



Strategies for Financial Inclusion

*Reaching out to African American,
Hmong, Latino, Somali, and 1.5
Generation Customers*

Final Report

M A Y 2 0 1 5

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About the study

In January 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 Minnesota is a Saint Paul based organization that partners with health, safety, and media organizations to help diverse communities access the resources they need regarding health, safety, civic engagement, and emergency readiness.

Study methods

Wilder Research conducted a literature search to learn what information was available regarding the financial experiences of immigrant and ethnic minority communities. Based on this search, we reviewed 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 immigrant and ethnic minority groups, the other on Islamic banking and reaching out to Muslims.

In February 2014, Wilder Research contracted with five of ECHO’s partner organizations to host and recruit talking circles with members of immigrant and African American communities. Wilder Research identified and trained facilitators and note takers for each talking circle. Two talking circles were conducted with each cultural community and with 1.5 generation immigrants (for a total of 10 groups) in Minneapolis and Saint Paul in March and April 2014. The goal of these talking circles was to learn more about participants’ perceptions about banks as well as challenges experienced by participants when using banks. Using the literature review, questions for the talking circles were developed in collaboration with ECHO staff and their partners. The African American talking circles were facilitated in English, the Hmong talking circles were facilitated in Hmong, the Latino talking circles were facilitated in Spanish, the Somali talking circles were facilitated in Somali, and the 1.5 generation talking circles were facilitated in English. All participants received a \$20 Target gift card to thank them for their contribution to the study. An individual summary of talking circle findings was developed for each cultural group included in the study.

From May through July 2014, Wilder Research staff conducted eight telephone and in-person interviews with staff from banks, credit unions, and financial centers. ECHO staff

identified the financial institutions that were included and assisted Wilder Research in introducing the project to financial professionals; Wilder Research scheduled and conducted the interviews. Financial professionals were selected on the basis of having in-depth experience working with customers from at least one of the cultural communities included in the study or being themselves a member of one of the communities included in the study. These semi-structured interviews covered the financial professionals' perspectives on community members' barriers to using and accessing banks, approaches for effective engagement in financial services, and recommendations for financial education efforts.

This report synthesizes the key findings for the overall study, including the literature search, the talking circles, and the interviews with financial professionals. Separate, detailed reports are available on the literature reviews and the talking circles. Please contact Thalia Hall at (651) 280-2692 or thalia.hall@wilder.org for access to full-length literature review reports or individual talking circle summaries.

Summary of literature reviews

Wilder Research developed two literature review reports for this study, one focusing on engaging immigrant and minority ethnic communities in mainstream U.S. financial practices and another focusing on engaging Muslims in mainstream U.S. financial practices. This section outlines key findings from both literature reviews. Please refer to the full literature review reports for specific references for each finding.

Reaching out to immigrant and minority ethnic communities

This literature review focused on the following immigrant and ethnic populations: African American, Latino, and Hmong. The report is structured by topic rather than cultural group due to similarities in financial perceptions and practices between cultural groups; this summary is likewise structured by topic. It should be noted that many articles referenced the importance of acknowledging the complexities within immigrant and ethnic minority communities, with some articles using the term “microcultures” to describe these complexities. As such, Wilder Research made concerted efforts to bring out culturally specific findings when applicable.

Predictors of mainstream financial use: acculturation, age, family/community factors

One facet of many immigrant communities that Wilder Research sought to address is the 1.5 generation. Many articles addressed the generational differences in banking preferences and practices of immigrants in terms of “acculturation,” as opposed to focusing on the 1.5 generation.

“**Acculturation**” refers to the level to which a member of a non-dominant culture adopts and aligns with characteristics of a dominant culture.

In order to focus marketing efforts, some financial institutions categorize immigrants by acculturation level, with introductory banking services marketed towards “unacculturated” members of an immigrant community and intermediate banking services marketed towards “partially acculturated” or “mostly acculturated” members.

One study by the Principal Financial Group (2012) outlined the following differences in acculturation groupings among the Latino community:

- **Unacculturated.** This group refers to immigrants who are foreign-born and Spanish-dominant. On average, members of this group have lived in the U.S. for 14 years.
- **Partially acculturated.** This group refers to a mix of U.S.- and foreign-born Latinos. The members of this group are either bilingual or Spanish-dominant, and have lived in the U.S. for an average of 18 years.

- **Mostly acculturated.** This group refers to mostly U.S.-born Latinos. The median number of years living in the U.S. is 36.7. This group mostly uses English at home, is English-dominant, or is bilingual.

Literature also noted that 7 in 10 immigrants in the U.S. are between 18 and 54 years old, compared to about half of the general population. This finding may indicate different financial services preferences between immigrants and non-immigrants, particularly in regard to retirement services. For example:

- Many Latino immigrants desire to retire in their country of origin, rather than in the U.S.
- More African Americans plan to retire earlier – by age 60 – than the general population.

