

Ensuring Access to Fair and Affordable Financial Services:

A survey report on barriers faced by low-income immigrants in NYC

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Prepared by the New Economy Project
(formerly NEDAP)

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NEDAP is a resource and advocacy center that works with grassroots groups in NYC's low income neighborhoods and communities of color. NEDAP's mission is to promote community economic justice and to eliminate discriminatory economic practices that harm communities and perpetuate inequality and poverty.

The **NYC Immigrant Financial Justice Network**, convened by NEDAP since 2004, is a coalition of organizers, advocates and service providers from different sectors and NYC neighborhoods. The Network conducts research, community education and advocacy to promote immigrants' economic rights and to eliminate barriers that immigrants face in the financial services system.

This report is available online at www.nedap.org/resources/reports.html.

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I. EXECUTIVE SUMMARY

Access to fair and affordable financial services is a critical economic justice issue facing immigrant New Yorkers—across income, language and cultural groups. Despite NYC's sizable immigrant population—nearly 40% of New Yorkers, or close to three million people, are foreign-born—and despite New York's status as the nation's banking capital, NYC banks are conspicuously not at the national forefront in providing services to immigrants.

Immigrants in NYC face a host of obstacles in the financial services system, from language barriers and restrictive identification requirements to the absence of bank branches in many immigrant neighborhoods. As a result, immigrants are more likely than non-immigrants to rely on high-cost and informal financial services, and to pay high fees to cash checks, pay bills and send remittances. Unequal access also impedes immigrants' ability to build assets and establish economic footing in their new communities. Many low income and undocumented immigrants, in particular, end up relegated to a system of high-cost and often predatory financial services.

Since 2004, NEDAP has convened the **NYC Immigrant Financial Justice Network**, bringing together immigrant and worker rights advocates, community development financial institutions, and fair lending and financial justice groups to press for equitable banking access and reinvestment in immigrant communities.

In 2006, the Network designed and implemented a city-wide *Immigrant Banking Survey* to increase understanding about immigrant New Yorkers' financial services experiences and needs. The survey gathered information about immigrants' access to bank accounts, as well as their use of credit and methods of sending remittances to their home countries.

The Network survey team interviewed approximately 600 immigrant New Yorkers between August 2006 and January 2007. Surveys were gathered at community fairs, workshops, schools, churches, food pantries and other locations, as well as through on-the-street interviews. All surveys were conducted verbally by trained staff and volunteers, in respondents' native languages or a language in which they were proficient. Survey results did not differ significantly between randomly interviewed community members and constituents of nonprofit organizations.

Findings presented in this report are based on 546 valid surveys completed by immigrants from 74 countries. Findings may be applied to the NYC immigrant population as a whole. The size and diversity of the sample, however, does not allow us to make generalized comparisons among all nationalities.

NEDAP released a preliminary summary of survey findings in 2007. This report provides more detailed findings and includes recommendations for expanding equitable financial services access in immigrant communities.

Several survey findings, such as the percentage of respondents who have a bank account, are consistent with existing research and conventional wisdom. Other findings raise questions about prevailing understanding of immigrants' experiences with and attitudes towards financial institutions.

Key findings of the *NYC Immigrant Banking Survey* are as follows:

- Immigrants' access to financial services varied based on factors such as citizenship, age, income and length of time in the United States.
- Bank account ownership was lowest among immigrants from Mexico, 40% of whom had accounts, and among Latin American immigrants as a whole.
- The most frequently cited barriers to bank account access were identification requirements and the financial costs associated with maintaining an account.
- Many immigrants reported having a bank account but also using check cashers for day-to-day financial transactions.
- Three out of four immigrants believed that banks were a safe place to keep money—contrary to conventional wisdom that immigrants do not trust banks.
- Most immigrants surveyed used credit, and non-citizens were more likely to borrow informally from family or friends than from a bank.
- More than 60% of immigrants surveyed sent money (remittances) to someone in their home country, and 11% reported using banks to do so.

This report includes the following sections:

- ◇ Summary of survey respondent demographics
- ◇ Key survey findings
- ◇ Recommendations
- ◇ Map showing where survey respondents live

II. SURVEY RESPONDENTS

Below are key demographics for the 546 immigrant New Yorkers who completed the *NYC Immigrant Banking Survey*. The majority of immigrants surveyed were from Latin America, followed by Asia and other regions. More than two out of three respondents were not U.S. citizens. Most had very low incomes.

