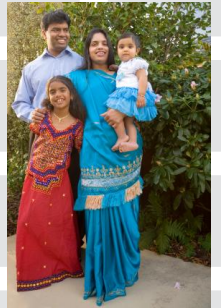


Capturing the Immigrant Market

A REAL Solutions® White Paper



Capturing the Immigrant Market is a 2009 publication of the National Credit Union Foundation's REAL Solutions® program.

About the National Credit Union Foundation (NCUF)

The National Credit Union Foundation (NCUF) raises charitable funds, runs innovative programs, and makes impactful grants for America's credit union movement. NCUF's mission is to "promote and improve consumers' financial independence through credit unions." Among the NCUF programs achieving this mission:

REAL Solutions® — Helping millions of consumers gain access to affordable financial services, achieve financial literacy, grow savings, build assets, and buy homes.

Development Education — Leading training on cooperative principles in the modern consumer marketplace to overcome what credit unions identify as the greatest threat to their future: "the eroding of credit union philosophy."

Social Impact Management — Meeting a "triple bottom line" that benefits credit unions, members, and communities.

About REAL Solutions®

REAL Solutions® is the signature program of the National Credit Union Foundation. REAL — "Relevant, Effective, Asset-building, Loyalty-producing"— Solutions® works to help credit unions offer a wide range of products and services that have proven successful in serving working families with low wealth and modest means. Using product/business models created and tested by credit unions, REAL Solutions® disseminates information to credit unions through special meetings, an [online impact center](#), and state and national conferences. In the first two years as NCUF's signature program, REAL Solutions® was adopted in 30 states and is saving members tens of millions of dollars. It has now become a documented business strategy for credit unions to grow their memberships by serving the underserved. REAL Solutions® reaches people of all ages and ethnic groups. Real people with real needs are finding REAL Solutions® at credit unions.

About the Author

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Introduction

Immigrants come to the United States for many reasons, most seeking a chance for a better life for their families and children. This past century of credit union service to the nation parallels an era of immigrant growth that continues today. While membership growth and market share are slowing, serving immigrant populations answers both philosophical and business needs for credit unions.

Some 40-55% of Latino immigrants are unbanked. The Federal Deposit Insurance Corporation projects that Latinos will account for more than half of the U.S. banking growth during the next decade. Latino households with checking accounts will increase by 57% and those with savings accounts by 76% during the next two years. And one of three U.S. citizens will be of Latino descent by 2050.

Mainstream banks are well aware of these trends and are aggressively courting Latinos. But it would be a mistake to conclude that a credit union's marketing efforts should focus solely on Latino members. As the following profiles show, the immigrants that come to the United States continue to join a melting pot that includes Ukrainians, Hmong, Vietnamese, Somalis, Sudanese, Cape Verdeans, Haitians, Brazilians as well as Latinos.

A closer reading of the profiles also indicates that credit unions that serve immigrants successfully have several practices in common. It's essential to have bi-lingual staff and understand the nuances of the immigrant cultures. Marketing can be a challenge with immigrant groups as they come from areas where financial institutions are in their infancy and sometimes low on the trust spectrum.

Community involvement through local festivals, scholarships, multi-cultural centers and partnerships are vehicles to gain trust. Word of mouth is still the primary means of communication for most immigrants. Traditional marketing via radio, television, and print has a place, but it's not as important as becoming involved in the community. English as a second language and financial literacy classes also help to build trust for the organization.

Chicago's Ukrainian Community

The Ukrainian community in Chicago plays a role in world politics as the first lady, Kateryna Chumachenko Yushchenko, wife of the President Yushchenko, and the daughter of Ukrainian immigrants, attended Prospect High School in Mt. Prospect and received a master's degree in business administration from the University of Chicago before moving to Kiev. Ukraine declared independence from the Soviet Union in 1992.

After independence, the newly formed nation had social and economic disruptions and many Ukrainians migrated to the United States and to Chicago. During this time, **Selfreliance Ukrainian American Federal Credit Union** (\$476 million in assets), went through a period of

receiving an influx of new members. It currently has 24,191 members with offices in Chicago, Indiana, and New Jersey.

CEO Bohdan Watral emigrated to the U.S. in 1958, earned an accounting degree in 1976 and joined the credit union that same year and became CEO in 1978. First Lady Kateryna Yushchenko is a family friend of Watral's and attended his wedding.

