

Sending Money

In Their Own Words

Sending Money

In Their Own Words

August 2016

Report Team

Primary Author:

Kelly Bruner, kab317@georgetown.edu

Co-authors: Annette LoVoi (Appleseed), Ann Baddour (TX Appleseed), Laura R. Gerber (WA Appleseed), Bob Kettle (CT Appleseed), Rebecca Lightsey (TX Appleseed), Benet Magnuson (KS Appleseed), Maile Molin (TX Appleseed), Gloria Sarmiento (NE Appleseed), Darcy Tromanhauser (NE Appleseed), and Yamanda Wright, Ph.D. (TX Appleseed). For information, contact Annette LoVoi, alovoi@appleseednetwork.org

Data Scientist: Yamanda Wright, Ph.D.

Appleseed Mission

We believe that all people – whether they have lived in the U.S. for a long time or have just recently arrived – should be treated with fairness and justice. We must provide genuine opportunity for all – though excellent public education, access to public and private institutions on fair terms, and diverse, healthy neighborhoods. We believe that our connections, our research, our persuasive power, and our claims to justice improve society. We believe we can change our communities, our companies, our country and the world for the better.

Acknowledgements

We are grateful to president Bert Brandenburg and the Appleseed Board of Directors for your ongoing support of this work. Appleseed Centers' strong relationships with local partners fostered this work. We wish to thank these organizations for working alongside Appleseed Centers to help us conduct the survey and focus groups.

CT Appleseed partners:

- Junta for Progressive Action Inc., New Haven, CT
- Neighbors Link Stamford, Stamford, CT
- Spanish Community of Wallingford, Inc., Wallingford, CT

KS Appleseed partner:

- El Centro, Inc., Kansas City, KS

TX Appleseed partners:

- Consulate General of Mexico, Austin, TX
- Epiphany Community Health Outreach Services, Houston TX
- Memorial Assistance Ministries, Houston, TX
- Workers Defense Project/Proyecto Defensa Laboral, Austin, TX

NE Appleseed partners:

- Centro Hispano Comunitario de Nebraska, Columbus, NE
- Iglesia Vida Nueva de las Asambleas de Dios, Grand Island, NE
- Unity in Action, South Sioux City, NE

WA Appleseed partners:

- Casa Latina, Seattle, WA
- Muslim housing Services, Seattle, WA
- Neighborhood House, Seattle, WA

We deeply appreciate the community members and Appleseed Center partners who have shared their experience and stories with Appleseed.

Appleseed's work is generously funded by the Ford Foundation.

EXECUTIVE SUMMARY

An Overview of the Appleseed Immigrant Survey Project

The Appleseed Network ("Appleseed") believes that all people – whether they have lived in the U.S. for a long time or have just recently arrived – should be treated with fairness and justice. This core belief is the basis for Appleseed's remittance transparency initiative. Appleseed is a nonprofit network of 17 public interest centers in the United States and Mexico that uncovers and corrects social injustices through legal, legislative and market-based structural reform.¹

Appleseed has a long history of advocacy for reducing remittance costs. Two years into the implementation of the final federal regulations, Appleseed worked with five Appleseed Centers—Connecticut, Kansas, Nebraska, Texas and Washington – to launch a survey to evaluate the implementation and impact of the remittance rules from the perspective of consumers. Appleseed partnered with community-based organizations that work directly with immigrant communities to collect responses to a survey, which resulted in 702 completed responses.²

The remittance survey revealed significant improvement to the consumer experience as a result of federal regulation. Inspired by this progress, Appleseed decided to take what we've learned on remittance reform and move ahead to identify additional immigrant finance issues that deserve policy attention and reform.

Alongside the remittance survey, Appleseed conducted two supplemental activities:

1. Written survey of 63 immigrants that investigated general experience with loans, bank accounts, prepaid cards, and mobile banking.
2. Focus groups with the same participants that centered on finances and allowed immigrants to discuss – in their own words – unique challenges to financial empowerment.

This report details the results of the financial focus groups as well as trends revealed in the written surveys. The aim is to identify key financial issues for immigrants and look toward overarching themes. Quotes have been left as intact as possible in order to preserve meaning, although many have been translated into English for the purposes of this publication.

¹ For more information on Appleseed's work, see <http://www.appleseednetwork.org/remittance-transfers-resources/>

² Appleseed's report on the effects of remittance reform <http://www.appleseednetwork.org/wp-content/uploads/2016/05/SendingMoney.pdf>

Demographics

Participants tended to be female (75%), middle aged (42%), and had been in the United States for over 10 years (52%). The large majority of participants made less than \$15,000 a year, significantly below the national average income of \$44,569.20.³ None of the 63 participants reported an income over \$50,000. Pervasive lack of wealth intensifies the consequence of other barriers immigrants experience and will color the interpretation of this report's findings.

