15%	12%	24%	16%
Very confident	36%	42%	35%	37%
Somewhat confident	37%	33%	29%	35%
Not very confident	11%	12%	8%	11%
Not at all confident	2%	1%	4%	2%
Unweighted n	**724**	**161**	**190**	**1,075**

p<.001 p<.01 p<.05 p<.10 p<.010 p<.05 p<.01 p<.001

FIGURE 9

RESPONDENTS' ATTITUDES TOWARD PERSONAL FINANCES

	BANK	CREDIT UNION	OTHER	ALL
I prefer to play it safe.	54%	52%	44%	52%
I am comfortable with taking a chance if I think it will benefit me.	26%	24%	41%	28%
I consider myself a risk taker.	13%	11%	36%	17%
Unweighted N	**724**	**161**	**190**	**1,075**

p<.001 p<.01 p<.05 p<.10 p<.010 p<.05 p<.01 p<.001

is also fertile ground for predatory products and scams. In other words, if people cannot afford a shock to their economic lives, and they don't trust that their banks are there to serve them, they often turn to other products and services to "take a chance."

If people cannot afford a shock to their economic lives, and they don't trust that their banks are there to serve them, they often turn to other, potentially predatory, products and services to "take a chance."

Key Findings

Emerging technology in financial services has created a challenging landscape for vulnerable consumers. In this chapter, we explore six key findings from Community Credit's research that speak to the dynamics of trust and mistrust in minoritized communities' lived experiences of the financial services industry. While conversations around the latest technological innovations race ahead, many are left struggling with technologically "basic" needs, locked out of a system not designed to accommodate their financial lives. Predatory products are aggressively marketed and are often more readily accessible. As credit unions face tremendous pressure to compete, our findings suggest that technological innovation for its own sake may be missing the point. Through closing the gap between product development and the communities they serve, credit unions can continue to differentiate on the initial value proposition of the credit union movement—people helping people.

"Basic" Needs, Big Impact

Though grappling with the effects of complex structural and historical inequities, in practice, many financially vulnerable people's most pressing needs are not technologically complex. These needs include things like a phone number, a stable mailing address, a safe place to store documents, and emergency small dollar loans. In listening sessions, community members described challenges in accessing basic banking services due to frustrating technicalities and their not fitting the mold of an "average" customer. Post-incarcerated people, for instance, described challenges receiving regular payments due to frequent changes in their home address. Trans people explained that they had persistent inaccuracies in their FICO scores because of systems unable to accommodate a basic name change.

"It's super expensive to be poor," one of our participants working at a nonprofit in Santa Ana, California, shared. "Whatever your income is, you just don't have—there's no room, no room at all, for anything. Not even a mistake, just something of life happens. There's no cushion, of any kind." For those who are unable to afford emergency expenses or make missed payments, these seemingly minor disruptions can have huge ramifications, which can serve to alienate people who have been subjected to predatory inclusion from traditional financial institutions even further. The flipside of this is that for people living on razor-thin margins, even "basic," small-scale interventions could also make a huge positive difference.

> "It's super expensive to be poor. Whatever your income is, you just don't have—there's no room, no room at all, for anything. Not even a mistake, just something of life happens. There's no cushion, of any kind."
>
> – Community Credit research participant, working at a nonprofit in Santa Ana, California

Aesthetics Matter for Trust

The basis for a trusting relationship is built, or broken, from the moment a person begins interacting with a financial institution. In mapping the landscape of financial services and advertising in Orange County, our researchers found that differences in the aesthetics, location, and design of financial institutions have the potential to create subtle forms of exclusion. Though individual variations exist, credit union branches tend to have bare façades and sit in standalone buildings, separated from other businesses and pedestrian walkways by large parking lots. These design choices can significantly impact perceptions of their accessibility.[10]

The basis for a trusting relationship is built, or broken, from the moment a person begins interacting with a financial institution.

> "That [credit union] doesn't look 'safe.' It looks like if they saw me walking across the parking lot from the bus stop, they would call the cops."
>
> – Community Credit research participant, looking at a picture of a suburban credit union branch surrounded by a leafy parking lot

During one listening session, as we discussed how some people may perceive this set up as "safe" (see Figure 10), a Black participant shared that it didn't look "safe" to them, and pointed out that the branch was completely arranged to cater to cars: "It looks like if they saw me walking across the parking lot from the bus stop, they would call the cops." In other words, the building looked unwelcoming—and potentially hostile—to someone accustomed to experiencing racial and class-based discrimination.

FIGURE 10

CREDIT UNION BRANCH IN ORANGE COUNTY, CALIFORNIA

Source: Photo by Ellen Kladky.

