Strategies for Financial Inclusion

Findings from Talking Circles with Members of the African American 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 groups, 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 groups 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. Some participants chose not to complete 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 talking circles with 13 members of the African American community. Talking circles lasted roughly 1.5 hours and were conducted in English. Facilitators for both circles identified as African American. 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 13 participants who identified as African American 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 African American community
- Financial services and products used and perceptions of those services and products
- Suggestions for increasing financial education among the African American community

Learning about banking and money management

Participants noted that they learned about banking and money management through family members (5 participants) or through school- or community-based programs (4 participants). Three participants had not learned about banking and money management until after their late teens.

When asked about learning about banking and money management from family members, a number of participants mentioned informal money management of their parents or other family members, such as saving cash under a mattress or in other areas of their house (3 participants). Other participants mentioned more formal financial habits of family members, such as parents teaching the value of saving money or opening savings accounts for them (3 participants).

> *My father was a saver of every penny. He would go to the Laundromat, when I was little, and he would say I could collect the coins that fell under the dryer. I would collect up to three or four dollars and that would go into my bank.*
>
> *I remember putting 50 dollars in the bank – my first lump sum earned from babysitting. My mother took me to Bank of America and I saved all of my babysitting money – 200 dollars.*

School-based banking and money management programs mentioned by participants featured mechanisms to save money, as well as help participants become familiar with writing, receiving, and depositing checks. Participants also mentioned learning about banking and money management in conjunction with life changes, such as having children (3 participants), changes related to romantic relationships such as getting married or cohabitating (2 participants), or graduating high school (1 participant).

Perceptions of financial institutions

Three participants thought that banks understood the needs of the African American community, though all participants in one group agreed that banks and financial institutions do not care about the needs of the African American community (9 participants). Only one participant mentioned that they trusted financial institutions, noting the FDIC as a reason for doing so. Three participants mentioned a number of reasons for their distrust of banks, including lack of sympathy or empathy for those with lower incomes, the possibility of human error during financial processes, and the subprime mortgage crisis.

> *What would help me trust banks is when I see people go in with a need, and they ask for help, and there is somebody there that is compassionate enough to help them achieve what they are trying to do. People are not getting the help they need, and that lets me know that the human interest is not there.*
>
> *I kind of trusted banks before what they did with the mortgages that caused people in the inner city to lose their property. Letting people buy property with variable rate loans and then raising the interest. It hit inner city communities and communities of color harder than other communities.*

In addition, participants in one group criticized banks with extra security measures (such as bulletproof glass at customer service and teller areas) as being "unfriendly" and not relationship-focused (2 participants).

Participants mentioned supportive and personalized customer service as a positive characteristic of some financial institutions, such as offering customers "second chances" despite poor financial history or learning a customer's personal situation before offering financial services (2 participants). Participants also noted the importance of investing in their communities and neighborhoods (2 participants).

> *What I appreciate about credit unions is that they will open a savings account for you and not the checking portion until you re-establish yourself – so you have an opportunity to put your money somewhere. Traditional banks won't do that.*
>
> *Something else that made me not trust banks is that I used to work in a bank that was located in a black community. There was help for a time – people were able to get low interest mortgages and get car loans, and it provided quite a few jobs for people in the neighborhood. Later they used the money they were making off of interest to build a bank in a suburban location. Once that bank got up and running, they shut the bank down in the black community. To me that was wrong.*

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=12)

	Talking circle participants	Percent
Checking account	12	100%
Credit card or debit card	12	100%
Savings account	11	92%
ATM (automated teller machine)	11	92%
Home mortgage	5	42%
Retirement account, like an IRA (Individual Retirement Account)	3	25%
Unsecured personal loan, for example to buy a car or make a big purchase	2	17%
Investment in a certificate of deposit (CD) or Money Market funds	2	17%
Home equity loan	1	8%
Other services	--	--
Prefer not to answer	--	--

Note: *N=12 represents the total number of participants who answered this question. See Appendix.*

More than half of participants used banks for checking and savings accounts, credit or debit cards, and ATM cards.

Participants commented that getting and using a debit card is fairly easy (4 participants), especially if there is no minimum balance requirement. Nine participants mentioned that they have experienced problems when applying for credit.

When asked more specifically about how banks help customers save money, participants mentioned that online tools for saving were helpful (3 participants), but that dealing with overdraft fees was a challenging experience (2 participants).

