

ABSTRACT

Title of Document: IMPROVING THE USE OF ASSET-BUILDING FINANCIAL SERVICES BY LATINO IMMIGRANTS IN LANGLEY PARK, MARYLAND

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Throughout the country, low-income, Latino immigrant populations are more likely than others to have difficulty accessing financial services that meet their needs. Langley Park, Maryland, a community with a very large population of recent immigrants, is an ideal place to study this problem. We conducted an analysis of pre-existing quantitative data and held a series of focus groups with Latino immigrants in Langley Park. We asked participants about their experiences with and knowledge of financial services. We found that mainstream financial institutions were not always meeting the needs of our target population. We concluded that being “banked” is not always preferable to being “unbanked” – rather, the products and services provided, not who the provider is, are most important. We developed a set of guidelines to help financial institutions (both mainstream and fringe), NGOs, and other local organizations develop financial products that meet the needs of our target population.

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By

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Chapter 1: Introduction

1.1 Background

Three years ago, a simple observation sparked our research team's interest. In Langley Park, Maryland—an extremely diverse community of Salvadorian, Guatemalan, Honduran, and other immigrants—we noticed a sprawling presence of check-cashing businesses. The abundance of these institutions demonstrated that there was a market for financial services that was clearly underserved by the community's commercial banks and credit unions. Given Langley Park's proximity to the University of Maryland's campus and its large population of Latino immigrants, we became very curious.

This curiosity was further fueled when we became aware that Langley Park's poverty rate is 16.8%, one of the highest in Maryland and much higher than nearby communities. In 2000, the neighboring communities of Hyattsville and Beltsville had poverty rates of 11% and 7%, respectively. Also, Langley Park's Latino/Hispanic population reached an unprecedented 63% in 2000, while most of the communities in Maryland had a Latino/Hispanic population between 0 and 10% (U.S. Census Bureau, 2001).

We wondered: What needs are these nontraditional or “fringe” financial service providers meeting that commercial banks and credit unions are not? How are they impacting their customers' financial lives? Are tales of predation, usury and exploitation by fringe financial service providers true, or are these services in fact valuable, affordable, and/or helpful to clients? With all this in mind, is there a better way to provide financial services to Latino immigrants of the Langley Park

community that are appropriate, asset-building, and convenient? We conducted a three-year research project to answer these important questions.

As we began to delve more into our research of Langley Park, we attended a community meeting to learn more about pressing social problems like high poverty, inadequate education, crime, and social isolation. With a large presence of MS-13, a gang originating in El Salvador and prominent in the DC area, this community has become known for acts of murder, frequent robberies, and incidents of sexual harassment. Another gang called “The Langley Park Crew” has begun to expand its recruitment to middle schools in Langley Park. The youth of the community are increasingly experiencing the pressures of violence and drugs at an extremely young and impressionable age (Action Langley Park meeting, personal communication, 6 Apr. 2008).

The Latino immigrant population in Langley Park is also susceptible to issues stemming from the Spanish-English language barrier. A significant proportion of adults in Langley Park do not speak English. For some, it may not seem difficult to continue living in and around Langley Park without ever learning English. On the other hand, many of those interested in English for Speakers of Other Languages (ESOL) classes cannot afford the registration fees (Action Langley Park meeting, personal communication, 6 Apr. 2008). Our team then began to wonder if this language barrier was preventing Latino immigrants in this community from using asset-building financial services.

It was with these ideas in mind that our team began our research and prepared to meet with members of the community. We set the following goals:

1. to determine which financial services are most beneficial to Latino immigrants in Langley Park;
2. to determine whether or not the Latino immigrants in the Langley Park community do, in fact, use asset-building financial services;
3. to discover what, if any, barriers are preventing Latino immigrants in Langley Park from using these asset-building financial services; and
4. to recommend best practices to community organizations, government officials and mainstream and fringe financial institutions in order to mitigate some of the barriers that this population may be encountering.

1.2 Key Terms

As we begin, we define several key terms used by our team throughout our research and in this document. First, “asset-building” financial services are those services that enable a user to build wealth over time. On the other hand, “asset-depleting” financial services, such as high interest loans, are those that may fulfill a short-term need, but tend to be financially harmful to those who use them in the long term. The “financial mainstream” consists of banks and credit unions. “Fringe” financial institutions—such as check-cashing services, payday lenders, and pawnshops—are financial service providers, other than banks or credit unions, whose presence may meet needs that are not met by mainstream financial institutions. Compared to credit unions and commercial banks, these institutions’ fee structures and high interest rates may not provide as strong a foundation for new immigrants

and low-income people to build assets and to gradually increase their use and knowledge of services and products.

The literature frequently refers to “banked” versus “unbanked” segments of society. We define an individual who is “banked” as someone who uses a savings or checking account at a commercial bank or credit union. Conversely, being “unbanked” means someone who does not use such an account. Another important distinction is the term “underbanked”. We define “underbanked” as someone having a bank account but relying primarily on fringe financial services for their financial needs.

1.3 Why focus on Latino immigrants in Langley Park?

Our research focuses on the financial needs of Latino immigrants in the Langley Park community for several reasons¹. First, Langley Park has the highest population of Latino immigrants in Maryland (U.S. Census Bureau, 2001). Second, Hispanics, as a demographic, are at high risk for being unbanked. Fifty-seven percent of the unbanked population is Hispanic (Federal Reserve Board [FRB], 2003, as cited in American Council of Consumer Interests [ACCI], 2003, p. 1). Third, Latino immigrants have particular financial needs. For example, in the United States, about 69% of all Hispanic immigrants send remittances to family members in Latin America, averaging seven transfers of \$200 per year (Bendixen & Associates, 2001, as cited in ACCI, 2003, p. 1). Latino immigrants also face special barriers to becoming banked. In the 1998 "Survey of Consumer Finance," Latinos cited several

¹ There are subtleties that distinguish between the terms “Latino” and “Hispanic.” We will use the term “Latino” to mean those hailing from Hispanophone Latin American countries, and “Hispanic” only when quoting a source that uses this term.

reasons for not having a bank account. These reasons included not having proper documentation, not speaking English, not liking banks, thinking that service charges are too high, and not having enough money (FRB, 2003, as cited in ACCI, 2003, p. 1). For these reasons, we thought that focusing our research on Latino immigrants in Langley Park would be especially timely and important since the population of Latino immigrants in this area continues to grow.

1.4 Our Assumptions

We began the project with three initial assumptions based on our observations and initial review of research:

1. **Being banked provides a better chance for an individual to build long-term assets than being unbanked.** A bank account at a commercial bank or credit union provides the first step in a series of financial services that the institution may offer. Over time, the client gains experience using financial services and simultaneously builds a reputation for making regular deposits and holding a certain average balance. This reputation allows the bank or credit union to provide other financial services requiring credit, such as automobile or special-purpose loans, and eventually a mortgage. By contrast, a fringe institution that only offers a single service, such as check cashing, at relatively higher fees than a bank or credit union, may not provide as solid a platform for a client to build wealth and increase his/her use of financial services.

2. **Immigrants, particularly those who have trouble understanding English, are more likely to be unbanked than the general population.** Recent immigrants often are unfamiliar with the American financial system. This and other factors make immigrants less likely to have a bank account in the United States.

3. **A common set of reasons exists explaining why many immigrants throughout the United States cannot or do not access mainstream, asset-building financial services.** A variety of factors such as language barriers, distrust of financial service providers, and other cultural and demographic variables contribute to their being unbanked.

Chapter 2: Literature Review

2.1 Literature Overview

In order to design a research plan to answer the questions laid out in Chapter 1, we conducted a review of existing literature. Using studies, government reports, and articles, we examined the current state of research on three related topics. First, we explored the benefits of being banked and the relative costs of being unbanked. We then explored why Latino immigrants seem to be particularly at risk for being unbanked. Finally, we turned to community banking efforts worldwide to analyze ways in which professionals are helping to bring appropriate financial services to this community.

2.2 The Benefits of Being Banked, Costs of Being Unbanked

Being banked enables households to secure and build savings and wealth, giving them an advantage over unbanked households. Some of the most basic benefits of being banked include low- or no-cost ways to convert paychecks to cash, a means of paying bills, and a safe place in which to store savings and earn interest (Dunham, 2001, p. 35). In addition, the experience of being banked can provide households further access to more advanced financial products (Desmond & Sprenger, 2007, p. 26). This is true when the use of basic financial services, such as a savings account, allows households to build credit histories, which are helpful when applying for loans. Use of banks also increases the likelihood of someone opening an interest-bearing account. Typical yields on certificates of deposit (CDs) or money market

accounts offer a return not obtainable by holding cash. As a result, money that sits in interest-bearing accounts is more protected against the effects of inflation than physical currency over the long term. Because unbanked households do not earn interest on their money, their savings are more likely to lose value due to inflation.

While being banked provides the benefit of storing and protecting wealth, being unbanked is associated with a variety of costs and dangers. These costs come in the form of direct and indirect costs. Direct costs refer to actual fees and expenses incurred from being unbanked, while indirect costs refer to non-monetary and/or resultant costs. Ultimately, studies show that unbanked households can spend more than \$40,000 over a lifetime in direct and indirect costs associated with being unbanked (Office of the Governor, 2008).

2.2.1 Direct Costs

Desmond and Sprenger (2007) note that unbanked households incur costs to perform functions that basic savings and checking accounts usually satisfy free of cost (Federal Reserve Bank [FRB] of Boston). One example of a direct cost is the cost of accessing money. When an individual who is paid by check lacks a checking or savings account, he or she must convert the check into cash at a fringe financial service provider. These providers charge either a flat fee or a percentage of the value of the check. The same service, offered by a commercial bank or credit union, would be offered at low or no fee.

Several scholars have tried to estimate direct costs incurred by the unbanked. For instance, to cash a check, an employee might be required to pay a check-cashing fee that could be as high as 3.5% of the amount of the check (Barr, 2004). This means

that the discretionary income of the household could be up to 3.5% less for every period that the household remains unbanked. Barr estimates that unbanked households earning \$12,000 annually incur \$250 annually in check-cashing fees alone (Barr, 2004). As a result, assuming—as Barr does—that households can obtain access to a checking account for \$10 or less per month (or \$120 per year), his estimation implies that unbanked households spend at least \$130 more than banked households per year to cash checks. This standalone figure may seem insignificant; however, check-cashing fees are merely one cost of remaining outside of the financial mainstream.

Fees paid for wiring funds or buying money orders to pay monthly expenses, such as rent and utilities, also contribute to high annual fees for the unbanked. Barbara Good (1999) suggests that it costs unbanked households \$26.50 per month in transaction fees to cash checks and pay monthly expenses (FRB of Cleveland, p. 2). Checking or savings accounts can charge monthly fees between \$9 and \$11 per month. Thus, an unbanked household spends between \$15.50 and \$17.50 per month—or between \$186 and \$210 per year—more than a banked household to conduct financial transactions (Barr, 2004). High-cost financial services, such as check-cashing and money transfers, reduce disposable income for unbanked households (Barr, 2004). Klawitter and Fletschner (2008) note that many scholars suggest that households can lower their financial transaction costs, increase their financial security, and reduce their debt if they rely on banks instead of resorting to check-cashing services, payday lenders, or other fringe financial services (Barr, 2004). This reduction in discretionary household income, which stems from the need

to convert earnings into cash and to pay bills, could be avoided if the unbanked had access to a checking or savings account.

2.2.2 Indirect Costs

The literature also indicates that there are many indirect costs to being unbanked. For instance, mainstream financial services can provide security for household savings and assets. The risk associated with storing assets in a federally insured checking or savings account is virtually zero because the Federal Deposit Insurance Corporation (FDIC) insures accounts for up to \$250,000². Funds stored at home are vulnerable to a catastrophic event like a house fire or a robbery and do not have the FDIC guarantee (FRB of Boston, 2007, p. 2).

In an attempt to keep their money safe, one practice among the unbanked that is gaining in popularity is the use of prepaid cards—debit cards not linked to a checking account that are purchased at retail stores, which can be “reloaded” with additional money at those stores. Retailers that sell and reload these cards look forward to the increased foot traffic of customers carrying cash (which was probably obtained through check-cashing) to add to the card. This cash is then transferred onto the card at an average reloading cost of \$3 (Flanigan, 2009). This means that some of the unbanked not only pay to convert their paychecks into cash, but in order to keep the money somewhat safe, they may also pay additional costs to put this money on a card.

² The FDIC’s insurance cap per depositor was temporarily raised on October 3, 2008 from \$100,000 to \$250,000. This raise expires on December 31, 2009 pending further legislative action.

Prepaid money cards may help to secure funds kept outside of a mainstream account, but they cannot help to smooth consumption, which is a financial need to many of the unbanked. The smoothing of consumption is a bigger problem for the unbanked because both the percentage of the unbanked who are not working and the percentage of the unbanked who live in households earning less than \$30,000 a year are double that of the banked. Because of inconsistent streams of income, the unbanked turn to other alternatives such as payday loans (FRB of Richmond, 2001, p. 52). According to a study by the Center for Responsible Lending (CRL), these loans often contain high fees and triple-digit interest rates. The CRL study also found that many of those who take out these payday loans repeatedly “flip” the loans, meaning that they take out additional loans to pay off the first one (Parrish, King, & Leonard, 2007, p. 2). This often traps the consumer in a spiraling cycle of debt that can be very difficult to escape.

Of course, not all consumers would necessarily benefit from traditional savings accounts. Typical interest rates on basic savings accounts, especially those with low or no minimum balances, are very low, around 2% per year (Bankrate, 2009). Fees and potential penalties can offset any minimal interest accrued and actually cost the depositor money. This is particularly true of small accounts as shown in the Barr study cited earlier. Assume that the attached fees equal \$10 per month, as Barr did in his study above. If a customer were to hold a consistent balance of \$500, under this hypothetical scenario, he or she would pay \$120 per year in fees and earn \$5 in interest. Over the course of a year, this customer would lose \$115, or 23% of his balance (Barr, 2004). However, if the savings account does not have a monthly fee or

costly penalties, then the interest income is a clear advantage of being banked. Regardless, the savings account allows the customer to forgo check-cashing fees and other fees associated with being unbanked, making it advantageous.

2.2.3 Financial Literacy and Experience

Poor financial literacy can cause financial mismanagement; fees from overdrafts and other unexpected charges can erode account balances. Many mainstream institutions charge somewhere between \$8 and \$38 every time the account holder overdraws (FDIC, 2009). These fees—even if paid only once per year—can more than negate any interest that the account holder accrues. Therefore, in order for households to benefit from being banked, they must learn how to avoid such fees. This is more difficult for households living from paycheck to paycheck, but is also much more important.

Financial service and banking knowledge can be gained from experience with mainstream accounts. This experience also helps members of banked households to improve their financial decision-making in the long-term (Hogarth, Anguelov, & Lee, 2005, p. 3). Although a direct and causal relationship between financial literacy and improved financial decision-making has not been conclusively proven, researchers like Hogarth, Beverly and Hilgert (2003b) find that households that report having previous experience with mainstream financial services more closely follow financial practices conducive to amassing and protecting wealth (FRB Chicago, 2008). Given this relationship, researchers can expect that when formerly unbanked individuals become banked, many will start to gain valuable experience that could enable them to

plan their finances more effectively and achieve a more stable and prosperous financial future.

Experience with simple financial accounts is also a step towards using more complicated financial tools. While simple transactional accounts can help individuals increase discretionary income and save money in the short run, more sophisticated tools—Individual Retirement Accounts (IRA), business loans, investments—can help generate assets and encourage long-term wealth building. Use of checking and savings accounts allows banked households to build credit and eventually obtain loans, thereby taking advantage of some of these financial services much more easily than unbanked households (FRB Boston, 2007, p. 26). Some studies have noted that individuals seeking small business loans received far more favorable terms when they invested more of their personal wealth into the business venture (Avery, Bostic, & Samolyk, 1998). The advantages that accompany asset generation are also clear in other financial products such as mortgages. If the mortgage customer has built a positive credit history through the use of mainstream financial services, then the customer may be able to obtain lower interest rates. In this way, access to and experience with mainstream financial services becomes a cycle where successful management of basic services leads to new opportunities to build wealth.

In spite of the apparent benefits of using mainstream financial services, the FDIC estimates that 73 million US residents are “unbanked or under-banked” (Wood, 2008). Who remains unbanked, and why might one population be more at risk than another?

2.3 Latinos and Latino Immigrants as Affected Populations

2.3.1 Reasons Why Latinos are Less Likely to Use Mainstream Financial Services

Demographic and Social Issues

Many Latinos in the United States, for a variety of reasons, remain outside of the mainstream financial sector. As of 2000, almost a quarter of all Latinos in the United States remained unbanked (FRB Chicago, 2003a). The percentage of unbanked Latino households was relatively high when compared to the percentage of unbanked households in the overall United States population, which was only 10%. Other researchers have also found that minority households, and in particular Latino households, are significantly less likely to be banked (FRB Chicago, 2002).

Ethnicity alone does not necessarily account for exclusion from the United States' banking system. A variety of socioeconomic factors make Latinos susceptible to remaining unbanked. For instance, several studies suggest that an individual's income and level of formal education are positively correlated with using banks (Hogarth, Anguelov, and Lee, 2005; FRB Chicago, 2003a). Census data shows that Hispanics earn less income, on average, than the average American (U.S. Census Bureau, 2001). Census data also shows that Hispanics overall have a lower level of educational attainment than non-Hispanic Whites and Asians; only 58.4% of Hispanics over the age of 25 have a high-school diploma, compared with 90.0% of non-Hispanic Whites and 86.8% of Asians (Bergman, 2005). These demographic characteristics help to explain the relatively high rate of unbanked households among the Latino population in the United States.

Language Barriers

The language barriers that Latinos in the United States face also explain the group's susceptibility to remaining unbanked. According to the 2000 U.S. Census, half of Hispanics indicated that they had trouble speaking English (FRB Chicago, 2003a). Such a barrier may hinder communication between bank employees and Latinos, making it more difficult for Latinos to learn about or take advantage of bank services.

While the percentage of Latino households that are unbanked is significantly higher than the overall percentage for all households in the United States, the percentage of Latino *immigrant* households that are unbanked is higher still. A 2001 survey conducted by Bendixen and Associates found that 44% of Latino immigrants are unbanked (as cited in ACCI, 2003).

