CONSUMER FINANCIAL PROTECTION BUREAU | APRIL 2022

Data Spotlight: Challenges in Rural Banking Access

Consumer Financial Protection Bureau

Introduction

People living in rural areas often fill many roles to keep their communities running – as parents, coaches, educators, civic leaders, farmers, and small business owners. Rural communities are varied and diverse, with a wide range of people, economic conditions, and ways of life, but they can also face common challenges in finding accessible, affordable financial services they need to make ends meet.

The CFPB is renewing its focus on the specific challenges of rural consumers, including more focused and sustained outreach to rural stakeholders, researching relevant open questions, and using the CFPB's authorities, resources, and roles across the government to address the problems facing rural consumers.

This report highlights the CFPB's research on rural consumers as well as contextual information from other agencies on the consumer finance challenges faced by rural communities. This report is a starting point for a CFPB initiative that will include devoted engagement with rural communities across the country, research into challenges faced by rural communities, and actions to protect rural consumers from predatory bad actors and repeat offenders in consumer financial markets. The CFPB is committed to ensuring that markets are working for rural communities and offering rural people a fair chance to thrive in their communities.

It should be noted that many definitions of "rural" are used across the government and even within agencies, and findings from different studies use different definitions. The report will mirror the definitions and terminology of the sources referenced and note which definitions were used for the analysis in the text or in a footnote.[1] Not every data point will be directly comparable to the others, but what is presented in this report is a broad overview of trends.

This report begins with a brief look at the economic challenges facing rural people, including lower incomes and higher poverty rates, the importance of banks and credit unions – particularly the relationship banking that small financial institutions provide – to rural communities, and challenges accessing credit. The CFPB will continue to research and learn about these and related issues and engage with rural stakeholders across the country.

[1] Terminology used for non-urban areas in this report includes "rural," "non-metro," "some urban," "micropolitan," and "completely rural" counties. Please refer to the cited source for more explanation of the definition that is used for a particular data point.

Access to credit for farms and small businesses is essential to the economic health of rural communities and rural employment

Historically, agriculture has been a central economic pillar in rural communities. At the peak in 1935, there were 6.8 million farms in the U.S. but today there are only 2 million farms remaining while the total land being farmed has stayed largely the same. [2] There are multiple complex economic and policy factors that have contributed to the decline in the number of farms, and those who are able to continue farming continue to face serious challenges. In 2012, farmers received only 18.4 cents for every dollar Americans spent on food, in 2020 the famer's share dropped even lower to only 16 cents for every food dollar. [3] Farmers also face high levels of income volatility due to a range of factors, including the fluctuating costs of inputs, fluctuating prices of commodities, and the unpredictability of weather, and can often experience negative farm income. [4] Farmers rely heavily on credit to buy seeds, fertilizer, machinery, livestock and other inputs from season to season. Farmers also report that limited access to lending on fair terms and ongoing discrimination against women and racial minorities continue to be issues. [5] Farmers disproportionately depend on loans from smaller community banks, which constitute 70% of agricultural lending from all commercial banks. [6]

Today, according to the Census Bureau, less than 10 percent of people living in completely rural counties work in agriculture, forestry, fishing, hunting, or mining. [7] The largest proportion of the workforce in rural counties is employed in education services and health care and social assistance industry (22.3 percent), more than double that employed in agriculture, [8] followed by manufacturing (12.1 percent) and retail (10.9 percent). [9] People living in rural counties are also disproportionately employed by small businesses according to an analysis of Census data, with

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[2] Kathleen Kassel. "Farming and Farm Income." *USDA Economic Research Service*. Feb. 2022. https://www.ers.usda.gov/data-products/ag-and-food-statistics-charting-the-essentials/farming-and-farm-income/.

[3] Quinton Baker and James Chandler Zachary. "Food Dollar Series." *USDA Economic Research Service*. March 2022. https://ers.usda.gov/data-products/food-dollar-series/.

[4] Nigel Key, Daniel Prager, and Christopher Burns. " Farm Household Income Volatility: An Analysis Using Panel Data From a National Survey." *USDA Economic Research Service*. Feb. 2017. https://www.ers.usda.gov/webdocs/publications/82564/err-226.pdf?v=5168.

[5] "Agricultural Lending: Information on Credit and Outreach to Socially Disadvantaged Farmers and Ranchers Is Limited." *Government Accountability Office*. July 2019. https://www.gao.gov/products/gao-19-539.

[6] "FDIC Community Banking Study." *Federal Deposit Insurance Corporation*. Dec. 2020. https://www.fdic.gov/resources/community-banking/report/2020/2020-cbi-study-full.pdf.

[7] Lydia Laughlin. "Beyond the Farm: Rural Industry Workers in America." *United States Census Bureau*. Dec. 2016. https://www.census.gov/newsroom/blogs/random-samplings/2016/12/beyond_the_farm_rur.html.

[8] Including those employed in forestry, fishing, hunting, or mining.

[9] *Id.*

42 percent of people in rural counties employed by businesses with fewer than 50 employees, compared to 28 percent in metro counties. [10] Credit is vitally important for rural consumers, but it is also disproportionately important to the rural small businesses where they work.

Rural communities have lower incomes and higher poverty rates than the rest of the country and significant issues making ends meet

According to the USDA's Economic Research Service, 46 million Americans live in non-metro counties [11], or 14 percent of the total population. [12] Racial and ethnic minorities made up 22 percent of the population in rural counties in 2018, with Black people making up 7.8 percent of the population living in rural counties, Hispanics 8.6 percent, American Indian 2.1 percent, and Asian and Pacific Islander 3.2 percent. [13] Rural Americans also tend to be older, with 19 percent of the rural population being age 65 years or older, compared with 15 percent in urban areas. And rural counties make up nearly 85 percent of the 1,104 "older-age counties"—those with more than 20 percent of their population age 65 or older. [14]

People living in non-metro counties have lower incomes and higher rates of poverty. Median household income was lowest in completely rural counties [15] at $44,020, compared to $47,020 in mostly rural counties and $59,970 for urban counties. [16] Since the 1960s, when poverty rates were first recorded, non-metro county poverty rates have been higher than metro county

[10] Hanna Love and Mike Powe. "Why Main Streets are a key driver of equitable economic recovery in rural America." *The Brookings Institution*. Dec. 2020. https://www.brookings.edu/research/why-main-streets-are-a-key-driver-of-equitable-economic-recovery-in-rural-america/.

[11] The USDA's report uses the terms "non-metro" and "rural" interchangeably to refer to these counties.

