Juntos Avanzamos Workshop

September 2017
St. Louis, MO
Agenda

• Welcome and Objectives
• ITIN Lending: Financial Inclusion & Asset Building Opportunities for Immigrant Consumers
• Exploring the Market Opportunity: Community Partnership & Best Practices
• Work In Progress: Juntos Avanzamos Consumer-Facing Website Update
• Workshop Next Steps & Closing Remarks
Juntos Avanzamos Network
Juntos Avanzamos Network
Ventanilla de Asesoria Financiera

• Three Phase Process
  – Phase I: New York
  – Phase II: Integration of Juntos Avanzamos CUs into National Ventanilla de Asesoría Financiera network
  – Phase III: Scale and Impact

• Activity to Date: Development and Launch in NYC
  – Working with Mexican Consulate and ARIVA
  – Connecting Juntos Avanzamos certified 8 Credit Unions to Ventanilla de Asesoria Financiera in NY Metropolitan area (NYC, upstate, NJ, CT)
  – Providing training to counselors on the credit union offerings. A broad range of savings and loan options to complement and enhance the partner.

Expansion to Chicago and Los Angeles
Ventanilla Financiera Partners

New York City Ventanilla
Mexican Consulate
Ariva
NYC OFE
Citi

Los Angeles Ventanilla
Mexican Consulate
Youth Policy Institute
City of LA
Citi

Chicago Ventanilla
Mexican Consulate
The Resurrection Project
Citi

Dallas Ventanilla
Mexican Consulate
United Way of Metropolitan Dallas
Catholic Charities of Dallas
Citi

San Francisco Ventanilla
Mexican Consulate
Mission Asset Fund
SF OFE
Citi

Houston Ventanilla
Mexican Consulate
Family Houston
Citi

Mayor’s Fund to Advance NYC

Mexican Embassy
ITIN Lending: Financial Inclusion and Asset Building Opportunities for Immigrant Communities
The Immigrant Market

- **45.8 Million**: US immigrant population, the largest in the world.
- **13.1%**: Share of the US population immigrants represent (1 out of 8 residents). The highest percentage in 93 years!
- **2.25 Million**: Number of immigrants who settle down in the US every year (immigration is the largest factor contributing to population growth in the U.S)
- **11.3 Million**: Number of unauthorized immigrants.
- **8.5 Million**: Number of Permanent Lawful Residents (PLR) who qualify for Citizenship but have not yet applied
ITIN Lending Background

• 2003, Bush’s Treasury Department issued a new rule allowing customers to set up bank accounts with ITINs
• Small local banks and CUs among first to offer ITIN loans and mortgages for the undocumented, which initially took off in Illinois and Wisconsin.
• Great recession: one independent analysis found that ITIN loans had a lower average delinquency rate than both subprime and conventional prime loans
• Post recession credit crunch significantly curbed ITIN market BUT possibility of immigration reform is creating some new momentum
ITIN Lending Background

• Because there is no secondary market for these loans, Interest rates are higher (300 bp in average ) than more conventional loans
• Federation buys ITIN loans through its CDCU mortgage center
• Equifax and Experian accept ITIN reporting
• No access to federal home loan programs, down payment assistance, grant funds (ie: CDBG)
The ITIN Number – What is it for?

**What is an ITIN?** The ITIN was created by the IRS in July of 1996 so that Foreign Nationals and other individuals who are not eligible for Social Security Numbers can pay the taxes they are legally required to pay.

**Who can get an ITIN?** People who do not have lawful status in the U.S. may obtain an ITIN number. The ITIN is also available to many others who are required to pay taxes here but are not eligible for an SSN.

**How many ITIN holders pay taxes?** While the IRS claims they do not keep detailed records on individuals with an ITIN they have stated that in 2010 ITIN holders paid over $870 million in income taxes and over $9 billion in payroll taxes. In 2012 ITIN holders paid over $11.8 billion in state taxes.