In contrast, we found that "fringe" financial services providers—check cashers, payday lenders, and credit repair services—were much more integrated, physically and aesthetically, into the local community. These providers were more likely to be situated in strip malls and along pedestrian walkways—often with doors propped open to the streets, inviting people inside. Many have colorful exteriors, with writing clearly describing the services found within (see, for example, Figure 11). One participant told us about how he felt uncomfortable entering a bank at the end of a long day of work, self-conscious about paint stains and worn work clothes, but that he felt he could still send a money order or withdraw cash from providers integrated within the local grocery store.

FIGURE 11

A MARKET ADVERTISING CHECK CASHING SERVICES IN ORANGE COUNTY, CALIFORNIA

Source: Photo by Ellen Kladky.

Fringe Appeal

We found that what is considered deceptive to a well-educated, wealthier consumer may be seen as more transparent to a low-income, unbanked consumer. In other words, "deceptive" products can sometimes be seen as more accessible and transparent. A sign advertising a 25% charge for cashing a check looks exorbitant only if you have other options, and posting the percentage on a large, colorful placard can be seen as more trustworthy than pages of indecipherable legalese in the fine print of a loan document (see Servon 2017 for similar findings).

"Deceptive" products can sometimes be seen as more accessible and transparent.

Alternative financial services providers blend in visually with the communities in which they are situated. For example, compare Figure 12 and Figure 13, which show the exterior of a coin-operated laundromat with the exterior of a payday lender in the same neighborhood. But in some instances, these alternative financial services providers also try to create an appealing atmosphere to put potential new customers at ease. One of our participants told us that the first time she went to a payday lender, "I wanted to see what everybody was doing. I'm nosy like that." Ultimately, she realized that the rates they were charging were unreasonable. "I mean they charged me $60 for $300! They never saw me again. Never. I thought, I'm leaving here. You're gonna charge me $60?" "But," she continued, "it was right next to [a chicken restaurant chain]. People were lining up. Everyone was laughing and everything. I like to talk and laugh too, so I just got in line with them. I had the feeling like I was at the beauty shop. We were having so much fun."

This appealing social environment, combined with seemingly straightforward advertising—albeit for decidedly less than competitive products—is sometimes enough to draw in customers who feel excluded by other providers.

This is not unique to the physical landscape; we find that patterns of predatory inclusion are being replicated as more financial services migrate into the digital sphere. Of course, many fringe firms have a similar web presence to conventional financial service providers. Many providers reach for the same web design templates, fonts, and color palettes. Yet, in analyzing the online presence and messaging of 21 nonbank, noncredit union financial

FIGURE 12

THE EXTERIOR ADVERTISING ON A LAUNDROMAT IN ORANGE COUNTY, CALIFORNIA

Source: Photo by Ellen Kladky.

FIGURE 13

THE EXTERIOR ADVERTISING ON A PAYDAY LENDER IN ORANGE COUNTY, CALIFORNIA

Source: Photo by Ellen Kladky.

service providers located in low-financial security areas in Orange County, our team found that these firms distinguish their digital presence in four key ways:[11]

1. Indicators of trustworthiness rely on ostensible metrics of "business success." The most common metrics presented by firms include:
   - Number of years in the business, number of customers, and number of loans.
   - References to being locally owned and operated.
   - Compliance with regulatory and licensing requirements.
2. Services are advertised based on cost, but also convenience:
   - For example, some firms boasted that they had: "Easy to understand pricing and terms."
   - Others advertised "Online payday loans funded instantly."
3. Narratives of financial distress to emphasize their familiarity with instability. Examples of these narratives include claims like:
   - "We know what it's like when money dries up leaving nowhere to turn in emergency situations."
   - "We've all been [paycheck to paycheck] at some point or another."
4. Implicit and explicit references to conventional financial institutions and practices. These references position traditional banks as uninterested in serving low-income customers and indifferent to their needs, and include statements like:
   - "Banks and other financial institutions, despite their public relations campaigns, have no desire or real plans to serve this segment of our population. They're fixated on high-income-generating customers and hitting them with ever-increasing fees."
   - "Don't let traditional banking hours limit your busy lifestyle."

In other words, fringe firms are not trying to pass themselves off as conventional banking institutions; through these discursive strategies, they're striving to actively set themselves apart as more compassionate, convenient, and in tune with vulnerable groups.

Patterns of predatory inclusion are being replicated as more financial services migrate into the digital sphere.

Avoiding Information

Why would people not choose to bank with a provider offering better rates and lower fees? Analyzing the impact of branch design and advertising strategies on perceptions of inclusion and exclusion provides one explanation. Still, our researchers wanted to understand why many marginalized Americans routinely turn to alternative financial institutions, often without researching comparable, more affordable services from traditional financial institutions.

