

Banking Immigrant Communities



A TOOLKIT FOR BANKS
AND CREDIT UNIONS



Banking Immigrant Communities

Addressing the Needs of a Large Unbanked Community: Immigrants from Latin America

The 2000 census revealed that Hispanics are the largest and fastest growing minority group in the United States and that immigrants make up an important part of that growth. This group's purchasing power was expected to approach \$1 trillion in 2005, and it represents an important new growth opportunity for financial and other institutions. Studies indicate that as many as 10 million households in the United States are unbanked, and many of these are immigrants from Latin America. Although Latino immigrants are not a homogeneous group, a great proportion of them do not have a bank account – between 40 and 60 percent, depending on their country of origin, according to a study by the Pew Hispanic Center. Many have never had an account and generally lack familiarity with the banking system, while many others have had a negative experience with banks in their home country. For this reason, distrust of the system or a sense that it is “not for them” is a significant barrier to access.

Lack of access to the mainstream financial system presents a host of problems, not to mention a missed opportunity. Those who are outside the financial mainstream find their opportunities for economic advancement and stability thwarted, as they are unable to obtain credit to buy a home or finance a business, gain interest on their savings, save for their children's education, or enjoy any of the other benefits that the banking system has to offer. Meanwhile, money skimmed away by the high fees and interest rates charged by fringe financial services is money that could have been reinvested in families and local communities.

Your Bank or Credit Union Can Provide Solutions

Fortunately, there are several ways by which banks and credit unions are helping remedy this situation. As shown by the experience of a multitude of financial institutions that are making efforts to capture this untapped market, an institution's contribution to the growth and development of the Latino community also will expand and increase business. As one example, Wells Fargo has now opened more than 500,000 new accounts since beginning to offer targeted services and accepting consular ID cards to open accounts. Your bank or credit union can contribute by:

- Educating unbanked and underbanked consumers about the financial system, including basic accounts, home mortgage and small business loans, and how to access them.
- Reaching out to potential customers using channels other than the traditional stand-alone bank branch.
- Offering nontraditional services to attract the unbanked Hispanic community; offering remittance services is particularly important for recent immigrants.



This Toolkit Can Help

This toolkit is designed to highlight areas of importance to potential customers in the immigrant market, explain how your bank can offer or better offer services to attract that market, and give examples of banks and credit unions around the country that have successfully used the practices we recommend to expand their customer base.

Enclosed, you'll find information on: financial education; international remittances; account opening identification; home mortgages; community engagement; banking outside the branch; the Earned Income Tax Credit; and cross-selling services.

Opening Up and Reaching Out


Hispanic immigrants often are reluctant to join the financial mainstream because they mistrust banking institutions or misunderstand their way of operating. Banks and credit unions can educate potential customers by:

- Staffing, decorating and opening bank branches tailored to the target clientele.
- Providing education in settings where community members live and gather.

The information that is provided to this audience should be tailored to the Hispanic population. Topics such as basic financial services and asset building, homeownership counseling, credit management and credit repair, and small business assistance are key to attracting the community and addressing its needs. A further concern is educating people about possible misconceptions regarding U.S. banking services. Many immigrants mistrust the banking system due to negative experiences they have had in their home countries. By simply providing them information on the reliability of the U.S. banking system (for example, the Federal Government's deposit guarantee of up to \$100,000), financial institutions can make inroads into this market segment.

Reaching out to potential customers by using mobile units at work sites on pay days and opening branches in locations such as community churches and schools can attract customers who might otherwise feel that the mainstream banking system is "not for them." It is important to create branches that are convenient and welcoming in locations easily accessed by immigrants, and with staff and environments that are comfortable for them.

Banks that have tried this approach have seen an important increase in their business. For example, Mitchell Bank in Milwaukee, Wisconsin launched a banking branch, called Cardinal Bank, at a local high school with a 70 percent Hispanic immigrant population. Over three years, the branch brought in deposits of \$870,000 and over \$200,000 in loans. The bank also gained access to a much needed bilingual workforce.



Reaching out also includes accepting alternative identification instruments and helping Hispanic customers obtain ITINs and SSNs necessary for the opening of new accounts. Wells Fargo Bank in Austin, Texas, accepts the Mexican *matrícula consular* as a proper means of identification for opening new bank accounts, and permits immigrants with no SSN to be accountholders. This flexibility, along with the offering of money transfer services to accountholders, explains the opening of 45,000 new accounts in 3 years and the 10 percent growth rate of the bank, which is 3 times higher than Wells Fargo's national growth rate. Because of the success of the Austin-based initiative, Wells Fargo expanded acceptance of the *matrícula consular* card to all of its branches. In the fall of 2004, the bank broke the 500,000 mark for accounts opened with the consular identification card.

Cross-Selling Services

Depending upon the laws and regulations to which a particular bank is subject, banks can offer services that potential clients might find appealing. These services might include income tax preparation, low or no fee checking/savings accounts, lower fee money transmission and check-cashing services, convenient money deposits into foreign bank accounts, and offering prepaid media such as calling cards, cell phone minutes, public transportation passes, and the like.

Experience has shown that the strategy of cross-selling is a highly effective means of reaching unbanked communities. For example, Union Bank of California's Cash and Save program has transitioned approximately 40 percent of its repeat check-cashing customers to traditional banking services. The Cash and Save program was launched to establish a relationship with unbanked check-cashing customers. Once there is a relationship, unbanked individuals are more likely to open bank accounts and use other banking services. Additionally, banks may also be eligible for Community Reinvestment Act credit for certain services provided, such as no-fee checking/savings accounts and free income tax preparation assistance.

Perhaps the most appealing service to recent immigrants is a well-designed bank remittance program that can provide customers with reduced-fee remittances and convenient access to funds for relatives in their home countries. About \$40 billion per year is wired to Latin America and the Caribbean. Though pricing in some remittance markets has come down in recent years, there remains room for financial institutions to offer improved products at lower prices. As part of a product bundling approach, an account with remittance features can be provided at a competitive price.

Besides offering traditional remittance services at lower fees, major banks have benefited by offering ATM access cards that allow the recipient to access the remitted funds at a local ATM. Smaller banks also can offer ATM cards for international use and may be able to reduce fees at the receiving end through partnerships with local banks in Latin America.

Because of the wider range of services they provide, banks and credit unions can benefit from the fees and margins realized from the remittance services and from cross-selling other financial services such as transaction accounts. Additionally, banks may gain Community Reinvestment Act credit for providing discounted remittance services in certain areas.



An Opportunity to Build Your Institution and Your Community

There are endless possibilities for capturing unbanked market segments. The key is to look for unmet financial service needs in the communities you serve and design an appropriate service and marketing approach to fill those needs. Unbanked Latino immigrants present a lucrative market for financial institutions and many banks and credit unions have launched aggressive initiatives to capture that market. However, the market is only just beginning to be tapped. Many opportunities exist to provide good service at reasonable prices. Though larger banks have the advantages of greater marketing capacity and a presence in many different markets, smaller banks and credit unions can also be competitive by focusing on what they do best: offering convenient, consistent, and personalized service, which is particularly important in this community. Financial institutions that reach out to unbanked markets, such as the Latino immigrant market, with fairly priced and consumer friendly products can experience the dual benefit of building their business while helping a community build itself.

Who Are We? - Appleseed and Its Goals

Appleseed, a non-partisan and non-profit organization, is a network of independent public interest law centers working to identify and address social injustices. Appleseed works to build a just society through education, legal advocacy, community activism and policy expertise by addressing root causes and producing practical, systemic solutions with broad national and international implications.

This toolkit is part of a larger project of the Appleseed network aimed at bringing Latino immigrants into the mainstream financial system, creating opportunities to build credit and assets and to prepare for homeownership. In addition to working with banks and credit unions to develop products and services that meet the needs of Latino consumers, our multifaceted strategy has focused on providing financial education to Latino consumers to motivate and prepare them to effectively use financial services, and developing alternative channels for reaching the Latino market such as through the workplace.

For more information, visit www.appleseednetwork.org.



Topics

Banking Outside the Branch

Community Engagement

Cross-Selling Services

Earned Income Tax Credit

Financial Education

Home Mortgages

International Remittances

Account Opening Identification



Banking Outside the Branch

What are alternative service channels?

Alternative service channels are ways that your bank or credit union can offer service to clients outside the traditional stand-alone bank branch. They include alternative locations such as high schools, senior centers, churches, or mobile units at work sites on pay days, and partnerships with other businesses, like check cashers, grocery stores, nonprofit organizations, and employers.