**What else can the ITIN number be used for?** The ITIN can be used for providing proof of residency, securing a driver’s license and banking and bank related services, (loans, accounts, etc.)
NCUA and ITIN

• In a published Opinion Letter dated December 9, 2003 the Associate General Counsel of the NCUA issued this statement as part of said letter:

“We are aware of no law that prohibits a creditor from reporting borrower data by an identification number other than the social security number. Further, although the credit reporting agencies more frequently maintain information by an individual’s social security number, we know of no law that prohibits them from maintaining information by another identification number as long as they comply with the Fair Credit Reporting Act’s provisions requiring that they have reasonable procedures to assure the information’s maximum possible accuracy. 15 U.S.C. §1681e(b).”
NCUA and ITIN

• In an NCUA Compliance Blog “Question of the Week” published on April 10, 2017 the NCUA further solidifies their opinion by stating:

“The NCUA encourages credit unions to serve individuals who are within the field of membership regardless of citizenship and regardless of whether they have a social security number or not.” The comment goes on to say, “Once this person is a member, he or she is entitled to all the services and products available to all other members.”
ITIN Lending and Credit Bureaus

• The bureaus say that the ITIN number is not a “Unique Identifier”. In that they are correct.

• There are 1 billion number combinations possible with a 9 digit number. Hence why a SSN can truly be called a “Unique Identifier”. However every ITIN number issued starts with a 9 and has either a 7 or an 8 in the second set of numbers. This limits the amount of different ITIN numbers that can be issued and therefore the ITIN cannot be referred to as a “Unique Identifier”

• It is based on this that the “big three” say that an individual cannot use an ITIN in place of an SSN to build credit

• This does not mean that a person with an ITIN number cannot build a credit profile. It simply means that the ITIN number itself will report a fraud alert on the credit report and not be used.
ITIN Lending and Credit Bureaus

- But we need to understand that the SSN, or ITIN is not the only information they use to build a credit profile.
- There are four main checks that the bureaus use to build the profile: The borrower’s Full Name, Date of Birth and Addresses (past and current) and SSN.
- Because they do not recognize the ITIN number as a unique identifier does not mean that a credit profile isn’t built using the other three factors.
- When you run a member’s credit report using their ITIN number in place of an SSN you will get the same sort of credit report you would any other with the exception of the compliance red flags.
ITIN Lending

• Some of the big mortgage banks offer mortgages to foreign nationals. Why not just offer our ITIN members the same service?
• By definition a “Foreign National” is an individual who is not a citizen nor are they a permanent resident of the country they reside in. Most foreign nationals in the U.S. are here as result of working for a foreign company or are frequent visitors to the U. S. So most foreign nationals possess some sort of Work Visa.
• Often in these cases the borrower will have income and assets from outside the U.S. Mortgage Banks will often facilitate this by doing the home loan as a Second Home or an Investment Property. The average LTV for this type of loan is between 60 and 70%
• Whereas ITIN borrowers have lived in the U.S, many for decades. They do not possess any form of Visa and all of their income and assets are in the U.S. This would exclude them from doing a loan as a Foreign National.
Underwriting an ITIN loan

- ITIN loans are relatively easy to do. The Federation will purchase ITIN loans that meet the following basic criteria:

  ✓ U.S. Govt. I.D. Card, ITIN Number, Matricula Consular I.D. or Passport
  ✓ Resides in the United States for at least two-years
  ✓ Two-year work history in the same or similar profession
  ✓ Borrower has filed Federal Income Taxes using their ITIN number for at least two-years
ITIN Lending

**Pros**
1. You will be providing a valuable service to your membership.
2. ITIN borrowers have a substantially lower default rate than do conventional borrowers.
3. Non-traditional credit allowed on a case-by-case basis.

**Cons**
1. Loan requires 20% down payment
2. Rates are higher than conventional loans
3. No second homes or investment properties are allowed
ITIN Lending

ITIN lending guidelines are quite similar to conforming lending. However there are some differences that can throw the inexperienced:

1. Because the borrower has no SSN the loan cannot be run through an AUS. All ITIN loans are manually underwritten. This can be a challenge for some.

2. The ITIN number is NOT a “unique identifier” like the SSN so expect to see “fraud alerts” in the compliance section of the credit report. As credit unions are depository institutions they must decide internally how they will handle the fraud alerts that are associated with all ITIN borrowers.