Philosophical decision modeling may provide another explanation. Good's Theorem—a foundational proposition in decision theory—states: "A rational agent will make any available, free and relevant observation before choosing an act" (Ahmed and Salow 2019). Translated to this context, according to Good's Theorem, it would be "irrational" to not learn about traditional institutions' rates before seeking out a loan or other services. A "rational" person would comprehensively survey freely available information about providers and select the best deal. However, incorporating risk into the decision modeling changes the equation.

Using risk-weighted decision theory, our team built models to explore why some people might rationally choose not to learn about the rates of traditional financial institutions.[12] In this scenario, a "risk" would entail an outcome like being rejected from a loan. We found that if people are risk averse, they fear the possibility of learning about traditional institutions' low rates only to find out later that their loan applications would be rejected. To avoid this "risk," they would prefer not to learn about these rates in the first place, and instead enjoy the certainty of services they will definitely be able to access from alternative financial service providers. Accounting for this kind of risk-aversion is important to fully understanding decision making around personal finances, and designing effective products and marketing campaigns.

People Still Helping People

With the recent leaps and bounds in the capabilities of generative AI, automation is top of mind in many industries. However, among our research participants, people still want to be helped by people when it comes to financial matters. In reflecting on what set their primary financial institution apart, many participants commented on their warm relationships with employees, or a service interaction in the branch that went the extra mile. When asked on what they saw as the difference between credit unions and banks, one woman shared, "I just feel like credit unions are more secure. It's hard to say but… it just feels like there's a team of people there. I think of it this way: If there's ever an apocalypse and I want my money, I don't think the bank would be able to give it to me. Because at the end of the day, whatever I deposit becomes their money." Here, she draws a distinction between credit unions, as nonprofit member-owned entities, and banks. The "team of people" is crucial in materializing that difference, and solidifying her trust.

Even with advancements in technology, people still want to be helped by people when it comes to financial matters.

> "I just feel like credit unions are more secure. It's hard to say but… it just feels like there's a team of people there. I think of it this way: If there's ever an apocalypse and I want my money, I don't think the bank would be able to give it to me. Because at the end of the day, whatever I deposit becomes their money."
>
> – Community Credit research participant, reflecting on the difference they see between big banks and credit unions

Though nearly every participant noted the convenience of making mobile deposits or quickly checking accounts online, many added that they still liked to have the option to handle financial matters in person. "I know there are some online-only banks," one person told us, "but I still prefer being able to visit a branch if I need to. I wouldn't want to put all my money in a completely online account…just in case of an emergency, you know." Several people shared that their preference for online versus in-person banking depended on the type of transaction. "Depends on the situation," another person said. "Say if like it was a fraud thing. I'd rather do that in person. If it's just like, you know, direct deposit of a paycheck or something? Online. If I have a question, I'd rather go to the branch and ask, 'What could I do with the situation?' It's just all based on what I need." And when asked to envision products or services their financial institution could offer, there were repeated calls for a "point person" to advise members on particular topics. As credit unions continue to consider and build out new automated technologies, it is vital that support for robust in-branch member services continues.

Understanding Financial Security

Throughout our research, participants shared radically different visions of what a financially secure life looked like. One participant, for instance, described diligently building their retirement savings, while another told us about juggling credit card balances to fund monthly vacations. Both participants initially described feeling secure in their financial situation. This points to how complicated, and personal, concepts like financial security (and insecurity) are. It also suggests that conventional research methods, such as quantitative surveying, may be insufficient in grasping the full nuance of someone's financial life.

Perceptions of financial security (and insecurity) are personal and complicated.

Across multiple community-based photography workshops, we probed concepts like financial security with low-income and traditionally underserved Southern Californians. Through both photography and creative captioning, participants created a complex, sometimes fraught picture. Figure 14, for example, was taken by a participant at a local community garden. He used the photo to reflect on his experience as the child of Cambodian refugees. In the caption he wrote a poem, analogizing his family's attempt to settle and build wealth in the United States to a plant rooting into cement:

"Barren Days.
Sprouting Mornings.
Temporary Wealth.
Can our roots grow into cement?"

Another participant, herself a Cambodian refugee, shared a photograph of her neighborhood (Figure 15). Over the fence behind her apartment, graffiti and the fabric of unhoused people's tents are visible. Her similarly poetic caption reads:

"No safety, no freedom, not happy.
Being in a home has limitations,
the homeless look free."

It was only through building a trusted community of practice in our workshops that we were able to unpack and understand the somewhat surprising longing for homelessness in this photo, much of which had to do with the financial constraints she was struggling with at home.