[12] Elizabeth A. Dobis et al. "Rural America at a Glance: 2021 Edition." *USDA Economic Research Service*. Nov. 2021. Pg. 2. https://www.ers.usda.gov/webdocs/publications/102576/eib-230.pdf?v=8171.5.

[13] USDA Economic Research Service. "Racial and ethnic minorities made up about 22 percent of the rural population in 2018, compared to 43 percent in urban areas." *USDA Economic Research Service*. Oct. 2020. https://www.ers.usda.gov/data-products/chart-gallery/gallery/chart-detail/?chartId=99538.

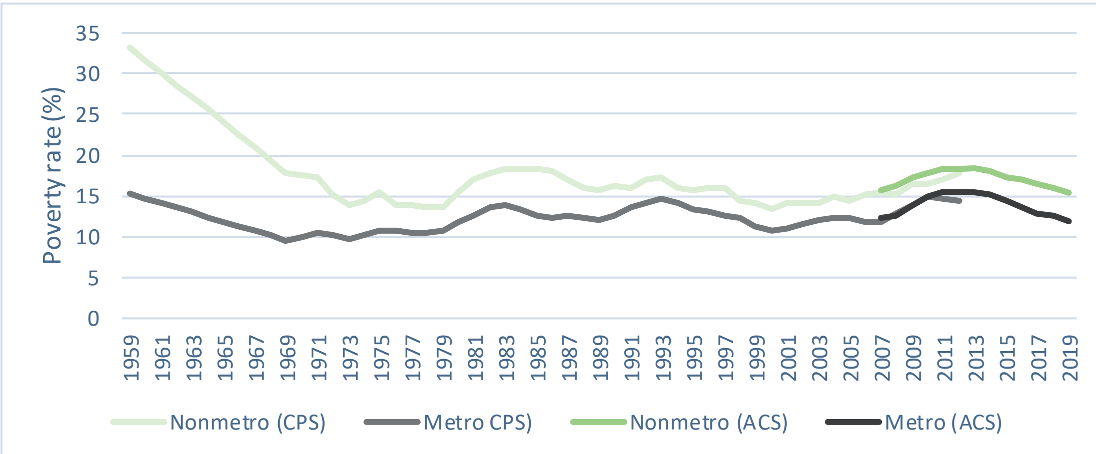
[14] USDA Economic Research Service. "Rural America at a Glance: 2018 Edition." *USDA ERS*. Nov. 2018. https://www.ers.usda.gov/webdocs/publications/102576/eib-230.pdf?v=8171.5.

[15] The Census Bureau's report defines "completely rural" counties as those counties that have 100 percent of residents living in a rural environment.

[16] Gloria Guzman et al. "Poverty Rates Higher, Median Household Income Lower in Rural Counties Than in Urban Areas." *United States Census Bureau*. December 6, 2018. https://www.census.gov/library/stories/2018/12/differences-in-income-growth-across-united-states-counties.html#:~:text=In%20general%2C%20median%20household%20income,areas%20than%20in%20rural%20areas.

poverty rates. In 2020, the non-metro poverty rate was 14.1 percent compared to the 11 percent in metro counties. [17]

FIGURE 1: POVERTY RATES BY METROPOLITAN OR NON-METROPOLITAN RESIDENCE, 1959-2019



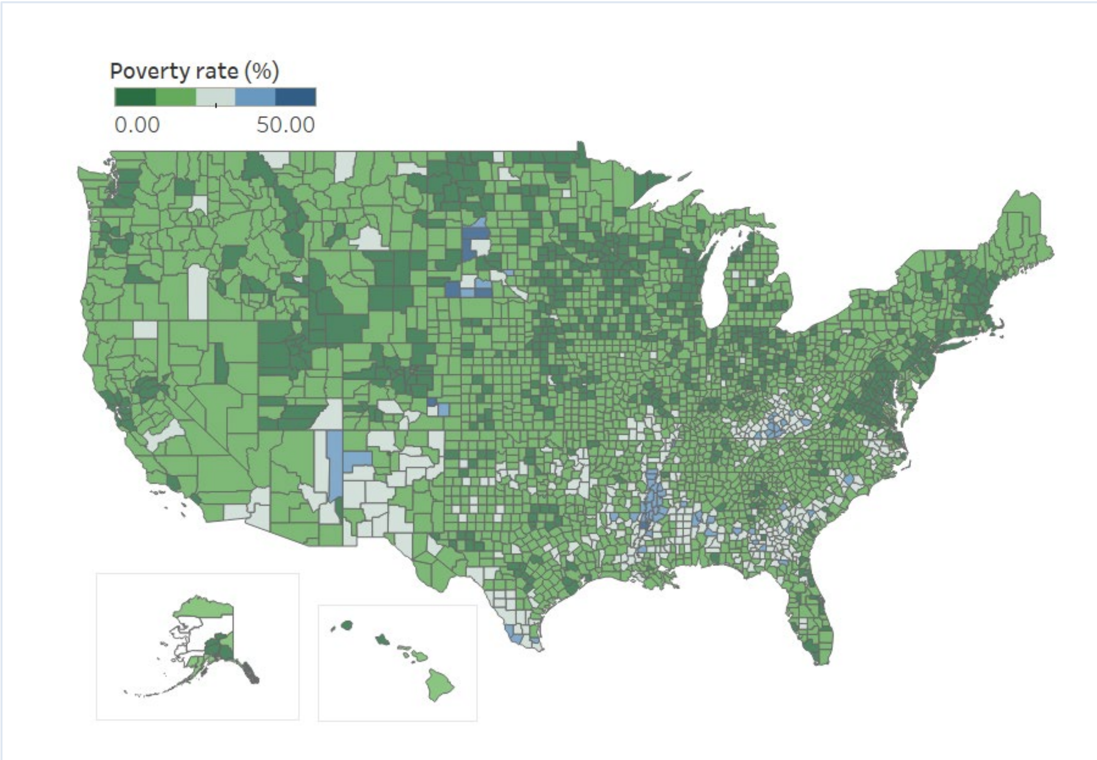
Source: USDA, Economic Research Service. Data source: U.S. Census, Current Population Survey (1960-2013), and American Community Survey (2007-2019). Note: Metro status of some counties changed in 1984, 1994, 2004, 2014, and 2018. CPS poverty status is based on family income in the prior year and ACS poverty status is based on family income in the past 12 months.

