

# Immigrant Financial Services Study

## Research Brief



Michael R. Bloomberg  
Mayor

**Department of Consumer Affairs**  
**Office of Financial Empowerment**

Jonathan Mintz  
Commissioner



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March 2013

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# Acknowledgments

This Research Brief was made possible by the generous contribution of Citi Community Development, who supported the Immigrant Financial Services Initiative and the One NYC One Nation initiative. The Department of Consumer Affairs Office of Financial Empowerment (OFE) is also grateful for the support and engagement of the Mayor's Office of Immigrant Affairs and The New York Community Trust.

*OFE's Immigrant Financial Services Study* is one of the first field research initiatives in New York City to look specifically at the financial needs of immigrants. The Study was overseen by the following Department of Consumer Affairs OFE staff, who were instrumental in its implementation: Nathalie Gons, Director of Field Research and Analysis; Amelia Er Witt, Associate Commissioner and Executive Director; and Cathie Mahon, former Deputy Commissioner and Executive Director.

We greatly appreciate the community partners and consular offices that provided vital assistance to our research, including connecting us with recent immigrants: the Consulate of Mexico, the Consulate of Ecuador, Plaza del Sol Community Center, New Immigrant Community Empowerment, El Centro del Inmigrante, Asian Americans for Equality, Metro-Community Alliance, Plaza del Sol Family Health Center, and Remás. Interviews with financial institutions, including Citibank, Apple Bank, JPMorgan Chase, Union Settlement Association, Austro Financial Services, Popular Community Bank, and TD Bank, were essential to understanding the existing financial services landscape for immigrants.

This Research Brief drew from the tremendous field research and source materials provided by Barbara Magnoni, with Laura Budzyna and Adrian Franco of EA Consultants. The team included community members trained by EA Consultants to vet, refine, and administer the Study's survey instrument. Valuable assistance was provided by Jimmy Li, Tasmia Rahman, Patricia Rojas, Emily Zimmerman, Megan Colnar, Hongxiang Huang, Corey Pargee, and Malei Wu.

Finally, we owe our gratitude to the more than 1,300 immigrants who allowed us to learn more about their financial lives, and their hopes and dreams, in order to enrich this Study.

Community Development



# Introduction

There have been few in-depth studies in New York City aimed at understanding the experiences of immigrant New Yorkers in the financial services marketplace, and even less is known about the differences between and among diverse immigrant groups in the City. Many widely held beliefs about immigrants, their demand for services, and the obstacles they face in the financial industry are based, instead, on anecdote and conjecture.

In 2011, the New York City Department of Consumer Affairs Office of Financial Empowerment (OFE) in partnership with the Mayor's Office of Immigrant Affairs (MOIA) structured a study to examine not only assumptions about the needs and behaviors of three distinct first-generation immigrant groups in New York City—Chinese, Ecuadorian, Mexican—but also supply and demand to identify areas where the financial services marketplace could improve to help these communities move forward financially.

The results are captured in our *Immigrant Financial Services Study*, one of the first field research initiatives in New York City<sup>1</sup> to examine the particular financial service needs of recent immigrant New Yorkers, as well as the real and perceived barriers to their full participation in the financial services marketplace. The Study reveals gaps in financial services for immigrant households with low and moderate incomes and missed market opportunities to connect immigrant households to the financial mainstream.

The research was grounded in OFE's prior work studying financial services needs and practices of residents with low incomes in two New York City neighborhoods (the 2008 *Neighborhood Financial Services Study*) and in broad-based data collection on banking patterns and practices across the City. Studying markets and residents' actual experiences engaging in them, in particular the obstacles they encounter, enables OFE to effectively link research to program design and development, and advocate for improved financial products and services. We hope the Study's findings inform programming, product development, and outreach to direct immigrants to safe, affordable, and appropriate products and services to save money, gain credit, and build assets.

This Study is part of the One NYC One Nation initiative, which brings together New York City's philanthropic, political, and grassroots leadership to strengthen immigrant communities by collaborating and leveraging resources, programs, and events throughout the City. The initiative was established by One Nation Foundation, MOIA, and The New York Community Trust. It receives funding support from a number of sources, including Citi Community Development, whose generous support made this Study possible.