Why should this matter to banks and credit unions?

According to the Center for Financial Services Innovation (CFSI), nearly 10 million households in the United States do not have a checking or savings account. Alternative service channels let banks reach out to under-served communities to make clients of people who do not normally use banks. Many individuals without accounts use store-front financial service locations such as check-cashing outlets. Alternative service channels can offer a transition from those services that are convenient and familiar to banking services that may otherwise be perceived as “not for them.”

How can banks and credit unions get involved?

Banks and credit unions can open branches in under-served communities, in locations such as high schools, community centers, grocery stores or other retailers, churches and other community-centered locations. This brings the bank closer to its market without the expense of opening a new branch, and allows the bank to leverage the familiarity and trust immigrants have in these other institutions and services. They also can offer their own free-standing check-cashing operations, offering discounted rates on such services as check cashing and money orders, to bring clients closer to becoming full-service bank clients. Also, mobile banking units on job sites make it easier for workers to do their banking on payday.

Regulatory issues to keep in mind

Banks and credit unions must follow the applicable federal and state regulations governing branch establishment, which would require that the bank or credit union apply to its chartering authority for approval to open a branch. The Federal Deposit Insurance Corporation in some cases also may need to approve the establishment of a bank branch.

Some federal regulators have issued advisories warning against certain relationships between banks and “payday lenders.” For example, see the following advisories:

<http://www.occ.treas.gov/ftp/advisory/2000-10.doc>

<http://www.fdic.gov/news/news/financial/2005/fil1405a.html>

How to get started

Explore the resources available through local community development organizations or CFSI, an initiative of the ShoreBank Advisory Services founded in 2004 to encourage the development of asset-building opportunities that create value for both customers and companies. For more information, go to www.cfsinnovation.com. For information on high school bank branches, see the Sargent Shriver National Center on Poverty Law guide to the topic. Holding meetings with immigrant community members can help identify strategies that make the most sense in your community. You can also communicate with area schools, employers, and businesses such as grocers and check cashers.

What have others done?

Cardinal Bank (offered by *Mitchell Bank, Milwaukee, WI*)

Program Details:

- ❖ Full-service bank branch operated by high school students in 70% Hispanic high school
- ❖ Employs students, teaching them financial literacy and how to run a bank
- ❖ Spreads word of its services through community groups such as adult literacy programs
- ❖ Uses FDIC “Money Smart” Program, a training program aimed at helping adults outside the financial mainstream enhance money skills and create positive banking relationships
- ❖ Provides assistance with applications for IRS Individual Taxpayer Identification Numbers (ITINs), which clients without Social Security numbers can use to pay taxes or to open interest bearing accounts

Results/Benefits:

- ❖ Helps establish trust in the banking system in a community with culturally and historically little trust in banks and utilizes the opportunity of students teaching their parents
- ❖ By 2002, Cardinal Bank had several hundred accounts, \$870,000 in deposits and over \$200,000 in loans
- ❖ Bank saw an increase of over 6,000 transactions per month in the first 3 years and an increase in new savings accounts, reversing a previous downward trend
- ❖ 70-80% of new account-holders were Hispanic, 70% were previously unbanked
- ❖ Student employees provide the bank with a needed source of bilingual employees
- ❖ Bank reaches teachers and parents, as well as the community at large
- ❖ See also” Park Federal Savings, which partnered with the Sargent Shriver National Center on Poverty Law to open a branch in a local high school in Chicago:

<http://www.parkfed.com/>

http://www.mitchellbank.com/c_cardinal.htm

The PayNet Deposit Program (partnerships among credit unions and check cashers, such as between *Rite Check* and *Bethex Federal Credit Union* and *Actors Federal Credit Union*, New York, NY)

Program Details:

- ❖ Provides credit union members with access to their accounts through Point of Banking (POB) machines in check cashing locations (a POB machine is a bank transaction terminal with a human interface)
- ❖ Customers can make withdrawals, deposits, and transfers directly into their credit union account through POB machines
- ❖ POB platform allows a differentiation between “check” deposits (with holds on the funds) and “cash” deposits (with immediate liquidity of funds)
- ❖ Provides customers who generally cash their paychecks and leave with the cash an opportunity to save money and earn interest

Results/Benefits:

- ❖ Beneficial for smaller credit unions as the cost is lower than building a new branch and for credit unions with widely-dispersed memberships
- ❖ In 8 RiteCheck locations, Bethex attracted 167 new members in 2003-04 who have deposited about \$18,000 in savings and taken out 24 consumer loans worth about \$16,000
- ❖ Actors FCR saw an increase in deposits of 214% over 2 years

http://www.cfsinnovation.com/managed_documents/pobpaper.pdf

North Side Community Credit Union (*Chicago, IL*)

Program Details

- ❖ Certified as a Community Development Credit Union
- ❖ Serves low- and moderate-income people in need of low-cost savings and checking accounts
- ❖ Has partnered with 42 employers with over 7,000 employees
- ❖ Specializes in small loans as an alternative to predatory lenders
- ❖ Also provides financial education to its members
- ❖ Offers free tax preparation services

Results and Benefits


- ❖ Over 200 employees attended financial education workshops
- ❖ 96% of the employees indicated they would recommend the service to colleagues
- ❖ Number of employees taking advantage of the free tax preparation in 2005 jumped 110% from 2004

<http://collaboratory.nunet.net/itrc/ncfcu/>

Security Savings Bank Solid Ground (*Garden City, KS*)

Program Details:

- ❖ Branch and ATM are located inside a Tyson Foods meatpacking plant
- ❖ ATM cashes payroll checks for employees who don't have accounts at lower fees than traditional check-cashing outlets

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- ❖ Offers financial education to every new employee during orientation and in partnership with faith-based organizations
 - ❖ Works closely with plant representatives to ensure services meet clients' needs
 - ❖ Security Savings also operates a kids' banking program in the local schools. Fourth and fifth graders operate a branch one day per week supervised by a bank representative.
 - ❖ School banking program educates kids and parents about the U.S. financial system.

<http://www.ssbia.com/>

Bank Cherokee (*St. Paul, MN*)

Program Details:

- ❖ Opened a bank inside the Mercado, a popular store in the heart of a Latino neighborhood that sells groceries and other goods from Latin America.
- ❖ People are right there in the market, so it's easy to walk through the door to the bank and much less intimidating than the main branch
- ❖ The branch offers cross-selling services such as bus passes and DHL international mail.

<http://www.bankcherokee.com/>



Community Engagement

What is community engagement?

Quite simply, community engagement is getting involved in the community, coupled with sensitivity to the community's culture and an awareness of what the community is looking for in its banking services.

Why should this matter to banks and credit unions?

Word of mouth is very important in gaining customers in immigrant communities. Friends, family, and other trusted intermediaries- the consulates, churches, and community-based organizations- are far more likely than mass media to yield new customers. Members of immigrant and other ethnic communities are more likely to turn to a bank that demonstrates awareness of and value for their culture. Learning how to reach out to these community members is key – you can't just sit back and wait for them to come to you!

How can you get involved and where do you start?

Banks and credit unions can engage the community in a variety of ways:

- Language and Cultural Awareness. Hire bilingual, bicultural bank personnel who are *fluent* in the languages used in the community where the bank branch is located. It is ideal to hire people directly from the target community who are excited about introducing their community to the financial institution. Provide multi-lingual signage and informational and marketing materials. Provide telephone messages, website information, and account documents in both English and Spanish. Be sure that bilingual staff are in the front of the house, able to steer and serve immigrant customers.
- Welcoming Environment. Be creative with your décor to provide immediately welcoming signals to immigrant customers, who often find a traditional bank atmosphere cold and uninviting. Train all staff – particularly front-line staff – about the cultural background of the communities they serve. For example, to improve cross-cultural communication between front-line staff and customers, the University of Minnesota created a guide to the cultural expectations/assumptions around money from the perspective of three immigrant communities (<http://www.positivelyminnesota.com/youth/moneysmt.htm>). All staff should have an understanding that the American way of business is not appropriate in all cultures and that their colleagues may take longer with immigrant customers as part of the relationship-building process.
- Participate in Community Events. Participate in festivals, cultural holidays and celebrations, library conferences, health and housing fairs. Set up a table at Head Start and public school meetings and sports league games. Volunteer in the community. Offer a scholarship to members of the community. Offer internships to students.