3. Employers and Payroll Companies do not recognize ITIN numbers. Often times employers will give an ITIN employee a false SSN to work under. Credit Unions can to expect to see W2s and paystubs with one number and Tax Returns and transcripts with another.
Our Products & Services: A SNAPSHOT

• Checking and Savings Accounts
• Consumer loans (secured, unsecured, auto)
• Immigration purpose – DACA & Citizenship loans
• Fresh Start Loans
• Mortgage loans
Lending: Learnings and best practices

- Confirming identity
- Establishing credit
- Reporting credit
- Building credit
Marketing Efforts

• Word of mouth
• Community Partners
• Preferred Auto Dealers
Partner referrals

- Partnered with legal service providers and financial capability partners to use technology and expand access to our loan products (DACA, Citizenship, Fresh Start)

- **Learnings**: partner capacity and client needs matter
  - Fresh Start > DACA, Citizenship

- **Learnings**: partner interest and ease of using online portal matters
  - Meridian Link v. Lifestyles

- **Learnings**: vet partners for capacity/interest, train partners on using online portal, pair partners with product to meet client needs
  - Financial Capability Partners > Legal Service Providers
Post-referral process

• Establishing timely and effective communication with the borrower is key

• Completing underwriting (minimal) and finalizing loan documents (DocuSign) can be tricky and time-intensive

Utilizing referral partner to establish contact with the borrower can be helpful
Discussion

• What best practices can your credit union share in regards to ITIN Lending?

• How has your credit union built and grown your ITIN lending program?

• How has your credit union been trained to support ITIN Lending?
Juntos Avanzamos Consumer Website

• Clients will be able to find information on becoming banked, their closest Juntos Avanzamos CU as well as additional resources to share with their friends and families

• Process & Progress to Date
  – RFP to identify a viable website development partner: Pixelspoke
  – Client Interviews and Personas
  – Wireframes & Moodboards

• Release to be late Fall 2017
Target Market Personas

**Immigrant Ian**

“This is my first time banking in the United States, and I need a resource I can trust.”

Status: Non-citizen, Undocumented

Ian is a 30 year old manager of a grocery store with an expired travel visa who came to the US in the past 3 years. He is ambitious and wants to start his own company here, but doesn’t know how the US financial system is set up and how an ITIN works. He is used to working with cash. He is bilingual, but prefers Spanish.

**Ian’s needs**

1. A micro-business loan with a low interest rate so he can start his own business.
2. Easy to understand information in Spanish that will help him make wise financial decisions.
3. An understanding about how to do his taxes and build his credit.
4. Ability to access funds from his mobile phone.

**Juntos Avanzamos goals for Ian**

1. Help Ian build greater financial security and independence while avoiding debt.
2. Build trust and become familiar with the US financial system through educational tools and seminars.
3. Open an account with a JA credit union to start saving for business expenses.

**Decision-making style**
Fest, methodical

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**Non-Citizen Sofia**

“I’m not a citizen, and I’m looking for a bank that is willing to welcome me as a member and help me thrive in my community.”

Status: Non-citizen, Undocumented

Sophia is a 28 year old citizen of Mexico, but has lived in the US since she was 13 when she arrived with her parents. She is a single mom with two kids and works as an office cleaner at night. She wants to know her rights and her kids’ rights who were born here. She speaks English, but prefers Spanish at home.

**Sophia’s needs**

1. Ability to open an account with her Matrícula Consular ID and access convenient banking despite her undocumented status.
2. An understanding about access to her money if deported and of what happens to her kids if she is forced to leave.
3. An emergency savings account to make sure her family is covered if something should happen.

**Juntos Avanzamos goals for Sophia**

1. Join a JA designated credit union and apply for a non-citizen consumer loan.
2. Feel part of the community through interacting with a trustworthy credit union.
3. Provide her with a financial education that she can pass along to her kids.

**Decision-making style**
Slow, methodical
Target Market Personas

**Migrant Marcos**

“*I have always used cash to get what I need. I don’t understand why I need a bank.*”

Status: Non-citizen, Undocumented

Marcos is a 25 year old migrant farm worker who came to the US from Mexico a couple years ago. Because of the recent administration he’s afraid to go back home on the off season, but misses his family and girlfriend back home. He is a hard worker, but doesn’t have a steady income, which makes saving hard. He speaks minimal English, and conversational Spanish, but natively speaks a Mayan dialect.

Marco’s needs

1. Easy to understand banking options.
2. Ability to open an account with his Matricula Consular ID and access banking despite his undocumented status.
3. An auto loan with a decent rate so he can get to work.
4. Access to send & receive money out of the country.

Juntos Avanzamos goals for Marcos

1. Open an account with a JA credit union to start saving.
2. Become familiar with the US financial system and understand how banking with a credit union is different.
3. Help Marcos build greater financial security and independence while avoiding payday lenders.
4. Provide a non-citizen loan to help him with immigration related expenses when he is ready.