# Research Design

The Study combined quantitative and qualitative methods to obtain a picture of demand- and supply-side barriers and opportunities for financial access for immigrants in New York City. OFE worked closely with MOIA on the development of the research agenda to guide study design and implementation. EA Consultants, an international development consulting firm, oversaw and implemented the data collection process by engaging intensively with community organizations, leaders, businesses, and consular offices.

Research focused on recent immigrants in three communities: Mexican, Ecuadorian, and Chinese. Researchers chose these communities because they comprise a large and growing proportion of New York City's first-generation immigrant population, and because they vary in assimilation levels and current degree of financial access.<sup>2</sup>

## Demand-Side Research

Through demand-side analysis we sought to tease out immigrant groups' use of financial products and services, and included both qualitative and quantitative methods. Demand-side research consisted of three initial focus groups, a three-month survey fielding period, and six follow-up focus groups.

Researchers began by convening focus groups with representatives from each of the three immigrant communities, which allowed them to refine the survey instrument. Researchers then used this instrument to collect information from more than 1,300 immigrants over a three-month period. Information included demographics as well as respondents' attitudes about, and use of, various financial services. Researchers reviewed demographic variables daily during survey implementation to ensure sufficient representation of male and female as well as banked and unbanked respondents. Researchers also conducted a number of follow-up focus groups to probe and add detail to survey responses.

## Supply-Side Research

Through supply-side research we aimed to show whether banks and other financial institutions were offering appropriate product and service combinations to immigrant communities to meet their needs. This research consisted of a literature review, interviews with financial institutions' management and staff, observations of interactions between financial institution and alternative financial providers' staff and immigrant consumers, and interviews with management from the organization Remás, a new project that seeks to improve transparency in the money transfer market by publishing pricing and terms in an online tool.

Researchers used the literature review to develop a basic questionnaire for financial service providers about their service delivery and product mix and how they affected immigrants. Using these questions, researchers conducted over 20 interviews with the management and staff of five banks and credit unions to understand the incentives for serving immigrants as well as challenges specific to serving the Chinese, Ecuadorian, and Mexican communities.

Researchers also visited financial service providers, including eight bank branches, five money transfer agents, and three check cashers in immigrant and non-immigrant neighborhoods in New York City.

Finally, to gain an in-depth understanding of the local remittance market, researchers also spoke with management from Remás.

## The Survey Sample

### Sample Recruitment

Researchers surveyed 1,324 immigrants: 443 Mexican, 417 Ecuadorian, and 464 Chinese. While researchers surveyed Ecuadorian and Mexican respondents primarily at their respective consulates<sup>3</sup>, researchers surveyed Chinese respondents on busy street corners, van stations, and dumpling shops primarily in Sunset Park, Brooklyn to ensure a broad sample of recent immigrants with low and moderate incomes. Surveyors were native speakers of Spanish and Chinese, and many were also recent immigrants. Researchers chose survey locations to oversample residents with low and moderate incomes to ensure their needs and attitudes were reflected in the Study; the sample does not represent overall population in respective immigrant communities.