Regarding family and community factors that influence financial use among immigrant and ethnic minority groups, literature noted:

- In African American and Latino communities, women were more likely than men to be responsible for household finances.
- In African American households, women were more likely to be the primary income earner as well as not have a spouse, compared to women nationwide. However, in many immigrant communities, men were more likely to make financial decisions for the household.

The importance of extended family and community in financial decisions and practices

- African Americans are more likely than the general population to be financially supporting a relative, as well as more likely to be supporting both children and parents
- Hmong immigrants more often allot financial resources to children and relatives before spending money on themselves
- Latinos are more likely to seek advice from community leaders than financial institutions

Making financial services accessible

Literature noted the importance of “transcreation” when making financial services accessible to immigrant or ethnic minority communities. Transcreation refers to a more intensive and responsive process than translation. It includes making efforts to understand cultural attitudes, perceptions, norms, and values. For example, the Hmong community does not have a word that directly translates to “bank,” “loan,” or “credit” – the cultural significance of which should be considered when marketing financial services and products to this group of people.

Transcreation refers to a more intensive and responsive process than translation. It includes making efforts to understand cultural attitudes, perceptions, norms, and values.

In terms of communication strategies, literature suggests: reaching out to culturally specific advertisement agencies; developing advertisements that are inclusive to many

groups and cultures; expanding modes of communication, especially in areas where many households are without regular internet access; and creating multi-lingual components to websites, ATMs, and other communication vehicles.

Additionally, identification requirements can be a barrier to mainstream financial participation, especially for Latino immigrants. To make financial services more accessible, bank personnel might familiarize themselves with and accept alternative forms of ID, such as:

- Individual Taxpayer Identification Number (ITIN), which is issued to individuals who are not eligible to obtain a Social Security Number, such as foreign nationals
- *Matricula Consular*, which is an identification document provided by the Mexican government

Loan underwriting standards and the establishment of credit likewise can act as barriers to some immigrant and ethnic minority groups. Literature suggested exploring alternative methods to establishing credit, such as:

- Measuring a household's total income (rather than an individual's income)
- Recognizing on-time payment of rent or other bills
- Recognizing regular remittance-sending
- Retrieving financial information from an applicant's country of origin

Other suggestions for making mainstream financial services accessible to immigrant and ethnic minority groups included: opening branches in communities with high concentrations of immigrants or ethnic minorities, exploring the option of mobile banking units, expanding hours of operation to accommodate non-traditional work schedules of some potential customers, and offering financial services through companies or organizations that employ immigrant or African American employees.

Community-based organizations (CBOs)

Literature noted numerous customer benefits of partnering with culturally specific, community-based organizations, such as one-on-one relationship-building, increased technical assistance, and eliminating language barriers. Moreover, the following outcomes were associated with co-ethnic banking, which is often facilitated by partnerships between CBOs and banks:

- Customers were more likely to secure loans
- Customers were more likely to engage in asset-building more intensively and for longer periods of time
- Lenders were better able to assess the feasibility of a proposed business venture
- Borrowers were more likely to make payments to maintain their standing in the community
- Customers with poor or no credit history were better able to build credit

Financial service preferences and habits

Literature supported the following findings regarding immigrant and ethnic minority financial service preferences and habits:

- **Products with higher liquidity are preferred.** Retrieving funds quickly was noted as important by African American and Hmong immigrant communities.
- **Insurance is important.** In particular, literature found that African Americans highly value life insurance and Latinos highly value health insurance.
- **Immigrant and ethnic minorities are saving money.** Latino and Hmong immigrants, as well as African Americans, expressed that saving money is important, though Hmong immigrants sometimes prefer to keep savings in their homes rather than in a bank.
- **Personal assets are the main source of business financing for immigrants.** Personal savings were used more often by immigrants to start their business than non-immigrant business owners.

Remittance services

A remittance transfer refers to electronically transferring money to recipients abroad, including friends, family members, and businesses. Remittance services are often used by immigrants to transfer money to family or friends in their country of origin. To attract more remittance senders, literature suggested that banks bundle remittance services with check-cashing services and a basic bank account, clearly post all transaction fees, and ensure cross-border mobility of bank accounts.

Reaching out to Muslims

This literature review report focused on facets of Islamic banking and ways of including Muslims in mainstream U.S. financial services.

Islamic banking

Traditional Islamic banking uses a Profit and Loss Sharing (PLS) model, which intentionally highlights the communal relationship between bank and customer. In short, in a PLS model, banks do not guarantee the depositor's capital; however, banks only earn profit if their investments are successful. This incentivizes the bank to invest in profitable ways, which results in profits for both bank and customer.

