



Strategies for Financial Inclusion

*Findings from Talking Circles
with Members of the 1.5 Generation
Community*

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Study purpose and methods

In February 2014, ECHO Minnesota (Emergency, Community, Health, and Outreach) and *tpt* (Twin Cities Public Television) contracted with Wilder Research to learn ways of promoting increased mainstream financial service usage among four cultural communities: African American, Hmong, Latino, and Somali. In addition, ECHO and *tpt* identified the “1.5 generation” as a focus area for this study. The 1.5 generation refers to people who immigrated to the U.S. from another country before or during their early teens and typically use their bilingual skills to serve as liaisons for family and friends. ECHO is a Saint Paul based organization that partners with health, safety, and media organizations to help diverse communities, including immigrants and refugees, access the resources they need regarding health, safety, civic engagement, and emergency readiness.

Wilder research conducted a literature review which included 28 articles that focused on the financial perceptions and practices of the cultural communities included in the study. The literature review resulted in two reports – one focused on minority and immigrant communities, the other on Islamic banking. Please contact Thalia Hall at (651) 280-2692 or thalia.hall@wilder.org for access to either report.

Two talking circles with each cultural community (a total of 10 groups) were conducted in Minneapolis and Saint Paul in March and April 2014 to help us learn more about barriers and challenges that members of these communities have experienced when using banks. Using the literature review, questions for the talking circles were developed in collaboration with ECHO staff and their partners.

Talking circle participants were asked to anonymously complete a brief demographic survey at the beginning of each meeting. Included in the survey were some questions to learn about participants’ current banking experiences, and the kinds of financial products and services they have used. The number of community members who attended the talking circles and completed the demographic survey varied. There were some attendees who did not participate in the conversation but they completed a survey. The demographic tables reflect this variance by displaying the sample size for individual questions in parentheses in the table heading. For detailed demographic tables, please see the Appendix.

This report summarizes findings from the talking circles with 24 of the 1.5 generation immigrants. Talking circles lasted roughly 1.5 hours and were conducted in English. Facilitators for both circles identified as 1.5 generation from at least one of the represented communities. The conversations were audio recorded, which supplemented notes taken during the talking circles. At the end of each meeting, every participant received a \$20 Target gift card to thank them for their participation.

Findings from talking circles

Findings from talking circles with 24 immigrants of the 1.5 generation are grouped into four main categories:

- Learning about banking and money management
- Perceptions of financial institutions and whether banking personnel understand the needs of immigrants
- Financial services and products used and perceptions of those services and products
- Suggestions for increasing financial education among participants' respective ethnic communities

Learning about banking and money management

Eight participants noted that they learned about money management from their parents or other family members, and three participants learned about money management through classes or activities in school. Participants mentioned learning the following skills from their parents (or other family members) or school-based programs: budgeting (5 participants), saving (4 participants), and generally being aware of how financial systems operate (2 participants). In particular, participants learned from their parents how to “live within your means” and “value money”.

My dad taught me the value of money at an early age. He said, “You need to cherish money and spend it wisely and it will benefit you later on.”

[My parents] emphasized ... the value of how to earn money, meaning that if you want something you have to work for it.

A business course in high school, just [learning] what kind of banks are out there, and which ones are better.

When asked about opening a bank account for the first time, six participants noted that family members assisted them in opening accounts. The most common catalyst for opening a bank account was receiving a check from an employer (5 participants).

When I started my first job and got a check, I asked my dad how to deposit it, and how to get the money out of the check. He helped me open a checking account so I could deposit my check, and use it whenever I want.

When I got a job, my mom helped me open up a bank account and showed me how to save.

Perceptions of financial institutions

Seven participants mentioned that they do not trust banks or financial institutions, noting that while banks and financial institutions understand the needs of immigrants, their primary goal is to generate profit. Despite some participants' distrust of banks, three participants mentioned the inevitability of using banks for major purchases or for other life circumstances (such as buying a house or receiving payment from employers). In addition, participants noted that the terms of financial agreements are rarely explained fully or in a way that is easily understood (4 participants), and that bank representatives sometimes do not know how to interact effectively with immigrants (2 participants). However, five participants noted that the customer is ultimately responsible for understanding the financial terms to which they agree, mentioning that the bank has done its part by providing documentation.

Banks are in it for the profit. They don't really care about the person. You are just an account number. I don't really trust banks.

They don't really tell you what to do. It's kind of like when you first open your account, they'll just say, "Okay, just initial this." ... but it says on the bottom of the document that your bank representative told you in detail what everything on this document meant.

I think part of that, too is bank representatives don't always know what they are doing and kind of just explaining what they were taught, and don't read the fine print.

The problem is when you have issues or you have special needs such as speaking a different language, it becomes harder and so it is less likely that you're going to get the best service.

It should be noted, however, that in one group, three respondents noted that their distrust of banks derived from a lack of knowledge about the mainstream financial system in the U.S., as well as a lack of knowledge about safeguards to protect financial assets.

