

BEYOND FINANCIAL ACCESS:

Striving For Deeper Immigrant Financial Inclusion



National Federation of Community Development Credit Unions

ABOUT THE BEYOND FINANCIAL ACCESS REPORT

This research was produced by the National Federation of Community Development Credit Unions. The research was led by Kirsten Moy, Senior Fellow, Financial Security Program, Aspen Institute, Alejandra Seluja, CUBreakthrough Consultant, and Cathie Mahon, Federation President/CEO. This research also benefited from the implementation support and contributions of several Federation staff, including Vernice Araham, Program Associate, Pablo DeFilippi, SVP of Membership and Network Engagement, Clarissa Ritter, Director of Communications and Marketing, and Ann Solomon, Director of Strategic Initiatives, as well as the expertise of Joy Silha of Silha Communications.

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ABOUT THE FEDERATION

The National Federation of Community Development Credit Unions is a certified CDFI Intermediary representing community development credit unions (CDCUs) that provide credit, savings, transaction services and financial education to underserved communities. Founded in 1974, the Federation is headquartered in Lower Manhattan with offices in Madison, WI. The Federation offers a wide range of advocacy, educational, training, investment, marketing, and outreach programs to support and assist CDCUs. For more information about the Federation and its programs, please visit www.cdcu.coop.



ABOUT FORD FOUNDATION

The Ford Foundation is an independent, nonprofit grant-making organization. For more than 80 years it has worked with courageous people on the frontlines of social change worldwide, guided by its mission to strengthen democratic values, reduce poverty and injustice, promote international cooperation, and advance human achievement. With headquarters in New York, the foundation has offices in Latin America, Africa, the Middle East, and Asia.

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EXECUTIVE SUMMARY

Immigrants are a vibrant part of the US economy. With an aging native-born workforce, contributions to the tax base and job creation from immigrant businesses help grow the economy and create opportunity. The credit union movement in the US has a long history serving immigrant communities, and now more than ever, immigrants present an area of significant growth.

The National Federation of Community Development Credit Unions (Federation) has led numerous initiatives to reach and serve immigrant communities. These efforts culminated in the national expansion of Juntos Avanzamos—Together We Advance—in September 2015 with key industry partners such as, Coopera Consulting, the Network of Latino Credit Unions and Professionals, the Cornerstone Credit Union League and state credit union associations. Since that time, Juntos Avanzamos has become a national network of credit unions with a commitment to serving and empowering Hispanic consumers that is demonstrated by their suite of products and services, staff and leadership, and cultural competency.

To be successful in promoting financial inclusion and empowerment of immigrant consumers, the Federation recognized the need to better understand how to reach immigrants and how to help them use financial products and services at the credit union to build greater financial stability.

In 2016, with generous support from the Ford Foundation, the Federation engaged a team of researchers to study the experiences of immigrants in accessing and using products and services at credit unions.

The purpose of this research was:

- To better understand how to engage immigrant members, particularly those from 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.

The Federation and its research team worked with seven credit unions in four distinct regions to collect and analyze institutional data, survey responses and in-depth field interviews that focused on the financial lives of immigrants, how they first connect to the credit union, their experience with the institution, and how they use the financial tools provided by their credit union toward greater financial security and asset accumulation. The research illuminated the following key findings:

- 1. There is a tremendous untapped market for responsible financial products and services among immigrants.** Immigrants represent a new underserved demographic, in terms of age and family size, and thus in demand for a range of financial products and services. Immigrants studied are predominantly in their prime income earning years and are actively starting and raising families. Many immigrants reportedly are working to build assets and wealth but are not necessarily using conventional means to get there. More than 42% of study respondents reportedly own a home, yet only about one-half of those respondents hold a mortgage. In the interviews, immigrant respondents reported making large purchases with cash either due to fear of debt or concern they will not qualify for loans. Respondents generally reported using their savings toward a home (or down payment on a home) and relying on friends and family or other informal methods. Almost 60% reported coming to the credit union for a savings or checking account, but more than half of those surveyed and the majority of interview subjects reported obtaining additional products after opening their account. The number one product obtained after opening an account was a loan or credit card.
- 2. High degree of loyalty to the institution.** Immigrant members report and demonstrate strong loyalty to their credit unions. More than 43% identify the credit union as the only place they choose to do their banking. Moreover, the vast majority are using the credit union on a regular basis, even those with a prior account at another financial institution. Almost one-half of study participants did not even know what a credit union was and therefore opened accounts initially elsewhere. Several interview participants expressed negative experiences at other financial institutions in the form of fees, limitation on the types of product or services they felt they could access, and general discomfort with the institution. Respondents primarily found the credit union through word of mouth, with 57.5% learning of the credit union through friends and family and an additional 10% through community referrals. The study revealed high levels of customer satisfaction with 91% reportedly satisfied or very satisfied. Credit unions have the trust of the members. From the surveys, respondents overwhelmingly gave credit unions 5 out of 5 star ratings for trust of the credit union, being treated with respect, and comfort that the credit union understands their culture and language. Both in surveys and interviews, study participants identified the credit union not as a place that makes money from them but as a place that will help them. Members overwhelmingly reported that their credit union helped to improve their financial lives, including better managing their money, being there when they have emergencies, and providing alternatives to payday and other predatory lenders. Study participants placed great emphasis on the credit unions being both bilingual and bicultural. In fact, across credit union locations, the greater the degree of bicultural staff and operations, the higher the member satisfaction and referrals to friends and family.
- 3. Immigrant consumers represent growth opportunities for credit unions.** A 2012 joint study by Credit Union National Administration (CUNA) and Coopera Consulting found definitively that credit unions that strategically invested in outreach to the Hispanic community reported faster loan growth and accelerated membership growth. Similarly, the institutions in this study have also boasted dynamic five-year growth trends in membership and lending, an average of 53% growth in lending and 27% in membership in the period between 2012 and 2016. Moreover, these institutions were more likely than their peers to offer diverse community development products and services with high social and financial returns. Each credit union studied from the smallest to largest offered micro and small business loans, wire transfers, and ITIN loans. But several of these institutions had gone further by developing tailored underwriting such as incorporating alternative credit information (including rent and utility payments) or created other means of determining credit

risk. Already, study sites experienced more than 50% of members taking up additional products and services (predominantly loan products) even without targeted marketing or communications.

4. **Even these institutions that excel at serving this population may be leaving opportunities on the table.** Despite the substantial growth and product uptake experienced at these institutions, surveys and interviews indicated that there were still opportunities to engage members with additional products and services. While more than one-half of respondents indicated they had taken more than one product, the institutional data analysis indicated some trends in which member used one or more services but did not continue adding more product usage. The two most common reasons that respondents cited for not using more from the credit union are the lack of awareness of what is offered and the fear they may not qualify. This lack of awareness of product features or criteria represents a missed opportunity. More than 73% report coming into the credit union at least once every few weeks, with a full 40% of all respondents coming weekly. That level of engagement speaks to an already high-touch model with this population. Given the high-touch nature of these institutions and the frequent visits of the vast majority of members, it would not be a substantial shift to orient themselves to a more sales-oriented culture that would assist members to learn about the offerings and what they would need to do in order to qualify. Establishing this sales-oriented culture where every staff member that connects to a member (e.g. tellers, member service representatives, etc.) is trained to provide guidance on next step products could increase product uptake and support members in using the institution more fully. With the high level of trust that members have in the institution, this guidance will likely result in members considering those options. Some staff interviews did signal reluctance to be seen as pushing products and not wanting to jeopardize the image of the institution as a place that helps. The downside of not providing this information is that it leaves members unclear about what they could access or use at the credit union. To maintain the credit union culture of service to the member, additional training can focus on how to help staff to identify and recommend options that will help the member to succeed. The credit union structure should naturally align the financial interest of the institution with the financial security of the membership, but not all products are equally beneficial to members. For this reason, a strong financial counseling component at the credit union will help staff members make appropriate referrals and encourage members to seek additional guidance on how credit union products can help them move toward long-term financial goals. Similarly, with new technology and data analytics modules in core systems, the credit unions could be more targeted in what they recommend to which members so as not to set up members for failure.
5. **If you successfully bank an immigrant member, you will often end up banking their family and friends and building a community.** When you give someone an opportunity and take a chance with them when all other doors are closed, it builds incredible loyalty, sometimes for life. As immigrants become more engaged in the credit union, they are highly likely to talk about it to other members of their community. And deeper member engagement creates greater opportunities for greater community discussion and word of mouth. 82.6% of those surveyed have recommended the credit union to friends and family.

Since the launch of the study, the political environment in the US has placed immigrants in a more precarious position than they had experienced in the preceding decade. Growing uncertainty has placed even greater urgency upon the efforts to grow and expand Juntos Avanzamos credit unions and to connect the network more deeply into the communities that are most targeted by the current Administration's anti-immigration policies. Juntos Avanzamos network members are becoming active as sources of trustworthy information on how to keep savings secure, how to prepare financially for emergencies, and referrals for free legal and social service providers. Juntos Avanzamos is proving to be a model for transforming credit unions into community centers able to organize and reach populations that may be outside the mainstream.

As communities prepare for what might occur if there were to be stepped-up enforcement and deportations, they are looking for opportunities to build additional savings that could be invested and used productively in the future. With credit unions receiving such high marks from members as a trustworthy institution where one can seek help, this presents opportunities to play that role as community center bridging communication gaps, providing a safe space where people can trust that their information remains private and confidential, and where they can be preparing for additional emergencies that may arise.

I. INTRODUCTION

The Beyond Access immigrant research aims to gain new insights into how and why immigrants that have entered the financial mainstream engage with their financial institution. Made possible through Ford Foundation support, this study analyzes product utilization, survey and interview data from a sample of immigrant members at seven credit unions around the United States. Due to the concentrations of immigrant communities at the sites, this study focuses primarily on Latino immigrants, but also included smaller immigrant populations from several Asian countries in select markets.

COMPONENTS OF THE RESEARCH

Through this research, the Federation aims to contribute to a deeper understanding of immigrant consumer financial practices and engagement with financial institutions. Following a review of existing literature, the research team collected primary data from three sources, utilizing both quantitative and qualitative information:

- Surveys of immigrant credit union members
- In-depth interviews of credit union members and staff
- Aggregated credit union product usage records

KEY FINDINGS FROM THE LITERATURE REVIEW

The research team analyzed numerous studies that delve into immigrant financial service preferences and obstacles. Groundbreaking studies such as “Financial Access for Immigrants” from the Federal Reserve Bank of Chicago (2006) and the “Immigrant Financial Services Study” from the NYC Office of Financial Empowerment (2014) explore the concentrations of immigrant communities outside the financial mainstream, the stated financial service preferences of immigrants, barriers to connecting to the mainstream and efforts made by both financial institutions and nonprofits to reduce those barriers and increase access.

The literature review revealed a gap in understanding what motivates immigrant populations to seek and access mainstream financial institutions and, once there, what types of products and services are most needed. In short, existing research did not give us a holistic view of the product and service pathways that immigrant consumers actually choose to access within a financial institution.

This project aims to address this research gap on how immigrants' stated financial service preferences translate into actual financial product and service utilization at credit unions and their resulting impact on immigrants' financial lives. This study also includes recommendations for where and how to strengthen these connections as immigrant communities (particularly the undocumented) are increasingly living in a time of uncertainty and fear.

DEFINING PRIMARY RESEARCH QUESTIONS

The findings from the literature review assisted the Federation research team in shaping the research agenda, and the following key research questions emerged:

- How do credit unions reach out to and acquire immigrant customers?
- Once in the door, what are the most common products and services utilized by immigrant consumers? Are there common pathways or clusters of products and services that different groups of immigrants take as they attempt to increase their financial security?
- Are there factors that make it more likely immigrant members will stay with a credit union? What makes them stay and what makes them leave?
- What products and services do many immigrants commonly continue to access from providers other than their credit union?
- What are credit unions currently doing well in terms of serving immigrants and where do they most critically fall short?