Additionally, Shari'ah law prohibits the payment or collection of interest; this can act as a major barrier for Muslims who may want to engage in the U.S. financial system. According to some Muslim scholars, any amount of paid or received interest violates Shari'ah law; however, other scholars claim that a "reasonable rate of return" is acceptable. In any case,

Steps for creating Shari'ah-compliant products

1. Identify a product that is not Shari'ah-compliant
2. Construct an Islamic analog to the product with an Arabic name
3. The Islamic analog must be somewhat comparable to the existing product

some U.S. and European banks are incorporating “interest-free banking” to accommodate Muslim customers.

Islamic windows

An “Islamic window” refers to instances in which mainstream U.S. or European financial institutions offer services or products that are Shari’ah-compliant.

Literature noted home financing as an example of a financial product commonly delivered through an Islamic window. Financial institutions in the U.S. have created at least three Shari’ah-compliant products that make it possible for observant Muslims to finance a home in the U.S. Each of these products:

- Emphasizes the partnership between bank and customer, sometimes denoting either party as “co-owners” of a property until ownership transfers fully to the customer
- Redefines “interest” as a flat, additional fee to the bank, oftentimes as a fee for inhabiting a property

Literature also advises financial institutions to protect against “Shari’ah risk.” Shari’ah risk refers to the possibility that, although a financial product may adhere to Shari’ah law, the initial capital that funds that product is not Shari’ah-compliant. To alleviate concerns of Shari’ah risk, some banks have created separate LLCs for Shari’ah-compliant products.

Shari’ah Supervisory Boards

Some financial institutions have instituted Shari’ah Supervisory Boards to oversee and provide guidance relating to their Shari’ah-compliant products. Major responsibilities of Shari’ah Supervisory Boards include:

- Issuing fatwas regarding financial services or products offered by the bank (fatwas are Islamic legal pronouncements issued by an Islamic scholar)
- Calculating and paying Zakat, which is the practice of charitable giving based on accumulation of wealth

Islamic banking in Minnesota

For examples of how Islamic banking has been offered in Minnesota, interested parties should look to the following:

- **African Development Center** offers micro-financing and residential real estate financing
- **City of Minneapolis Alternative Financing Program** offers real estate construction financing and micro-financing
- **Minnesota Housing Finance Agency (State of Minnesota)** offers low-income residential real estate financing
- **Neighborhood Development Center’s Riba-Free Program** offers micro-financing

Key findings from talking circles

Talking circles were conducted with members from the African American, Hmong, Latino, and Somali communities as well as with 1.5 generation immigrants from multiple cultural backgrounds. Key findings from talking circles are presented in four categories:

- Learning about banking and money management
- Perceptions of financial institutions and whether banks understand a community's financial needs
- Financial services and products used and participants' experiences with those services and products
- Suggestions for financial education among immigrant and ethnic minority groups

Learning about banking and money management

Many participants from all cultural groups mentioned learning about banking and money management from their parents or other relatives. Some participants noted their parents' or other relatives' formal involvement in mainstream financial services, such as using checking or savings accounts, while other participants noted informal financial habits, such as saving cash under a mattress or in other areas of the house. Many participants noted that their parents or other family members taught them the value of saving, working for, and budgeting their money. In addition, a smaller number of participants mentioned that their parents or other family members helped them open a bank account or otherwise formally engage with mainstream financial services.

My parents told me that I have to save. They always told me to save because there might be a time when you don't have anything – when you lose your 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.
–Latino participant

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.
–African American participant

Some participants learned about banking and money management through school-based financial education programming. For example, one participant noted one program focused on writing, receiving, and depositing checks.

I pretty much learned about banking in a business course in high school, just what kind of banks that are out there, and which ones are better than others.
–1.5 generation participant

While a number of Somali participants likewise noted learning about banking and money management from their parents or in school before immigrating to the U.S., many learned about the U.S. financial system through a caseworker or by taking English Language Learner (ELL) classes once they had arrived in the U.S.

My caseworker took me to open a bank account. She helped me learn how to use money – the caseworker helped me with the banking here. –Somali participant

In the beginning I had two accounts – a savings and checking account. When I started ELL classes I didn't know how to write checks so the teacher taught me.
–Somali participant

Regarding catalysts for learning about banking and money management, participants primarily mentioned first-time employment – and receiving a check for the first time – as a reason they started banking formally or began learning more about banking and money management. In addition, other participants mentioned other life changes that catalyzed them to learn about banking and money management, such as having children, getting married or cohabitating with a romantic partner, and graduating from high school.