2.3.2 Reasons Why Latino Immigrants Are Less Likely to Use Mainstream Financial Institutions

Legal Barriers

Legal requirements prevent some Latino immigrants from accessing mainstream financial services. For instance, mainstream financial institutions must receive and verify the accuracy of the identification of any customer who wishes to open an account. Mainstream banks verify identification by requiring a social security number, a taxpayer identification number, or an employer identification number issued by the government of the United States (Internal Revenue Service [IRS], 2009). However, according to the Immigration and Naturalization Service (INS), a substantial number of Latino immigrants residing temporarily in the United States

have not started the process to receive such documents, preventing them from meeting the identification requirements (Jones-Correa, 1998). To help Latino immigrants avoid this problem, 27% of banks—including Bank of America—are allowing potential consumers to open an account using a Matrícula Consular de Alta Seguridad, an ID issued by the Mexican Consulate that certifies that the holder is a Mexican national (Federal Deposit Insurance Corporation [FDIC], 2009a). 38% of banks accept another form of secondary identification, the Individual Taxpayer Identification Number (ITIN), in another effort to help dismantle these barriers (FDIC, 2009). However, the perception of legal restrictions may be as important as the reality in terms of discouraging Latino immigrants from opening accounts – if Latino immigrants lacking documentation believe they are likely to reveal their status and be deported upon attempting to open a bank account, they are far less likely to try.

Cultural Perception of Banks

The literature emphasizes the importance of cultural perception in bank use. Negative past experiences with mainstream financial institutions, in the US or in an individual's country of origin, can also lead to avoidance of banks. A cultural tendency of Latino immigrants to overestimate the risks of becoming banked reduces the use of mainstream financial services (Dixon, 2008).

Though several mainstream financial institutions have gone bankrupt in the United States since work on this thesis began, measures and protections within the system have saved the majority of customer deposits. The FDIC insures all deposits in checking and savings accounts of mainstream financial institutions in the United

States for up to \$250,000 per individual account holder. Without a full understanding of the banking system in the US, it seems logical for immigrants from less stable economies to distrust all banks, including those in the United States.

Complexity of Services

This misunderstanding may also carry over into the terms and conditions of many services offered in the United States. The United States' mainstream financial sector is quite complex and features a wide array of financial products. This complexity may cause unbanked households to prefer to remain unbanked rather than sort through the necessary information to choose the financial product that best serves their needs. The literature suggests that when an individual is presented with choices that are either too numerous or too complex—such as those that mainstream financial institutions offer to consumers—many prefer to maintain their current habits rather than sorting through each distinct option (Dixon, 2008). In fact, the array of American financial services available to consumers is so complex that one study found that American college students knew very little about finances and financial products (Murphy, 2005). Despite the fact that many were born in the United States and have not faced the barriers that prevent Latino immigrants from entering the financial mainstream, students in the study did not demonstrate high levels of financial literacy..

Other characteristics of mainstream financial services may also discourage Latino immigrants from using them. For example, if potential account holders do not understand the rules associated with having a checking or savings account—such as minimum balances, requirements regarding a minimum or maximum number of

transactions per month, monthly fees, etc.—they may accidentally incur fees that would deplete household savings. The literature also notes that many of those who understand the typical requirements of holding a checking or savings account, but still remain unbanked, often cite minimum balance requirements as hindrances to opening checking or savings accounts (FRB Chicago, 2002).

When a household finds it difficult to meet these minimum balance requirements, it often does not use mainstream financial services, relying instead on more costly fringe financial services. As previously mentioned, even households that do remain banked may face high fees if they do not understand how to avoid them, eliminating the benefit they might otherwise have reaped from being banked.

Availability and Convenience of Fringe Financial Services

Many households, especially those composed of Latinos or other immigrants, find it easy to access fringe financial services, which may limit the use of mainstream financial services. In several studies, scholars have noted the abundance of fringe financial service providers that currently operate in the United States. For example, there are over 11,000 businesses offering check-cashing services (Progressive Policy Institute, 2001). Many of the businesses that provide these services are simple grocery stores, which consumers regularly visit (FRB Chicago, 2002). In fact, the community finds these local businesses to be more convenient than traditional banks and other mainstream financial institutions, because they have longer hours, do not require as much paperwork, and are located closer to immigrant communities (Sacchetti, 2007). If consumers can find fringe financial services in places they frequent, they may be enticed to use such a service since it may be more convenient.

Demographic characteristics, legal and cultural barriers to opening a bank account, and easy access to fringe financial services provide several reasons why Latino immigrants remain unbanked. Additionally, the mainstream banking system in the United States may be lacking services that Latino immigrants need and desire most. In fact, Edwards (2007) notes, “language isn’t the only difference between this consumer [Latino immigrants] and mainstream America” (p. 1). From his discussions with Tienda, a supermarket that serves the Latino community in Atlanta, Edwards (2007) found that, while Latinos demand many of the same foods as most other American consumers, there are certain products that Tienda carries that other supermarkets do not. Similarly, Latino consumers require financial products that are slightly different from the typical American consumer.

Many Latino immigrant households often use remittance services as a way of sending money to their countries of origin (U.S. Agency for International Development, 2008). While remittance delivery services are often available at standard banks, only six percent of the 685 banks surveyed offered the service to non-account holders (FDIC, 2009). Many banks do offer remittance services under the name of international money wiring, but that costs \$30 to \$50 per transaction. While some credit unions such as Acceso in Washington, DC, provide low-cost remittance services, these services are not highly profitable, which has slowed the spread of similar, low-cost remittance products (C. Calderón , personal communication, 15 April 2009). Additionally, potential customers can choose from the array of remittance delivery services, as many businesses offer money wiring or remittance delivery as a side-service. For instance, in Boston, customers at Laundromats, bridal

stores, and religious goods stores can send remittances (Sacchetti, 2007). Edwards (2007) suggests that in their efforts to reach out to the Latino community, mainstream financial institutions should continue to provide traditional services while also providing new services or modifying existing services to better meet the needs of the Latino community.

Therefore, while there are a variety of reasons why a substantial number of Latino immigrant households remain outside the mainstream financial sector, the literature also suggests that these households remain unbanked because of certain characteristics of the institutions and the financial mainstream. As a result, many organizations, both public and private, have implemented a variety of programs to encourage these unbanked households to become banked. In fact, 64% of the 685 banks surveyed by the FDIC for this study have changed their practices in the last five years in order to appeal to the unbanked or underbanked (FDIC, 2009).

2.3.3 Dangers of Living Outside the Financial Mainstream

While the statistics above suggest that banks are changing their practices to attract new customers, recent trends suggest that the dangers of remaining unbanked are on the rise as well. In some communities, Latino immigrants—many of whom are members of unbanked households—have developed a reputation for having large sums of cash on their person and/or at their home. Perpetrators of an armed robbery in Terrytown, Louisiana admitted to targeting Latinos because they were thought to carry cash (Hunter, 2007). In 2008 in Oklahoma, the Associated Press reported that there had been a dramatic increase in robberies of Latinos and Latino immigrants in

the state (“Police Say,” 2008). Around that time, the Austin-American Statesman reported that a serial robber had been targeting households in predominately Latino neighborhoods in Austin, Texas (George, 2008). Due to language barriers, questionable immigration status and/or bad experiences with authorities in their countries of origin, immigrants are hesitant to call the police (Weisenmiller, 2009). This elevated risk of being robbed or hurt only further emphasizes the importance of bringing Latino immigrant populations into the mainstream financial sector.

2.4 Initiatives to Provide Asset-Building Services for the Unbanked

In an effort to encourage consumers to become part of the mainstream financial system, federal and local government agencies, credit unions, NGOs and banks have undertaken initiatives to encourage unbanked consumers to open savings and checking accounts, apply for and receive loans, and conduct other financial transactions. While many of these efforts have focused on the general population, some have also specifically targeted Latino immigrant households. Here we discuss some of the most interesting solutions and incentives that these organizations have devised to increase the percentage of banked households in the United States. These examples will help provide some models, which we will later use to make recommendations.

One evolving concept in the financial field is that of community banking. Community banks are often small and local financial institutions that focus on the needs of the underserved population within their surrounding communities. These banks attempt to channel loans and investment products back into the communities

that they serve (Independent Community Bankers of America, 2009). The spirit of community banking also encourages banks, credit unions, and other mainstream financial institutions to build relationships with customers that will help the customer to amass wealth.

For instance, Inland Empire Trades Credit Union (IET) of Spokane, Washington, a mainstream financial institution that receives grants and assistance from governmental programs like the Community Development Financial Institutions (CDFI) Fund, offers some nontraditional banking products that make it easier for unbanked populations to take advantage of financial products. IET also provides and encourages members to attend financial literacy classes that can even be held at clients' places of employment (Krummel, 2007, as cited in Wilson, 2007). In addition, to provide a mainstream alternative to payday loans, the credit union allows members to overdraw their account—for a \$28 fee, by up to \$1,000—for a maximum time of one week. While a series of \$28 fees could add up to a significant sum, a combination of experience with financial services and literacy training could mitigate the asset-depleting effects of overdrafts in the long run. Services and policies like these allow the credit unions to become familiar with the needs of their customers and provide the products and services that their customers need (Krummel, 2007, as cited in Wilson, 2007).

Private companies, many of which are outside the traditional financial service industry, have also implemented some innovative practices to encourage traditionally unbanked populations to build and maintain assets. For example, the William J. Clinton Foundation funded 30 banks nationwide to train customers on how to use

their new accounts. Also, Wal-Mart, the world's largest retailer, introduced a reloadable MoneyCard in 2007 that customers could use as easily as cash anywhere that Visa is accepted. However, users of the card are required to pay monthly fees and provide a social security number or other form of documentation before they are issued the card (Wal-Mart, 2009). As a result, this effort is much less likely to help Latino immigrants gain access to needed asset-building financial services. It has been reported that a small fraction, about 1%, of Wal-Mart shoppers have applied for the MoneyCard (SourceMedia, 2008). It is unknown, however, how many shoppers are unbanked to begin with, making the impact of this statistic difficult to understand. A more useful percentage, though much more difficult to obtain, would be what fraction of Wal-Mart's unbanked customers have applied for the service. Despite the ambiguity surrounding the calculations of its effectiveness, this program is reaching a large number of people.

To further serve the underbanked, Wal-Mart has started a program titled "Operation Mainstreet: Money Management" ("Wal-Mart Steps Up Efforts"). To increase financial literacy, Wal-Mart has joined with Visa to provide financial guidance online in addition to bringing financial experts into some Wal-Marts nationwide to provide free financial counseling. The program also cuts some of the fees associated with the MoneyCard in certain situations. Wal-Mart is optimistic about the benefits the card could bring to the currently unbanked (Wal-Mart, 2009).

Local governments are also undertaking initiatives to expand access to mainstream financial services and encourage community banking. For instance, Bank on San Francisco, which is supported by the city government in conjunction with

many private banks and credit unions, helps the unbanked overcome barriers that inhibit many from opening checking and savings accounts. The idea is simple: by providing low- or no-fee transactional checking accounts, banks could make a profit as customers enjoy the benefits of becoming banked. The program allows banks in San Francisco to accept alternate forms of identification, such as the Mexican Matrícula Consular ID; this enables residents to open no- or low-cost accounts without minimum balances at many banks throughout the city. Institutions and community organizations also provide financial literacy training to program participants as a part of Bank on San Francisco (cfed, 2008).

The Bank on San Francisco program has brought many formerly unbanked individuals into the financial mainstream. According to an estimate by the Office of the Mayor of San Francisco, over 11,000 of San Francisco's estimated 50,000 unbanked households opened checking or savings accounts during the first year of the program. As of June 2008, 18,558 accounts had been opened in San Francisco (Brubaker, 2008). By December, the program—along with similar initiatives in Oakland, San Jose, and Fresno— had banked 31,000 first-time account holders (Karim, 2008).

In fact, the program has proven to be such a success that Governor Arnold Schwarzenegger started a statewide initiative in December 2008 called Bank on California (Office of the Governor, 2008). The goal of the initiative is to replicate the efforts of Bank on San Francisco and help bank the 2.75 million, or 11% of California's population, who are unbanked (DeBare, 2008; Steinhauer, 2008). The program seeks to open 100,000 new accounts in just two years. About forty other

cities and counties—such as Houston, TX, and Evansville, IN—have started replicating the efforts of Bank on San Francisco (Heller, 2009; Office of the City Controller, 2008; Shaw, 2008).

Local governments are also implementing other programs to bring asset-building services to those in need. In New York City, Mayor Michael Bloomberg has tried to expand access to financial services by partnering with a number of local banks and credit unions to offer the unbanked “starter” accounts that are initiated with \$50 in free money (Office of the Mayor, 2008). These accounts attempt to integrate traditionally underserved populations into the mainstream financial marketplace by allowing participants to have a bank account with low or no minimum balance in which they do not have to deposit any of their own money. If expanded, this may allow many of the unbanked to gain some experience with financial products. A positive experience with these starter accounts may ease some concerns that immigrants and other traditionally underserved groups may have about mainstream financial institutions and encourage members of these groups to open checking and savings accounts.

In addition to programs that may ease immigrants’ concerns, some cities have begun initiatives to directly tackle the legal barriers that immigrants may face when trying to access mainstream financial services. In 2007, the city of New Haven, CT began issuing city ID cards to its residents, regardless of age or immigration status, so that community members could take advantage of city services and open bank accounts (FRB Boston, 2008). Other cities, such as San Francisco, in order to strengthen their effort to encourage the unbanked to become banked, plan to follow

New Haven's lead in this effort (Sherr, 2007). In addition, in a report to the mayor of Lexington, KY, the Lexington-Fayette Commission on Immigration suggested that a similar system be developed there to mitigate immigrant concerns with using mainstream financial services that stem from a lack of documentation (Krebs et al., 2007). Despite the good intentions, the ID cards are not necessarily allowing undocumented immigrants to more easily open bank accounts (Bray, 2007). The city ID is only accepted as secondary identification at the city's 4 banks, but city officials still credit the program as a way to include marginalized members of society in the financial mainstream in the long run.

The government's encouragement has stretched beyond community banks, with the Federal Government's aid expanding to other banks and financial institutions to provide more financial services specifically targeted at immigrants. For instance, federal regulators stated that under the Community Reinvestment Act (CRA), they will favorably view mainstream financial institutions that allow consumers to send remittances at a relatively low cost (Greenspan, Powell, Hawke, & Gilleran, 2004). The CRA encourages mainstream financial institutions to offer products and services to populations that have been traditionally underserved by the financial mainstream. If mainstream financial institutions provide less-expensive remittance services, they could attract more Latino immigrants to their businesses and begin building a relationship with this pool of consumers, encouraging Latino immigrant households to participate more widely in the mainstream financial sector.

In addition to government initiatives, many local organizations have made efforts to encourage financial literacy and help bring traditionally underserved clients

into the financial mainstream. For instance, in Washington, DC, the Latino Economic Development Corporation (LEDC) provides financial literacy training and access to loans for small business entrepreneurs. Since 2002, the Spanish Catholic Center has provided services such as economic development/small business development and employment counseling to immigrants from 74 countries in three locations in the Washington, DC Metropolitan Area (Catholic Charities, 2005). These and similar efforts by community organizations can offer clients and constituents new opportunities to build wealth by providing financial literacy education.

Non-profit organizations also help by providing incentives for the unbanked to open accounts, such as Individual Development Accounts (IDA). These are accounts that seek to encourage low-income families to save income in an effort to purchase a house, attend college, or jumpstart a business. IDAs match, within limits, whatever amount a low-income consumer saves. The NGOs providing IDAs often provide financial literacy training to their clients. While programs work differently, the match money comes from both the private and public sector and has various restrictions placed on it. In the past five years, the program has enabled 1,212 people to buy homes. This program, run by NGOs in partnership with the banks, is one example of a way in which the organizations in the community work together to bank the unbanked. A major limitation of the IDA format, however, is that it requires a 2 to 3 year minimum commitment from applicants with strict guidelines about how much the applicant will deposit each month. Such stipulations are not always easily followed by low-income households (cfed, 2008).

Some foreign institutions also have tried to encourage those who remain unbanked to open checking and savings accounts. In a rather unorthodox and controversial promotion halted by federal court action, the First National Bank in South Africa ran a lottery with a prize of 1 million rand (roughly \$130,000 depending on the rate of exchange) every month, attracting about 30,000 new customers per month (Nyamakanga, 2008). While this number most likely includes some previously unbanked households, some of these new customers may have already held accounts at other banks. Also, while an effort such as this in the US may attract some of the unbanked to become integrated into the mainstream financial sector, it is unlikely to help Latino immigrants navigate the legal barriers they face when trying to access mainstream financial services.

Grameen America is an international organization trying to bank the unbanked in the United States. Based on its parent model—Grameen Bank, the microfinance bank originating in Bangladesh—Grameen America is founded on the idea of group lending. It has opened in New York City; of the approximately 500 females who have borrowed money, 99.6% regularly repay their loans on time. Though Grameen America only operates in NYC as of now, Grameen hopes to expand to other U.S. cities as well as offer depositing services and bank accounts (Smith, 2009).

While these efforts to reach out to the unbanked have brought many new households into the mainstream financial sector, they have not met the needs of a large part of the target population. Because large numbers of Latino immigrants remain unbanked, we were interested in conducting research in order to discover the extent to which Latino immigrants do not use asset-building financial services, the

reasons why they do not use those services, and how those reasons could be addressed.

Chapter 3: Methodology and Methods

3.1 Methodology and Methods Overview

The methodology and methods section of this document explores the research question presented in the Introduction (Chapter 1) from a research design perspective. The sections within this chapter explain the evolution of the research topic, how our research progressed, and the design philosophy underlying our research.

3.2 Design Evolution and Final Goal

Our team originally united around the broad topic of “Free vs. Fair Trade” in order to investigate how trade policies implemented by developed countries affect living conditions around the world. However, we quickly realized that in order to study this topic, we would have to travel to many foreign countries, which was not feasible for a group of full-time undergraduate students. In light of this obstacle, we started to discuss how we could conduct research on a related topic locally. After examining some background information on microfinance and community banking, we realized that Latino immigrants are less likely to utilize asset-building financial services. With this in mind, we decided to research the financial service needs of a local community in Prince George’s County with a large population of Latino immigrants. (For more information on the evolution of the research topic, see Appendix A.) We turned to the literature for some explanation of helpful methods.

In the literature, we found extensive information about needs assessments. Griesbach, Hopkins, Russell and Rich (2004) refer to the needs assessment as a “first

key step in designing and delivering integrated services...” (p. 1). Since a needs assessment can be a very useful tool when examining how to design products and services to meet the needs of a target population, we examined more literature on the topic in order to develop our research method.