Persistent poverty counties are overwhelmingly rural. The USDA Economic Research Service defines persistent poverty counties as those counties with 20 percent of the population living below the poverty line since 1980. There are 353 persistently poor counties in the United States, and 301 of them are non-metro counties, so 85 percent of all persistent poverty counties are non-metro. Another way to capture the pervasiveness of persistent poverty in rural areas is that the 301 persistent poverty counties that are also non-metro counties constitute 15 percent of all non-metro counties (there are at total 1,976 non-metro counties). These rural persistently poor counties tend to be geographically clustered and have distinct demographic profiles: in the Deep South, the 153 counties are 43.3 percent Black; in Texas, New Mexico, and Colorado, the 39 counties are 63.9 percent Hispanic; and in Alaska, Arizona, Oklahoma, Utah, and the Northern Great Plains, the 34 counties are 45.5 percent American Indian. The remaining 75 rural persistent poverty counties are disproportionately white (88.9 percent) and are located mostly in the southern Appalachians and the Ozarks. [18]

[17] "Rural Poverty & Well-Being." United States Department of Agriculture Economic Research Service. March 7, 2022. https://www.ers.usda.gov/topics/rural-economy-population/rural-poverty-well-being/#historic.

[18] Dobis et al 2021.

FIGURE 2: U.S. COUNTY POVERTY RATES, 2019



Source: USDA, Economic Research Service. Data source: U.S. Census, American Community Survey, and OMB nonmetro/metro county designations. Note: Official poverty thresholds are defined by the U.S. Census Bureau each year and vary by household composition.

According to the CFPB's Insights from the Making Ends Meet Survey, those living in rural areas had the most trouble making ends meet as of June 2020 . [19]

[19] The "Making Ends Meet" survey is a nationally representative survey of adults with a credit record developed by the CFPB's Office of Research to understand how often U.S. consumers have difficulty making ends meet, how they cope with these shortfalls, and their subsequent financial difficulties. The 2019 wave found that 43.8 percent of consumers in areas designated rural and 44.5 percent of consumers in areas designated "some urban" experienced difficulty paying a bill in the past 12 months, compared to 39.7 percent of consumers in areas designated metropolitan. The survey defines metro and non-metro areas based on the Department of Agriculture's 2013 Rural-Urban Continuum Codes (RUCC) with Metro counties containing a metro area (defined as RUCC 1, 2 and 3); some urban counties containing a smaller urban area or adjacent to a metro area (defined as RUCC 4, 5, and 6); and fully rural counties lacking any substantial urban area and not adjacent to a metro area (defined as RUCC 7, 8, and 9). RUCC are discussed more here: https://www.ers.usda.gov/data-products/rural-urban-continuum-codes/. Scott Fulford and Marie Rush. "Insights from the Making Ends Meet Survey." Consumer Financial Protection Bureau. July 2020. Pg. 5. https://files.consumerfinance.gov/f/documents/cfpb_making-ends-meet_survey-results_2020-07.pdf.

TABLE 1: HOUSEHOLDS WITH DIFFICULTY PAYING A BILL OR EXPENSE IN THE PAST 12 MONTHS

Geographic group	Difficulty paying bill or expense (June 2019)	Difficulty paying bill or expense (June 2020)	Decline in difficulty paying bills (2019-2020)
Metro	39.4	36.0	-3.4
Some urban	44.3	34.6	-9.7
Rural	41.1	36.9	-4.1

Data source: CFPB, Making Ends Meet Survey (2020). Note: In this survey, respondents were categorized by county based on the Department of Agriculture's 2013 Rural-Urban Continuum Codes (RUCC) with Metro counties containing a metro area (defined as RUCC 1, 2 and 3); some urban counties containing a smaller urban area or adjacent to a metro area (defined as RUCC 4, 5, and 6); and fully rural counties lacking any substantial urban area and not adjacent to a metro area (defined as RUCC 7, 8, and 9).

A significant factor in being able to meet expenses is incurring medical debt. Almost one in five U.S. households have past-due medical debt, which often results from an unanticipated event, such as an accident or sudden illness, or is incurred from obtaining life-saving treatment, such as chemotherapy or radiation. [20] Consumers who are unable to pay for necessary medical care have no real choice other than to delay care. According to the Centers for Disease Control, people who do not live in large metropolitan statistical areas are more likely to forego needed medical care due to cost than those who live in large metropolitan statistical areas. [21]

TABLE 2: PERCENTAGE OF U.S. ADULTS WHO DID NOT GET NEEDED MEDICAL CARE DUE TO COST IN THE PAST 12 MONTHS, BY METROPOLITAN STATISTICAL AREA (MSA) RESIDENCE STATUS, 2019-2021.

Year	Large MSA	Small MSA	Not in MSA
2019, Jan - Jun	7.1%	7.7%	9.5%
2019, Jul - Dec	8.5%	9.9%	9.3%

[20] Consumer Financial Protection Bureau. "Medical Debt Burden in the United States." *CFPB*. February 2022. https://files.consumerfinance.gov/f/documents/cfpb_medical-debt-burden-in-the-united-states_report_2022-03.pdf.

[21] National Center for Health Statistics. "Percentage of adults aged 18 and over who did not get needed medical care due to cost in the past 12 months, United States, 2019, Jan-Jun—2021, Jan-Jun." *National Health Interview Survey*. March 2022. Generated interactively from https://wwwn.cdc.gov/NHISDataQueryTool/ER_Biannual/index_biannual.html.

Year	Large MSA	Small MSA	Not in MSA
2020, Jan – Jun	6.0%	7.6%	8.1%
2020, Jul – Dec	6.3%	7.0%	6.6%
2021, Jan – Jul	6.3%	6.3%	6.8%

Source: National Center for Health Statistics, National Health Interview Survey.

Rural Americans depend on physical bank branches and smaller banks more than the rest of the country, have less access to the internet and online banking options, and are more likely to live in banking deserts

Rural customers visit bank tellers at nearly double the rate of urban and suburban customers. [22] In 2019, nearly nine in 10 rural households visited a branch, and about four in 10 rural households visited 10 or more times each year, far more than their urban and suburban counterparts. [23] Lower rates of high-speed internet access may explain part of this disparity, although additional research is necessary to fully understand the reasons why rural communities are more likely to visit bank tellers and branches, despite the fact that banks are often located further away from rural consumers.

When these rural customers visit a branch and speak to a bank teller, they are more likely to be visiting a smaller community bank or credit union. Community banks are three times more likely to locate their offices in a non-metro area, and community banks hold the majority of banking deposits in U.S. rural and micropolitan counties. [24] According to the FDIC, in 2012 there were more than 600 counties—or almost one out of every five U.S. counties—that had no other physical banking offices except those operated by community banks. [25]

[22] In 2019, 33.4 percent of banked rural households used a bank teller, compared to 16.9 percent of banked urban households and 18.7 percent of banked suburban households. "How America Banks: Household Use of Banking and Financial Services." *Federal Deposit Insurance Corporation*. 2020. https://www.fdic.gov/analysis/household-survey/2019report.pdf.

