Insights Into the Financial Lives of Immigrant Credit Union Members

A Research Presentation Prepared for:
CUNA Community Credit Union Conference & The Federation 2016 Annual Conference

By Kirsten Moy & Alejandra Seluja

November 2016
A Note on The Research

This research has both qualitative and quantitative elements. The findings from the qualitative aspects of the research, i.e., the in-depth interviews, are not meant to be projected but rather are designed to offer insights and hypotheses.
Overview of the Presentation

• Introduction
• Understanding the Immigrant Experience
• Initiating and Developing a Trusted Relationship (“Acquisition”)
• Successfully Generating Uptake (“Cross-selling”)
• Deepening Engagement (“Retention”)
• Conclusion
INTRODUCTION
Background and Rationale for the Research

• To better understand how to reach immigrant populations, particularly those 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.
Overview of Research Methodology

- Partnered with 7 credit unions in 7 geographic locations
- Data Pulls of from 6 credit unions on member utilization of products and services
- 400 + Surveys using online survey software (SurveyGizmo)
- 30 + In-depth Interviews of members; 9 In-depth Interview of staff
- Surveys and interviews in three languages; immigrants from 25 countries
Diversity of Credit Union Sites

• Location in different regions and a mix of urban and rural
• A range of asset sizes: Family, the smallest at $8.2 million in assets, to Self-Help at $600+ million in assets
• Differences in history of serving immigrants: Family began in 1984; Rio Grande in the 2013-14 timeframe
Demographics of Members Surveyed & Interviewed

• All were non-US born members: mix of refugees, citizens, permanent residents and undocumented

• Of those surveyed and/or interviewed:
  – Latino (82%), Asian (11%) with mix of White, Black and Multiracial
  – Countries with largest number surveyed: Mexico, Vietnam, Dominican Republic, Philippines
  – 76% have been in the US 10 years or more
  – Over 61% have children under 18 living with them and 61% support people who do not currently live with them (is US or other countries)
  – 66.2% have a high school degree/equivalent or less
  – 48% Did not speak English
  – 63% Were working full time

• 42% said they were struggling day-to-day or would be in trouble in case of an emergency vs 58% who feel their situation is stable and are able to plan for the future
UNDERSTANDING THE IMMIGRANT EXPERIENCE
Most Moved to the US for Better Opportunities...

- Economic (for themselves and to send money home), political (distress in their country), and social (family already here or moved later)
- ...But encountered significant challenges moving to the US
  - Lack of documentation, language, cost of living, changes in employment, housing, transportation, cultural and lifestyle changes
  - Lack of awareness and understanding about financial services when they first arrived
- Over time, raising a family changes plans to return home
Initially, a Cash Culture and Debt as “Drugs”

Live Simply Using Cash
• Sense of control: Keep cash on hand at all times
• Cash checks immediately
• Cash is the way to pay for things, even big purchases
• Save and then buy
• Need a place to cash checks and need a way to send money

Debt is Viewed Negatively
• Debt = a “drug” (Do not get into debt)
• Many don’t believe anyone will lend to them
• Changes occur when immigrants begin to understand that building “credit” is a positive thing
Houses & Cars Often Bought with Cash

- Majority owned a car and a home or mobile home
- Cars are primary means of transportation as transportation systems in these cities were inadequate
- Cars provide opportunities to work and live
- Many members saved up money and bought a car or a home with cash
- This can delay a purchase and put a lot of stress on a family
And, did you take a mortgage or loan to buy your home?

Total Respondents = 173
INITIATING AND DEVELOPING A TRUSTED RELATIONSHIP ("ACQUISITION")
Initially, Little Awareness of a Credit Union

- Many immigrants were not aware of a CU or what they offered
- Went to banks because they were visible, friends/family/coworkers had accounts there.
- Their paycheck was drawn from that bank, so it was the obvious choice.
Experience with Banks & Use of Alternative Financial Services

- From interviews, members shared that they had a bank account before a CU account because they didn’t know about the credit union and were more familiar with banks.
- Negative experiences due to lack of understanding or orientation to bank products (overdraft, fees, high interest rates) and banks provided few opportunities (many rejected for loans).
- Despite having CU account, why do some members keep their bank accounts open?
  - “Protection”, wider availability, ready access to cash, convenience to direct deposit and bill pay.
Transitioning to Credit Union Membership

What was your main motivation when you decided to go into the Credit Union?

