Investing *in the* American Dream

How Financial Institutions Can Build Long-Term Relationships with Immigrants Before and After Immigration Reform

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CFSI Center for Financial Services Innovation

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This report was written in partnership with the National Council of La Raza

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The National Council of La Raza (NCLR)—the largest national Hispanic civil rights and advocacy organization in the United States—works to improve opportunities for Hispanic Americans. Through its network of nearly 300 affiliated community-based organizations, NCLR reaches millions of Hispanics each year in 41 states, Puerto Rico, and the District of Columbia. To achieve its mission, NCLR conducts applied research, policy analysis, and advocacy, providing a Latino perspective in five key areas—assets/investments, civil rights/immigration, education, employment and economic status, and health. In addition, it provides capacity-building assistance to its Affiliates who work at the state and local level to advance opportunities for individuals and families.

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Citi Community Development leads Citi's commitment to achieving financial inclusion and economic empowerment for underserved individuals, families and communities by working with nonprofit and public agencies across the country to expand access to financial products and services, build sustainable business solutions and forge innovative partnerships.

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Executive Summary

Immigrants, like all consumers, need access to high-quality financial services that meet their day-to-day transactional needs and set them up for long-term financial success. With approximately 40 million immigrants residing in this country, comprising nearly 13 percent of the total U.S. population, the opportunity to serve this growing community has never been greater. The prospect of a comprehensive reform of the United States immigration system presents banks, credit unions, and other financial service providers with a unique opportunity to develop high-quality products for the more than 11 million undocumented immigrants currently residing in the United States

Providers that succeed in reaching these individuals at a pivotal moment in their financial lives are likely to reap the benefits of loyal, engaged, and long-term customers. As such, financial institutions should not wait for the passage of immigration reform to serve these consumers. They should act now by developing foundational products like credit-building loans and "legalization and citizenship loans," as well as basic transactional, saving, and credit services that put immigrants on the path towards long-term financial health.

The following strategies provide a roadmap for banks, credit unions, and other financial service providers to serve immigrants both now and after comprehensive immigration reform has passed:

1. Understand the needs of immigrants within the institution's footprint.

Financial service providers should strive to understand the needs of immigrants within the areas they serve. Providers must look beyond obvious demographic characteristics, like country of origin and native language, to other characteristics, like individuals' level of acculturation and approximate life stage, to more accurately assess and understand the needs of their customers.

2. Ensure that Customer Identification Programs do not exclude undocumented immigrants.

The USA PATRIOT of Act of 2001 allows banks and credit unions to serve individuals without a Social Security Number through comprehensive alternative identification programs. Financial institutions should ensure that their legal and compliance teams understand which types of identification are acceptable under current law and that front-line staff are sufficiently trained in these policies.

3. Develop products that meet immigrants' immediate financial needs.

When comprehensive immigration reform is passed, many undocumented immigrants will need an array of basic products that will help them establish a foothold in the United States. Financial institutions should consider offering credit-building tools that allow individuals to establish credit histories as well as legalization and citizenship loans that help them cover the costs associated with applying for legalization. Such products will signal to immigrants—both legal and undocumented—that financial institutions are interested in their business, which in turn may lay the groundwork for profitable relationships in the long run.

4. Offer products that meet consumers' day-to-day financial needs and set them up for long-term financial success.

Immigrants, like all consumers, need access to financial products that allow them to manage their day-to-day financial lives with ease and set them up for success over the long run. Financial institutions should offer basic transactional services, including checking accounts and remittance services. They should also offer savings accounts and short-term loans that provide customers with a financial cushion in case of an emergency. Providers who succeed in serving customers with these basic products will be well positioned to offer them additional services—such as long-term savings vehicles, small business loans, and mortgages—as their needs evolve.

5. Distribute products through channels that are likely to reach immigrants.

Financial institutions should partner with trusted community organizations to market and deliver services in places where immigrants are likely to live, work, shop, and worship. Like many consumers, immigrants are increasingly using smart phones to conduct their financial business, so providers should explore ways to deliver financial services through mobile channels as well. Developing and improving mobile channels—likely part of a financial institution's broader strategy—offers particular value to immigrant consumers who tend to have higher rates of smart phone ownership than the general U.S. population.

6. Provide high-quality customer service.

Many immigrants learn of financial services from friends and family, so banks and credit unions should ensure that their customer service is top-notch. Financial institutions should not only employ bilingual staff as front-line tellers and customer service representatives, they should also ensure that all staff are trained to assess and adequately respond to the diverse needs of the customers who walk through their doors.

7. Pursue credit under the Community Reinvestment Act.

Services that meet the needs of low-income immigrants can also help banks improve their Community Reinvestment Act (CRA) ratings. Banks can earn CRA credit by offering lending services like affordable personal loans and mortgages, making investments in organizations not traditionally served by financial institutions, and maintaining bank branches in low- and moderate-income neighborhoods.

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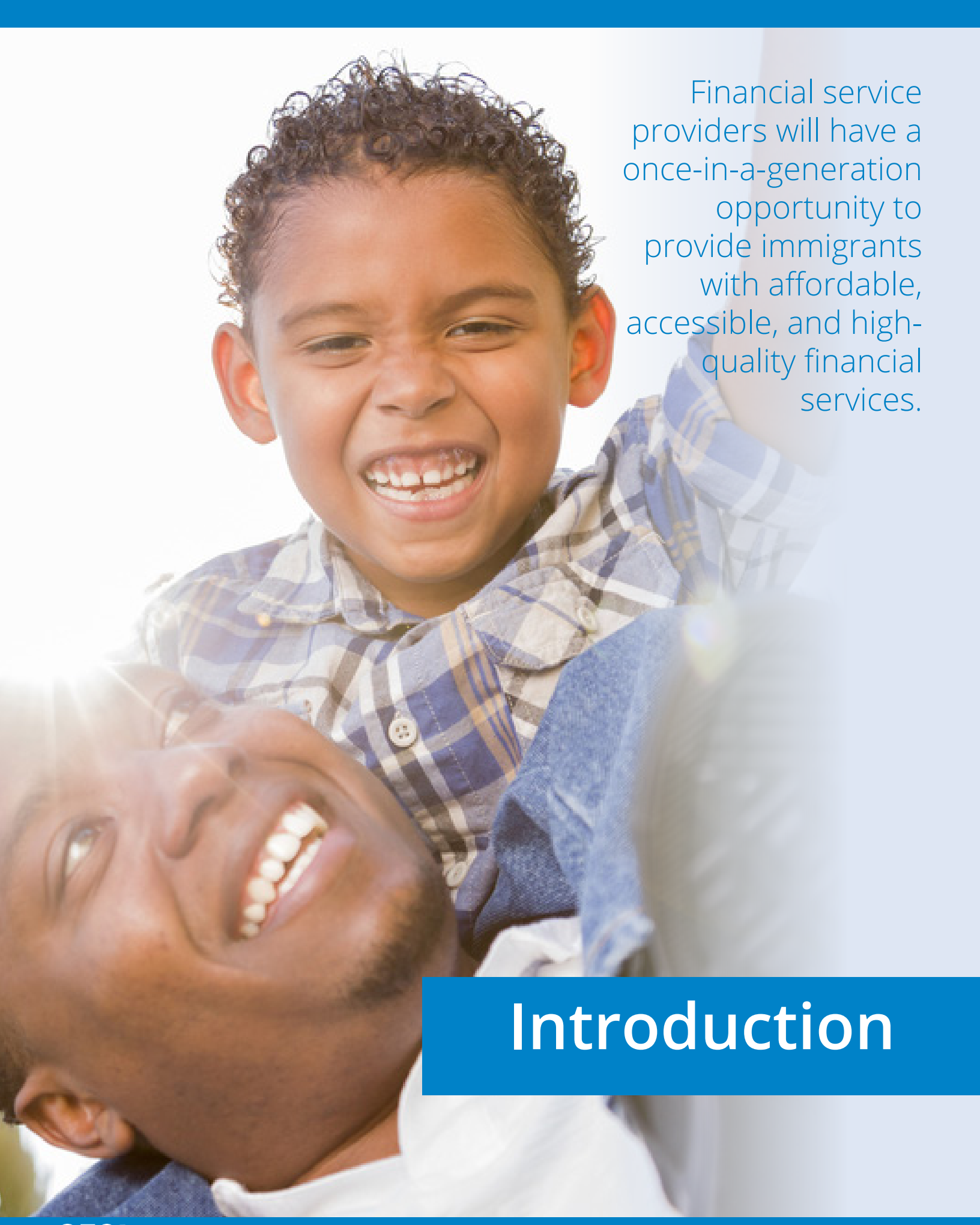


Financial service providers will have a once-in-a-generation opportunity to provide immigrants with affordable, accessible, and high-quality financial services.

Introduction

Introduction

More than 11 million people without legal status currently reside in the United States, living at the margins of society and unable to access fundamental resources, including valuable financial services that would help them achieve long-term financial health.