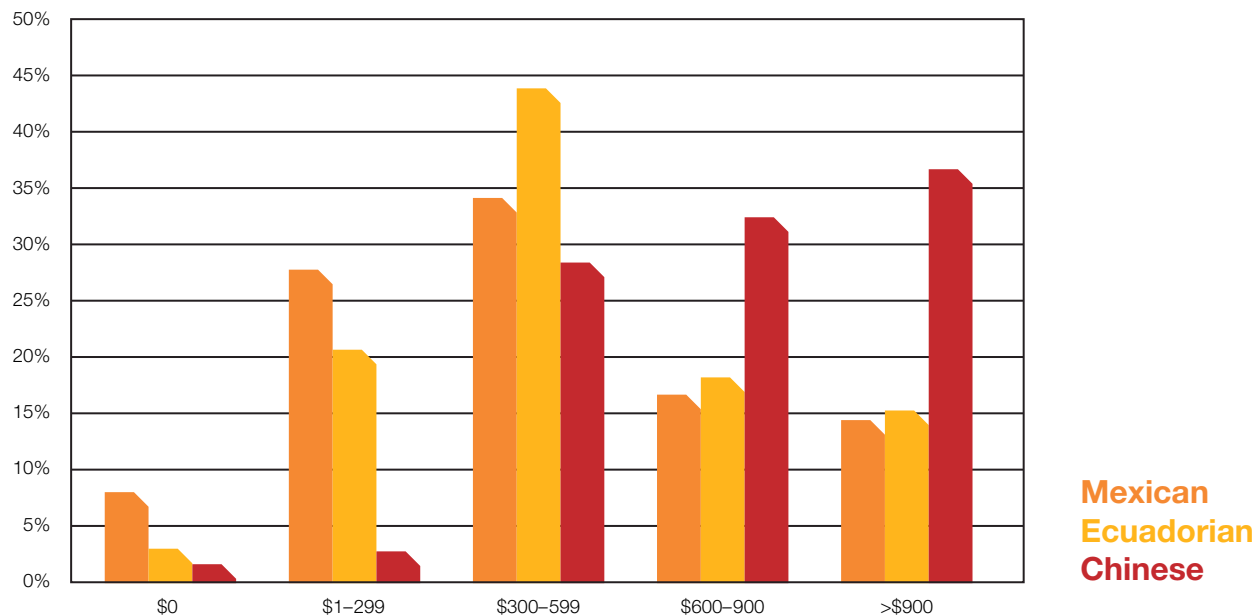
In our sample, by far Mexicans were the least banked (only 43 percent had bank accounts) compared to Ecuadorians (65 percent) and Chinese (95 percent).<sup>4</sup> The Study also looked at a number of demographic characteristics, including income, age, gender, length of time in the United States, number of children, region of origin, documentation, and English language proficiency. Notable differences among the three groups were evident in a number of characteristics besides being banked. In terms of documentation status, Mexican respondents were the least documented (18 percent) and Chinese respondents were the most documented (85 percent). As far as length of stay in the United States, Chinese respondents reported an average 5.8 years, compared to 10.4 years for Mexican respondents and 11.5 for Ecuadorian respondents.

## A Snapshot of the Survey Sample

**Table 1. Survey Sample Characteristics**

	Mexican (443)	Ecuadorian (417)	Chinese (464)	Total (1,324)
Men	53%	52%	50%	52%
Women	47%	48%	50%	48%
Banked	43%	65%	95%	68%
Unbanked	57%	35%	5%	32%
Average Years in United States	10.4	11.5	5.8	9.1
Percent Undocumented	82	62	15	50.5
Average Age	33	36	30	33.1
Average Household Size	4.3	4.0	4.5	4.3
Average Number of Children	1.7	1.7	.9	1.4
Average Years of Education	8.5	10.2	10.5	9.7
Percent Who Immigrated from Urban Region	27.2	41.1	60.1	43.2
Spoken English (self-assessed on scale 1–5)	2.2	2.4	2.1	2.2

**Figure 1. Percentage of Respondents by Weekly Household Income and Country of Origin**





# Findings

Together, supply- and demand-side research suggests that pathways to the financial mainstream are much longer for some immigrant communities and reveals gaps in the financial products and services market for immigrant consumers. There are clear opportunities for asset building and financial education programs to promote financial access and help immigrant families move forward financially. The most significant findings are outlined below.

### Finding #1: Barriers to banking are based largely on consumer perceptions of bank requirements.

Researchers asked banked and unbanked respondents why they had—or had not—chosen to open bank accounts, and respondents cited a number of structural and non-structural barriers. Many of these barriers represent real obstacles for immigrants with low incomes. The most frequently cited barrier was, “I don’t have enough money for minimum balance and fees,” mentioned by 65 percent of unbanked Mexican respondents, 71 percent of unbanked Ecuadorian respondents, and 75 percent of the small sample of unbanked Chinese respondents. However, barriers just as often reflected a number of misperceptions as well as uncertainties about the process of accessing a bank account.