The needs assessment process must take into account the values and beliefs of a variety of different stakeholders (Carter & Beaulieu, 1992). Therefore, needs assessments often require partnerships between groups and organizations with differing interpretations of the community’s needs. Collaborative efforts often produce a much richer and more useful needs assessment, but differences in the goals and judgments of each stakeholder must be understood (Lee, Altschuld, & White, 2007).

We did not know how many views we could integrate given the limited time frame of our project. However, we decided to attempt a multi-faceted approach informed by our literature about needs assessments. As such, we were directed by *Conducting a Community Needs Assessment: Primary Data Collection Techniques*, in which Carter and Beaulieu (1992) outline the advantages and disadvantages of five specific techniques: the key informant approach, the public forum approach, the nominal group process technique, the Delphi technique, and the survey approach.

In the key informant approach, a team interviews experts in the field in order to gauge the needs of the community. Experts are relatively easy to identify, which would enable the team to collect a great deal of information without expending too many resources. However, this method may introduce bias, because the experts may not have the same perspectives on the issue as the general population. While this

would be a helpful method, we determined that expert opinions would be most useful to us as background knowledge rather than primary data.

On the other hand, the public forum approach, which calls on researchers to hold town hall meetings to elicit opinions from community members, allows for wide and diverse participation in the data collection process. However, this approach can often result in the needs assessment recognizing and addressing the needs of only the most vocal minorities. Since we had already determined the population we were interested in, this did not seem like a good approach for us.

The nominal group process, in which researchers engage in conversations with community members, allows for a wide array of diverse opinions, but in a more intimate group setting where those conducting the needs assessment can ensure that all participants are able to explain their experiences. This method would be advantageous because we would be able to hear explanations from anyone willing to share his or her experiences. However, our team would have to limit the sample size because we were interested in obtaining the experiences of the community through a detailed discussion of issues related to financial services. Each discussion would take time to transcribe, analyze, and discuss. Therefore, if we had responses from too many participants, we would need to expend most of our time and energy analyzing the data and would not have enough time left over to formulate our recommendations.

The Delphi technique is a two-round process. The first round consists of a series of focus groups, while the second round consists of a survey in which answers given in focus groups are incorporated as response options. This practice may allow those conducting the needs assessment to formulate targeted questions that will yield

very useful and detailed information. This process is very thorough but may limit the number of participants that a researcher can survey. Because of the time constraints that we were under, we did not believe that we could gain a comprehensive understanding of our subjects using this method.

The final process that Carter and Beaulieu (1992) outline for conducting a needs assessment is the survey approach, which collects basic information from a large number of participants. This method is technical and expensive to implement but can produce very useful quantitative results. However, our data would lack detailed accounts of the participants' experiences with financial services. Since we believed that these detailed accounts could prove valuable and enlightening, we chose not to use the survey approach exclusively.

The team gained further insight into the different methods through Griesbach, Hopkins, Russell, & Rich (EFU, 2004) in *Needs Assessment: A Practical Guide to Assessing Local Needs for Services for Drug Users*. Griesbach, Hopkins, Russell, and Rich discuss the advantages and disadvantages of questionnaire surveys, interviews, and focus groups. The authors contrast the high volume of responses using a survey methodology against the fewer, but more descriptive, accounts provided by focus groups and interviews. However, a mixed methodology is often more useful, because the advantages of one technique often compensate for the biases or limitations of another (Carter & Beaulieu, 1992).

After much consideration of the advantages and disadvantages of available methods, we decided to conduct focus groups in order to draw a detailed picture of people's experiences with financial services. The format of the focus groups was

similar to Carter and Beaulieu's (1992) nominal group process and Delphi approach, because we were interested in hearing about personal experiences of our focus group participants.

In order to supplement our understanding of the data that we collected during the focus groups, we gathered quantitative data in order to compare Langley Park to the US as a whole. With hopes of finding similarities that would allow us to apply our findings to a larger population, we analyzed existing literature and data on correlations between several dependent variables and the number of banks per 1,000 people. Our ultimate goal was to share the information that we obtained during this project with financial service providers in the Langley Park area, so that area providers can offer financial services to Latino immigrants that better meet their needs.

3.3 Finding and Accessing Respondents

In order to select a financially underserved community within Prince George's County in which we could conduct focus groups, we examined several demographic variables, including the proportion of the population that is Hispanic and non-Hispanic White, the proportion of residents living in poverty, and median income. The data was obtained from DataPlace.

Upon examination of this data, we concluded that Langley Park would be a preferred location for conducting our research because it best suited our criteria. According to data from the 2000 U.S. Census, 63.5% of Langley Park's residents are Latino, while only 5.4% of the population is non-Hispanic White (U.S. Census Bureau). The presence of a large Hispanic population is not necessarily indicative of

the presence of a large Latino immigrant community, but locally, Langley Park is well known for having a large community of Salvadorian immigrants. Langley Park also meets our other criteria. The area has a high incidence of poverty (16.8%) and a relatively low median household income (\$36,018) (U.S. Census Bureau, 2000). In 2007, Prince George's County as a whole had a much lower incidence of poverty (8.1%) and a much higher median household income of \$67,706 (U.S. Census Bureau). Because of these variables, many of the community's residents are more likely to remain outside of the financial mainstream.

3.3.1 Subject Criteria

After we chose Langley Park as the location for our data collection, we defined the exact population that we wanted to constitute the subject pool of our focus groups. The specific criteria that we selected were: a) the respondents must have immigrated to the United States from Latin America; and b) the respondents must be older than 18 years of age. The first criterion was included to limit the subject pool to Latino immigrants, our target population. The second criterion was included to ensure that the data that our team collected met Institutional Review Board (IRB) regulations and to increase the chance that respondents had been exposed to financial services. Our approved IRB submission is attached as Appendix B. Our confidentiality agreement follows, in Appendix C.

We cannot ensure that all of our respondents were Langley Park residents, since that question was not asked during the focus groups. However, we can speculate that they had strong ties to Langley Park from the fact that they used the services of our community partner, the Spanish Catholic Center. This means that even if a

participant were not a Langley Park resident, he or she would most likely be able to use asset-building financial services in Langley Park.

3.3.2 The Spanish Catholic Center of Langley Park

After formulating a basic outline for how our research should be conducted, we met with different community organizations in Langley Park and eventually formed a partnership with the Spanish Catholic Center of Langley Park. (Appendix D contains pictures of the Spanish Catholic Center and other areas in Langley Park.) The Center, though under the auspices of Catholic Charities in Washington, DC, is not religious in nature. It helps people obtain medical, dental, immigration, legal, education and social services, regardless of education or background (Catholic Charities, 2005). This partnership was integral to the success of our research, aiding us both in building trust within the community and in finding respondents.

The Spanish Catholic Center of Langley Park, which holds several workshops during the week, allowed us to conduct focus groups after unemployment workshops and solicit the participation of their clients. Additionally, the staff helped us advertise our focus groups, making announcements and encouraging people to participate. They also generously allowed us to use a room in their building to hold the focus groups. All of the focus groups were held in the Spanish Catholic Center of Langley Park, and all of the participants used services provided by the center.

3.4 Data Collection

Because the research is intended to help organizations provide Latino immigrants in Langley Park with asset-building financial services, the main focus of our data collection was to obtain an accurate portrait of the financial needs of the Langley Park Latino immigrant community members. For the qualitative component of our research, we gathered original, detailed information about our participants' experiences with financial services. However, before we analyzed our qualitative data, we wanted to use quantitative data to put the experiences of our focus group participants in perspective. Therefore, in the quantitative part of our research, we collected and analyzed existing data. Together, we gathered a contextualized and detailed description of the financial needs of the Latino immigrant community in Langley Park, Maryland.

3.4.1 Quantitative Data Collection

Through the quantitative portion of this research, we sought to draw correlations between several dependent and independent variables using existing county-level data on key metrics, such as poverty level and race. The primary source for this data was DataPlace, a website run by KnowledgePlex, a nonprofit organization sponsored by the Fannie Mae Foundation. DataPlace provides a variety of demographic and economic data on municipalities across the United States. DataPlace collects and organizes data from a variety of sources, including the 1990 and 2000 U.S. Censuses, the Home and Mortgage Disclosure Act, and Consolidated Plan special tabulations, which report housing data by family income level.

Using all of these sources, we analyzed national data regarding access to financial services. Due to the constraint of working solely with the available data, we sought to answer three sub-questions that the literature suggests are related to asset building and access to financial services. The three sub-questions are as follows:

1. Nationally, are there fewer banks in areas where there are higher concentrations of immigrant and minority populations?

This helped us to understand whether or not lack of banks is a reason why vulnerable populations, such as immigrants and minorities, are unbanked.

2. What reasons do people across the country give for being unbanked?

This data provided an understanding of the reasons people living in the United States have for not using asset-building financial services.

3. What insight can we gain from correlations between the variables we considered? Do these results differ substantially from the information that we collected in our focus groups?

The answer to this question helped us determine if the experiences of our focus group respondents, who were Latino immigrants, differed greatly from the experiences of the unbanked populations across the country. The presence or absence of this disparity was important when we evaluated existing programs and discussed ways in which financial service providers can offer services that better meet the needs of our focus group participants.

3.4.2 Qualitative Data Collection

In the literature review, we found that there are a variety of reasons why Latino immigrants do not access asset-building financial services. Given the many reasons that could discourage Latino immigrants from utilizing asset-building financial services, we decided that data collection methods that are limited to providing quantitative data on pre-selected criteria, such as surveys, could not provide us with enough information to determine the extent to which each of these factors contributes to the financial decisions that Latino immigrants make. By conducting open-ended focus groups to collect data, we sought to extract more detailed information that could better inform our recommendations, which are presented in Chapter 5.

There are several advantages and disadvantages to using focus groups. One of the most important advantages is the ability to ask open-ended questions that stimulate discussion. By asking the participants open-ended questions, we were able to collect very detailed information about the lives, perceptions, and realities of those who participated. Also, the fact that the focus groups were relatively small (6-10 people) allowed the participants to share their personal experiences with us. In addition, focus groups are a more cost- and time-effective way of collecting data compared to individual interviews.

A weakness of our qualitative data collection is that our sample is not statistically significant. Also, the selection of participants was nonrandom, because all of our participants were drawn from those who attended an unemployment seminar at the Spanish Catholic Center of Langley Park. The experiences of our participants

could have been influenced by the fact that they were unemployed or had little money with which they could build assets. As a result, it was very difficult to draw definitive conclusions about the financial needs of members of the Langley Park community in general. However, even with these limitations, the focus groups still gave us valuable insight into the financial experiences of our participants, which can be used to inform financial institutions about the perspectives and needs of part of the Latino community.

The questions asked during the focus groups were designed to gather the participants' perspectives about their overall financial experiences, both in the United States and in their country of origin. These questions can be divided into three sub-topics of interest as follows:

1. What financial services do the participants of the focus groups use?

While it is not possible to draw conclusions about the extent to which all Latino immigrants in Langley Park use asset-building financial services due to our limited sample, answers to this first question gave us insight into the experiences the participants had with such services. This was important because it allowed us to examine whether the claims made in the literature, which stated that immigrants are less likely to use asset-building financial services, were also true of our participants.

2. Why do the participants utilize or fail to utilize asset-building financial services?

As mentioned, the literature suggests that there are many reasons why immigrants do not access asset-building financial services. However, different

ethnic groups may bring different cultural perceptions about banking with them to their new communities. We were interested in finding out what these reasons were for the Latino immigrant community of Langley Park specifically.

3. What financial services do the participants of our focus groups desire?

To develop a set of recommendations for Langley Park, we had to familiarize ourselves with services desired by Latino immigrants within the community. There is no blanket solution or set of solutions that can be applied to every community. This is particularly true of ethnically diverse communities like Langley Park. Therefore, to make recommendations that will truly help the community, we needed to know the types of services that the population desired.

Chapter 4: Data Presentation and Analysis

4.1 Data Presentation and Analysis Overview

This chapter is divided into several sections. First, we will present our quantitative data, which provides an overall picture of several national trends regarding access to financial services. Next, we will discuss the limitations of our quantitative data and explain how our qualitative data collection helps us fill in the remaining gaps. The qualitative data, based on focus groups, depicts a more in-depth view of the community being studied, illuminating the problems faced by Latino immigrants in Langley Park specifically. Finally, we will analyze the qualitative data, making connections to the literature in order to highlight what is important for our recommendations.

4.2 Quantitative Data Analysis

In order to determine national correlations regarding access to financial services, we looked at national-level data on relevant indicators, such as race and poverty level, to conduct an original analysis. We also looked at existing literature that contains relevant quantitative data. Finally, we focused our attention on Langley Park in particular, analyzing data about Langley Park to compare it to national data.

4.2.1 Original Data Analysis

In order to obtain information about national-level phenomena, we investigated correlations between several variables across different geographic

regions throughout the United States. We originally attempted to look at state-level data, but this provided only 50 data points (1 for each state), which were not enough to obtain statistically significant correlations. Therefore, we decided to look at county-level data, obtaining many more subgroups for comparison.

We identified several dependent and independent variables to use in our analysis. One of the goals of our research was to determine why vulnerable populations—such as recent immigrants, minorities, and low-income individuals—have difficulty using asset-building services. Therefore, we used demographic data on race and income as our independent variables. In order to determine which barriers our target populations encountered, we sought variables that measure the relative importance of different barriers to using financial services. For example, we attempted to look at statistics such as average credit scores to determine if poor credit was a barrier to financial services, and level of trust in banks to determine if lack of trust was a barrier.

However, the only relevant dependent variable for which we could find reliable, statistically significant data was the density of banks, measured in commercial banks per 1,000 population. We ran regressions with that as the dependent variable and race, income, and poverty rate (defined as the percentage of the population with an income under the federal poverty line) as independent variables.

In order to determine whether or not there tended to be fewer banks in areas with higher minority populations, we conducted a linear regression with “Percent non-Hispanic White Population” as the independent variable and “Number of

Commercial Banks per 1,000 Population” as the dependent variable. A graph of our data is shown in Figure 4.1, and a table showing the results of our analysis is shown in Table 4.1.

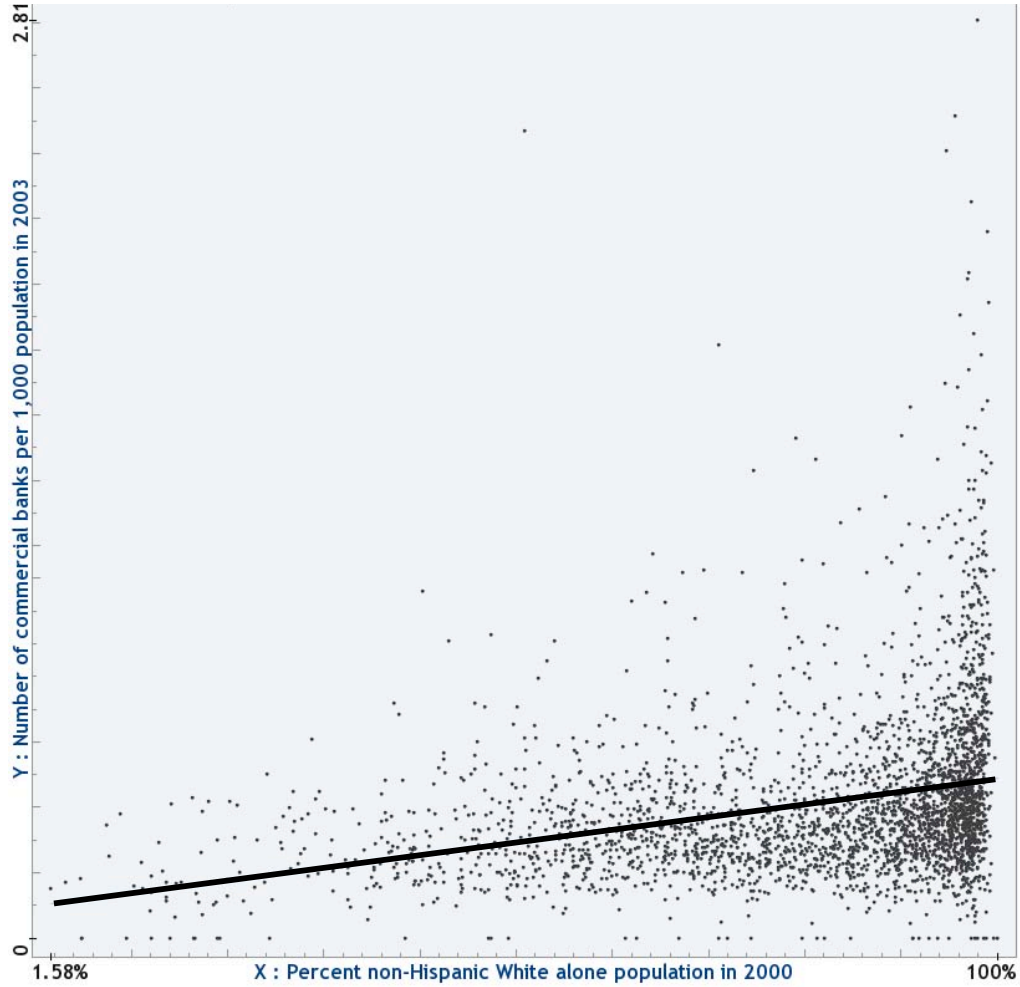


Figure 4.1. Relationship between Percentage Non-Hispanic White Population and Banks per 1,000 Population. (Linear regression line in black. Source: DataPlace compiled from 2000 U.S. Census data [KnowledgePlex, 2009])

Regression Results: R-squared = 0.066			
Variable	Coefficient	Std. Err.	P
Non-Hispanic White	0.344	0.023	<0.001
(Constant)	0.107	0.019	<0.001

Table 4.1. Results of Regression with Banks per 1,000 Population as the Dependent Variable.

We found that counties with more Hispanics and other minorities (i.e., fewer non-Hispanic Whites) tend to have fewer commercial banks per 1,000 population. According to the results of our regression, a county with no non-Hispanic Whites (i.e., all Hispanics or minorities) would have an average of 0.107 banks per 1,000 population, while a county with all non-Hispanic Whites (i.e., no Hispanics or minorities) would have an average of 0.451 banks per 1,000 population. (This correlation is also clearly visible in Figure 4.1, where the trend line slopes up.) This supports the information that we found in our literature review that says that minorities are less likely to have access to mainstream financial services, and suggests that the limited number of banks in convenient locations may be impeding access to mainstream financial services for minorities. This does not necessarily mean that banks intentionally cater to the white population or avoid high-minority areas; however, whatever the reasons for this correlation, it does suggest that those living in high-minority areas tend to have fewer options for accessing mainstream financial services.

