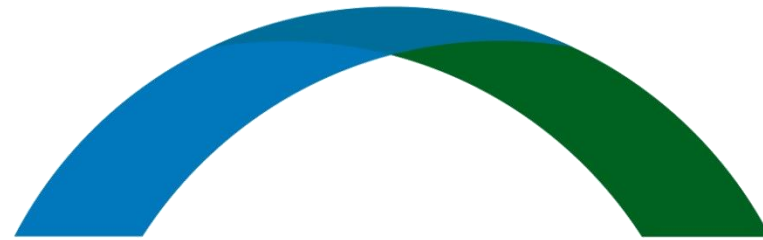


Lending to ITIN and Immigrant Markets

Alejandra Seluja
CU Breakthrough



Federation

Credit Unions United to Serve the Underserved

Overview

- Why reach out to Latino and immigrant borrowers?
- What is an ITIN?
- What does an ITIN lending program look like?
 - Auto and consumer lending
 - Micro-business loans
 - Mortgages
- DACA/ DAPA/ Citizenship
- Where do we start?

Opportunity for Credit Unions

- Growing market segment in prime borrowing years
 - 65% of U.S. Latinos are Millennials, ages 22 to 35
 - Nearly one in four children (ages 0-17) in the US is Latino: a 39% increase in 10 years
 - According to former Santa Fe Mayor, David Coss: City of Santa Fe average age is 7% over national average, would be 15% if they were no immigrants

Opportunity for Credit Unions

- Growing purchasing power:
 - Currently estimated over \$1 trillion
(Selig Center for Economic Growth, Athens, GA)
 - Expected to account for more than 50% of US retail banking growth over the next decade. (Economy.com)
- High un- and under-banked rates:
 - 43% nationwide don't have or don't use a traditional FI account
(JoinBankOn.org)

Opportunity for Immigrant Families

- Un/underbanked rates mean many immigrant families are relying on predatory alternatives
 - “Buy-here-pay-here deals”
 - Unfair treatment at Mobile Home parks
 - Owner-to-owner deals
- For undocumented members, establishing an ITIN is the only option to achieve homeownership through most mainstream financial institutions

What is an ITIN?

- Individual Taxpayer Identification Number
- For federal tax purposes only
- Does not authorize work in the U.S. or provide eligibility for SSN benefits or EITC
- Does not establish immigration status
- By law an undocumented individual cannot have both an ITIN and an SSN (may eventually replace ITIN with SSN)

What is an ITIN?

- Why accept an ITIN?
 - Individual is not eligible for a SSN
- When is an ITIN needed?
 - When you are providing an interest-bearing account
 - When you are issuing credit
- What is the process for the member?
 - Complete tax forms
 - Complete and submit IRS Form W-7 or W-7(SP)
 - Wait 90 – 120 days

Consumer ITIN Lending

- Credit building and payday alternative loans
- Auto lending
 - States that allow access to a driver's license/card, regardless of immigration status:
CA, CO, CT, IL, MD, NM, NV, UT, VT, WA (also DC and PR)
 - DACA grantees eligible for license in all states except NE
- DACA and Immigration loans
 - Application fees
 - Legal expenses
- Mobile home loans

Growing Business Loan Market

- Javier Gonzales, City of Santa Fe Mayor:
“You only have to look at the Business License requests to see that Latino Immigrants are the ones applying for these licenses”
- Hispanic immigrant entrepreneurs quadrupled 1990–2012
- Growth in new Hispanic-owned businesses continued through the recession
- Hispanic immigrants are now more likely to start a new business than the US population overall

Partnership for a New American Economy, 2014

Micro-business loans

- Small-dollar loan (typically around \$500-\$1000)
- Could be unsecured or secured by revolving fund
- Simple underwriting, minimal processing
- Seed money to start or expand very small business
 - Sewing/alterations
 - Ice cream cart
 - Jewelry making
- Requirements might include meeting with counselor/loan officer, basic business plan
- Community partnerships can support underwriting, referrals for expansion (Accion)

ITIN Mortgage Loans

- No access to federal home loan programs, down payment assistance, grant funds (ie: CDBG)
- Home purchase
- Home improvement
- Rental property
- No secondary market
- Excellent performance

Building Trust

- Community strategy:
 - Local partnerships are essential
 - Credit education presentations
 - Dealer referrals
 - Volunteer Income Tax Assistance
- Branch strategy:
 - Bilingual/bicultural staff and materials
 - Location in areas of high immigrant resident/worker concentration
 - Accommodations for families (ex: children's play areas, take-a-number system)
- Word gets around

Observations in ITIN Lending

- Down-payment requirements typically not a barrier
- Many family members live in one home or share one car and help each other pay it off quickly
- Often will pay one off, then everyone pitches in to purchase another
- Higher percentage of used autos and mobile homes—better value and can pay off quickly
- Less demand for speed and efficiency, especially at first
- Lower delinquency and charge-offs than traditional loans

Underwriting challenges

- Proof of income
 - Sometimes check stubs and account information do not match— best if disclosed at account opening
 - Many work two or more jobs and may be paid in cash
- Credit bureau reporting may be unreliable with ITIN
 - Each handles ITINs differently
 - Similar names/ DOB makes credit reports get scrambled
 - Disputes for ITIN borrowers are harder
 - May be confused with Identity Theft

Bottom Line Results

- Latino Community Credit Union
 - 54,600 members
 - Total loan portfolio: 7,900 loans, \$34 million, 1.28% overall delq
 - 1,515 “Dreamer” loans—0.82% delinquency
 - 86% of total mortgage portfolio are ITIN—1.16% delinquency
 - 60 micro-business loans—0% delinquency

DACA, DAPA, Residents

- 8.5M Permanent Residents eligible for Citizenship (DHS 2011)
- 3.7M Eligible for DAPA
- Up to 1.5M DACA applicants eligible for Permanent Status
- Waiting line...

Family-Sponsored	All Chargeability Areas Except Those Listed	CHINA-mainland born	INDIA	MEXICO	PHILIPPINES
F1	01AUG07	01AUG07	01AUG07	22OCT94	01FEB05
F2A	22JUN13	22JUN13	22JUN13	22MAY13	22JUN13
F2B	08JUL08	08JUL08	08JUL08	01JAN95	22MAR04
F3	22JAN04	22JAN04	22JAN04	22FEB94	01AUG93
F4	15MAY02	15MAY02	15MAY02	01JUN97	08SEP91

In the Lone Star State

- 1.7M unauthorized immigrants – 56% qualify for relief:
 - 685,000 eligible for DAPA
 - 262,000 eligible for DACA
 - Approx 95,000 become LPRs each year
 - Approx 52,000 become Citizens each year
- 1.5M speak Spanish at home
- 1.1M ages 21-44 – Borrower age
- 27% underbanked rate

Making the case

- Board:
 - Make the business case
 - Social and economic importance of reaching out to underserved markets
 - Additional benefits with Low Income or Community Development Credit Union designation
- Staff:
 - Make the heart case
 - Walk them through what many immigrants go through to come to the US and why (poverty, political persecution, wars, etc.)
 - *Sueños de Angélica* video
 - Clearly address legal boundaries and responsibilities
- Training:
 - Clear policies, consistent communication, ongoing reinforcement

Where to go from here

- Get Board and staff buy-in
- Adapt policies and procedures
- Reach out to potential partners
- Start small: one or two consumer loan products, build on as program grows
- The Federation can help, questions?
Pablo deFilippi
Alejandra Seluja 505-316-6450