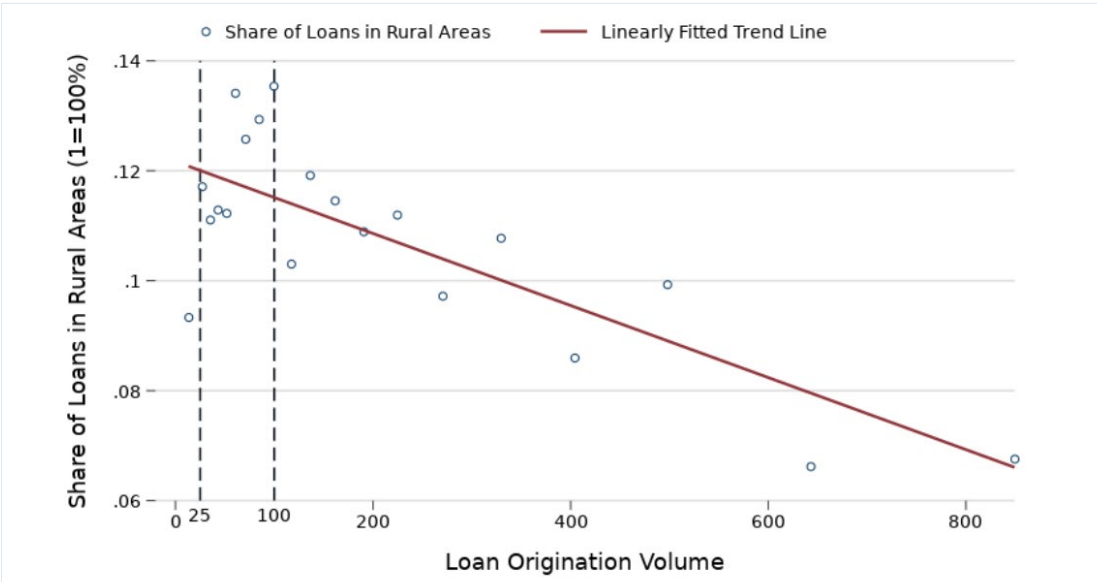
[23] *Id.*

[24] "FDIC Community Banking Report." *Federal Deposit Insurance Corporation*. December 2012. https://www.fdic.gov/resources/community-banking/report/2012/2012-cbi-study-full.pdf.

[25] "Community Banking Report."

This reliance on smaller banks is also evident in a CFPB analysis of HMDA data, which shows that compared to lenders with larger origination volume, lenders that originate between 25 and 100 mortgages annually have a higher share of loans secured by property in rural areas. [26]

FIGURE 3: SHARE OF MORTGAGES SECURED BY PROPERTIES IN RURAL AREAS (2019).



Source: CFPB analysis of HMDA data.

However, rural customers who visit smaller banks may find it difficult to maintain an in-person banking relationship given the declining number of bank branches and the declining number of banks, particularly small banks. [27] FDIC-insured institutions have fallen from a peak of 18,083 in 1986 to 5,033 as of 2020. [28] The number of institutions with less than $1 billion in assets fell from 17,514 to 4,116 during that time. [29] Most of the decline in the number of institutions in the past 30 years was due to mergers, which averaged more than 400 a year from 1990 to 2016. [30] According to the Federal Reserve, in the five year period between 2012 and 2017, 40 percent of

[26] Feng Liu and Alex Rodrigue. "A Brief Note on General Lending Patterns of Small to Medium Size Closed-end HMDA Reporters." *Consumer Financial Protection Bureau*. June 2021. https://files.consumerfinance.gov/f/documents/cfpb_general-lending-patterns-hmda-reporters_report_2021-06.pdf.

[27] "A Brief Note on General Lending Patterns of Small to Medium Size Closed-end HMDA Reporters."

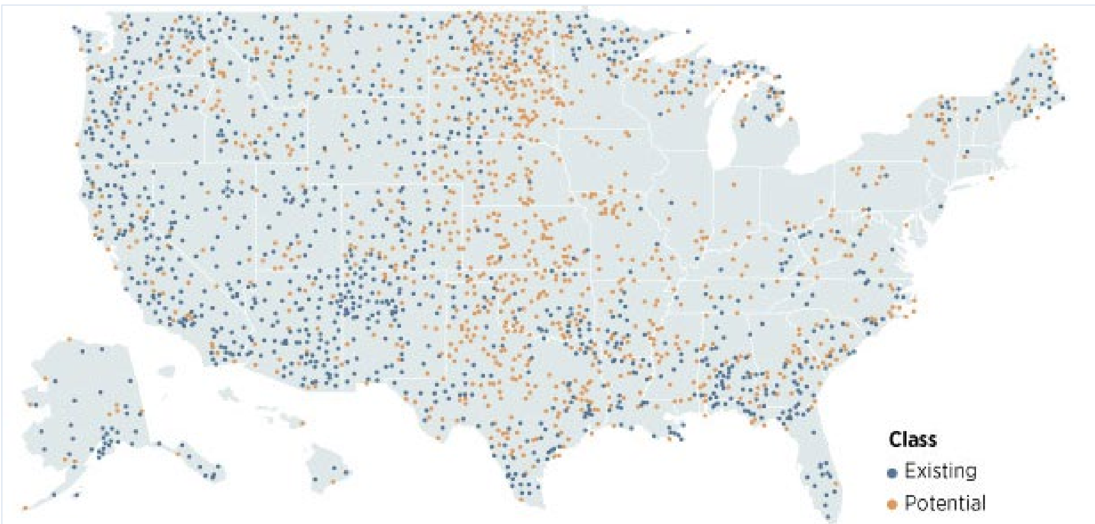
[28] Congressional Research Service. "Banking Policy Issues in the 117th Congress." *CRS*. March 2021. https://sgp.fas.org/crs/misc/R46699.pdf.

[29] *Id.*

[30] *Id.*

rural counties lost bank branches.[31] In the same period, more than 100 banking markets went from containing the headquarters of at least one bank to containing no bank's headquarters and almost all of these markets with no bank headquarters were rural.[32] In this study, the Federal Reserve defined "deeply affected" counties as those that had 10 or fewer branches and lost at least 50 percent of those branches between 2012 to 2017. Of these "deeply affected" counties 39 out of 44 – or 89 percent – were rural.[33]

FIGURE 4: GEOGRAPHIC LOCATION OF BANKING DESERTS (2014).