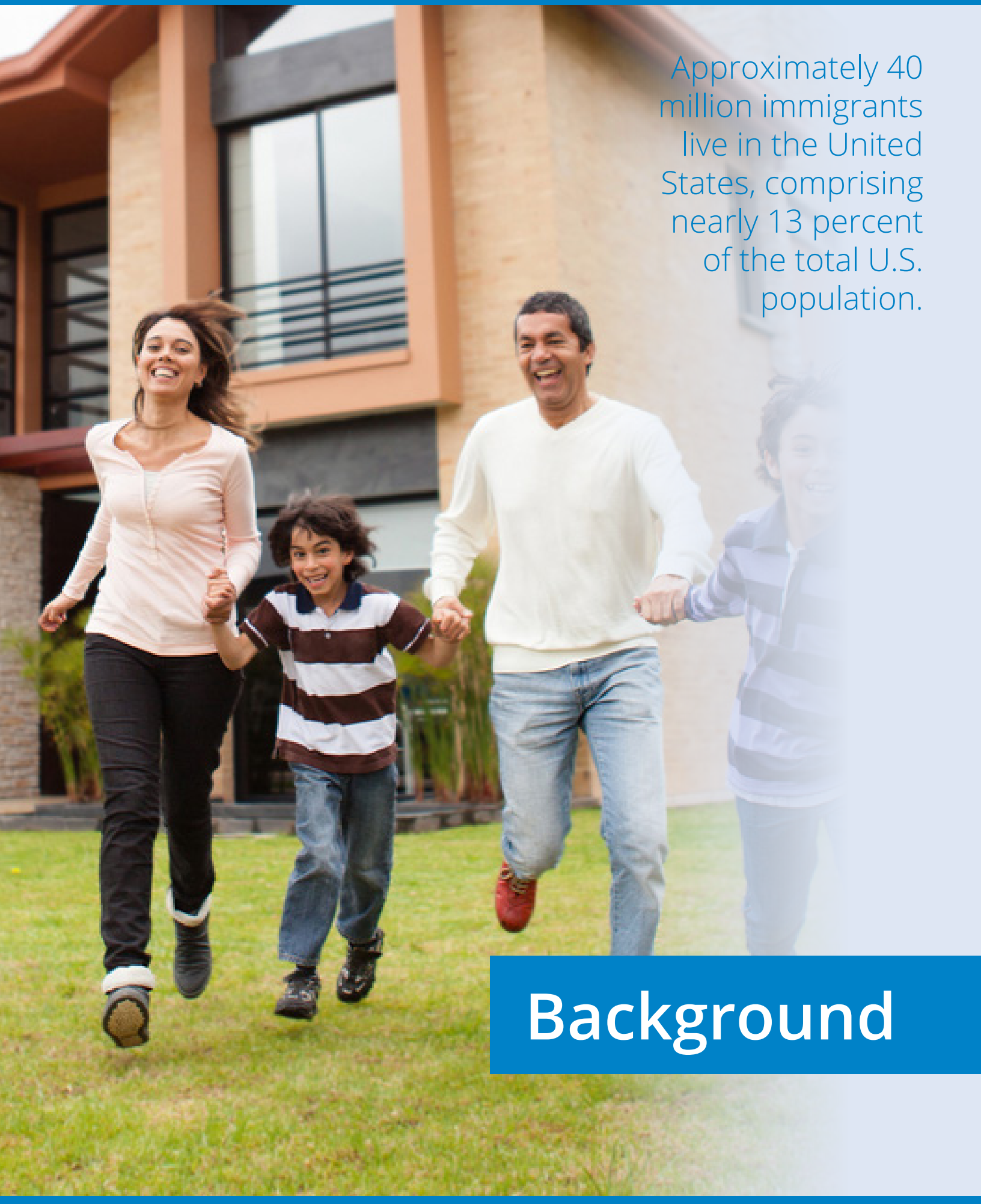
Policymakers across the political spectrum have realized that this situation is no longer tenable. In June 2013, the United States Senate passed the "Border Security, Economic Opportunity, and Immigration Modernization Act" (S. 744), a broad-based proposal for reforming the nation's immigration system.[1] The bill has yet to be taken up by the House of Representatives, but while an overhaul of the existing immigration system is delayed, some kind of reform is looking increasingly inevitable. Whether legislation passes this year, next year, or ten years from now, in its current form or in a revised form, it is likely that comprehensive immigration reform will provide both short-term legal status and a pathway to citizenship for many of the millions of undocumented immigrants currently residing in this country.

As this happens, financial service providers will be presented with a once-in-a-generation opportunity to provide a group of newly recognized legal immigrants with affordable, accessible, and high-quality financial services. These consumers will need access to products such as credit-building loans and legalization and citizenship loans that will allow them to establish economic security for themselves and their families in the United States. They will also need access to an array of additional products—such as transactional and savings accounts and short- and long-term credit—that will allow them to manage their day-to-day finances with ease, build a financial cushion in case of an emergency, and plan for the future.

Financial service providers that succeed in offering these services to immigrants in a responsible and sustainable way are likely to reap the benefits of loyal, engaged, and long-term customers. Because many of the needs of low-income immigrants mirror those of other underserved consumers, institutions that design products and implement strategies to meet the needs of immigrants will find themselves well positioned to serve the broader group of approximately 68 million consumers who currently lack access to high-quality financial services.[2] As such, providers do not need to wait for the passage of comprehensive immigration reform to develop high-quality financial services for immigrants; the applicability of these products and services extends well beyond the immigrant consumer segment.

> "Immigrants with newly recognized legal status will need access to products that allow them to establish economic security for themselves and their families in the United States."

This report illustrates the growing opportunity for banks, credit unions, and other financial service providers to serve immigrants—particularly those who stand to benefit from comprehensive immigration reform—by illuminating the financial needs of these consumers and by highlighting examples of providers that are successfully serving them today. The ensuing analysis will leave financial service providers with a concrete set of strategies for serving immigrants, both now and after the passage of comprehensive immigration reform.



Approximately 40 million immigrants live in the United States, comprising nearly 13 percent of the total U.S. population.

Background

Background

Immigrants in the United States

The immigrant population in the United States is large and diverse. There are approximately 40 million immigrants residing in this country, comprising nearly 13 percent of the total U.S. population.[3] This group includes naturalized citizens, lawful permanent residents, certain legal non-immigrants (individuals on student or work visas), those admitted under refugee or asylee status, and undocumented immigrants.[4] Of the foreign-born population in the United States, 29 percent come from Mexico; five percent from China, five percent from India; four percent from the Philippines; three percent from El Salvador, Vietnam, Cuba, and Korea, respectively; and two percent from the Dominican Republic and Guatemala, respectively. Together, immigrants from these ten countries represent approximately 60 percent of all immigrants residing in the United States.[5]

Immigrants live in all 50 states, but over half of them are concentrated in just four states: California, New York, Texas, and Florida. California, New York, and New Jersey have the highest proportion of foreign-born residents relative to their total population; more than one in four residents of California and more than one in five residents of New York and New Jersey are immigrants. Fourteen states plus the District of Columbia mirror the nation as a whole with immigrant populations that comprise at least 13 percent of their total populations.[6]

Immigrants tend to differ from the overall population of the United States in a number of key ways. On average, immigrants are younger; half of foreign-born residents are between the ages of 18 and 44, compared with about one third of all U.S. residents.[7] Immigrant households also tend to be larger, more likely to include children, and more likely to be multi-generational than U.S. households overall. Compared to the population as a whole, immigrants have lower levels of education; 68 percent of immigrants over the age of 25 have graduated high

A note about terminology

This paper focuses on the financial services needs of low- and moderate-income immigrants and the opportunities to serve these consumers. For the remainder of this paper, the term "immigrants" refers to the entire population of low- and moderate-income foreign-born residents of the United States, including "legal immigrants" and "undocumented immigrants."

The term "legal immigrants" refers to individuals who have become citizens through naturalization; have been granted legal permanent residence or asylum; have been admitted as refugees; or have been admitted under other, often temporary, statuses for longer-term residence or work.

The term "undocumented immigrants" refers to immigrants who have arrived in this country without legal documents, or who have stayed beyond their visa expiration dates or otherwise are in violation of the terms of their admission.

Please note that while these terms are used throughout the remainder of this report, immigrants are not a monolithic group and their needs vary considerably within these designations.

school (either in the U.S. or in their country of origin), compared to 89 percent of the U.S.-born population. However, the percentage of immigrants and U.S.-born residents who have continued on to higher education is approximately the same; 27 percent of immigrants and 28 percent of U.S.-born residents over the age of 25 hold a bachelor's degree or higher.[8]

Immigrants are more likely to work in the labor force than the U.S. population as a whole; however, the jobs immigrants hold are more likely to be low-wage and hourly.[9] As such, the median income of foreign-born households ($46,000) is less than that of U.S. households overall ($50,000) and immigrants are more likely to live in poverty than other households.

Yet, immigrants have relatively high rates of homeownership; 52 percent of those born abroad own a home, compared to 67 percent of U.S.-born residents.[10] Immigrants also have relatively high

Homeownership Among Immigrants

52%
of all immigrants own a home

67%
of all U.S. residents own a home

Source: The Fiscal Policy Institute, 2012

Defining financial health

Financial health is when an individual's day-to-day financial system functions well and increases the likelihood of long-term financial resilience and opportunity. There are three foundational elements to financial health:

Day to Day Management

A well functioning day-to-day financial life

Resilience

The ability to be resilient in the face of inevitable ups and downs

Opportunity

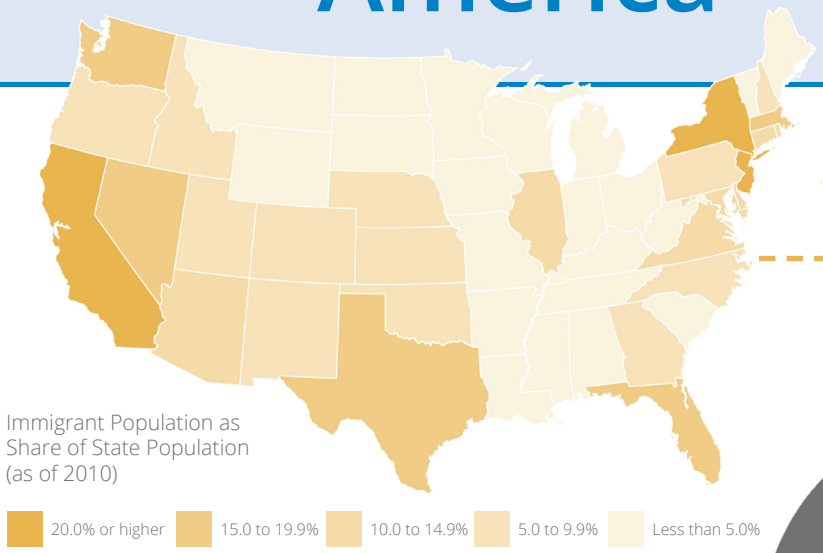
The potential to seize opportunities and achieve financial mobility over time

Good financial health is an important goal in its own right. It also facilitates healthy attitudes and practices in other aspects of life: mental and physical health, family stability, educational attainment, and more. Financial health is deeply connected to upward financial mobility, whether for an individual today or inter-generationally over time. It also has a positive impact at the macro-level on communities and economies locally, regionally, and nationally.

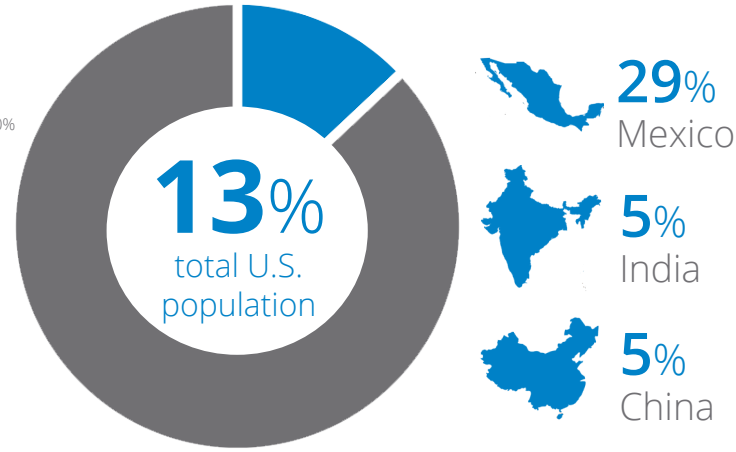
Financial health matters for Americans and it matters for financial service providers. Working with consumers toward positive financial health represents a chance for financial service providers to improve long-term revenue streams, increase loyalty, and create new opportunities for engagement.

Immigrants *in* America

Approximately 1 in 8 people residing in the United States was born abroad. Here is a snapshot of what it looks like to be an immigrant in America today.

