



Strategies for Financial Inclusion

*Findings from Talking Circles with
Members of the Latino 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 had ever used. The number of community members who attended the talking circles and completed the demographic survey varied. 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 two talking circles with 29 members of the Latino community. Talking circles lasted roughly 1.5 hours and were conducted in Spanish. The conversations were audio recorded, which supplemented notes taken during the talking circles. At the end of each talking circle, each participant received a \$20 Target gift card to thank them for their participation.

Findings from talking circles

Findings from talking circles with 29 participants who identified as Latino are grouped into four main categories:

- Learning about banking and money management
- Perceptions of financial institutions and whether banking personnel understand the needs of the Latino community
- Financial services and products used and perceptions of those services and products
- Suggestions for increasing financial education among the Latino community

Learning about banking and money management

Eight participants learned about banking and money management from parents or other family members, and one participant learned about banking and money management in school. Regarding skills or lessons learned about money management from parents or other family members, four participants mentioned saving money, two mentioned learning the value of money by working, and one participant mentioned budgeting.

My parents told me that I have to save. They always told me to save because there might be a time when I don't have anything – when I lose my job or something. That's what happened to me. I lost my job, but I saved, so I still have some money to live on.

You have to work and you have to know about money. When we were young, we started working, and we needed to learn about money.

Perceptions of financial institutions

Participants also mentioned perceptions of financial institutions learned from parents or other family members, including that banks are dishonest (3 participants), an attitude which participants mentioned is influenced by their parents' and grandparents' experiences with theft and fraud from banks in their country of origin. Participants also learned from their parents or other relatives that banks are a safe place to store money (3 participants) and banks can help customers make large purchases (2 participants).

In our home countries, there are many scams especially when you have a savings account. The savings accounts are where they scam you; the bank uses that money to make loans. There is a lot of fraud in our home countries' banks.

I learned that money is safer in a bank than in your home, because there's a lot of crime. You can't be sure if you have it under your mattress. Anything can happen, and you know that if it's in a bank, if something happens, if the bank gets robbed, it'll be safe.

From my family members or on my own. They taught me that a bank can help you too. The bank can help you get a loan when you want to make an investment.

When asked if they felt banks understand the needs of the Latino community, four participants commented that banks and financial institutions do not know their community's needs. Four participants noted that they don't trust banks due to not receiving adequate notification of when or why bank personnel charged additional fees, or not receiving thorough explanations of financial agreements from bank personnel. In addition, three participants stated that banks rarely act on behalf of the customer – and rather seek to generate profit.

A few years ago they said you could do bank transfers online or on the phone. They charged me \$150! I said, "How did this happen?" It was the phone transfer! That frustrated me because no one had told me about it.

Let us know what they're charging. Let us know about the monthly plan.

If you have a personal account and you don't use the debit card at least 10 times in a month, they charge you \$10. That's what's unfair to me. I feel like it's a rip-off because all of a sudden, they take out 10 or 15 dollars from your bank account and you don't know why until you go to the bank. What happened to me is that a few months went by until I noticed and I lost \$50.

Not even one bank facilitates the gain, wealth, or profit of the people. They don't make it possible or easy for people to get ahead.

Two participants mentioned that they trust banks, and participants offered some suggestion for ways for banks to build trust with Latino customers such as more thorough communication and appropriate language use (2 participants), and focus on developing relationships with Latino customers (1 participant).

The most important thing is the language they use. Even though they come in Spanish, the terms of the bank are complicated for most people. In your own language, it's hard to understand. In another language it's going to be even harder. They need to use clear language.

I think that there should be one person from the bank to have a relationship with the client so the client knows what's going on with their bank.

Financial services and products used

Participants have used a variety of financial services and products from banks and financial institutions with the most popular being bank accounts, ATMs and credit and debit cards that serve their everyday or most immediate needs (Figure 1).

1. Services and products used by talking circle participants (N=24)

	Talking circle participants	Percent
Checking account	18	75%
ATM (automated teller machine)	18	75%
Credit card or debit card	17	71%
Savings account	15	63%
Home mortgage	3	13%
Unsecured personal loan, for example to buy a car or make a big purchase	3	13%
Home equity loan	2	8%
Investment in a certificate of deposit (CD) or Money Market funds	1	4%
Retirement account, like an IRA (Individual Retirement Account)	--	--
Other services	--	--
Prefer not to answer	2	8%

Note: N=24 represents the total number of participants who answered this question. See Appendix.