- *Partnerships.* Partner with trusted community organizations, like churches, neighborhood associations, social service organizations, and other local businesses. Community organizations may be able to help with outreach to more effectively reach clients. Invite community leaders to join an advisory committee, providing a visible presence and valuable word of mouth advertising. Develop relationships with organizations that represent the community's country of origin as well, such as consulates.
- *Use the Media.* Bank and credit union representatives can be quoted in newspapers and interviewed on talk shows targeting the immigrant community. AM and FM radio in Spanish also can be a particularly effective way to reach immigrants from Latin America.
- *Know your Target Community.* Take into consideration usual working hours for the local immigrant community and maintain a variety of open hours at branches that serve the immigrant community. Concentrate on what clients want (for example, remittance services or car loans). Accept alternative forms of identification, such as the *matrícula consular* or other consular identification, which financial institutions may choose to accept. Help eligible immigrant community members fill out Individual Taxpayer Identification Number (ITIN) applications.

Long-term community commitment

Simply showing up at the annual community festival is not enough to build community trust. Substantive commitment to longer-term initiatives can be an important relationship-building strategy. Investment in financial education programs or neighborhood revitalization and housing can demonstrate a financial institution's long-term commitment to the community.

Regulatory issues to keep in mind

Sometimes banks can earn Community Reinvestment Act credit for their programs to assist low and moderate income persons in the banks' designated assessment area.

What have others done?

Bank of America (Kansas City, MO)

- ❖ Sends a staff member to neighborhood teas to discuss opening accounts with newcomers.

Community Credit Union of Lewiston-Auburn (Lewiston, ME)

- ❖ Sponsors a scholarship awarded to a local high school graduate.

The Credit Union of St. Willibrord (Western Ontario, Canada)

- ❖ Sponsors recreational programs, youth sports teams, tournaments and a variety of local parades.

Central Bank of Kansas City (*Kansas City, MO*)

- ❖ Opened the only branch in Kansas City's Southwest Boulevard Latino neighborhood. Teaches Spanish-language Money Smart classes at the Family Conservancy, a local nonprofit.

Santa Cruz Community Credit Union (*Santa Cruz, CA*)

- ❖ Offers a free 24-hour phone service that can help customers with account inquiries and transfers, and accepts the *matrícula consular* to open an account.

Food Processors Credit Union (*Modesto, CA*)

- ❖ Developed a multi-media CD-Rom used for community outreach and financial education through the credit union's many community partner organizations. The CD-Rom contains materials in both English and Spanish.

Douglas National Bank (*Kansas City, KS*)

- ❖ A Community Development Financial Institution (CDFI)
- ❖ Teaches Spanish-language Money Smart classes in local churches.

People's Community Partnership Federal Credit Union (*Oakland, CA*)

- ❖ Outreach efforts include community walks through local neighborhoods, participation in fairs and other community events and presentations at community meetings.

Many Midwestern banks hold cooperative Banking Fairs during Mexican Consulate outreach days. They provide information and open accounts while people wait for their Consulate appointments.

You should also consider participating in the FDIC's New Alliance Task Force, which can help introduce you to community-based organizations and allow you to learn from other financial service providers.



Cross-Selling Services

What is cross-selling?

Cross-selling services refers to the practice of providing other services that potential banking clients might find useful in addition to the traditional banking services currently being provided by banks. Cross-selling services can be a useful marketing tool for banks to reach segments of the population that do not yet use traditional banking services.

Examples of services that could be provided are:


- Free tax preparation assistance to low-income individuals
- Check-cashing services
- Remittance products
- Travel-related services
- Prepaid calling cards, stored value cards, or public transportation fare cards
- Affordable alternatives to payday loans
- Money orders

Why should this matter to banks and credit unions?

Banks and credit unions can reach a large number of the currently unbanked by providing services that commonly are used by that segment of the population. This helps immigrants make the transition to banks by accessing services they already use and trust. Once a relationship is formed, such individuals will more likely choose to establish bank accounts and use other more traditional banking services. Additionally, your bank may be eligible for Community Reinvestment Act credit for certain services provided, such as free income tax preparation assistance and low or no-fee checking/savings accounts. Finally, cross-selling services may be an important step in facilitating immigrant and Latino access to the mainstream banking system. Such access allows individuals to avoid the high cost of fringe financial services, such as check cashing and payday loans - ultimately benefiting the whole community when those savings are reinvested in families and communities.

How can you get involved?

- Check-Cashing Services. Many immigrants and low-income individuals use check-cashing services because they do not currently have bank accounts, need immediate access to their funds, or generally distrust banks. Check cashing services tend to charge relatively high fees, thus greatly reducing the take-home amount. By offering an alternative to these check-cashing services, banks can attract customers that otherwise would not use their services. This will provide banks an opportunity to build new relationships and to educate new customers on some of the benefits of opening a checking and savings account. As the relationship grows, it is hoped that many, if not most, will open accounts and eventually begin using the banks' other services.

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- Remittance Products. Many immigrants in this country are not only working to support themselves, but are also supporting family members in their home countries. Many use funds transfer services, such as Western Union, to send money back to their home countries. (\$40 billion is sent annually to Latin American and Caribbean countries alone, according to the Inter-American Development Bank. In 2004, banks held only 3% of this market.) Such services tend to be very expensive in comparison to the amounts of money being sent. Banks can act as agents, placing deposits directly into foreign bank accounts, or can develop other remittance products. This would provide a very useful, and less expensive, alternative for the immigrant population, drawing immigrants to the bank and helping them save. Offering such services would also provide another opportunity for banks to reach out to potential immigrant and Latino customers, many of whom do not yet have banking relationships in the United States. 75 percent of Mexican remitters, for example, are unbanked.
 - Offering Stored Value Cards. Selling prepaid media, such as calling cards, prepaid cell phone minutes, public transportation passes, and prepaid credit cards is another way for banks to reach out to the unbanked segment of the population. Using prepaid media has become a popular way for low income and immigrant populations to use services that many other people tend to use on a credit basis, such as cellular phone services. Access to these varied services is one of the reasons immigrants use check-cashing outlets, which are one-stop shops for many of their needs. Providing such services will give banks and credit unions an opportunity to build relationships with, and open bank accounts for, many people who do not currently have a banking relationship. Eventually, some of these customers may begin to use some of the banks' other services, allowing them to build a credit history, and move away from the need to prepay for some of these services. Additionally, the cards may themselves help establish credit.
 - Tax Preparation Services. A bank can offer tax preparation services free of charge to low-income customers; provide space in a branch for volunteers to provide those services; or partner with a community group or the IRS Volunteer Income Tax Assistance program to provide tax preparation services in another community setting. In any case, bank employees would be ready to open low or no fee bank accounts into which tax refunds could be direct deposited, thus providing customers with more immediate access to funds. In addition, the bank gains a customer who adds to the account and eventually seeks additional services such as a home mortgage or car loan. See the "Earned Income Tax Credit" section of this toolkit for more information. Efforts can be coordinated with your local IRS taxpayer advocate and should begin about a year in advance of when you wish to begin offering services. www.irs.gov/localcontacts

Regulatory Issues to Keep in Mind

Contact your regulator to find out what to consider in offering cross-selling services. National banks have the authority to engage in the services noted above as long as they are carried out in accordance with guidance issued by the Office of the Comptroller of the Currency (OCC), which is the US Department of the Treasury agency that charters national banks (those with "national"

in the title, or the words “National Association” or “N.A.” after the name of the bank). You can look on the OCC’s website (www.occ.treas.gov) to locate the requirements applicable to each activity noted above. State banks, however, must look to state law to determine whether they could offer all of the services described above. You can access the websites of different state banking departments at www.csbs.org.

What have others done?