When I was younger, my dad told me to go work. When I was 16 and working, he said that it will be hard to cash a check if I don't have an account, so I opened a bank account.
–1.5 generation participant

Perceptions of financial institutions

In each talking circle, some participants expressed positive perceptions of banks. Particularly in the Somali talking circle, participants only expressed positive perceptions of banks. Some participants in all groups generally trusted or “believed in” banks, noting that banks are a safe place to store money, are easy to use, and can be helpful in assisting with large financial purchases. Other participants noted the Federal Deposit Insurance Corporation (FDIC) as a reason for positive perceptions of banks. Additionally, some participants noted positive experiences with bank personnel as reasons for positive perceptions of banks, including friendly customer service and interacting with bank personnel who speak their first language.

When you go there they greet you and welcome you with an open face and they ask you to sit down. They ask you what you want. Some places have people who understand the Somali language, and if there is no one who speaks Somali, they call someone on the phone who can speak Somali to help. They do a great job with welcoming people.
–Somali participant

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.

–Latino participant

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

–1.5 generation participant

I agree with my brother and friend. Banks are a good place to believe. Wherever we go, with the debit card, we can use it so it is good for us. – Hmong participant

Alternatively, a substantial portion of participants from the Latino, Hmong, and 1.5 generation talking circles generally expressed that banks do not understand the needs of their community. In the African American talking circles, however, participants noted that banks understand the needs of their community, but do not care about African American customers. Similar sentiments were expressed by Latino and 1.5 generation participants, noting that banks are profit-focused rather than customer-focused.

Before I talk to someone about my finances, I want to know if they know about us and are culturally sensitive. Workers at banks don't know the needs of the Hmong community. They don't know how much we need. –Hmong participant

Banks are in it for the profit. They don't really care about the person. You are just an account number. –1.5 generation participant

In addition to expressing that banks do not know or do not care about their community's financial needs, many participants in the Latino, Hmong, African American, and 1.5 generation talking circles expressed other negative perceptions of financial institutions. A common reason for such feelings towards banks was inadequate communication of bank policies. Specifically, many participants noted rarely receiving thorough or clear explanations of financial agreements from bank personnel. They also commonly mentioned being charged additional and unforeseen fees, often without adequate notification of when or why they were charged. Participants in the Latino, Hmong, and 1.5 generation groups acknowledged that language and cultural barriers contribute to their challenging experiences with banks regarding communication of bank policies, noting that bank personnel sometimes do not know how to appropriately or effectively interact with immigrant customers.

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." It says on the bottom [of the document] that your bank representative told you in detail what everything on this document meant.

–1.5 generation participant

The most important thing is the language they use. Even though [bank materials] 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. –Latino participant

Related to negative perceptions of banks, participants from multiple talking circles explicitly noted a distrust of banks. Some participants in the Hmong and 1.5 generation talking circles worried about the security of their money in banks. It should be noted, however, that some of this worry stemmed from a lack of knowledge about the U.S. financial system and specifically a lack of knowledge about safeguards to protect financial assets, such as the FDIC. Some Latino participants attributed their distrust of banks to experiences with theft and fraud from banks in their country of origin. African Americans, on the other hand, noted extra security measures (such as bullet-proof glass at customer service and teller areas) as being “unfriendly,” which contributes to their distrust of banks. Additionally, other participants in African American talking circles mentioned other reasons for distrusting banks: a perceived lack of sympathy or empathy for lower-income individuals, the possibility of human error in financial processes, and many banks’ roles in the subprime mortgage crisis (which disproportionately affected people of color).

I'd say that I don't trust banks because I don't know where my money is [when it's in the bank]. –1.5 generation participant

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. –African American participant

Financial services and products used

More than three-fifths of talking circle participants (61-85%) had used the following financial services or products in the past: checking account, savings account, ATM, and credit card or debit card. Overall, African American participants were more likely than all other cultural groups to have used each service or product listed. Participants in the Somali talking circles were least likely to have used the services or products listed (Figure 1).

1. Services and products used by talking circle participants

| | African American (n=12) | Hmong (n=22) | Latino (n=24) | Somali (n=14) | 1.5 Generation (n=22) | Total (N=94) |
|--------------------------------|-------------------------|--------------|---------------|---------------|-----------------------|--------------|
| Checking account | 100% | 73% | 75% | 93% | 82% | 85% |
| Savings account | 92% | 36% | 63% | 79% | 73% | 69% |
| ATM (automated teller machine) | 92% | 55% | 75% | 29% | 64% | 63% |