Even though some participants learned to distrust banks in their home country or in the U.S., there are those who feel that the bank is the best place for their money (7 participants). They expressed that it is easy to open a bank account, it is a safe option for their money, and banks can help with loans and investments.

My family members taught me that a bank can help you - can guide you to distribute the money better. The bank can help you get a loan when you want to make an investment.

Alternatively, there are aspects of banking that were initially unfamiliar to participants and created some challenges to their overall banking experience. Nine participants mentioned fees or charges associated with savings and checking accounts as negatives of opening and using those accounts.

If I put a check in from work, it doesn't become available for three days. In those three days, they're going to charge me three times because my limit is below what I need.

The most often cited challenge of banking was not being well-informed by bank staff about changes to or characteristics of individual accounts (4 participants). One person offered the importance of “informing yourself well when you open an account; look into what they (bank staff) are saying.”

I had a debit card, went to a store and wanted to use it, and they denied me. I called my bank and they told me that they cancelled my card because someone else tried to use it. They didn't let me know about it and that really annoyed me.

I think the information we get – and maybe we're not asking the right things – is a problem. When I opened a checking account, they told me I had to have \$1,500 and if I didn't have [more] than that, I wouldn't have a problem. But the problem is that this always happens to us – we have problems. We lose our jobs, for example, and we're not going to have \$1,500. And then the bank takes advantage of us.

In addition, seven participants mentioned identification issues as a challenge for the Latino community regarding mainstream financial services. In particular, two participants mentioned banks refusing to accept a *matricula consular* (an identification document from the Mexican government) to open an account or to withdraw funds from an existing account. Moreover, five participants noted difficulties in debit card usage – specifically noting instances when a cashier requests a Minnesota driver's license or other U.S. identification when participants use a debit card. One participant mentioned that their debit card has a picture of them, which they feel should obviate requests for state-issued IDs from cashiers.

The problem isn't asking for the ID because everyone benefits from them asking for the ID, but rather the banks should give more options for Latinos.

In the bank, they ask for different identifications. If someone doesn't have one from Mexico, they only want the consular. Other banks asked for three: our passport, our license plate number, and the Mexican identification.

What's the point of having a bank account if they're not going to let you use your card because they're going to ask you for your ID? It's not logical.

Regarding the differences in how men and women spend money or interact with banks, participants concluded that it varies by an individual's circumstances. However, three participants mentioned that older Latino people save their money more often and more consistently than younger Latinos.

I think older people have more experience in life than young people. They know how to save more. Young people spend what they have. That's what's happened to me. I think that older people save more because they know more.

Credit

Twelve participants mentioned that they have experienced barriers when applying for credit. Some applications were successful, while others were not. Some participants said that their challenges came from having too many credit cards, and getting behind in or not making their payments, resulting in a low credit score. Two participants described how they built credit with the help of the bank because they did not initially qualify. Other participants offered a number of suggestions regarding how banks might assist Latino customers who are in debt or who are applying for credit. Three participants suggested spending more time educating Latino customers regarding how credit operates. In addition, another participant suggested limiting the amount of credit that customers may receive.

Many people, including myself, at the beginning don't know how to use a card. You buy everything you see; it's easy to buy everything. There will be a cost later on. It's hard. Almost nobody knows how to do it.

There are security cards for people who have little credit or no credit. You put on the card the amount that you want, and in one year, you show the bank that you can manage the money, that you can pay on time, and supposedly they'll graduate you to a real credit card.

Lending circles¹

Participants described a lending circle (or *tanda*) as an informal way for people to save money to draw on for emergencies or other needs without paying interest. Two participants expressed positive attitudes towards lending circles, while four participants reported negative experiences. One person mentioned that this practice may be more common in Mexico. Additionally, a participant in one group suggested that a bank might facilitate a lending circle among its customers, which resulted in laughter from other participants in the group. This may indicate that participants in this group view lending circles as a strictly informal financial activity.

I received the tanda but it wasn't two months later that it disappeared. People use it for the casino. They take advantage of the situation.

My brother had an experience where he gave them his money, but it didn't turn out well.

I organized a tanda. It's a lot like sharing money with people. It never had problems. It worked because there were people I trusted.

¹ Lending circles refer to the practice of lending money to relatives, friends, or otherwise unrelated individuals without going through a traditional financial intermediary such as a bank or other traditional financial institution.

Owning a home

Four participants thought it was important to own a home, and two participants said that it's easy to receive a mortgage.

I have a house. It's very good. It's very important. It's the first investment I've made and the best that I've made.