Another possibility may be that Hispanics and minorities simply tend to live in areas with higher population densities. If this is the case, a small number of banks per 1,000 population may not be a problem – it would simply be a symptom of a large number of people in one area, not a dearth of banks in that area. To test this hypothesis, we ran a linear regression with “Banks per 1,000 Population” as the dependent variable, and both “Percent Non-Hispanic White Alone Population” and “Population Density” as independent variables.

Regression Results: R-squared = 0.172			
Variable	Coefficient	Std. Err.	P
Non-Hispanic White	0.315	0.022	<0.001
Logdensity	-0.112	0.007	<0.001
(Constant)	0.312	0.021	<0.001

Table 4.2. *Results of Regression with Banks per 1,000 Population as the Dependent Variable. (“Logdensity” is the base 10 logarithm of the number of people per square mile.)*

The results of the new regression show that controlling for population density has little effect on the estimated magnitude of the correlation between percent non-Hispanic Whites and banks per 1,000 population. This demonstrates that population density is not a satisfactory explanation for the observed correlation.

In order to test whether lower-income people and people in poverty also tended to live in areas with fewer banks, we ran two more linear regressions. One used “Median Family Income” as the independent variable and “Number of Commercial Banks per 1,000 Population” as the dependent variable, and the other used “Percentage of Persons in Families with Incomes Below the Federal Poverty Line” as the independent variable and “Number of Commercial Banks per 1,000 Population” as the dependent variable.

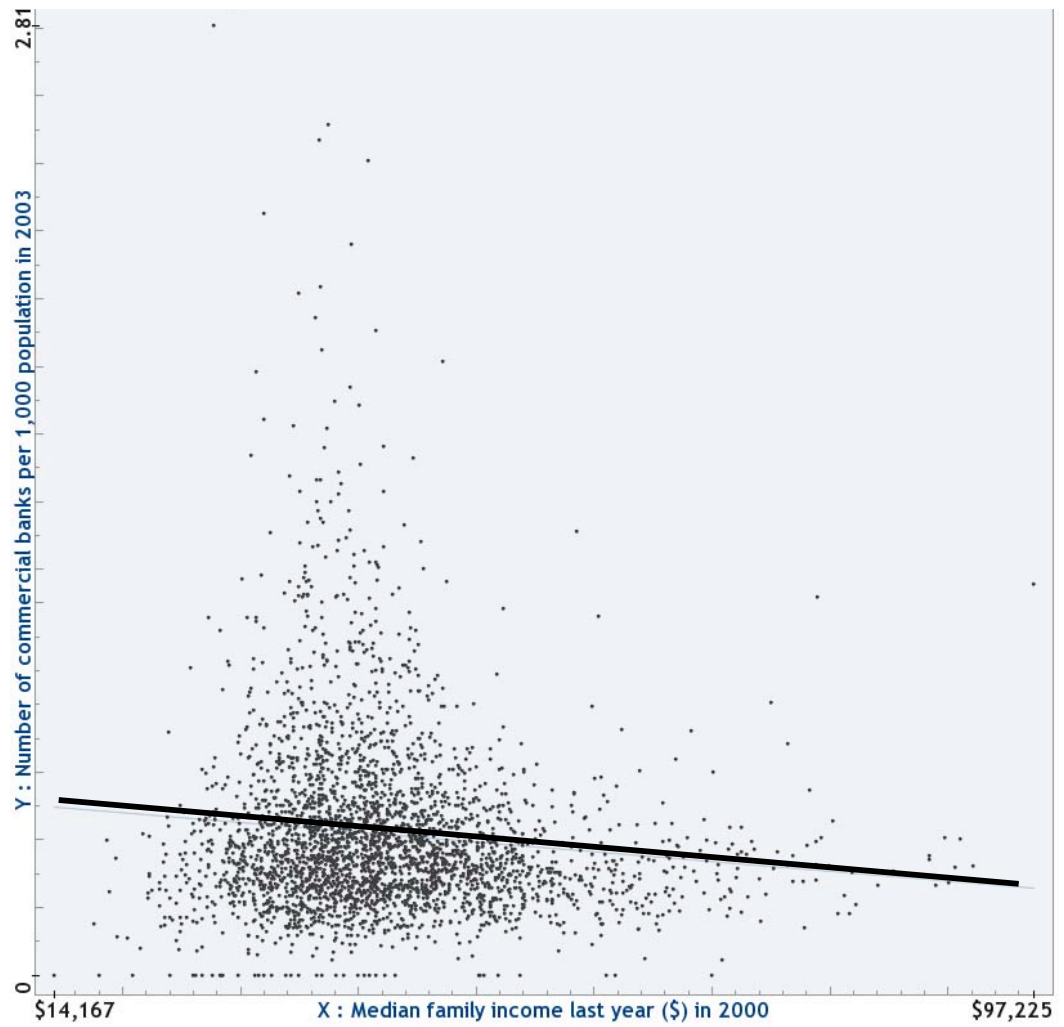


Figure 4.2. Relationship between Median Family Income and Banks per 1,000 Population. (Linear regression line in black. Source: DataPlace compiled from 2000 U.S. Census data [KnowledgePlex, 2009])

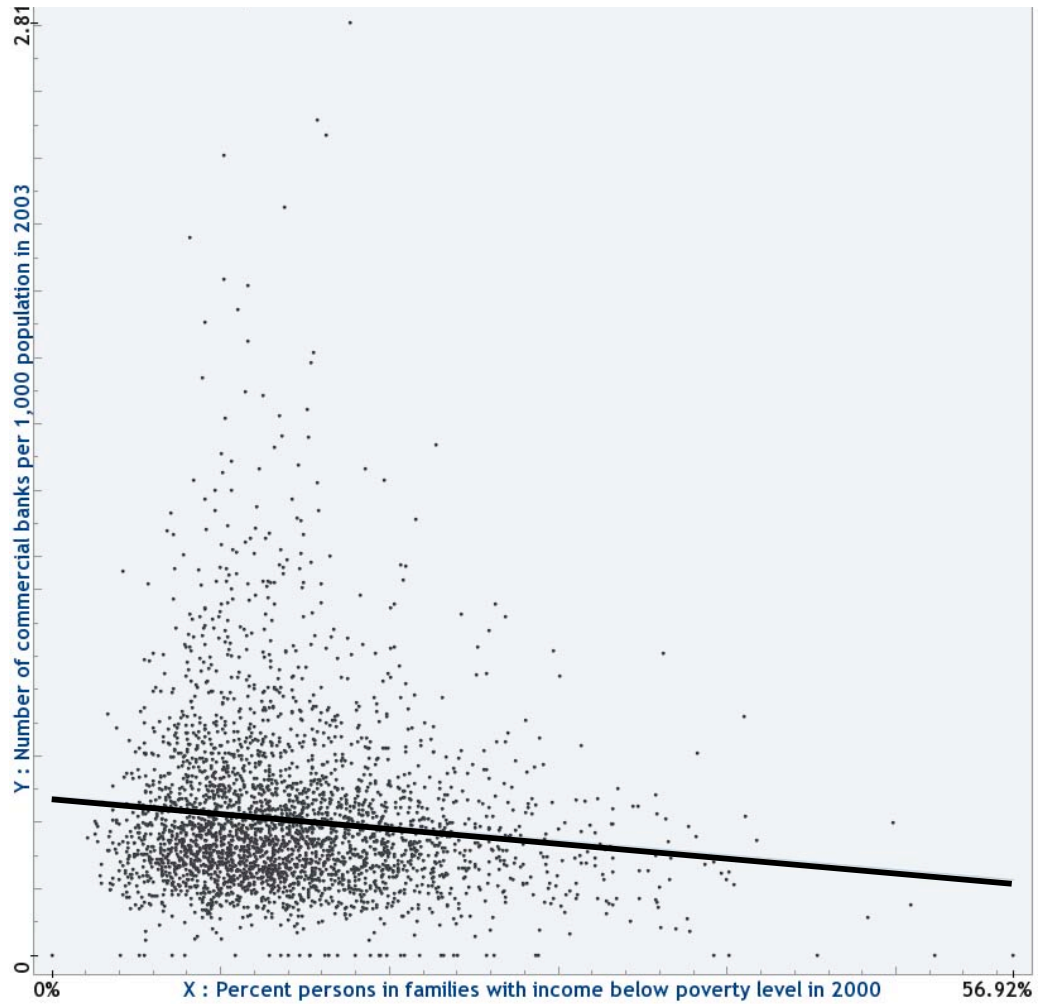


Figure 4.3. Relationship between Poverty Level and Banks per 1,000 Population. (Linear regression line in black. Source: DataPlace compiled from 2000 U.S. Census data [KnowledgePlex, 2009])

Regression Results: R-squared = 0.008			
Variable	Coefficient	Std. Err.	P
Poverty	-0.363	0.070	<0.001
(Constant)	0.437	0.011	<0.001

Table 4.3. Results of Regression with Banks per 1,000 Population as the Dependent Variable.

According to the results presented in Figures 4.2 and 4.3 and Table 4.3, counties with a higher percentage of people in poverty tended to have fewer banks per 1,000 people. This supports the findings in our literature review stating that people in poverty tend to be at higher risk for being unbanked. However, we also found that

counties with higher median family income also tended to have fewer banks per 1,000 population. In order to explain these apparently paradoxical results, we tried controlling for population density, to see if it could be a confounding variable.

Regression Results: R-squared = 0.147			
Variable	Coefficient	Std. Err.	P
Poverty	-0.700	0.066	<0.001
Logdensity	-0.132	0.006	<0.001
(Constant)	0.699	0.015	<0.001

Table 4.4. *Results of Regression with Banks per 1,000 Population as the Dependent Variable. (“Logdensity” is the logarithm of the number of people per square mile.)*

The results of our regression show that including population density as a variable increases the magnitude of the coefficient on poverty, so population density is not a sufficient explanation for the correlation between higher levels of poverty and fewer banks.

Our quantitative data shows that areas with a higher percentage of minorities and people in poverty tend to have fewer banks per 1,000 people. Therefore, residents of those areas may live farther away from the nearest bank, making it harder to access mainstream financial services. However, though the magnitudes of these correlations were statistically significant, they were swamped by other factors; poverty and racial composition could explain only a small fraction of the variation in bank density across counties. In other words, there are many places that have a high bank density despite having a higher than average poverty rate or minority population, and there are also many places that have a lower bank density despite having a lower than average poverty rate or minority population. This demonstrates that variations in bank density cannot be a complete explanation as to why people in poverty and minorities are vulnerable to being unbanked. Thus, we looked at other existing studies to

analyze their findings regarding the different barriers that vulnerable populations face in accessing financial services.

4.2.2 Existing Data Analysis

We identified a World Bank report, *Urban Unbanked in Mexico and the United States*, as a useful source of quantitative information at the national level (Caskey, Duran, & Solo, 2006). Caskey, Duran, and Solo, the authors of the report, gathered existing data and conducted their own surveys of residents in selected communities that are known for having a high percentage of unbanked people in New York City and Los Angeles.

Caskey and his colleagues (2006) found that people within a lower income range in the communities they studied are much more likely to be unbanked, as shown by the following data:

Income Tier	Income Range	% Of all Households	% Of Unbanked Households	Unbanked/ Total Ratio
Lowest	< \$15K	24.2%	44.9%	1.86
Second	\$15K-\$30K	32.5%	34.0%	1.05
Third	\$30K-\$45K	24.6%	15.1%	0.61
Highest	>\$45K	18.6%	6.0%	0.32

Table 4.5. *Income Composition of the Unbanked as compared with Income Composition of the Overall Population in selected urban areas. (Source: Urban Unbanked in Mexico and the United States [Caskey, Duran, & Solo, 2006])*

In the above chart, “Unbanked/Total Ratio” is the ratio of the percentage of unbanked households in the given income group to the percentage of all households in the income group. This figure indicates the likelihood that a member of this particular income group will be unbanked, relative to the total population. For example, members of the lowest income group are 1.86 times more likely than the

average member of the population to be unbanked, while members of the highest income group are only 0.32 times as likely as the average member of the population to be unbanked.

This data, as well as much of the other literature that we reviewed, indicates that there is a strong negative correlation between income and likelihood of being unbanked. However, it was demonstrated in our original data analysis that there is at best a very weak correlation between number of banks per 1,000 people and income. This disconnect suggests that lack of physical proximity to banks is not the main reason that low-income people are unbanked, and that less wealthy households are less likely to access banks *even if access is readily available*. In other words, simply opening more banks is not likely to cause more than a limited increase in use of mainstream financial services among low-income individuals.

Reason	Percent
Don't need account - no savings	53%
Fees and minimum balance too high	45%
Want to keep records private	22%
Not comfortable with banks/don't trust	18%
Inconvenience – location and hours	10%
Banks won't let us/lack of documentation	10%

Table 4.6. *Reasons for being unbanked among the Unbanked Population in selected urban areas.*
 (Source: *Urban Unbanked in Mexico and the United States* [Caskey, Duran, & Solo, 2006])

Caskey, Duran and Solo (2006) also surveyed unbanked individuals in their target population to determine the reasons these individuals gave for not opening a bank account. They found that inconvenience was mentioned by only 10% of respondents, while not needing an account due to having no savings was mentioned by 53%; minimum balances and fees being too high were mentioned by 45%. This

demonstrates that the main reasons why these unbanked populations remain unbanked have little to do with lack of physical proximity to banks or to banks not keeping convenient hours. Instead, it relates to the fact that the services that banks are providing are not meeting the clients' needs. The clients do not need savings accounts because they have no savings, and they want services without high fees, which banks are not providing.

We also found that even when Latinos and minorities do attempt to access mainstream financial services, they often face more difficulties than do non-Hispanic Whites. Data from the Home Mortgage Disclosure Act (HMDA) indicates that Hispanics and other minorities have much higher home loan denial rates than the general population. In 2005, only 14.8% of home loan applications to whites were denied, but 23.7% of those to Hispanics and 23.5% of those to all minorities were denied (KnowledgePlex, 2009). We do not know whether Hispanics and other minorities are being denied loans specifically because of their race, or whether the correlation is caused by some other factor, such as income or assets. Regardless of the underlying cause, this data demonstrates that not only are Hispanics and minorities less likely to attempt to obtain mainstream financial services, but even when they try to obtain such services, they are less likely to be successful.

Guided by the results that we found in our national data analysis, we began to focus on our area of interest – Langley Park.

4.2.3 Langley Park

Langley Park's population consists almost entirely of minorities. In fact, its non-Hispanic White population was only 5.7% of its total population in 2000,

compared with 69.1% for the nation as a whole. It is also a relatively low-income, high-poverty community. According to the 2000 U.S. Census, it had a \$36,018/year median family income and 16.8% poverty rate, compared with \$50,046/year and 12.4% nationally (U.S. Census Bureau, 2001). Thus, Langley Park has an extremely high density of people who are vulnerable to being unbanked, making it an ideal place to investigate this problem.

We examined whether the problems faced by Latino immigrants in Langley Park in accessing asset-building services are significantly different from the problems faced in other communities. For example, although only 10% of respondents in the *Urban Unbanked* report mentioned lack of documentation as a barrier, in Langley Park there are likely to be many more undocumented immigrants (Caskey, Duran, & Solo, 2006). Although we do not have statistics on the number of immigrants who are undocumented, Langley Park does have a much higher population of Hispanics. According to 2000 U.S. Census data, 63.4% of the total population of Langley Park is Hispanic, compared with 46.5% for Los Angeles and 15.1% for New York City (U.S. Census Bureau, 2001). (Note, however, that these comparisons are for the whole city, while the Caskey, Duran and Solo [2006] study only looked at selected communities within that city.)

According to our review of literature, many Latinos are undocumented immigrants. Therefore, lack of documentation may be more likely to be a barrier in Langley Park. Additionally, although our quantitative analysis shows that areas with high minority populations have relatively few banks, this correlation was not followed in the case of Langley Park. Langley Park has 3 banks for a population of

16,000, or 0.18 banks per 1,000 people. (See Appendix E for a map of banks in Langley Park and the surrounding area.) This compares to a national total of about 74,000 banks for a population of 281,000,000, or about 0.26 banks per 1,000 people, according to the 2000 U.S. Census (U.S. Census Bureau, 2001). Although Langley Park does have slightly fewer banks per 1,000 population than the national average, there are also three additional banks that are just outside Langley Park's borders and are thus also accessible to the Langley Park community. Therefore, lack of physical proximity to banks is not likely to be a major reason why Langley Park residents are unbanked.

4.3 From Quantitative Data Analysis to Qualitative Data Collection

Although our review of literature and quantitative data analysis provide valuable insights into why vulnerable populations from all over the country remain unbanked, they do little to directly elucidate the problems facing the Latino immigrant community of Langley Park. This was true for several reasons:

1. We were unable to locate useful, local-level quantitative data on many of the factors that we wanted to consider, such as what percentage of the population is undocumented or whether Latinos have a higher level of distrust of banks than do other groups.
2. The census data that we analyzed was for the nation as a whole. The variables and factors that we wanted were only available at the state and county levels, so we could not obtain much data on Langley Park in particular.

3. The data from the *Urban Unbanked* report is for selected communities in New York City and Los Angeles (Caskey, Duran, & Solo, 2006); these communities do not have the same demographic makeup as the community of Langley Park. Thus, the problems facing the community that we are studying may be different from the problems facing other communities.
4. Although quantitative data can provide valuable insights into large-scale trends, the mere existence of a correlation or trend does not necessarily provide much insight into the reasons behind it.

In order to address these limitations of our quantitative data and gain more in-depth insight into the specific issues facing the Langley Park Latino immigrant community, we also gathered qualitative data. This enabled us to obtain information about the problems encountered by Latino immigrants in Langley Park specifically and to go beyond the raw numbers in order to elucidate the underlying causes behind the phenomena.

4.4 Qualitative Data

We decided that focus groups would provide the best forum to gather rich and detailed qualitative data about the financial experiences of Latino immigrants. Several pragmatic and demographic factors were taken into account when choosing the community in which to conduct these focus groups. These factors, along with how we came to partner with the Spanish Catholic Center, are explained thoroughly in the Methodology and Methods section of this document (Chapter 3).

4.4.1 Focus Groups Overview

We conducted six focus groups, totaling 42 participants, during several mornings in the spring of 2008. All of them were conducted in Spanish and took place at the Spanish Catholic Center of Langley Park. All of the participants were Latino immigrants. They were recruited from a pool of the Center's clients, who were already there for a workshop for the unemployed. This approach toward recruiting yielded biased results, since the sample was not large enough or random enough to be representative of the population being studied. However, despite its limitations, this method still provided a rich and detailed insight into the financial lives, perceptions, and realities of those who participated.