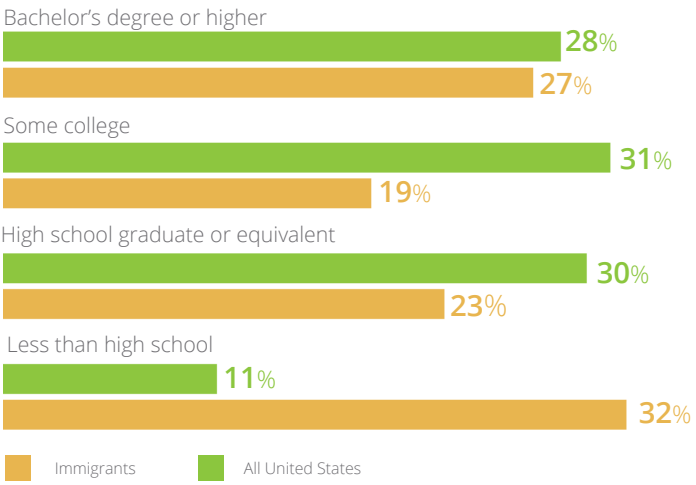


1 *in* 4 immigrants reside in a single state - California. Although immigrants live in all 50 states, more than half reside in just four: California, New York, Texas, and Florida.



Immigrants represent roughly 13 percent of the total United States population and come from all over the world. The greatest share come from Mexico, India and China, followed by the Philippines, El Salvador, Vietnam, Cuba, and Korea.

Immigrants are just as likely as the rest of the U.S. population to have a bachelor's degree or higher.



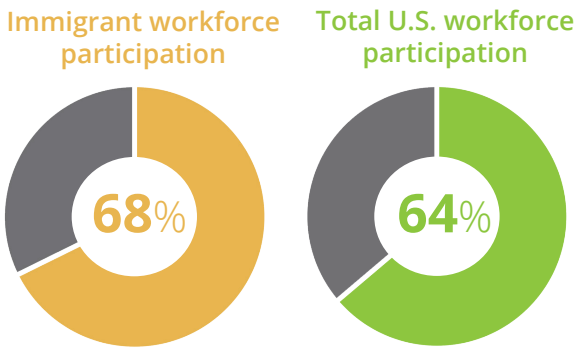
1 *in* 5

U.S. small businesses are owned by immigrants

producing

$776 BILLION in annual economic activity

Immigrants have a higher rate of workforce participation than the U.S. population overall.



Sources: U.S Census ACS 2010; Fiscal Policy Institute, 2012

rates of small business ownership; 18 percent of all small business owners in the United States are immigrants, a share that is higher than the immigrant share of the population overall (13 percent) and the immigrant share of the labor force (16 percent).[11]

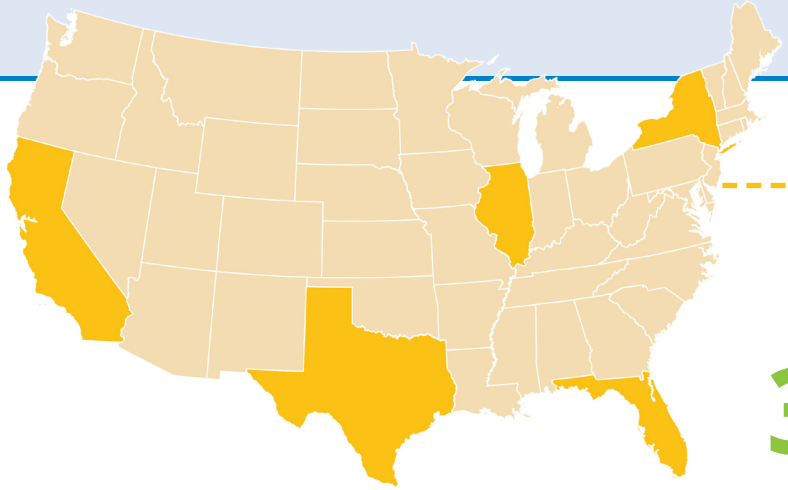
Undocumented Immigrants in the United States

While the vast majority of immigrants have arrived in this country through sanctioned means, "undocumented immigrants" are those who have entered the country without legal documents, or who arrived with valid visas but have stayed past their visa expiration dates, or otherwise are in violation of the terms of their admission. By contrast, "legal immigrants" are individuals who have become citizens through naturalization; have been granted legal permanent residence or asylum; have been admitted as refugees; or have been admitted under other, usually temporary statuses for longer-term residence or work.[12]

As of March 2012, 11.7 million undocumented immigrants were estimated to be living in the United States.[13] About half of this population (approximately 6.8 million people) has arrived from Mexico. The next leading countries of origin are El Salvador (660,000), Guatemala (520,000), Honduras (380,000), and China (280,000), followed by the Philippines, India, Korea, Ecuador, and Vietnam.[14] As of 2011,

Undocumented *in* America

There are 11.7 million undocumented immigrants living in the United States today. Here is a snapshot of what it looks like to be an undocumented immigrant in America.



58% of all undocumented immigrants are located in five states: California, Texas, Florida, New York, and Illinois. It is estimated that one in four undocumented immigrants reside in California.

3 *in* 5 undocumented immigrants are between the ages of 25 and 44.

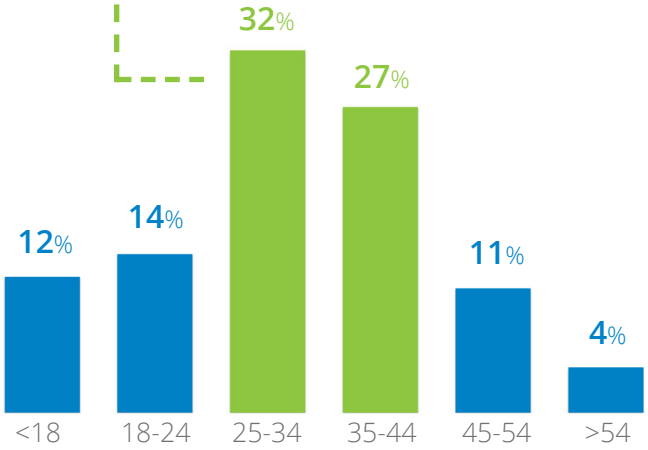
11.7 MILLION

undocumented immigrants live in the U.S. The greatest share come from Mexico, followed by El Salvador, Guatemala, Honduras, and China.

58% Mexico

6% El Salvador

4% Guatemala



Sources: U.S Census ACS 2010; U.S. Department of Homeland Security 2012

these ten countries comprised 85 percent of the undocumented population.[15]

Similar to the immigrant population as a whole, undocumented immigrants tend to be clustered in five states—Texas (1.7 million), California (2.5 million), Florida (950,000), New York (875,000), and Illinois (450,000).[16] While some undocumented immigrants have arrive relatively recently, others have been in the country for a while. According to the Pew Research Center, 35 percent of undocumented adult immigrants have resided in the United States for 15 years or more; 28 percent for 10 to 14 years; 22 percent for 5 to 9 years; and 15 percent for less than five years.[17]

Undocumented immigrants tend to have received less formal education and have lower incomes than legal immigrants and the U.S. population overall. Fifty-three percent of undocumented immigrants over the age of 25 have graduated high school, compared to 68 percent of all immigrants and 89 percent of the U.S. population overall.[18] In 2007, the median household income of undocumented immigrants was $36,000, compared to $46,000 for the entire immigrant population and $50,000 for the entire U.S. population.[19]

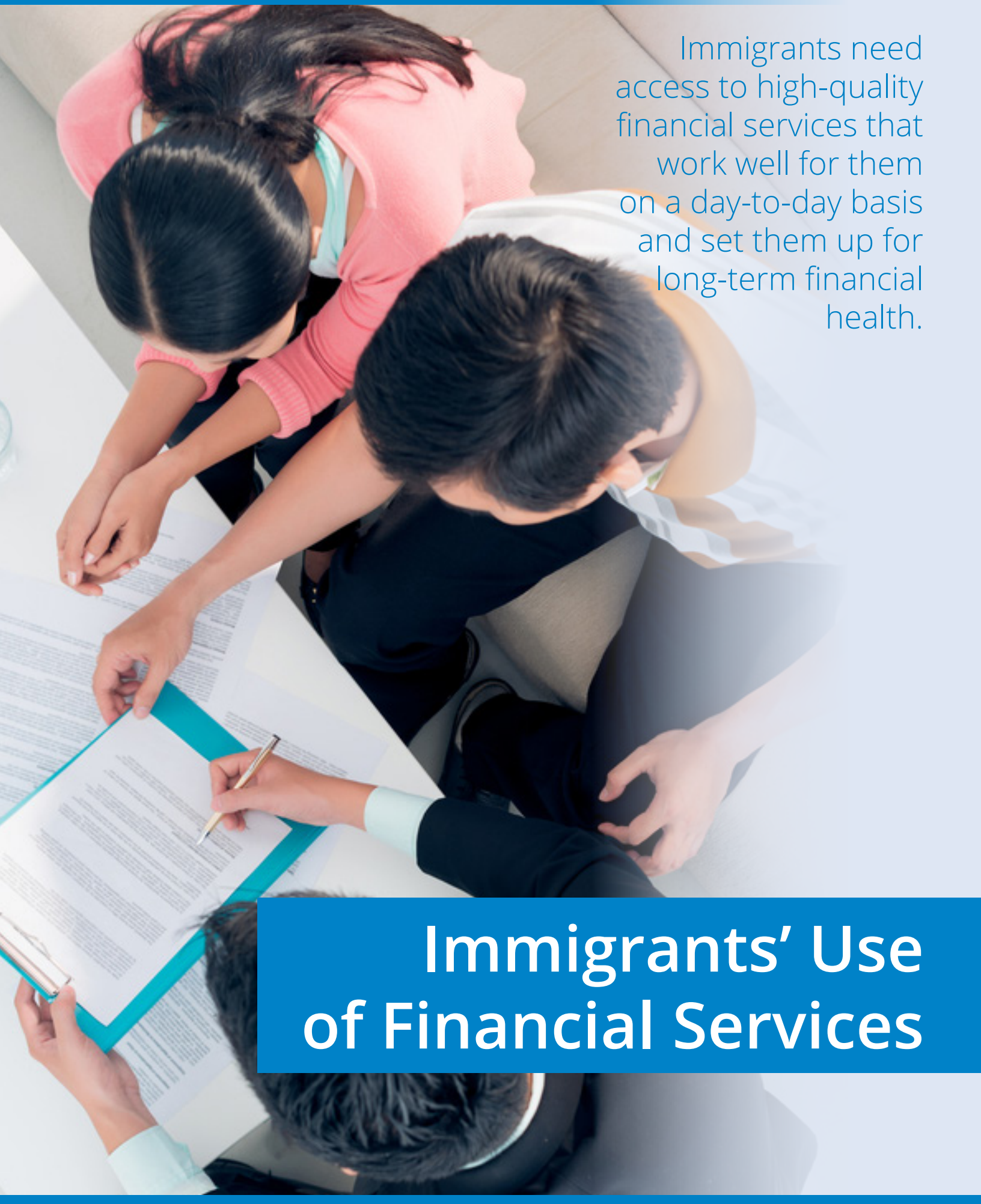
"Undocumented immigrants tend to be young - 59 percent are between the ages of 25 and 44."