"Ukrainians came to the United States seeking a sense of stability that they didn't experience in Ukraine," he said. "Their immediate needs are learning the language. All 100 of our employees are bi-lingual in English and Ukrainian."

As with most immigrant populations, trust is the engine that powers the relationship between the immigrant and financial institution. Most immigrants have had experiences of hyper-inflation and de-valuation in Ukraine. How do you develop trust with the credit union?

"You support organizations in your community," said Watral. "You have to be accessible, the CEO and chairman have to be available. The CEO can't hide away in an office."

Selfreliance spends \$1 million annually on community outreach to support museums, Saturday schools, churches, and community organizations. "We don't just offer products. We show a track record and have testimonials," said Watral. "We don't sell any of our mortgages on the secondary market. If you are having trouble making your mortgage payments, we'll help you and work with you."

Somali & Sudanese Communities in Rochester, New York

A small credit union has advantages in serving its members, according to CEO Melissa Marquez, of **Genesee Co-op Federal Credit Union** (\$7 million in assets).

"We really know our members," she said. "When we close a loan we talk to our members and say if you can't keep your promise, talk to us immediately. If you lose your job, if you have a family emergency, let us know; we have methods to help you and payment plans."

One of those methods to help Somali and Sudanese immigrant members in the Rochester area is the "Family Aid Loan," which was originated and developed by a Somali staff member, Isse Abukar, who speaks five languages. The loan typically ranges from \$1,000 to \$3,000 and is used to help a family member get out of a refugee camp in Africa or to get medications or medical care that they are unable to acquire in a camp. "We've had no losses with this product in five years and over 100 loans totaling almost \$237,000," said Marquez.

Having a Somali staff member is helpful for both immigrant communities, since the Sudanese speak French, which Isse Abukar speaks. "Most Somalis and Sudanese speak English, having been through English as a second language class, but when dealing with money, it is a lot easier to discuss in their native language," said Marquez.

Many of the new immigrants lack an adequate credit history, but they might have a loan from the Refugee Resettlement Program, which is sponsored by the U.S. Catholic Conference, which is reported on their credit report. “We find that most new immigrant members have no credit, or limited credit,” said Marquez. “But, they have jobs which the refugee agency or local churches helps them find.”

The Sudanese and Somalis find factory work, janitorial work in the hospitals and universities as well as driving cab. They eventually buy cars in the \$3,000 to \$5,000 range; sometimes they will buy cars at auctions. Most of the immigrants earn about \$13,000 to \$17,000 annually, according to Marquez.

The credit union prepares tax returns gratis after they realized the members were paying excessive amounts at H&R Block and Liberty Tax Services. The credit union also offers a payday lending alternative, which amounts to a \$500 line of credit, to be paid back in three months at 18%, but members are required to be on direct deposit and pay a \$35 application fee. Payday lending, though, wasn’t much of an issue with both groups of African immigrants, according to Marquez.

Some of the Muslim members didn’t want to earn interest on their savings because paying interest is prohibited in the Koran. The credit union had an account from the anti-war days, “the Peace Account” that was used for military tax resisters, which pays no dividends. And some members won’t borrow money for the same reasons.

The most important factor in serving an immigrant community is to “hire a staff member from the immigrant community that is bi-lingual to learn the cultural norms and insights,” said Marquez. “You’ll also need to be open to new loan products that will serve the needs of their community.”

MultiCultural Center, Brockton, Massachusetts: Serving Cape Verdean, Haitian, Brazilian, & Latino Communities

HarborOne Credit Union (\$1.6 billion in assets), found that Brockton had the most foreclosures in Massachusetts. As the leadership examined the data, they discovered that immigrants were going to predatory lenders and were avoiding local financial institutions including the credit union. They asked community leaders for the reason—it was a lack of trust. It was the same answer that earlier immigrants—the Irish and Italians—had given.

“These groups are often from countries where the banking systems are weak and not part of the mainstream,” said Leo MacNeil, senior vice president community relations and CRA officer. “They end up relying on easy available alternatives like check cashing, payday lending, money lending and tax advance services frequently offered by members of their own community whom they mistakenly trust.”

HarborOne decided to convert a vacant 11,000 square feet of office space and staff it with multi-cultural employees. They offered the following courses: personal finance, credit

counseling, English for speakers of other languages, first time home owners, computer literacy and citizenship test preparation.