FIELDING THE RESEARCH

The Federation team compiled a list of 76 credit unions with whom it had been working to better serve immigrant communities and gathered background information on each including: asset size, members served, loan deployment, whether alternative forms of ID are included in customer identification policies, and specific immigrant-friendly products and services. The team gathered information on the composition of the immigrant communities served (nationality/ethnicity) as well as partnerships in place with non-profit service organizations. The Research Team then narrowed down the list of potential sites to those with high concentrations of immigrants and, in some cases, those with multiple branches in close proximity to each other.

In identifying potential credit union sites for participation, an attempt was made to select a mix of small and large credit unions in different regions of the country representing both urban and rural areas; credit unions with an extended history of serving immigrants as well as those who had only entered the field recently; and some diversity, where possible, in the ethnicity and country of origin of immigrants served. Seven credit unions demonstrated the interest and capacity to coordinate the data collection process according to researcher protocols. The study's credit union research locations were:

- Family Federal Credit Union¹ in greater Los Angeles, CA

¹ Following the data collection period but prior to the release of this report, Family Federal CU merged with Self-Help FCU.

- Guadalupe Credit Union in Santa Fe, NM
- Rio Grande Credit Union in Albuquerque, NM
- Holy Rosary Credit Union in Kansas City, MO
- Lower Valley Credit Union in Sunnyside, WA
- Neighborhood Trust Federal Credit Union in New York, NY
- Self-Help Federal Credit Union in the Bay Area and Central Valley, CA

The first step entailed sampling institutional data from a handful of sites to identify trends and patterns in product usage and take-up. This provided guidance to the survey design and interview guides.

The research team designed a 93-question immigrant consumer survey as well as a set of survey administration tools to guide credit union staff on survey administration. The survey was made available in English, Spanish, and Vietnamese. In some cases the survey was translated into other languages verbally by credit union staff survey administrators.

The survey was fielded from April through June 2016 both online and in the lobbies of the participating credit unions. The Federation's Field Researcher was onsite at each credit union for at least the first day of survey administration to do further training, handle problems and help ensure quality control. Due to issues relating to literacy (even in native language) and computer literacy, the survey incompleteness rate was higher than projected, on the order of 13%. In the end, 472 surveys were administered with 410 completed surveys. These 410 completed surveys serve as the focus of our findings.

In-depth interviews were designed to complement the data pulls and surveys with qualitative information regarding the beliefs, motivations, expectations, fears and aspirations of consumers, the obstacles they faced as well as successes achieved, and their overall levels of trust and satisfaction with their credit unions. Also, as the surveys were completed and new questions arose on member behaviors, these areas were targeted for further probing in the interviews.

The Field Researcher conducted interviews in English and Spanish at four sites: Lower Valley CU, Guadalupe CU, Rio Grande CU and Holy Rosary CU; the interviews in Vietnamese were conducted primarily at Holy Rosary CU with the help of a translator. In all, 32 interviews of credit union members were completed between June and August 2016. The Field Researcher also conducted interviews of nine credit union staff at the four credit unions.

SELF-HELP FEDERAL CREDIT UNION



HEADQUARTERS:
DURHAM, NORTH CAROLINA

BRANCHES IN:
CALIFORNIA, FLORIDA,
ILLINOIS



TOTAL MEMBERSHIP:
62,621

TOTAL ASSETS AT YEAR END 2015:
\$611,879,888



CREDIT UNION HISTORY:

Self-Help Federal Credit Union was formed in 2008 to build a network of credit union branches to operate on a scale uncommon in the community development industry. Through a series of mergers, acquisitions, and new branch launches in California, Illinois, and Florida, Self-Help FCU is building a community development credit union that aims to provide high-impact financial services to working class communities.

Self-Help FCU is part of the Self-Help family of non-profit organizations with a common mission and leadership. Over its 36-year history, Self-Help has learned that access to responsible savings, loans, and transactions is key to financial security, family healthy, and improved opportunity for low-income families. Altogether, Self-Help Credit Union and Self-Help Federal Credit Union have merged with 16 credit unions and one bank to create a network of over 40 branches serving just over 130,000 people in five states.

SERVING IMMIGRANT MEMBERS:

Self-Help Federal Credit Union has been serving immigrant members since it first opened in 2008 in California. The credit union was proactive in offering a product to respond to the Deferred Action for Childhood Arrivals (DACA) Executive Order signed by President Obama. Self-Help FCU has also started a program (Fresh Start) to get community members to build credit and to be ready to apply for the Deferred Action for Parents of Americans and Lawful Permanent Residents (DAPA) Executive Order signed by President Obama that did not materialize.

PARTICIPATION IN THE STUDY:

- 49 Member Surveys in two locations: Modesto and Vallejo, California

STUDY RELATED HIGHLIGHTS:

- Self-Help FCU was the largest credit union participating in the study.
- The credit union has closed 752 DACA Loans and a high percentage of the mortgage portfolio is ITIN members.

RIO GRANDE CREDIT UNION



HEADQUARTERS:
ALBUQUERQUE, NEW MEXICO

TOTAL MEMBERSHIP:
28,613

BRANCHES IN:
ALBUQUERQUE,
RIO RANCHO

TOTAL ASSETS AT YEAR END 2015:
\$273,191,319



CREDIT UNION HISTORY:

Rio Grande Credit Union was started by City of Albuquerque employees in 1953. Since that time, Rio Grande CU has merged with San Ignacio Credit Union, the Albuquerque VA Federal Credit Union and New Mexico Central Credit Union. In addition to these fine organizations, the credit union also serves employees, volunteers, residents and members of numerous companies, nonprofit organizations and neighborhood associations.

The mission of Rio Grande CU is to create a trusted partnership with our members that demonstrates excellent member service by providing financial education and solutions, competitive pricing, and convenience.

SERVING IMMIGRANT MEMBERS:

Rio Grande Credit Union began focusing on the immigrant market in 2014. The credit union embraced serving immigrants by revising its policies and procedures, translating all marketing material, and training staff.

PARTICIPATION IN THE STUDY:

- 17 Member Surveys
- 4 Member Interviews
- 3 Staff Interviews

STUDY RELATED HIGHLIGHTS:

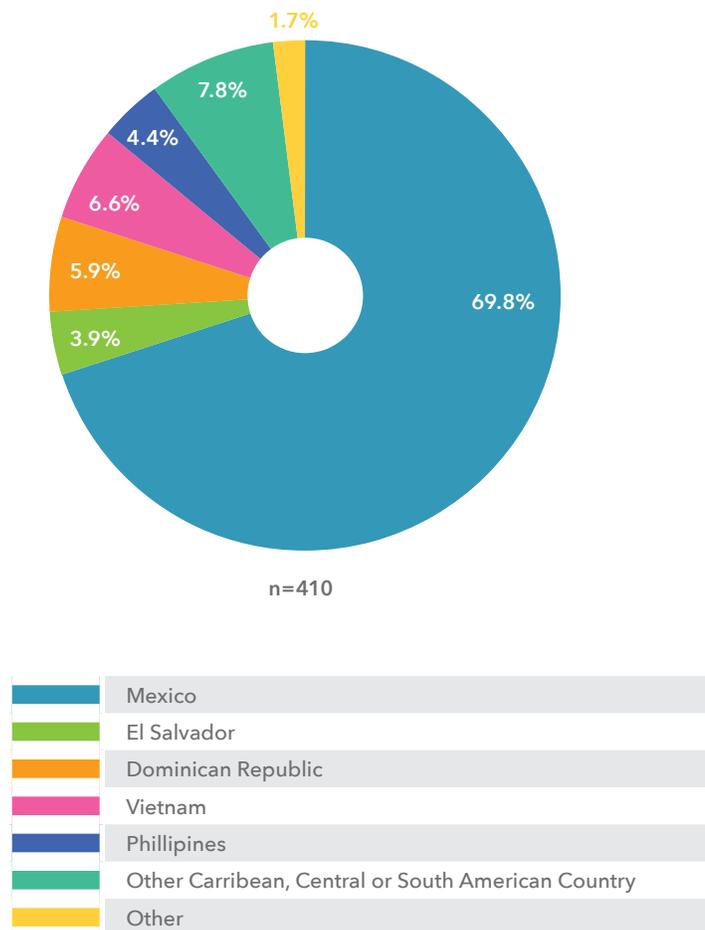
- Rio Grande CU had a strong partnership with local non-profit on an Individual Development Accounts program, creating a high volume of new immigrant members. Members who took up the product were mainly documented children with undocumented parents.
- Among the 7 credit unions in the study, Rio Grande began its outreach to the immigrant market most recently.

II. DEMOGRAPHIC OVERVIEW OF STUDY PARTICIPANTS

The study was intended to reach a range of immigrants to understand their financial needs, and access to, utilization of and experience with financial institutions over time.

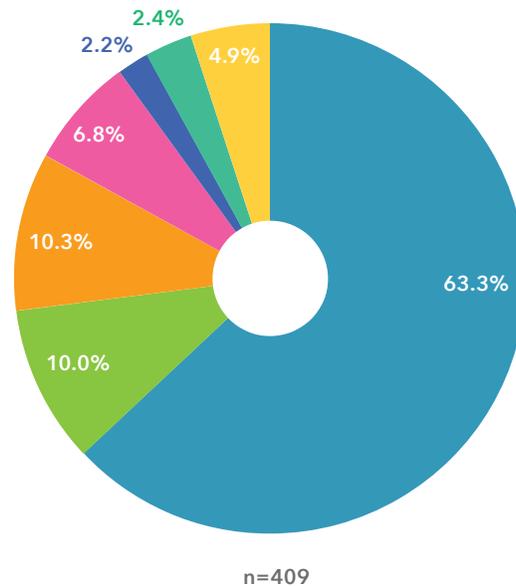
Participants in the study were all non-US born and included a mix of refugees, permanent residents, undocumented and citizens. The racial and ethnic background was largely Latino (82% of those surveyed and 84% of interviewees), largely from Mexico (70% of those surveyed). The interviews suggest that a substantial concentration of Mexican respondents came from the state of Michoacán, Mexico.

RESPONDENT COUNTRY OF ORIGIN



Survey respondents were fairly evenly distributed in age across working age adults, with the highest concentration of respondents between 35 and 44 years of age (29%). Respondents were largely employed with 63% working full-time; 10% working part-time (30 hours or less); and 10% were self-employed. Unemployment (which included disability) at 12% was higher than the national average indicating higher challenges in getting and maintaining stable employment.