First Accounts Program (offered by *Center for Economic Progress (CEP)* and *ShoreBank, Chicago, IL*)

Program Details:

- ❖ Includes tax preparation, financial education and free bank accounts for low-income residents
- ❖ Offers no cost, no minimum bank accounts to low-income communities; funds can be direct deposited
- ❖ Offers culturally competent, bilingual customer service representatives who can answer questions, solve problems, and inspire trust
- ❖ Customers can file tax returns, including the Earned Income Tax Credit (EITC), and apply for Social Security Numbers (SSNs) and Individual Taxpayer Identification Numbers (ITINs)
- ❖ Bank representatives are present at all tax preparation sites to facilitate opening of accounts, because only telling clients about bank accounts opened almost no accounts
- ❖ Partners with and has services endorsed by trusted community figures
- ❖ Teaches basic money management skills, designed specifically for those who have never had a bank account or who have had difficulties in managing one

Results/Benefits:

- ❖ Direct deposit plus electronic filing decreases refund waiting time
- ❖ 800 volunteers filed 14,723 tax returns, which brought \$19,527,034 in refunds
- ❖ Aggregate refund amount over 8 years (as of 2002) was \$66,597,990
- ❖ Over 25,000 families served& over 1,400 accounts opened during the program

http://www.centerforprogress.org/programs_fa_results.htm

<http://www.sbk.com>

Harris Bank (*Chicago, IL*)

Program Details:

- ❖ Established relationship with Bancomercia (Mexico), allowing Mexicans to remit deposits to the Mexican bank for a lower fee than charged by Western Union
- ❖ Established 24 bilingual branches to facilitate use of the bank’s services by Chicago’s Mexican and other Spanish-speaking populations

Results/Benefits:

- ❖ Money transfer business used as a conduit to educate and attract Chicago’s unbanked
- ❖ Benefits the bank while empowering and acculturating immigrant community to conventional and cheaper financial practices

<http://www.harrisbank.com>

IRnet (offered through the *World Council of Credit Unions*)

Program Details:

- ❖ Credit unions register to become part of the program
- ❖ Money transfer services provided to individual credit union account holders through the International Remittance Network (IRnet), established by *The World Council of Credit Unions*
- ❖ IRnet allows credit union members to send money to Mexico for as little as \$10 for an amount up to \$1000
- ❖ The credit union keeps \$7, the transfer company keeps \$2, and the Council receives \$1
- ❖ Sender is given a guaranteed rate of exchange and informed of the amount to be picked up in the foreign currency at the time of initiating the transfer
- ❖ No fees are charged to the recipient of the transfer

Results/Benefits:

- ❖ Safe method of transfer
- ❖ No need for recipient to have account on the other end in order to receive funds
- ❖ Service can be cross-sold with other services offered at the credit union

https://www.woccu.org/prod_serv/irnet/index.php

CAP- ITS (offered by *The Community Action Project, Tulsa, OK*)

Program Details:

- ❖ Visa Payroll Card
 - Employers directly deposited employees' paycheck onto card

Results/Benefits:

- ❖ Launched product in 1999 with service to 200 employees
 - Increased to 20,000 employees in 2002
- ❖ Employee Incentives
 - Average monthly cost to employee is low compared to check cashing fees
 - Gives employee immediate access to money
 - May be used at any retailer that accepts Visa cards
 - Helps build credit
- ❖ Employer Incentives
 - Reduces payroll costs while increasing employee retention
- ❖ Bank Incentives
 - Broadens customer base
 - Cardholder fees cover program cost
 - Helps meet Community Reinvestment Act obligations
 - Employee may eventually open a regular checking account and begin using other services offered by bank

<http://www.captc.org>

Check-Cashing Depository Model (offered by *Union Bank of California, San Francisco, CA*)

Program Details:

- ❖ Part of Cash & Save program
- ❖ Offers \$10 per year money order plan: allows 6 money orders per month for bill payment

- ❖ \$1 to open checking accounts: allows 5 free checks per month and an ATM card
- ❖ Partnered with Operation Hope, a community-based organization specializing in youth and adult economic education, home ownership counseling and small business lending
- ❖ Expanded market penetration by becoming a partner in Nix Check Cashing
- ❖ Offers basic banking services, including fee-free ATM, and a bank-staffed New Accounts information window
- ❖ Offers other services such as bill payment, money orders, photocopying, faxing, and phone cards

Results/Benefits:

- ❖ Allowed Union Bank to expand customer base
- ❖ Transitioned approximately 40% of repeat check-cashing customers to traditional banking services
- ❖ Check-cashing loss rate in California is between 4%-5% of revenue
 - Cash and Save mitigated losses to an average of one half basis point

<http://www.uboc.com>

Central Bank of Kansas City (*Kansas City, MO*)

Program Details:

- ❖ Offers a stored-value card
- ❖ Offers a credit development loan that builds credit
 - 1-3 years
 - \$1,000-\$3,000
 - Paid monthly

Results/Benefits:

- Customers get a CD and interest at the end as well as a credit history

<http://www.centralbankkc.com>

US Bank (*Denver, CO, and Kansas City, MO*)

Program Details:

- ❖ Brings its eBus- a city bus converted into a mobile financial services center- into low- and moderate-income neighborhoods to open accounts, provide education, and offer free tax preparation services in English and Spanish

<http://www.usbank.com>



Earned Income Tax Credit (EITC)

What is the EITC?

The EITC is a federal government initiative that provides low-income workers with extra money to encourage work and reduce poverty. The EITC will reduce taxes for qualified workers or possibly entitle them to a tax refund. Some states also have an EITC program that may help low-income workers on their state taxes. For basic questions and answers on the EITC, visit the IRS website at: <http://www.irs.gov/individuals/article/0,,id=96466,00.html>

Why should this matter to banks and credit unions?

Banks and credit unions can reach a large number of the currently unbanked by providing tax filing assistance, helping persons claim their EITC, and establishing bank accounts for direct deposit of refunds. Customers can receive the EITC more quickly and avoid the high cost of “rapid refund” Refund Anticipation Loans (RALs). Banks may be eligible for Community Reinvestment Act credit for that assistance. According to the National Consumer Law Center, it is estimated that RALs alone trapped \$740 million of EITC recipients’ refunds in 2003 (not including tax preparation fees); these are funds that could otherwise have been saved in accounts and invested in families and communities.

How can you get involved?

You can partner with a community group or IRS Volunteer Income Tax Assistance program, offer tax preparation services free of charge to low-income customers, or provide space in a branch for volunteers to provide information on low-cost or free assistance in filing income taxes. At the same site, you could have employees ready to open low or no fee accounts into which the EITC and any additional refund can be direct deposited. Financial institutions have had varying degrees of success in opening accounts as part of the tax filing process. Even without an influx of new accounts, participating in community tax filing initiatives is a great way to get positive name recognition in the community and build relationships that could in the future lead to increased market share.

Regulatory issues to keep in mind

Only customers with SSNs are eligible to receive the EITC. Immigrants who do not have SSNs, or whose EITC-qualifying dependents don’t have SSNs, do not qualify, even if they have ITINs. However, immigrants without SSNs may qualify for the Child Tax Credit.

How can you get started?

(1) Contact the local IRS Stakeholder Partnerships, Education and Communication Office or the Taxpayer Assistance Center to see what is going on now in your community.

www.irs.gov/localcontacts

(2) Look for community organizations with which you could partner in providing EITC assistance.

What have others done?

H&R Block

Program Details:

- ❖ Has developed a new program called “Everyday Financial Services” (EFS) that has EITC filers dedicate a part of their refund to establishing an Individual Retirement Account (IRA)
- ❖ H&R Block sought out community partnerships to reach out to lower-income families who were eligible for the EITC

Results/Benefits:

- ❖ The program generated \$300 million in IRAs from the EITC filers
- ❖ Shows that the EITC can be used to leverage customers into other financial services beyond bank accounts
- ❖ Company also changed its disclosures regarding Refund Anticipation Loans to explain why they may not be the best option for a taxpayer
- ❖ In most cities where the program was used there was an increase in EITC filings

<http://www.hrblock.com>

First Accounts Program (offered by *Center for Economic Progress (CEP)* and *ShoreBank, Chicago, IL*)

Program Details:

- ❖ Includes tax preparation, financial education and free bank accounts for low-income residents
- ❖ Offers no cost, no minimum bank accounts to low-income communities; funds can be direct deposited
- ❖ Offers culturally competent, bilingual customer service representatives who can answer questions, solve problems, and inspire trust
- ❖ Customers can file tax returns, including the Earned Income Tax Credit (EITC), and apply for Social Security Numbers (SSNs) & Individual Taxpayer Identification Numbers (ITINs)
- ❖ Bank representatives are present at all tax preparation sites to facilitate opening of accounts, because only telling clients of bank accounts opened almost no accounts
- ❖ Partners with and has services endorsed by trusted community figures
- ❖ Teaches basic money management skills, designed specifically for those who have never had a bank account or who have had difficulties in managing one

Results/Benefits:

- ❖ Direct deposit plus electronic filing decreases refund waiting time
- ❖ 800 volunteers filed 14,723 tax returns, which brought \$19,527,034 in refunds
- ❖ Over 25,000 families served
- ❖ Over 1,400 accounts opened during the program

http://www.centerforprogress.org/programs_fa_results.htm

<http://www.sbk.com>

CAP- ITS (offered by *The Community Action Project of Tulsa, OK*)

Program Details:

- ❖ Targets the Hispanic community
- ❖ Tax education, free tax preparation services, including tax returns and applications for SSNs and ITINs; representation during audits, and directing clients to other useful services and eliminating use of predatory commercial tax preparation services and expensive Refund Anticipation Loans
- ❖ Relies heavily on support and assistance of community leaders. During the year, 30% of staff time is devoted to outreach to clients through presence at community events
- ❖ Mailer goes to all previous clients reminding them to file, what documents will be needed, location and schedule of the program
- ❖ Volunteer recruitment happens year round by way of fliers, but active efforts run from September to December
- ❖ Year round staff of two divides time between education efforts and actual filing services
- ❖ Bank of America opens accounts at the tax site with a \$5 initial deposit, and the filer's refund can be direct deposited.
- ❖ Bank also provides Mexican immigrants with an ATM card for relatives in Mexico so that they can withdraw money from the Tulsa account for the \$1.50 ATM fee and avoid the high cost of wiring funds

Results/Benefits:

- ❖ In 2002 ITS assisted immigrants in filing 1,059 returns and brought \$871,672 to the filers.
- ❖ Since the start of the program, ITS has successfully applied for over 3,000 ITINs
- ❖ Becoming an Acceptance Agent (AA) accelerated the ITIN process because an AA is authorized by the IRS to accept and vouch for requisite documentation

<http://www.captc.org>

KC Cash (partnership between the *FDIC, The Family Conservancy, the City of Kansas City, Missouri, the City of Kansas City, Kansas, US Bank, Bank Midwest, and El Centro*)

Program Details:

- ❖ Permits deposits into IDA accounts for homeownership, secondary education, small business



Financial Education

What is financial education?

Simply defined, financial education is learning to use the money, banking, and credit system. In the unbanked immigrant community, addressing trust issues is an important component of financial education.

Why should this matter to banks and credit unions?

Banks can transform unbanked and underbanked consumers into valuable customers by educating these consumers about financial products and how to access them. For many unbanked immigrants, this often requires introducing the banking system as a whole to those who have never had a bank account or who may have had a bad experience with banks in their home country. Financial education can be a key opportunity for banks to demonstrate substantive commitment to the community, which is important for attracting new immigrant and Latino customers. Many financial institutions consider their engagement in this area a way to expand their customer base and promote goodwill, and such activities are often given favorable consideration in examinations for compliance with the Community Reinvestment Act, especially with respect to community development services.


How can you get involved?

Some financial institutions develop their own materials and programs; many others work with local employers, community organizations, and governmental agencies to help develop financial education initiatives. Collaborating with local nonprofit organizations, for example, helps financial institutions identify opportunities for education in settings busy newcomers already frequent. Banks and credit unions can support nonprofit financial education initiatives by providing employees to serve as educators and trainers, donated space and food, and through contributions. Financial education efforts should be designed to meet specific community needs. Many recent immigrants benefit from programs that begin with very basic information, such as why someone might want to open an account in the first place and how their money is safe in the U.S. banking system.


Where do you start?

Banks and credit unions can provide financial education in a variety of ways:

- *Developing trust and building relationships.* This is probably the most important aspect of financial education and the one that makes the greatest difference in banking new customers. The most successful initiatives make this a core component of their education efforts.

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- *Creative provision of basic information.* Start with the basics. Before ever setting foot in a bank, there is a lot of information unbanked, new American customers will need to get there. Financial institutions can work with other community entities to integrate nuts-and-bolts information about the financial system into a wide variety of community settings. Covering the basics sets the stage for unbanked individuals to take an interest in additional financial education. Colorful, easy-to-read materials designed specifically for this audience (rather than simple translations of existing materials), word-of-mouth, and radio advertisements are all means to consider to reach out to the unbanked. For information on Appleaseed's materials, see the "resources" section.
 - *Education in settings community members already frequent.* Simply offering materials or a class is not an effective way to reach a community whose time is stretched thin and who may not yet be familiar with the advantages of learning more about mainstream financial services. ESL classes, worksites, after church, non-financial workshops, consulateclinics- where immigrants may be getting identification cards or other services- or other waiting times are all opportunities for financial education. It is crucial to think outside the box of traditional classroom-style education to find ways to bring information into the community and into more informal settings. Some institutions are taking the "Mary Kay approach" to education, going door-to-door with information or sending a "bank-on-a-bus" into different neighborhoods. Incorporating field trips to banks and practice home inspections or closings can also be helpful.
 - *Collaboration with other financial institutions, government, and nonprofits.* Collaboration is proving key to reaching new customers. Because trust is such an important issue and many immigrant customers tend to be skeptical of banks at first, cooperative efforts that provide neutral information through multiple financial institutions and trusted community groups can be an important first step in relationship-building with potential new customers. Some banks and credit unions collaborate to provide rotating staff to teach multi-week classes – a strategy that pays off in the long run, since many immigrant customers don't want to start off tied to just one bank.
 - *Basic Financial Services and Asset Building.* Many financial institutions and community organizations have partnered to make financial education a requirement of Individual Development Accounts (IDA) programs or credit-building savings programs. (An IDA is a matched savings account that can be designated for a specific purpose, such as saving for education or a home). Such an approach accomplishes both financial education and the development of important assets or a credit history.
 - *Other moments of opportunity.* Consider all steps in your processes and systems – from the moment someone steps in the door through the account-opening process, and down the line – to identify additional moments of opportunity for financial education.

Whether introducing the basics of the financial system or covering next-steps topics, such as financial services, deposit and checking products, sending remittances, building or restoring good credit, budgeting and financial planning, first-time homeownership including recognizing and avoiding abusive lending practices, identification theft, tax credits, and small business



technical assistance, these strategies and approaches are proving effective in welcoming new immigrant customers into the banking system.

Outreach Strategies

Many banks, nonprofits, and other institutions effectively use waiting times for the purpose of providing financial education. Consumer Credit Counseling Service in Atlanta, Georgia, provides basic financial education to day laborers while they wait in a parking lot for their day's work. The Kansas City office of the FDIC partners with the Mexican Consulate, local banks and nonprofits to host a banking fair (Festival de Finanzas) during Consulate outreach days. Families can ask questions and learn about a variety of different banks while they wait for their turn to receive services from the Consulate.

Many initiatives introduce basic financial education as one piece of a larger leadership training or community orientation. For example, a number of Des Moines nonprofits (the Immigrant Rights Network of Iowa & Nebraska, Catholic Charities, American Friends Service Committee and others) work together to provide a monthly day-long community orientation in Spanish, which includes financial education as well as information about basic American laws, rights, responsibilities, and systems (such as schools, health care, worker rights, domestic violence education, etc.). Local bank or nonprofit staff provide the financial education session. The New Iowans Center in Sioux City, Iowa, does the same thing by including financial education as one evening's topic in a multi-week leadership training.

What have others done?

A few examples are provided here. An addendum provides additional information on available resources.


The Get Checking Program (of the *Consumer Credit Counseling Service of the University of Wisconsin Extension* and *eFunds Corporation*)

Program Details:

- ❖ Provides education programs to anyone (except those suspected of fraud) denied a checking account due to account closures. Participants were often referred by banks and credit unions and paid between \$35-50 to use the program.
- ❖ 6 hour curriculum: banking basics, how to operate a checking account, budgeting, and credit
- ❖ Certificate upon completion allows opening of qualified checking/savings account with a participating financial institution

Results/Benefits:

- ❖ Participating financial institutions did not report any losses from this program
- ❖ Visibility in the community, access to a new customer base, CRA credit for offering lending opportunities to low and moderate income persons



Arvest Bank (*Rogers, AR*): provides classes on the American banking system and homeownership at local poultry plants.

Strategies:

- ❖ Special loans are extended to help immigrants build their credit history through extending a small loan to an individual, who reinvests the loan in a Certificate of Deposit at the bank and makes monthly payments repaying the loan.

Results/Benefits:

- ❖ The training and loan program generated business and the poultry processing plants saw their employee turnover rates drop as their workforce planted roots in Rogers.