Building trust was one of the reasons for offering the English as a second language course. There were waiting lists for similar courses of more than 1,500 people, so it was a real need in the community. They became feeder programs for the financial literacy course. HarborOne offered free office space to any nonprofit that offered complementary services.

“We wanted to be the one place where people could go—a triage process, an emergency room,” said CEO Jim Blake. “The MultiCultural Center staff speaks 17 different languages.”

One of the more valued services is the loan for the cost of the citizenship test at \$670. The Center offers several REAL Solutions® products/services, including second chance checking; micro loans in amounts of \$100, \$350, and \$600; and VITA (Volunteer Income Tax Assistance) sites. And they are developing a payday loan alternative program. Individual Development Accounts (IDAs) will be offered in 2009.

Since September 2007, they have launched a financial literacy course in English, French, Portuguese and Spanish. Graduates of the 8-week course receive second chance checking and a \$500 line of credit, regardless of their creditworthiness. That line of credit is bumped to \$1,000 after one year if the credit is handled responsibly.

First time home ownership classes are provided in English, Spanish, Portuguese and Haitian French. They have a train-the-trainer program, which is popular with the staff. The MultiCultural building also houses a HarborOne branch, which serves a highly diverse membership. In the first year, HarborOne was able to track \$1.1 billion in deposits and \$11.3 billion in loans as a direct result of opening the MultiCultural Banking Center.

Vietnamese & Latino Communities in Syracuse, New York

Immigrants in the Syracuse area are challenged by the U.S. financial system and where to go for help, said Outreach Coordinator Meagan Weatherby, of **Syracuse Cooperative Federal Credit Union** (\$14 million in assets).

“There's a great deal of interest in English as a Second Language financial education workshops, to help immigrants from all over the world learn English banking terms and concepts,” she said.

“We teach those workshops at two levels—beginner and intermediate,” said Weatherby. “There's a tremendous range in subject matter, depending both on English-language proficiency and immigrants' financial experience in their original homelands. Some students are just learning about secure places to save their money or how to get a loan, others are interested in investing.”

Many immigrants, particularly Vietnamese members, are interested in microenterprise, but cultural customs can make it difficult for credit unions to tap that market. When starting a small business, it is often traditional to pool funds from various members of a family rather than seeking a loan from a financial institution.

“It’s a challenge to communicate the message that we have specialized funds for these types of loans,” said Weatherby. “There is a need and an interest, but there’s also hesitancy when it comes to seeking mainstream financing.”

Similar to the Ukrainians, the Syracuse Cooperative Federal Credit Union focuses on community outreach rather than marketing. “Community outreach is more effective than marketing; it lets members know we are engaged in the community,” said Weatherby. “We’re committed to the neighborhood, we’re enthusiastic about making cultural connections, and we’re communicating a vested interest by trying to get to know you.”

The credit union sponsors a booth at the “Festival of Many Nations,” a community fair sponsored by the Franciscan Collaborative Ministries which celebrates the many cultures coexisting in Syracuse through traditional music, food, and dance.

Serving Iowa’s Latino Communities

The recession’s ill winds are gentler in Iowa, in part due to continued strength of the robust agriculture and food processing sectors. Because of this Iowa has become a popular destination for Latinos in the past five years, according to Michael Adams, director of marketing for **Greater Iowa Credit Union** (\$214 million in assets), in Ames, Iowa.

When the workers at a Heartland factory threatened to go on strike, the credit union mobilized to assist their members at the factory, who were mostly Latinos.

“We set up an emergency program with low interest loans and flexible payment schedules,” said Adams. “There were no objections at the credit union.”

Marketing efforts are a mix of traditional and community outreach. “We’re on the Latino radio station, two Latino weekly newspapers and one biweekly,” said Adams. “We also provide a scholarship to a Latino high school and we sponsor the annual Latino Heritage Festival.”

What advice would you give for other credit unions trying to reach this population?

“I would put everything in place before you start to serve Latinos—the publications you need, the procedures, the policies, and working with the board as well as the administration,” he said. “We were doing a lot of this stuff on the fly, we would change a procedure or develop product which will take time to get all of these things in place.”