RESPONDENT EMPLOYMENT STATUS

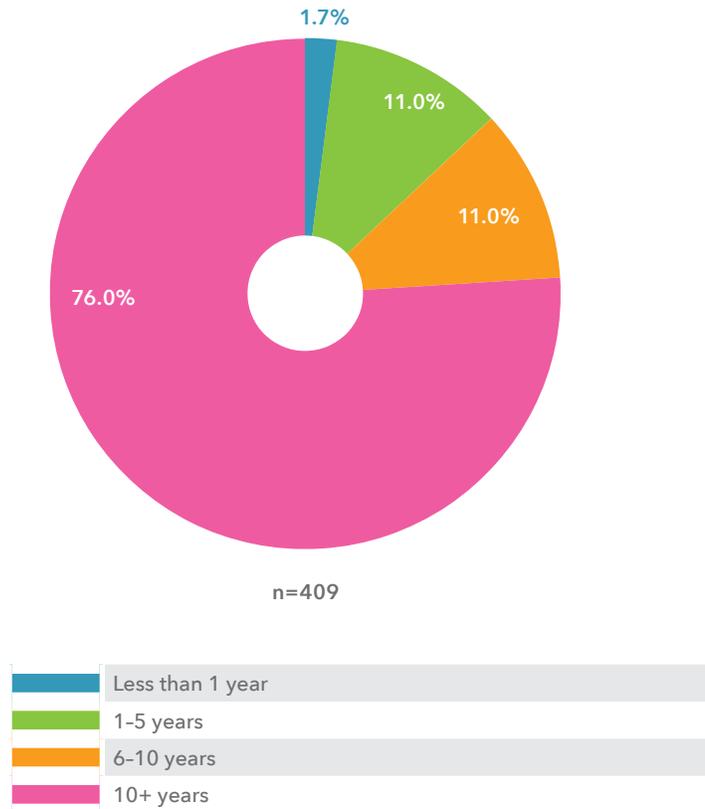


■	Employed, full-time
■	Employed, part-time (less than 30 hrs/week)
■	Self-employed
■	Not employed, looking for work
■	Not employed, not looking for work
■	Not employed, because I'm disabled
■	Retired

The majority of respondents had achieved a high school degree or higher level of education, with only 27.5% having less than a high school education.

Of particular note is that over three quarters of respondents were long-time US residents, having been in the US for over 10 years, with just 13% of respondents residing in the US for 5 years or less. However, nearly half of respondents were non-English speaking.

RESPONDENT TENURE IN THE U.S.



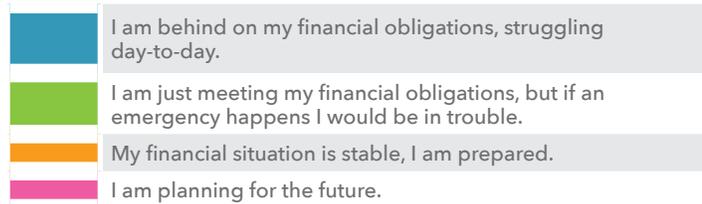
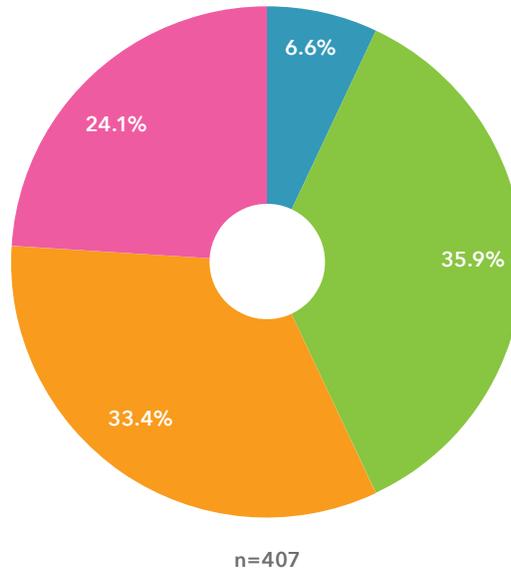
Respondents' family composition demonstrated the many responsibilities that immigrant families face. The majority of respondent households have one or more children under the age of 18 living with them and 61% indicated that they help support people in the US or other countries who do not currently live with them.

"We came here with my mom's side of her family, cousins, brothers, grandparents. My other aunt who came to the US a couple of years before us was here in Missouri so we were flown to Philippines for a few months before, to get used to the American culture before we actually came here."

— a credit union member in Missouri from Vietnam

58% of respondents felt that they were financially stable and prepared for emergencies, including 24% who are also planning for their financial future. However, 36% felt that they were meeting financial obligations but would be in trouble if they had an emergency, and nearly 7% indicated they were struggling day-to-day.

RESPONDENT SENSE OF FINANCIAL STABILITY



NEIGHBORHOOD TRUST FEDERAL CREDIT UNION



HEADQUARTERS:
NEW YORK, NEW YORK

TOTAL MEMBERSHIP:
3,044

BRANCHES IN:
NEW YORK

TOTAL ASSETS AT YEAR END 2015:
\$10,058,423



CREDIT UNION HISTORY:

Neighborhood Trust Federal Credit Union is a community development credit union (CDCU) which pursues a mission of financial empowerment in the predominantly Latino immigrant communities of West Harlem, Washington Heights and Inwood. Since its founding in 1997, Neighborhood Trust FCU has always prioritized services which enable local entrepreneurs to maximize their business potential and overcome obstacles most often generated by low incomes, linguistic barriers, immigration status, and lack of knowledge regarding standard business operations and accounting practices.

SERVING IMMIGRANT MEMBERS:

Neighborhood Trust has been serving immigrant members since its inception. The credit union has a fully bicultural/bilingual staff.

PARTICIPATION IN THE STUDY:

- 47 Member Surveys

STUDY RELATED HIGHLIGHTS:

- Neighborhood Trust FCU had the highest percentage of study respondents that are business owners: 21%.
- The credit union is affiliated with Neighborhood Trust Financial Partners, a leading provider of financial counseling and empowerment services.

III. IMMIGRANT EXPERIENCE

The in-depth interviews conducted by the Federation field researcher probed the unique experience of being immigrants in this country: what prompted people to come, how they initially experienced life in the US and how that has changed over time. These findings provide a valuable context on the motivations and concerns behind the financial behaviors and product utilization demonstrated in the surveys and at the credit unions.

ECONOMIC OPPORTUNITY VS. REALITY

While most of the interviewees had moved to the United States for better economic opportunities, for some the political upheaval and repression in their countries of origin also played a role. Despite seeking better economic opportunity, many encountered significant challenges upon arriving. People cited a lack of documentation: social security number and/or driver's license; difficulty learning the language; instability of employment; higher than expected cost of living; and difficulty finding housing and transportation as significant challenges. Many respondents described having to adapt to jobs open to them rather than obtaining work in their prior fields; and noted that jobs that accompanied their skill set were not available and therefore having to accept what was available to immigrants (especially if undocumented). There were numerous interview participants who indicated they had professional experience that they were unable to use or take advantage of here in the US, indicating significant underemployment.

“Our country did not give us the opportunity to have a job. I looked for a job for a year and even having a university education, there was nothing for us.”

— a credit union member in Missouri from Mexico

It was common for study participants to express an intention to remain in the United States for only a brief period of time in order to attain greater financial security. Over time, in the course of raising a family, plans changed and the dream of returning home faded. While their outlook at the beginning was generally optimistic, the immigrants in the study soon found moving to the United States presented major challenges.

CASH CULTURE

Study participants reported initially living entirely in a cash culture with limited options. People report that keeping it simple had some advantages—by keeping cash on hand, cashing checks immediately, always paying in cash, saving for bigger purchases and only then buying—gave them a sense of control and discouraged debt. But operating strictly on a cash basis meant needing to find a place to cash checks, paying more for accessing cash, and if they were supporting others outside their household like many of

the immigrants surveyed, the need to find a way to send money home. Even houses and cars (to broaden options for work and housing) are often bought with cash—despite the inevitable delay in amassing savings that can put extraordinary stress on a family. Operating cash-only also presents a high risk of loss or theft of the savings before the items could be purchased.

“My thought was really to come alone, buy a small truck and go back to my country, and thank God I got married. I have my family and my children, and we are working to build a better future for them as well.”

— a credit union member in New Mexico from Mexico

FEAR OF DEBT

A critical obstacle to accessing credit was a lack of awareness and understanding of available financial services when immigrants arrived, but so too were very strongly held concerns about debt. Debt was initially viewed negatively by interview subjects. Concerns about getting into debt also surfaced in survey responses where many people wrote in comments about not wanting or needing loans. In the interviews, this was expressed more in the form of fears about borrowing money and getting indebted. Avoiding the cultural stigma of being in debt—“a drug”—is a strong motivating force for immigrant consumers. In addition, many respondents felt that no institution would lend (or lend fairly) to them as immigrants.

Some interview respondents described a revelation when they began to understand that building “credit” is a positive thing. Many professed not really understanding the concept of credit until after sometimes many, many years here. Usually this revelation was prompted by the desire to build assets such as purchasing a home, starting a business or seeking financing for other productive needs.

“No quiero tener drogas. I don’t want to have drugs.” (In reference to a question about taking loans.)

— a credit union member in New Mexico from Mexico

LOWER VALLEY CREDIT UNION



HEADQUARTERS:
SUNNYSIDE, WASHINGTON

BRANCHES IN:
SUNNYSIDE, PROSSER,
GRANDVIEW, AND GRANGE



TOTAL MEMBERSHIP:
12,650

TOTAL ASSETS AT YEAR END 2015:
\$99,923,036



CREDIT UNION HISTORY:

Lower Valley Credit Union was started in 1952 in the basement of a local Catholic Church by 25 original charter members, each depositing \$5.00. Due to the origins of the credit union it was naturally originally named “Catholic Credit Union.” At the time, there were only 2 Catholic Dioceses in the State of Washington, one was located in Seattle and the other was located in Spokane. Then, in 1958 a new diocese was formed in Yakima. This resulted in a regulation ruling, which allowed for only 1 credit union within the same diocese. Therefore, a decision was made to keep the credit union that was located in Yakima. The credit union was then re-incorporated, under the new name of “Lower Valley Credit Union.”

SERVING IMMIGRANT MEMBERS:

Lower Valley Credit Union has been serving immigrant members for over 10 years. But in 2010, the credit union made serving the Hispanic and immigrant market a strategic priority. Lower Valley opened a full-service bilingual branch in 2014. Under this new immigrant-focused strategy, the credit union has doubled its assets.

PARTICIPATION IN THE STUDY:

- 103 Member Surveys
- 11 Member Interviews
- 3 Staff Interviews

STUDY RELATED HIGHLIGHTS:

- Lower Valley CU had the highest percentile ratio of immigrant members’ loans and mortgages to total credit union loan and mortgage portfolio—37% of all total loans and 31% of the total mortgage portfolio was made up of immigrant members.

IV. ACQUISITION

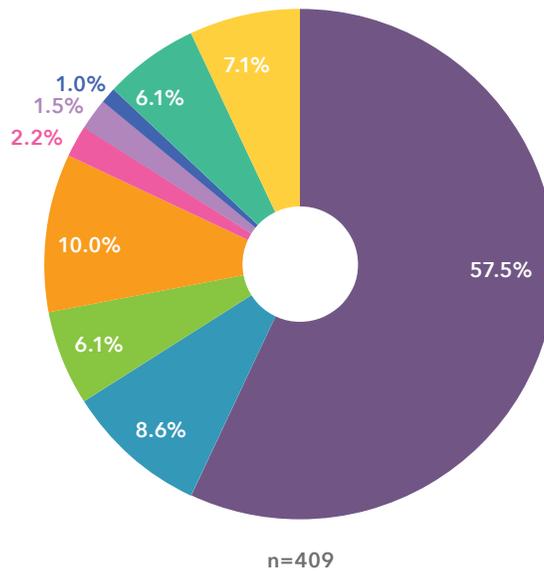
INTRODUCTION TO THE CREDIT UNION

Many immigrants surveyed were not initially aware of credit unions or what they offered. As discussed above, many immigrant respondents initially relied almost exclusively on cash. When they did start thinking about building savings or felt they needed a safe place for transactions, they first thought of banks. The reasons provided for this were that banks were more visible, others in their community used a bank, or their paychecks were issued by banks. Respondents reported finding their way to the credit union eventually, but often after they had been in the US for some time and when there was a specific presenting need.

