



SMALL DOLLARS FOR BIG CHANGE:
IMMIGRANT FINANCIAL INCLUSION
AND ACCESS TO CREDIT





The National Council of La Raza (NCLR)—the largest national Hispanic civil rights and advocacy organization in the United States—works to improve opportunities for Hispanic Americans. Through its network of nearly 300 affiliated community-based organizations, NCLR reaches millions of Hispanics each year in 41 states, Puerto Rico, and the District of Columbia. To achieve its mission, NCLR conducts applied research, policy analysis, and advocacy, providing a Latino perspective in five key areas—assets/investments, civil rights/immigration, education, employment and economic status, and health. In addition, it provides capacity-building assistance to its Affiliates who work at the state and local level to advance opportunities for individuals and families.

Founded in 1968, NCLR is a private, nonprofit, nonpartisan, tax-exempt organization headquartered in Washington, DC, serving all Hispanic subgroups in all regions of the country. It has state and regional offices in Chicago, Los Angeles, Miami, New York, Phoenix, and San Antonio.

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Introduction

Immigrants integrating into the fabric of our nation has been a cornerstone of American tradition for centuries. Integrating into U.S. society can be far less daunting with help from education, language, workforce development, legal aid, and civic participation programs. These programs have been essential in establishing secure and vibrant communities, but there is one area of immigrant integration that has lagged—financial integration. New immigrants need help navigating the U.S. financial marketplace and building a new financial identity since many financial institutions operate differently here than in their home country and any financial history from their country of origin does not apply. Yet many mainstream financial institutions and existing immigrant integration service providers are not adequately prepared to provide financial capability, products, and services for immigrants, thus leaving them vulnerable in a complex financial system. This is of concern since limited access to mainstream financial products such as bank accounts and small-dollar loans can have a profound effect on the immigrant population. A renewed sense of the importance around access to culturally and linguistically appropriate financial services over predatory products for immigrants is evident amid the threat of increased deportations and detentions, and the ambiguity of future immigration reform.

Beyond better peace of mind, there are economic benefits to immigrants taking the first step to financially integrating into society. Obtaining lawful status and eventual citizenship are strongly associated with increased income, upward economic mobility,^{1,2} and financial security and stability for immigrant families. Immigrants who naturalize* have more opportunities to secure stable employment and build a financial identity. Naturalization can yield an increase in earnings between 8% and 11% annually.³ This occurs primarily through access to better jobs, including many public-sector jobs, as well as high-paying private-sector jobs that may only be available to U.S. citizens.⁴ The effects of naturalization is also important to the national economy; it has a positive ripple effect through increased spending and taxes. For example, in 21 cities alone, tax revenues would increase by \$2.03 billion if all eligible residents became citizens.⁵

* Naturalization is the process by which U.S. citizenship is granted to a foreign citizen or national after he or she fulfills the requirements established by Congress in the Immigration and Nationality Act (INA).

There is also a direct connection between access to small-dollar credit and the ability of certain immigrants to obtain legal status, and for lawful permanent residents to become citizens. Although the costs for immigrants to apply for a visa, or eventual citizenship, are considerable, few nonpredatory financial products are available to help finance the process. In the absence of safe and affordable products from the financial mainstream, the predatory alternative financial services market has flourished to meet that demand with often dire financial consequences for vulnerable immigrant households. Much attention has been given to the barriers—both financial and otherwise—that deter, prevent, or delay immigrants' acquisition of lawful permanent resident and/or citizenship status. This paper seeks to shift the focus toward safe and affordable financial solutions.

The National Council of La Raza (NCLR) has an extensive record of advocacy and programs focused on financial access and inclusion, specifically ways to access and navigate the U.S. legal and financial systems. Informed by an Affiliate Network of nearly 300 community-based organizations, NCLR's work has examined federal policy and programmatic solutions to expand the framework of immigrant integration to incorporate financial access and inclusion issues so that new Americans can build a financial identity, assets, and wealth. This paper describes the financial barriers to adjusting immigration status, the void of small-dollar products available to Latino* immigrants, models for providing financial resources alongside immigration services, and considerations for scaling these promising models.

* The terms "Hispanic" and "Latino" are used interchangeably by the U.S. Census Bureau and throughout this document to refer to persons of Mexican, Puerto Rican, Cuban, Central American, Dominican, Spanish, and other Hispanic descent; they may be of any race.