Source: Federal Reserve Bank of St. Louis.

Trends in banking consolidation may be a contributing factor to the prevalence of rural banking deserts. The Federal Reserve Bank of St. Louis defines bank deserts as census tracts in which there are no branches within a 10-mile radius from the tracts' centers. As of 2014, the Federal Reserve identified 1,132 existing bank deserts, of which 734 (65 percent) were in rural areas and 1,055 potential banking deserts, of which 851 (81 percent) were in rural areas.[34] Overall, rural census tracts are 10 times more likely to be in a banking desert than urban tracts. When rural

[31] Andrew Dumont et al. "Perspectives from Main Street: Bank Branch Access in Rural Communities." *Board of Governors of the Federal Reserve System*. Nov. 2019. https://www.federalreserve.gov/publications/november-2019-bank-branch-access-in-rural-communities.htm#xfigure1-countiesdeeplyaffectedbyban-a0aa696d.

[32] *Id.*

[33] *Id.*

[34] Drew Dahl and Michelle Franke. "Banking Deserts Become a Concern as Branches Dry Up." *Federal Reserve Bank of St. Louis*. July 2017. https://www.stlouisfed.org/publications/regional-economist/second-quarter-2017/banking-deserts-become-a-concern-as-branches-dry-up.

consumers have to travel further to visit banks, they face transportation barriers and incur greater costs in fuel and vehicle maintenance to access needed financial services.

While some have posited that internet-based services can fill the needs left in rural banking deserts, lack of broadband access is a major limiting factor. According to the FDIC, rural households have the lowest rates of mobile phone and internet access. Only 75.6 percent of rural people had access to a smartphone compared to 86.2 percent in urban areas and 88.4 percent in suburban areas and only 68 percent of rural households had access to the internet in their home, which was a much lower rate than urban households (79.5 percent) and suburban households (84.5 percent).[35]

According to the Federal Reserve, the use of online banking in rural areas remains dramatically lower in rural areas, at 56 percent compared to 75 percent in large Metropolitan Statistical Areas and 68 percent in small Metropolitan Statistical Areas.[36]

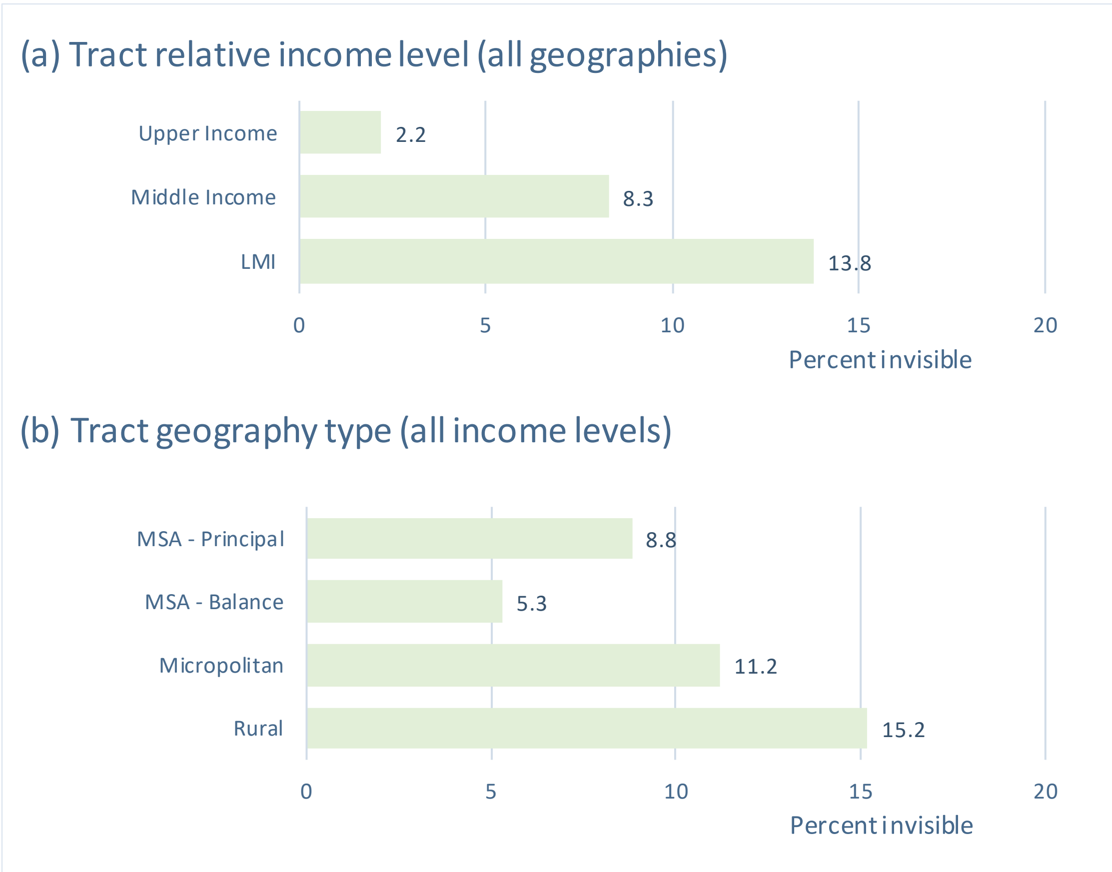
At a rural roundtable on February 3, 2022, stakeholders reported the qualitative benefits of physical branch access, smaller banks and the relationship banking they offer that they often do not experience with larger banks. Stakeholders told the CFPB that rural economies have unique rhythms, particularly those tied to agriculture, that require local knowledge and long-standing relationships to fully understand. These customers reported that if they are reduced to a number and fed into a large bank's more general underwriting approach, their credit needs may not be met. Rural stakeholders, particularly small businesses, reported that they need a relationship with someone from their community with "skin in the game" who cares about keeping storefronts open on the local Main Street. These rural stakeholders also report that the loss of local banks can mean the loss of the people who often provide much needed expertise and leadership beyond their role as bankers, undermining the civic fabric of rural communities. At the same time, many rural stakeholders have said they feel abandoned by the larger banks who they say are not meeting their responsibilities to serve consumers across the country, including in rural areas. These stakeholders point out that, in order to ensure accessible, affordable credit is available in rural communities, larger banks must play a greater role and contribute their fair share in rural areas. Moreover, stakeholders point out that the larger banks have the resources to deliver tailored, relationship-based services to rural consumers and should have a duty to do so.