FIGURE 14

A PHOTOGRAPH OF A COMMUNITY GARDEN TAKEN BY A COMMUNITY CREDIT PHOTOVOICE PARTICIPANT

FIGURE 15

A PHOTOGRAPH OF UNHOUSED PEOPLE TAKEN BY A COMMUNITY CREDIT PHOTOVOICE PARTICIPANT

Conclusion

What does all this mean for credit unions seeking to foster trust in their communities? Here are the three biggest takeaways from Community Credit's research.

1. **Trust requires mutuality.**

   There are many guidance documents, checklists, and vision statements about the future of trust in banking. Most emphasize the role of the financial institution, prompting branches to consider new ways that technology will mediate their security, self-presentation, and services. Few emphasize the role of members. Yet trust is fundamentally about relationships. Without recognizing the mutuality necessary for nurturing those relationships, attempts to reimagine trust in the age of digital banking will fall short. Credit unions have always prided themselves on knowing their members. Our research underscores the vital importance of continuous work on truly knowing members: their struggles, their concerns, their views, their motivations.

2. **Trust requires vulnerability.**

   Financial institutions must convey competence. They are entrusted not just with some of the most intimate data about a person's life—their financial transactions, income, debts, and more—but also with their very livelihood. However, building a meaningful, trusting relationship also requires vulnerability. Credit unions must work to create spaces where their employees can meet members in a spirit of curiosity and exploration, rather than expertise. Over and over again our research participants stressed that they needed their financial institutions to hear them. This suggests that their financial institutions currently do not. It's time to open up the credit union to the community and set aside the stance of always knowing all the answers. Only from a place of vulnerability will credit unions be able to truly hear community voices and understand where members' expectations are not being met—and what credit unions should do about it.

3. **Trust requires continuous engagement.**

   A "one and done" approach of hosting a single listening session or community event does not work. Building trust requires a commitment to regular, consistent engagement—to following up, and following through. It may also require doubling down on the cooperative ethos and incorporating community voices into the process of credit union governance. This requires time, energy, resources, and planning. At the end of the day, though, this has been the credit union difference since the beginning of the credit union movement. People’s economic precarity, and their growing sense that the financial institutions they do business with should not only share their values but actively support them, means it is time to put credit union values in motion through ongoing, meaningful conversation and continuous reinvention, with and for credit union members.

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5 Although in 2021 the unbanked rate nationally had fallen to 4.5%, the rate for Black households was 8% and for Hispanic households was 8.4% at the $30,000-$50,000 income level. Similar differences were found across all income levels. “Don’t have enough money to meet minimum balance requirements” was the top-cited reason for not having a bank account.

6 The Family Financial Stability Index or FFSI is a multivariate metric that was developed by researchers with Parsons Consulting for Orange County United Way that accounts for income, employment, and housing burden. The indicators included in FFSI focus on families with children under 18. Using customized tabulations of Census Bureau data, they enable a neighborhood-level analysis of family financial stability (Parsons et al. 2022).

7 The Alternative Loan Lab data is available at alternativecreditlab.org.

8 Some charts note a different *n* due to incomplete responses.

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11 Community Credit researcher Erin Lockwood provided this critical discourse analysis of the digital footprint of these firms.

12 Community Credit researchers James Weatherall and Jingyi Wu provided this modeling analysis.

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About the Authors

Bill Maurer

Dean, School of Social Sciences; Professor, Department of Anthropology and School of Law; Director, Institute for Money, Technology and Financial Inclusion
University of California, Irvine

Bill Maurer is the author of numerous books and articles, including the edited collection (with Lana Swartz) *Paid: Tales of Dongles, Checks, and Other Money Stuff* (MIT Press), and most recently, the editor of the six-volume series *A Cultural History of Money* (Bloomsbury), covering antiquity to the present day. He directs the Institute for Money, Technology and Financial Inclusion and the Filene Center of Excellence for Emerging Technology. Bill is a fellow of the American Association for the Advancement of Science and a fellow of the Filene Research Institute, and he served on the Board of Behavioral, Cognitive, and Sensory Science at the National Academies of Science, Engineering and Medicine. He received his PhD and MA from Stanford University and his BA from Vassar College.

Melissa K. Wrapp, PhD

Postdoctoral Scholar, Department of Anthropology
University of California, Irvine

Dr. Melissa K. Wrapp is a cultural anthropologist of housing, fintech, politics, and design. Her ethnographic work examines themes of racial economic inequality, justice, and experimentation with democratic practices in South Africa and the United States. Dr. Wrapp has extensive experience conducting applied anthropological research on the design and ethics of new digital financial technology. She is currently a postdoctoral scholar in anthropology at UC Irvine.

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Filene

1010 E. Washington Ave.
Suite 306
Madison, WI 53703

608.661.3740
info@filene.org

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