At the beginning of each focus group, the participants were given a verbal explanation of the project and the goals of the research. As each week progressed, it became easier to find participants willing to join the focus groups, perhaps because over time, we gained the trust of the community. Participants were generally willing to divulge information after it was explained that the data would be kept confidential and that the study would help them in return, since we would be providing recommendations to the community based on our findings.

The questions were designed to probe the participants about their overall financial experiences, both in the United States and in their countries of origin. More specifically, the questions were divided into three subtopics of interest:

- the financial services, both mainstream and fringe, that they used;
- their reasons for using or not using certain services; and
- the services that they demanded or wished for.

Examination of the focus group discussions revealed several response patterns. In the next sections, we will describe the response patterns of each of the subtopics.

4.4.2 Financial Services Used by Respondents

We were interested in asking our participants about the services that they used in an effort to understand the extent to which our participants were banked or unbanked. However, due to our limited sample, it would be misleading to attempt to conclusively state anything about the degree to which they were banked or unbanked based on our qualitative data. Also, due to the nature of the focus groups, there were discrepancies between the numbers of respondents queried on each topic. During focus groups, the facilitator usually determines which follow-up questions to ask based on the interest or discussion of the initial questions. Since each discussion was unique, the follow-up questions in each focus group were also different.

Despite these limitations, the data does provide us with interesting information and insight about which services our participants used, both in the United States and in their countries of origin. These services include mainstream ones, such as checking and/or savings accounts and traditional loans, and fringe services like check-cashing and payday loans. We also asked our participants about remittances, which are offered by both mainstream and fringe financial service providers.

Of those asked whether or not they had bank accounts here in the United States, a little more than half answered yes (13 out of 21). We did not differentiate between checking and savings accounts, but the responses made it clear that both were common. Some participants also spoke of using credit cards and ATM cards.

Their reasons given for having or not having a bank account will be discussed in the next section.

In regard to the use of mainstream services in their native countries, half of those asked said that they did have a bank account. During the discussion of the services available in their native countries, examples like banks and cooperatives surfaced several times, and loans were also mentioned. However, there were some people who said that either few or no financial services were available, and overall, the participants seemed to think that the services were more beneficial in the United States. For example, one participant stated, “For me, the benefits [from financial services] are very small [in my native country] because compared with the benefits a person here is able to receive, they are not as good. It is better here. There the benefits are fewer, very bad.” In addition, one person said that financial services in his native country were not very helpful because of their high interest rates. He stated, “They don’t benefit anyone in any way, because every day the interest grows.”

The discussion then focused on the participants’ experiences with loans in the United States. Of those asked, half of the participants said that they had requested a loan from a mainstream financial institution (16 out of 32). Out of the sixteen, four mentioned that they were unable to receive the loan they wanted. One woman in particular cited high interest rates as a reason for not getting the loan she wanted, stating, “It [the interest] was much higher than I wanted.” In fact, even some of the people who had taken out loans were unhappy with the interest rates. As one participant stated, “In all truth, the interest was very high.”

From bank loans, we progressed to the topic of fringe financial services such as moneylenders and payday loans. Overall, those asked did not seem to even know what most of these services were. For example, only one person out of the seven asked mentioned having heard about moneylenders, and only one out of fourteen said he had heard of payday lending. No one reported having used these services in the past. This lack of awareness and use was also true of check-cashing services. In focus group three, all of the ten participants asked stated that they had never used check-cashing before. In fact, only one participant answered yes to the question, stating, “Before, I used to cash my checks at a place called check-cashing because I didn’t have my papers.” Lack of documentation was the only reason given for use of check-cashing.

Next, the topic of remittances was discussed. Twenty-three participants were asked whether or not they sent remittances to their native countries, and a strong majority answered yes (18 out of 23). The frequency with which they sent remittances varied, but participants mentioned using companies like Western Union several times. Overall, services like this one, which allowed them to send money to their native countries, seemed very important to our participants. This is also supported by the fact that several of them expressed interest in a service that would allow them to make direct deposits to bank accounts in their native countries.

After discussing their knowledge and usage of both mainstream and fringe financial services, we were interested in finding out their reasons for using or not using these services. These reasons are discussed next.

4.4.3 Respondents' Reasons for Using or Not Using Certain Services

Overall, it seemed that those who were banked chose to have checking or savings accounts due to practical reasons, while those who did not have a bank account cited a mistrust of the financial sector. It is interesting to note that those who were banked also overwhelmingly mentioned this negative perception of banks. The reasons given for this will be discussed in detail later in the section.

The majority of people who answered said they had chosen to open an account for practical reasons. Six people mentioned that the ability to deposit and cash checks was their main reason. Of those six, one participant stated that besides cashing checks, he also opened an account so that his paychecks could be directly deposited. In addition, another four people mentioned security as the main reason for opening an account. All of them thought that their money was safer in the bank than anywhere else. One participant stated, "I use the card a lot because I don't like to have cash. For security...but I don't use the ATM a lot because I am afraid to go to the ATM."

Related to this sense of security, several participants also mentioned the importance of having money for emergencies as their reason for opening an account. One woman in particular stated, "I have a savings account because it's important that if there is an emergency I have the money there." Other less frequent answers included one participant who said that he had opened an account because he needed proof of residency to buy a cell phone.

One banked respondent also spoke of a practical reason why he was unbanked before, by citing how his lack of documentation had prevented him from opening an

account. He stated, “Before, I used to cash my checks at a place called check-cashing because I didn’t have my papers.” This, however, did not arise again in other focus groups. The most prevalent reason given as to why they did not have bank accounts was a mistrust of the financial sector.

This mistrust was caused primarily by a perception that banks charge high, nontransparent fees, which cause the customers to lose the money that they put in bank accounts. One participant told a story about his friend who said he deposited \$350 in his Chevy Chase Bank account but only had \$50 when he went back to check his balance, without having taken money out. While this may have occurred for several reasons, such as monthly fees or minimum-balance surcharges, the important point is that it kept this participant, and possibly others, from opening an account. As he stated, “Yes, this is because the people are afraid of the bank. It is possible that the majority is [afraid of the bank].” He also went on to say that he felt that Chevy Chase Bank had robbed his friend, making it clear that he had a negative perception of the banking sector.

This overall negative perception of the banking sector was also prevalent among our banked participants. Thirteen people spoke of this when asked about their experiences with financial services here in the United States. Generally, the participants conveyed that this was caused by bad experiences with high fees or high interest rates related to loans. One man was very angry at his bank for having charged him a \$40 fee, as he stated:

If you have a bank account, they also always charge you something. Or they charge for a check, or for the money, it’s a lot. I had an account in a bank for

five years and only one time, I did not have enough money in the account and they charged me like \$40 and they did not notify me. I had to call in order to find out what was happening and they still charged me \$40.

He was so angry that he even described the banking system as a “discreet rip-off”.

Other participants were also unhappy with the fees that they were charged for financial transactions. One woman spoke of how she thought the fees for cash advances from credit cards were too high, stating, “When I withdrew the money [from the credit card], the interest rates went up to 21%. Because of this, I am not happy with the bank. They should keep the interest the same. It is the same money that you are using; if you pay the store or if you withdraw the cash, it’s the same.” Echoing her sentiment, another participant simply stated, “No, I am not happy with the bank.”

In addition, one man spoke of being unhappy not only with the minimum balance fees but also with ATM fees. He stated, “I have an account but I think that it is bad, the way in which, with Chevy Chase for example, one goes to withdraw money from another place that is not his bank, and he has to pay like a dollar or more. I do not like it.” However, it is interesting to note that when asked whether or not he continued to use the bank, he answered: “Yes, I always use it because when I am working, I have to cash the checks there, because if not, I have to go to the check-cash and they charge a lot like 2 or 3% for one check. So it is better to use the bank.” This showed that even though he was unhappy with the bank fees, he understood that the alternative of using fringe financial services was ultimately more expensive. This idea was not mentioned by anyone else.

When asked why they thought the banks charged so many high fees, people tended to make several negative generalizations. One participant stated, “Because this country is capitalist and all of the companies want to make their own capital gain,” while another woman said, “So the experiences are always bad but one cannot hope for anything better.” These statements are further proof of the negative feelings that these Latino immigrants harbor, which must be overcome in order to establish a good relationship between them and the banks.

We were also interested in finding out if there was a language barrier between them and the bank personnel, which could have prevented them from using mainstream financial services. Out of the sixteen people asked, all but one said that at least some of the bank employees spoke Spanish, allowing us to speculate that the language barrier is not an issue, at least not for those interviewed. However, one woman made an interesting comment about the information that the banks sent home stating, “Sometimes the papers talking about the fees arrive from the bank in English, but the people cannot read it so they don’t pay attention.” This shows that a language barrier between banks and Latino immigrants can exist, even if it is not related to a lack of bilingual bank staff.

4.4.4 The Services that Our Respondents Demanded or Wished for

After investigating the reasons that our participants had for using or not using certain services, we were interested in finding out more about the financial services that they desired. Overall, when probed about this, participants expressed an interest in several specific loan services, including one that could be used for education. Other less prevalent wishes included services that would enable them to make direct

deposits in the immigrants' home countries, bank accounts that required no documentation, and a financial advising service. Additionally, several services not specifically related to banking, such as healthcare and employment, were mentioned.

Out of the thirty-one responses that we received about desired financial services, thirteen involved loan services. More specifically, four participants spoke of loans with lower interest rates, while another four mentioned loans that are easy to obtain. These participants seemed to think that the current system made it very difficult to get loans, as one described it as "very complicated." Another three participants spoke of their desire for small loans.

Another participant spoke of the benefits of financial help, such as loans, for small businesses. He stated that such a service "would be good". Also, when specifically asked about whether or not educational loans would be beneficial, twenty out of the twenty-seven people answered yes, saying that it would be a desirable service.

Although the topic of loans was most prevalent, other desired services were also discussed. During one focus group, the discussion turned to the ability of immigrants to make direct deposits to bank accounts in their native countries. When the five participants were asked whether or not this would be a desirable service, all of them answered yes, although two stated that their banks already offered them direct deposit to their native countries. During other focus groups, two participants also mentioned the ability to open bank accounts without documentation, and another two spoke of how credit cards for emergency situations would be beneficial. Additionally, one participant spoke of a free bank account that would inform him

when his balance was low. One woman spoke of the benefits of a financial advising service. She wanted a service that could give people information about loans and other financial transactions, stating, “What I would want is a service of financial advising that would tell me what interest is, how to make a loan, etc. In my case, I have a small house but the people that do not have a house, how are they supposed to get a loan to buy a house?”

Interestingly, several services not directly related to banking were also mentioned when the participants were asked about the financial services that they desired. The most prevalent of these were employment and health care services. In total, five participants mentioned the need for jobs as the first step towards making money and accumulating savings. Related to this, another three people spoke of insurance services for the unemployed. One man told an interesting story of losing his job after taking a trip to Mexico, even though he was promised that he could still work when he returned. The sudden loss of his job made him wish for some sort of unemployment insurance program. Additionally, another five spoke of the importance of health insurance. One participant, in particular, talked about the importance of having competent doctors, as she stated, “When I go to the hospital, I want to have good doctors who know medicine.”

4.5 Qualitative Data Analysis

Because the focus groups were not large enough or randomly chosen so as to form an unbiased, statistically significant sample, it is impossible to extrapolate numeric trends from the data. Fortunately, focus groups are designed to stimulate

discussion, meaning that the number of respondents expressing a certain sentiment is less important than the level of detail of the actual sentiments. Though at times we include numbers and percentages, we do not intend to use the qualitative data to make any definitive statements about Langley Park or Latino immigrants as a whole.

The variance in numbers of responses in each focus group has many causes. The person facilitating the focus groups determines which follow-up questions to ask based on the subjects' perspectives about overarching topics. These questions usually come from a list previously approved by the Institutional Review Board (see Appendix F for a list of the questions asked during the focus groups). Because each focus group is unique, the same initial questions are asked but do not generate the same interest or discussion in one group as they do in another. In other words, we used a discussion guide, but the interests of the participants influenced the extent to which various topics were explored in each focus group. Additionally, within each focus group, not every participant directly answered each question asked. The idea of a focus group is to survey a sample of the population to obtain a sense of why the community thinks or operates in a certain way. Therefore, the answers that we received from individuals are assumed to echo the sentiments of other members of the community, even if we are not sure of the extent to which they represent the majority.

For example, only one person of those asked said he used check-cashing outlets, and only one other person reported having heard of payday lending, but this does not necessarily mean that check-cashing services and other fringe financial services are not commonly used in Langley Park. These minority sentiments are surprising, as the literature suggests that the use of fringe financial services by Latino

immigrants is higher than other demographic groups (FRB Chicago, 2002). The focus group results would seem to contradict the literature, however the sample size and selection process are not large or random enough to make the statement that Langley Park is an anomaly from the norm. While we do not draw definitive conclusions from our questions about using fringe financial services, the results of the focus groups suggest that future researchers, community organizations and the mainstream financial sector should further investigate this topic. This could yield a better understanding of the extent to which Latino immigrants in Langley Park use fringe financial services.

Banked focus group participants who cited practical reasons for using mainstream financial services expressed frustration with their banking experiences. While these respondents said that they felt safer keeping their money in an account, they also stated that fee structures and banking rules lacked transparency and generated mistrust between themselves and banks. A few participants suggested that the language barrier exacerbates the mistrust of banks by Latino immigrants of the Langley Park community. While banks in the Langley Park area have made some attempts at breaking down the barriers by hiring Spanish-speaking branch managers and tellers, respondents noted that information from banks about fees still arrives solely in English, resulting in missed notices and extra fees. These mixed reviews and the mistrust of banks by banked Latino immigrants influence unbanked members of the Langley Park community to continue to avoid the mainstream financial sector.

A final interesting point from the focus groups is that despite the fact that the literature mentions lack of documentation as a major barrier that Latino immigrants

face when trying to access mainstream financial services, only one respondent mentioned lack of documentation as being a problem. We speculate that more of our respondents either were undocumented or know undocumented individuals, but did not openly discuss this in our focus groups due to the sensitive nature of the subject. Simply because the focus groups did not illuminate this dynamic of the community does not mean that it should be ignored in developing recommendations for future study.

As explained earlier in this section, the inferences, explanations and perspectives extracted from the focus groups are not statistically representative of Langley Park. They do, however, provide valuable insight into the experiences with financial services of some of the community's Latino immigrants. Both the insights learned from the selected research methodology and its limitations were taken into account when crafting and delivering the recommendations laid out in the next chapter.

Chapter 5: Recommendations

5.1 Recommendations Overview

Now that we have presented our review of literature, quantitative analysis, and focus group results, we can revisit an assumption made early in our project and presented in Chapter 1: that commercial banks and credit unions provide the best opportunity for Langley Park's unbanked Latino immigrant population to build assets. What we have discovered through our research, focus groups, and interviews is that the financial services available in Langley Park do not meet the needs of some low-income Latino immigrants. While some Latino immigrants are unbanked, others are underbanked: they have a bank account but still use fringe financial services. According to a Federal Deposit Insurance Corporation (FDIC, 2009b) case study, "[w]orking with unbanked and underbanked customers requires devoting a significant amount of time and labor to counseling, assisting, and training customers" (p. 77).

Since we find that neither mainstream nor fringe institutions in Langley Park are meeting the financial needs of Latino immigrants, it does not seem that mainstream institutions are better able to meet the needs of Latino immigrants *per se*. In Langley Park, it is evident that fringe providers have found ways to offer convenient financial services, albeit at higher costs. One only needs to look at Langley Park's strip malls, where check-cashing institutions and money transfer operators (MTOs) are pervasive. Check-cashing institutions provide a convenient way for unbanked and underbanked individuals to convert paychecks into cash, and MTOs allow them to pay bills and send remittances. Clearly, the presence of numerous

fringe providers in Langley Park cannot be ignored. Despite their success in Langley Park, however, fringe providers are not currently positioned to build long-term relationships in which customers can utilize asset-building financial services. This inability to build long-term relationships must be changed in order for the customer to benefit and build wealth over time.

On the other hand, Latino immigrants in Langley Park rarely use similar services offered by commercial banks. It is also unlikely that Latino immigrants in Langley Park obtain these services from a credit union, since there are no credit union branches in Langley Park. These mainstream providers may be able to meet the needs of the unbanked and underbanked by building long-term relationships in which customers use many of the institution's products over a lifetime. By offering an array of services that low-income Latino immigrants need and by focusing on the cultivation of a long-term customer relationship, Langley Park's existing banks and fringe financial service providers can remain profitable, while increasing the quality of the financial services accessible to Latino immigrants. By graduating customers from one service to the next, an institution can earn increasingly higher margins while the customer builds assets and becomes more financially literate.

We find that no financial service provider is currently meeting all of the financial needs of the Latino immigrant community in Langley Park. In this chapter, we make recommendations to all potential financial service providers—banks, credit unions, check-cashers, and MTOs—on how to better serve Langley Park's Latino immigrant community. Any of these institutions can better meet the financial needs of Langley Park's Latino immigrant community by following three principles:

1. Provide an array of appropriate, transparent financial products and services with fees that do not impair a client's ability to build assets (5.2)
2. Focus on long-term customer relationships that grow in level of sophistication over time (5.3)
3. Develop community partnerships for outreach and financial literacy education (5.4)

In the sections that follow, we will first discuss examples that illustrate how financial service providers can follow these three principles by offering new services and tailoring existing services to meet the needs of the community. After discussing these principles, we will use two case studies to demonstrate how existing institutions are achieving success by following these principles. Finally, we will discuss ways in which our research can be expanded in the future.

5.2 Provide an Array of Appropriate, Transparent Financial Services

Many immigrants are motivated to move to a new country for better jobs and higher wages that will improve the quality of life for them and their families. Often, only one or two members of a family will immigrate, leaving others behind in their country of origin. As a result, many Latino immigrants send money home to support relatives still living there. For these Latino immigrants, affordable and appropriate remittance services are critical to their economic mobility.

5.2.1 Remittances

In 2008, Latino immigrants in the United States sent an estimated \$45.9 billion in remittances to their countries of origin (Inter-American Development Bank:

Multilateral Investment Fund [IADB: MIF], 2008, p. 3). Most of our focus group participants indicated that they used remittance services; it was clear that immigrants critically need the ability to cost-effectively send remittances to their home countries. Some individuals stated that they wished to make direct deposits to accounts in their home countries. Several participants indicated that they used remittance services offered by an MTO, such as Western Union, a relatively expensive provider. The data in Table 5.1 is reproduced from the World Bank’s website. It shows fees that various MTOs and credit unions charge customers to remit \$200 and \$500 from the US to El Salvador. The U.S. dollar is El Salvador’s currency, so there is no currency exchange cost, but remitting to other countries would incur additional currency exchange expenses.