Nearly half of survey respondents did not know what a credit union was prior to opening an account. Word of mouth was the primary driver of recruitment with 58% of people coming to the credit union as a result of recommendation from a trusted friend or family member, with an additional 12% coming as a result of a referral from a trusted community partner, church, or financial counselor. In some credit union locations, referrals from a combination of friends, family and community partners were as high as 95%. In the case of one credit union, a relocation nonprofit which works with refugees made referrals to the credit union. At another credit union, members reported joining through special programs: a Community Development Financial Institution (CDFI) Affordable Housing program to help immigrants start building credit and an Individual Development Account (IDA) program for children of immigrants. Employers also directed some immigrant workers to a credit union (8.6%). In some cases, awareness comes about simply because a new building catches their eye, drawing them inside to inquire about the credit union and its offerings (6.1%). Rarely did consumers come as a result of actual advertising, online searches and other sources of information (2.6%). However, it should be noted that none of the credit unions in the study reported investing significantly in traditional channels of marketing and advertising.

The interviews affirmed this survey data. A member at one of the credit unions articulated a theme that was common across interviews at all sites “A co-worker asked me why I had an account at [bank] and asked me why I didn’t open it here... I decided to open [an account here] because I wanted to build credit because I was used to paying cash for everything I bought. And I opened my account, and started finding out about services you had here. And that’s how I started, I got a credit card for \$300, and I built my credit thanks to you guys.” Still others described how friends or family members physically brought them to the credit union to open their accounts. In several occasions, those interviewed described how they now play that role with their own family members.

HOW RESPONDENTS LEARNED ABOUT CREDIT UNION SERVICES

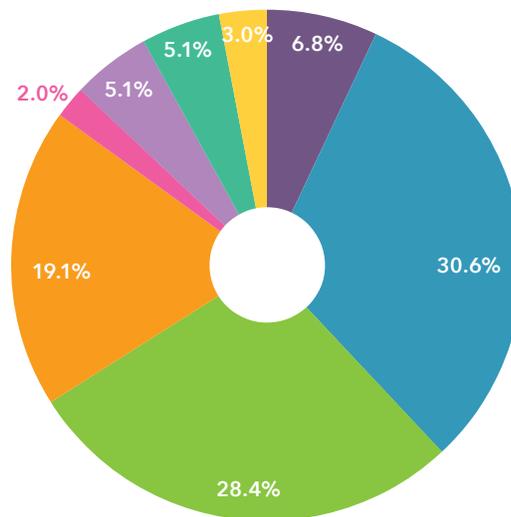


	Family/Friend Referred
	Employer/At My Workplace
	At a Community Event
	Referred by Community Organization or Church
	Referred by a Financial Counselor
	Advertising (Radio, Print, TV)
	Online
	Saw the Building
	Other-Write in

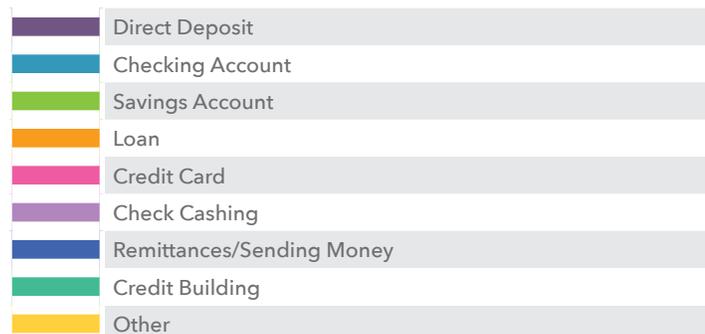
Survey responses illustrated that the main motivation for many immigrant consumers when they decided to go to the credit union was to find a trustworthy place. More than 40% of survey respondents reported opening accounts at the credit union because they were looking for a place to build a relationship (40.5%). For others, the motivation was to build or rebuild credit (23.2%) and for a significant number to attain a specific financial goal or product/service (14.8%), direct deposit for employment purposes (9.8%) or either having a financial emergency or needing help with their finances which were in disarray (8.8%). Other motivations cited were: convenience of hours or location, no fees for accounts, the hope of lower fees and higher interest rates on savings, and the desire to be part of the community.

The key products that stimulate interest in credit unions for the immigrant consumer include: checking and savings accounts, car loans, home loans and the opportunity to build or rebuild credit. When asked what product need brought them to the credit union, the top three responses are checking account (30.6%), a savings account (28.4%), and a loan (19.1%). Of lesser interest, but still significant, was interest in direct deposit (6.8%). Check cashing and credit building services were each mentioned by 5.1% of respondents. Credit cards represented a relatively small area of interest (2%). It should be noted that while only one respondent mentioned remittances, a number of the participating credit unions do not offer this service.

PRODUCT/SERVICE RESPONDENTS SOUGHT WHEN JOINING CREDIT UNION



n=409



Of the 77 respondents who came to the credit union because they were interested in a loan, the primary purposes were car loans (35.1%) and bill payment/debt consolidation (27.3%). Almost as important were home or mobile home loans and mortgages (20.8%). To a lesser degree, immigrant consumers sought money to pay for immigration documentation (5.2%) and business loans (3.9%), and other needs including school, travel and undisclosed personal reasons (7.7%).

It should be noted that these responses indicating what respondents were seeking in the way of loans when they came to the credit union did not necessarily translate over time into actual loans taken. While many immigrant members were able to access loans that they had no idea they could qualify for, in other cases, members did not qualify for their desired loans and some members found other options. The actual uptake of loans and other products is discussed in the section on “Successfully Generating Product & Service Uptake.”

PRODUCT USE BEYOND THE CREDIT UNION

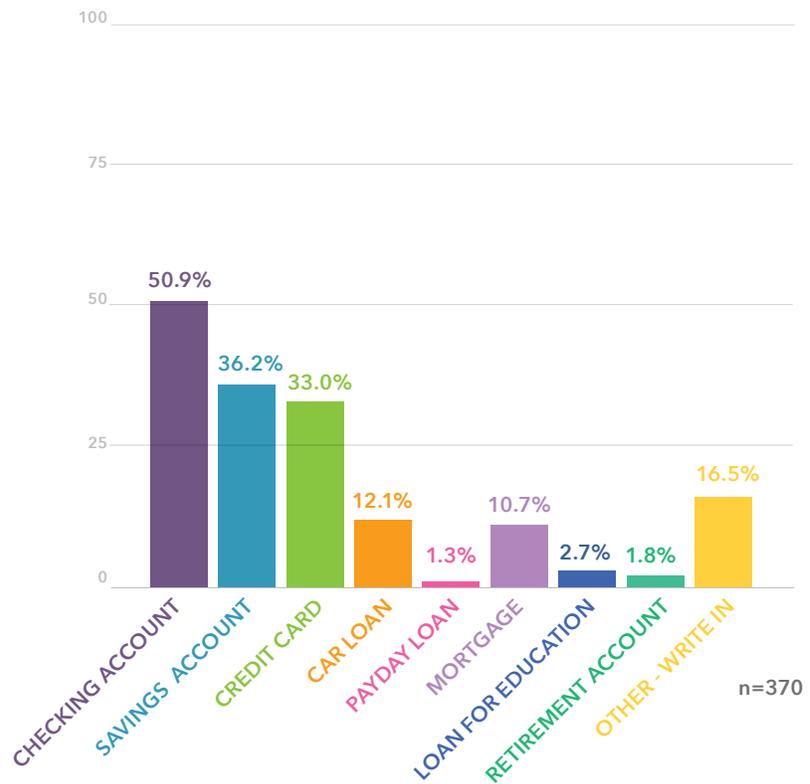
The survey also provided insights into how immigrant respondents are utilizing the credit union services in relation to other financial service providers. For a significant portion of respondents (43.5%) the credit union is the only place where they conduct their transactional services such as cash checks, send money and/or manage an account. However, 37% responded that they use a bank for this purpose in addition to the credit union. In interviews, many indicated they had opened their account at the bank prior to coming to the credit union and continue to use it for convenience and/or for specific purposes (such as a means to make student loan repayments). Fifteen percent of respondents indicated they are doing transactional services at markets, pharmacies and/or gas stations. Significantly, less than 3% report using payday lenders and only 5% report using check-casher stores.

The most common products accessed outside the credit union are checking accounts (51%), followed by savings accounts (36.2%) and a credit card (33%). Many fewer immigrants reported obtaining large and more productive credit from outside the credit union. Only 12% of respondents who use services at other providers indicated they received an auto loan and only 10% obtained mortgages from other providers.

The interviews probed the immigrant consumers' experience more deeply, and interviewees reported a range of reasons for retaining their bank account after coming to the credit union. Almost half of the immigrant consumers from the interviews keep their bank account for convenience (proximity), for bill pay, or to receive money from an employer or a relative out of state. There seemed to be a presumption among a few members that maintaining bank accounts was important for building up either credit or a track record, suggesting a perception that banks have greater legitimacy or weight than the credit union.

Some interviewees reported an annoyance with bank fees, but noted that they have direct deposit into a bank account, pay bills through their bank account, and still have unused checks purchased from the bank. Researchers also heard that banks are more widely available and that, in contrast to the local credit union, banks are everywhere and provide more ready access to cash.

RESPONDENTS' FINANCIAL PRODUCT USAGE OUTSIDE THE CREDIT UNION



Many of the members interviewed (26 of the 32) had a bank account before they opened their account at the credit union, either because banks were more visible in the community, or because their payroll checks came from that bank. One member suggested he opened his first account at a bank because “credit unions weren’t very popular back then.” Now he has a credit union account because he wants to support local institutions, and it is close by to cash his check. “I like credit unions, better than banks—they help people.” By contrast, their bank experiences were often not positive. Due to lack of understanding or orientation, they encountered overdrafts and unexpected fees. There were cases in which members indicated closing accounts due to adverse experience but these were limited.

For the most part, survey respondents had opened a bank account to cash their checks. Those that sought loans described experiences of being rejected. For the small number of immigrant consumers that reported getting loans (mostly credit cards) from banks, they described high interest rates and fees.

Recalling that 76% of respondents have been in the United States for 10 years or more, a number of study participants now have Social Security numbers and have sufficiently established credit to access bank loans. But for those with ITINs, thin credit files or poor credit, the reported experiences described in the interviews are the more likely outcomes: loan application rejection or credit at a high cost.

“Often times if you don’t have a SSN you can’t get financed. Most banks deny you and the finance companies take advantage and give us a very high interest rate.”

— a credit union member in Washington from Mexico

A higher percentage of interview subjects held loans outside the credit union, including car loans. All the interviewees but one had a car. As noted earlier, many had saved and paid cash for the car, but some went to a car dealership and got a loan financed by a credit union other than their community development credit union or an alternative lender. This was also true for other loans. Some credit union members had loans elsewhere when they opened their credit union account, but others had obtained loans elsewhere since becoming credit union members because either the credit union did not offer that product or the respondent was not aware that the credit union offered the product.

Something expressed by members during interviews, was that they obtained car loans “while they were at the dealership.” Systematic problems mentioned with those loans were high interest rates or not knowing the terms or the interest they were paying. A member shared his story of this being a recurring issue:

Q: *“When you bought a car, how did you pay for it? Paid in cash or with a loan?”*

A: *“We had to get a loan but the person at the dealership helped us but never told us who it was being financed through and I think it was through a finance company in Las Vegas. The interest was very high, like 25%, but we were just told we qualified for the loan under my dad’s name. We were never told what type of loan it was going to be or how it was going to be, we were just told this many payments of this amount and that’s all, we were never told, “this is the interest” or if it was good for us or not, or if it was better to pay cash or go to different banks. They just took us to the one they wanted to. In the end, when we finished paying it, we realized that we were with a finance company. That happened to us twice when we bought here in Sunnyside. We were financed with a finance company in Oregon [at] 30 or 27%. My wife and I paid a lot in interest, because they didn’t tell us, and we didn’t know we could apply. Often times if you don’t have a SSN you can’t get financed. Most banks deny you and the finance companies take advantage and give us a very high interest rate. I have cousins this has happened to lately as well.”*

— a credit union member in Washington from Mexico

Interviews highlighted that many members had to either rely on other sources of financing (such as private contracts) or were victims of deceptive sales practices due to a lack of understanding about how the financial system works in the United States. Many interviewees said they wished they had known about the opportunities offered by their credit union, particularly the availability of loans, before they shopped elsewhere.