Developing relationships with other non-profit organizations is helpful in reaching immigrant communities, according to Traci Stiles, business development manager, **Des Moines Metro**

Credit Union (\$37 million in assets). She started working with United Way, which was presenting a financial seminar for Latinos. As a result of the seminar, a new member received a car loan and another asked about a business loan.

Des Moines Metro has a “safe account” a non-interest bearing account for members who lack a Social Security number. They need a Matricula Consular card, a government identification card issued by the Mexican consulate.

Even though the large banks have recognized their spending power, “Latinos are not happy with larger banks, and they are not sure where to put their money,” said Stiles.

Similar to other credit unions in Iowa, they advertise in the Latino newspapers, but “the most effective method for us is radio,” said Stiles. “Of the two newspaper owners, one has his car loan with us; and one has his business loan with us.”

“We also have a holiday loan for members,” she said. “We promote it for Latinos for travel back to Mexico, or for sending money home.”

If a member lacks a credit history at **Village Credit Union** (\$8 million in assets) in Des Moines, he would be eligible for the “step by step” loan.

“We will give them a \$300 signature loan with a \$50 a month repayment term that they can’t pay off early,” said CEO Debbie Whittie. “If they successfully pay off the loan, they are eligible for the next step, which is a loan of \$1,000. These loans have been successful; Our Latino members have also saved \$8,000.”

If members lack a Social Security number, but have a Matricula card, they are eligible for the step by step loan. “I don’t get into the politics of immigration, we’re here to serve our members,” said Whittie. “We’re here to help.”

“If immigrants have a credit score and Social Security number, they are treated just like other members,” said Whittie. “Their loans are based on monthly income and credit score.”

One of the new areas that Whittie had to navigate was evidenced by one immigrant who got established and applied for a loan for several relatives, which is typical for immigrants. They were interested in loans to start small businesses—jewelry store, bakery, auto repair.

“This man was carrying four or five loans for relatives, so his debt ratio was extremely high,” she said. “So we worked it out so some of the relatives could handle the payment on their own directly.”

“In serving immigrant communities, you can’t wait for them to adapt to you; you need to adapt to them without sacrificing safety and soundness,” said Whittie.

Whittie travelled to Morelia, Mexico for a week on the World Council’s Immersion Program where she lived with a local family. She studied Spanish and visited credit unions. One small

town she visited was notable in that most of the inhabitants were women and children—most of the men were in the United States working in service jobs. The men wired money back home via remittances.

“One woman’s husband was a dishwasher in the U.S.,” said Whittie. “She was asked if this was hard for him to swallow his pride. She said no, he was providing for his family.”

The Hmong Community in Milwaukee, Wisconsin

After the end of the Vietnam War many Hmongs resettled in the United States. They continued to migrate to Midwestern cities like Milwaukee. The 2000 census recorded 33,791 Hmongs in Wisconsin, a 106% increase from 16,373 in 1990. By contrast, the largest racial group, Caucasians, only increased 4.8% during the same time period in Wisconsin.

Don Cohen has worked with the Hmong community for the past decade, first as a banker and currently as vice-president of community development and lending for **Landmark Credit Union** (\$1.2 billion in assets) in New Berlin. As with most immigrant groups, he advises becoming part of the immigrant community.

“We take part in the Hmong community events,” said Cohen. “Last week, we participated in the Hmong New Year celebration at State Fair Park in West Allis. We sponsored a booth for two days. There was dancing, singing and events. About 20,000 people attended and took part in the ceremonies and customs.”

Cohen is on the board of two Hmong associations, the Hmong American Friendship Association and the Hmong Peace Academy. The latter is a charter school which is 95% Hmong and has plans to convert to a high school soon.

During his ten years of working with Hmong groups, Cohen has learned that they are a tightly knit family and community oriented group as well as loyal. “Word of mouth is important to them,” he said. “They are also a clan-driven community, where everybody seems to know everybody.”

Landmark Credit Union has nine employees who speak Hmong—eight tellers and one personal financial officer. When a Hmong member doesn’t speak English, the credit union will work with their bi-lingual staff or call a family member, or one of the Hmong associations.

The three most important services Hmong members use are savings, checking and mortgages. There is a Hmong chamber of commerce, but there isn’t a big demand for business loans at this time, according to Cohen.

Advice for other credit unions dealing with Hmong and other immigrants?

“You need to become involved in the immigrants’ community events and join their boards,” said Cohen. “You might not see results for six months or a year, but eventually it will pay off.”