If you have credit and a job, it's easy. If you don't have those things, then it's hard. If you have people who can put you on a good path, it's easy to get a house.

However, some participants also mentioned some difficulties and negative experiences associated with owning a home including: experiences with fraud or home buying scams (2 participants), the challenge of deciding to purchase a home with uncertain plans for residing in the U.S. (1 participant), and the difficulties of applying for a mortgage when not legally residing in the U.S. (1 participant).

Buying a home is a good investment, but I've had some bad experiences. I came to live here five years ago. Someone was going to sell me a house but it turned out they had tricked me. I paid \$280,000 in cash. I had a very bad experience.

I think buying a home is good, but it's very difficult for some Hispanics because if you're not legal in this country, they can deport you and take your house.

Suggestions for increasing financial education

All participants agreed that financial education for Latino youth is important. Participants suggested the following topic areas for financial education curriculum: money management in general (4 participants), credit (3 participants), savings (3 participants), checking (1 participant), starting a business (1 participant), and investing (1 participant).

I teach young people. They have trouble knowing how to save money. They need to know not to spend if you don't need to! You never know when you're going to die. So save money in an account. Think of tomorrow, five years from now; start a business.

I think it would be good if the young people start buying things and they're responsible for buying them in payments – this helps their record. They're going to continue earning, they're going to be able to save, and their credit score will start increasing.

I did financial education with one of my kids. We gave him an account, and we opened a savings and checking account. In a month, he spent \$500! Then he had no more money. So the account should be limited. ... They need a more intelligent way of knowing how to spend money. Just spending on what you need – not what you want.

Summary and recommendations

Talking circle participants mentioned a number of challenges and barriers to increasing their and other Latinos' engagement in mainstream financial services. Most notably, identification issues for Latino immigrants living in the U.S. – both legally and illegally – are a major barrier for many members of the Latino community, both when applying for financial products and services (such as credit or loans) and when using financial services after a successful application (such as a cashier requesting a state-issued ID with debit card use). Participants also mentioned the inconvenience of fees associated with savings or checking accounts as well as some negative experiences with applying for mortgages or home buying scams.

Wilder Research offers the following recommendations to more effectively engage members of the Latino community in mainstream financial practices:

- **Change or create products and services to accommodate non-U.S. identification or non-citizen status.** The primary barrier that talking circle participants mentioned to using mainstream financial services focused on 1) lacking U.S. identification, and 2) not being U.S. citizens. Financial institutions or banks that offer products that accommodate customers who do not have U.S. identification or those who are not U.S. citizens may more successfully engage the Latino community.
- **Educate bank staff.** In addition to changing or creating products and services that accommodate customers without U.S. identification or who are not U.S. citizens, bank staff (and especially frontline or customer service staff) will need training on the policies and procedures relating to these products and services. In addition, education of bank staff regarding the challenges and experiences of customers with varied legal statuses – and how to appropriately offer financial services and products to such customers – might be beneficial.
- **Trans create bank materials.** Participants said that even though bank materials are translated into Spanish, financial information or terms are still often misunderstood within the Latino community. In addition to translating existing materials, Wilder Research recommends trans creating materials, services, and products to more adequately and appropriately serve the Latino community. Trans creation refers to the process (which includes but is not limited to translation) of altering or creating new products and services that are appropriate and responsive to a person's culture and current life circumstances.

It should be noted that a literature review focusing on financial services and products used by Latino immigrants indicated high remittance service usage among the Latino community. However, only one participant mentioned in either talking circle remittance services. Additional research focused on remittance-sending practices of the Latino community may be necessary for banks to more adequately assess and respond to customers' remittance-sending needs.

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=25)

	Number of participants	Percent
18-24 years old	4	16%
25-44 years old	18	72%
45-64 years old	2	8%
65+ years old	1	4%

A2. Gender of talking circle participants (N=29)

	Number of participants	Percent
Male	10	34%
Female	19	66%

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

	Number of participants	Percent
8th grade or less	9	38%
Some high school, but did not finish	8	33%
High school diploma or GED	3	13%
Some college, but no degree	1	4%
Completed any college degree (2-year Associate or higher)	3	13%

A4. Employment rate of talking circle participants (N=26)

	Number of participants	Percent
Employed	17	65%
Not employed	9	35%

A5. Monthly income of talking circle participants (N=14)

	Number of participants	Percent
\$0 - \$1,499	8	57%
\$1,500 - \$2,999	5	36%
\$3,000 - \$4,499	--	--
\$4,500 - \$5,999	1	7%
\$6,000+	--	--