[35] Federal Deposit Insurance Corporation. "How America Banks: Household Use of Banking and Financial Services, 2019 FDIC Survey." *FDIC*. Oct. 2020. Pg. 26. https://www.fdic.gov/analysis/household-survey/2019report.pdf.

[36] David Benson, Serafin Grundl, and Richard Windle (2020). "How do Rural and Urban Retail Banking Customers Differ?" *FEDS Notes*. June 2020. https://doi.org/10.17016/2380-7172.2513.

Rural people are less likely to have credit scores and more likely to use non-bank credit, resulting in rural consumers paying more for credit

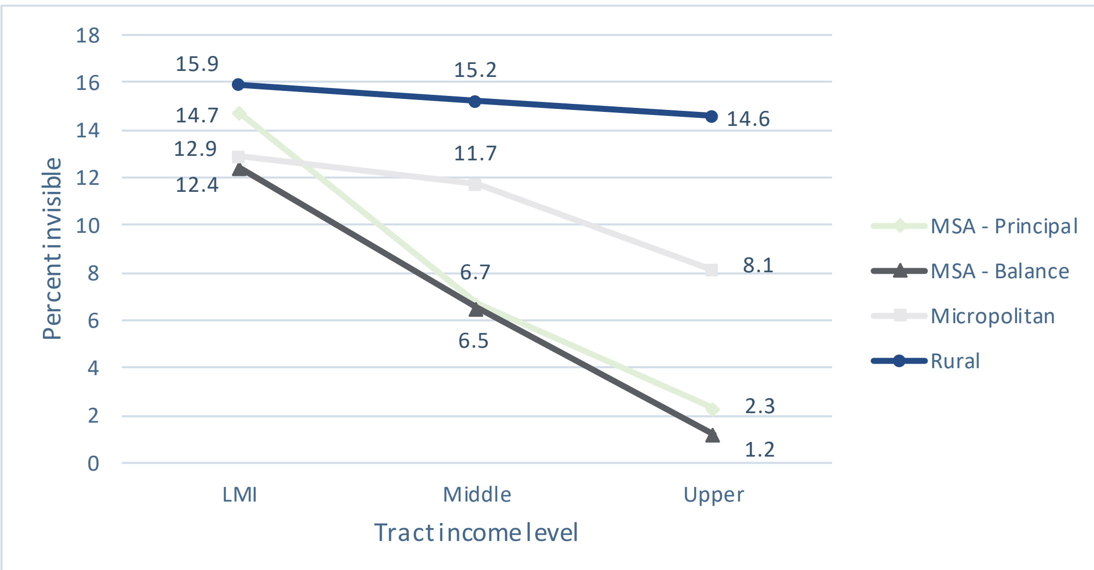
FIGURE 5: INCIDENCE OF CREDIT INVISIBILITY AMONG RESIDENTS AGE 25 AND OLDER BY CENSUS TRACT RELATIVE INCOME AND GEOGRAPHY (2018).



Source: "The Geography of Credit Invisibility" 2018. Data Source: CFPB Consumer Credit Panel. Note: Census tracts were categorized as low-to-moderate income (LMI), middle income, or upper income depending on whether the tract's relative income is below 80 percent, between 80 and 120 percent, or above 120 percent. Relative income is defined as the ratio between the median household income of the tract and the median household income of the surrounding area, which is the Metropolitan Statistical Area (MSA) for urban tracts or the county for rural tracts. Tract geography was assigned based upon whether a tract was within a Core Based Statistical Area (CBSA) as defined by the Office of Management and Budget. Tracts located within Metropolitan Statistical Areas (MSAs) were categorized based on whether the tract was part of the MSA's principal city (MSA - Principal) or was outside of the principal city, which we refer to as the balance area (MSA - Balance). The remaining tracts were categorized as "Micropolitan" if they are within a Micropolitan Statistical Area or "Rural" otherwise.

Rural areas have higher rates of consumers who do not have a credit record maintained by one of the three nationwide consumer reporting agencies (NCRAs) than metropolitan and micropolitan areas.[37] Rural consumers without a credit record have more difficulty accessing credit when they need it, such as to fill short term income gaps, recover from weather emergencies, or to pursue new opportunities. When comparing geographies, the rate of not having a credit record in rural communities was 15.2 percent, compared to 8.8 percent in a metropolitan statistical area principal city.

FIGURE 6: INCIDENCE OF CREDIT INVISIBILITY BY CENSUS TRACT INCOME LEVEL AND GEOGRAPHY (2018).



Source: CFPB Consumer Credit Panel.

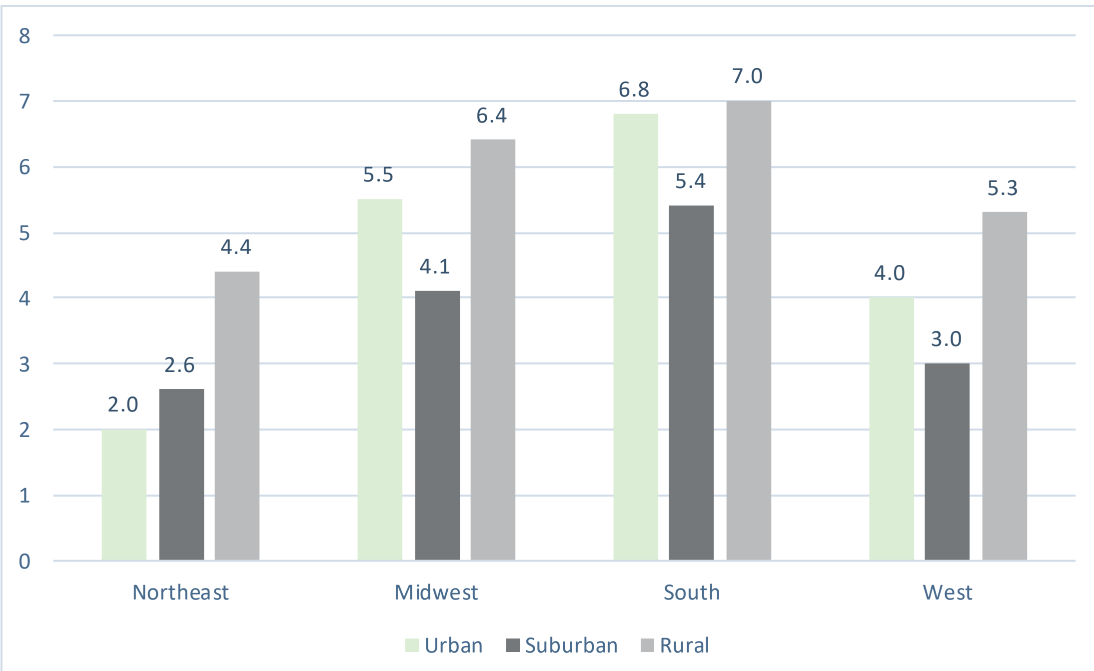
While there are significantly different rates of consumers without a credit record maintained by the NCRAs between the income levels within each geographic area examined, CFPB research has found that rural communities at every income level have higher rates of consumers without credit records maintained by the NCRAs than comparable communities in other geographic areas. As Figure 6 shows, even upper income rural tracts have rates of consumers without a