Another example of the financial hardship resulting from an incomplete understanding of financial product structure came from a credit union member who had provided counseling to a refugee member:

“I moved to the US 17 years ago and did not speak English. I co-signed for a friend to buy a house and bought my house as well from another lender. When my friend stopped paying on her house, I was told that if I stopped paying on the one house that they would foreclose both. Alone with only

one income, I couldn't afford both payments so I stopped paying on both houses and they were both foreclosed. I had no idea that I had co-signed the loan for a friend. I thought the signature was for a reference. I came to the credit union to receive help to rebuild credit."

— a credit union member in Missouri from Vietnam

Importantly, those who had a credit union account first were less likely to ever open an account elsewhere. Similarly, the few immigrant consumers who used check cashing outlets before opening a credit union account, for the most part, stopped using the check-casher because the credit union offered a full range of products with no check-cashing fee.

A key area where credit unions seemingly have yet to meet the needs of immigrant consumers are with sending remittances back to their home country, which can be seen as a lost opportunity. Close to 20% of the immigrants in the study use remittance services elsewhere, at least in part because a considerable number of credit unions fail to offer that service. In the case of the Vietnamese community, members have one place they all use that is more convenient and less costly. Other members use tienditas or Walmart because they report that the remittance services are faster and less complicated.

Recent changes in regulation have limited the number of credit unions that are offering remittances or international wire transfers for fear that they may not be able to comply with the regulations to monitor the disbursement agents in the home country. This is unfortunate because remittances had been seen as an entry point to meet immediate needs of the immigrant market and as a vehicle to establish a trusted relationship with consumers. It is possible that new mechanisms for cross-border payments could enable more credit unions to offer this service again through an online banking platform. This is an area of inquiry the Federation is pursuing in partnership with a core data processing company EPL, Inc.

HOLY ROSARY CREDIT UNION



HEADQUARTERS:
KANSAS CITY, MISSOURI

TOTAL MEMBERSHIP:
4,705

BRANCHES IN:
KANSAS CITY, RAYTOWN,
ST. JOSEPH

TOTAL ASSETS AT YEAR END 2015:
\$18,790,268

CREDIT UNION HISTORY:

Holy Rosary Credit Union has often been called “the melting pot credit union” over its 73-year history. Since it was organized in 1943, the credit union has experienced the arrival of many different ethnic groups into the field of membership. Though their members have diverse backgrounds, they either share a bond of the Catholic faith, or a connection to nonprofit and needs-based organizations in the area.

SERVING IMMIGRANT MEMBERS:

Holy Rosary Credit Union has been serving immigrant members since its inception, reaching out to members through various Catholic churches and community organizations. Holy Rosary currently provides bilingual/bicultural services in Spanish and Vietnamese.

PARTICIPATION IN THE STUDY:

- 101 Member Surveys
- 11 Member Interviews (Including 4 in Vietnamese)

STUDY RELATED HIGHLIGHTS:

- Holy Rosary CU has a proactive educational approach at all touch-points.
- Their front-line staff is truly bicultural—offering services in both Spanish and Vietnamese.
- The credit union had the highest percentage of referrals: 95% of study respondents were referred by a family/ friend/ community organization.

V. SUCCESSFULLY GENERATING PRODUCT & SERVICE UPTAKE

THE IMPORTANCE OF PERSONAL INTERACTION

The credit union served as the primary financial institution for nearly half of study participants. The survey revealed that immigrant credit union members are frequent visitors to their institutions and are active users of many credit union services. When asked in the survey how frequently they physically come to the credit union for service, 40% said once a week or more often, 33% said once every few weeks, 20% said once a month.

Interviews confirmed members come often to the credit union, or if they have a point-person, they call that person for guidance. It is not surprising that immigrant members seek more personal interaction. In both the interviews and surveys, we saw that despite significant time in this country, many still do not speak English and many more feel that they do not understand the banking system. Interview respondents felt that personal interaction was a real benefit to joining the credit union. Interviewees mentioned talking to tellers and financial counselors about financial options available. The interviews highlighted that when members feel empowered to access options they did not think they were eligible for, they keep coming to the credit union to achieve the next goal. One member noted, "... I thank [the credit union] a lot because I would have never been able to do that, it was a loan for \$120,000 and that's a lot of money..."

Another still talked about how coming to the credit union provided him with a better understanding how his credit has improved and his options as a result:

Q: *"You have the credit card, the land loan is paid off, have you had any other loans here, like car loans?"*

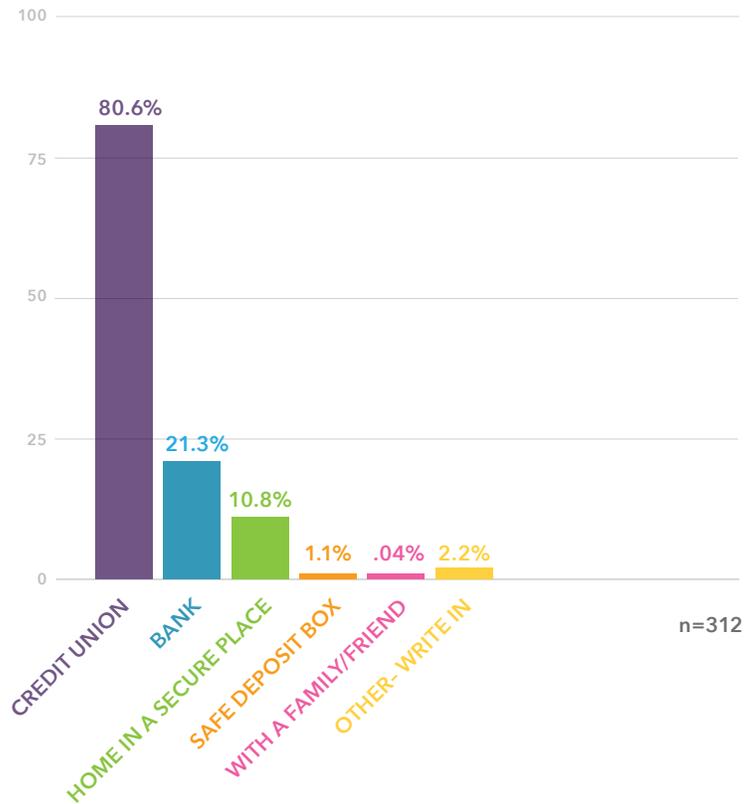
A: *"In fact, I'm looking about getting a loan for a car because I have two children and I'm looking for a bigger car. In fact, I came to talk to [the credit union financial counselor] and they told me I could get a 2.4% interest rate without down payment because my credit score was at 738."*

— a credit union member in New Mexico from Guatemala

PRODUCTS AND SERVICES FAVORED BY IMMIGRANTS

When asked where they currently save, the credit union was the response for the overwhelming majority of participants. Of the 286 survey respondents who reported actively saving, 80% reported saving at the credit union, followed by banks and saving at safe place at home.

WHERE RESPONDENTS SAVE



When asked about their savings behavior, 66% of members surveyed said they currently save, whereas 34% said they did not. Of those who do save, 32% responded they save once a month; 28% responded they save once every few weeks, and 27% responded they save once a week. Only 13% said they saved infrequently: i.e., once every few months or less. Of those who said they do not currently save, slightly over half (i.e., 54%) indicated they had saved in the past.

More than 60% of survey respondents indicated that after obtaining a checking or savings account, they had gotten at least one other product from the credit union. Of this 60%, loans accounted for 45% of the second product taken up after opening an account and when credit cards were added it was more like 69% of second products utilized.

Seventy-seven percent of survey respondents owned a car and 57.2% owned a house or mobile home. Immigrant respondents utilized a range of methods to purchase a car, the most common approach was simply paying cash or check (45%). The second most common response after paying with cash savings was accessing a credit union loan (29%); followed by a bank loan (12.5%). But there were some that used higher cost sources of financing such as: Buy Here/Pay Here loans (4.5%). Survey respondents also used contract/loan with private car owner (2.5%); loan from friend/family and online loans (less than 1%).

While the survey reported that, overall, 57.2% of respondents owned a house or mobile home, an analysis of home ownership by site showed that homeownership rates varied greatly by location, from a high of over 60% in New Mexico for members of Rio Grande CU and Guadalupe CU, to a low of just over 23% in New York City for members of Neighborhood Trust FCU.

DO YOU OWN A HOME OR MOBILE HOME?

In which state do you currently live?	YES	NO
Washington	33.0%	67.0%
New York	23.4%	76.6%
Northern California	49.0%	51.0%
Southern California	48.7%	51.3%
Santa Fe, New Mexico	60.4%	39.6%
Albuquerque, New Mexico	64.7%	35.3%
Kansas or Missouri	43.6%	56.4%
COLUMN TOTAL	42.7%	57.3%

n=409

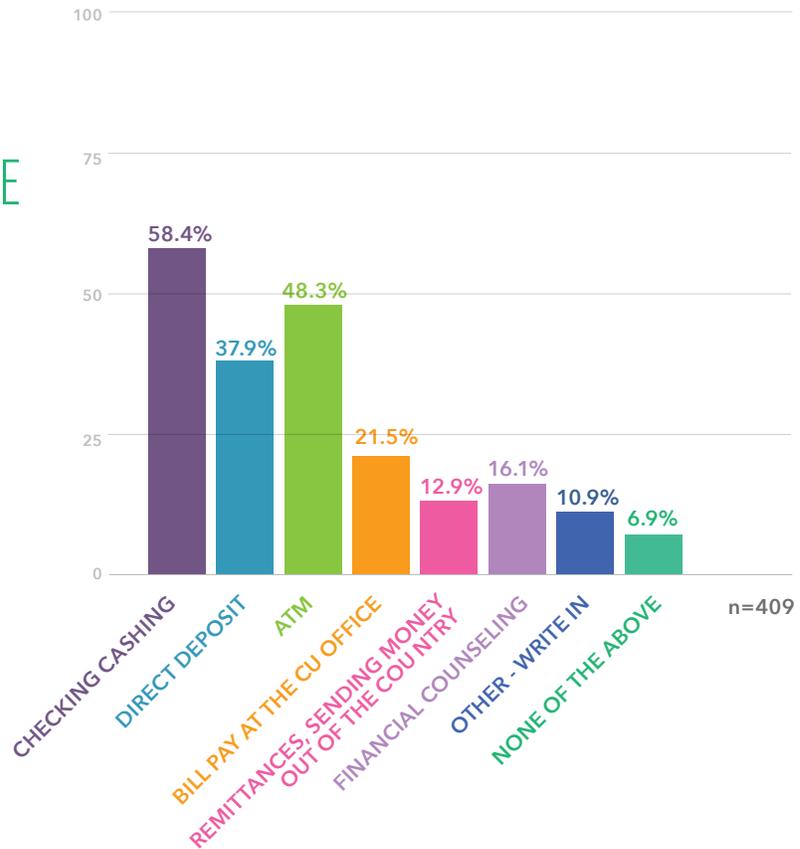
The data gleaned on immigrant home and mobile home purchases also show a range of methods with a heavy reliance on cash transactions. Of 173 respondents, 51.4% reported taking out a mortgage or loan to buy their home; 48.6% did not. Mortgages came primarily from banks (52.8%) but a significant [and possibly growing] portion came from the credit unions (23.6%). Mortgage finance companies accounted for only 7.9%; while mortgages directly from the builder or with the prior owner were considerably less at 5.9% and 4.5% respectively.