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|--|-------------------------|--------------|---------------|---------------|-----------------------|--------------|
| Credit card or debit card | 100% | 46% | 71% | 7% | 82% | 61% |
| Home mortgage | 42% | 27% | 13% | -- | 14% | 19% |
| Unsecured personal loan, for example to buy a car or make a big purchase | 17% | 9% | 13% | -- | 18% | 11% |
| Retirement account, like an IRA (Individual Retirement Account) | 25% | 5% | -- | -- | 9% | 8% |
| Investment in a certificate of deposit (CD) or Money Market funds | 17% | -- | 4% | -- | 5% | 5% |
| Home equity loan | 8% | 5% | 8% | -- | 5% | 5% |
| Other services | -- | 18% | -- | -- | 5% | 5% |

Many participants noted that opening a bank account – specifically a checking or savings account – is easy. This may partially explain why checking and savings accounts were the two most common services that participants had used. This finding also corroborates the literature review finding that immigrant and ethnic minority groups value saving money.

Lending circles

A lending circle, or peer-to-peer lending, is the practice of lending money among related or unrelated individuals without going through a bank or other financial institution. Latino and Hmong participants were familiar with lending circles, though participants in these talking circles had mixed feelings about formalizing lending circles through a bank.

The most commonly identified challenge with using financial services or products was fees associated with checking or savings accounts. In particular, participants mentioned fees for opening an account, fees for over-drafting an account, and fees for not maintaining a minimum balance in an account. Some participants mentioned these fees as a reason for not having a bank account at all. Additionally, a commonly mentioned challenge was low income, particularly when considering the number of expenses that accompany immigrating to and residing in the U.S.

I feel that in my heart, it is not good when they charge us. We are already poor, and one or two dollars – we already hold that dear to us. And if they take it, it is not good.

–Hmong participant

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. –African American participant

Saving is difficult. It's difficult because you're sending money to people in Africa. ... The rent is high. ... The living, the clothes, you need a lot – so saving is hard.
–Somali participant

Some African American, Hmong, and Latino participants also mentioned the application and approval process for credit or loans as a barrier. Many Latino participants in particular mentioned the difficulty of applying for credit or loans without a Social Security Number. Other participants mentioned lacking knowledge regarding credit, resulting in a low credit score, which has acted as a barrier when applying for credit or loans.

There are a few banks where you can open an account without that Social Security [Number] by using the ITIN. But the tradeoff [in opening an account without a Social Security Number] is that you're not going to be able to get any other services.
–Latino participant

Latino participants mentioned a number of other barriers associated with not having U.S. identification, including barriers to debit card usage (noting instances when a cashier might request a state-issued driver's license or other U.S. identification for debit card usage) and banks refusing to accept a *Matricula Consular* as sufficient identification. Additionally, some Latino participants mentioned the financial constraints of living in the U.S. illegally.

In the bank, they ask for different identifications. Some banks asked for three: our passport, our license plate number, and the Mexican identification. –Latino participant
What's the point of having a bank account if they're not going to let you use your [debit] card because they're going to ask you for your ID? It's not logical. –Latino participant

Many Somali participants noted challenges of engaging in mainstream financial practices due to financial services and products not adhering to Shari'ah law. Shari'ah law prohibits Muslims from paying or receiving interest, a facet of many financial services and products. In one Somali talking circle, no participants had attempted to apply for loans due to the interest involved. However, it should be noted that Muslim participants in another talking circle expressed varying degrees of adherence to this teaching – a finding reflected in the literature review as well. Additionally, it was clear from talking circles that some observant Muslims are unaware of Shari'ah-compliant services and products offered in Minnesota.

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. –1.5 generation participant

We have heard about banks that don't have interest intended for people that are Muslim. We hope for something like that for people living in America who are Muslim. Loans without interest and banks that are separate that don't have interest. –Somali participant

Homeownership

Homeownership was seen as important by at least some participants in all cultural groups, especially for participants who already had or wanted to have children. However, participants noted that successfully applying for a mortgage to buy a home can be difficult – especially for those with a low credit score, without capital for a down payment, or who are illegally residing in the U.S. For Latino participants, plans to return to their country of origin influenced their decision to buy a home. In addition, Somali participants noted that they are “a people that like to move around.” Such a cultural value may influence home-buying decisions.

Home-owning in Somalia

Participants in the Somali talking circles described differences in how home-buying is seen and works in the U.S. as opposed to their country of origin.

“In Somalia, if you are unable to make the payment you tell those that are building the house that they have to wait a month for payment, and they will wait. Here it is not the same – if you miss a payment, they will come after you.”

“There are differences between owning a home in Somalia and owning a home in America. In Somalia, you are able to build a home and it is yours. Here, a business is made from you.”