CITIZENSHIP

- 68% of respondents were non-U.S. citizens.
- 29% were U.S. citizens; 8% declined to answer.
- Only 20% of respondents from Latin America were U.S. citizens, compared to 47% of respondents from other regions.

LENGTH OF TIME IN U.S.

- Respondents had lived in the U.S. for an average of 11 years.
- Almost one in four (23%) were relatively new immigrants who had lived in the U.S. for less than 5 years.

INCOME

- One in three people earned less than \$10,000 annually.
- 68% earned less than \$20,000 annually.
- 8% earned more than \$40,000.
- Income increased with U.S. citizenship and time in the U.S.

REGIONS OF ORIGIN

- More than half (56%) of respondents were from Latin America:
 - 19% were from Mexico
 - 15% were from the Dominican Republic
 - 8% were from Colombia
 - 7% were from Ecuador
- 26% were from Asia.
- 6% each were from Africa and the Caribbean.
- 4% were from the Middle East.

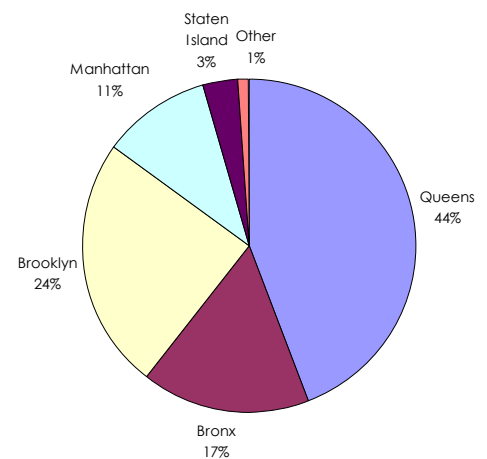
AGE

- 28% of respondents were 18-30 years old.
- 29% were 31-40 years old.
- 23% were 41-50 years old.
- 20% were older than 50 years old.

GENDER

- 60% of respondents were women; 40% were men.

Where Do Respondents Live?



III. KEY FINDINGS

BANK ACCOUNT ACCESS

Bank accounts are an important entry point into the mainstream U.S. economy, and are vital to helping people build assets and avoid financial traps. Bank accounts may be particularly important for low-wage and “off-the-books” workers, as accounts records provide valuable documentation and can help workers recover unpaid wages in legal disputes with employers.

Many of the *Immigrant Banking Survey* questions pertained to immigrants’ experiences gaining access to, and maintaining, a bank account in this country. Nearly three out of four (73%) NYC immigrants surveyed had a bank account in the U.S. By comparison, an estimated 80% to 90% of the U.S. population, and 50% to 70% of immigrants nationally, have accounts (See, e.g., 2000 Survey of Income Program Participation).

Access to bank accounts increased with citizenship, age, income and length of time in the U.S. The survey found broad disparities among immigrants from different regions and socio-economic groups. Only 40% of immigrants from Mexico, for example, had a savings or checking account. Ownership of bank accounts was also low among:

- **Non-citizens:** 65% of non-U.S. citizens had accounts, compared to 90% of U.S. citizen immigrants.
- **Newer immigrants:** 59% of respondents who had lived in the U.S. for less than 5 years had an account, compared to 78% of people living in the country for 5 or more years.
- **Younger immigrants:** 63% of respondents between 18 and 30 years old had an account, compared to 81% of respondents over age 40.
- **Lowest income respondents:** 65% of respondents with incomes below \$10,000 had accounts, compared to 91% of those with incomes above \$20,000.
- **Immigrants from Latin America:** 63% of immigrants from Latin American countries of origin had accounts, compared to 92% of immigrants from Asia.

Bank account records provide valuable documentation for low-wage workers in legal disputes with employers.

40% of immigrants from Mexico had a bank account—the lowest percentage among all groups surveyed.

A significant number of respondents reported having a bank account but also relying on check cashers and money transmitters to meet their financial services needs. Of the 30% of respondents who reported using check cashers, more than 70% had bank accounts.

Among survey respondents with accounts, 21% had only a savings account, 27% had only a checking account, and 52% had both. More than 40% of account holders reported having experienced problems with a bank account. High bank fees and overdrafts/bounced checks were each cited by approximately 15% of account holders as problems they had experienced.

Perceptions of Banks

Overall, respondents had positive perceptions about the safety of using banks. Three out of four respondents considered banks to be “a safe place to keep money.” Only 4% thought banks were unsafe; the remainder was unsure or believed that banks were “sometimes” a safe option.

