Call to Action: Trato Justo

Immigrant Financial Futures

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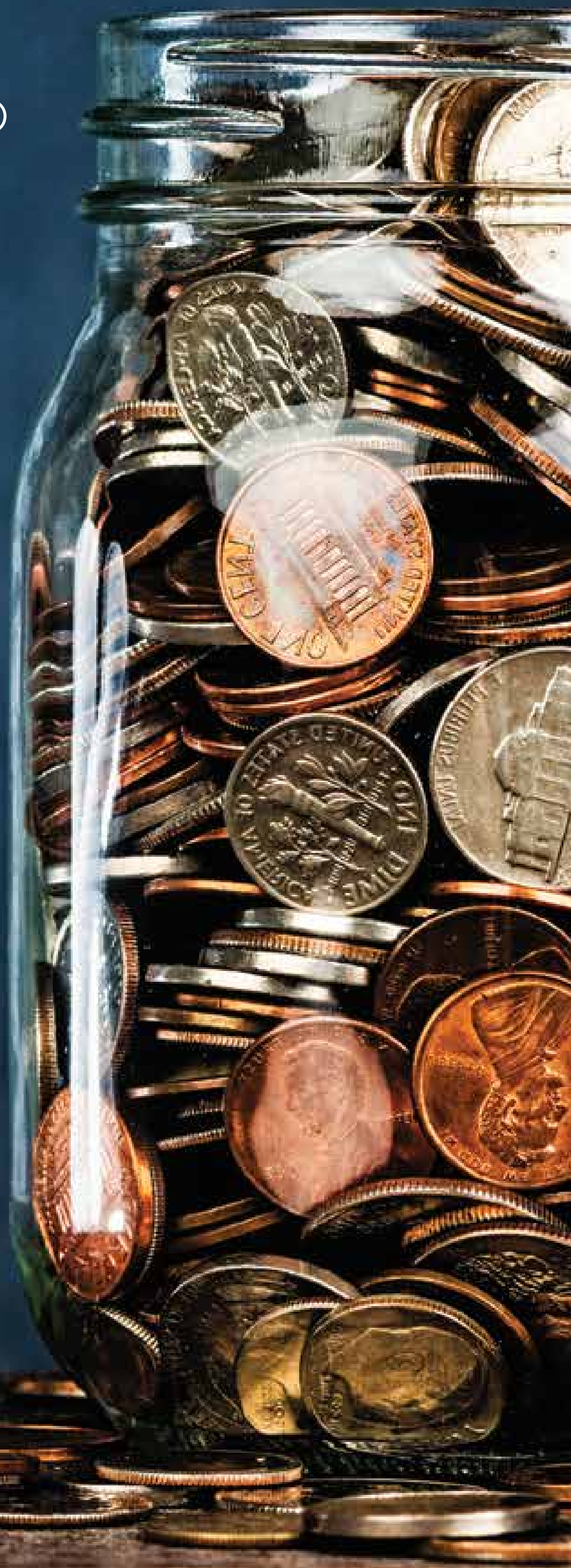

Low-income immigrants who become integrated into the financial system build assets for themselves and become loyal customers for financial institutions.

"My mom is the best because she wants me to get a fair shake," said the nine-year-old second-place winner of a jewelry-store contest celebrating Mother's Day. As he stood among the display cases at the store and read his essay—first in English and then in Spanish—the boy repeated over and over "trato justo, fair shake, trato justo." He was honoring his immigrant mother for wanting him to have a fair chance to succeed in life.

What does a fair shake mean to an immigrant family?