However, there is reason to believe that these trends may change in the coming years. Undocumented immigrants tend to be young—59 percent are between the ages of 25 and 44—and nearly half of undocumented adults are the parents of minors (compared to just 29 percent of U.S. adults overall).[21] Children of undocumented immigrants represent a large and growing share of school-age children; in 2008, approximately seven percent of K-12 students had at least one parent who was undocumented. In five states, at least 10 percent of students are children of undocumented immigrants.[22]

Proposed Immigration Reform

On June 27, 2013, the United States Senate passed the "Border Security, Economic Opportunity, and Immigration Modernization Act" (S. 744), a broad-based proposal outlining an overhaul of the country's immigration system. Written by a bipartisan group of eight senators known as the "Gang of Eight," the bill proposed sweeping reforms across all aspects of the immigration process, including border and enforcement issues, family and employment-based visa categories, revised legal protections, and a pathway to citizenship for the millions of undocumented immigrants currently residing in the country.[23]

Of the more than 11 million undocumented immigrants currently residing in the country, the Congressional Budget Office (CBO) estimates that approximately one million people are not eligible for legal status because they do not meet the criteria outlined in the legislation.[24] Assuming that 80% of the remaining 10-plus million eligible individuals would apply for legalization, a percentage that is consistent with prior overhauls of the immigration system, the CBO estimates that 8 million individuals would gain legal status under the legislation.[25]



Immigrants need access to high-quality financial services that work well for them on a day-to-day basis and set them up for long-term financial health.

Immigrants' Use of Financial Services

Immigrants' Use of Financial Services

While immigrants have many unique financial needs, their fundamental needs are the same as those of other underserved consumers; they need access to high-quality financial services that work well for them on a day-to-day basis and position them to achieve long-term financial health. What follows is a brief description of the financial needs of immigrants and a review of how these needs are being met, or not being met, by banks, credit unions, and other financial service providers.

Managing Day-to-Day Finances

Immigrants, like all consumers, need access to high-quality financial services that allow them to manage their day-to-day finances with ease. They need to be able to cash checks, pay bills, and send and receive money through affordable and convenient channels.

Checking Accounts

Many immigrants choose to access basic transactional services through banks or credit unions. In a study conducted by the Federal Reserve Bank of Chicago, 63 percent of foreign-born heads of households reported having a checking account.[20] Ownership of a checking account differs significantly by nationality, however. In a study of foreign-born New Yorkers conducted by the New York City Office of Financial Empowerment and funded by Citi Community Development, 43 percent of Mexican respondents reported having a bank account, compared to 65 percent of Ecuadorian respondents and 95 percent of Chinese respondents.[26]

In addition to country of origin, a person's level of employment, years of education, and length of time in the United States also correlates with bank account ownership. Individuals who are employed full time, are more educated, and have lived in the country longer are more likely to have a bank account than those who are employed part-time, are less educated, and have lived in the country for a shorter period of time.[27]

> "More than 40 percent of immigrants sent a total of $41 billion, mostly through non-bank wire transfer services."

The NYC Office of Financial Empowerment found that one of the strongest determinants of banking status is an individual's documentation status. According to the study, an undocumented Mexican man with eight years of education who has been in the United States for 10 years and earns $600-$900 per week, has a 48 percent chance of having a bank account, whereas a man with exactly the same profile who is living in the country legally has a 71 percent chance of having a bank account.[28] These findings are corroborated by numerous studies that have found that bank account ownership is significantly lower among undocumented immigrants than the immigrant population at large.[29] The reasons for this disparity include issues related to affordability, physical inaccessibility, a lack of trust of financial institutions, and a fear of exposing oneself to deportation.[30]

Getting started

The fundamental needs of immigrants mirror those of other underserved consumers, but immigrants - both legal and undocumented - also have unique financial needs that set them apart from other consumers.

Credit Building Loans

Many immigrants - whether they are recent arrivals to the United States and have not yet established credit or they are undocumented immigrants who have been unable to open tradelines - lack a credit history. Without a credit history, individuals are unable to access low-cost credit from banks and credit unions and frequently resort to high-cost alternatives like payday loans instead. Because landlords, employers, and insurance providers are increasingly considering consumers' credit histories, the lack of a credit score can also impede an individual's ability to access beneficial opportunities that might allow them to build wealth and establish economic security.

Legalization and Citizenship Loans

In the event of immigration reform, undocumented immigrants will be responsible for covering the costs associated with applying for legal status. These costs are likely to include potential fines and fees of up to $2,000, a currently undisclosed application fee, as well as additional costs associated with preparing for legalization, such as civics classes, legal assistance, and English language courses.

Likewise, many of the approximately 1.7 million undocumented youth who are currently eligible to apply for deferred action under the Obama Administration's Deferred Action for Childhood Arrivals (DACA) program may need credit to afford the $465 application fee. Those applying for Lawful Permanent Residence status (or "green card") would be required to pay an additional fee, currently $985. After a minimum of five years in LPR status, those who decide to pursue naturalization will face another application fee, currently $680. Many of those eligible for legalization, deferred action, or naturalization will be unable to cover these costs out of pocket and will need to borrow in order to complete these important applications.

Undocumented immigrants are also dissuaded from using formal financial services because of a perceived sense of ineligibility. Although financial institutions increasingly allow individuals without a Social Security Number to open a bank account and many institutions now accept a range of foreign government-issued IDs, focus group discussions suggest that immigrants are often unaware of these policies and assume they do not have the necessary documentation required to open a bank account; fifty percent of Mexican-born New Yorkers cited a lack of documentation as the primary reason for why they did not have a bank account.[31] Even individuals with some understanding of these policies might decide that it is better to err on the side of caution rather than risk exposing themselves to authorities.

Check Cashing, Wire Transfers, Money Orders, and Prepaid Cards

Instead of opening a bank account, many undocumented immigrants prefer to use services offered by non-bank financial service providers to conduct their day-to-day financial business. A study by the National Council of La Raza (NCLR), which included foreign-born undocumented Latino residents of Florida, Illinois, and Texas, found that respondents regularly used non-bank financial services to cash checks, pay bills, and transfer money. In the past year, 13 percent of undocumented Latino immigrants had visited a check casher, 19 percent had used a non-bank money order, and 18 percent had used a prepaid card.[32]

Immigrants, both undocumented and legal, especially tend to favor non-bank financial services to remit money. The Federal Reserve Bank of Chicago found that more than 40 percent of immigrants sent money abroad in 2012 - a total of $41 billion - and that most do this through non-bank wire transfer services.[33] As of 2006, Western Union and MoneyGram accounted for 70 to 80 percent of all remittances sent abroad.[34] Immigrants who have a bank account are less likely to send money using a bank's money transfer service. In one survey, only 22 percent of immigrants who had a bank account sent remittances through their bank; the rest used non-bank wire transfer services.[35]

Immigrants favor non-bank financial services because they generally perceive that these providers meet their needs better than services offered by banks

and credit unions. Non-bank establishments tend to have more convenient hours than traditional financial institutions and they are located in neighborhoods where immigrants live, work, shop, and worship. For example, many wire transfer services are located at the customer service desks of neighborhood grocery stores, convenience stores, or retail outlets like Walmart. A study conducted by the Federal Reserve Board of Governors found that the majority of immigrants sampled in Georgia, Tennessee, and Florida sent money through wire-transfer services located at grocery and retail stores.[36]

Not only are these services more convenient for the remitter, they also tend to have better distribution networks abroad, so they are more convenient for the recipient of the remittance as well. When a customer sends a remittance from his or her bank, the recipient must go to that specific bank branch to collect the money, an endeavor that might be challenging in areas that are poorly served by banks. To address this challenge, some banks have partnered with Western Union, MoneyGram, and other money transfer services to provide more extensive remittance networks abroad.

Immigrants also tend to favor non-bank financial services because they generally employ tellers who are able to serve immigrants in their native languages and who frequently establish relationships with their customers. But non-bank providers also offer a valuable sense of anonymity, especially important to undocumented immigrants, because they require less documentation than banks or credit unions to complete basic transactions; non-bank wire transfer services generally do not require individuals to show documentation for transactions less than $1,000. For example, South Asian customers who wish to retain complete anonymity and independence from financial service providers have turned to the hawala system through which they can send money to friends and family abroad through an informal network of hawala dealers.[37]

Non-bank financial service providers are clearly meeting immigrants' needs in a number of important ways, but they generally offer transactional services rather than a suite of financial services that includes savings and credit products. Some providers, like Western Union, offer additional services, but most of these services meet consumers' transactional needs rather than help them to build assets or establish credit. There is value to this approach for many underserved consumers, however, it is not necessarily right for the immigrant consumer segment. Anecdotal evidence suggests that many immigrants have left their home countries in pursuit of a better life. Inherent in this quest for a better life is the desire to build wealth and move up the economic ladder. As such, consumers who frequent non-bank financial service providers miss out on a valuable opportunity to access other financial services that might put them on the path towards long-term financial health.

Weathering Ups and Downs

Like all consumers, immigrants need access to a financial cushion to manage the inevitable ups and downs of life. For undocumented immigrants, many of whom work in industries where pay is volatile and work is sporadic or seasonal, having a cushion to fall back on in case of a financial emergency is especially important. Such a cushion can assume a variety of forms, including a reserve of savings, access to credit, or a strong network of friends and family.

Savings Accounts

Many studies have shown that immigrants save at relatively high rates, but some nationalities are more likely to save through formal channels than others. The Federal Reserve Bank of Chicago found that 61 percent of Chinese respondents and 56 percent of Indian respondents reported having a savings account at a bank or credit union, compared to 28 percent of Vietnamese respondents and 26 percent of Mexican respondents.[38] As with checking account ownership, the likelihood of having a savings account increases with an individual's level of employment, years of education, time spent in the country, and documentation status.

Credit Cards and Personal Loans

In the event of a financial emergency, having access to short-term credit is also important. Some

U.S. Financial Diaries

Household Spotlight

Sadia and Imran Uddin are a Bangladeshi couple living in Queens, New York. They have two sons, Aamir and Sajid, who live with them. Both sons work full-time; Aamir works 50 hours a week at Papa John's and Sajid works 60 hours a week at a newsstand.

Sadia takes care of the budgeting for the family. Every payday, Aamir and Sajid give their paychecks to their mother and Sadia distributes the money to her sons for their personal expenses and keeps the rest to pay for household expenses. Sadia tries to save some money from her sons' income and keeps this money at home. She has managed to accumulate more than $5,000 in cash, but she does not deposit this money in a bank account because she says that it is a hassle to deal with banks. She would prefer to keep the money handy because she frequently needs to send some to Bangladesh and it is more convenient to have it at home than it is to withdraw it from the bank each time she needs it.

