



## FINANCIAL SERVICES AND ASSET DEVELOPMENT FOR IMMIGRANTS



### KEY FACTS

- › One in five immigrants lives in poverty, or 7.6 million people.<sup>107</sup>
- › 33% of immigrant children and 26% of U.S. citizen children whose parents are immigrants live in poverty.<sup>108</sup>
- › Immigrant families overall have a 15% lower rate of homeownership than native-born families; among noncitizens, the rate is 33% lower.<sup>109</sup>
- › Immigrant households in the U.S. own 32% less wealth than their native-born counterparts.<sup>110</sup>
- › Immigrants are vulnerable to unscrupulous financial practices, such as high-interest payday lending. Only 3% of remittances to Latin America go through banks or credit unions.<sup>111</sup>

### THE ROLE OF ASSETS

- › **Cut Costs** Culturally appropriate financial education facilitates immigrants' access to mainstream financial institutions, which carry lower costs than check cashers and payday lenders.
- › **Encourage Savings** Regardless of race, immigration status or income level, those with bank accounts are more likely to save and to save greater amounts than those without.<sup>112</sup>
- › **Build Credit** Asset development brings individuals into the formal economy and creates opportunities for immigrants to establish and build their credit.



### IDEAS FOR HUMAN SERVICES

- › Human service agencies can help to debunk myths about banks and raise awareness about the low-cost financial services available through banks.
- › Human service agencies can team up with financial service agencies to design culturally and linguistically appropriate education and outreach materials.
- › Human service professionals can encourage informal savings structures and even help savers to build their credit through these networks.

### SUCCESS STORY

Meet Alicia Villanueva, who transformed her small tamale business from a door-to-door activity to a formal business with seven employees with help from financial management classes and peer-to-peer loans (page 70).

# Financial Services for Immigrants

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## What is the challenge?

Nearly one in seven households is headed by someone who is foreign-born.<sup>109</sup> Immigrants to the United States face higher poverty rates, lower wages and lower asset-ownership rates than their native-born peers.<sup>107,109,110,113</sup> Additionally, immigrants encounter special barriers to accessing bank accounts and other services through regulated financial institutions. A recent study in New York City found that 57% of Mexican, 35% of Ecuadorian and 5% of Chinese immigrants were unbanked. Minimum balance requirements, fees, concerns about documentation, and language barriers prevent many immigrants from utilizing banking services.<sup>112</sup> In addition to these impediments, immigrants also have unique financial needs that place them at particular risk for the predatory practices of alternative financial institutions.<sup>114</sup> Further, various immigrant communities face disparate financial issues, suggesting a need for tailored asset-building services to address the special needs of particular groups. In the New York City study mentioned above, for example, remittances were the primary financial service need of all three immigrant groups. However, while the majority of Chinese immigrants used banks to send money home, large majorities of both Latino groups relied on money transfer agents (MTAs) instead.<sup>112</sup> The Federal Reserve estimates that only about 3% of remittances to Latin America go through banks and credit unions, meaning the vast majority of Latino immigrants use MTAs for this service.<sup>111</sup> Alternative financial institutions like MTAs tend to charge higher fees than banks, and they do not allow clients to build their credit histories.

## How can assets help?

Having a bank account is a strong predictor of savings behavior; regardless of race, immigration status, income level, gender or other demographic characteristics, those with bank accounts are more likely to save and to save greater amounts than those without.<sup>112</sup> Savings, in turn, have numerous benefits, including covering emergency expenses and facilitating access to education or small-business ownership.

Recognizing a need to boost access to regulated financial institutions among immigrants, financial institutions have built new programs and creatively tailored existing programs in order to meet these needs. For instance, the Federal Reserve's Directo a México service provides an alternative to MTAs by allowing U.S. banks to transfer funds to bank accounts in Mexico at a cost of only 67 cents per transfer and with a wholesale exchange rate.<sup>111,115</sup> Many banks have also been expanding access to accounts and loans by accepting an Individual Taxpayer Identification Number (ITIN) in lieu of a Social Security number. Despite this, many undocumented immigrants shy away from banks, believing that citizenship is required or that establishing an account places them at risk for deportation.<sup>112,114</sup> Human service agencies can play an important role in debunking myths about banks and raising awareness about the low-cost financial services available through banks.

## Which asset-building strategies can establish and support financial stability for immigrants and their families?

### CULTURALLY RELEVANT OUTREACH AND EDUCATION

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Human service agencies can play an important role in debunking myths about the banking industry and connecting immigrant families to regulated, low-cost financial services. One way this can be accomplished is through creative, culturally relevant outreach using “infotainment,” educational material that is also entertaining and engaging. This method allows agencies to convey valuable information to many individuals who might never seek formal financial literacy education.

