Financial Access for Immigrants: Lessons from Diverse Perspectives

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Executive Summary

Financial access – knowing what one's financial options are and having products and services to choose from – is closely linked to economic prosperity. The success of today's immigrants – who come to the United States largely seeking to improve their own prospects for prosperity – depends on their access to mainstream financial institutions that can help them save money, buy homes, access credit, start businesses, and otherwise build wealth. As immigrant settlement has become a widespread phenomenon across the United States, more communities are concerned with the prospects for their full social and economic integration. Strategies that help immigrants participate fully in the financial mainstream benefit not just immigrants, but all residents of the communities where they live. This monograph presents new research on the financial practices of immigrants, describes both industry approaches to reaching the immigrant market and community innovations in moving immigrants into the financial mainstream.

- **The unprecedented growth in immigrants to the U.S. signals an opportunity to link immigrants to the mainstream financial system so they can better contribute to a healthy U.S. economy.**
    - U.S. immigrants lack broad financial access. Compared to people born in the U.S., immigrants are less likely to have a savings or a checking account. 76 percent of native-born household heads have a checking account, while only 63 percent of immigrant heads of household have a checking account. Similarly, 68 percent of native-born household heads have a savings account, compared to 55 percent of immigrant household heads. Even after taking into account socio-economic and demographic characteristics, immigrants are less likely to have checking and savings accounts.
    - Immigrants who come from countries with weak institutions and who have little experience with financial institutions in their countries of origin or who live in metropolitan areas with a large proportion of other immigrants from the same country are less likely to have accounts. The relatively small numbers of immigrants who arrive in the U.S. as children and/or those who are proficient in English are more likely to have accounts.

- **There are a number of innovative actions that mainstream financial institutions and other organizations have taken to better reach out and engage immigrants, from young students to adult workers and their families.** Immigrants rely heavily on the alternative financial services sector for transactions such as check cashing and for sending remittances to family members in their home countries. However, banks and credit unions are

increasingly developing products and services aimed at immigrant customers. By working to earn immigrant trust, accepting new forms of identification, and transforming products, banks—both small and large—are building relationships and reaching more immigrant customers. In addition, other organizations and institutions such as schools, law enforcement agencies, employers, unions, and nonprofits, are helping to connect immigrants with the financial mainstream in creative ways. These organizations are often well-positioned to know what services are needed to reduce barriers to banking and often partner with other organizations and financial institutions to achieve their objectives.

- **Many institutions and communities are taking action to expand financial access among low- and moderate-income individuals, including immigrants. Research and practice suggest that priorities for improving the connections between immigrants and banking services include:**

    - ***Making the services immigrants demand available at banks.*** For example, immigrants spend $2 billion annually on check-cashing services outside of banks. Financial institutions could take advantage of this opportunity and at the same time expose immigrant customers to other services that move them toward opening savings and checking accounts.
    - ***Reaching out to the second generation.*** The children of immigrants represent a large and growing future market opportunity that banks may find easier to reach than their parents. By partnering with schools to open student-run bank branches in high schools, banks can make progress in reaching potential new customers and build a client base outside schools, while providing financial education to a new cohort of Americans.
    - ***Leveraging high rates of immigrant employment.*** High labor force participation among immigrants presents an opportunity for employers to partner with financial institutions to deliver financial education and provide access to banking services.
    - ***Targeting immigrant neighborhoods.*** Neighborhoods with high concentrations of immigrants are often places with low rates of bank account ownership. Efforts to increase bank account usage in these neighborhoods can lead to growing account ownership as tight social networks and word-of-mouth communication multiply the effect of the original increase in account ownership.

Both opportunities and challenges remain in moving immigrants into the financial mainstream**.** Along the path to achieving their own economic goals, immigrants must make many choices about how to navigate the U.S. financial system. These choices can accelerate the integration process or slow it down. Creating more connections to mainstream financial institutions will strengthen families, communities, and encourage economic development and growth.