The high percentage of members who did not take a mortgage to finance their home is the result of several factors:

1. Home pricing is relatively low in some of these credit unions' markets (\$50,000 was mentioned by members interviewed on the amount they paid for their houses in Kansas City).
2. Many members owned mobile homes, a more affordable path to homeownership. In New Mexico, some mobile homes are priced as low as \$10,000.
3. Some of the interviewed members reported paying for their homes through a private contract: Owner-to-Owner financing. Although this is a loan, members did not consider it a mortgage.

When asked about transactional services that members accessed (multiple responses were permitted), check cashing, ATM services, and direct deposit ranked as the top three services. The next three most frequently mentioned services were bill pay at the credit union, financial counseling and remittances. It should be noted that some of the participating credit unions do not offer remittances or the incidence of remittance usage might well have been higher.

SERVICES RESPONDENTS UTILIZE AT CREDIT UNION



Finally, a few findings about the use of technology and online banking: approximately 45% of those surveyed own a computer and 78% own a smart phone, while only 12% of respondents said they own neither. Despite the high phone and computer ownership rates, 44% of survey respondents reported that they do not use their phone or computer for financial transactions. The most frequently cited reasons for not using online banking, did not know how to use it, and followed by preferring to interact with a person.

LACK OF AWARENESS ABOUT PRODUCTS AND SERVICES AVAILABLE

Despite being active transactors and having frequent contact with their credit unions, many members, even long-term members, were not aware of the full range of credit union products and how the credit union could help them.

Interviews affirmed members' lack of awareness at some credit unions. Members attending interviews were eager to learn more about products and services the credit union offered, or expressed that they had never applied for anything else. A long-term member (since 1993) remarked:

"I haven't had much experience, like loans, I have never tried to refinance my house."

Q: "Why?"

A: "Well, being scared to ask because I don't have papers... I think my biggest barrier is not asking."

— a credit union member in Washington from Mexico

This member's statement affirms the findings to the next set of questions in the survey. The survey probed reasons why the roughly 39% of respondents did not take up additional products. The number one answer was they did not know and/or nobody explained what else the credit union offers (30.2%), followed by they did not need any other products/services (18.9%) or they thought they wouldn't qualify (17.6%). This is compared to only 10% indicating that they already had products elsewhere.

Given the leading reason cited by members for not taking additional products was a lack of knowledge about what their credit union offered, researchers decided to test the hypothesis that lack of knowledge could noticeably affect uptake by running a cross-tabulation of members' perceived understanding of their credit union's products and services against their actual uptake.

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, got additional products	NO, did not get additional products	ROW TOTAL
Respondents who feel they understand the credit union products and services	67.1%	32.9%	70.6%
Respondents who feel they do not understand the credit union products and services	32.0%	68.0%	12.3%
Not sure	55.1%	44.9%	17.0%
COLUMN TOTAL	60.7%	39.3%	100% n=405

This analysis showed that of those who said they felt they understood the products and services of their credit union, approximately 2/3 (67%) took out additional products beyond basic savings and/or checking

accounts, while of those who said they did not feel they understood the products and services, only about 1/3 (32%) took additional products. Of those who answered they were unsure if they understood, the split was much closer: 55% indicated they took further products and 45% indicated they did not.

LEARNING ABOUT CREDIT

The interviews shed further light on obstacles to uptake, especially in the case of credit products. Many immigrant respondents were hesitant and fearful about seeking credit and many were not aware that they needed to build credit in order to access financing. Many feel by the time they do learn, that it's "too late." Other interviewees expressed the belief that no one will "give immigrants credit."

Immigrant interviewees who had been denied for a loan, expressed embarrassment, personal rejection, and fear. Many indicated they would not reach out again after being rejected once. This is especially true if there is insufficient explanation for the denial or no pathways to acceptance presented.

"I could have started credit a long time ago if I had known."

— a credit union member in New Mexico from Mexico

"We never thought to go ask because we thought (and now we know) that no one will give us credit."

— a credit union member in New Mexico from Mexico

"You are nobody here if you don't have credit. [...] I wish I had known before that I needed to build credit [to buy a house]."

— a credit union member in Missouri from Mexico

"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."

Q: *"And after that you never tried again?"*

A: *"No."*

— a credit union member in Washington from Mexico

GUADALUPE CREDIT UNION



HEADQUARTERS:
SANTA FE, NEW MEXICO

TOTAL MEMBERSHIP:
16,317

BRANCHES IN:
SANTA FE, ESPAÑOLA,
TAOS, MORA

TOTAL ASSETS AT YEAR END 2015:
\$139,638,744



CREDIT UNION HISTORY:

Chartered on September 8, 1948, Guadalupe Credit Union has grown with the area. Guadalupe CU is a Juntos Avanzamos Credit Union, one of only two in New Mexico. The Juntos Avanzamos designation formally recognizes credit unions in the U.S. that specifically tailor financial products and services to serve low-income Hispanic and immigrant communities.

SERVING IMMIGRANT MEMBERS:

Guadalupe Credit Union has been serving immigrant members since 2001. The credit union opened a full-service, bicultural branch in March 2008 in a strip mall, which was relocated and expanded in 2013 to a 5,600-square-foot free-standing branch. With the branch dedicated to serving bilingual members, the visibility of the new building and a full range of products and services offered, the credit union has grown dramatically in the last few years.

PARTICIPATION IN THE STUDY:

- 53 Member Surveys
- 6 Member Interviews
- 3 Staff Interviews

STUDY RELATED HIGHLIGHTS:

- Guadalupe CU has a dedicated certified bilingual financial counseling department.
- It was the credit union in the study with the highest percentage of respondents with mortgages who obtained the mortgage at the credit union.

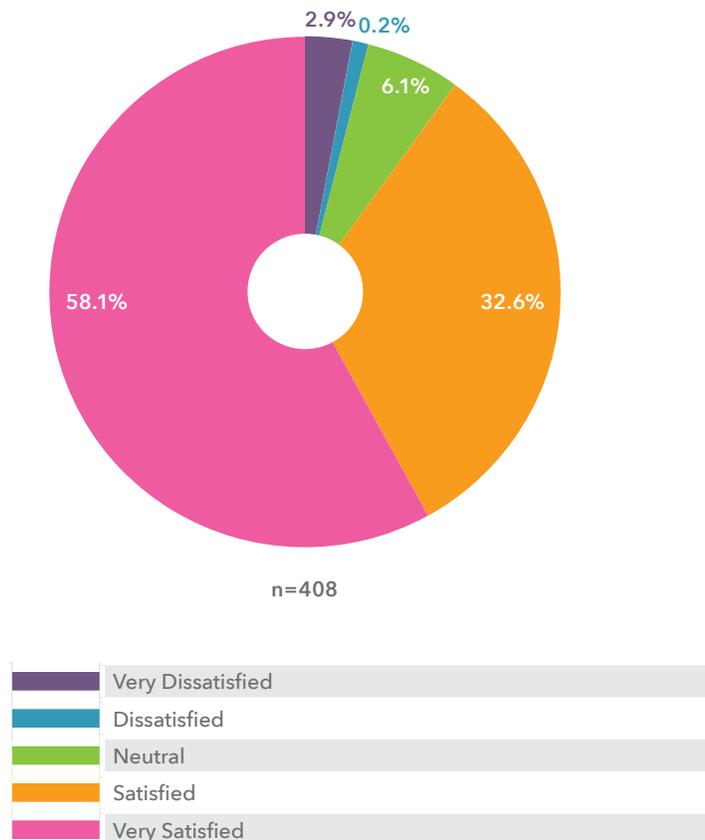
VI. STRONG TRUST AND SATISFACTION WITH CREDIT UNIONS

Both the surveys and the interviews attempted to explore the common belief that credit union members tend to stay with their credit unions and the reasons why.

What we found in the surveys was high tenure and high levels of satisfaction of members with their credit union. Of those surveyed, 16% represented new members (less than 1 year at the credit union), 61% had been members for between 1 and 10 years, and 23% had been members for 10 years or more.

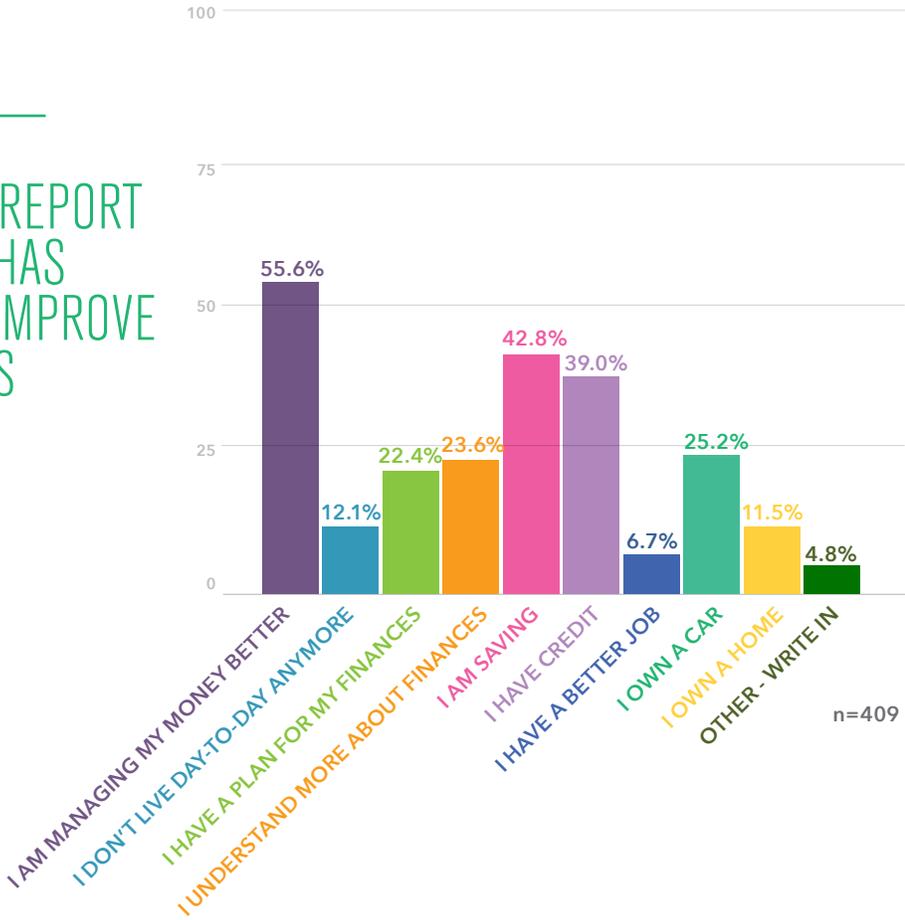
In terms of satisfaction, 90% said they were satisfied or very satisfied with their credit union, and on a 1-5 scale they overwhelmingly rated their credit union 5's on treating them with respect, understanding their culture and language, and their trust of the credit union. Furthermore, over 80% had recommended their credit union to family and/or friends.

RESPONDENT SATISFACTION LEVEL WITH CREDIT UNION



Even more significantly, 78% of members said that their credit union had helped to improve their financial situation in one or more ways. When asked how, these respondents reported a wide range of ways they've benefitted from membership, including that they are managing their money better (56%), are saving for the future (43%), and/or have established credit (39%).

WAYS THAT RESPONDENTS REPORT CREDIT UNION HAS HELPED THEM IMPROVE THEIR FINANCES



Another likely reason for the positive feelings and evaluations that members had regarding their credit union was the assistance provided by many of the credit unions in an emergency. Twenty-eight percent of respondents reported an instance in the past year where they weren't able to meet their expenses or needed money for an emergency. When these members were asked how they handled the situation, obtaining a loan from the credit union and tapping into savings were the two most common responses.