State	Number of Participants
CT	12
NE	21
TX	10
WA	20
Grand Total	63

Annual Income	
\$0-\$15,000	62.26%
\$15,001-\$30,000	32.08%
\$30,001-\$50,000	5.66%

Majority report income under \$15,000, many living under the \$12,331 poverty line.

RESULTS

Many of the problems that immigrants reported are not necessarily unique to the immigrant experience. Identity theft, high interest rates, and lack of financial literacy are common concerns for many Americans; however, when compounded with factors such as a language barrier, discrimination, and possible inability to report problems, the impact these challenges have on immigrants is especially grave.

³ Social Security Administration. *Measures of Central Tendency for Wage Data*. (2014) <https://www.ssa.gov/oact/cola/central.html>

Key Findings

- Generalized lack of trust in the financial institutions, resulting in a preference to keep money at home despite the risk of increased spending and theft
 - Difficulty building credit that leads to inaccessibility of loans
 - Inadequate response by banks and police in cases of theft or fraud
 - Immigrants are not using the right types of accounts to avoid fees and get the best type of service for their needs
 - Burden on users to decipher information from financial institutions due to complicated contract language, industry specific vocabulary, and unfamiliarity with English
 - Confusion over the basics of healthcare, insurance and the Affordable Care Act
-

Keeping money at home

Figure 1: 23% of immigrants have no bank account compared to the 7.7% national average⁴

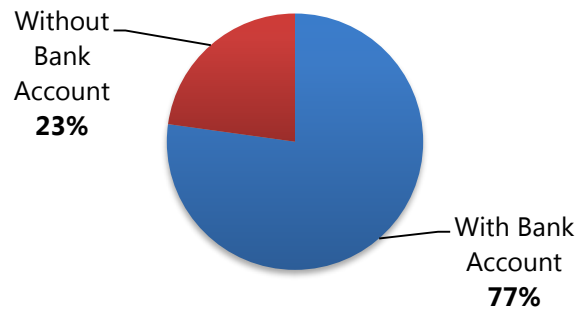


Table: Immigrants prioritize security and basic functionality in bank accounts. Half use them to pay bills, while others simply want a safe place to store their money. A significant 7.8% use their accounts to send international remittances.

Reason for Holding Bank Account	
Pay bills	45.45%
Safe place for money	23.38%
Keep savings	22.08%
Send money internationally	7.79%
Other	1.30%

⁴2013 FDIC National Survey of Unbanked and Underbanked Households <https://www.fdic.gov/householdsurvey/>

Generalized lack of trust in financial institutions results in a preference to keep money at home, despite the risk of increased spending and theft. Many immigrants told stories of resorting to keeping money at home, sometimes literally under a mattress, after negative experiences with banks that seemed unresolvable. Others reported no specific issues with banks but rather a general fear that fees and interest would eat away at their savings.

Another reason immigrants may stay away from banks is the perception that banking is not available, or necessary, for people with low incomes. Seventy-six percent of immigrants who did not have a bank account state the reason as "not enough money."

It is very common for people to keep their money at home to avoid dealing with paperwork and fees, not realizing that as a consequence of readily available cash, spending gets out of control.

-Stamford, Connecticut 10/13/2015

My father-in-law noticed that his bank account kept decreasing for reasons he couldn't understand. He withdrew the money that was left and decided to keep it at home. However, one of his roommates stole \$1,500.

-Stamford, Connecticut 10/13/2015

Challenges to Building Credit

Difficulty with building credit was one of the most common complaints among the immigrants we interviewed, although the problem seems to arise from a variety of causes. For some participants, lack of documentation makes them ineligible for even the most basic lines of credit.

I am not able to obtain even a Macy's card because I have no Social Security number.

-Stamford, Connecticut 10/13/2015

Even immigrants with residency are encountering reluctance from banks to extend lines of credit.

I went to a local bank to apply for a credit card. The bank denied my application stating that DACA (Deferred Action for Childhood Arrivals) is temporary and makes me ineligible for a credit card.