When asked if banks were friendly and welcoming to immigrants, 48% of citizens and 40% of non-citizens responded positively. Non-citizens were twice as likely (17%) than citizens (8%) to respond that banks were unfriendly and unwelcoming to immigrants. The remainder was unsure or thought that banks were “sometimes” friendly.

Citibank appeared to be the most widely recognized and used bank among respondents. Among respondents with accounts, 41% were customers of Citibank. Citibank was also the most widely known to offer international money transfers.

Barriers to Access

Identification requirements and financial/cost constraints were the most frequently cited barriers to bank account access. More than one-third of all respondents reported that they, or someone they knew, had been denied a bank account because they could not provide the required identification.

More than one in four respondents did not have bank accounts. Among these:

- 17% tried to open an account in the past, but were turned down. Of these, 95% were non-citizens.

Where Do You Bank?	
Citibank	41%
Chase	16%
Washington Mutual	11%
HSBC	9%
Bank of America	9%
Banco Popular	4%
North Fork Bank	3%
Commerce Bank	3%
Astoria Federal Savings	3%
Woori	2%

95% of people rejected for bank accounts were non-U.S. citizens.

- 26% had an account in the past. Of these, 22% were U.S. citizens.
- Upwards of 60% never tried to open an account. Of these, 95% were non-citizens.

The top reasons provided by respondents for not having an account were:

- Couldn't afford account/were unemployed – 26%
- Couldn't meet ID requirements – 24%
- Didn't want/need an account – 14%

Other reasons cited included: being new in the country, using a family member's account, or not being able to speak or read well in English.

Although many immigrants cited identification requirements as a major barrier, most reported having identification that, alone or in combination, should suffice to open a bank account under federal law. The survey did not, however, ask respondents if identification documents were unexpired, which affects the usefulness of documents to open accounts.

USE OF CREDIT

The survey examined how immigrants used and obtained credit, both formally and informally. The implications of credit access extend beyond one's ability to borrow, as credit reports are now evaluated not only by creditors deciding whether or not to make a loan, but also by employers, landlords, insurance underwriters and others.

Most respondents had experience borrowing money – either informally from family or friends, or formally from a bank or other creditor. Nearly 70% of immigrants surveyed reported using a credit card and/or borrowing money in the past year.

Use of credit increased with:

- **Bank account ownership:** 70% of people with accounts used credit, compared to 42% of people without accounts.
- **Citizenship:** 44% of citizens had borrowed in the past year, compared to 33% of non-citizens.

What IDs Do You Have?	
Passport	82%
Birth certificate	45%
Driver license	42%
Voter card	19%
ITIN	17%
Consular ID	13%

Why Did You Borrow?	
Emergency	29%
Home	19%
Business	9%
Education	9%
Car	9%
Rent	5%

- **Income:** 50% of immigrants earning more than \$20,000 reported borrowing, compared to 32% of those earning less than \$10,000.
- **Time in the U.S.:** Only 17% of respondents living in the U.S. for less than 2 years reported borrowing, compared to 39% of other respondents.

The most common reason for borrowing money was an emergency (29%), followed by borrowing for a home (19%).

Interestingly, a significant number of respondents appeared not to view use of credit cards as “borrowing.” Only 36% of people said they had borrowed money in the past year, even though 50% stated that they used credit cards, in response to a different question about which financial services they used.

Sources for borrowing varied significantly by U.S. citizenship status. U.S. citizens were more than twice as likely as non-citizens to borrow from a bank than non-citizens. Non-citizens borrowed from family or friends at nearly three times the rate that they borrowed from banks.

U.S. citizens also used credit cards and store charge cards at higher rates, whereas non-citizens were more likely to report using stored value cards.

Among people who reported borrowing, 9% borrowed from a payday lender and/or a pawn shop. In addition, 5% borrowed from a microenterprise lender. Women were less likely than men to borrow from high-cost lenders or family/friends, and more likely to borrow from a bank.

Several respondents reported problems managing credit, including falling behind on credit card bills (13% of all respondents) and being contacted by a debt collector (15%). Six percent of respondents had been victims of identity theft.

SENDING REMITTANCES

International money transfers are a key financial service in immigrant communities. Among immigrant New Yorkers surveyed, 62% reported sending remittances to someone in their home country. Of those, 60% sent money at least once a month. The average amount sent was \$368 per month, at an average cost of \$8.25.