El Centro, Inc., (*Kansas City, KS*): a Community Development Financial Institution (CDFI) that provides mortgage lending, homeownership counseling, homebuyer education, housing development/rehabilitation, IDAs and tax preparation assistance. The community served by El Centro, Inc. consists predominantly of Latino immigrant families.

Strategies

- ❖ El Centro uses the FDIC's Money Smart along with Freddie Mac's CreditSmart Español curriculum. It has approximately 700 clients in its pre-purchase homeownership counseling program and 175 clients enrolled in the IDA program, which requires participants to attend 10 hours of financial education.

The New Iowans Center (*Muscatine, IA*): integrates financial education into its ESL and citizenship classes to provide important financial information during an activity that immigrant community members are already attending.

Strategies:


- ❖ Local banks provide rotating staff to teach the classes each week (using the FDIC's Money Smart curriculum), so that community members are exposed to a number of different banks.

Latino Community Credit Union (*Durham, NC*): has developed a financial education curriculum specifically designed for use in ESL classes. Approximately 100,000 Latinos live within a one-hour radius of the credit union.

Strategies:

- ❖ Members take basic classes on financial education, including building of a credit record so as to eventually qualify for mortgages

The Family Conservancy (*Kansas City, MO*): incorporates a financial education requirement into their \$2 million Individual Development Account (IDA) program in an asset-building model. The program requires 10 hours of Money Smart classes. Hundreds of families have saved for homeownership, small businesses, and college/votech.



Consumer Credit Counseling Service (*Atlanta, GA*): regularly visits a day labor waiting site in a shopping plaza parking lot to provide basic financial information to workers while they wait for a job.

Strategies:

- ❖ Once the personal connection is established and the basics of the topic are introduced, many of the workers later visit the CCCS office for more information.

Security Savings Bank Solid Ground (*Garden City, KS*): partners with Tyson Foods to provide basic financial education to every new Tyson employee during their orientation. Security Savings also runs a kids' banking program in 13 schools in the county. Once a week in each school, one of Security Savings' tellers goes to coach the fourth and fifth-graders and help them run a bank in the school, where they open accounts, elect a board, run the branch, and learn about the banking system.

First Accounts Program (the *Center for Economic Progress (CEP)* and *ShoreBank*)

Program Details:

- ❖ Provides tax preparation, financial education and free bank accounts for low-income Chicago residents and is designed specifically for those who have never had a bank account or who have had difficulties managing one. It teaches basic money management skills that enable these consumers to make informed choices about banking services.
- ❖ Translate documents into Spanish
- ❖ Distribute information on finance classes by motivational speakers as customers wait for free tax preparation



Financial Education: Resources

In connection with whatever course a bank chooses to promote financial education, the following guidelines are relevant to program effectiveness:

- Product-centered programs tend to be more effective because they provide access to a tangible financial tool or product (i.e., savings accounts, mortgage products) rather than making financial education a stand-alone service.
- Customized teaching tools provide one-to-one counseling with tailored information, answers to detailed questions, and specific advice relevant to individual resources and needs.
- Community-focused programs partner with established community-based organizations to provide information and access to financial products and services.
- Relevant programs should meet the precise financial needs of the target community and supply information on those topics (*i.e.*: identification requirements for bank accounts, tax benefits for low-wage workers, and how to buy or lease a car).

Government Resources


The **Federal Deposit Insurance Corporation's (FDIC) Money Smart Program** is a financial education program designed to help adults outside the financial mainstream develop financial skills and positive banking relationships. It has the following features:

- ❖ Curriculum is available in six languages, including Spanish
- ❖ Created specifically for unbanked adults
- ❖ Materials are written at a fifth- to sixth-grade level
- ❖ Familiarity (used by many financial institutions and schools)
- ❖ Free and widely available for distribution, available in a teacher-based format, and directly to consumers in a self-directed CD-Rom and web-based format on the FDIC website
- ❖ Familiarity makes finding trainers and coordinating efforts with Bankers Associations easier
- ❖ Approved model to receive CRA credits

FDIC staff will provide free training (in various languages) to those who plan to use the curriculum.

The FDIC has worked with the Department of Labor to connect financial institutions with locally based employment service centers (One Stop Centers) around the country and to encourage joint efforts establishing financial education as a service regularly available to the public. <http://www.fdic.gov/consumers/consumer/moneysmart/index.html>.

The FDIC has also launched a Spanish-only Web page that contains many consumer-related materials, including Money Smart, that can be accessed at www.fdic.gov or by going directly to www.fdic.gov/quicklinks/spanish.html.



The US Treasury Department's Office of Financial Education maintains an online "Federal Financial Education Resources" directory. It provides access to many resources available within the federal government to assist in the implementation of financial education initiatives. The Office of Financial Education has established the Financial Literacy Education Commission to create greater awareness of the need for greater financial education and to share best practices among agencies and coordinate efforts. <http://www.treas.gov/offices/domestic-finance/financial-institution/fin-education/resources/>

The **Financial Literacy and Education Commission**, a partnership of 20 federal agencies, maintains the "MyMoney.gov" website and 1-888-MYMONEY toll-free hotline that provide access to a wide variety of publications. <http://www.mymoney.gov>


Nonprofit Organizations

Appleseed— together with input from immigrant community members across the country – developed a series of first-step basic financial education brochures in English and Spanish: Bank on Your Future (Su Dinero, Su Familia, y Su Futuro). Colorful, easy-to-read and designed specifically for the immigrant/Latino community, the 9-brochure series addresses a range of introductory topics and questions about the banking system: how to avoid bad loans, identification needed to open an account, and more. www.appleseednetwork.org

NeighborWorks has developed a financial education program that is implemented around the country by a network of local nonprofit organizations as part of their community education efforts. It includes ten hours of workshops followed by individual counseling and includes a component for training trainers. **NeighborWorks** and FDIC are negotiating a partnership to use their Money Smart curriculum. www.nw.org

The **Center for Financial Services Innovation (CFSI)** in Chicago has a focus on encouraging the development of asset-building opportunities that create profit for both customers and companies. It provides funding and resources, enables partnerships, and develops and distributes authoritative information on how to respond to the needs of the underbanked profitably and responsibly, such as its quarterly online newsletter service. www.cfsinnovation.org

The **National Council of La Raza (NCLR)** aims to tackle the barriers to wealth that hardworking Latino families face each day. Like other American families, Hispanics seek to prosper economically and strengthen their families financially. NCLR seeks to enhance these values and to develop and advance a comprehensive and practical public policy agenda that addresses key areas of asset-building policy including pension coverage, homeownership, retirement security, savings, and access to financial services and affordable credit. www.nclr.org



The **Corporation for Enterprise Development (CFED)** promotes asset-building and economic opportunity strategies, primarily in low-income and distressed communities, that bring together community practice, public policy, and private markets. CFED has promoted the IDA as a means of enabling low-income individuals to develop assets and is drafting certification standards for IDA programs. CFED coordinates the American Dream Demonstration, a large-scale IDA program which has designed and implemented IDA initiatives in 13 locations around the country. www.cfed.org

The **National Endowment for Financial Education (NEFE)** maintains a Financial Education Clearinghouse list of curricula and tools at <http://www.nefe.org/amexeconfund/index.html>.

Trade Associations

The **American Bankers Association (ABA)** website provides information about numerous resources developed by the ABA Education Foundation for use by banks, including Consumer Education Booklets that are available in English and Spanish, the Get Smart About Credit eLearning Program, the free Money Talks Newsletter Series, and the Personal Economics Program. The Foundation also sponsors the National Teach Children to Save Day and the Get Smart About Credit Day, efforts directed primarily at students. The ABA Center for Community Development has created a video, “Don’t Be Scammed,” which is offered in both English and Spanish for banks to use in teaching consumers how to spot illegal loans.

www.aba.com

The **National Federation of Community Development Credit Unions** works to strengthen the credit unions that serve low-income communities. It provides capital, management assistance, education and training, and program support to community development credit unions. East Harlem’s *Union Settlement Federal Credit Union* produced a financial education training program designed for credit unions on the front lines of serving low-income communities in which the Federation trains instructors in local communities, and each trained instructor, in turn, provides financial education to local residents.

www.natfed.org



Home Mortgages

What is the problem?

Immigrants seeking a home mortgage loan may be prevented from getting a loan because of their lack of identification or low income. Furthermore, because of their low participation in the financial services markets, immigrants may have little credit history on which the lender can rely to make a decision about whether to extend a loan. Many banks have begun initiatives to help documented immigrants with bad or no credit ratings or undocumented status receive a home mortgage.