-Lincoln, Nebraska 12/16/15

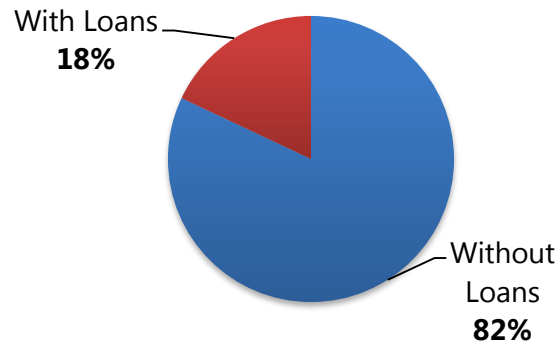
Deferred Action for Childhood Arrivals (DACA) applicants receive two-year renewable exemptions from deportation and have no limits to the number of times they can reapply. There are no legal restrictions to DACA recipients obtaining credit cards. Some institutions regularly provide credit to DACA recipients but, disturbingly, many others seem to have no corporate policy and leave the decision up to the individual who reads the application. As a result of this deferral to individual, local bank management, extension of credit to DACA recipients is inconsistent across regions and companies. Finally, even if they can obtain lines of credit, many immigrants do not understand the benefits of having a healthy credit score nor the challenge a lack of credit history can pose to acquiring loans.

I used to wonder why anyone would want to build their credit when they don't have any money. Now I have learned how to use my credit card to manage my money.

-Houston, Texas 11/12/2015

Inaccessibility of Loans

Figure 2: *Immigrants are unlikely to hold loans*



A variety of factors make loans especially challenging for immigrants to obtain. Poor or nonexistent credit history, lack of Social Security number, and low income can all reduce an applicant's chances of being approved.

*When my husband and I wanted to buy a house the bank didn't want to finance the purchase because we didn't have Social Security numbers. In the end, **the loan we took out was at a much higher rate than if we had had legal documentation.***

-Houston, Texas 11/12/2015

Muslim immigrants are even less likely to access traditional loans because the usury proscriptions of Sharia law, the law of Islam, prohibit Muslims from paying interest. Our focus group participants experienced the real impact that these factors had on their eligibility for loans and, more importantly the impact life without loans had on their ability to contribute to their family and local economies. Home and car ownership, receiving an education, and starting a business are all incredibly difficult without the possibility of loans.

*I requested a loan from Citibank, which was not granted **despite being a customer for 10 years.***

-Stamford, Connecticut 10/15/2015

Interest rates are high for educational loans.

-Lincoln, Nebraska 12/16/15

Loan Alternatives

The “family chain” is a common alternative to traditional loans and was reported by both Latino and Muslim participants. Every week, members of the family chain put a pre-agreed fixed amount into a group pot and the total amount is then given to one person in the group. The receiving member of the grand total rotates on a weekly basis, usually based on a “first-come, first-serve” policy. This is a common practice because it doesn’t entail paperwork, fees, or interest rates but it can also be risky to participants if the agreement falls apart before it is their turn to collect. According to our survey results, loans from family or friends are nearly as common among immigrants as those from a bank.

*When my family arrived in the US, we would meet once a month to collect money and build a family pot. We would then decide who received the money based on **which family member needed it the most.***

--Stamford, Connecticut 10/13/2015

*I participated in a chain, but I was the last person assigned to receive the grand total and **I lost \$20,000.***

-Stamford, Connecticut 10/13/2015

Inadequate Police Response to Fraud

A startling number of immigrants had experience with overt fraud that neither banks nor police responded to. The incidents ranged from simple unexplained charges than were never investigated to an extreme example of a bank employee stealing from clients and the bank still refusing to reimburse.

A bank employee who worked with the accounts of at least 20 Spanish speaking customers would take money from our accounts. When we realized what was happening, we confronted the bank manager and he let us know the employee had been fired and we would have to contact the police. The bank has so far refused to reimburse the money.

-Lincoln, Nebraska 12/16/15

*I sold my car recently. Unfortunately, I gave the title to the buyer before I cashed the check. The check bounced and I made a police report but I still have not received payment and *the car hasn't been returned to me.**

-Lincoln, Nebraska 12/16/15

*I once detected a withdrawal at an ATM in the amount of \$ 700 that I had not made. I reported to the bank, which did not provide any support whatsoever. The bank insisted that I had withdrawn the money with my debit card. I asked for an investigation based on the cameras that record the people who make withdrawals. I informed the police. *The investigation never took place.* I eventually decided to cancel the account and changed banks.*

-Stamford, Connecticut 10/13/2015

Lack of Clarity Regarding Financial Services

Many immigrants find themselves in contracts that they did not fully understand and that are not well suited to their needs. There is disagreement among immigrants over the source of the confusion; some attribute it to a failure of the bank while others say that customers just need to be more careful, take the time to read contracts and ask questions. Either way, the result of this misunderstanding is that many immigrants end

up with loans with high interest rates and do not use the right types of accounts to avoid fees and get the best type of service for their needs. One woman reported having a “student” checking account despite being over 50 years old while many others told of relatively small loans that took years to pay down because of steep interest rates.

