

BEYOND FINANCIAL ACCESS:

# Striving For Deeper Immigrant Financial Inclusion



*National Federation of Community Development Credit Unions*

## ABOUT THE BEYOND FINANCIAL ACCESS REPORT

This research was produced by the National Federation of Community Development Credit Unions. The research was led by Kirsten Moy, Senior Fellow, Financial Security Program, Aspen Institute, Alejandra Seluja, CUBreakthrough Consultant, and Cathie Mahon, Federation President/CEO. This research also benefited from the implementation support and contributions of several Federation staff, including Vernice Araham, Program Associate, Pablo DeFilippi, SVP of Membership and Network Engagement, Clarissa Ritter, Director of Communications and Marketing, and Ann Solomon, Director of Strategic Initiatives, as well as the expertise of Joy Silha of Silha Communications.

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### ABOUT THE FEDERATION

The National Federation of Community Development Credit Unions is a certified CDFI Intermediary representing community development credit unions (CDCUs) that provide credit, savings, transaction services and financial education to underserved communities. Founded in 1974, the Federation is headquartered in Lower Manhattan with offices in Madison, WI. The Federation offers a wide range of advocacy, educational, training, investment, marketing, and outreach programs to support and assist CDCUs. For more information about the Federation and its programs, please visit [www.cdcu.coop](http://www.cdcu.coop).



### ABOUT FORD FOUNDATION

The Ford Foundation is an independent, nonprofit grant-making organization. For more than 80 years it has worked with courageous people on the frontlines of social change worldwide, guided by its mission to strengthen democratic values, reduce poverty and injustice, promote international cooperation, and advance human achievement. With headquarters in New York, the foundation has offices in Latin America, Africa, the Middle East, and Asia.

## EXECUTIVE SUMMARY

Immigrants are a vibrant part of the US economy. With an aging native-born workforce, contributions to the tax base and job creation from immigrant businesses help grow the economy and create opportunity. The credit union movement in the US has a long history serving immigrant communities, and now more than ever, immigrants present an area of significant growth.

The National Federation of Community Development Credit Unions (Federation) has led numerous initiatives to reach and serve immigrant communities. These efforts culminated in the national expansion of Juntos Avanzamos—Together We Advance—in September 2015 with key industry partners such as, Coopera Consulting, the Network of Latino Credit Unions and Professionals, the Cornerstone Credit Union League and state credit union associations. Since that time, Juntos Avanzamos has become a national network of credit unions with a commitment to serving and empowering Hispanic consumers that is demonstrated by their suite of products and services, staff and leadership, and cultural competency.

To be successful in promoting financial inclusion and empowerment of immigrant consumers, the Federation recognized the need to better understand how to reach immigrants and how to help them use financial products and services at the credit union to build greater financial stability.

In 2016, with generous support from the Ford Foundation, the Federation engaged a team of researchers to study the experiences of immigrants in accessing and using products and services at credit unions.

The purpose of this research was:

- To better understand how to engage immigrant members, particularly those from communities with high concentrations of unbanked and underbanked consumers.
- To identify the right combination of products, services, relationships and channels that help immigrant consumers use financial institutions to build greater financial security and independence.
- To address a significant information gap among financial service providers about the unique needs and motivations of immigrant consumers.

The Federation and its research team worked with seven credit unions in four distinct regions to collect and analyze institutional data, survey responses and in-depth field interviews that focused on the financial lives of immigrants, how they first connect to the credit union, their experience with the institution, and how they use the financial tools provided by their credit union toward greater financial security and asset accumulation. The research illuminated the following key findings:

- 1. There is a tremendous untapped market for responsible financial products and services among immigrants.** Immigrants represent a new underserved demographic, in terms of age and family size, and thus in demand for a range of financial products and services. Immigrants studied are predominantly in their prime income earning years and are actively starting and raising families. Many immigrants reportedly are working to build assets and wealth but are not necessarily using conventional means to get there. More than 42% of study respondents reportedly own a home, yet only about one-half of those respondents hold a mortgage. In the interviews, immigrant respondents reported making large purchases with cash either due to fear of debt or concern they will not qualify for loans. Respondents generally reported using their savings toward a home (or down payment on a home) and relying on friends and family or other informal methods. Almost 60% reported coming to the credit union for a savings or checking account, but more than half of those surveyed and the majority of interview subjects reported obtaining additional products after opening their account. The number one product obtained after opening an account was a loan or credit card.
- 2. High degree of loyalty to the institution.** Immigrant members report and demonstrate strong loyalty to their credit unions. More than 43% identify the credit union as the only place they choose to do their banking. Moreover, the vast majority are using the credit union on a regular basis, even those with a prior account at another financial institution. Almost one-half of study participants did not even know what a credit union was and therefore opened accounts initially elsewhere. Several interview participants expressed negative experiences at other financial institutions in the form of fees, limitation on the types of product or services they felt they could access, and general discomfort with the institution. Respondents primarily found the credit union through word of mouth, with 57.5% learning of the credit union through friends and family and an additional 10% through community referrals. The study revealed high levels of customer satisfaction with 91% reportedly satisfied or very satisfied. Credit unions have the trust of the members. From the surveys, respondents overwhelmingly gave credit unions 5 out of 5 star ratings for trust of the credit union, being treated with respect, and comfort that the credit union understands their culture and language. Both in surveys and interviews, study participants identified the credit union not as a place that makes money from them but as a place that will help them. Members overwhelmingly reported that their credit union helped to improve their financial lives, including better managing their money, being there when they have emergencies, and providing alternatives to payday and other predatory lenders. Study participants placed great emphasis on the credit unions being both bilingual and bicultural. In fact, across credit union locations, the greater the degree of bicultural staff and operations, the higher the member satisfaction and referrals to friends and family.
- 3. Immigrant consumers represent growth opportunities for credit unions.** A 2012 joint study by Credit Union National Administration (CUNA) and Coopera Consulting found definitively that credit unions that strategically invested in outreach to the Hispanic community reported faster loan growth and accelerated membership growth. Similarly, the institutions in this study have also boasted dynamic five-year growth trends in membership and lending, an average of 53% growth in lending and 27% in membership in the period between 2012 and 2016. Moreover, these institutions were more likely than their peers to offer diverse community development products and services with high social and financial returns. Each credit union studied from the smallest to largest offered micro and small business loans, wire transfers, and ITIN loans. But several of these institutions had gone further by developing tailored underwriting such as incorporating alternative credit information (including rent and utility payments) or created other means of determining credit



risk. Already, study sites experienced more than 50% of members taking up additional products and services (predominantly loan products) even without targeted marketing or communications.

4. **Even these institutions that excel at serving this population may be leaving opportunities on the table.** Despite the substantial growth and product uptake experienced at these institutions, surveys and interviews indicated that there were still opportunities to engage members with additional products and services. While more than one-half of respondents indicated they had taken more than one product, the institutional data analysis indicated some trends in which member used one or more services but did not continue adding more product usage. The two most common reasons that respondents cited for not using more from the credit union are the lack of awareness of what is offered and the fear they may not qualify. This lack of awareness of product features or criteria represents a missed opportunity. More than 73% report coming into the credit union at least once every few weeks, with a full 40% of all respondents coming weekly. That level of engagement speaks to an already high-touch model with this population. Given the high-touch nature of these institutions and the frequent visits of the vast majority of members, it would not be a substantial shift to orient themselves to a more sales-oriented culture that would assist members to learn about the offerings and what they would need to do in order to qualify. Establishing this sales-oriented culture where every staff member that connects to a member (e.g. tellers, member service representatives, etc.) is trained to provide guidance on next step products could increase product uptake and support members in using the institution more fully. With the high level of trust that members have in the institution, this guidance will likely result in members considering those options. Some staff interviews did signal reluctance to be seen as pushing products and not wanting to jeopardize the image of the institution as a place that helps. The downside of not providing this information is that it leaves members unclear about what they could access or use at the credit union. To maintain the credit union culture of service to the member, additional training can focus on how to help staff to identify and recommend options that will help the member to succeed. The credit union structure should naturally align the financial interest of the institution with the financial security of the membership, but not all products are equally beneficial to members. For this reason, a strong financial counseling component at the credit union will help staff members make appropriate referrals and encourage members to seek additional guidance on how credit union products can help them move toward long-term financial goals. Similarly, with new technology and data analytics modules in core systems, the credit unions could be more targeted in what they recommend to which members so as not to set up members for failure.
5. **If you successfully bank an immigrant member, you will often end up banking their family and friends and building a community.** When you give someone an opportunity and take a chance with them when all other doors are closed, it builds incredible loyalty, sometimes for life. As immigrants become more engaged in the credit union, they are highly likely to talk about it to other members of their community. And deeper member engagement creates greater opportunities for greater community discussion and word of mouth. 82.6% of those surveyed have recommended the credit union to friends and family.