Where Did You Borrow From?		
Source of loan	% of citizens	% of non-citizens
Bank	54%	22%
Family/Friends	36%	61%
Other	10%	17%

What Cards Do You Use?		
Type of card	% of citizens	% of non-citizens
Credit Card	72%	42%
Store charge card	35%	20%
Stored value card	8%	13%

Sending remittances decreased with:

- **Time in the U.S.:** Respondents living in the U.S. for less than 5 years were more likely to send money (70%) than people living in the U.S. for 5 years or more (61%). They also sent more money on average: \$440, compared to \$347.
- **Citizenship:** 69% of non-citizens sent money, compared to 47% of citizens. Citizenship did not affect the average amount someone sent.
- **Having a bank account:** 61% of account holders sent remittances, compared to 67% of those without accounts.

Respondents from Latin America were more likely to send money (76%) than immigrants from other regions (52%). However, Latino immigrants sent less money on average (\$288) than others (\$514).

Immigrants' income levels did not significantly affect the frequency of sending remittances or the amount sent. People who had borrowed money in the past year, on average, sent less money (\$282) than those who had not borrowed (\$415).

Approximately 11% of people who sent remittances used a bank to do so. This group sent remittances less frequently, and in larger average amounts (\$884), than those who sent money through non-bank companies (\$297).

Several banks have introduced low-cost consumer remittance services in recent years. Nearly 30% of immigrants surveyed knew that some banks offered low-cost money transfers. Citibank was the most frequently cited (by 55% of these respondents), followed by HSBC (12%) and Bank of America (11%).

Western Union was used most frequently among respondents, overall, while Delgado Travel was the most popular choice among immigrants from Latin America. Among all respondents who sent remittances, 26% used Western Union. Among Latino respondents who sent money, one in four used Delgado Travel—twice as many as used Western Union.

More than half of respondents reported being “very satisfied,” and 37% “somewhat satisfied,” with the agency they used to send money.

What company do you use to send money?	
Western Union	26%
Delgado Travel	22%
Money Gram	7%
Bank (not specified)	5%
Pronto Envios	4%
Quisqueyana	3%
Ria Envia	3%
Citibank	2%
Somali Exchange	2%
Cam; Vigo	2%
Other	24%

IV. RECOMMENDATIONS FOR FINANCIAL INSTITUTIONS & THEIR REGULATORS

As the *NYC Immigrant Banking Survey* findings show, immigrant New Yorkers face a host of barriers and inequities in the financial services system. These barriers have major consequences for immigrant families, communities and local economies, and undermine public policy objectives to bring underserved communities into the formal, regulated banking system.

Laws like the USA PATRIOT Act, purportedly intended to address potential money laundering and terrorist activities, have had the perhaps unintended effect of pushing many people out of the regulated financial services system. Many banks cite, for example, fears of a “regulatory crackdown” as the basis for maintaining Customer Identification Programs (CIPs) and policies that effectively discriminate against immigrants.

NEDAP, members of the NYC Immigrant Financial Justice Network, and others will continue to conduct effective outreach and education to provide immigrants with timely, accurate information on their rights and options in the financial services system. **To eliminate systemic barriers, however, financial institutions and their regulators must ensure that banks’ policies and practices afford equitable access to all New Yorkers, and do not exclude immigrants.**

NEDAP and the NYC Immigrant Financial Justice Network call on financial institutions to adopt the following recommendations:

I. Ensure that Customer ID Programs do not exclude – or discriminate against – immigrants.

Currently, most banks go far beyond what is required by law in terms of identification requirements—for example, by requiring a Social Security Number and two forms of government-issued identification from all customers. Section 326 of the USA PATRIOT Act lays out clear minimum requirements for banks’ Customer Identification Programs, and permits acceptance of consular ID cards, foreign passports and other forms of identification accessible to many immigrants. The law also permits banks to accept the Individual Taxpayer Identification Number (ITIN) or the number from a valid government-issued form of identification—in lieu of a Social Security Number—from non-U.S. citizens.

To be clear—banks are required to form a reasonable belief about a customer’s identity; they are **not** required to know or inquire about a customer’s immigration status in the U.S. Indeed, bank personnel should be trained in the negative consequences—and potential illegality—of targeting people of a particular race or national origin for questioning about immigration status.

Financial institutions can and should accept from customers:

- **One form of U.S. or foreign government-issued ID** to open an account – such as an unexpired passport, driver’s license, consular ID or voter registration card.
- **A wide range of consular ID cards.** Mexico and Guatemala have relatively well-known *matricula consular* programs, but at least a dozen other countries offer identification to their citizens living in the U.S. For a partial list of consular ID programs in NYC, for example, visit www.nedap.org/programs/ifjp.html.