Why should this matter to banks and credit unions?

There are an estimated 31.1 million immigrants in the US and more than 78 percent come from Latin America or Asia (according to a study by the Urban Institute based on the 2000 Census). In addition, Hispanic and Asian populations in the US are projected to grow by 258 percent and 267 percent respectively between 1995 and 2050, compared with 50 percent for the nation as a whole. Hispanic purchasing power in the U.S. will jump 89 percent between 2000 and 2007, from \$491 billion to \$926 billion, while that of Asian Americans will rise 78 percent, from \$255 billion to \$455 billion. Among these immigrants, undocumented Latino immigrants have age and income characteristics associated with potential homeownership. Undocumented Latino immigrants alone would add an estimated \$44 billion in new mortgages to the housing economy if barriers were removed and they were given access to buy homes in the US (according to a study released by the National Association of Hispanic Real Estate Professionals). The report asserts that nearly a quarter million of the estimated 1.5 million undocumented immigrant households in the U.S. could become homeowners if barriers such as traditional methods of customer identification, legalization, traditional credit requirements and language were no longer issues. Some 172,626 currently undocumented renter households could potentially afford a home worth \$94,500 or more.


Regulatory issues to keep in mind

Under federal regulations, banks must obtain, verify and retain information relating to the identity of each customer opening an account, which would include obtaining a loan. There is no law against banks issuing mortgages to undocumented immigrants, nor against their owning property in the United States. Further, there is no federal banking law that requires banks to verify the immigration status of foreign account holders.

What have others done?

Banco Popular North America (*New York, New York*)

All that is required for immigrants to qualify for a mortgage loan is (i) an Individual Tax Identification Number (ITIN), which is issued by the Internal Revenues Service (IRS) to non-citizens who earn taxable income in the United States and need to file tax returns, (ii)

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- ❖ a steady income for at least two years, and (iii) a good credit rating. A social security card/number is not necessary

National City Corp. (Cleveland, Ohio) and The First American Corp. (Santa Ana, California)

- ❖ National City Corp. and The First American Corp. joined forces to offer a new mortgage product on the MSN Latino website. The key to the banks' mortgage program is flexibility on income and credit designed to help borrowers who may have experienced difficulties borrowing for a mortgage. Borrowers may qualify for a loan with no money down or may be allowed to put as little as \$500 down toward a 3% down payment. Acceptable sources for closing costs and down payment include gifts from family members, grants, and a contribution from the seller of up to 6% of the closing costs.

Fifth Third Bancorp (Cincinnati, Ohio)

- ❖ Fifth Third Bancorp has announced a mortgage program which should increase homeownership opportunities for tax-paying immigrants. The program allows expanded acceptable proof of borrower identification sources, broader income sources and non-traditional credit references. Individuals can apply with an ITIN and government-issued photo ID. Fifth Third Bancorp further accepts expanded sources of funds for down payment and closing costs, and broader qualifying income from extended household members, cash, boarder and rental income. Borrowers can use cash on hand, gifts and seller contributions to meet the 5% down payment requirement.

Mitchell Bank (Milwaukee, Wisconsin)

- ❖ Mitchell Bank has created innovative products, formed strategic partnerships, and educated their customers and neighbors. The bank has developed a Community Mortgage Program to assist those individuals that do not qualify for traditional mortgage products that offers special loan terms and qualifications to assist these customers in building a credit history and establishing a record of repayment.

Results/Benefits:

- ❖ In 4 years, Mitchell Bank has issued about 100 similar home loans, mainly to undocumented immigrants, and says it has never experienced a default
- ❖ Thanks to its outreach to Latino immigrants, including many undocumented ones, Mitchell Bank is recording 4.5 times more transactions and at least that much more traffic at its three branches than a few years ago.
http://www.mitchellbank.com/o_outreach.htm

Second Federal Savings & Loan (Chicago, Illinois)

- ❖ Offers programs similar to Mitchell Bank. They have made \$90 million of ITIN loans between the second quarter of 2004 and the first quarter of 2005.



Fannie Mae – New Immigrants Initiative

- ❖ Fannie Mae announced its new homeownership program for the San Francisco, California Bay Area in April 2000 as part of Fannie Mae's 10-year American Dream Commitment to increase homeownership among minorities, young families, families headed by women, and new immigrants. Fannie Mae committed \$150 million nationwide to the New Immigrants Initiative.

- ❖ The New Immigrants Initiative allows working, non-permanent residents, including refugees, persons granted asylum, family-sponsored immigrants, and visa lottery winners who have applied for their permanent resident card to be eligible for certain Fannie Mae affordable mortgages. Eligible borrowers must have lived and worked in the United States for two consecutive years. The New Immigrants Initiative does not use credit scoring to determine eligibility, but does require that borrowers also have a minimum of two year's consecutive credit history in the United States.

- ❖ The New Immigrants Initiative offers the following to eligible borrowers:
 - **Low Down Payment Options:** Borrowers purchasing a one-family home or condominium can pay as low as 3 percent in down payment costs, and borrowers purchasing a two-family home can pay as low as 5 percent in down payment costs;
 - **Greater Flexibility for Personal Funds:** In addition to a borrower's own funds from a savings account that can be used to pay for the down payment, a borrower can also pay the down payment using cash-on-hand or from commingled funds from relatives who reside with the borrower;
 - **Greater Flexibility in Determining Qualifying Income:** Acceptable factors used to determine a borrower's income to qualify for a mortgage include a borrower's most recent hourly wage rate, boarder income from relatives living in the same household, and income from part-time jobs or multiple job income of a 12-month duration.



International Remittances

What are remittances?

Remittances are money sent by immigrants to family members in their home countries. The Inter-American Development Bank estimates that \$40 billion is sent annually from the United States to Latin American and Caribbean countries alone. Banks and credit unions have an opportunity to attract new customers by developing remittance products. In 2004, banks held only 3 percent of the money transfer market. Financial institutions can reduce the costs of money transfers by cutting various fees (among others, check-cashing fee, remittance fee, calling card fee, ATM fees, and the exchange rate differential), allowing the sender to save money. A remittance program can provide comprehensive remittance services, including ATM access cards that allow the recipient to access remitted funds at a local ATM with relative ease.


Why should this matter to banks and credit unions?

Individuals who regularly send money home to their countries of origin often do not have bank accounts. Remittances provide a key opportunity to introduce new customers to the banking system and begin a banking relationship. Immigrants accustomed to sending money through storefront services may not regard remittances as a financial service that they could get from a bank or a credit union (as one commentator put it, it might sound like suggesting that they buy a car at the grocery store), so banks and credit unions will need to educate the community about their services. Banks can benefit from long-term relationships with customers who will be able to save money, establish a credit history, and eventually seek a wide range of financial services. Customers will enjoy safe, efficient, and affordable money transfer services.

How can you get involved?

There are a number of different ways in which banks can provide low-cost remittance programs to compete with current money transfer services:

- Dual ATM cards. Bank issues two ATM cards to the customer, who sends one to a family member abroad.
- Account with secondary remittance account attached. Remittance recipient receives an ATM card and PIN in their own name and the sender loads money into the remittance account so that the recipient does not have access to their entire account balance. Recipient does not need to have a bank account. One bank charges a \$4 monthly fee, plus a \$1.50 foreign ATM fee per withdrawal and an exchange rate of no more than 3 percent more than the official rate.
- Stored value cards. Sender loads the card at any bank branch using cash, credit, or check card. Once the recipient receives their card (via express mail), the sender can repeatedly reload it. Card often has a visa logo. One bank charges \$8 per transfer.

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- Directo a México – FedACH system. The Federal Reserve Bank’s Automated Clearinghouse product for financial institutions charges banks a mere 67 cents per transfer to Mexico (most banks then charge customers a higher but still very competitive fee of \$2-5) and guarantees the customer the wholesale exchange rate plus .21 percent (paid to the Mexican bank).
 - Account to account. Bank establishes a relationship with a major foreign bank in the country or countries to which customers are sending funds.
 - Unbanked customers. Send cash from bank in the U.S. to bank abroad. One bank charges \$8 for noncustomers and \$6 for customers.
 - Wire transfers.