Background

Immigrants make up nearly 13% of the total U.S. population.⁶ Within the immigrant population, there were 13.3 million non-U.S. citizens with lawful permanent resident (LPR) status in January 2012.^{*7} While most of the foreign-born population in the United States comes from either Asia or Latin America, Mexican nationals constitute the largest group of LPRs in the United States—accounting for 2.7 million, or 31%.⁸

There is a sizable population within the LPR community that is eligible to naturalize, with an estimated 8.8 million who are eligible and meet the criteria, but have not yet applied.[†] Despite the large number of people who have not yet applied, the desire among immigrants to naturalize is strong: 93% of Latino LPRs respondents in a nationwide survey, who have not yet naturalized, said they would if they could.¹⁰ It has been well-documented through decades of research that one of the most cited barriers to naturalization for those who are eligible is the high fees associated with the process.¹¹ While U.S. Citizenship and Immigration Services (USCIS) has a full fee-waiver program in place for citizenship applicants who earn within 150% of the federal poverty level, this only covers 32% of potentially eligible applicants.¹² As part of a series of fee increases, USCIS increased the N400 naturalization application fee by \$45 in December 2016 (from \$595 to \$640).¹³ The fee has increased 545% since 1995, growing from \$95 in 1994 to \$640 in 2017¹⁴ (this does not include the additional \$85 biometric fee an applicant must pay). As part of the most recent fee increase, USCIS began a partial fee waiver program for lower-income applicants who earn between 150% and 200% of the federal poverty level.¹⁵ However, the full and new partial fee waivers combined will still leave 55% of eligible LPRs priced out.¹⁶

* According to the Department of Homeland Security, lawful permanent residents (LPRs), also known as a green card holder, is a noncitizen who is lawfully authorized to live permanently in the United States. LPRs may accept an offer of employment without special restrictions, own property, receive financial assistance at public colleges and universities, and join the Armed Forces. They also may apply to become U.S. citizens if they meet certain eligibility requirements. See: <https://www.dhs.gov/immigration-statistics/lawful-permanent-residents>.

† To become a U.S. citizen, an LPR must meet the following requirements: be at least 18 years of age; have lived in the United States continuously for at least five years; have the ability to speak, write, and read and understand basic English; demonstrate knowledge of U.S. history and government; undergo a successful background check; demonstrate attachment to the principles of the U.S. Constitution; take the oath of citizenship; and swear allegiance to the United States.

For the estimated 11 million undocumented immigrants residing in the United States, the opportunities to adjust immigration status and pursue eventual citizenship is very limited. In 2012, President Obama announced limited relief in a program known as Deferred Action for Childhood Arrivals (DACA).^{*} DACA offers temporary protection from deportation for certain categories of undocumented immigrants brought to the United States as children, and grants them the ability to work legally in the United States. As of 2016, more than 728,000 people were granted DACA status and there are an estimated 1.3 million more people who meet the age and eligibility requirements.¹⁷ Administrative relief like DACA, family reunification petitions[†] that lead to LPR status, and even various routine procedural requirements such as reentry permits,[‡] generally do not have a fee waiver option, and costs for those applications range from \$500 to \$5,000 per application (see Table 1). Some studies estimate that as many as 14% of the undocumented population may be eligible for other types of adjustments leading to lawful permanent resident status.¹⁸ Each of the potential adjustments identified in these studies is also accompanied by substantial fees.

In addition, application fees are only one expense associated with the process, regardless of what status adjustment one is applying to receive. Immigrants must also pay for related expenses like legal services, English classes, and civics classes, as well as sacrificing time away from work. Legal fees for many immigration petitions can run upwards of several thousand dollars, and low-cost legal service options for naturalization and other petitions are extremely limited. Given the combination of high costs and the low-income status of many Latino immigrants, it is expected that many who are eligible are deterred from applying.

* Deferred Action for Childhood Arrivals (DACA) is an administrative relief program that grants individuals who were brought to the United States as children the following: 1) protection from deportation and 2) a work permit. DACA recipients must renew their status every two years.

† Family Reunification Petition, also called the Petition for Alien Relative (Form I-130), is for a citizen or lawful permanent resident of the United States to establish familial relationship with relatives who live abroad and who wish to immigrate to the United States. The individual must concurrently file an Application to Register Permanent Residence or Adjust Status (Form I-485), for their relative to register for permanent residence in the United States. The relative can apply for a fee waiver for the Application to Register Permanent Residence.

‡ A Reentry Permit allows a lawful permanent resident or conditional permanent resident to apply for admission to the United States upon returning from abroad during the permit's validity without the need to obtain a returning resident visa from a U.S. embassy or U.S. consulate.