	<i>Remittance Amount</i>			
	\$200		\$500	
<i>Service Provider</i>	<i>Fee as Percent of Total</i>	<i>USD</i>	<i>Fee as Percent of Total</i>	<i>USD</i>
Acceso (members)	2.5%	\$5.00	1.4%	\$7.00
Acceso (non-members)	3.5%	\$7.00	2.0%	\$10.00
Casa de Cambio Delgado	3.0%	\$6.00	3.0%	\$15.00
Atlante Finacial	3.5%	\$7.00	2.0%	\$10.00
Ria Express	3.5%	\$7.00	1.4%	\$7.00
Viamericas	4.0%	\$8.00	2.0%	\$10.00
Bancuscatlan	4.5%	\$9.00	1.8%	\$9.00
Bonilla Express	4.5%	\$9.00	1.8%	\$9.00
Vigo*	4.5%	\$9.00	2.0%	\$10.00
Money Gram*	5.0%	\$10.00	2.0%	\$10.00
Western Union* (overnight)	5.0%	\$10.00	2.4%	\$12.00
Banco Agricola	5.0%	\$10.00	2.0%	\$10.00
Bancomercio*	5.0%	\$10.00	2.0%	\$10.00
Western Union* (one hour)	6.0%	\$12.00	3.0%	\$15.00
Gigante Express	6.5%	\$13.00	2.6%	\$13.00

Table 5.1. Selected Data Items Reproduced from “Remittance Prices from United States to El Salvador.” (Source: The World Bank, 2009. Asterisk indicates presence in Langley Park, Maryland.)

Credit unions use the International Remittance Network (IRNET) to provide remittance services to members and non-members. Some credit unions choose to reduce fees for remittance services. Often, these institutions break even on remittance costs, hoping to draw people in with this popular service who will eventually become customers (C. Calderón, personal communication, 15 April 2009). Credit unions in Iowa have recently begun offering remittance services to customers under the Credit Union Remittance Outreach Program (CUROP). The World Council of Credit Unions (WOCCU) will monitor the program to determine whether offering remittance services will in fact lead Latinos to use the credit union's other services (Birch 2008). When providing remittance services, WOCCU also tries to ensure that the remittance program is integrated into a broad effort to increase Latino membership in credit unions through marketing, service standards, and competitive pricing (World Council of Credit Unions [WOCCU], 2004).

Credit unions are not the only providers who recognize the importance of remittance services to Latino immigrants. Several large commercial banks already have channels through which Latino immigrants may send remittances. For instance, customers are able to send remittances at Wells Fargo through *InterCuenta Express* and *Dinero al Instante*, at Bank of America through *Safesend*, and at Citibank through *C2it* (Inter-American Development Bank [IADB], 2005, p. 98). Both Bank of America and Citibank have branches in the Langley Park area. However, the participants in our focus groups did not indicate that they used remittances services offered by these banks.

5.2.2 Checking and Savings Accounts

A checking or savings account is a logical first step in becoming “banked.” The benefits of checking and savings accounts were well documented in our Literature Review. A bank account offers an FDIC-insured place to store funds, a way to receive pay via direct deposit, a way to pay bills and write checks, and the ability to build credit with the institution through a deposit history. The costs of these services are generally lower than comparable services offered by fringe providers (C. Calderón, personal communication, 15 April 2009). Many banks, credit unions, and governments are recognizing that by structuring a “starter” checking account with low fees and a very low minimum balance requirement, low-income and unbanked people are able to successfully enter the mainstream financial system.

While only one of our focus group participants cited insufficient identification documents as a reason why she avoided financial services, financial institutions that accept alternative forms of identification may be better able to attract Latino account holders. Some banks are already accepting alternative forms of identification. For example, 27% of banks already accept the *Matrícula Consular*, an identification card issued by Mexican consulates to Mexican nationals residing outside of that country, as either a primary or secondary identification to open new accounts (FDIC, 2009a, p. 5). As of 2005, Wells Fargo had opened at least 60,000 accounts with the *Matrícula Consular* (IADB, 2005, p. 105). According to the FDIC’s Unbanked Survey, 38% of banks allow customers to use ITINs as a form of identification when opening an account (FDIC, 2009a, 5).

The Bank On movement has allowed Latino immigrants and other unbanked individuals to open accounts with alternative forms of identification. The initiative has also encouraged commercial banks to offer accounts with low or no monthly fees and “second chances” for those who had trouble managing a checking or savings account in the past. Over the course of our research, we have seen the Bank On movement spread to cities across the country. The program began as Bank on San Francisco, a partnership between the Mayor’s Office, commercial banks, and local non-profits (cfed, 2008). Customers have deposited \$4 million in accounts related to Bank on San Francisco in the three years since the program began (Heller, 2009). As of June 2008, 18,558 accounts had been opened in San Francisco (Brubaker, 2008). Banks believe that their depositors who are participating in the program will continue to build wealth (Heller, 2009).

In order to meet the financial needs of Latino immigrant communities, financial service providers should design starter checking accounts similar to those offered by mainstream providers participating in Bank On initiatives. However, this is not the only step that is necessary to serve Latino communities successfully. A single unexpected or misunderstood fee can negatively influence the perceptions of a newly banked customer. Financial providers who charge these fees risk permanently turning the customer away from the mainstream banking system. Financial service providers should reduce overdraft fees and other penalties in order to assuage the fears of some in the community who, like the participants of our focus groups, hear rumors of banks “stealing” their neighbors’ savings.

Banks may be able to do this without incurring a loss. An FDIC survey on the efforts of banks to serve the unbanked found that banks charge between \$8 and \$38 (\$25 on average) when customers overdraw their accounts (FDIC, 2009a, p. 6). However, these fees do not reflect the actual cost that banks incur when customers overdraw their accounts (IADB, 2005, p. 114). Although institutions would not be able to enjoy the profit that higher fees can generate, lower fees may allow financial service providers to enjoy the profitability that comes from a long-term customer relationship. Financial institutions that offer accounts to the unbanked can be transparent about their fee structure by publishing information about fees in clear wording, in Spanish, and in a conspicuous location. Institutions can devote more human resources to explaining to the customer the fees and responsibilities associated with her account. Finally, institutions can partner with non-profit organizations to fill the gaps in financial literacy training, which we will discuss in Section 5.4.

5.2.3 Small Loans

Many Latinos in the US work seasonal jobs, so their cash flows are irregular. For seasonal workers, a small loan product is a useful way to smooth consumption. Such a loan may be needed to pay bills, purchase a car or an appliance, make home repairs, finance an education, or take a family vacation. Banks and credit unions that focus on low-income and Latino immigrants are offering “small dollar” loans to meet these needs, which are small loans at relatively low interest rates.

The FDIC is currently piloting a program in which banks provide small loans of \$1,000 or less with a maximum interest rate of 36% APR, low fees, and a savings

requirement (FDIC, 2008, p. 1). For example, Mitchell Bank, a bank that is participating in the pilot, offers loans of \$300 to \$1,000 with annual interest rates that range from 15%-22%, depending on creditworthiness. Mitchell Bank also charges an \$8 application fee. To help reach more potential borrowers who could benefit from the pilot, the bank offers small dollar loans to those without credit scores. Mitchell Bank requires that 10% of the principal be placed into a savings account. This amount acts as collateral for the loan and provides interest income to the bank. So far, the bank has not had any defaults on these loans and maintains that so long as the default rate stays low, the program will be profitable (Maloney, 2009). Armed Forces Bank in Fort Leavenworth, Kansas is also part of the FDIC Small Dollar Loan Pilot. The bank offers small dollar loans that range from \$250 to \$2,000. Borrowers are able to pay back over a period of 24 months with an annual interest rate of 18% (FDIC, 2008, p. 6).

Other banks and credit unions also offer short-term small dollar loans. For instance, the North Carolina State Employees Credit Union already has a similar offering. The credit union allows members enrolled in direct deposit to obtain a short-term loan of up to \$500 at 12% APR. The loan has no fees and can be paid back when the member receives her next paycheck (North Carolina State Employees Credit Union, 2009). In essence, the short-term loan is a substitute for much more expensive payday loans, which have annual rates that usually exceed 100%. Credit unions in Pennsylvania also offer short-term loans of up to \$500 for 90 days as part of the “Better Choice” program. Interest rates are capped at 18% APR and fees at \$25 (Pennsylvania Credit Union Association, 2006).

5.3 Focus on Long-term Customer Relationship that Grows in Level of Sophistication over Time

Currently, Langley Park's fringe financial providers do not offer a wide array of financial products through which a consumer can build assets. With a great number of institutions within a small geographic region, competition is intense. Though fringe institutions provide convenient financial services to the Latino immigrants of Langley Park, the costs to the customer for these services are relatively high because fringe financial providers are relatively small in scale and may incur high costs themselves. High costs make it difficult for regular users of fringe financial services to build assets.

To address this issue, we propose that fringe institutions offer a full array of financial products to help their customers build assets. Similarly, banks and credit unions should offer services that are as convenient as those currently offered by fringe providers. Any financial service provider that offers services that are convenient, appropriate, and conducive to asset building will gain customers who become more profitable to serve over time. Furthermore, offering a progression of convenient financial products will allow customers to build assets over time. In Table 5.2, we propose a framework for tailoring basic financial products in a way that will allow unbanked consumers to gradually increase their level of financial sophistication over time as the institution earns greater profits.

Service	Timeframe	Profit Margin	Financial Sophistication
Remittances	Now	None	Low
Checking account	Now	Low	Low
Savings/IRA	Soon	Medium	Medium
Small loans	Soon	Medium	Medium
Mortgages	Later	High	High

Table 5.2. *Proposed Timeframe, Profit Margin, and Financial Sophistication of Client from Incremental Financial Products.*

Besides an increased margin on the more sophisticated financial products, an institution can realize economies of scale by spreading the fixed costs for one customer over more services. In fact, the number of services that a customer uses is a key metric that banks and credit unions utilize in assessing how well they are serving a community (C. Calderón, personal communication, 15 April 2009).

As customers utilize more of an institution’s services, financial institutions may benefit from word of mouth in the community. In our analysis of the focus groups, we noted that several participants conveyed stories of a friend or relative who felt that banks “took their money” in unexpected fees. Word of mouth about financial services seems to influence the views that our participants had about financial services. If our participants had positive experiences with financial services, they would relate this to their family members and friends. Therefore, a financial service provider who invests in a long-term relationship with its customer will benefit as the customer recommends the provider to others in the community.

5.4 Develop Community Partnerships for Outreach and Financial Literacy Support

Providing appropriate financial products is important, but to effectively build assets, customers must have the financial knowledge to properly use them. Poor financial literacy can cause financial mismanagement, so an effort to teach the public to use bank accounts is vital (FDIC, 2009b, p. 81). An FDIC survey reports that 38% of banks undertake outreach efforts in conjunction with other organizations, including employers and faith-based groups. The survey also notes that 58% of banks conducted off-site financial education or outreach (FDIC, 2009a, p. 4). In a series of 16 case studies of successful efforts to serve the unbanked and underbanked, 13 involved financial education as a key component, and all 16 involved partnerships with outside organizations that include community organizations, schools, and employers (FDIC, 2009b, p. 12).

5.5 Case Studies

The recommendations that we have made in earlier sections of this chapter are designed to outline an operating philosophy for any financial provider attempting to enter the financial service market in Langley Park. We have provided information that suggests that our recommended practices can be profitable for service providers while positively impacting customers and account holders. Of course, there are multiple ways in which to encourage use of financial services that promote asset building among Langley Park's Latino immigrant population. One method involves providing recommendations to existing mainstream and fringe service providers to

help them expand and maintain their customer base. Another method is to identify service providers who currently serve communities similar to Langley Park, and encourage them to expand their operations into our community of study. In the case studies that follow, we discuss two models that are successfully meeting the financial needs of underbanked and unbanked low-income Latino immigrant populations.

5.5.1 Case Study: Bank on San Francisco

Partnerships between local governments, non-profit organizations and for-profit mainstream service providers have developed all over the United States to encourage low-income households to become banked. One such movement, which has been referenced earlier in this document, is the Bank On movement. The Bank On movement is a set of initiatives in major cities with a common goal: to encourage the unbanked to open and use bank accounts. The results and lessons learned from early Bank On initiatives suggest that mainstream financial service providers can mold their operating models to serve low-income, minority and immigrant populations profitably.

Bank on San Francisco—launched in September 2006—is a partnership between the mayor’s office, a non-profit called Earned Assets Resource Network (EARN) and the city’s banks and credit unions. The goal of the program was to bank 20% of the city’s estimated 50,000 unbanked individuals in a way that was both profitable for the service providers and beneficial for the new account holders. Following a rationale that is also employed in the recommendations made earlier in this chapter, the Bank on San Francisco movement assumed that providing banking

accounts to the unbanked is the first step to encouraging the use of more complex, high-margin products like loans.

Appropriate Services

After running focus groups and conducting market research in conjunction with the Brookings Institute, the mayor's office and EARN worked with financial service providers to design "starter" bank accounts. These accounts could be opened with the *Matrícula Consular* from Mexico or the Guatemalan consular ID. Financial institutions also disregarded overdraft or non-sufficient fund requests older than one year, and accepted similar red flags within a year, so long as the applicant had taken some sort of financial management training since the incident. These measures allowed individuals with a poor banking history to apply for and obtain accounts from mainstream institutions that would typically deny such applicants. Finally, these starter accounts allowed one overdraft or non-sufficient fund transfer per year without a charge and featured no minimum monthly balance (cfed, p. 2).

Lifetime Value

While the motivation behind the Bank on San Francisco movement came from the mayor's office and a non-profit institution, these community voices worked closely with financial service providers to develop the initiative. The program places an emphasis on sustainability of the program and profitability of the new customers (cfed, p. 2). The concept is that a starter bank account is a small step on the road to using more profitable services. The focus on this principle shows that mainstream service providers have the lifetime value of their new customers in mind.

Community Partnerships

The driving motivation behind Bank on San Francisco—providing starter accounts to the unbanked—was not enough on its own. The creation of these appropriate products needed to be marketed directly to low-income, minority and immigrant populations to fully take advantage of the new initiative.

To this end, the Bank on San Francisco initiative developed its theme of “Everyone is Welcome” and segmented its market into low-income African Americans and low-income Hispanic immigrants. The program’s *pro bono* marketing firm identified schools, unions, daycare centers, churches, community organizations, county welfare programs and community colleges to advertise the existence of these new starter accounts (cfed, p. 5). Within the first year, the Bank on San Francisco initiative resulted in more than 10,000 new accounts, 92% of which were still in “good standing” at the end of 2008 (The James Irving Foundation, 2008).

5.5.2 Case Study: Acceso in Mt. Pleasant, Washington, DC

If Langley Park’s existing mainstream service providers are unable or unwilling to modify their business model, another option to aid the community’s residents is to encourage new service providers to enter the market. One service provider of interest is Acceso, a branch of the District Government Employees Federal Credit Union (DGEFCU) located in the Mount Pleasant/Columbia Heights neighborhood of Washington, DC.

Acceso was started in 2006 and operates as a non-profit credit union that targets immigrant families who work or live in Washington, DC. Acceso currently serves about 700 members who are largely of Salvadorian, Mexican or Guatemalan

descent, a similar—but not identical—ethnic make-up to that of Langley Park. The credit union supplements its operating income with grants and assistance and is projected to break even this year.

Appropriate Services

Acceso generates revenue by providing an array of services with increasing sophistication and profit margin. The credit union provides remittance and money wiring services for members and non-members, checking and savings accounts, IRAs and money management services, signature loans and ultimately, home mortgage loans. Each of these services is tailored to meet the unique needs of a Latino immigrant population, and each puts an emphasis on long-term financial planning.

Both members and non-members have access to the credit union's most simple product: remittances. Members pay \$5 for every \$250 remitted (non-members pay \$7). As shown earlier in the chapter, this is a low fee to pay for remittance services relative to MTOs. Acceso is able to provide these low rates because they do not rely on remittance services as a part of their revenue model. Instead, they use low-cost remittances as a way to bring people in the door, the first step to becoming a member of the credit union. As a part of its “bring them in” marketing strategy, Acceso also provides other services at little or no cost. For example, the day that we visited to speak to employees, both the Branch Manager and CEO were assisting members (and non-members) with tax preparation free of charge (Roig).

The bulk of Acceso's revenue comes from interest on loans. Acceso offers loans in two ways: small “signature” loans as well as larger loans for car or home purchases. The signature loans have principals as high as \$2,000. The interest rates on

larger loans are determined by a variety of factors, including credit score and the amount on deposit with the Credit Union, but are always capped at the legal credit union rate of 18%. Only the riskiest applicants are charged this rate. Loan applicants have one year to repay these loans. After successfully paying back their loan each year, the customer's interest rate decreases (A. M. Roig, personal communication, 15 April 2009).

Lifetime Value

The real community development aspect of the Acceso model is the organization's commitment to maximizing the lifetime value of a customer. The credit union accepts member applications without Social Security Numbers (SSN) or ITINs, as long as an applicant can provide two forms of government identification (A. M. Roig, personal communication, 15 April 2009). This ID requirement is different from many leading banks and service providers because Acceso accepts government ID from any government, not just the United States. While the credit union does not require an SSN or ITIN when customers apply to become a member, they do encourage and help members to acquire ITINs and pay taxes. The benefits of having an ITIN are that members can apply for loans and build credit, and both members and non-members can potentially work their way towards legal status in the future.

By instituting flexible identification requirements and by providing a low-cost remittance service even to non-members, Acceso encourages individuals with a distrust of banks to use the credit union. After developing a one-on-one relationship with the new customer, Acceso employees can encourage the customer to apply for membership to be able to use more of the low-cost services provided by the credit

union. 30% of these new account holders with Acceso were previously unbanked, while “many” of the remaining new accounts come to Acceso after a negative experience at another financial institution. Acceso earns the trust of its members by remaining as transparent as possible. This transparency is a product of being clear about contracts and helping customers avoid penalty fees. CEO Carlos Calderón notes that typical banking models rely on fees for 40% of their revenue. By contrast, an average Credit Union relies on fees for 17% of its revenue; Acceso itself generates only 13% of its revenue from fees (C. Calderón, personal communication, 15 April 2009). This fundamental commitment to transparency allows Acceso to focus on providing appropriate, competitive services that fully satisfy their clients instead of relying on surprise fees to generate revenue.