Consider this early 20th century story. A young immigrant from Sicily arrives at Ellis Island with $21 in his pocket. By the time of his death, thanks to lenders where he lives, he owns a city block in Arkansas. He has educated two nurses, three accountants, and a geophysicist. He has run his own restaurant, paying rent and making payroll with the help of local financial institutions. And he has banked $21,000 in savings. Today's immigrants, largely from Mexico, India, the Philippines, China, and El Salvador, deserve the same opportunities to contribute and succeed.[1]

What do we know about immigrants today? They make up roughly 13 percent of the U.S. population, far above the immigrant population share between 1940 and 2000. In absolute numbers, approximately 40 million individuals are foreign born.[2]

Beyond the raw numbers, we know that immigrants are more commonly self-employed than native workers—8 percent of non–U.S. citizens versus only 5.8 percent of native born. With their high rate of starting businesses, immigrants are more than twice as likely as the native born to become entrepreneurs.[3] Also of interest: 80 percent of immigrants are of working age (18–64), whereas only 60 percent of native-born Americans are, a fact that has positive implications for U.S. economic growth.

Markets cannot ignore the newcomers, their purchasing power, or the contributions they make when they keep companies running and pay taxes. By integrating them into the financial system, the institutions serving them find they are good business. And low-income immigrants find more opportunity to rise out of poverty and build assets.

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Financial Challenges

Unfortunately, barriers to immigrant economic integration exist. One is the lack of bank accounts, especially among lower-income immigrants. Immigrants without a bank account may become victims of crime. If thought to carry a lot of cash, they may be targeted by thieves. In fact, two organizations in the network of public-interest justice centers called Appleseed—Texas Appleseed and Georgia Appleseed—began addressing immigrant-finance issues after the robbery and killing of immigrants a decade ago.[4]

Although most people know it is dangerous to carry a lot of cash, immigrants without official U.S. identification may have trouble opening bank accounts. If they lack legal status, they fear being detained or returned to their home country, leaving behind their assets. Some immigrants may face language barriers or find that a financial institution won't accept alternative identification like cards provided by home countries.[5]

Another economic-integration barrier may be a thin credit file or lack of any credit score, which may keep low-income immigrants from accessing small-dollar loans on fair terms for starting a business, renewing visas, or applying for Deferred Action for Childhood Arrival status. As a result, many low-income immigrants rely upon high-cost, even predatory, services. In some states, moreover, immigrant students are ineligible for in-state tuition no matter how long they have been residents, which may force them to take out costly student loans.

Moving Beyond the Challenges

Fortunately, attention is being paid. For virtually any issue under consideration by financial regulators, an immigrant financial angle is relevant, and officials have a role to play in giving immigrants a fair shake. Regulators have been known to give financial institutions Community Reinvestment Act credit for the way banks provide financial services to immigrant communities or for outreach involving clear information in immigrants' own languages.[6]

Such businesses see an opportunity to gain loyal immigrant consumers. That is why the *matricula consular* card is doing well. A decade ago, Texas Appleseed worked with a compassionate mayor, an overworked police department, the Mexican consulate, and a Wells Fargo bank to spearhead a pilot program in Austin. By 2009, acceptance of *matricula consular* cards approached one-third of depository institutions.[7]

And like past generations of immigrants, today's new Americans are benefiting financial institutions. Their climb up the economic ladder involves opening a savings account, repaying small-dollar commercial and personal loans reliably, and the like. Financial institutions that expand their remittance business (international money transfers) and reduce costs for immigrants by using the Federal Reserve System's FedGlobal ACH Payments (Automated Clearinghouse) may find additional growth opportunities.[8]

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Indeed, remittances are the main financial transaction for immigrants. Many newcomers arrive in affluent countries specifically to earn money and send some home—or to build a nest egg for their return to countries of origin. The World Bank estimates that about $51 billion is sent abroad annually by individuals through official channels, and $123 billion through all channels.[9]

But immigrants sending money home have not always received a fair shake. They have had to deal with opaque pricing, surprise fees for the recipient back home, and language barriers. When United States–based companies have disavowed the extra charges of agents abroad, dissatisfied customers typically have had nowhere to turn.

Landmark remittance regulation by the new Consumer Financial Protection Bureau (CFPB) promises to significantly improve this fundamental aspect of immigrant financial services.[10] Appleseed played a lead advocacy role in implementation of the rule, the first new regulation to emerge from the 2010 Dodd-Frank Act reforms. With remittance rights now guaranteed under law, immigrants have taken a giant step toward empowerment in financial transactions. The new transparency allows comparison shopping. Additionally, competitors to banks offering remittance services are coming under federal review. Meanwhile, as the price of remittances falls, immigrants are finding they can save and invest more of their dollars.

