Maryland CASH CAMPAIGN
Creating Assets, Savings and Hope

Financial Services for Immigrants

Emergency & Transitional Services

Banking Concerns

About 50% of immigrants nationwide lack access to bank accounts. Issues such as language and systemic barriers, misinformation, cultural differences, and an underdeveloped trust for traditional financial institutions keep new Americans unbanked.

Over the years, traditional financial institutions have been somewhat vague about particular fees and services. Banks and credit unions may need to explain account terms and fees, provide financial education, and accept varying forms of identification to involve immigrants in mainstream financial services.

Using the financial services of banks or credit unions can help immigrants build credit by demonstrating financial responsibility. As another option, prepaid credit cards can help to build credit while providing services like direct deposit, withdrawals, and bill payments without a bank account.

Integrating immigrants into the financial mainstream may help them build credit, save money, and work toward financial stability.

Some traditional financial institutions have begun to accept Matricula Consular cards and Individual Taxpayer Identification Numbers (ITINs) as valid forms of ID. Immigrants who do not have a social security number, or are not eligible for one, may apply for an ITIN using IRS form W-7. Go to www.irs.gov for more details.

Barriers to Asset Building

Many immigrants have a limited credit history, which can make it difficult to secure a home or car loan. Some traditional financial institutions have responded by developing low-interest loans specifically for low-income immigrants with no credit history.

Other options are available for immigrants wishing to purchase a home. These alternatives are shared-equity homeownership or rent-to-own models. With shared-equity homeownership, appreciation of the home is shared between the owner(s) and a public investor funded by the local government. This means the homebuyers can purchase the home for a more affordable price.

The rent-to-own option allows potential homebuyers to rent a home for about three years, while a portion of the rent goes toward a down payment. This gives homebuyers an opportunity to save more money and improve their credit scores during the rental period, with the option to purchase the home at the end of the lease.

Resources

Bureau of International Information Programs
www.america.gov

Center for Financial Services Innovation
www.cfsinnovation.com

Department of Housing and Urban Development
www.hud.gov

Department of Human Resources
www.dhr.state.md.us

Inter-American Dialogue
www.thedialogue.org

Maryland Council for New Americans
www.newamericans.maryland.gov

National Housing Conference
www.nhc.org

U.S. Department of the Census
www.census.gov

Remittances

The remittance market is essential to new Americans, who often send money back home to support their families. Latin immigrants send $150-$400 in remittances monthly, and send 10-20% of their yearly income abroad.

Traditional money transfer costs range from 4-20% of the monetary value sent, which can be expensive. Some banks in the U.S. have partnered with banks in Mexico to offer money transfers to help reduce the cost of traditional wire transfers. Other banks offer prepaid debit cards that can be used to withdrawal funds from ATMs in Mexico.

Alternative financial services, like check cashers, can also process remittances. Advise clients to compare fees at several locations, especially if they send remittances regularly.

Some financial institutions offer remittances, which allow immigrants to send money abroad to their families.

Fraud

New Americans are disproportionately exposed to fraud and scams. Data from the Home Mortgage Disclosure Act reveal that 47% of Hispanics are in subprime loans, compared to 18% of whites. Subprime lenders generally target those with poor or limited credit histories, and approve loans with high interest rates for consumers who would not usually qualify for prime market loans. Subprime loans are five times more likely to go into default and foreclosure than other mortgage loans.

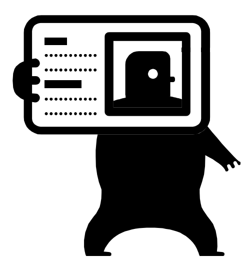
Immigrants are also subject to tax, microloan, and investment fraud:

- In Maryland, immigrants are more likely to use paid tax preparers or paper income tax-return forms instead of electronic filing, leaving more opportunity for fraud.
- Microloan industries often target new Americans with products like payday loans that have extremely high interest rates. These loans can create a spiraling cycle of debt.
- Investment companies may entice immigrants into paying significant upfront fees while providing little returns on investments. All of these situations can create financial dilemmas for immigrants.

What can be done?

The Maryland Council for New Americans has suggested that community leaders, faith-based institutions, and local governments be provided with “scam alerts” about known fraudulent tax preparers, mortgage lenders, and financial service providers. These “scam alerts” can be shared with immigrants to deter them from using certain services. This tactic combined with increased participation in mainstream financial services may help to reduce the incidence of fraud among new Americans.

There are some low-interest mortgage loan options for immigrants with limited credit histories. They can contact traditional financial institutions to find out where these are offered.



Notify clients of fraud and scams that they should be cautious of.