[37] The CFPB's prior work refers to consumers who don't have a credit record maintained by the NCRAs as "credit invisible." Subsequent figures in this section use the term "credit invisible" to refer to consumers who do not have a credit record maintained by the NCRAs when referring to the CFPB's previous reports. Consumers who have a credit record but are unscoreable may also have limited access to credit. Consumer Financial Protection Bureau. "The Geography of Credit Invisibility." *CFPB*. Sept. 2018. Pg. 11. https://files.consumerfinance.gov/f/documents/bcfp_data-point_the-geography-of-credit-invisibility.pdf.

credit record maintained by the NCRAs that are just as high or higher than those experienced by consumers in lower income tracts in non-rural parts of the country. Upper income census tracts in rural areas have a 14.6 percent incidence of consumers without a credit record maintained by the NCRAs, which is more than six times the rate of upper income tracts in the principal metropolitan statistical areas, and nearly equal to the rate in low to moderate income census tracts in principal metropolitan statistical areas.

When a household does not have a credit record, more accessible and affordable forms of credit from banks and credit cards may not be available. Rural households have the lowest rates of use of bank credit. In 2019, 64.6 percent of rural households used bank credit, compared with 69.2 percent of urban households and 77.3 percent of suburban households. [38]

FIGURE 7: NONBANK CREDIT USE BY METROPOLITAN STATUS AND REGION, 2019 (PERCENT).



Source: U.S. Census Bureau. Note: In this graph, a household is classified as urban if the household resides in a principal city of a metropolitan area, suburban if the household resides in a metropolitan area but not in a principal city, and rural if the household does not reside in a metropolitan area. This figure does not display nonbank credit use for the 14.2 percent of households where the Census Bureau suppressed specific urban, suburban, or rural status to maintain confidentiality.

38 Federal Deposit Insurance Corporation. "How America Banks: Household Use of Banking and Financial Services, 2019 FDIC Survey." *FDIC*. Oct. 2020. Pg. 49. https://www.fdic.gov/analysis/household-survey/2019report.pdf.

With lower rates of using bank credit, rural households meet their credit needs with forms of nonbank credit that are typically more expensive, such as pawn shop or payday loans. Rural households were more likely to use nonbank credit (6.3 percent), compared with urban households (4.9 percent) and suburban households (4.1 percent). These trends hold true across all regions of the country, with rural people consistently using nonbank credit at higher rates than their urban and suburban counterparts.

Another downstream impact of credit invisibility that likely results in increased costs for rural borrowers is in mortgages. The National Survey of Mortgages, a representative sample of mortgages, found that rural counties had the lowest share of borrowers with a credit score of at least 740 (35 percent) compared to non-metro (43 percent) and metro (52 percent) counties.[39] The best rates on mortgages are typically offered to borrowers with a credit score above 740, so it is likely that rural borrowers are paying more for their home loans. This is supported by an analysis of Freddie Mac's Primary Mortgage Market Survey which found that borrowers in completely rural counties paid higher interest rates than urban borrowers.[40] Furthermore, upward appraisals are more common in rural areas, approximately 25 percent of properties in rural areas compared to 12.7 percent in urban areas are appraised at more than five percent above contract price.[41] Appraisals in rural areas are more difficult because there are fewer comparable properties on which to base an appraisal. Overvaluing a home potentially can lead the consumer to take on an increased amount of debt, raising risk to their financial well-being.

Consumers in rural areas submit fewer complaints per capita to the CFPB

One of the primary functions of the CFPB is collecting, investigating, and responding to consumer complaints. Consumers can submit complaints online, by phone, or by mail. CFPB also receives referrals from other government agencies. From July 21, 2011 through January 28,

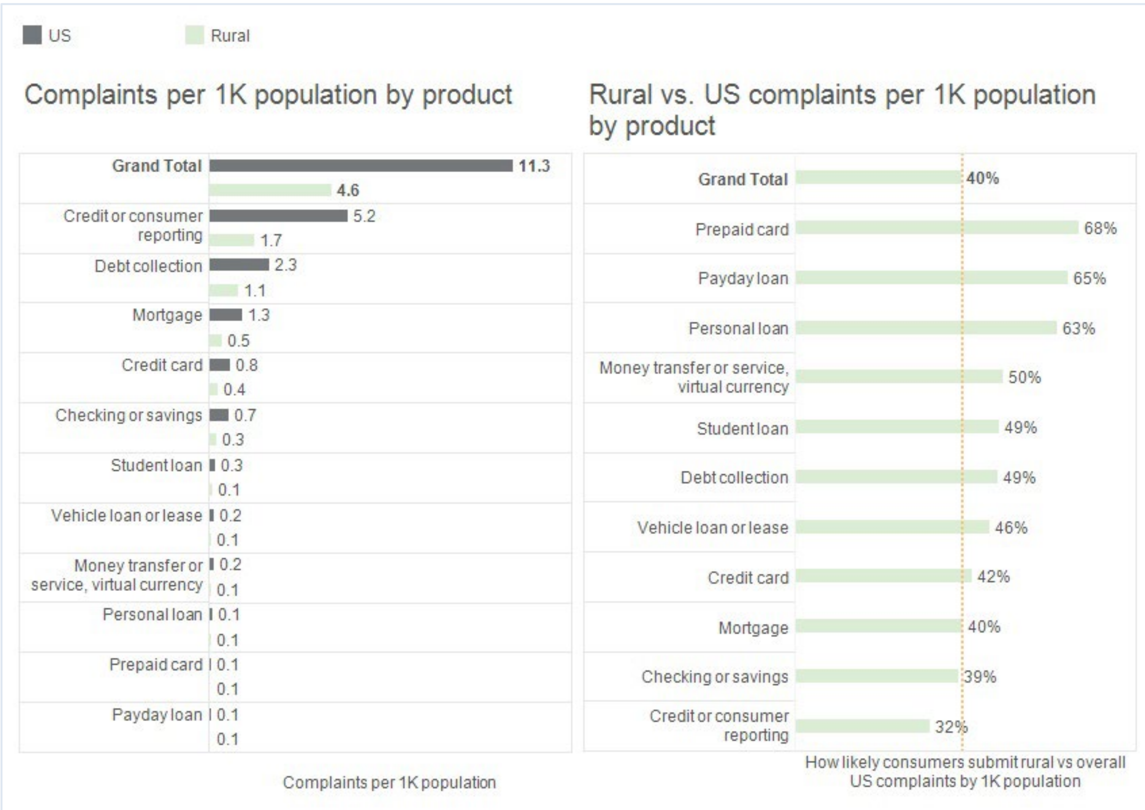
[39] The National Survey of Mortgages categorized U.S. counties into three groups based on the U.S. Department of Agriculture's (USDA) county-level Rural Urban Continuum Code (RUCC) classification from 2013. "Metro" counties, consist of 1,167 counties in Metropolitan Statistical Areas (MSA) (RUCC codes 1, 2, or 3). "Non-metro" counties include 1,332 counties that are not in metropolitan areas, but have at least one urban cluster of 2,500 or more people (RUCC codes 4, 5, 6, or 7). "Completely rural" counties, comprise 644 counties that are designated as "completely rural or less than 2,500 urban population" (RUCC codes 8 or 9). Critchfield, Tim et al. "Mortgage Experiences of Rural Borrowers in the United States: Insights from the National Survey of Mortgage Originations." *Cityscape: A Journal of Policy Development and Research,* vol. 21, no. 2. 2019. Pg.17. https://www.huduser.gov/portal/periodicals/cityscpe/vol21num2/ch1.pdf.