Since the launch of the study, the political environment in the US has placed immigrants in a more precarious position than they had experienced in the preceding decade. Growing uncertainty has placed even greater urgency upon the efforts to grow and expand Juntos Avanzamos credit unions and to connect the network more deeply into the communities that are most targeted by the current Administration's anti-immigration policies. Juntos Avanzamos network members are becoming active as sources of trustworthy information on how to keep savings secure, how to prepare financially for emergencies, and referrals for free legal and social service providers. Juntos Avanzamos is proving to be a model for transforming credit unions into community centers able to organize and reach populations that may be outside the mainstream.

As communities prepare for what might occur if there were to be stepped-up enforcement and deportations, they are looking for opportunities to build additional savings that could be invested and used productively in the future. With credit unions receiving such high marks from members as a trustworthy institution where one can seek help, this presents opportunities to play that role as community center bridging communication gaps, providing a safe space where people can trust that their information remains private and confidential, and where they can be preparing for additional emergencies that may arise.

## CREDIT UNIONS PARTICIPATING IN OUR STUDY



### SELF-HELP FEDERAL CREDIT UNION | DURHAM, NORTH CAROLINA

Self-Help FCU is part of the Self-Help family of non-profit organizations with a common mission and leadership. Over its 36-year history, Self-Help has learned that access to responsible savings, loans, and transactions is key to financial security, family health, and improved opportunity for low-income families. Altogether, Self-Help Credit Union and Self-Help Federal Credit Union have merged with 16 credit unions and one bank to create a network of over 40 branches serving just over 130,000 people in five states.



### RIO GRANDE CREDIT UNION | ALBUQUERQUE, NEW MEXICO

The mission of Rio Grande CU is to create a trusted partnership with our members that demonstrates excellent member service by providing financial education and solutions, competitive pricing, and convenience. Rio Grande Credit Union began focusing on the immigrant market in 2014. The credit union embraced serving immigrants by revising its policies and procedures, translating all marketing material, and training staff.



#### NEIGHBORHOOD TRUST FEDERAL CREDIT UNION | NEW YORK, NEW YORK

Neighborhood Trust Federal Credit Union is a community development credit union (CDCU) which pursues a mission of financial empowerment in the predominantly Latino immigrant communities of West Harlem, Washington Heights and Inwood. Since its founding in 1997, Neighborhood Trust FCU has always prioritized services which enable local entrepreneurs to maximize their business potential and overcome obstacles most often generated by low incomes, linguistic barriers, immigration status, and lack of knowledge regarding standard business operations and accounting practices.



#### LOWER VALLEY CREDIT UNION | SUNNYSIDE, WASHINGTON

Lower Valley Credit Union has been serving immigrant members for over 10 years. But in 2010, the credit union made serving the Hispanic and immigrant market a strategic priority. Lower Valley opened a full-service bilingual branch in 2014. Under this new immigrant-focused strategy, the credit union has doubled its assets.



#### HOLY ROSARY CREDIT UNION | KANSAS CITY, MISSOURI

Holy Rosary Credit Union has often been called “the melting pot credit union” over its 73-year history. Since it was organized in 1943, the credit union has experienced the arrival of many different ethnic groups into the field of membership. Though their members have diverse backgrounds, they either share a bond of the Catholic faith, or a connection to nonprofit and needs-based organizations in the area.