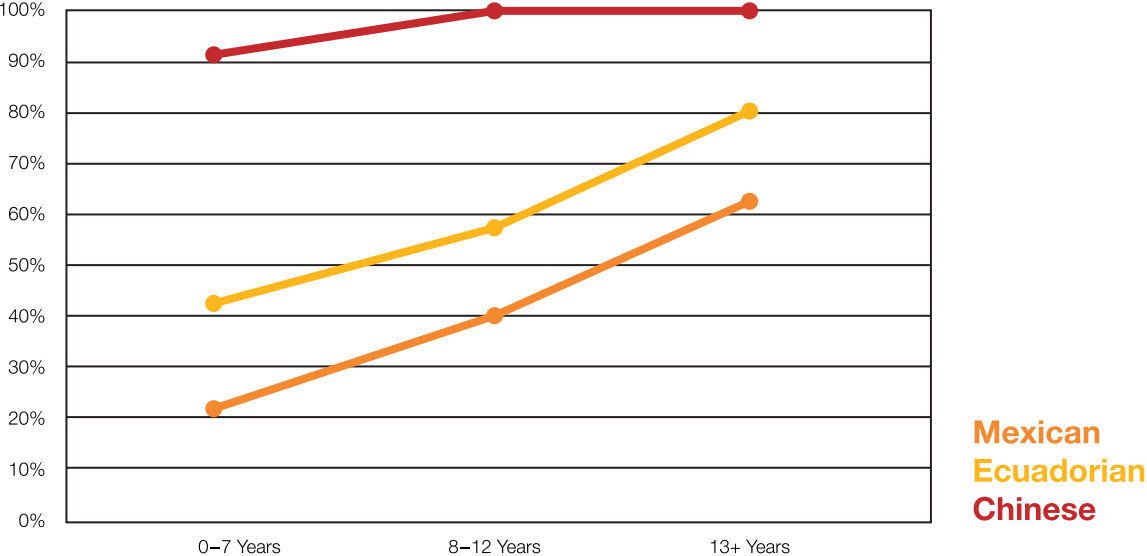
For example, of the unbanked sample, 50 percent of Mexican respondents identified “waiting for documents” as a reason for not opening a bank account, and 60 percent of Mexican respondents and 49 percent of Ecuadorian respondents reported they would open an account if they found a bank that didn’t require a Social Security number or a passport. Sixty-two percent of Mexican respondents and 57 percent of Ecuadorian respondents said they would open a bank account if they found a bank where staff spoke Spanish. To be sure, documentation status varied among the three communities, with the Spanish-speaking communities disproportionately undocumented relative to the Chinese community. However, in our supply-side research we found that 13 out of 15 sampled financial institution branches had flexible identification requirements, and all 15 sampled branches had Spanish-speaking staff. Language was not cited as a barrier by Chinese respondents, likely due to the sample’s high level of being banked. In fact, researchers observed signage in Chinese in mainstream bank branches in Chinese neighborhoods whereas they were unable to find signage in Spanish in neighborhoods with similar concentrations of Hispanic residents.

These kinds of misperceptions about requirements to open a bank account could be corrected with relatively minor investment in financial education for new immigrant communities.

### Finding #2: Pathways to mainstream banking are longer for some immigrant communities than others.

Chinese respondents in the sample reported being in the United States for an average of less than six years, but only five percent of respondents were unbanked. In contrast, Ecuadorian and Mexican respondents reported being in the United States almost twice as long—nearly 12 and 10 years on average, respectively—but 35 and 57 percent were unbanked. However, for Ecuadorian and Mexican respondents who reported living in the United States for at least 13 years, unbanked percentages dropped to 20 and 37 percent, respectively. See Figure 2 below.

Figure 2. Percent Banked by Length of Stay in the United States



In the Mexican and Ecuadorian communities those who did open accounts often found access through informal pathways: 35 percent of Mexican respondents and 33 percent of Ecuadorian respondents reported opening an account because “a friend/relative explained it” to them. Twenty-seven percent of Mexican respondents and 26 percent of Ecuadorian respondents chose the bank identified on their employers’ checks.

For members of the Mexican and Ecuadorian communities, becoming banked takes a number of years and is often accessed through informal channels; this timeline and pathway could potentially be shortened with targeted education and services.