[40] Critchfield, Dey, Mota, and Patrabansh, "Mortgage Experiences,"18.

[41] Alexander N. Bogin and Jessica Shui. "Appraisal Accuracy, Automated Valuation Models, And Credit Modeling in Rural Areas." *Federal Housing Finance Agency.* April 2018. https://www.fhfa.gov/PolicyProgramsResearch/Research/PaperDocuments/AVMs-versus-Appraisals-in-Rural-Areas_20180419.pdf.

2022, the CFPB has collected approximately 3.6 million complaints [42] from consumers. With respect to certain of its regulations, the CFPB has identified 1,634 counties as rural or underserved counties, where 28 million people live. [43]

FIGURE 8: COMPLAINTS PER 1,000 POPULATION BY PRODUCT & RURAL VS. US COMPLAINTS PER 1,000 POPULATION BY PRODUCT [44]



Source: CFPB Consumer Complaints Database.

The CFPB has received 123,000 complaints from consumers in these rural or underserved counties since it began collecting complaints in 2011. People residing in rural and underserved

[42] The complaint count excludes complaints with no consumer-provided zip codes or complaints where consumer-provided zip codes were not able to be mapped.

[43] The Rural and underserved counties list also includes 26 counties that are underserved but not rural. Since the overwhelming majority of these counties are rural, the results broadly track rural trends. Consumer Financial Protection Bureau. "Rural and underserved counties list." *CFPB*. 2022. https://www.consumerfinance.gov/compliance/compliance-resources/mortgage-resources/rural-and-underserved-counties-list.

[44] Products representing less than 1% of total rural complaints not shown. These include 'Other', 'Credit repair', and 'Title loan'

counties represent 8 percent of the population and have only submitted 3 percent of complaints submitted to the CFPB. Given the lower incomes, higher rates of poverty, and the higher rates of use of non-bank credit in rural areas, this lower complaint volume is likely due to underreporting.

The total distribution of rural complaints across products broadly tracked national trends, with the most common complaints in rural areas relating to the same product categories as the most common complaints nationally: credit or consumer reporting, debt collection, and mortgages. Dividing the per capita complaints in each category that originate from rural areas by the per capita complaints in each category overall is another way to indicate which products are more likely to be an issue in rural areas. Prepaid cards and payday loans were the top two products according to this analysis. The CFPB intends to conduct further research on how these issues present themselves in unique ways in rural areas.

The CFPB is prioritizing outreach to rural areas where we have less visibility into consumers' financial struggles because we are getting fewer complaints. We are partnering with civil society organizations, direct service providers, faith groups, and government entities, such as libraries and USDA extension locations, that have a trusted presence in rural areas to raise awareness of the resources and tools that the CFPB offers, including the consumer complaint process.

Conclusions and areas for further research

Rural communities face unique challenges in accessing and using consumer financial products. Further research is required to better understand the needs of rural households and how the CFPB can best ensure that rural residents have equitable access to financial markets. The CFPB has launched a new rural initiative to focus the CFPB's authorities and resources on addressing the particular needs of rural communities. The best way to understand rural communities is to hear from rural people themselves, so the CFPB will be making a concerted effort to work with government and civil society stakeholders to establish lines of communication and get more visibility into the most pressing consumer finance issues in rural areas. This report provides a snapshot of CFPB analyses as well as broader context to serve as a starting point for deeper engagement on rural issues.

This preliminary exploration largely examines rural areas in the aggregate. Future CFPB research will use more granular definitions of rural areas to capture the consumer experiences of people living in rural census tracts who may not be included in other definitions. Future research will also examine the significant regional differences in rural consumer experiences, with particular focus on people living in persistent poverty counties where rural, communities of color, and low-income populations intersect.

Broadly speaking, rural areas have lower incomes, higher rates of poverty, and significant challenges making ends meet. Rural people also depend more heavily on bank branches and the relationship banking they offer, but banking deserts are more common in rural areas, in part due to bank consolidation. In rural areas, high levels of financial needs often intersect with less access to banks, harming rural consumers. Rural consumers are also more likely to be credit invisible, forcing them to turn to more expensive alternatives to bank credit such as payday loans and pawn shops. And, lower credit scores mean rural consumers pay higher rates on their mortgages – even though they are least able to afford it.

Information for rural consumers

If you are an organization serving rural communities and have suggestions or insights on how best to address the issues rural communities are facing or would like to access financial empowerment resources, please email yourmoneyyourgoals@cfpb.gov.

If you are experiencing issues with a consumer financial product or service, you can submit a complaint with the CFPB at https://www.consumerfinance.gov/complaint/ or by calling (855) 411-2372.

If you are a rural small business owner, the CFPB wants to hear about your experience trying to get a small business loan or experiences you had during the process of getting your loan. You can share your experience at https://story.consumerfinance.gov/tell-your-story/s/tell-your-small-business-story.