Despite the lack of information on specific products, a large number of members (57%) indicate that in the case of an emergency they would turn to the credit union. This indicates an understanding that the credit union is a trustworthy place to turn when in need, even though the details of what it offers and how it can help may be unclear.

IMPLICATIONS FOR CREDIT UNIONS TO DEEPEN ENGAGEMENT

These findings present interesting implications not only in how credit unions need to communicate more with their members but also about what might be the most effective methods. Because credit unions benefit from high favorability ratings and are seen as a place that has helped people improve their financial situation, credit unions could build from that place of strength when considering how to develop marketing and communications materials for their members. By placing less emphasis on product details or features and more emphasis on how a particular product may meet a member's need or present a new opportunity, the credit union could more effectively help the member realize how and when to turn to them for loans and services.

Although the negative effect of a loan denial could deter a member from applying for any further loans, interviews also shed light on the difference in how an already established relationship with the credit union, along with a clear explanation, could change the way members react to a loan denial:

"I already owed the car and had another loan and I talked to [credit union financial counselor]. She helped me and told me I had a lot of debt and 'we cannot lend you the money.'" [...] "I have been treated very well here."

— a credit union member in Missouri from Mexico

We found that relationship and connection are the biggest factors in engagement and, beyond that, in retention. Many respondents reported strong loyalty to the credit union and a low probability of leaving it, but may not be using the credit union to meet their full financial needs.

The members interviewed talked a great deal about the importance of personalized treatment, people at the credit union knowing them, the fact that they weren't just a number; the importance of people who "speak my language" and who "understand my culture" and who understand the financial lives of immigrants.

"My mom had an account here, so I opened an account here, and then the language."

— a credit union member in Missouri from Vietnam

Establishing this kind of relationship results in a positive connection that reduces fear, creates a sense of comfort, and builds trust. It helps to reduce the apprehension around applying for loans and makes members more willing to try new products and services. This is a significant strength that credit unions do not always make the most of.

Given these relationships are so valued, the credit union could be communicating much more effectively with their members about their financial needs and helping to find the right services to advance those needs.

“I was starting to build my credit, I started with a secured card at [bank] and then I got a share secured here and then [credit union] lent me to buy my land and they offer better services and they work more with the people, like [credit union financial counselor], I can call her and she answers immediately, she knows my financial life, so the service they provide to me is much better.”

— a credit union member in New Mexico from Guatemala

And it isn't only respectful treatment or new products and services that immigrants value; they also appreciate the credit union on an administrative level. Interview respondents highlighted:

- Less paper work and fewer restrictions for those without a SSN in applying for products and services
- Easy access to financial and other information without a lot of scrutiny
- Not needing a lot of money to keep an account
- Getting clear guidance and steps—pathways—to achieve goals toward a better life (e.g., how to purchase a home)
- Help establishing credit without it being an overwhelming task

In this atmosphere, immigrant members can experience a sense of gratitude for the opportunities presented to them (especially when other doors are closed) that deepens the connection and relationship to their credit union.

The process of deepening engagement is a virtuous circle. In addition to all the other benefits we have discussed, engagement generates positive word of mouth, the primary way new immigrant members are attracted to a credit union. The interviews confirm that:

- As immigrants become more engaged in their credit union, they are more likely to talk about it to other members of their community;
- As engagement opens up opportunities for immigrant consumers, others in the community see their gains, which in turn stimulates greater awareness of the credit union's offerings and the incentive to spread the word.

MISSED OPPORTUNITIES

Some survey respondents reported not having a loan from the credit union because they had tried and failed in the past. Interview respondents indicated that it is not simply not qualifying for the loan that creates a problem, but not understanding why or whether they could qualify for something else, or if they could work on their financial condition and reapply in the future. Missing pivotal moments like the decline of a loan, presents a future marketing opportunity or pitfall.

This membership relationship pitfall suggest that investing in improved and deeper training of staff at all member touch-points to see every member contact as an opportunity to link them to another product,

service or feature of the credit union would be a wise investment of credit unions' member engagement dollars. Extending that training (albeit in a more abbreviated fashion) to other community partners can help them become even more effective spokespeople and conduits to the credit union.

Many of the locations studied are already working to address these concerns. Neighborhood Trust FCU works closely with its non-profit affiliate to deliver one-on-one financial counseling and coaching to members. Self-Help FCU has a well-established homeownership mortgage lending program and has generated a strong and loyal membership base of those who have accessed those mortgages. They are currently exploring options to build a dedicated financial counseling and coaching program to better identify potential homeowners and to generate a long-term path or pipeline for that initiative. Numerous credit unions have created targeted ITIN loans and marketed these products to members to make sure they realize that, despite documentation status, they are eligible to obtain loans as well as hold accounts.

Throughout all the sites, there are plenty of products that seem to meet the diverse needs of the population. The critical challenge and area of focus for each is on the marketing, communication and referral channels within the credit union to make sure members recognize there are a diverse set of products and services for them.

FAMILY FEDERAL CREDIT UNION



HEADQUARTERS:
WILMINGTON, CALIFORNIA

BRANCHES IN:
WILMINGTON

TOTAL MEMBERSHIP:
4,705

TOTAL ASSETS AT YEAR END 2015:
\$7,897,001



CREDIT UNION HISTORY:

Family Federal Credit Union was chartered in 1984 under the name Holy Family to serve members of Holy Family Catholic Church, its name later changed to Family. Family FCU had a long history of serving immigrant members. The credit union merged with Self-Help Federal Credit Union in 2016.

SERVING IMMIGRANT MEMBERS:

Family Federal Credit Union served immigrants from its inception in 1984.

PARTICIPATION IN THE STUDY:

- 39 Member Surveys

STUDY RELATED HIGHLIGHTS:

- 82% of those surveyed obtained another product or service other than the basic savings and checking accounts.
- Family FCU is the smallest credit union that participated in the study.

VII. CONCLUSION

Credit unions can claim success in a number of areas, especially in developing trusted relationships with their immigrant members:

- They have a high level of trust with their members with high customer satisfaction ratings and extremely high levels of referrals from existing members.
- Credit unions have helped their immigrant members improve their financial lives in many ways including helping to establish and improve credit, manage their money and to be able to meet their emergency needs. The population studied had very low take-up of payday or other predatory lending products.

But credit unions still face challenges in successfully cross-selling and deepening their engagement with members:

- 44% of members are still relying upon other financial institutions for many of their primary financial service needs like checking, accessing credit and car loans.
- Many indicated that they did not understand what the credit union offered or the products were not adequately explained. As a result, respondents either made large purchases in cash or used financing from other sources without comparing to the credit union offerings.
- Credit unions 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.”
- Credit unions 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
- Shifting the culture to ensure that everyone who “touches” a member (e.g., front line tellers, member services representatives) are engaged in a process of helping members find the right products and services for them and/or connecting them to financial counseling or additional support when they seem to need it could yield greater returns on the already strong loyalty and trust of membership

If credit unions can overcome these challenges, there are tremendous opportunities in serving the immigrant market:

- If credit unions successfully bank an immigrant member, they will often end up banking their family and friends.

- When a credit union gives an immigrant member an opportunity and takes 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.
- Credit union staff plays a fundamental role in all the aspects of serving immigrant members, from Acquisition, to Uptake to Engagement. The study shows that credit unions with a bicultural staff (not just bilingual) can help members achieve their financial goals. The key in the success of credit unions with bicultural staff goes beyond the language. Staff understands the situation, challenges, and experiences these members have faced because many of them have either experienced the same situation first-hand, or they have seen their families' struggles when adjusting to a new environment. Members feel more comfortable talking about issues such as where they are saving money, or the dreams they may have and consider unattainable due to their lack of legal status.

Finally, there's an opportunity for credit unions to collectively educate immigrant communities about the importance of connecting with responsible financial institutions through positioning the Juntos Avanzamos designation as a symbol to help community members identify credit unions that are not only responsive to their needs, but also have the institutional capacity to effectively serve this demographic. Juntos Avanzamos is also a conduit to connect community based organizations, local government agencies and other entities that support Latinos and immigrants.

A SPOTLIGHT ON VIETNAMESE AND FILIPINO POPULATIONS IN THE STUDY

In the 7 sites and among the 410 survey respondents, there were two small populations of Asian credit union members: the 27 Vietnamese members of Holy Rosary in Kansas City, MO and the 18 Filipino members of Self-Help in Northern California. While we cannot generalize from the experiences of these two special populations due to their size, a look at their demographics, perceptions, financial behavior and experience with the credit union provides us with further insights into the question of how we best serve immigrant populations.

The Vietnamese and Filipino populations were demographically quite different from the overall survey respondent population and, even more so, from each other. While the gender make-up of the overall survey population surveyed was 42.8% male, the Vietnamese group was 70.4% male, and the Filipino group was only 27.8% male. While 76% of the overall population in the survey had been in the US for 10 years or more, only 61.1% of the Filipino population and just 40.7% of the Vietnamese population had been here that length of time. With respect to English-language capability, 59.3% of the Vietnamese population does not speak English, while this was only true of 11.1% of the Filipino population.

There were also notable differences in household composition: 61% of survey respondents overall had children under 18 living with them, this was true of only 37% of the Vietnamese population and 44.4% of the Filipino population. Further, while 61% of the overall population support people who don't live with them, only 40.7% of the Vietnamese population and 44.4% of the Filipino population are in a similar situation.

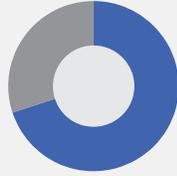
In terms of education, while 66% of the Vietnamese population as well as the overall population have a high school/high school equivalency degree or less, this was only true for 33.3% of the Filipino population. Annual income of the two groups was also distinct with Vietnamese respondents reporting lower household income distributions than the larger respondent pool and Filipino households reporting substantially higher household incomes.

VIETNAMESE

OVERALL SURVEY POPULATION

FILIPINO

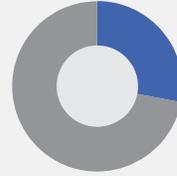
GENDER MAKE-UP (% MALE)



70.4%



42.8%

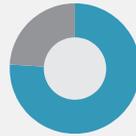


27.8%

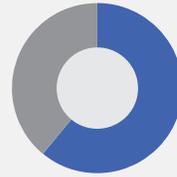
BEEN IN U.S. FOR 10+ YRS.



40.7%



76.0%



61.1%

CHILDREN UNDER 18 LIVING IN HOUSEHOLD



37.0%



61.0%



44.4%

% WHO SPEAK ENGLISH

40.7%

88.9%

% WITH HIGH SCHOOL EDUCATION/EQUIVALENT OR LESS

66.0%

33.3%

n=27

n=18

Among the members interviewed, there were four Vietnamese and one Filipino. Three of the Vietnamese members interviewed did not speak English, one did. The Filipino member interviewed had been in the country since 1969 and spoke English proficiently. Through the interviews, we learned that the Vietnamese members had moved to the United States due to political reasons, or because they already had family here. The struggles faced by the Vietnamese and Filipino members were similar to the rest of the population interviewed. Language and financial access barriers often times trapped these immigrants into high-cost debt, collections, and foreclosures. Members have come (or come back) to the credit union to build or rebuild credit.