**Finding #3: All three immigrant groups studied are saving for both short- and long-term goals.**

Despite reported barriers, respondents from the three immigrant groups studied are taking important steps toward financial security: well over half of respondents reported engaging in savings at all income levels. Indeed, among all three communities, even the lowest earners reported having some savings, and the percent of respondents who had savings increased as income rose. See Table 2 below.

**Table 2. Percent with Savings by Household Weekly Income (Total Sample)**

Weekly Income	Percent with Savings
\$0	78%
\$1–299	80%
\$300–599	79%
\$600–900	88%
>\$900	91%

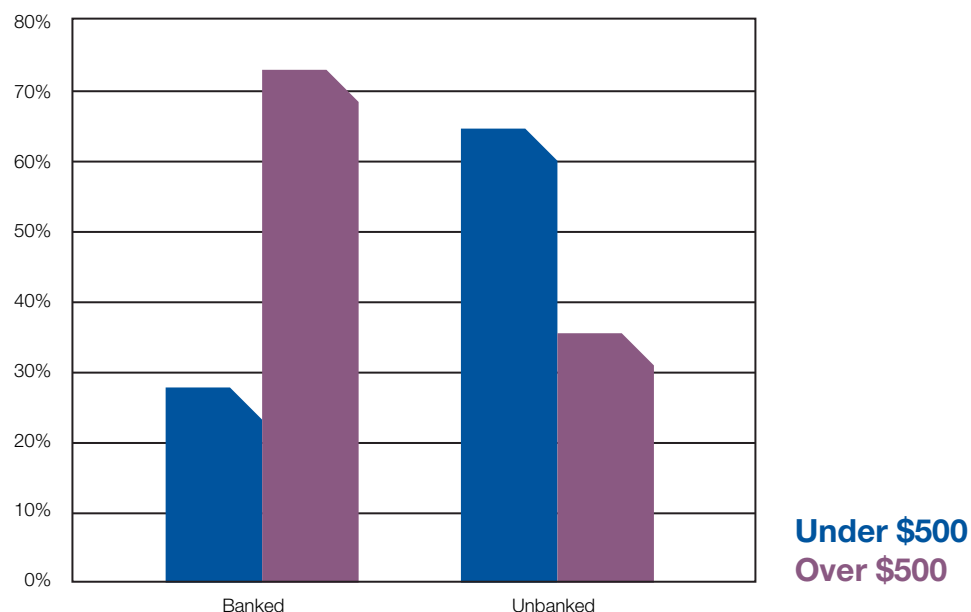
Informal savings were common among Mexican and Ecuadorian respondents—74 percent of unbanked Mexican respondents and nearly 69 percent of unbanked Ecuadorian respondents reported that they had savings. See Table 3 below.

**Table 3. Percent with Savings by Banked Status and Country of Origin**

	Mexican	Ecuadorian	Chinese
Banked Sample	192	270	443
Percent of Banked Respondents with Savings	93.2%	83.0%	91.2%
Unbanked Sample	251	147	21
Percent of Unbanked Respondents with Savings	74.1%	68.7%	81.0%

Those who were banked saved greater amounts. Close to 75 percent of all banked respondents reported having over \$500 in savings, while just over a third of unbanked respondents had saved that amount. See Figure 3 on page 11. This does not indicate a causal relationship between banked status and higher savings amounts. Our banked sample’s characteristics include higher income, education, longer length of stay. These are all factors that likely affect savings, but noting that over half of banked Mexican and Ecuadorian respondents have an average of four household members and earn less than \$600 a week, these factors may not entirely explain higher savings levels among the banked.

**Figure 3. Total Savings Reported by Banked and Unbanked Respondents**



In addition, a large proportion of those surveyed, regardless of banked status or immigrant group, had both short- and long-term aspirations regarding savings and asset accumulation. Over 80 percent of the sample reported long-term savings aspirations, such as saving for children’s education (48 percent) or saving to buy a house or apartment in the United States (31 percent) or in their home country (29 percent). Short-term savings aspirations, held by 67 percent of the sample, were largely for similarly essential matters, such as saving for an emergency (54 percent), in case of unemployment (43 percent), or health expenses (39 percent). Immigrants in our sample are saving money, albeit in small amounts and often informally, and have strong aspirations for saving and accumulating assets in the short term and in the long term.