Community Partnerships

Three years after starting in Mount Pleasant, Acceso has evolved into a community fixture. It was not always this way. Acceso developed partnerships with local institutions to raise community awareness about their services.

One of the branch’s most successful efforts is with Centronia, a local school and nursery. Employees of Centronia and parents with children enrolled at Centronia are eligible for membership at Acceso. Centronia publicizes this fact and provides the minimum balance of \$5 for all of its employees and families who open a new account (although to avoid a \$2 fee, one is required to have a minimum balance of \$50). Acceso also works with local businesses in DC; they have created a direct deposit system where businesses can pay wages directly into an account, even if the account holder lacks an SSN or ITIN.

The key to these community outreach efforts is that Acceso did not enter a market and believe that it could change the behavior of its target market overnight. Instead, the credit union tailors its services, products, and message to the predominately Latino community that it seeks to serve.

5.6 Conclusion

The case studies above provide evidence that some mainstream financial service providers around the nation believe that new revenue models targeting low-income Latino immigrants can be profitable. The Bank on San Francisco case study shows that a coordinated effort by local government, community organizations and financial service providers can align the interests of community and business, while the Acceso case study shows the opportunity for a fresh business model to flourish in Langley Park.

While a local, non-profit credit union—such as Acceso—might be better equipped to step into Langley Park and make an immediate difference, the overwhelming success of the Bank on San Francisco initiative suggests that a government-supported initiative can also be successful.

Any service provider that wishes to successfully serve the Latino market in Langley Park needs to offer services that are convenient, appropriate, and asset-building, while remaining profitable. Finding and occupying this service niche will require appropriate services, a commitment to the lifetime value of the customer, and strategic partnerships with existing NGOs and community groups within Langley Park.

5.7 Future Research

Financial service providers are developing new ideas and initiating innovative programs and pilots to serve the unbanked and underbanked. At times, it seems that we, as a group of undergraduates, were barely able to keep apprised of the rapidly emerging literature ourselves. In this section, we hope to provide those looking to improve existing financial services some ideas for further exploration.

Those concerned specifically with financial services in Langley Park may want to replicate the qualitative portion of our study with a larger sample size. Our sample was neither representative of the entire community nor large enough to draw conclusions about all Latino immigrants who reside in Langley Park. Instead, our conclusions were limited to the participants of our focus groups. An expansive study would provide more detailed information about the financial needs of the Langley Park area. These could be disseminated to financial service providers that wish to introduce, expand, or improve upon financial services in Langley Park.

Langley Park is not the only community whose residents need access to better financial services. Future researchers can conduct studies in immigrant and low-income communities throughout the United States. There are a number of features that researchers should examine to help financial service providers to better serve their customers. For instance, financial service providers and community organizations spend a great deal of effort conducting financial education classes; however, very little is known about the effectiveness of these programs. In addition, future researchers can test the profitability and effectiveness of innovative financial products, such as debit cards that do not allow overdrafts.

Finally, those wishing to study financial services further can expand on existing pilots and programs. The FDIC Small Dollar Loan Program provides a great opportunity for researchers in the field to gain more insight into the effectiveness of mainstream alternatives to payday loans. The Program is currently rather small. However, researchers can examine if mainstream providers can still make a profit—or at least break even—if the scale of small dollar loans were expanded.

Appendices

Appendix A: Summary of Team Progress

Our team has come a long way since we first formed in April of 2006. Under the direction of the Gemstone program at the University of Maryland, College Park, the team united under the common interest of studying the effects of the North American Free Trade Agreement (NAFTA) on Latinos in Central and South America. After we began our research in the fall of 2006, we slowly began to realize that the topic of fair trade, although interesting, did not allow us to conduct original research in the field due to travel constraints. As we began to look at other topics that focused on helping economically marginalized populations, we came across the increasingly popular field of microfinance. We were fascinated by the success stories of microfinance institutions, which focused on allowing the poor to build wealth in the long term through the use of small business loans. As we continued to look into the field, we began to realize that microfinance had not yet successfully taken off in the United States the way that it had abroad. It appeared that this topic, which would allow us to study social problems locally, might prove to be a more suitable topic for our research. However, we still needed to narrow the general idea of “microfinance in the United States” down to a clearly defined research question.

While trying to narrow our project down to a single topic, our team also struggled to find a mentor that would help direct us throughout the next three years. After much searching, Gemstone found two microfinance specialists, Jeremiah Grossman and Brian Beard, who were willing, talented and eager to help the team.

Still, our focus had shifted several times, and we had yet to pinpoint a suitable and logistically feasible research question. This became our first taste of the frustrations that we would encounter as we conducted original research for the first time. Our goal was to remain patient and persistent in our pursuit. With the average struggling American in mind, we began to look around us and discovered that there was a population of Latinos just down the street in Langley Park.

After traveling down Route 193 (see Appendix E for pictures), alongside the University and into the community of Langley Park, we began to notice the abundance of check cashing services offered in town. The team began to wonder what effect these institutions were having on the community. It was clear to us, upon visiting Langley Park, that this community was far different from the neighboring community of College Park. Upon looking at statistics from the 2000 U.S. Census, we discovered that Langley Park has the highest percentage Latino population and one of the highest poverty rates in all of Maryland. We began to look at the Latino population in other nearby communities such as Riverdale, Silver Spring and Berwyn Heights. After meeting with the mayor of Berwyn Heights and attending a community meeting in Langley Park, we decided to narrow our study to these two communities. We also met with a non-profit organization called LEDC (Latino Economic Development Corporation), and discussed with them their experiences working with the Latino community in Montgomery County and Washington, DC.

In April 2007, our preliminary literature review was complete, and we began the lengthy process of receiving IRB (Institutional Review Board) approval to conduct our study. With each step, we appreciated more and more the work of those

who dedicate their lives to original research, particularly those working with human subjects. We began to look at previous similar studies and surveys that had already been collected in immigrant communities, and we formulated our survey and focus group questions during the spring of our sophomore year.

The time between when we began applying for IRB approval and when we began conducting our focus groups was a stressful time for the team. We were eager to begin collecting our own data, but we had not yet connected with a community partner that would enable us to conduct our research using its facilities. Meanwhile, we continued delving into the literature, and we added to our ever-growing literature review document. We were worried about what would happen if we could in fact *not* conduct any original research at all. Finally, after two rounds of IRB submissions, the project was approved just before the fall of our junior year.

Due to the sensitivity of the questions that we were asking, we had to prove our trustworthiness to the community. We had previously made a contact in Berwyn Heights through Mayor Cheye Calvo in the spring of 2007, but we still had not set up a way to find focus group discussants. We also connected with Action Langley Park, a community organization that meets in McCormick Elementary School in Langley Park, and attended meetings to learn more about the community of Langley Park from the community leaders themselves. Our frustrations continued, as the fall semester was almost over and we still had not formed a partnership. We continued searching for organizations over our winter break.

Meanwhile, two members, for different reasons, quit the team after the Fall 2007 semester. The process of redistributing their responsibilities was tricky, but as

the spring semester progressed, we slowly grew accustomed to the structure of our smaller workforce. By the end of January 2008, we came across the Spanish Catholic Center, a Catholic charity that helps low-income individuals who access services in Langley Park, and met with some of its employees. Shortly afterwards, they agreed to allow us to conduct our focus groups there. The encouragement that the employees gave us was incredible, and we decided to start as soon as possible.

Soon after we agreed to partner with the Spanish Catholic Center, we delivered fliers to the Spanish Catholic Center and asked them to advertise our project and encourage people to participate in the focus groups. We scheduled focus groups and went to the Spanish Catholic Center. To entice participants, we offered them free vouchers to Pollo Campero, a popular fast food restaurant in the area, as compensation for their time. To our disappointment that first week, we arrived to find no participants. We had once again encountered another research block: the most convenient times for us were not the same as the most convenient times for the possible participants. After rearranging our schedules, we agreed to come after unemployment sessions at the center at 11:00 every Wednesday morning. We diligently came to the center weekly in the hopes of convincing around 5-8 participants from the unemployment sessions to stay for an extra hour and participate in our focus groups. Some weeks were successful with 7-10 participants; other weeks we were unable to persuade anyone to participate in the focus groups. Many were receptive and talkative. Others were suspicious of our motives and did not feel comfortable talking in depth about their financial situations. Each participant had also filled out a survey that addressed more personal financial information that could not

be addressed publicly. All in all, the broad spectrum of information gathered helped us make our recommendations (Chapter 5). Despite some setbacks, we had finally collected the qualitative data.

Encouraged by the warm, receptive atmosphere of the Spanish Catholic Center, we wanted to continue to conduct research in other communities and settings as well. In efforts to do so, we set up tables at the Langley Park Spring Fair and a Berwyn Heights spring family community event. At both events we distributed surveys and raffled off a Giant gift card, in the hopes of spreading our name throughout the community. A significant number of surveys were collected at both events (and at the focus groups as well), but after much deliberating we decided that the information gathered did not effectively supplement the data from the focus groups. First of all, many of the surveys were not filled out completely. The participants were also unsure of some of the information on the survey; for example, many of the women were not sure of their husband's income. Most importantly, the information on the surveys could not be correlated to the qualitative data of the focus groups because of the different information that each research method gathered. Therefore, the surveys were not used to draw conclusions or make recommendations in our thesis. Also, we could not conduct focus groups in Berwyn Heights as we had initially desired, due to a lack of time. Each focus group at the Spanish Catholic Center had to be conducted, transcribed, translated and coded, and we had just enough time to finish these tasks for the focus groups that we had conducted thus far. The team conducted focus groups until the end of the spring semester of our junior year and spent the summer and early fall transcribing and translating the information

that we had gathered. By the fall of our senior year, we were ready to begin data analysis.

The fall of our senior year began with a plethora of tasks to be completed. We analyzed the data and wrote the first three chapters of the thesis. The information was repeatedly re-written, re-organized and revised. The thesis underwent numerous revisions by several experts, the team mentors and the team members themselves. The spring was full of rehearsals and work sessions perfecting the thesis and the thesis presentation. The presentation was successfully given on March 27th, 2009, in front of a panel of six experts in the field.

An important aspect of our project is that the financial services are constantly evolving and new programs are constantly being created to help the banked and unbanked increase their utilization of these financial services. The team, with the help of the mentors, stayed continuously informed about all these changes. The paper was continuously changing to incorporate these new ideas, keeping our project from quickly becoming obsolete. Despite our broad and extensive research, a problem arose when we realized that the resources that we were consulting always stated that banks and other providers of mainstream financial services were preferable to providers of fringe financial services. Not once was another opinion stated. It was not until halfway through our last semester that we began to think and wonder: if fringe financial services were so harmful, why were so many people using them on a daily basis? The team began to look at literature in favor of fringe financial services. Few people have written articles discussing the importance of fringe financial services in the financial sector or the importance of letting people decide which services to use.

The recommendations of the team then shifted to look at the *services* provided by the institutions and not the institutions themselves. It was not until this point that we began to feel like our recommendations were conforming to the needs of the community of Langley Park.

As the paper came to a close and our writing was finalized, the team began to think of ways to disseminate our recommendations in the community in order to leave a lasting impact. These recommendations will be discussed with members of the community after the publishing of this thesis.

Appendix B: Institutional Review Board Submission

Name of Principal

Investigator (PI) or Project

Faculty Advisor

Brian Beard

Tel. No

Name of Co-Investigator (Co-PI)

Jeremiah Grossman

Tel. No

Department or Unit Administering the Project

IRIS Center at the University of Maryland

E-Mail Address of PI

E-Mail Address of Co-PI

Where should the IRB send the approval letter?

3106 Morrill Hall
College Park, MD 20742

Name of Student Investigator

Matt Sriram

Tel.

No.

E-Mail Address of Student Investigator

Matt.sriram@gmail.com

Project Duration (mo/yr – mo/yr)

10/07

--

07/09

Project Title

ANSWER Poverty: A Financial Needs Assessment of Selected PG County Communities

Sponsored Project Data	Funding Agency	GEMSTONE Program	ORAA Proposal ID
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Vulnerable Populations: The proposed research will involve the following (Check all that apply): pregnant women human fetuses , neonates , minors/children , prisoners , students , individuals with mental disabilities individuals with physical disabilities

UNIVERSITY OF MARYLAND, COLLEGE PARK

Institutional Review Board

Initial Application for Research Involving Human Subjects

Please complete this cover page AND provide all information requested in the attached instructions.

Instructions for Completing the Application

Structure:

(1) Abstract, (2) Subject Selection, (3) Procedures, (4) Risks and Benefits, (5) Confidentiality, (6) Information and Consent, (7) Conflict of Interest, (8) HIPPA, (9) Research Outside of the US, (10) Research Involving Prisoners, (11) Appendices A-E

1. Abstract:

The purpose of this project is to produce an analysis of the availability of and need for financial services in Prince George's County. The project will involve conducting interviews of recent immigrants to determine their experiences with financial services. Although there are no foreseeable direct physical risks from this survey, much of the information we will be requesting concerns sensitive matters relating to financial and legal status. To mitigate the risk of inadvertent disclosure, we will ensure that the completed surveys are identified only by a number, that the document that maps identification numbers to names (which may be needed for follow-up interviews) is stored in a secure location, and that subjects who do not wish to be contacted for follow-up interviews may opt out of having any personally identifiable information recorded at all.

2. Subject selection:

a. Participants will be non-dependents in the Langley Park and Berwyn Heights areas over the age of eighteen (18) who have immigrated to the United States from abroad within the past five (5) years. Because the goal of this research is to produce a financial needs analysis and involves no experimental procedure, there will only be a single subject pool from which to interview. Participation in the study is completely voluntary and subjects will be approached through advertising (Appendix A) and partnership with local non-government organizations (NGO) geared towards acclimating and empowering recent immigrants as well as community partners such as churches and the Langley Park community center.

- b.** Participants must be over the age of eighteen (18) and have immigrated into the United States from abroad within the last ten (10) years to participate in this study
- c.** This study aims to survey and consult with local recent immigrants to create a profile of how effectively local formal and informal banking institutions serve the immigrant communities in the Langley Park and Berwyn Heights areas. This will be done by evaluating the benefits and availability of financial services rendered; and questioning participants on which services they most require.
- d.** The minimum number of participants required will be 50, with only a single subject pool. If respondent participation is greater than anticipated, researchers will increase the size of the subject pool to enrich the portrait of financial needs for the selected population.

3. Procedures:

ANSWER Poverty and IRIS will, with the help of NGOs and community partners distribute flyers to the public advertising and explaining our study. ANSWER Poverty and IRIS will then set up specified dates and times at locations in the community, such as churches and community centers, where potential subjects will come to find out more about our study and, if they wish, participate in an interview on the spot.

Before participating in the interview, respondents will be given a detailed written explanation (Appendix B) of what research the team is conducting in order to grant their informed consent by signing a consent form (Appendix C) indicating their voluntary involvement in the study. This consent form will also give each subject a Numerical ID kept in a separate encrypted database to ensure confidentiality for all future interactions.

During our study, Team ANSWER Poverty will be conducting interviews using some of the compiled semi-structured questions in Appendix D to gather quantitative and qualitative data on the subject pool. All responses will be securely recorded onto tape or digital recorder for future analysis or transcription.

ANSWER Poverty may also keep any quantitative interview responses in an electronic format through the use of surveymonkey.com, an online data storage tool. While several members from ANSWER Poverty and IRIS are fluent in Spanish, the researchers will also supplement these members with translators from the University and NGOs. In order to preserve the confidentiality and integrity of our research, all outside volunteers will sign a contract (Appendix E) outlining their rights and responsibilities. Pending procurement of financial grants, it is still unknown if these volunteers will receive compensation.

4. Risks and Benefits:

There are no foreseeable physical risks in taking this survey. The survey will ask questions regarding a person's legal status and financial situation which can be considered sensitive. However, strict procedures and measures for confidentiality are outlined in Sections III, V and in the Appendices B and E which ANSWER Poverty and IRIS will make available to subjects prior to involvement.

The results of this research are intended to develop a financial portrait of selected communities for future development and philanthropic uses by local NGOs. Participants may not immediately benefit from their involvement in the study however ANSWER Poverty and IRIS intends to benefit the community through the long-term benefits of this research. However, if sufficient funds are procured, ANSWER Poverty and IRIS may provide gift certificates or other such non-monetary incentive from a business unrelated to this research to increase subject participation.

5. Confidentiality:

The study will probe participants for financial information. Because of the sensitive nature of this data, protecting the confidentiality of our study participants is of utmost importance. Therefore, numerous controls will be used to minimize or completely eliminate exposure of personally identifiable fields. Each participant will be assigned a unique number. All data collected from this individual will be identified using this number alone. Before the study begins, the interviewer will explain the procedure and confidentiality to the subject. They will write by hand on an index card the name of the person on one side and their unique number on the reverse. Then the tape recorder will come on and the subject will identify themselves by the number. The index cards and tapes will be kept under lock and key in a safe, whose combination is known only by the Prime Investigator.

At the end of the study, the index cards will be compiled into a typed, encrypted data sheet, and the cards will be destroyed. Therefore the data sheet will be the only single linkage of identity to data. When the tapes have been completed, they will be sent to a third party transcriber. Since they are only identified by number and voice, this should not pose a confidentiality issue. The tapes will be destroyed after transcription. The sheet linking the identities and data will be kept under lock and key in possession by the Prime Investigator until (1) The research period is over or (2) The length of time required by IRB rule, whichever is longer. The transcripts will be kept secure, although without the identity sheet they pose no confidentiality risk. When they are no longer needed, they will be shredded. We believe with these controls in place the identities of the research subjects will remain completely confidential. Finally, all team members and third parties involved with data will sign a written confidentiality agreement binding them to these terms, kept in the safe.

6. Information and Consent:

The team will provide an information sheet that contains a definition of the project with contact information of IRIS personnel (Appendix B). Those who wish to participate in this study will be required to read and sign a consent form (Appendix

C), detailing the study and what the participant's commitment entails. The participants will be informed of the approximate time obligations the study demands (Appendix D). This consent form will be the only document connecting any individual with their ID tag, which will be kept in a fireproof safe in the office of the team's mentor Jerry Grossman at the IRIS Center. This form will tell the participant of their right to refuse an answer to any and all of the questions at any time during the survey and of their right to have the team throw out their responses, even after the survey is complete. The team will also ensure that any outside volunteers read and sign an internal contract (Appendix E), which obliges them to keep the responses of any participant a secret.