Building on that success, the federal government is turning its attention to other immigrant financial needs, and both the CFPB and the Federal Trade Commission are working with stakeholders to address concerns about immigrant financial services.[11]

A smoothly running system for fair financial futures for immigrants entails work by all interested constituencies—immigrant consumers, the nonprofit organizations devoted to them, businesses, and government entities. As these groups join together to ensure a fair shake, the country will create a stronger marketplace and, at the same time, help make the American dream a reality for millions of newcomers.

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Endnotes

1 See http://migrationpolicy.org/programs/data-hub/us-immigration-trends.

2 See Fred Drews, "What Percentage of the U.S. Population is Foreign Born?" (report, Brookings Institution, Washington, DC, October 3, 2013), http://www.brookings.edu/blogs/brookings-now/posts/2013/09/what-percentage-us-population-foreign-born; and Chiamaka Nwosu, Jeanne Batalava, and Gregory Auclair, "Frequently Requested Statistics on Immigrants and Immigration in the United States" (report, Migration Policy Institute, Washington, DC, April 28, 2014), http://www.migrationpolicy.org/article/frequently-requested-statistics-immigrants-and-immigration-united-states. The data are based on estimates from the U.S. Census Bureau's 2012 American Community Survey.

3 "Open for Business: How Immigrants Are Driving Small Business Creation in the United States" (report, Partnership for a New American Economy, New York, August 14, 2012), http://www.renewoureconomy.org/wp-content/uploads/2013/07/openforbusiness.pdf.

4 See, for example, "Police: Hispanic Immigrants Targeted in Fatal Ga. Attacks," *USA Today*, October 2, 2005, http://usatoday30.usatoday.com/news/nation/2005-09-30-georgiakillings_x.html.

5 That is why cities including New Haven have implemented identification cards for all residents that may be used at libraries, banks, parking garages, and the like. See Kika Matos, "The Elm City Resident Card: New Haven Reaches Out to Immigrants," *New England Community Developments* (2008), https://www.bostonfed.org/commdev/necd/2008/issue1/elmcitycard.pdf.

6 The multicultural center of HarborOne Credit Union (now a bank) is described in Caroline Ellis, "Cutting to the Roots of a Problem," *Communities & Banking* (fall 2009), http://www.bostonfed.org/commdev/c&b/2009/fall/Caroline_Ellis_MultiCultural_Center.pdf.

7 Barbara A. Ryan, Ed Bachelder, and Michael S. Barr, "FDIC Survey of Banks' Efforts to Serve the Unbanked and Underbanked" (presentation, University of Michigan Law School, February 5, 2009). Although a Social Security number and a driver's license are the standard forms of identification, many banks accept other documents, including an Individual Taxpayer Identification Number and a consular registration card from Mexico, Colombia, El Salvador, Honduras, Peru, or Argentina.

8 The service reduces customer costs from dollars to cents. See http://www.frbservices.org/serviceofferings/fedach/fedach_international_ach_payments.html.

9 See Lisa Mahapatra, "Where Does the United States' Immigrant Workforce Come From?" *International Business News*, February 21, 2014, http://www.ibtimes.com/where-does-united-states-immigrant-workforce-come-how-much-money-are-they-sending-home-charts.

10 See Kathleen A. Scott, "Consumer Financial Protection Bureau Final Rule on Remittance Transfers," https://www.appleseednetwork.org/wp-content/uploads/2014/03/Arnold-+-Porter-powerpoint-on-CFPB-Remittance-Rule.pdf.

11 The CFPB and the Federal Trade Commission's October 2014 forum "Debt Collection and the Latino Community" at California State University in Long Beach, California, brought together consumer advocates, industry representatives, state and federal regulators, and academics to examine how debt-collection issues affect Latino consumers, especially those with limited English proficiency.