Suggestions for financial education

Participants from all groups agreed that financial education for youth is important, with multiple participants noting that they lack the financial knowledge necessary to educate their children themselves. In particular, participants suggested that youth-focused financial education classes address the following financial topics:

- Credit and/or debt
- Starting a business
- Saving and savings accounts
- Loans
- Budgeting and money management
- Taxes and/or Social Security
- Checking accounts
- Investing

Many participants suggested offering financial education at the elementary school level, with one participant suggesting grade-specific financial education curricula. One participant also suggested other content for financial education curricula, such as learning about the history of currency or touring the Federal Reserve Bank of Minneapolis.

Key findings from interviews with financial professionals

Interviews were conducted with eight financial professionals (bankers and financial counselors) who have experience working with customers from at least one of the following cultural groups: African American, Hmong, Latino, and Somali. Key findings from these interviews are presented in three categories:

- Barriers to accessing and using banks
- Strategies for increased accessibility of financial services
- Suggestions for financial education among youth

Although the number of interviews is small, the insights offered by these professionals add depth and perspective to the findings from the literature review and talking circles. They also show financial professionals' awareness of the issues raised by these other sources, as well as what is being done already or could be done to address those issues.

Barriers to accessing and using banks

Financial professionals identified a number of barriers to accessing and using banks for immigrant or ethnic minority communities. Those who work with Latino as well as Somali customers mentioned language as a primary barrier to engagement in mainstream financial services. This was also noted as a barrier by many talking circle participants, though many Somali participants appreciated the efforts of financial professionals to accommodate non-English speakers. In particular, financial professionals mentioned language as a barrier when alerting customers of service changes, when customers were sending remittances to family or friends in their country of origin, and when explaining identification requirements for financial services.

Language would be by far the biggest barrier. Sometimes it is presumed that we may be applying a certain rule because they are from a foreign country or speak another language. But that is not the reality. Sometimes it is necessary for us to require two forms of identification. That sort of thing may be difficult to communicate and explain because of the communication barrier. –Financial professional

Some financial professionals also mentioned that lack of required identification documents can be a barrier for Latino customers because many financial products and services require U.S.-issued identification, a barrier also identified by Latino talking circle participants. In particular, they noted that without a Social Security Number,

customers cannot apply for business loans. Additionally, many noted the difficulty of applying for loans if customers do not have established credit – which may be the case for customers who have lived in the U.S. for short periods of time or who do not know how to build and maintain their credit.

I don't think it has necessarily anything to do with any cultural group itself. It is more an outcome of a lack of resources available as far as the education on how to build your credit score – what it means to build your credit, what it means when you do things that are not good for your credit. –Financial professional

Lack of trust in financial institutions was also a common barrier identified by numerous financial professionals, which was also mentioned as a barrier by many talking circle participants. Those who work with African American customers specifically mentioned the subprime mortgage crisis as an incident that contributed to some customers' lack of trust in banks. Others noted that some Hmong customers' lack of trust stems from a lack of knowledge regarding the U.S. financial system, particularly about whether they can access their money after depositing it in a checking or savings account.

People all know someone who has lost a home, and they're afraid they could too, and that fear has not been addressed. –Financial professional who works with African American customers

There is something about putting money in banks because they don't know that they will get it back. –Financial professional who works with Hmong customers

Cultural differences regarding banking and money management were also mentioned as a barrier by a few financial professionals. In particular, one financial professional noted the importance of family in financial decisions for Hmong customers, and the potential difficulties that arise from that cultural value. Specifically, it was mentioned that Hmong customers sometimes apply for financial services or products on behalf of other family members, which results in financial consequences for the customer rather than the person receiving the benefit of the financial transaction. Additionally, another financial professional stressed the importance of cultural awareness when working with Somali customers. In particular, it was noted that on-time bill payment is a difficulty among Somali customers as well as lack of knowledge among Somali customers regarding billing processes – such as the amount of time it takes for a bank statement to reflect financial activity.

Because finance is a family idea, a person doesn't buy a car by themselves. Whose name is on the legal paperwork is the biggest concern. ... I see too often that, for example, a car loan is for a car for another family member. There are huge ramifications for the person actually taking out the loan. –Financial professional who works with Hmong customers

I would say how they do it in Africa as opposed to how they do it in the United States [can act as a barrier]. Especially when they may be going home to visit, and when they come back, all their bills are behind. So just the understanding that they are coming from a different framework [is necessary]. –Financial professional who works with Somali customers

In addition, one financial professional noted service fees as a barrier to engagement in mainstream financial services across all the cultural groups.

The exorbitant amount of fees are the biggest thing – monthly service fees, “hidden” fees, check cashing fees, ATM fees, overdraft fees. At some point, it seems like you get a fee for doing just about anything. So then the question comes up as to why to have my money there if they are going to charge me a fee for everything that I do. Why not keep my money at home or just have a prepaid card. –Financial professional

Strategies for increased accessibility of financial services

Financial professionals were asked about strategies their bank is currently utilizing to make its services accessible to African American, Hmong, Latino, and Somali customers as well as what strategies banks could employ to increase the accessibility of their services.