The U.S. Financial Diaries is a research project that tracks more than 200 low- and moderate-income households over the course of a year and collects highly detailed data on household financial activity. The U.S. Financial Diaries were created jointly by the NYU Financial Access Initiative, the Center for Financial Services Innovation, and Bankable Frontier Associates. Leadership support for the project is provided by the Ford Foundation and the Citi Foundation, with additional support and guidance from the Omidyar Network.

immigrants access credit through the mainstream financial sector; over half of the Latino immigrants sampled by NCLR had used a credit card in the past 12 months.[39] Aside from credit card use, borrowing through formal channels tends to be low among immigrants. Only nine percent of Mexican immigrants and 16 percent of Ecuadorian immigrants in New York City had ever borrowed from a bank or credit union.[40]

"Approximately one-fifth of Latinos in NCLR's survey had either used a payday loan or had visited a pawnshop in the past 12 months."

Formal borrowing tends to be low among immigrants for a variety of reasons. Some of these reasons are cultural; immigrants from many nationalities tend to be averse to taking on debt. Numerous surveys, interviews, and focus groups have documented that an array of cultures view debt as a disgrace and a loss of dignity.[41] Some religions, such as Islam, condemn the paying of interest, so borrowing interest-bearing loans is explicitly forbidden.

However, an aversion to debt does not tell the entire story. Access to credit is largely based on an individual's credit score, and many immigrants—especially those who have arrived in the country recently or who are undocumented—lack a credit history, which makes securing credit at a bank or credit union particularly challenging, if not impossible. For undocumented immigrants in particular, access to credit is further restricted by documentation barriers. Most banks require customers to provide a Social Security Number and some form of income verification to receive a loan. For undocumented immigrants, many of whom work in informal sectors of employment, simply obtaining the documentation necessary to verify their income can be an insurmountable obstacle to obtaining credit.[42]

Payday Loans and Pawnshops

Because the barriers to obtaining formal credit are so high, many immigrants fulfill their need for short-term credit through non-bank financial institutions. Approximately one-fifth of Latinos in NCLR's survey had either used a payday loan or had visited a pawnshop in the past 12 months.[43] Like check cashers and wire transfer services, payday loan outlets and pawnshops are convenient because

they are frequently located in neighborhoods where immigrants live, work, shop, and worship. They also tend to offer "instant approval," an important time-saving feature for consumers who work multiple jobs, usually without paid leave, and who frequently rely on public transportation for lengthy commutes.

However, like non-bank providers of transactional services, payday loan providers and pawnshops generally offer one-time credit services rather than a suite of financial products that build consumers' long-term financial health. Because they operate outside of the credit reporting system, non-bank lenders do not help individuals build credit histories and they frequently lead customers to borrow repeatedly, leaving borrowers in a cycle of debt that can be hard to break.

Rotating Savings and Credit Associations and Trust Banks

Many immigrants choose to build a cushion through informal channels. The NYC Office of Financial Empowerment found that 69 percent of unbanked Ecuadorian respondents, 74 percent of unbanked Mexican respondents, and 81 percent of unbanked Chinese respondents reported saving informally.

Some respondents saved cash at home, but many individuals reported leveraging social networks to save. Rotating Savings and Credit Associations (ROSCAs) are popular across many immigrant communities and are comprised of individuals who make regular contributions to a common fund, which is then redistributed back to participants in rotation. Such groups leverage the power of peer pressure and commitment mechanisms to encourage members to save.[44]

Many of the Chinese respondents reported participating in a similar program called a Trust Bank. In the Trust Bank model, participants contribute weekly deposits to a group fund and then receive periodic payouts when their turn arises. Unlike ROSCAs however, Trust Banks collect and pay interest and they are therefore perceived as a credit instrument rather than a savings vehicle in the Chinese community.[45]

Friends and Family

In the event of an emergency, many immigrants also turn to friends and family. This is true of both legal immigrants and undocumented immigrants, as well as of those who have a bank account and those who do not. Fifty-eight percent of citizen Latino immigrants

U.S. Financial Diaries

Household Spotlight

Melinda Perez is a 51-year-old Colombian woman who has been living in the United States for three years. She left Colombia when she lost her job there and was unable to find another position. Today, she lives with her sister in New York City and works five jobs. She works at a restaurant three days a week, does casual housekeeping, babysits twice a week, sells items that her family sends from Colombia, and occassionaly works events hosted by the restaurant for which she works.

Melinda participates in a savings group with other employees of the restaurant. Most weeks, Melinda contributes $200 to the group, so her monthly contribution is between $800 and $1,000, depending on the number of weeks in the month. Melinda's sister, who also participates in the savings group, occassionaly makes payments for Melinda when she can not make her own contribution. Melinda also occassionaly pays her sister's portion. This partnership prevents both of them from ever missing a payment to the group. When it is Melinda's or her sister's turn to receive the payout from the savings group, they settle their debts to each other by sharing the payouts. Melinda typically sends the money she receives to Colombia to help pay for a house that she purchased there.

and 43 percent of non-citizen Latino immigrants surveyed by NCLR reported that they would borrow from friends and family if an unexpected expense were to arise. Over 60 percent of all respondents had borrowed from friends or family over the course of their lifetimes.[46]

Some of this informal borrowing consists of simply lending money to a friend or family member with the expectation that it will be repaid when the borrower has acquired the necessary funds for repayment. Sometimes, however, the "loan" is made without the expectation that it will be repaid. This process is frequently reciprocal with the "borrower" becoming the "lender" and vice versa depending on the individuals' current financial situation. Since many immigrants live with or in close proximity to extended family, much of this activity occurs beyond the nuclear family.

Though borrowing from friends and family and accessing credit through other informal channels might meet an individual's immediate need for short-term credit, such informal borrowing does nothing to build an individual's credit history. Without a credit history, consumers are unable to access more sophisticated products—like mortgages or car loans—that they might need later in their financial lives.

Planning for the Future

Immigrants need access to long-term savings and investment vehicles. Like all consumers, but perhaps even more so, immigrants are eager to accumulate wealth and to move up the economic ladder. Whether they came to this country to seek economic opportunity or to flee political turmoil, many immigrants are motivated by a desire to create a better life for themselves and for their children.[47] They need access to products that will allow them to build wealth and to fulfill their aspirations of upward mobility.

Long-Term Savings and Investment Vehicles

Immigrants display relatively high rates of long-term savings, but their ability to accumulate wealth is hindered by limited access to long-term savings and investment vehicles.[48] Only two percent of Latino immigrants in NCLR's study reported saving in a Certificate of Deposit (CD) and none reported saving through an employer-sponsored 401(k) plan. Just 13 percent of immigrants own stock outside of a retirement account, compared to 27 percent of U.S.-born individuals.[49]

For undocumented immigrants, access to long-term savings and investment vehicles is even more limited.

U.S. Financial Diaries

Household Spotlight

Juan Manuel and Gabriela Torres are a Mexican couple living in San Jose, California. Juan Manuel works for an airline company and Gabriela works for a community organization, but they struggle to make ends meet with their limited incomes.

The couple borrowed $100 from Gabriela's mother to help cover their expenses. During this time, Juan Manuel decided not to take additional courses at San Jose State University because the tuition was too costly. A month later, Gabriela borrowed $300 from her parents. Since these sums were not enough to ease the couples' financial burdens, Juan Manuel and Gabriela decided to cut expenses even further by moving in with Gabriela's parents. Gabriela hopes to be able to repay the two loans once she and Juan are able to regain their financial footing.

Many undocumented immigrants work in jobs that do not provide employee benefits, and their access to employer-based savings vehicles is minimal. This situation is exacerbated by undocumented immigrants' ineligibility for Social Security retirement benefits, despite the fact that many have paid into the system through payroll deductions for years. Even those with access to long-term savings instruments may find it challenging to put away funds for the long-term when they are living paycheck to paycheck.

"Only two percent of Latino immigrants in NCLR's study reported saving in a Certificate of Deposit (CD) and none reported saving through an employer-sponsored 401(k) plan."

Beyond these issues of access, undocumented immigrants face additional barriers to accumulating long-term wealth in savings and investment vehicles. Most retirement savings programs penalize account holders for early withdrawals. These accounts are designed to incent long-term savings, but many immigrants, like other underserved consumers, require flexible savings accounts that allow them to withdraw funds in the case of an unexpected event or to put towards other asset-building activities, such as a down payment on a home or a child's education.

Anecdotal evidence also suggests that some undocumented immigrants are reluctant to put money into long-term savings instruments in the U.S. because they fear that in the event of deportation, they would not be able to recover their funds. An overhaul of the immigration system is likely to mitigate this threat and may create a burgeoning interest in long-term savings and investment vehicles as newly recognized legal immigrants feel more secure in their adopted country.

Small Business Loans

Immigrants own businesses at a higher rate than the U.S. population overall. As of 2007, 10.5 percent of the immigrant workforce owned a business compared to 9.3 percent of the U.S.-born workforce. Today, 28 percent of all new businesses in the United States have been started by immigrants, while immigrants only account for 13 percent of the U.S. population.[50] Many of these businesses are quite successful; approximately 11 percent of immigrant-owned businesses have annual sales of $500,000 or more, a percentage that is equivalent to that of non-immigrant-owned businesses.[51] Collectively, immigrant-owned small businesses generated a total of $776 billion in receipts and employed an estimated 4.7 million people in 2007.[52]

Yet, evidence suggests that immigrants predominantly draw upon informal sources of funding to launch their businesses. A study from the Small Business Administration found that the most common source of startup capital for immigrants is personal or family savings; roughly two-thirds of foreign-born entrepreneurs reported drawing upon this source of startup capital. Personal and family savings were followed, a distant second and third, by credit cards and business profits and assets.[53]

Homeownership

In addition to long-term savings vehicles and small

U.S. Financial Diaries

Household Spotlight

Daniel Miranda, an Ecuadorean immigrant living in Queens, New York works in construction. He has been in the United States since May 2002, but his wife and four children still live in Ecuador. One of the main reasons that Daniel came to the United States was to earn enough money to pay for his children's education. He says that education is one of the most precious gifts that a parent can give to his children. Only after he has finished paying for his younger son's education will he consider returning to Ecuador.

business ownership, many immigrants also aspire to build wealth through homeownership. Fifty-two percent of all immigrants own a home, a figure that is less than the homeownership rate of the U.S. population overall (67 percent), but is still relatively high. Some immigrants are more likely to own homes than others; immigrants who are older, married, and more educated are more likely to own a home. In addition, immigrants who have lived in the United States longer and are more proficient in English have higher homeownership rates. Homeownership also varies by country of origin; immigrants from Europe, Canada, East Asia, and Southeast Asia have higher rates of homeownership than immigrants from other regions of the world.[54]

"52 percent of all immigrants own a home. That is less than the homeownership rate of the U.S. population overall (67 percent), but still high."