- **ITINs or SSNs.** Banks may accept a Social Security Number or Individual Taxpayer Identification Number (ITIN) to open an interest-bearing account, or to offer mortgages and other products that require reporting of interest to the IRS. Non-interest bearing accounts that do not earn interest should be made available to individuals who do not possess an ITIN or SSN, but who can provide a valid form of government-issued identification.

Banks and credit unions may also open interest-bearing accounts for people who are in the process of applying for an ITIN. In this case, the financial institution should provide the customer with an IRS W-9 form, Request for Taxpayer Identification Number, and other evidence that the account has been opened, which the customer can append to his/her application for an ITIN.

- **Organizational ID cards.** Banks should accept identification cards issued by worker centers, community groups and other organizations as valid secondary forms of identification to open accounts. Several successful partnerships have been forged between financial institutions and community groups to facilitate acceptance of organizational ID cards, which has expanded access to affordable bank accounts for the groups' members.

II. Explore solutions for seasonal workers and others who do not receive steady paychecks.

Many immigrants surveyed reported not having a bank account because their incomes as day laborers or other contract-based workers were not consistent year-round, and there were times when they were unable to maintain a minimum balance in their accounts. Banks and credit unions should explore solutions for this population, including by lowering or waiving minimum balance requirements; ensuring that account maintenance fees do not cause inactive accounts to run into a negative balance; and working with community groups and worker centers to better understand and address their members' needs.

III. Expand and systematize language access in immigrant neighborhoods.

Banks should print materials and hire customer service personnel fluent in most common languages spoken in neighborhoods served. Where possible, bank account disclosures should be provided to customers in their native language or a language in which they are proficient.

IV. Ensure consistent policies and procedures across branches and divisions of the bank.

Currently, it is common for someone to receive inconsistent information about identification requirements, depending on which branch one visits or which representative one reaches. This information should be transparent and consistent across branches, and bank personnel should be uniformly trained in account-opening procedures and identification requirements.

V. Clearly disclose costs associated with maintaining bank accounts and sending remittances.

Too often, the hidden costs of banking undermine the potential benefits for low income consumers. Many so-called free or low-cost checking accounts, for example, carry "courtesy overdraft" or similar features that encourage people to overdraw on their accounts and incur high fees. People unable to pay back these fees may have their accounts closed and their information reported to ChexSystems—effectively barring them from opening accounts in the future. Similarly, banks offering consumer remittance products should disclose fees for both senders and recipients, as well as the method of calculating foreign exchange rates.

VI. Offer low-interest starter loans to help new immigrants establish positive credit histories.

Survey findings suggest strong interest among immigrant New Yorkers in obtaining formal, fairly priced credit and establishing a credit history in the U.S. Banks should follow the lead of local community credit unions that offer small, secured loans and credit cards at low interest rates. Bronx-based Bethex Federal Credit Union and the Lower East Side People's Federal Credit Union, for example, offer innovative small loan products that help people save while they build credit. Banks and credit unions should also adopt lending policies that enable them to make loans to people who have Individual Taxpayer Identification Numbers (ITINs).

V. CONCLUSION

NEDAP and the NYC Immigrant Financial Justice Network are dedicated to promoting immigrants' access to fair and affordable financial services, as fundamental to ensuring social and economic inclusion. Network members work with diverse immigrant populations from around the world, in all five NYC boroughs. The collective experiences of Network members, as well as *NYC Immigrant Banking Survey* findings, indicate that the vast majority of immigrant New Yorkers want—and understand the benefits to be gained from—access to the mainstream financial services system. Many immigrants are already engaged in this system in some way; however, barriers and misinformation persist and undermine immigrants' full participation.

A small number of NYC banks and credit unions are leading the way in serving immigrant communities, offering equal access to services regardless of customers' immigration status. Other financial institutions provide limited services in immigrant communities, or accept ITINs and consular IDs, for example, on a case-by-case basis. Many banks report that, until comprehensive immigration reform is passed at the federal level, they will continue to consider the risks associated with serving undocumented immigrants to outweigh the potential benefits.

As banks come under increased public scrutiny, and as the country constructs a new framework for financial services regulation, we have a new opportunity to address the needs and defend the rights of lower income immigrants and other historically underserved groups. NEDAP and the Network will continue to work with financial institutions, regulators and elected officials to ensure that immigrant concerns are central to the process of defining a new regulatory system.