What is your bank currently doing to make its services accessible?

Financial professionals noted that their banks have pursued a number of strategies to make banking and other financial services more accessible to African American, Hmong, Latino, and Somali customers. Many of these are among the practices recommended by the published literature. Specifically, financial professionals mentioned:

- Hiring bilingual frontline staff
- Offering financial education sessions in a number of settings and formats
- Accepting alternative forms of ID such as the *Matricula Consular* for some financial services (though a Social Security Number or Individual Taxpayer Identification Number are still necessary for applying for loans)
- Reaching out to community-based agencies that serve immigrant or ethnic minority communities
- Including customers in conversations about how to make financial services more accessible
- Participating in community events and celebrations

It should be noted that when asked about strategies for making their services more accessible, most financial professionals mentioned general strategies for all customers, rather than strategies developed for specific cultural groups.

[The bank doesn't have] any special programs that are targeting any one community over another. –Financial professional

How else might banks make their services more accessible?

Financial professionals mentioned a number of potential strategies to make services more accessible for immigrant or ethnic minority communities. Outreach to specific communities was mentioned by multiple financial professionals, suggesting in-person outreach by frontline staff as well as by bank leadership to schools and other community institutions, partnering with community-based organizations to offer financial services, and developing formal service agreements with employers that employ people from ethnic minority or immigrant communities.

In order to make their services more accessible, some financial professionals also suggested hiring more people from immigrant or ethnic minority communities, eliminating hidden fees and generally making financial processes more understandable and transparent, developing individualized and alternative processes for determining credit worthiness, and establishing formal partnerships with financial institutions in customers' countries of origin.

Some of these suggestions were supported by financial professionals' ratings of strategies that Wilder Research posed in the interview. Financial professionals were asked to rate the effectiveness (10 being most effective) of the following strategies in assisting immigrant and ethnic minority customers to learn about banking.

2. Financial professionals' financial education strategy effectiveness ratings

| Strategy for helping people learn more about banks and how banks work | Average rating (1-10) | Range of ratings |
|---|------------------------------|-------------------------|
| Specific targeted outreach like having people that know about banking go and talk with people at community meetings and answer questions for people (n=8) | 9.4 | 6-10 |
| Training bankers to better understand the needs of specific cultural groups (n=6) | 9.3 | 6-10 |
| Financial and banking information presented in English Language Learner (ELL) classes (n=8) | 9.1 | 6-10 |
| Television shows that are presented by people from the specific cultural group and in an appropriate language (n=8) | 8.6 | 5-10 |
| Printed materials in an appropriate language (n=7) | 7.8 | 6-9 |
| Web-based communication like a webinar or an online self-instruction method (n=8) | 6.0 | 2-10 |

Additionally, financial professionals were asked about the importance of having financial education available in languages other than English as well as the importance of customers banking with someone from their own racial or cultural background. Three-fourths of financial professionals (75%) thought both measures were very important (Figure 3). This finding

may indicate support for increased “transcreation” of financial services and products, which was a primary recommendation from the published literature.

3. Level of importance assigned by financial professionals to efforts to increase access to financial services

| How important do you think it is... | Very important | Somewhat important | Not too important |
|---|----------------|--------------------|-------------------|
| To have any type of financial education available in languages other than English? (n=8) | 75% | 25% | -- |
| For people from specific cultural groups to have banking experiences with banking personnel who are from their own racial or cultural background? (n=8) | 75% | 13% | 13% |

Suggestions for financial education efforts from financial professionals

All financial professionals agreed upon the importance of providing financial education to youth, though the suggested grade at which to start this education ranged from kindergarten to ninth grade. Specifically, regarding grades at which to begin financial education, one financial professional suggested kindergarten, two suggested elementary school (3rd-4th grade), three suggested middle school (7th-8th grade), and one suggested 9th grade.

When asked which topics should be included in financial education efforts, financial professionals noted topics similar to those mentioned by talking circle participants: savings accounts (including saving for college and retirement savings), money management and budgeting, checking accounts (including writing a check, debit cards, overdraft fees, overdraft protection), credit and credit cards (including how store credit cards and payday loans affect credit scores), loans and lending (including auto loans), investments, and fraud. Financial professionals also suggested grade-specific financial education curricula.

Financial professionals suggested three aspects of financial education not mentioned by talking circle participants: learning about all functions of banks (i.e., that a bank is more than a place to store money), comparing financial services and products between banks, and learning about the emotional components of spending money.