I'd say that I don't trust banks because I don't know where my money is when it's in the bank.

What happens to your money when a bank runs out of business? Whether or not they will be able to give your money to you, if they are in a financial crisis themselves, is what influences whether I trust a bank.

Despite some participants expressing distrust of banks and financial institutions, participants also noted things they like about their banks (6 participants), and said that their banks treat them well (4 participants), are easy to use (4 participants), and are a safe place to keep their money (3 participants).

Things I like about my bank are the online things to check your accounts; you can transfer funds on mobile app. That's very convenient for me. My check is deposited into my account every Friday, and on time.

What I like about my bank is the hours. They're open 24/7 a week, for people who work on the weekends.

I have no problem with banks. I believe they make it easy for you to get an account.

I don't trust them wholly, but I think it is safer than keeping money at home. If there is a fire or someone could come in and steal.

One participant noted that they trust the employees at a particular branch of their bank because they are “understanding and helpful” – but this participant did not trust their bank as a whole. Another mentioned that smaller community-based banks provide better customer service (i.e., one-on-one service delivery) compared to larger banks. Another participant mentioned the Federal Deposit Insurance Corporation (FDIC), noting that being well-informed concerning the U.S. financial system contributes to their trust in banks.

Financial services and products used

Participants have used a variety of financial services and products from banks and financial institutions (Figure 1).

1. Services and products used by talking circle participants (N=22)

	Talking circle participants	Percent
Checking account	18	82%
Credit card or debit card	18	82%
Savings account	16	73%
ATM (automated teller machine)	14	64%
Unsecured personal loan, for example to buy a car or make a big purchase	4	18%
Home mortgage	3	14%
Retirement account, like an IRA (Individual Retirement Account)	2	9%
Home equity loan	1	5%
Investment in a certificate of deposit (CD) or Money Market funds	1	5%
Other services	1	5%
Prefer not to answer	4	18%

Note: N=22 represents the total number of participants who answered this question. See Appendix.

The main products used by the majority of participants are checking and savings accounts and credit or debit cards. Most participants noted using their checking account mainly to deposit checks and pay bills, using their ATM or debit card to withdraw money, and using savings to put away for specific goals they had. Regarding savings accounts, four participants mentioned the difficulties of opening a savings account that aligns with principles of Islamic banking, particularly because for practicing Muslims it is forbidden to collect interest in financial transactions (which many mainstream financial savings accounts incorporate automatically). It should be noted, however, that Muslims in the group expressed varying degrees of adherence to this teaching.

I told them that, because of my religion, I don't need interest. They told me that they can't stop the interest because that is the system. They told me if I don't need interest I can give it to charity.

Three participants noted frustrations with fees that accompany savings accounts – specifically fees for withdrawing money – as well as fees if a minimum amount of money is not maintained in the account. Another participant mentioned the daily limit on the amount of money able to be withdrawn from an ATM as a negative of banking.

I hate the fact that I have to put in a minimum to save in an account. When I think about that, I think that maybe I should not put money in there, and just open a checking account and that will be easier.

I used to have a checking and savings account. One day, I had about \$2,000 in my account and was waiting to send money to Africa and I went to the ATM machine, but I couldn't get more than \$300. I called the bank and asked them why I can't use my money while it's in there. I think if somebody is going to control my money, I will choose to have all my money at home.

In addition, one participant noted that for some Latino immigrants loans and credit are difficult to obtain because they lack a social security number. The participant mentioned using the Individual Taxpayer Identification Number (ITIN) as a way to open an account, but still noted the difficulties of applying for loans or credit without a social security number. This participant also mentioned the difficulty of immigrants living in the U.S. illegally, and the financial constraints that accompany that status.

There are a few banks where you can open an account without that social security by using the ITIN. But the tradeoff is that you're not going to be able to get any other services. You're not going to be able to get a loan unless you establish a solid history through that bank. That means you won't be able to establish credit because you don't have a social security number.

Concerning whether men or women are more likely to handle household finances, neither group came to a consensus, with most participants saying that it varies. Three participants, however, noted differences in financial habits between elders and youth, noting that their parents and grandparents were better at saving money. One participant also mentioned a general lack of knowledge (compared to youth) among elders in their community regarding the U.S. financial system. Additionally, six participants noted assisting family members in regards to financial services, such as acting as a translator during visits to the bank or explaining financial services and products to parents or grandparents.

Owning a home

Ten participants thought it was important to own a home. Participants mentioned the following reasons regarding the importance of owning a home: having “a place to call home” and/or referencing the American Dream (8 participants), and the importance of owning a home when raising children (2 participants).

My goal is to own a home one day. You go through all these stages: the education, the job. Owning a home is like one of the last stages when you can say, “I’ve reached the American dream.”

Owning a home is very important to me. I have five kids.

A home is the place you own. When you rent somewhere it’s your home but inside you can’t think it’s really your home. Home is very important to life.