> *I think there are areas that are good with the tools that help you save, but where they get us is through the fees. Don't make a mistake because the fees will kill you. You have to always look at the fine print and that is where I think it is unfair; the ridiculous fees.*

Consistently among both groups, participants mentioned that both men and women were equally likely to be the regular manager of household finances.

Owning a home

Participants described a number of reasons why owning a home was important, including: family and ancestral ties (specifically the importance of having a home for children) (4 participants), and the benefits of owning a home once it is paid off (2 participants). Two participants did not think that owning a home was important.

> *The main reason for me is when I think of what our ancestors went through to get property, and how important property was back in those days. What hurts me is that we don't realize the importance of owning property now. My kids have always lived in the home – I didn't want people to say, "your kids are tearing up and doing this and that." They had a place to go and I could take care of them.*

Challenges of owning and buying a home included: too much upkeep (3 participants), not planning well enough to be able to afford a home (2 participants), and additional closing costs at the end of a purchase (1 participant). In addition, two participants noted that successfully applying for loans and mortgages is difficult, which may also act as a barrier to owning a home.

> *I am not interested in buying a home. I was going to buy one when I moved here but then I looked at the snow, and noticed how the people's porches separated from the house because of the snow, and the heater didn't work. You have to keep the lawn cut.*
>
> *At the time when I bought a house, I was married and working. We both had good credit and it was easy to get the house, and it was reasonable. Our only mistake was financing the house for 30 years. I was young then, and thought that 30 years was what was done. But that's a bad mistake, and I would never do it again.*

Suggestions for increasing financial education

All participants acknowledged the importance of teaching financial education to youth in schools. Three participants mentioned that parents should be somehow involved in financially educating their children, though two participants noted that parents do not always possess the skills or knowledge to adequately teach financial education to their children.

When asked which topics should be included in financial education lessons, participants mentioned credit (8 participants), budgeting (including checking and savings accounts) (4 participants), taxes (2 participants), investments (2 participants), and starting a business (1 participant).

> *My son got a credit card at 18. I explained to him that he has to pay it back if he buys a house or car. He brushed me off, and now he's mature and has been trying to take care of it. He thought he could get away with not paying.*
>
> *I would teach them that you can use your credit as leverage. If you have a high credit score, you're going to pay less interest. I would also teach them that to get a high credit score you have to pay your bills on time. You have to live within your means.*
>
> *One thing never taught to me, or I had no concept of, was taxes. I started working and didn't know what to claim. It got me into so many problems. I had no idea about the penalty and the interest.*

Besides suggestions for financial topics, participants also offered ideas for educational format or content, including learning more about the history of currency or touring the Federal Reserve Bank of Minneapolis. One participant commented:

> *The information has to be interesting and something that deals with their real life, not stuff that is above their heads and difficult to retain.*

Summary and recommendations

Participants of these two talking circles represent a diverse array of experiences with mainstream financial institutions. The majority have had a considerable amount of contact with mainstream financial institutions. Despite such contact, financial institutions have not earned their trust (only one participant noted that she trusted banks). Financial institutions may consider the following suggestions from participants in order to build rapport with members of the African American community:

- Hire more African American people
- Offer more financial education opportunities in African American neighborhoods
- Invest in African American communities

One potential strategy for financial institutions to consider that may accomplish each of these suggestions is to open branches in largely African American neighborhoods. Such branches could serve as a place of employment for community members, act as a location for financial education opportunities, and would represent a tangible, visible investment in African American neighborhoods.

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=13)

	Number of participants	Percent
18-24 years old	--	--
25-44 years old	5	38%
45-64 years old	6	46%
65+ years old	2	15%

A2. Gender of talking circle participants (N=12)

	Number of participants	Percent
Male	4	33%
Female	8	67%

A3. Level of education of talking circle participants (N =13)

	Number of participants	Percent
8th grade or less	--	--
Some high school, but did not finish	--	--
High school diploma or GED	1	8%
Some college, but no degree	5	38%
Completed any college degree (2-year Associate or higher)	7	54%

A4. Employment status of talking circle participants (N =13)

	Number of participants	Percent
Employed	10	77%
Not employed	3	23%

A5. Monthly income of talking circle participants (N =10)

	Number of participants	Percent
$0 - $1,499	2	20%
$1,500 - $2,999	4	40%
$3,000 - $4,499	1	10%
$4,500 - $5,999	2	20%
$6,000+	1	10%