7. Conflict of Interest:

The results of this research will be used to benefit Latino Economic Development Corporation (LEDC) and other NGOs, which will work to maintain its integrity and therefore, will not have conflicts of interest with the research. Dinner from a local restaurant will be provided for respondents as an incentive for participation however this poses no conflict of interest since the restaurant will not be aware of the research being done by IRIS and ANSWER Poverty.

8. HIPAA:

This research does not require any HIPAA procedures.

9. Research Outside the United States:

This research does not require any research outside of the United States.

10. Research Involving Prisoners:

This research does not involve any prisoners.

11. Appendices A-E Follow in Both English and Spanish Versions

IRB Appendix A – Advertisement Text

ENGLISH

FREE FOOD!

A team of students at the University of Maryland in College Park are conducting a research study. Our goal is to determine which types of financial services are available and which are needed by Hispanic residents of our community. We need subjects to participate in a 30 minute interview. Your responses and identity will be completely confidential. In exchange for your time, we will provide thank-you vouchers for a free dinner to [name of restaurant/deli/fast food place] in your area!

If you are interested, please call [NUMBER] or email [EMAIL ADDRESS].
Thank you!

ESPAÑOL

¡Comida gratuita!

Un equipo de estudiantes de la Universidad de Maryland en College Park está haciendo una investigación. Nuestra meta es determinar que tipos de servicios económicos son disponibles y los que las vecinas de nuestra comunidad necesitan. Necesitamos personas para participar en una entrevista de treinta minutos. Sus respuestas e identidades serán completamente confidenciales. ¡En cambio de su tiempo, proveeremos un ‘vale de comida’ para una comida gratis para agradecerle, a [nombre de una restaurante/charcutería /restaurante de comida rápida] en su área! Si está interesado, por favor llámese [numero] o mándenos un correo electrónico a [dirección de correo electrónico].

¡Gracias!

IRB Appendix B – Informational Background

ENGLISH

Team ANSWER Poverty is a group of undergraduate students at the University of Maryland studying how the usage of the right financial services can help lower family expenses for members of the Langley Park and Berwyn Heights communities. The following interview questions will help us produce a comprehensive research document that explains and analyzes the accessibility, or lack thereof, of financial services and small business development for working populations in Langley Park and Berwyn Heights, to allow governmental and non-profit organizations to better serve the needs of aspiring entrepreneurs in your community.

ESPAÑOL

El equipo de ANSWER Poverty es un grupo de estudiantes de la Universidad de Maryland que está estudiando el uso de servicios financieros apropiados que puede bajar las expensas de una familia en las comunidades de Langley Park y Berwyn Heights. La próxima entrevista ayudará a los estudiantes para hacer un documento de investigación comprensiva que explica y analiza la accesibilidad o la falta de servicios financieros y el desarrollo de negocios pequeños para poblaciones que trabaja en Langley Park y Berwyn Heights. Este va a permitir las organizaciones gubernamentales y organizaciones sin fines de lucro servir mejor las necesidades de los empresarios en su comunidad.

IRB Appendix C- Consent Form

ENGLISH

Page 1 of 2	<i>ANSWER Poverty: A Financial Needs Assessment of Selected PG County Communities</i>
Why is this research being done?	This research is being done by ANSWER Poverty (in conjunction with the University of Maryland’s Gemstone Program) to explain and analyze the accessibility of financial services and small business development for low to moderate income populations in Langley Park and Berwyn Heights. The research is geared toward giving governmental and non-profit organizations tools to better serve the needs of aspiring entrepreneurs in these communities.
What will I be asked to do?	Participants will be asked to answer orally administered survey questions and interview questions. A translator will be provided when and if necessary. Interviews will last roughly 45 minutes and will cover topics such as financial history, education, loan experience and personal finance.
What about confidentiality?	To help protect your confidentiality we will engage in the following tasks: (1) including your name will be optional on the surveys or other collected data; (2) a code will be placed on the survey and other collected data; (3) through the use of an identification key, the researcher will associate your survey to your identity; and (4) only the researchers will have access to the identification key. If we write a report or article about this research project, your identity will be protected to the maximum extent possible. Your information may be shared with representatives of the University of Maryland, College Park or governmental authorities if you or someone else is in danger or if we are required to do so by law.
What are the risks of this research?	There are no known risks for participation in this survey. The nature of the information the participant is being asked to

Page 2 of 2	provide is sensitive, but this information will be kept confidential.
What are the benefits of this research?	This research is designed to analyze the financial habits of your community. The societal component of our research involves, once the research is done, reaching out to members of the community to inform them of our findings and assist them in an area the research may reveal a need for help.
Do I have to be in this research? May I stop participating at any time?	Your participation in this research is voluntary; at any point during the process you may choose to not participate. If you stop participating you will not be offered recompense.
What if I have questions?	<p>This research is being conducted under the tutelage of Brian Beard and Jerry Grossman, who can be contacted at (e-mail) briangbeard@erols.com (telephone) 301-405-3259, and (e-mail) jgrosman@iris.econ.umd.edu (telephone) 301-405-3052.</p> <p>If you have any questions about your rights as a subject, or would like to report a research-related injury, please contact: Institutional Review Board Office, University of Maryland, College Park, Maryland, 20742; (e-mail) irb@deans.umd.edu; (telephone) 301-405-0678</p> <p>This research has been reviewed by the University of Maryland, College Park IRB.</p>

ESPAÑOL

Página 1 de 3	ANSWER Poverty (Resolver Pobreza): Una evaluación de las necesidades financieras de comunidades selectas del Condado de Prince George.
<u>Título de Provento</u>	

Appendix C: Internal Contract for the Team IRB

ENGLISH

As a researcher in this study, I have agreed to follow these guidelines to ensure the confidentiality, integrity, and validity of the survey results.

1. Integrity: I will enter all the information given by the respondents on the survey as the respondent says it, with no alteration. For the case of open-ended questions, I may if necessary summarize what the respondent said, but such summaries should always be accompanied by a transcription or audiotape of the full response.

2. Confidentiality: I will respect the confidentiality of the survey respondents at all times. Although I may disclose general information about the topics covered by the survey to interested parties, I will not disclose the identities of any survey respondents or any respondents' answers to any of the questions. I will follow all established procedures (described elsewhere in this document) for handling of survey results.

Printed Name: _____

Date: _____

Signature: _____

ESPAÑOL

Como un investigador en este estudio, he consentido adherir a estas indicaciones para asegurar la confidencialidad, la integridad, y la validez de los resultados de la entrevista.

1. Integridad: Anotaré toda la información que los participantes de la entrevista me dicen exactamente como me lo han dicho, sin modificaciones. En ese caso de los asuntos pendientes, en caso necesario, puedo resumir lo que me dice el participante, pero estas resúmenes sería acompañados por una transcripción o una cinta de audio de la respuesta completa.

2. Confidencialidad: Respetaré la confidencialidad de los participantes de la entrevista a todos veces. Aunque les revelaría información general sobre los temas cubiertos en la entrevista a los grupos interesados, no revelaré las identidades de ningunos participantes de la entrevista ni ningunas respuestas de los participantes de la entrevista a ningunas preguntas. Adheriré a todos procedimientos establecidos (descritos en otro lugar en este documento) por la gestión de las respuestas de la entrevista.

Nombre: _____

Fecha:

Firma: _____

Appendix D: A Glimpse of Langley Park and its surrounding areas

Center where focus groups were conducted – The Spanish Catholic Center



Street view of Route 193, adjacent to Langley Park



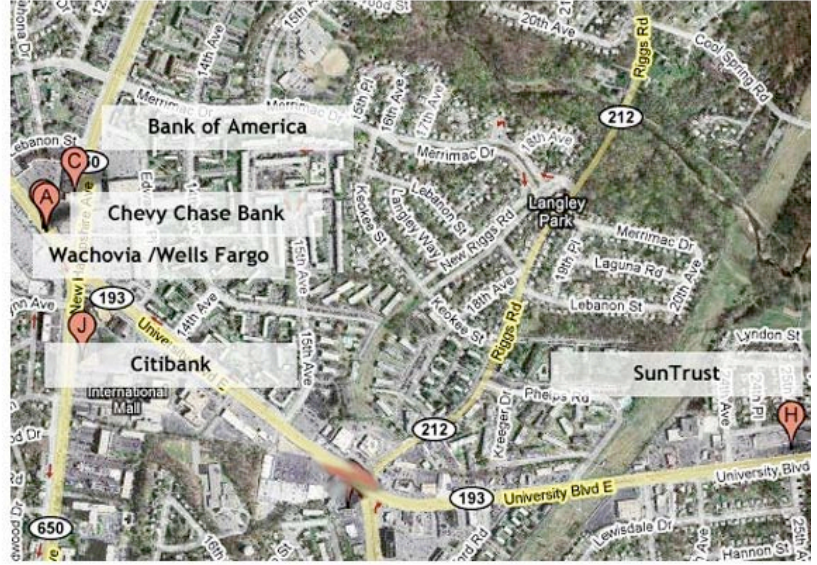
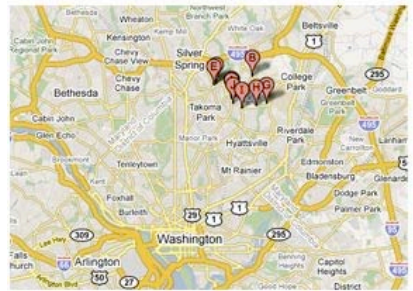
Along Route 193, in Langley Park and the adjacent areas: “The International Corridor”



Appendix E: Map of Banks in Langley Park and Surrounding Area



Area of Detail



. Maps generated with Google Maps.

Appendix F: Focus Group Questions

ENGLISH

Note that this study aims to conduct qualitative research to develop a composite of what financial life for respondents is like. **Not all of these questions will be administered to every respondent and the dynamic nature of interviews and focus groups may slightly alter the nature of the questions.**

Background

Study ID Number

Country of Origin

Approximate Month/Year of Arrival

Loan Use

- Have you ever applied for a loan before?
 - Where? How would you rate your experience?
 - Do you remember the rates and terms of the contract?
 - Were you able to receive the loan you wanted? If not, why not?
- Are you familiar with payday loans or check cashing depots? Separate these into separate questions
 - Do you use payday loans and check-cashing depots?
 - If so, why?
 - You understood how much you are being charged?
 - You had access to formal financial services?
- Do you own any property? How did you pay for and finance it?

- Are you involved in any informal methods of lending? Do you ever borrow from family members or friends?
- Do you have any accounts in any local banks?
- Are all the bank employees you deal with able to speak Spanish (or your native language)? Are the bank products and services adequate to meet your needs?

Education

- What is your educational background?
 - What is your level of schooling?
- Are you employed? If so ask:
 - What is your occupation?
 - On average about how many hours do you work in a given week?

What level of education is required for your job?
- Did you receive any training from your employer?
- Do you have children?
- Would you take a loan out for educational purposes, if you had the option to?
- Would you be able to get a loan for educational purposes right now, if you want to?
- For whom would you take out an educational loan?
- Where do you get advice and counsel regarding financial decision making?

Opinions on financial services

- What is your home country? At what age did you move to the United States?
- Were you employed in your home country? If so, what was your job?
- In your home county, what methods of banking were available to consumers?
- Were they widely used? Did you use them?
- Which of the following best describes your observations regarding the availability of financial services in your community in the United States now:
- Based on past experiences and contacts with the financial services in the community, do you believe that financial services companies provide their service out of care for the community or just to make a profit?

Desired services

- Do you have a bank account now or have you at any time in your life?
- What financial services that are not available would be most beneficial to your personal finances or financial status?
- What financial services that are not available would be most helpful in starting your own business?
- Would a community center with a financial services help desk prove useful to you as an immigrant and beginning entrepreneur?

Household resource questions:

- How many people live in your household?
 - How many of them are employed?
 - How much total monthly income is brought into your household?

- Do you send remittances? If so, how much per month?
 - How do you currently pay remittances? Through a money wiring service? By transferring money from a savings or checking account?
- Do you receive income from outside sources? If so,
 - How much per month?
 - From where?
- What other assets (home ownership, stocks, etc.) do you hold?

Bank and credit history

- In your country of origin
 - Did you have a bank account?
 - What financial services were available?
 - What financial services did you use?
 - What financial services were not available, but would have been beneficial if they were?
 - Have you set up a bank account here in the states already asked?
 - Have you ever been in debt?
 - Do you have a savings account or some other way to save your money?
 - Are you aware that the Federal Government insures up to \$100,000 of deposits in savings accounts?
 - Are you familiar with the impact your credit history has on potential future loans?

- Does your bank provide resources to help in financing a home?
- Who in the household is responsible for budgeting the finances?
- Would you find it helpful if your bank allowed you to make direct deposits into bank accounts in your home of origin?
- Are you familiar with online banking?
 - Do you have access to the Internet?
- If you are over the age of 40, have you started a retirement plan?
(Maybe we should ask this to all respondents.)
 - Does your bank provide services/information training for starting such an account?
- If you have a bank account already, what incentives encouraged you to do so?
- Do you feel like your privacy is protected by your bank?

ESPAÑOL

El objetivo de este estudio es realizar una investigación cualitativa para desarrollar un concepto de como es la vida financiera de los participantes. **No todas las preguntas serán administradas a todos los participantes y la naturaleza dinámica de las entrevistas y grupos de foco puede alterar la naturaleza de las preguntas.**

Historia Personal

Numero de Identificación para el Estudio

País de Origen

Mes/ Año Aproximado de Llegada

Uso de Préstamos

- ¿Ha solicitado Usted un préstamo antes?
 - ¿Adonde? ¿Cómo evaluaría su experiencia?
 - ¿Se acuerda de los términos y las tarifas del contrato?
 - ¿Fue Usted capaz de recibir el préstamo que deseaba? Si no, ¿por qué no?
- ¿Está Usted familiarizado con los préstamos del día de pago o los burós para canjear cheques?
- ¿Utiliza Usted los préstamos del día de pago o los burós para canjear cheques?
 - Si los utiliza, ¿por qué?
 - ¿Entendió usted cuánto le están cobrando?
 - ¿Tuvo usted acceso a servicios financieros formales?
- ¿Posee usted alguna propiedad? ¿Cómo financió o pagó la propiedad?
- ¿Participa usted en algún método informal de préstamos? ¿Toma dinero prestado de miembros de la familia o de sus amigos?
- ¿Tiene usted cuentas bancarias en algún banco local?
- ¿Todos los empleados de su banco son capaces de hablar español (o su lengua nativa)? ¿Los productos bancarios y servicios son adecuados para satisfacer sus necesidades?

Educación

- ¿Qué estudios ha cursado?
 - ¿Cuál es su nivel de educación?
- ¿Tiene un trabajo? Si ése es el caso, pregunta:
 - ¿Cuál es su ocupación u oficio?
 - ¿Cerca de cuántas horas trabaja semanalmente? ¿Qué nivel de educación es necesario para su trabajo?
- ¿Recibió algún tipo de instrucción de su empleador?
- ¿Tiene hijos?
- ¿Haría un préstamo para propósitos educativos si tuviera la opción?
- ¿Podría obtener un préstamo para propósitos educativos ahora, si quisiera?
- ¿Para quien haría usted un préstamo educativo?
- ¿Dónde obtiene consejo con respecto a las decisiones financieras?

Opiniones sobre los Servicios Financieros

- ¿Cuál es su país de origen? ¿Cuántos años tenía cuando se mudó a los Estados Unidos?
- ¿Tenía trabajo en su país de origen? Si ése era el caso, ¿cuál era su trabajo?
- ¿En su país de origen, cuáles métodos de depositar estuvieron disponibles a los consumidores?
- ¿Eran utilizados extensamente? ¿Usted los utilizaba?

- Cuál de las siguientes frases describe mejor sus observaciones con respecto a la disponibilidad de servicios financieros en su comunidad en los Estados Unidos actualmente:
- Basado en sus experiencias pasadas y en los contactos con los servicios financieros en la comunidad, ¿cree usted que las compañías de servicios financieros proporcionan sus servicios para ayudar a la comunidad o por fines de lucro?

Servicios Deseados

- ¿Tiene usted una cuenta bancaria ahora o ha tenido una en el pasado?
- ¿Cuáles servicios financieros que no están disponibles ahora serían los más beneficiosos para sus finanzas personales o su posición financiera?
- ¿Cuáles servicios financieros que no están disponibles ahora serían los mas beneficiosos para empezar su propio negocio?
- ¿Sería útil para usted como un inmigrante y pequeño comerciante que recién comienza un centro comunitario con un escritorio para ayudar con los servicios financieros?

Preguntas Acerca de los Recursos de la Casa:

- ¿Cuántas personas viven en su casa?
 - ¿Cuántas de estas personas tienen trabajo?
 - ¿Cual es el ingreso total de su casa?
- ¿Envía usted remesas? Si ése es el caso, ¿cuanto envía por mes?

- ¿Cómo paga las remesas? ¿Por un servicio de envío electrónico de dinero? ¿Transfiere dinero de una cuenta bancaria corriente o de una cuenta de ahorros?
- ¿Recibe usted ingresos de fuentes externas? Si éste es el caso,
 - ¿Cuánto recibe por mes?
 - ¿De qué origen?
- ¿Que otros bienes (propiedades, acciones, etc.) tiene?

Historia de Bancos y Crédito:

- En su país de origen
 - ¿Tenía usted una cuenta bancaria?
 - ¿Qué servicios financieros eran disponibles?
 - ¿Qué servicios financieros usaba usted?
 - ¿Qué servicios financieros no eran disponibles, pero serían beneficiosos si lo fueran?
 - ¿Ha abierto una cuenta bancaria en los Estados Unidos?
 - ¿Alguna vez estuvo en deuda?
 - ¿Abrió usted una cuenta de ahorros o tiene alguna otra manera de ahorrar su dinero?
 - ¿Sabe usted que el gobierno federal garantiza hasta \$100,000 de depósitos en las cuentas de ahorros?
 - ¿Sabe usted el impacto que su historia de crédito tiene en sus futuros préstamos potenciales?

- ¿Su banco proporciona recursos para ayudar a financiar una casa?
- ¿Quién en la casa se responsabiliza por el presupuesto familiar?
- ¿Sería útil si su banco le permitiera hacer depósitos directos en cuentas bancarias en su país de origen?
- ¿Conoce usted los servicios bancarios por Internet?
 - ¿Tiene usted acceso al Internet?
- ¿Si usted tiene más de 40 años, ha empezado un plan de la jubilación?
 - ¿Su banco proporciona servicios/instrucción para empezar este tipo de cuenta?
- ¿Si ya tiene una cuenta bancaria, qué lo estimuló a hacer eso?
- ¿Siente que su privacidad está protegida por su banco?

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