Undocumented immigrants are less likely to own their own homes than documented immigrants.[55] Just thirty percent of the undocumented Latino immigrants surveyed by NCLR owned their homes.[56]

Lower homeownership rates among undocumented immigrants can be attributed to many factors, including relatively lower incomes than their legal counterparts, different aspirations, or a desire to return to their country of origin.[57] But lower homeownership rates are also the result of limited access. Because undocumented immigrants do not have a credit history or a Social Security Number, they are generally ineligible for most mortgages offered by mainstream banks and credit unions. Relatively few banks offer mortgages to customers with an Individual Taxpayer Identification Number, though some credit unions do make mortgages available to undocumented immigrants.[58]

And yet, many immigrants have a profound desire to accumulate wealth. Numerous qualitative studies have shown that immigrants are motivated by a desire to provide better futures for their children.[59] Fifty-seven percent of Chinese-born New Yorkers reported that they hoped to own a home in the United States one day.[60] Because the barriers to owning a home in this country are so high, many immigrants have invested in their homeownership aspirations elsewhere. The NYC Office of Financial Empowerment found that 38 percent of Mexican-born New Yorkers, 43 percent of Ecuadorian-born New Yorkers, and 22 percent of Chinese-born New Yorkers own a home in their country of origin.

Providers that succeed in meeting the needs of immigrants are likely to reap the benefits of loyal, engaged, and long-term customers.

Strategies to Serve Immigrants

Strategies to Serve Immigrants

To meet the needs of immigrants effectively, financial service providers must develop targeted strategies to design and deliver high-quality financial products that actively promote individuals' financial health. The recommendations outlined in the section below provide banks, credit unions, and other financial service providers with a roadmap to serving immigrants in a responsible, profitable, and scalable way. The companies that are highlighted beneath each of the strategies represent examples of providers that are successfully serving this demographic today.

1. Understand the needs of immigrants within the institution's footprint.

Before developing new products or services, providers must understand the needs of the consumers within their footprint. They must look beyond obvious demographic characteristics like country of origin and native language, to other indicators that are more indicative of consumers' financial needs. Such indicators might include the length of time individuals have spent in the country, their level of acculturation, comfort with English, familiarity with financial services, average age, and approximate life stage.

Understanding these characteristics will allow providers to better assess the needs of potential customers and to design products that adequately meet these needs. In some cases, providers might find that the needs of immigrants in their community are not that different from the needs of the rest of their customer base. In these instances, a slight alteration of an existing product might render that offering more suitable for immigrant consumers. Sunrise Banks found this to be the case in serving the Somali and Hmong communities in the Minneapolis-St. Paul metropolitan area.

In other cases, financial institutions might find that the needs of immigrants are so unique that they warrant the creation of a new product or service altogether. Although this might seem like a costly investment upfront, a deep understanding of the institution's footprint might reveal that developing a new product or service would be highly profitable because of the size of the potential market that it would serve.

Provider Spotlight

SUNRISE BANKS

Sunrise Banks is a Community Development Financial Institution with $750 million in assets and seven branches throughout the Minneapolis and St. Paul, MN metropolitan area. The bank has a long history of serving inner city communities. Year after year the bank originates over 60% of all loans in low- or moderate-income urban communities. Sunrise also prides itself on its diverse customer base; Latino, Somali, and Hmong (an ethnic group from the mountainous regions of China, Vietnam, Laos, and Thailand) are among the many immigrant groups that Sunrise serves.

In order to profitably serve such a diverse customer base, Sunrise has sought to understand the needs of its customers by undertaking robust assessments to gauge the attitudes, behaviors, and financial needs of its customers. The bank has also intentionally employed staff who are representative of these immigrant groups and who remain connected to

these communities.

Sunrise's drive to understand its customers has paid off; the bank has a deep understanding of the diverse consumers within its footprint. For example, most of the Somali population in Minneapolis-St. Paul is relatively new, having arrived as refugees in the early 1990s after the collapse of the Somali government. As a result, the Somali population in the Twin Cities tends to skew young; their average age is 25 years, compared to 37 years for the rest of Minnesotans. Most of the Somali population is Sunni Muslim, a characteristic that is relevant to financial service providers because Sharia, Islamic law, prohibits the giving and taking of interest.

Compared to other immigrant groups, the Hmong population in Minneapolis-St. Paul is relatively well established. The first wave of Hmong arrived as refugees at the end of the Vietnam War and a second wave came in the 1990s upon the closing of refugee camps in Southeast Asia. Like Somalis, the Hmong tend to be younger than the overall population of Minnesota, but many of these youth are second- or third-generation immigrants. Hmong families are large; the average size of a Hmong household in Minnesota is 5.19 people, compared to 2.58 people for the overall U.S. population. Because the Hmong are a relatively well-established immigrant group, they tend to have higher rates of small business ownership than other immigrant communities.

Drawing on this knowledge, Sunrise has tailored existing products and introduced new services to meet it's customers' needs. For the Somali population, the bank has introduced no-interest checking and savings accounts to accommodate the need for Sharia-compliant products. Providing loans without interest has been trickier and the bank is still exploring how it might offer alternative loans or leases that comply with regulatory requirements.

To meet the needs of the Hmong population, Sunrise has partnered with a local nonprofit organization to offer Individual Development Accounts that are funded by grants and targeted at local Hmong farmers. The burgeoning "slow food" movement and the expansion of local farmers' markets has led to a renewed interest in locally sourced food, and many Hmong have been eager to take up farming, a livelihood traditionally practiced by their families in Southeast Asia. The bank has also adapted its small-business lending practices. Since Hmong families are frequently large and resources are pooled, when a Hmong entrepreneur seeks a small business loan, loan officers are trained to review multiple financial statements in order to paint a more accurate picture of a family's financial situation.

By taking the time to understand the attitudes and behaviors of its customers, Sunrise Banks has created more sustainable, inclusive, and profitable business practices that will serve it well over the long run.

2. Ensure that Customer Identification Programs do not exclude undocumented immigrants.

The USA PATRIOT Act of 2001 requires banks and credit unions to implement Customer Identification Programs (CIPs) to capture and retain accurate information about the identities of the customers they serve. Under the law, institutions can accept consular IDs, foreign passports, and other forms of alternative identification to verify the identity of their customers; however, some institutions have been unwilling to serve individuals without a Social Security Number for fear of regulatory scrutiny.

By refusing to accept alternative forms of identification, financial institutions are missing out on a valuable opportunity to serve undocumented immigrants. Financial institutions should explore ways to implement more inclusive identification policies that would better serve the more than 11 million undocumented immigrants residing in the country. As a first step, financial institutions should ensure that their legal and compliance teams understand which forms of alternative identification are currently acceptable and that these teams are versed in industry best practices. Providers should also ensure that front-line staff are sufficiently and uniformly trained in these policies so that undocumented customers can receive accurate and supportive information upon entering a branch.

Consular Identification Card

Consular Identification Cards are issued by foreign governments to citizens residing outside of their country of origin through local consulate offices. These IDs generally identify the holder, certify the country that he or she is a citizen of, and cite his or her birthplace and current address. In the United States, the most popular form of consular ID is the Matrícula Consular de Alta Seguridad, issued by the Government of Mexico, but a number of other countries offer consular IDs as well, including Guatemala, Brazil, and Ecuador. Since these cards are issued without regard to immigration status, they are popular amongst undocumented immigrants.

Many banks and credit unions accept consular IDs as valid forms of customer identification, a practice that is in line with the provisions of the USA PATRIOT Act. However, since the requirements to hold a consular ID are generally less stringent than those required to obtain other official identification documents, financial institutions generally require individuals with a consular ID to provide a secondary form of identification, such as a drivers license or passport, as well.

Membership Identification Cards

Some local and regional non-profit organizations offer ID cards to their members. CASA de Maryland, a community-based organization operating in metropolitan Washington D.C., offers its members an ID card that allows them to access the many services offered by the organization, including free legal services, tax preparation assistance, and citizenship application assistance. The organization has issued more than 60,000 IDs over the last four years and about half a dozen local banks and credit unions currently accept these IDs as valid identification required to open a checking or a savings account.

Municipal Identification Cards

A number of cities have begun to issue municipal identifcation cards. These cards typically feature the photo and address of the cardholder and sometimes provide access to additional benefits, such as a prepaid debit card. While available to all residents, the cards are particularly valuable to undocumented immigrants, as well as the homeless, foster youth, the elderly, and other residents who might have difficulty obtaining another form of government-issued identification.

The cards are widely used throughout San Francisco, Los Angeles and Oakland, California, as well as in New Haven, Connecticut. In May 2014, New York City became the largest city to pass legislation to implement a municipal ID program. Applicants for the cards will have to prove their identities with birth certificates or valid passports from any country and must establish proof of residence in New York City through records such as utility bills or pay stubs.

The cards will be accepted by city agencies and the New York City Police Department, and the City is hoping that private entities like banks and landlords, will accept the IDs as well. As with other forms of alternative IDs, however, many financial institutions are hesitant to accept these cards because the requirements for securing one are less stringent than for other forms of government-issued IDs. Some institutions have figured out a way to work around this by requiring that customers present additional forms of ID such as Individual Taxpayer Identification Numbers, as well.

3. Develop products that meet immigrants' immediate financial needs.

There are myriad opportunities for providers to serve immigrants with high-quality financial products and services. As a first step, institutions should develop basic products that address customers' immediate needs. To help immigrants establish and build credit, financial institutions should offer credit-building loans and secured credit cards. They should also invest in alternative underwriting processes to better understand the credit worthiness of immigrants with no or "thin" credit files. Such initiatives will help get customers in the door, giving providers the chance to establish long-term relationships and to offer more sophisticated products as the individuals' needs evolve.

Financial institutions should also consider offering short-term loans to help undocumented immigrants offset the costs of applying for legalization. Once

immigration reform is passed, undocumented immigrants will be confronted with a series of expenses—application fees, legal fees, fines, back taxes, and tuition for preparation classes—that they must pay in order to acquire legal status. The recent passage of Deferred Action for Childhood Arrivals (DACA) also requires young people to cover a host of expenses when applying for the program. Many individuals will be unable to pay these expenses out of pocket and will need to borrow to cover them.

Providers, like Self-Help Federal Credit Union, that offer affordable short-term loans to individuals at such a pivotal moment are likely to earn the life-long gratitude and loyalty of these customers. Although such products may require the creation of a loan loss reserve or the support of outside funding sources, offering them will signal to immigrants—both legal and undocumented—that a financial institution is interested in their business and responsive to their needs.

For insight into designing high-quality financial products, please see CFSI's Compass Guidelines highlighted below.

Provider Spotlight

Self-Help FEDERAL CREDIT UNION

Self-Help Federal Credit Union is a Community Development Financial Institution whose mission is to create and protect ownership and economic opportunity for all, especially people of color, women, rural residents, and low-wealth families and communities. With 26 branches in California and Chicago and more than 70,000 members, Self-Help has provided over $6.08 billion in financing to families of modest means, small businesses, and nonprofit organizations since 1980.

