THE BANK-STATUS DECISION OF THE FOREIGN BORN

Taking That First Step Into The Financial Mainstream

Sherrie L.W. Rhine
Federal Reserve Bank of New York

William H. Greene
New York University

PURPOSE OF STUDY

Gain a better understanding about

immigrant financial integration in

terms of their bank-status decision

BANK- STATUS DECISION

Household chooses whether or not to own either a checking or a savings account

BANKED   OR   UNBANKED

UNBANKED

According to the Survey of Consumer Finances:

U.S. Families   9.1   %

   Whites, non-Hispanic   5.1   %

   Non-White or Hispanic   21.8   %

BENEFITS FROM PARTICIPATION IN THE FINANCIAL MAINSTREAM

- **Asset Building and Wealth Accumulation**

- **Consumer Legal Protections**

- **Informed Financial Decisions**

- **Community Stability and Vitality**

RESEARCH QUESTION

How do socioeconomic and demographic characteristics influence the decision to be unbanked ?

EMPIRICAL FRAMEWORK

Probability of being UNBANKED

depends on socioeconomic and demographic characteristics

EMPIRICAL FRAMEWORK

Model includes a random component, RHO, to capture the cross period correlation of unobserved individual effects

(e.g., family-specific characteristics or

possibly home country attributes)

EMPIRICAL FRAMEWORK

Previous research finds that the decision to be unbanked is:

Most Likely

less educated
younger
lower-income
minorities

Least Likely

married
larger families
greater net worth
employed

EMPIRICAL FRAMEWORK

Immigrant-specific factors include:

Citizenship Status
Year of Migration (tenure in the U.S.)
Age at Migration

SAMPLE DESCRIPTION

Survey of Income Program Participation-SIPP 1996 - 2000 Longitudinal Survey

Total Household Observations	**80,972**
U.S. Born	**73,832**
Immigrant	**7,140**

DATA AND SAMPLE DESCRIPTION

Immigrant Groups	Number of Households (1996 - 2000)
Mexican	1,860
Other Latin American	1,892
European	1,900
Asian	1,488

SELECTED FACTS IMMIGRANT HOUSEHOLDS

	Mexican	Latin American	European	Asian
< High School	70%	33 %	16%	14%
LMI	84%	65%	53%	46%
Poverty	32%	23%	11%	16%
Family Size	4.2	2.9	2.4	3.4
U.S. Citizen	24%	61%	67%	56%

UNBANKED HOUSEHOLDS

Percentage of Households

Immigrant Groups:

Mexican	53
Latin American	37
Asian	20
European	17

U.S. Born:

Black	46
Hispanic	34
Other Race (Asian, Native American or Aleut)	34
White	14

MEXICAN IMMIGRANTS Pr(UNBANKED)

	Decrease			Increase	
	%	Points		%	Points
Net Worth	41 - 54		Less than HS	17	
Income	6 - 13		Poverty	12	
Work Effort	13				
Citizenship	12 - 17				
Yr Migrated	16 - 26				

LATIN AMERICAN IMMIGRANTS Pr(UNBANKED)

	Decrease		Increase	
	%	Points	%	Points
Net Worth	59 - 74		Less than HS	30
Income	11 - 16			
Work Effort	10			

EUROPEAN IMMIGRANTS
Pr(UNBANKED)

	Decrease			Increase	
	%	Points		%	Points
Net Worth		54 - 69	Less than HS		10
Upper Income		8			

ASIAN IMMIGRANTS
Pr(UNBANKED)

	Decrease			Increase	
	%	Points		%	Points
Net Worth		43 - 52	Less than HS		11
Upper Income		11			

SUMMARY

Most Influential Characteristics

All Immigrants:
     Education
     Net Worth
     Household Income

Mexican immigrants:
     Poverty
     Work Effort
     Citizenship Status
     Year at Migration

POLICY IMPLICATIONS

- ◆ **Market Innovations**

- ◆ **Financial Education**