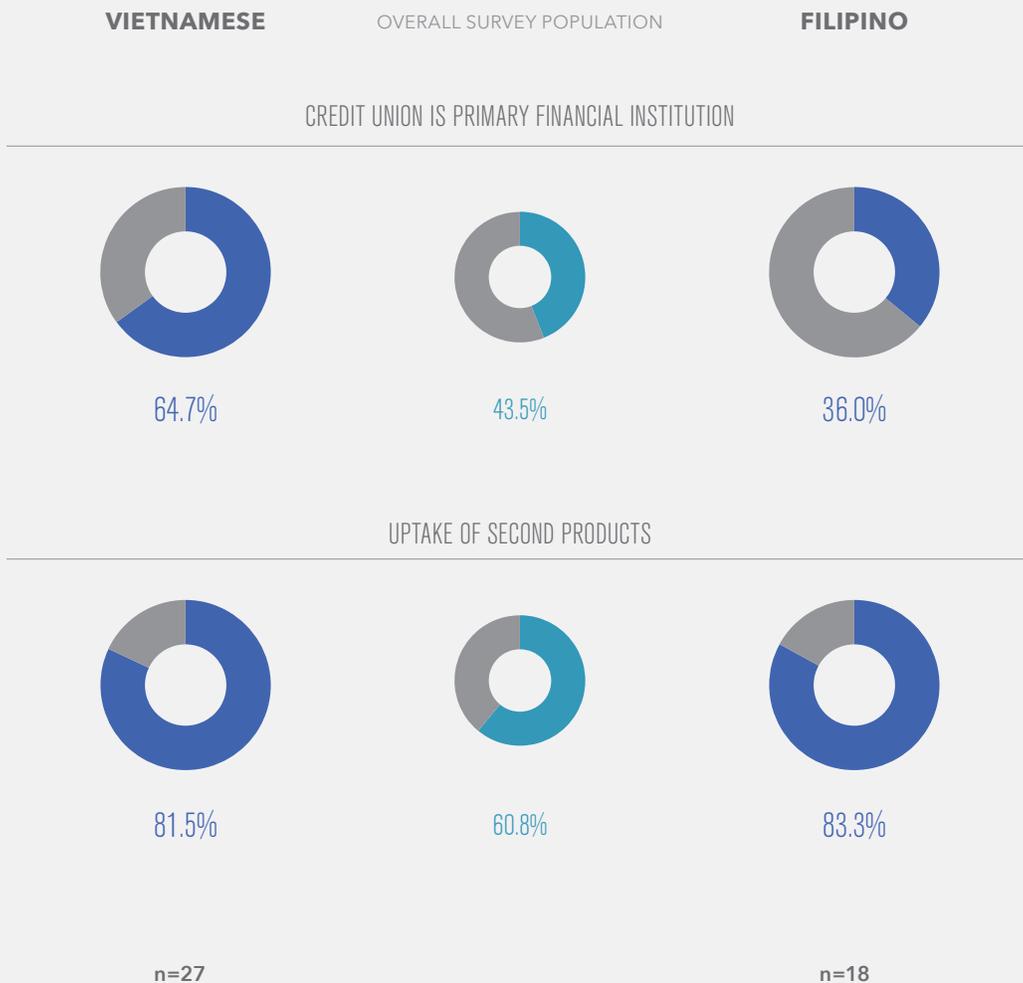
In looking at responses related to their experience at the credit union and financial situation overall, we found key differences and similarities between both populations, and between one or the other population and the overall population survey responses:

- **Joining the Credit Union:** Word of mouth was even more significant in these groups than among the survey respondents overall with 93% of Vietnamese respondents joining the credit union through word-of-mouth at 92.6% and 72% of Filipino respondents, compared to just 57.5% of the general population of survey respondents.
- **Understanding what a Credit Union:** When joining the credit union, we noted that Vietnamese members had a higher awareness of what a credit union was, and had a higher response about the reason to open an account at the CU: Wanted a place I could trust/ build a relationship. Additionally, a very low percentage of Vietnamese and Filipino members first came to the credit union to obtain a loan relative to the overall survey population.
- **Current Financial Situation:** The Vietnamese population had the lowest response about feeling their financial situation was stable and they wouldn't be in trouble in case of an emergency, 59.3%, more in line with the overall population response of 58%. The Filipino population felt they were in a stable situation and planning for the future at the much higher rate of 72.2%.
- **Savings:** The Vietnamese population was less likely to be saving 53.8% compared to overall survey respondents' 66%. In contrast, 82.4% Filipino members responded they are currently saving. Consistent with overall survey respondents, both Filipino and Vietnamese members, a high percentage of those savings were doing so at the credit union—78.6%.
- **Asset Ownership:** Responses of the overall population through surveys and interviews denoted a high percentage of members who own a car and a home/ mobile home. The percentage of the overall population who owns a car is 76.8%, while the Vietnamese population is at 66.7% and the Filipino population is much higher at 88.9%. The sources of payment responses showed that the Filipino population that paid cash was 50%—in line with the overall responses of 46.2%. In contrast, only 27.8% of the Vietnamese population paid cash. The Vietnamese population had a higher percentage of obtaining loans through a credit union to buy a car at 27.8%, similar to the overall population at 29.5%. The Filipino reliance on a credit union car loan was much lower at 18.8%. The Filipino population owed a home at 9-10% higher rate than the Vietnamese and overall population, and also a higher percentage reported taking a mortgage (66.7%) compared to the Vietnamese population at 45.5%.

The Vietnamese population showed the higher rate of visiting the credit union, 51.9% responded they go to the credit union at least once a week, higher than the overall population at 40.4%. In contrast, the Filipino population's response on this question was 17.6%. The explanation to these numbers can be determined through the response to the next question: What services do you use at the credit union? The Vietnamese population respondents (19/27) chose check cashing, while the Filipino population (15/18) chose Direct Deposit.

Both the Vietnamese and Filipino populations had a higher uptake of second products after joining the credit union than the overall population, 81.5% of Vietnamese and 83.3% of Filipino took another products or service. The overall population response was much lower at 60.8%. Nevertheless, loans and debit cards were the two top choices for all populations.

The Vietnamese population showed the highest use of the credit union as their primary financial institution, 64.7% do not go anywhere else. The answer within the Filipino respondents was much lower at 36%. Overall respondents were at 43.5%. Banks were overwhelmingly chosen as the "other place where you conduct business". From respondents that chose they conducted business elsewhere, Vietnamese were at 70.6%, Filipino at 100%, and overall population at 65.1%.



Filipino members were the higher users of Online Banking at 70.6% (this aligns with the low response about how often they visit the credit union). Vietnamese answer at 43.5% is similar to the overall population answer of 45%.

Filipino members had the longest tenure at the credit union, with 35.3% for more than 10 years, followed by Vietnamese at 25.9% and overall population at 23%. Filipino members also had the highest rate of satisfaction with the credit union at a remarkable 100% satisfied or very satisfied answer, the Vietnamese and overall population percentages were very similar at 89/90%.

But despite these differences, the experience of these two special groups with their credit unions mirrors the experience of the overall population with their credit unions:

- 89% of the Vietnamese credit union members at Holy Rosary and 100% of Filipino credit union members at Self-Help say they are satisfied or very satisfied with the credit union (Overall population rating: 90%);
- On a 1-5 scale, ratings for their credit unions treating them with respect, understanding their culture and language, and trust were all '5's;
- 77.8% of Vietnamese members and 100% of Filipino members have recommended the credit union to friends and family (Overall population: over 80%)
- 88.5% of the Vietnamese members and 76.5% of the Filipino members say their credit unions have helped to improve their financial situation (Overall population: 78%).

This analysis of the experience of the Vietnamese and Filipino members demonstrates that despite the differences, sometimes significant, in the backgrounds, financial situations, practices and stated needs of these two populations, Holy Rosary and Self-Help were able to provide these members with a responsiveness and level of service that resulted in roughly the same levels of satisfaction, trust and willingness to advocate for the credit union as demonstrated by the overall population. Moreover, the impact of the relationship and services provided by Holy Rosary and Self-Help to their Vietnamese and Filipino members, respectively, resulted in improvements to the financial situation of these members at levels close to or higher than that experienced by the overall population of survey respondents. Perhaps we can summarize these findings in the following way: Culturally sensitive, individualized service with language capability and understanding of the most effective and comfortable means to reach financial goals seem to be key to immigrant engagement.

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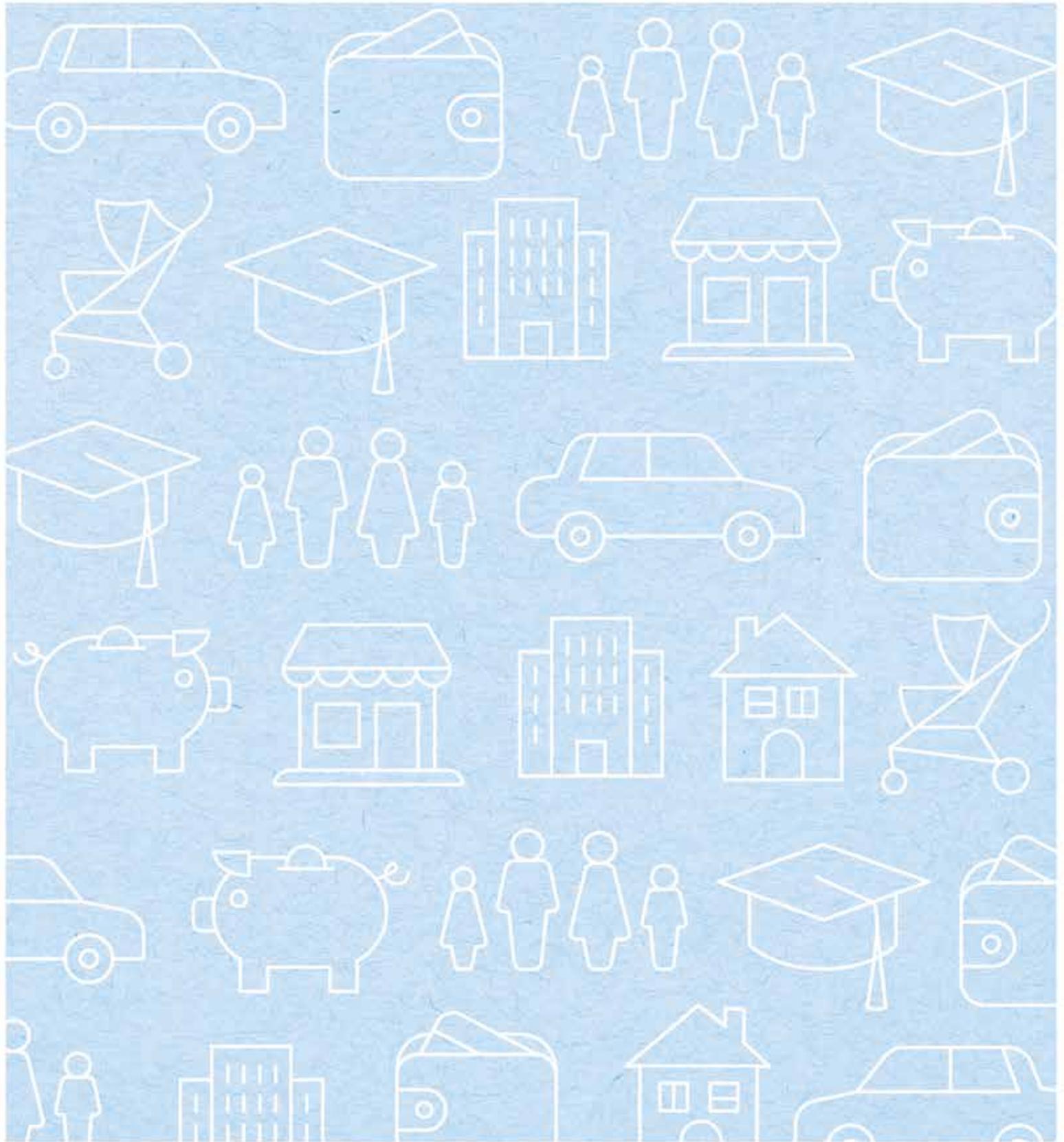
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