- 38.30%, Place I Could Trust/Build A Relationship
- 22.60%, Build or Rebuild My Credit
- 11.05%, Other
- 10.60%, Specific Financial Goal
- 8.80%, Needed A Direct Deposit for a Job
- 8.60%, Financial Emergency/Finances a Mess

Total Respondents = 407

- However, some did close account after realizing benefits of CU
- Importantly, those who had CU account first, were less likely to open a bank account
- Many members said they would have loved to have known about the credit union opportunities, especially loans, before they shopped elsewhere.
Entry into Credit Union Membership

• Word of mouth was primary motivator to join CU – most go to CU because a trusted friend or family member recommends or they are referred by a trusted community partner, or church.

• Key Entry Points:

  Products:
  • Accounts to Cash Checks
  • Car Loans
  • Home Loans
  • To Build/Rebuild Credit

  Services:
  • Remittances (if available)
  • Explanation of fee structure
  • Acceptance of alternative forms of identification
SUCCESSFULLY GENERATING UPTAKE (“CROSS-SELLING”)
Many Use Credit Union Services...

Do you use any of these services at the Credit Union?

How often do you go into the Credit Union for some kind of service?

- 40.4% Once a week or more often
- 35.5% Once every few weeks
- 20.2% Once a month
- 3.4% Once every few months
- 2.7% Rarely
- 0% None of the above
...But many members, even long-term members, are not aware of the full range of credit union’s products and how the CU can help them.

After you signed up with the Credit Union, and opened your Savings or Checking Account, did you get any other accounts, cards, loans, with the Credit Union?

- Yes: 39.20%
- No: 60.80%
What is the main reason you have not used any other accounts or products at the Credit Union?

- 57.10%, Don’t Know What Else CU Offers/Don’t Think They Qualify/Nobody Has Explained What the CU Offers
- 21.90%, Other
- 13.30%, Already Have Other Accounts/Products Elsewhere and Don’t Want to Switch
- 6.83%, I Didn’t Need Any Other Products or Services
- 4.70%, The CU Doesn’t Have What I Need
- 21.90%, Other
Fear and Consequences Around Credit

• Hesitant and fearful to seek credits
  – Immigrants don’t understand at first that they need to build credit to create financial standing
  – Some felt they learned it “too late”
  – Believed no one will give immigrants “credit”
• If they sought credit and were denied, many retreat
  – They can feel embarrassment, personal rejection, fear
  – Many immigrants will not reach out again after being rejected only once
  – This is especially true if there is no explanation for denial or pathway to acceptance

• CU Member Since ’98: “We applied in 2008, in several places and here as well, because we wanted to buy a house but we did not qualify because we didn’t have a SSN. We qualified by income but we didn’t due to lack of a SSN.”
• Interviewer: “And after that you never tried again?”
• CU Member: “No”
DEEPENING ENGAGEMENT:
WHAT MAKES MEMBERS STAY WITH THE CREDIT UNION
High Tenure & Satisfaction with the Credit Union

• 90% say they are satisfied or very satisfied with their credit union
• On a 1-5 scale, members overwhelmingly rated their credit union 5’s on treating them with respect, understanding their culture and language, and their trust of the credit union
• Over 80% have recommended their CU to friends and family

**Membership Tenure at CU**

<table>
<thead>
<tr>
<th>Years with CU</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>New Members</td>
<td>16%</td>
</tr>
<tr>
<td>1-5 Years</td>
<td>46%</td>
</tr>
<tr>
<td>5-10 Years</td>
<td>15%</td>
</tr>
<tr>
<td>10 or More Years</td>
<td>23%</td>
</tr>
</tbody>
</table>
Credit Union &
Improvement in Financial Situation

• 78% report that their credit union has helped to improve their financial situation in one or more ways. Of this number:
  – 56% say they are managing their money better
  – 43% say they now save
  – 39% say they have credit
  – 24% feel they understand more about finances
  – 22% feel they have a plan
  – 12% say they don’t live day to day anymore
  – 25% now own a car
  – 12% now own a home
Engagement Is Created Through Trusted Relationships

- Relationship and connection are the biggest factors in retention:
  - Personalized, people know the customer, greater attention, not just a number
  - Speaks “my language”
  - Also understands my “culture”
  - Understands the financial life of immigrants
- This results in positive feelings: Reduces fear, creates a sense of comfort, builds trust
- While members may have first learned about obtaining credit through community partners and word of mouth, tellers played a fundamental role when talking to members about how to start or rebuild credit.