*To continue my education, I took out a loan for \$5,000 but I didn't know how high the interest was. Six years of payments later, **my bill is still at \$4,000** due to the high interest rate I am paying.*

-Lincoln, Nebraska 12/16/15

*When I arrived in the US, **I had no prior knowledge about banks.***

-Stamford, Connecticut 10/13/2015

***Contracts are misunderstood**, either because of limitations with the language, lack of willingness or time to read them.*

-Stamford, Connecticut 10/13/2015

Language Barrier

Despite widespread fear among non-native English speakers that they will not be able to communicate in a bank, participants in our focus groups generally agreed that “more and more bank employees are now bilingual.” This represents significant progress for immigrant customers but according to the immigrants we interviewed there remain some specific areas in which language accommodation could be improved. Spanish support seems to be widely available, but speakers of other languages may have more difficulty finding employees who can communicate with them. In addition, language accommodation fades as a customer goes beyond simple inquiries, especially when trying to file a complaint.

*Although my initial contact with the bank was in Spanish, as my inquiring increased the bank starting changing my contact person, offering **less and less customer support in Spanish.***

-Stamford, Connecticut 10/13/2015

*In my opinion, **banks do not provide enough information, combined with the fear immigrants feel** because they don't speak English well enough.*

-Stamford, Connecticut 10/13/2015

More and more bank employees are now bilingual.

-Stamford, Connecticut 10/13/2015

*The bankers just presume we cannot speak English. **You have to advocate for yourself always.***

-Seattle, Washington 12/8/2015

Healthcare

Immigrants report acute need for information about healthcare, especially regarding insurance. Many did not know what a copay or deductible are, which led to the perception the insurance does not work.

*You pay and pay and then **they don't cover anything.***

-Lincoln, Nebraska 12/16/15

Furthermore, ineligibility for insurance is common among immigrants, especially in states that have not closed the Medicaid gap.⁵ A startling 19% of focus group participants in Nebraska knew for sure they were in the Medicaid gap and an additional 33% experienced Medicaid and Obamacare denial but did not know why (possibly also due to the Medicaid gap). Many immigrants were so concerned about the Affordable Care Act (ACA) penalty attached to not having insurance that they chose to buy insurance even when, in retrospect, the medical fee might have been less costly than the insurance. Multiple participants did benefit from the Affordable Care Act statute that allows kids to have health coverage until they turn age 26.

Even with insurance, many immigrants experienced problems with medical bills and medical debt. Confusion is common, especially after receiving an initial bill showing the total – looking like they owed the whole thing – followed by a later bill showing a different amount after insurance. Answers take a lot of time on the phone with the marketplace and it “takes over two hours for them to explain the coverage.”

*Imagine if I'm **this bad off with insurance**, how bad it could be without!*

-Stamford, Connecticut 10/13/2015

⁵ From the Obamacare website: The Medicaid gap is a term used to describe the gap between state Medicaid eligibility, and Marketplace subsidy eligibility, in states that didn't expand Medicaid.
<http://obamacarefacts.com/medicaid-gap/>

My five children and I were on my husband's health insurance and thought it would cover all the family visits to the doctor. I thought that my deductible had been met because my husband's deductible had been met. I later received multiple bills for the full amount of other family members' appointments. I wasn't aware that their deductibles were separate.

-Lincoln, Nebraska 12/16/15

CONCLUSION

Appleseed's focus group interviews revealed a wide range of obstacles to the full participation of immigrants in the financial world. Despite the apparent variety in complaints, almost all stem from some core issues: complications from documentation status, general lack of information and the propensity for institutions to dismiss complaints.

Immigrants without Social Security numbers consistently reported difficulty in accessing basic parts of the financial world (including credit cards, loans, and even simple checking accounts). Even those with DACA status experience inconsistent access to banking. In many cases these immigrants are forced to find alternatives that are significantly below industry standards in terms of risk.

Among immigrants, difficulty in banking often results in switching banks or keeping money at home. Approximately 23% of immigrants do not have any type of bank account, compared to the national average of 7.7% according to the Federal Deposit Insurance Corporation (FDIC). Increasing immigrant banking would be the first step toward improving immigrants' agency and control over their own finances. Steps to create confidence in banking services could allow banks to access this previously underserved demographic.

Efforts toward remedying the language barrier are on the rise, yet confusion over finances persists, largely because of an inadequate foundation of basic knowledge among immigrants. The burden is on users to decipher information from financial institutions despite complicated contract language, industry specific vocabulary, and unfamiliarity with English. Comprehension could be greatly improved with the implementation of financial literacy resources and information about the basic structure of insurance. Immigrants would also benefit from increased communication with

institutions. The ability to answer questions early on could reduce the risk of more complex problems down the road.