#### Reinvestment Partners

Reinvestment Partners, a nonprofit organization in Durham, N.C., created an innovative approach to financial literacy designed to reach Latino immigrants: the educational telenovela, or Spanish-language soap opera. Reinvestment Partners (formerly Community Reinvestment Association of North Carolina) produced a 13-episode television series called “Nuestro Barrio” (“Our Neighborhood”), designed to educate Latino immigrants about financial issues, including bank account ownership, predatory lending and preparation for homeownership. Through its storylines, the telenovela reveals “the landscape of financial services in the United States,” including the types of financial products and providers and the documentation needed for each.<sup>116</sup> The show aired on mainstream television in North Carolina, aiming to “attract viewers with its entertainment value while simultaneously providing financial education content.”<sup>116</sup> Importantly, the format of “Nuestro Barrio” as a TV show that viewers can access in their own homes allowed the financial education message to reach households that might not otherwise seek out this information. By 2007, the series had been aired on both for-profit and public television stations throughout the U.S., reaching more than 25 million potential viewers.<sup>116</sup> In addition to its public airtime, Reinvestment Partners and the program’s funder, Freddie Mac, have partnered with banks, which then distribute the series on DVD as a financial literacy tool. “Nuestro Barrio” won the National Association of Realtors’ HOPE Award for the promotion of minority homeownership. For more information: [www.reinvestmentpartners.org/info/nuestro-barrio](http://www.reinvestmentpartners.org/info/nuestro-barrio)



”Affinity marketing and education are necessary affirmative actions to address language and cultural barriers. The goal is to help consumers make informed decisions and to advocate for a financial system that treats people fairly and inclusively.”

*Peter Skillern, Executive Director, Reinvestment Partners*



## INFORMAL SAVINGS MECHANISMS

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Beyond facilitating access to traditional banks, human service professionals can connect with people directly by encouraging and supporting informal savings structures. Many immigrants, particularly Latin Americans, make use of informal savings options instead of formal bank accounts.<sup>112</sup> Rotating savings and credit associations (ROSCAs) are groups of individuals who regularly contribute to a common fund, which is then distributed to participants on a rotating basis. ROSCAs and other informal savings methods offer some advantages to low-income savers, including lower costs and peer encouragement to save.<sup>112</sup> However, informal savings are limited in that they generally do not help participants to build their credit histories. This is where innovative human services come in.

### Mission Asset Fund

Mission Asset Fund (MAF) in San Francisco, Calif., has adapted the ROSCA model to build participants' credit while they save. MAF's Lending Circles program provides small, zero-interest, zero-fee loans to help participants build credit. After participating in an online financial-training class, six to 10 people come together to form a lending circle. Collectively, they decide on an amount for their group loan, such as a \$1,000 loan for each of 10 people. The loan rotates so that a different participant receives \$1,000 each month. Each participant has his or her own goal for the borrowed money, such as paying off credit card debt or covering tuition. Lending-circle members make regular monthly payments, which MAF reports to credit bureaus in order to build participants' credit. After the participants complete the program, MAF reports that many establish credit scores for the first time or improve damaged credit. The Lending Circles program is offered at MAF's San Francisco office, as well as through nonprofit partners throughout the country. For more information: <http://missionassetfund.org/lending-circles>

## SUCCESS STORY

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When Alicia Villanueva first started her tamale business, she went door to door selling homemade tamales with her 8-year-old son, Pedro. Each week, she had enough money to buy supplies for 100 tamales, and after she sold them all, she would bring home a tiny profit. A good week would end with Alicia making a \$200 profit. She was working very hard but with that little reward there was no way that she could take care of all her bills. As a result, Alicia's family struggled to make ends meet, and their debt grew. Joining a Lending Circle through Mission Asset Fund (MAF) secured Alicia her first loan for \$1,000, which helped her to eventually open her own food-cart business in San Francisco, Alicia's Tamales Los Mayas. Taking MAF's financial management classes and paying her loans off on time helped Alicia get her finances in order. Alicia went from selling 100 tamales each week to managing seven employees producing 3,000 tamales a week. Alicia's Tamales may soon be available at Whole Foods Market, and she is working on a business plan for opening up her first restaurant.

From: Mission Asset Fund: <http://missionassetfund.org/alicia-tamale-trailblazer>

## WAYS TO TAKE ACTION

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Across the breadth of human services, nearly all service areas can benefit from incorporating asset-building opportunities. This guide is just a start in identifying some ways that asset building can add to the missions of human service providers in a variety of areas, including early childhood educators, disability service providers, sexual and domestic violence agencies, senior service centers and organizations that serve immigrants.

- › **Identify the unique economic needs, concerns and barriers of your target population.** Survivors of sexual assault, domestic violence, child abuse and other trauma can benefit from a trauma-informed approach to service provision, which is a strength-based framework that emphasizes physical and emotional safety and creates opportunities for clients to rebuild a sense of control and empowerment.<sup>55</sup>
- › **Specify how a focus on assets can benefit clients and identify impact goals.** Despite gains in recent years, women still earn less than men for the same work, and women also hold much lower wealth than do their male counterparts.<sup>52,53</sup> An asset-building focus on women can address gender issues like discrimination in the workplace, raise awareness about legal rights, and equip women with tools to succeed in business and education.
- › **Select asset-building strategies along a continuum that will best serve your clients, determining how to integrate these strategies and what external resources can help with the process.** All service provision does not start at the level of the safety net. Financial concerns such as student loan repayment, mortgage refinancing, and rebuilding of retirement savings post-recession may help to engage and stabilize the target constituency once new opportunities have been leveraged. Even at these next stages, there is need for structured and systematic access to financial information and support.

### ACROSS POPULATIONS, TAILORED ASSET-BUILDING STRATEGIES INCLUDE:

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- › Financial literacy education
- › Two-generation educational opportunities for children and their parents
- › Children's savings accounts
- › Free tax preparation
- › Fiscal health screening
- › Matched savings accounts
- › Financial planning
- › Train-the-trainer programs
- › Small-business development
- › Facilitating access to banks
- › Credit and debt counseling
- › Culturally relevant outreach
- › Informal savings structures