When you buy a used car from a used car lot, you often feel you have to shop for the best deal, but many people don't realize they should be shopping around for the best deal in car loans, too. –Financial professional

Understanding yourself and your values. ... Your emotional state of being has a big impact on your financial decisions. People buy things to make them feel better when they are not happy. –Financial professional

Summary and recommendations

The literature review, talking circles, and interviews with financial professionals provided a well-rounded examination of ways to promote mainstream financial use among African American, Hmong, Latino, and Somali communities. It is clear that financial institutions nationwide and in Minnesota are making efforts to make their services and products more accessible; however, it is also clear that increased inclusion efforts may be necessary to fully engage African American, Hmong, Latino, and Somali customers in mainstream financial services. As such, Wilder Research offers the following recommendations for increasing the engagement of these cultural communities in mainstream financial services.

- **Hire African American, Hmong, Latino, and/or Somali bank staff.** Talking circle participants as well as financial professionals mentioned language and lack of cultural understanding as primary barriers to mainstream financial engagement. Hiring bank staff from these cultural communities may address these barriers and may result in more effective customer interaction and service delivery.
- **Create culturally responsive and appropriate financial services and products.** Literature review findings, talking circle participants, and financial professionals mentioned aspects of many services and products that act as barriers to mainstream financial inclusion. Specifically, Wilder Research recommends:
 - **Offer micro-savings accounts.** Many talking circle participants mentioned the difficulty of maintaining a minimum balance in savings accounts. Developing micro-savings accounts without minimum balance requirements might promote saving and other mainstream financial use among lower-income groups.
 - **Develop alternative ways of assessing credit-worthiness.** Talking circle participants and financial professionals noted difficulties assessing the credit of immigrant or ethnic minority customers, due to lack of credit and residing in the U.S. for short periods of time. By utilizing other ways of determining credit-worthiness (such as on-time bill payment, regular remittance sending, or total household income), more customers may be eligible for credit and loans. The “Reaching out to immigrant and ethnic minority groups” literature review report notes examples of these processes. Please see the literature review report for more information.
 - **Accept alternative forms of ID.** Many Latino talking circle participants, along with financial professionals, noted that identification requirements of many financial services and products act as a barrier for Latino customers. Some financial professionals noted that their institutions accept the Individual Taxpayer

- Identification Number (ITIN) and the *Matricula Consular* as alternatives to U.S.-issued identification forms; however, other financial professionals indicated that they do not. Additionally, banks might consider issuing debit cards with pictures to avoid barriers to using debit cards (particularly if cashiers ask for U.S.-issued IDs when customers use their debit card).
- **Facilitate lending circles and other financial practices in which cultural communities already engage.** Hmong and Latino talking circle participants had participated in informal lending circles with family or friends, though feelings towards lending circles were mixed. Specifically, Latino participants noted some negative experiences associated with lost money due to lending circles. Hmong participants, on the other hand, expressed positive feelings towards lending circles, suggesting that banks facilitate them.
 - **Further develop Shari’ah-compliant services and products for observant Muslim customers.** Talking circle participants and literature review findings point to a need for more Shari’ah-compliant financial services and products for Muslim customers. Some Shari’ah-compliant services and products have been offered by organizations in Minnesota. These are listed in the “Summary of literature reviews” section of this report, and are explored in more detail in the “Reaching out to Muslims” literature review report.
 - **Educate and equip frontline bank staff with appropriate knowledge and tools.** Financial professionals and talking circle participants mentioned that frontline bank staff do not always possess the cultural knowledge or knowledge of services to best assist immigrant or minority ethnicity customers. Banks might consider offering cultural competency trainings as well as informing bank staff of services and products already available to meet the needs of diverse customers. Additionally, Wilder Research recommends developing standard guidelines for frontline staff when working with specific cultural groups or encountering specific situations. For example, banks might develop guidelines for customers without a Social Security Number, or for observant Muslim customers.
 - **Learn from and network with caseworkers and English Language Learner (ELL) teachers.** Some participants noted learning about the U.S. financial system through caseworkers and ELL teachers. By connecting with caseworkers and ELL teachers who work with specific cultural groups, banks and financial institutions might learn valuable insights regarding the values and culture of those groups of people as well as ensure that caseworkers and ELL teachers provide accurate financial information to their clients and students.

- **Make concerted efforts to reach out to and spend time with African American, Hmong, Latino, and Somali communities.** The literature review, talking circle participants, and financial professionals each offered strategies for reaching out to specific cultural communities. Talking circle participants in particular stressed the importance of financial institutions investing in their community. Banks might consider: in-person outreach efforts by frontline staff as well as bank leadership, partnering with community-based organizations to offer financial services, and opening branches in African American, Hmong, Latino, and Somali communities.