“At other banks as they don’t know us, they wouldn’t give us the chance, but they did here.”

“You are my family.”

“I can call her and she answers immediately, she knows my financial life, so the service they provide to me is much better.”
Engagement is Created Through Opportunities

• Creating awareness about all products and services also creates a sense of gratitude and a long-lasting connection
  – Very thankful to CU for giving them a chance
  – Less restrictions to getting loans without a SSN
  – Less paperwork for other products
  – Don’t need a lot of money to keep an account
• Immigrants want to get information easily, without a lot of scrutiny
• Offering clear guidance and steps – pathways -- to achieving goals results in a better life and loyalty to the CU.
• Helping establish credit without making it an overwhelming task offers members a big opportunity.

“They are a little bit more accessible, not with so many restrictions like the other banks.”

“I like it better here because at other institutions you have to have money to keep the account open or things like that and here you can keep it opened with little money or you can even get a loan.”

“There is no other place where they will give you opportunity for undocumented Hispanics to have your own home or your own car.”
Engagement Generates Positive Word of Mouth

• As immigrants become more engaged in the CU, they are more likely to talk about it to other members of their community.
• Engagement gives them greater opportunities; others in the community see this and it creates greater discussion and word of mouth.

“I tell them [other people in the community] I like the credit union because it has a lot of benefits and it seems to me better than other banks.”

“I am the person that spreads out the advertisement. My mom is here, my brother is here, all my children are here as members, and I always tell my co-workers”
CONCLUSION
Our Successes

• We have the trust of our members
• We've helped them improve their financial lives in many ways
• We try to be there when they have crises and emergencies
• We've given them options to check cashers and payday and other predatory lenders and helped wean them away
Our Challenges

• We need to shift to a culture where everyone that "touches" a member (e.g., front line tellers) believes they have a responsibility to offer financial guidance or a referral to a financial counselor when they see a member that needs it;

• We need to actively communicate and offer products and services to members who need them, not passively “provide access” and hope that “if we build it they will come.”
Our Challenges

• We need to help create financial roadmaps and pathways for members: e.g., how to build their credit, how they get from a no to a yes on a loan application, what is the process for buying a car or a home and how can the credit union help

• While we don't need new products, we do need to deliver and underwrite them in different ways: e.g., goes without saying we have to offer ITIN loans, we probably have to consider using alternative credit (and not just rent or utility payments) in our underwriting, and take a little more (apparent) risk in the interest of building trust, relationships, and our portfolios
Our Opportunities

• If you successfully bank an immigrant member, you will often end up banking their family and friends.

• When you give someone an opportunity/take a chance with them when all other doors are closed, it builds incredible loyalty, sometimes for life.

• Immigrants represent a new demographic, not just in terms of ethnicity but in terms of age and family size, and thus in new demand for financial products and services; many immigrants are in the prime years for starting and raising families; most need cars and virtually all want to buy homes.
Thank You!

This research would not have been possible without the generous support of the Ford Foundation; the participation of the credit union staff and members of Family FCU, Guadalupe CU, Holy Rosary CU, Lower Valley CU, Neighborhood Trust FCU, Rio Grande CU, and Self-Help FCU, who gave their time, their hard work and their perspectives; Joy Silha of Silha Associates who helped guide us in the research design and execution; and to the members of our invaluable support team, Vernice Arahan and Kartik Amarnath. We thank them all!
For More Information

Kirsten Moy,
Research Director | kmoyaspensf@gmail.com
Alejandra Seluja,
Field Researcher | aseluja@cubreakthrough.com

National Federation of Community Development Credit Unions
39 Broadway, Suite 2140
New York, NY  10006
www.cdcu.coop