Many banks offer remittance accounts without minimum or opening balance requirements. Other factors to consider are the number and accessibility of outlets or ATMs where customers’ family members will be able to access funds. Many recipients will not have bank accounts, and so a service that requires recipients to pick up funds at bank branches may prove too limited. Rural recipients may be better served by an extensive ATM network, local “casas de cambio,” or other options. Advance research (through local community organizations) can determine whether potential immigrant customers are from one or more countries, and from one or more regions within a country.

Regulatory issues to keep in mind

In establishing remittance accounts, banks need to follow their Customer Identification Program (CIP) procedures, including verification of customer identifying information. There is no legal prohibition under the CIP regulations on acceptance of consular identification, such as the *matrícula consular* card issued by the Mexican government, as a part of the identification verification process to establish a bank account. Contact your regulator to find out what to consider in setting up a remittance program.

Where do you start?

- (1) Get in touch with your region's New Americans Task Force/New Alliance Task Force (NATF), an FDIC-sponsored collaborative initiative of financial institutions and nonprofits
- (2) Contact local banks in the receiving countries, such as Mexico or other Latin American countries, to work out a partnership. If your primary customer base is from Mexico, consider offering the Federal Reserve’s Directo a México product. Choose the program model that is most suited to your community.
- (3) Consider partnering with an existing money-transfer agency.

Appleseed is developing a manual for the American Banker's Association to assist small- and mid-sized banks in establishing remittance products. Contact your local Appleseed office for more information.

What have others done?

Please keep in mind that new products are being introduced all the time and current ones are being improved.

SafeSend Program (October 2005; offered by *Bank of America*) – this program allows sender to send for free up to \$3,000 per month to Mexico from a personal banking account at Bank of America.

Program Details:

- ❖ Added as a feature to a personal checking account
- ❖ Sender can order a withdrawal by telephone
- ❖ No fee per transaction, allowing up to a total of \$3,000 to be transferred per month
- ❖ Maximum amount per transfer is \$1,500
- ❖ Funds can be picked up at a variety of paying agents; by November 2005, there should be more than 4,500 paying agents

Results

- ❖ 90% customer satisfaction rate
- ❖ One-third of remittance customers opened traditional checking/savings accounts at a rate of approximately 5,000 per month

Directo a México (September 2005) - this Federal Reserve product is available to all banks. It allows banks to offer customers low-cost money transfers to Mexico through the Federal Reserve's Automated Clearinghouse.

Program Details:

- ❖ Payments are transferred from FedACH to the Banco de México, where they are distributed via the local payments system. Banks are charged 67 cents per transfer.
- ❖ Payments are posted to the recipient's account in pesos on the next banking day
- ❖ The customer is guaranteed the wholesale foreign exchange rate plus .21 percent

Results/Benefits

- ❖ Each bank can customize the materials for its own marketing campaign
- ❖ Transfers are secure through the ACH payment system
- ❖ Provides an incentive for the Mexican consumer to establish a bank account

www.frbervices.org/Retail/intfedach.html

Wells Fargo's Intercuenta Express (2005 program features) – the sender must open an account for \$10 with a \$10 annual maintenance fee after the first year; recipient must have account at recipient bank.

Program Details:

- ❖ Allows use of the *matricula consular*

- ❖ Flat fee of \$8 for transfer of up to \$3,000
- ❖ No minimum or initial deposit required
- ❖ Competitive exchange rates
- ❖ Can be received at any BBV Bancomer, HSBC Mexico or Banorte branch or ATM

Results:

- ❖ 20,000 new accounts totaling \$50 million in the first seven months of the remittance program with Bancomer

Microfinance International Corporation- Mi Pueblo is a unit of Microfinance founded in 2003 and offers money transfers as well as accounts, credit, loan and money management services to Latin American immigrants.

Program Details:

- ❖ Transactions have been increasing through use of radio advertisements and fliers distributed in Hispanic neighborhoods, as well as by word of mouth
- ❖ The remittance fees range from \$6-9 dollars depending upon the amount sent, as opposed to Western Union's \$12 to \$70 depending upon the amount sent
- ❖ Low-income contract workers are also able to borrow small amounts of money to make ends meet at a more favorable rate than payday loans

Results:

- ❖ Four locations in the Washington, DC area were conducting 1,500 transactions a month with an average remittance of \$250

Wachovia Bank's Dinero Directo card – was launched in Florida in 2005 after a 2004 Pilot Program.

Program Details:

- ❖ Aimed at recent immigrants who have lived in the United States for fewer than 10 years
- ❖ The card is a pre-paid card onto which the amount desired to be sent is loaded, up to \$1,000 a month
- ❖ Card is then sent to recipient, who can use it at VISA/PLUS ATMs around the world
- ❖ Card is activated by phone by the recipient following receipt
- ❖ Card can be opened by telephone or at Wachovia Financial Centers
- ❖ Card is offered as part of a bundle of services aimed at the Latino community, including checking and savings accounts and check cards
- ❖ The bank maintains a bilingual call center

Commercial Federal's Rápido Card – established an account for the sender with a secondary remittance account attached.

Program Details:

- ❖ Recipient does not have to have a bank account and receives an ATM card in their own name (reduces hassles if an ATM eats their card).
- ❖ Sender can choose the amount to load into the secondary remittance account, so that the recipient does not have access to the sender's entire balance.



Account Opening Identification

Why is this so important?

When a bank or credit union opens a deposit account, extends a loan, or establishes any other account relationship with a customer, the financial institution must establish a customer identification program (CIP) that includes procedures to obtain, verify, and retain certain information about a new customer (whether the customer is an individual or a business or other organization).

Obtain

The following information at a minimum must be obtained:

(1) Name

(2) Address

(3) Date of birth (for an individual)


(4) Identification number: for a US citizen, it must be a social security number; for a non-citizen, it can be a passport number and country of issuance, alien identification card number, “number and country of issuance of any other government-issued document evidencing nationality or residence and bearing a photograph or similar safeguard” (such as the Mexican matricula or other consular ID card), or an individual taxpayer identification card (ITIN).

Verify

Banks and credit unions must have procedures to verify the information obtained from the customer, either through documents, such as viewing a driver’s license or other ID, or through non-documentary means, such as independently verifying the information through use of a consumer reporting agency or checking references at another financial institution. For a non-individual, the company could submit its articles of organization and the banking organization could contact the relevant corporation’s records agency to confirm that the company is in good standing.

You must be able to form a reasonable belief that you know the identity of each customer. You can ask for multiple documents in an attempt to verify the customer’s identity. It is a risk-based system, essentially meaning that there may be times when your bank or credit union feels that additional documents are needed to form a reasonable belief as to the identity of the customer.

In addition, your banking organization may accept the *matricula consular* issued by the Mexican consulate if it wishes to do so for the purposes of verifying the identity of the individual establishing the account. In recent years, the Mexican government has added security features to the card so that banking organizations feel more comfortable accepting it. There has been criticism from some quarters over the ability of a bank to accept the *matricula* if it chooses to do



so. Some of the arguments deal with the reliability of its authenticity, while others have to do with the concern that some holders of the *matrícula consular* may be undocumented immigrants.

As to the first argument, a 2004 study by the Government Accountability Office (GAO) concluded that whatever security concerns may exist regarding consular ID cards, they “should not be considered of greater concern than other identity documents used in the United States.” You are free to require additional pieces of identification when accepting the *matrícula consular* and also to accept only those cards issued with the enhanced security features.

Regarding the second argument, a person’s immigration status is not relevant to whether he or she can open a bank account. One does not have to be a US citizen or resident to open a bank account. The customer will have to be able to satisfy your bank’s CIP, of course, but so long as you can form a reasonable belief that the individual is the person that he or she purports to be, whether or not that person is a US citizen or lawful resident is not relevant.

Retain

Your bank or credit union must retain a record of the information obtained at the account opening, a description or copy of the documents upon which you relied in verifying the identification of the customer, a description of the procedures used to verify the identity of the customer, and a description of the resolution of any substantive discrepancy that may have been found during the verification process. The information must be retained for five years after the account has closed.

To obtain a copy of the relevant regulation, you can check with your chartering authority or visit www.fincen.gov.

Alabama Appleseed:

334.263.0086

Chicago Appleseed:

www.chicagoappleseed.org

312.988.6565

Georgia Appleseed:

404.815.5903

Massachusetts Appleseed:

617.482.8686

Nebraska Appleseed:

www.neappleseed.org

402.438.8853

Texas Appleseed:

www.texasappleseed.net

512.804.1633



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202.347.7960