**Finding #4: Immigrant groups represent missed market opportunities for mainstream banking institutions.**

This Study reveals a number of missed opportunities and market gaps, especially regarding remittances and asset building. Transactional services to send money back to their home countries are often the first and most important financial service that immigrants need: close to 70 percent of all respondents reported sending money home. However, money is often sent through Money Transfer Agents (MTAs) and other “fringe” providers like check cashers, instead of through banks or credit unions. Respondents indicated their preferences for MTAs, citing reasons of transparent pricing and convenient service, such as cash-to-account and cash-to-cash transactions through a broad network of agents in rural and urban areas tailored to appeal to customers with low incomes—which explains MTAs’ large share of the immigrant financial services market.

Conversely, researchers and respondents observed that money transfer platforms at banks were often inconvenient, and their fees were perceived to be confusing, unpredictable, and costly, thus resulting in missed opportunities. Banks frequently required the use of a bank account to send and receive money, and bank staff was often unfamiliar with how the remittance process worked. The competitive advantage of MTAs for sending remittances is clear: nearly 60 percent of both Mexican and Ecuadorian respondents with bank accounts reported using non-bank money transfer services to send remittances, citing factors like price, convenience, and speed.

# Conclusion and Next Steps

The *Immigrant Financial Services Study* reveals a gap between demand and supply of financial products and services in immigrant communities in New York City. Lack of access to appropriate financial services, as well as a dearth of safe and affordable products, means that first-generation immigrants face great challenges in strengthening the financial security of their households, building assets, and obtaining financial protection.

Given the large numbers of unbanked respondents, the long-term savings aspirations of many in the sample, and the high percentage of savings even among unbanked respondents with low incomes, there is ample evidence of the need for programmatic interventions and public-private partnerships targeting these communities with critical financial services, asset building programs, and financial education campaigns. OFE plans to leverage a number of existing initiatives to help move immigrants in New York City toward safe and affordable mainstream financial relationships, including the NYC Direct Deposit program, which offers safe, specially designed direct deposit bank accounts; the Financial Empowerment Centers, which offer free, one-on-one financial counseling; and the City's free and low-cost tax preparation network. In addition, OFE will continue to work closely with MOIA, the consulates, and nonprofit community partners in key immigrant neighborhoods and across the City.

The Study's findings can also inform potential business models and practices in improved financial services for this market. Financial institutions can take a number of steps to better reach the City's immigrant populations, including raising awareness of bilingual customer service and flexible identification policies at branches, offering on-site account enrollment and Financial Empowerment Center referrals at trusted and high-traffic sites, and providing linkages between remittances and banking access.

# Endnotes

- <sup>1</sup> Other studies that look specifically at the financial product and service needs of New York City's immigrant communities include the Neighborhood Economic Development Advocacy Project's (NEDAP) 2009 *Ensuring Access to Fair and Affordable Financial Services*.
- <sup>2</sup> New York City has the largest Chinese population of any city outside of Asia. The official Mexican population in New York City was 319,126, and the Ecuadorian population was 311,278. Average annual growth rates from 1990 to 2009 for Mexicans and Ecuadorians were 9.3 percent and 4.9 percent, respectively. (NYC Department of City Planning 2012; Bergad 2011).
- <sup>3</sup> In the case of the Ecuadorian sample, surveyors also recruited respondents at select health service providers that serve recent immigrants to ensure gender balance.
- <sup>4</sup> A 2006 study (Levin-Russell) of Latin American immigrants throughout New York City found that only 44 percent had bank accounts, with Mexicans having the lowest rate of bank accounts within this group (41 percent). While literature on Chinese immigrants in New York City is not available to make similar comparisons, our interviews with stakeholders from the Chinese immigrant community indicated that there are extremely high numbers of banked Chinese immigrants. Our survey results corroborated this information, finding only five percent of immigrants surveyed were unbanked.