**Underbanked Yvette**

“*I don’t have a lot of positive experience with banks. I am hesitant they will have the right options for me.*”

Status: Non-Citizen, Green Card

Yvette is a 38 year old dental assistant who has been in the US for 8 years and married her citizen husband. She is more comfortable with her culture and her native language. She tried to open an account at a large bank years ago to get direct deposit through work, but felt very uncomfortable there. She speaks conversational English, but prefers Spanish because it makes her feel welcomed.

Yvette’s needs

1. Ability to open an account and access her funds without being asked for intrusive information.
2. Banking options that are easy to understand.
3. Positive interactions with bilingual tellers.
4. A local bank in the community she is familiar with – not big city center banks which she distrusts.

Juntos Avanzamos goals for Yvette

1. Join a JA designated credit union and open an account that meets her needs.
2. Use the credit union to cash her checks instead of using a payday lender with high interest rates.
3. Make banking easy to alleviate her distrust of the US financial system.

Decision-making style

Fast, emotional

Slow, methodical
Target Market Personas

**Emancipated Eduardo**

“I make enough money to live, but it disappears so fast. I need help to figure out how to save and make it last.”

Status: Citizen

Eduardo is 18 and was born in the US, but his parents are now living in Guatemala. He works full time, but doesn’t have anyone to mentor him on how to budget and manage his finances. He is bilingual but prefers English unless talking to his family.

**Eduardo’s needs**

1. Help consolidating is payday lender loans and become financially self-sufficient.
2. An understanding about savings accounts and how to live within a budget.
3. Access to send & receive money out of the country.
4. Banking in a convenient location to his work.

**Juntos Avanzamos goals for Eduardo**

1. Help him build his credit score so he can apply for auto and home loans when he is ready.
2. Provide him with small personal loans in tight times so he can avoid going back to familiar payday lenders.
3. Educate him on the financial system and how to build his legacy wealth.

**Decision-making style**

Fast, emotional

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**Case Worker Chris**

“I am passionate about helping immigrants to find financial institutions where they will feel welcomed and can get the loans they need.”

Status: Citizen

Chris is a 30 year old client counselor at a non-profit immigration organization. He speaks with people every day who need help getting their financial lives in order. He is bilingual and uses whichever language is most comfortable for his clients.

**Chris’s needs**

1. Easy access to small dollar loans for his clients.
2. A prominent list of eligibility requirements so he can find the right credit union based on his client’s needs.
3. Ability to apply for and track services and applications online.
4. An understanding of what a JA credit union offers compared to other financial institutions.

**Juntos Avanzamos goals for Chris**

1. A map or zip code lookup to find a JA credit union near his clients.
2. Information to educate his clients about the US financial system and how it works.
3. Simple navigation on the website so he can use it easily as a resource in his discussions.

**Decision-making style**

Fast, methodical
In July 2017, the Federation released Beyond Financial Access: Striving for Deeper Immigrant Financial Inclusion

- High engagement of immigrant members but there still remain missed opportunities
- Relationships matter: engagement results from building strong trusted relationships based on respect.
- Most respondents operated primarily in cash economy including large purchases such as vehicles and even homes.
- Fear of debt meant many had never built credit histories before (despite long tenure in the US).
# Events Coming Up

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<th>DATE</th>
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<tbody>
<tr>
<td>September 27th</td>
<td>Illiana Financial CU’s Juntos Avanzamos Proclamation</td>
<td>Chicago, IL</td>
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<td>October 24th</td>
<td>Hispanic Outreach Workshop with League of Southeastern Credit unions &amp; Affiliates</td>
<td>Orlando, FL</td>
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<td>October 25th</td>
<td>Manatee FCU’s Juntos Avanzamos Proclamation</td>
<td>Bradenton, FL</td>
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<td>October 26th</td>
<td>Hispanic Outreach Workshop with League of Southeastern Credit Unions &amp; Affiliates</td>
<td>Birmingham, AL</td>
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<td>September 15th- October 15th</td>
<td>Hispanic Heritage Month Social Media Campaign</td>
<td>Online</td>
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Hispanic Heritage Month

“Juntos Avanzamos credit unions empower Hispanic and immigrant communities.”

• In celebration of Hispanic Heritage Month, we will be running a social media campaign aimed at increasing awareness of Juntos Avanzamos as a program and network
• Share the success and impact stories in empowering the Hispanic and immigrant communities
• Credit Union, Partner and Program Highlights
For More Information

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