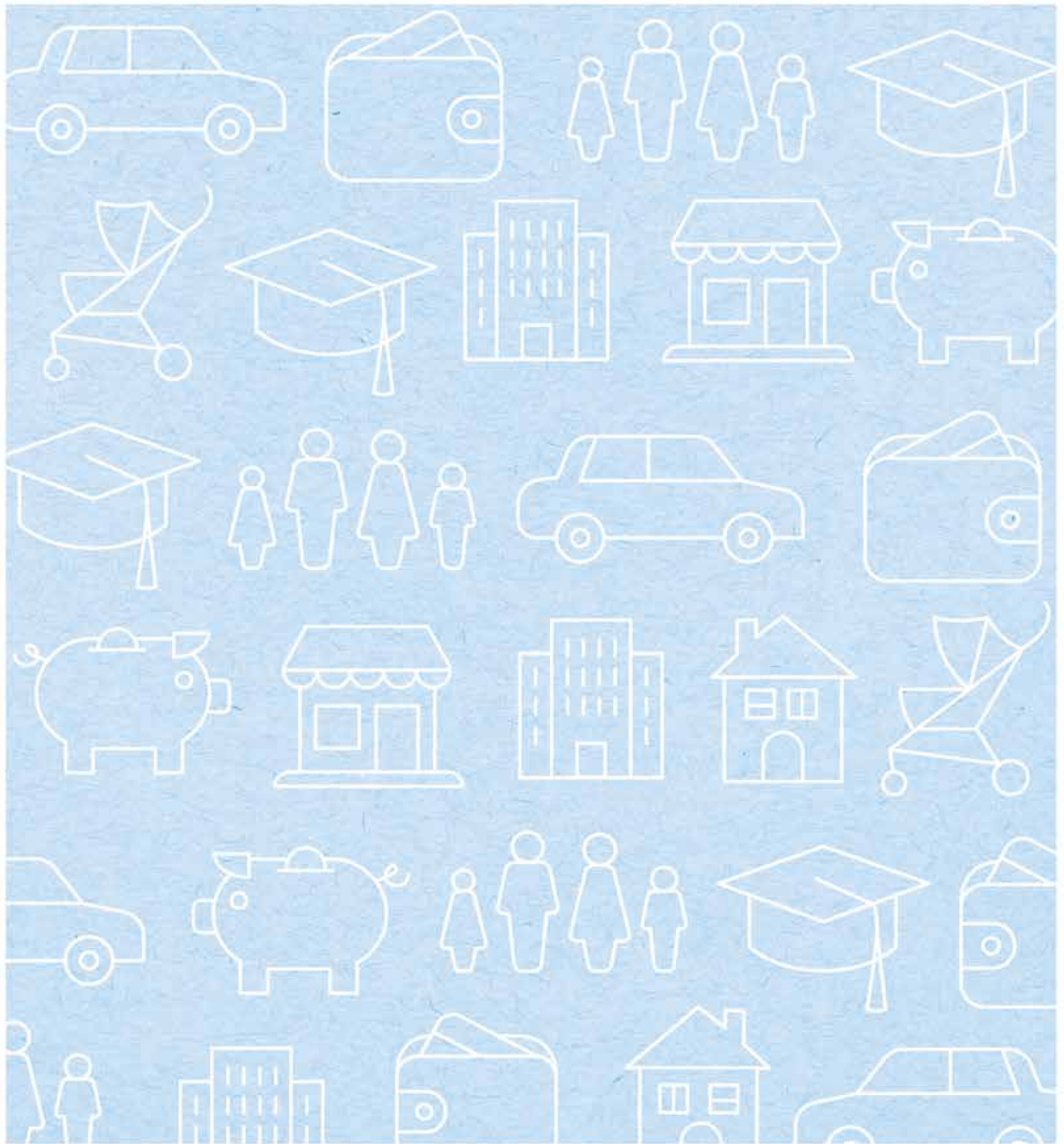
#### GUADALUPE CREDIT UNION | SANTA FE, NEW MEXICO

Guadalupe Credit Union has been serving immigrant members since 2001. The credit union opened a full-service, bicultural branch in March 2008 in a strip mall, that was relocated and expanded in 2013 to a 5,600 sq. ft. free-standing branch. With the branch dedicated to serving bilingual members, the visibility of the new building and a full range of products and services offered, the credit union has grown dramatically in the last few years.



#### FAMILY FEDERAL CREDIT UNION | WILMINGTON, CALIFORNIA

Family Federal Credit Union was chartered in 1984 under the name Holy Family to serve members of Holy Family Catholic Church, its name later changed to Family. Family FCU had a long history of serving immigrant members. The credit union merged with Self-Help Federal Credit Union in 2016.



***National Federation of Community Development Credit Unions***

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