While owning a home was important to some participants, three participants indicated some level of disenfranchisement with the U.S. mortgage system. In addition, participants identified some other negatives of homeownership, including: owning a home is a big commitment (2 participants) and the mortgage process is complicated and time-consuming (1 participant).

I would like to own a home, but I don’t want a loan. I don’t want to pay a mortgage. I want to pay cash one time and own the home.

I’ve come to realize that owning a home is like signing your life away. If you’re not ready for that – I feel like it’s such a big commitment.

Credit

One participant noted the benefits of credit when used responsibly, and another noted that it is easy to get a credit card. Regarding debt, three participants expressed that they place responsibility on the person who is in debt (rather than the bank or financial institution), with one participant noting specifically that it is not the bank’s responsibility to help its

customers avoid debt. In addition, two participants noted the perception that banks want their customers in debt because it results in maximum profits for the bank.

I don't think it's the bank's job to help customers avoid debt. People who are in debt should focus on debts with the higher rates and stop spending more than they make.

I think banks could do a lot but they choose not to because banks and financial institutions make more money from people who are in debt.

Participants suggested ways in which banks could help customers avoid or get out of debt, including: creating automatic spending freezes for accounts (3 participants), creating debt repayment plans for customers (1 participant), and offering financial education regarding loans, credit, and debt (1 participant).

Suggestions for increasing financial education

The majority of participants agreed that financial education delivered in schools is important. Six participants suggested incorporating financial education curricula in middle schools, with some suggesting financial education for younger students as well. Participants suggested the following topics on which to focus: savings (3 participants), credit/debt (3 participants), checking accounts (2 participants), interest rates (1 participant), investments (1 participant), and generally becoming familiar with banks and financial terminology (1 participant).

Summary and recommendations

Participants in groups with 1.5 generation immigrants represented a variety of immigrant communities – Somali, Latino, and Hmong. Some talking circle participants were Muslim, and offered some insights into how mainstream financial services interact with their belief system. In addition to ethnic and religious diversity, talking circle participants were also diverse in terms of experiences with and perceptions of financial institutions. However, some key themes arose, including: learning about money management at a young age from parents, spending money more frivolously than their parents and grandparents, assigning some level of importance to home ownership, and a general distrust of banks.

Talking circle findings indicate that some of this distrust stems from a lack of understanding of the financial system in the U.S. (and specifically a lack of understanding of safeguards for customers' money). Findings also indicate that participants feel that their communities receive poorer customer service than non-immigrants (e.g., by banks not taking the time to make sure that immigrant customers understand financial agreements), and that banks do not care about their social or cultural needs (e.g., not offering help to customers who are in debt or not offering account options that respect religious beliefs). To address the distrust expressed by talking circle participants, Wilder Research recommends that banks and financial institutions consider the following actions:

- **Educate bank staff.** Participants noted receiving less responsive customer service because bank staff did not know their social or cultural needs and values. Educating bank staff (especially staff members who interact directly with customers) about the needs and values of specific social and cultural groups may result in more appropriate services for immigrant communities. Consider educating banking staff about the ethnic, religious and cultural values of members of immigrant communities and about the importance of explaining U.S. banking rules to immigrant community customers.
- **Create responsive services and products.** In addition to educating bank staff, banks should also offer services and products that are responsive to specific social and cultural groups. For instance, Muslim participants noted that some banks do not offer interest-free savings accounts, loans, or mortgages – meaning that Muslim customers either must disregard their beliefs or not pursue these financial services and products.
- **Diversify bank staff.** By diversifying bank staff to represent customers of different social and cultural groups, customers of these groups will be more likely to receive appropriate customer service (such as clearer explanations of financial agreements in their primary language) as well as products and services that best serve them.

Appendix

Demographic tables for talking circle participants

It should be noted that the number of community members who attended the talking circles and those who answered individual questions on the demographic survey varied. This is the result of some community members who chose not to or missed the opportunity to complete a survey, but still participated in the talking circle conversation. There were also some attendees who did not participate in the conversation but they completed a survey. The demographic tables reflect this variance by displaying the sample size for individual questions in parentheses in the table heading.

A1. Ages of talking circle participants (N=22)

	Number of participants	Percent
18-24 years old	6	27%
25-44 years old	15	68%
45-64 years old	--	--
65+ years old	1	5%

A2. Gender of talking circle participants (N=23)

	Number of participants	Percent
Male	15	65%
Female	8	35%

A3. Level of education of talking circle participants (N=24)

	Number of participants	Percent
8th grade or less	--	--
Some high school, but did not finish	1	4%
High school diploma or GED	6	26%
Some college, but no degree	5	22%
Completed any college degree (2-year Associate or higher)	11	49%

A4. Employment status of talking circle participants (N=21)

	Number of participants	Percent
Employed	16	76%
Not employed	5	24%

A5. Monthly income of talking circle participants (N=11)

	Number of participants	Percent
\$0 - \$1,499	5	45%
\$1,500 - \$2,999	4	36%
\$3,000 - \$4,499	2	18%
\$4,500+	--	--