Approximately 70 percent of Self-Help's customers are immigrants and the credit union offers an array of products designed to create opportunities for this consumer segment. Self-Help's Credit Builder Loan helps recent immigrants establish credit by directing loan proceeds into a savings account and reporting borrowers' monthly payments to credit bureaus. Although the credit union does not measure product take-up by immigration status, Self-Help believes that the product is popular among immigrant consumers; more than half of recipients of the Credit

COMPASS PRINCIPLES

The Center for Financial Services Innovation (CFSI) defines high quality through the lens of the Compass Principles. The Compass Principles are guidelines for the U.S. financial services industry that affirm standards of excellence in the design and delivery of basic financial tools that people use to manage their daily financial lives.

The Compass Principles are:

Embrace Inclusion: Responsibly expand access.

Build Trust: Develop mutually beneficial products that deliver clear and consistent value.

Promote Success: Drive positive consumer behavior through smart design and communication.

Create Opportunity: Provide options for upward mobility

Learn more at www.cfsinnovation.com/content/compass-principles

Builder Loan identified themselves as Hispanic.

Self-Help also offers an array of products specifically designed for undocumented immigrants. The credit union's Citizenship Loan is designed to offset the costs of applying for naturalization, including the application fee, as well as any legal fees associated with the process. The loan ranges from $680 (the cost of the application) to $1,000, carries a 17.7 percent APR, and has a 12-month term. The credit union's Dreamer Loan is designed to offset the costs of applying for deferred action under DACA.

In order to offer these products sustainably, Self-Help has created a loan loss reserve with funds donated from a philanthropic foundation. It has also streamlined the underwriting process so that much of the application for these loans can be done online. In an effort to reduce costs further, the credit union is exploring ways that it might continue to expedite the underwriting process by further automating it and by relying on alternative financial data to understand a customers' financial situation.

However, Self-Help acknowledges that these products may never be highly profitable in their own right. From the credit union's standpoint, that is acceptable because the institution considers the customer's needs in a holistic sense. Steve Zuckerman, CEO of Self-Help, explained that he does not expect every product that the credit union offers to be profitable on its own. Rather, products like the Credit Builder Loan and the Citizenship Loan are designed to meet customers' immediate needs and to get them in the doors of the financial institution so that Self-Help staff can develop long-term relationships with them and meet their financial needs as they evolve.

4. Offer products that meet consumers' day-to-day financial needs and set them up for long-term financial success.

Immigrants, like other underserved consumers, currently conduct much of their financial business at non-bank financial institutions like wire-transfer services and check cashing outlets. To better serve this market, banks, credit unions, and other financial service providers should consider developing new products or tailoring existing services to better meet the needs of this demographic in a more holistic way:

- Immigrants need access to basic transactional services that will allow them to manage their day-to-day financial lives with ease. Financial institutions should offer low-balance transactional accounts that include bill pay, check cashing, and money transfer services. These accounts should enable customers to complete basic transactions affordably, conveniently, and without friction so that they can retain mental space and energy to plan for the future.

- Immigrants also need access to services that provide them with a financial cushion in case of an emergency. Basic savings accounts and affordable short-term loans will enable these customers to weather an unexpected event, like the loss of a job or a broken down car, without having it turn into a financial disaster.

- Finally, immigrants need access to products that let them build wealth and plan for the future. Products such as CDs, Money Market accounts, small business loans, and mortgages, will allow these consumers to build assets and move up the economic ladder towards greater financial stability.

Providers who succeed in meeting customers' basic financial needs - as Carver Bank has done - will be well positioned to offer these individuals additional products as their needs evolve. Considerable anecdotal evidence suggests that immigrants, particularly Latino immigrants, have high loyalty to brands and companies that win their approval.[61] When customers have a positive experience with a company, they not only continue to patronize it, they are also likely to recommend it to friends and family. Providers who succeed in reaching immigrants with foundational products are likely to reap the benefits of long-lasting relationships for years to come.

Provider Spotlight

CARVER FEDERAL SAVINGS BANK

Carver Federal Savings Bank is a $640 million Community Development Financial Institution headquartered in Harlem, New York. Founded in 1948 by a group of African- and Caribbean-American professionals, Carver Bank is the largest African-American owned and operated bank in the United States today. Originally created to redress its founders' exclusion from the mainstream financial sector, Carver remains committed to serving underserved residents throughout New York City. Approximately half of the bank's 10 branches in Harlem, Brooklyn, and Queens are located in low-income census tracts and the bank has earned a Community Reinvestment Act rating of "Outstanding" for its investment and lending activities in low-income communities across the city.

The bank's customer base is primarily comprised of African American, Caribbean, and Hispanic consumers and many of the individuals from these latter two groups are recent immigrants. According to a 2010 survey conducted by the bank, 71 percent of the bank's footprint is comprised of individuals who were born abroad, while 33 percent of its footprint is comprised of undocumented immigrants. In Brooklyn, Bedford-Stuyvesant (Bed-Stuy) is a nexus for Caribbean immigrants, including Jamaican and Trinidadian immigrants, while Flatbush is home to a large and growing Haitian population. Puerto Rican, Mexican, and Colombian immigrants have settled in East Harlem, while Dominican immigrants have made North Harlem their home. Jamaica, Queens is a patchwork of races and ethnicities and the neighborhood has recently attracted Asian and South Asian immigrants, including Indian, Sri Lankan, Bangladeshi, and Filipino immigrants.

Like other underserved consumers, many of the foreign-born individuals residing in these communities prefer to conduct their daily financial transactions in cash. The 2010 survey commissioned by the bank revealed that approximately 67 percent of the individuals within the bank's footprint conduct the majority of their financial transactions in cash. Every month, Carver employees used to watch these cash-preferred customers leave the bank with their Social Security, disability, or other government disbursement checks and take them to a nearby check casher because they needed immediate access to their funds in cash.

Not wishing to lose valuable business to the check cashers down the street, Carver rolled out Carver Community Cash (CCC), a suite of transactional products that includes check cashing, bill payment, money transfer, money orders, and general-purpose reloadable prepaid cards. Since the program's inception in 2011, the bank has served more than 17,000 individuals - including more than 7,000 customers new to Carver - through CCC. Approximately 40 percent of all CCC customers have subsequently opened a checking or a savings account at the bank, an enviable conversation rate for any product.

Carver Community Cash has been so successful because the bank has made it a central component of its core business. In 2011, Carver updated its internal processing system so that CCC is now integrated into the bank's core operating system so customers receive a seamless delivery experience. Carver has also invested in technological improvements to improve its delivery of CCC; in 2013, the bank contracted with a vendor of kiosks to offer CCC services through kiosks located across the city, including one in a New York City Housing Authority (NYCHA) public housing project to help residents pay their rent. That kiosk has been so popular that NYCHA has asked for more kiosks to be located in additional housing projects. As Carver continues to invest in CCC, the bank is exploring opportunities to add credit-building and credit-repair products to this valuable suite of products so that the institution can continue to attract new customers and better serve its existing customers.

5. Distribute products through channels that are likely to reach immigrants.

Simply offering high-quality financial services, however, is not enough. Financial service providers must actively market and deliver these products to immigrant communities. Providers new to this market can leverage the existing knowledge and expertise that community-based organizations have regarding the needs of immigrants, as Citi Community Development has done in its work with

Casa de Maryland. Religious institutions, schools, and community centers can serve as valuable liaisons between financial institutions and immigrant communities, and help ensure that the services offered reach the intended market.

Banks and credit unions should also deliver financial services in places where immigrants live, work, shop and worship. Non-bank financial service providers have been successful in serving immigrants largely because they offer services at grocery stores, bodegas, and retail stores. Banks, credit unions, and other financial service providers can emulate this model by partnering with local retailers, civic organizations, and other community-based groups to ensure that the services they provide are offered in places where immigrants are likely to want them.

For examples of companies that have appropriately located and targeted services to immigrants, it is instructive to look outside of the financial services sector to other industries, such as the telecommunications industry. Verizon Wireless's partnership with Viva Móvil provides a compelling example of a partnership that delivers services to immigrants in a tailored and targeted way.

Increasingly, effective financial service delivery can also be done through mobile channels. Racial and ethnic minorities tend to own smartphones at a rate that is higher than the general population. Sixty percent of Latino cell phone owners and 55 percent of African-American cell phone owners have a smartphone, compared to 50 percent of non-Hispanic white cell phone owners. Latinos also have relatively high rates of mobile banking usage; they comprise 17 percent of all mobile banking users, while representing only 13 percent of mobile phone users overall.[62] While smartphone ownership and mobile banking usage are likely to be lower amongst foreign-born Latinos, there is reason to believe that the longer Latino immigrants reside in the United States, the more likely their mobile phone usage patterns will resemble their U.S.-born counterparts.

Provider Spotlight

Community Development citi | CASA DE MARYLAND

In November 2011, Citi Community Development and CASA de Maryland, in partnership with the Latino Economic Development Corporation, the Raza Development Fund, and the Ethiopian Community Development Council's Enterprise Development Group, launched Citizenship Maryland, a program that offers microloans to legal permanent residents to offset the costs of applying for citizenship. CASA de Maryland was responsible for designing and running the program, while Citi provided staff time and funding to develop, launch, and promote the program.

The microloans are designed to help legal permanent residents cover the $680 application fee for applying for naturalization. The loans are also designed to help recent immigrants build their credit histories and enhance their financial capability. In addition to the loans themselves, CASA de Maryland also offers free application assistance, citizenship classes, individual tutoring, and legal referrals.

Since the launch of the program in 2011, CASA de Maryland has enabled more than 2,000 individuals to apply for citizenship and has assisted approximately half of these individuals to open a savings account or apply for a subsequent loan. Citi's generous support of the successful initiative earned the bank the Migration Policy Institute's E Pluribus Unum Prizes' Corporate Leadership Award.

Provider Spotlight

verizon | VIVA móvil by Jennifer Lopez

In May 2013, Verizon Wireless announced that it would be the exclusive distributor of a new carrier named Viva Móvil, co-founded and run by the Puerto Rican entertainer, Jennifer Lopez. In partnership with Moorehead Communications and Brightstar Global Wireless, the largest Hispanic-owned business in the U.S., Viva Móvil targets the growing Latino population in the United States and aims to change the retail experience to "reflect the way Latinos shop."

The carrier offers cell phones, service plans, and accessories through a national network of retail stores and an online shopping experience that is

customized to the preferences of bilingual, bicultural Latinos living in the United States. Stores are specifically designed for Latino customers and will feature an entirely bilingual staff. They offer play areas for children who accompany their parents to the store, since Latino consumers frequently bring their children with them when they shop. Customers are encouraged to linger in product "testing zones" to test out products before purchasing them.

Customers are also able to make purchases online at Viva Móvil's online store or via Facebook. On both Lopez's and Viva Móvil's Facebook page, customers are able to purchase a device and a Verizon Wireless plan. "Latinos love social networks and we're super active online," Lopez explained, noting that Latinos spend an average of 1.5 more hours online than non-Latinos, and they enjoy sharing their online purchases with friends.[63]

Of the entire Viva Móvil shopping experience, Lopez says, "We have designed our stores to respond to the way Latinos shop." The Hispanic purchasing power in the United States is expected to reach $1.5 trillion dollars by 2015 and, according to Lopez, "That's where the future is." [64]

6. Provide high-quality customer service.

While direct marketing efforts and successful delivery channels are undoubtedly important, many immigrants learn about financial service opportunities from friends and family. [65] Therefore, financial service providers looking to serve this market must ensure that the customer service experience they provide is top-notch. Providers should employ bilingual staff who are able to communicate with customers in their native languages as front-line tellers and customer service representatives. They should also consider retaining the language skills of these employees to offer coaching or counseling programs to help customers optimize usage of a new product or service.

But, simply hiring bilingual staff is not enough. Staff must be trained to provide culturally sensitive service that addresses the unique and diverse needs of the array of individuals within their footprint. Just as the institution as a whole should not treat immigrants as a monolithic group, front-line staff and customer service representatives should be trained to recognize and respond to characteristics—such as customers' level of acculturation, their comfort with English, life stage, and familiarity and comfort with financial institutions—that will allow them to better assess individuals' financial needs. The Latino Community Credit Union presents an excellent example of a financial institution that offers top-notch customer service.

Provider Spotlight

COOPERATIVA LATINO CREDIT UNION

The Latino Community Credit Union (LCCU) is a North Carolina-based credit union whose mission is to offer ethical financial products and educational services that empower communities. The credit union was founded in 2000 in response to a wave of crime in Durham, NC that targeted Latinos because of the frequency with which they carried cash.

LCCU has since evolved into a full-service credit union with 11 branches throughout North Carolina, over 60,000 members from more than 110 countries, and $150 million in assets. Ninety percent of the credit union's members are low-income and 70 percent had never had a bank account until joining LCCU. In 2005, the credit union was identified as the fastest growing credit union in the country and it remains one of the fastest growing credit unions today.

LCCU has managed to sustain such a robust membership because of the top-notch customer service it provides to its members. When CEO Luis Pastor was asked to describe LCCU's approach to "member service," the word he used was "respect." "One of the most important things for immigrants is to be treated with respect. When you're penalized for situations beyond your control or rejected from service, you get discouraged," explained Pastor, who himself was born abroad, in Spain.

This ethos of respect is reflected throughout all aspects of the credit union's approach to service. Upon walking into a LCCU branch, credit union

members are directed towards a member service representative who meets with them to discuss their current financial situation and to assess their needs. Pastor explained that while it might be tempting to lump all immigrant consumers into one group, this is not constructive because every consumer has a unique set of financial needs. Instead of presuming to know what an individual might need, LCCU staff listen to new members and only recommend certain products that meet their specific needs.

This sentiment is also reflected in the credit union's approach to pricing and product design. LCCU does not engage in risk-based pricing so all credit union members receive the same rates on all of the institution's products. In order to pass the identification requirements for a product, members must simply present one form of identification either from the United States or from their country of origin.

LCCU's approach to customer service matters to its members. Claudia Monzón Ruedas, a native of Mexico and a member of the Credit Union since 2004 explained, "Since it opened, Latino Credit Union believed in us and we believed in it… the credit union is a friend of the people." Pastor says that this is the credit union's strongest marketing tool: "Our members know that when they come here, they are going to be treated with respect, they're going to get the same chance as anybody else."

7. Pursue credit under the Community Reinvestment Act.

While the sheer size of the immigrant consumer market is reason enough for financial institutions to court this demographic, meeting the needs of these consumers with high-quality services is also beneficial from a regulatory standpoint. The Community Reinvestment Act (CRA) encourages banks to meet the needs of low- and moderate-income and underserved consumers by incenting institutions to lend, invest, and provide services in low-income neighborhoods.[66] BOK Financial's affordable personal loans and mortgages, its investments in organizations that have traditionally been unable to access capital, and its location of bank branches and other services in low- and moderate-income immigrant communities have helped it to earn a CRA rating of "Outstanding".[67]

Provider Spotlight

BOK FINANCIAL®

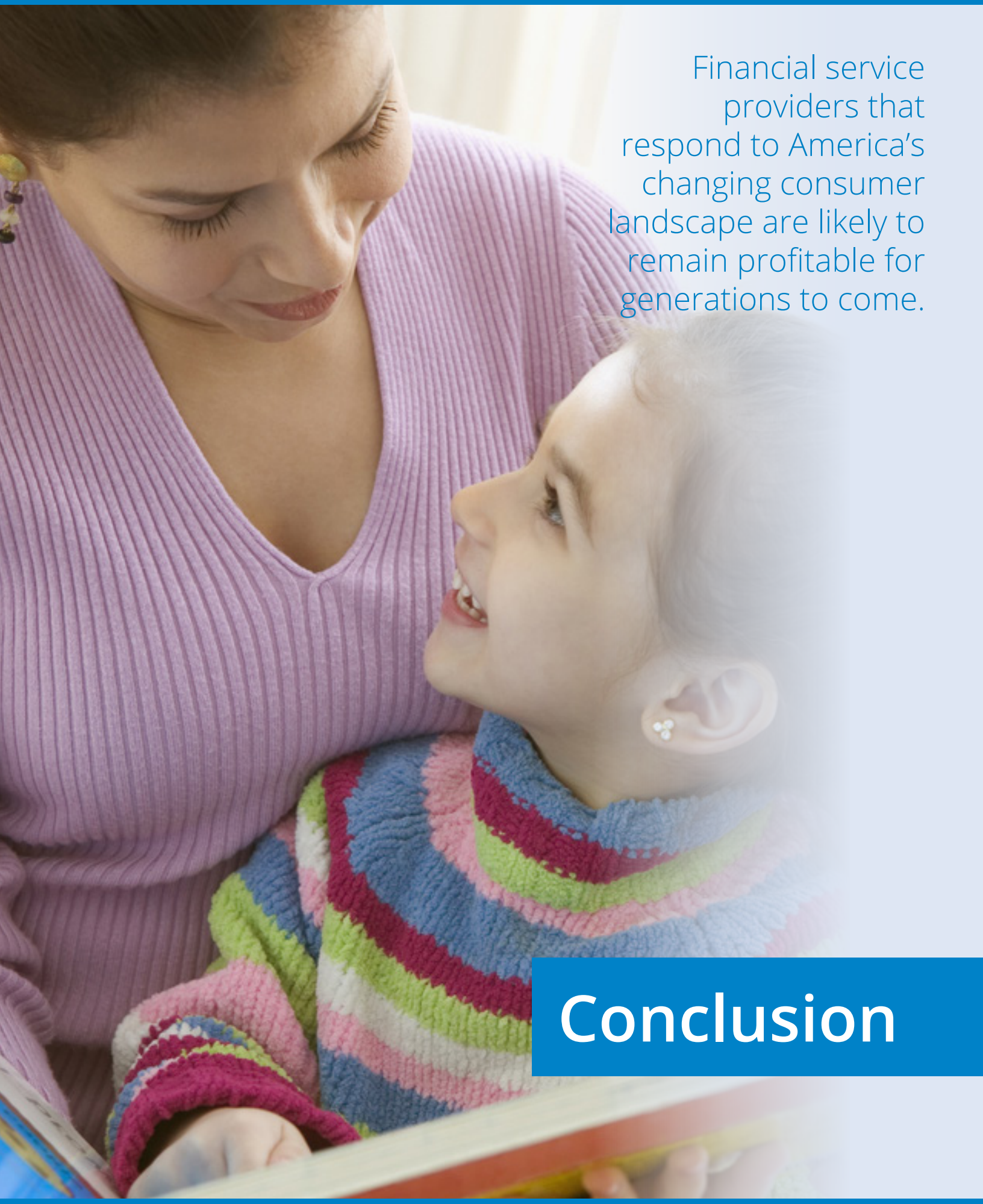
BOK Financial is a $27 billion regional financial services company based in Tulsa, Oklahoma. The company operates seven banking divisions: Bank of Arkansas, Bank of Albuquerque, Bank of Arizona, Bank of Kansas City, Bank of Oklahoma, Bank of Texas, and Colorado State Bank and Trust. Through these branches, the company offers a range of financial products and services, including cash management services, mortgage banking, wealth management, and brokerage and trading services to small businesses, financial institutions, and retail clients.

BOK Financial's mission is to provide exceptional financial expertise to customers through nationally competitive products and services that are delivered in a personalized and responsive way. Approximately 10 percent of the bank's households are Latino. In recent years, the company has sought to increase the size of its Latino market. In 2013, the bank grew its share of Latino households by 10 percent; in 2014 it hopes to increase this share by 15 percent.

BOK Financial prides itself on being an active participant in the communities it serves. Under the CRA rating system, the bank has earned a rating of "Outstanding," the highest rating a bank can earn. To satisfy the CRA's lending requirement, the bank originates personal loans and mortgages in low- and moderate-income neighborhoods, provides capital for the construction, renovation, and preservation of affordable housing, and provides financing for community-based, non-profit organizations serving low- and moderate-income communities. To meet the CRA's investment requirement, BOK Financial invests in funds that provide intermediary financing to businesses that have historically been unable to access capital, like Community Development Financial Institutions and Low Income Housing Tax Credit projects. To satisfy the CRA's services requirement, BOK Financial has established branches in low-income neighborhoods and actively encourages its employees to become involved in their communities by serving on non-profit boards and committees, participating in special events and

activities, mentoring students, teaching financial education classes, and serving as guest speakers or lecturers.

BOK Financial's level of commitment to low-income communities is integral to its mission. The bank has actively pursued a strategy of helping low-and moderate-income individuals to build assets and create wealth. A team of staff actively monitors how well the bank is meeting the needs of its lowest-income customers. Every month, the team presents the bank's leadership with demographic lending maps depicting the extent to which the bank has originated loans and established branches in low-income census tracts. If the bank has not performed as well as it would like, the team considers how it can increase its services by engaging community-based organizations or by providing incentives to increase take-up. In order to stay abreast of consumers' evolving needs, the team engages the bank's approximately 600 non-profit partners to identify service gaps and to address these gaps with high-quality services or products.



Financial service providers that respond to America's changing consumer landscape are likely to remain profitable for generations to come.

Conclusion

Conclusion

Immigrants represent a large, diverse, and growing subset of American consumers. Over the last decade, new immigrants and births to immigrants added more than 22 million people to the U.S. population, representing 80 percent of the country's total population growth.[68] The Center for Immigration Studies projects 30 million new immigrants will arrive in the next 20 years. Like generations before them, these immigrants will arrive in the country with the intention of building a better life for themselves, for their children, and for their children's children.

In order to realize this goal, these consumers will need access to high-quality financial products that set them up for long-term financial health. Banks should not consider the provision of these services to be altruistic. Rather, offering products that respond to the needs of immigrants should be viewed as a sound business decision and an investment in the future. Although there may be challenges ahead, financial service providers that respond to America's changing consumer landscape will be the ones that are most likely to remain profitable for generations to come.

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