**Table 1: Immigration Application Fees
by Status Change Type**

	Naturalization (N400)	DACA	Family Reunification Petition (I-485 and I-130)	Reentry Permit
Application(s) Fee*	\$725	\$495	\$1,760	\$660
Fee Waiver Available?	YES	NO	NO	NO
Frequency of Renewal	n/a	2 years	n/a	n/a

* Note that the fees outlined here are only for the application and biometric fee. It does not include other expenses related to filing.



Immigrant Financial Inclusion and Barriers

Most Americans rely on financial products that allow them to safeguard their income, build a credit history, and purchase assets. This is especially critical for Latino households, which are disproportionately unbanked, lack a traditional credit history, and own relatively few assets. Financial inclusion—the ability to access and utilize affordable financial services and products to build a financial identity, assets, and wealth—is an often-overlooked pillar of immigrant integration. While communities across the country help immigrants integrate in a variety of ways—including legal service assistance, English language acquisition, and workforce training—they have not traditionally included financial integration services. Yet knowledge of how to navigate the U.S. financial system is critical for new Americans to be successful in this country.

Financial integration must address the systemic barriers that immigrants face when trying to become part of the financial mainstream. First, many immigrants have unique financial characteristics—uneven income streams or cash income, less likely to be banked, and more likely to have thin or no credit histories. Latino immigrants, who constituted about half of all immigrants in the United States in 2014,¹⁹ tend to have lower incomes than other immigrants due to issues such as seasonal employment or variable hours experienced in the retail or service industries.*²⁰ Immigrants coming from Mexico and Central America have average incomes that hover around \$45,000 for a family of 3.5 people, putting them at just over 200% of the federal poverty level. In addition, research shows that immigrants are not entirely comfortable with the U.S. financial system and may have a lack of trust in banks.²¹ Low wages and high income volatility make saving large sums of money, like the amount needed to pay for an immigration application fee, extremely difficult.

* Nearly three-quarters of Hispanics are U.S. citizens: about two-thirds are native-born, while many immigrants obtain citizenship through naturalization. See: <http://www.pewhispanic.org/2016/04/19/statistical-portrait-of-hispanics-in-the-united-states-key-charts/>.

Yet accessing credit is also a difficult task for Latino immigrants, who must start anew in establishing a credit history in the United States. When immigrants have limited opportunities to open a bank account, they struggle to connect with the financial mainstream and build a credit profile. If people are relatively new to the country, they often have no credit history or a thin credit profile, which results in many institutions categorizing them as risky borrowers. According to the Consumer Financial Protection Bureau (CFPB), Hispanics are more likely to be “credit invisible” than any other racial group and have some of the highest rates of unscored credit records.²² It is nearly impossible to get prime rates on credit cards, loans to start a business, or a home mortgage if you are disconnected from traditional financial institutions and do not have a credit history. This results in Latino immigrants being denied access to conventional credit products, paying higher interest rates, or being forced into the alternative financial services market. Of course, there are many LPRs who have been in the United States for a longer period, and their credit history may be more robust, but there is still a need within the broader Latino community to repair and improve credit.





Affordable Immigration Loan Credit Options

Another significant barrier to financial inclusion is the lack of readily accessible and affordable credit options, particularly small-dollar credit, for Latino immigrants trying to finance immigration-related expenses. The combination of low incomes and the inability to access credit hinders Hispanics' ability to pay for large purchases, bills, and unexpected expenses. Affordable credit products, with sustainable monthly payments, are an important tool that can be managed even when monthly hours or income vary.

However, traditional depository institutions have not done as well as they could in serving consumers with affordable small-dollar loan products. The acquisition, origination, and servicing costs (including credit pulls, income verification, payment collection) have been offered as rationale for why mainstream financial institutions are not in this market. The main form of small-dollar credit available to consumers is the credit card; however, access to prime rate credit cards require a good credit score, and credit cards can only be used on U.S. citizenship applications, not other immigration status adjustment applications. Many financial institutions also offer secured credit card options, but it could take a substantial amount of time to save the necessary security deposit, typically a minimum of \$300 for a standard secured credit card, especially if you are low-income. The mainstream institutions that do offer small-dollar loans with affordable interest rates,* such as credit unions or community banks, have limited lending geographies and do not typically have multiple locations in immigrant neighborhoods, especially those in rural areas.

The small-dollar loan products that are ubiquitous in the marketplace are predominantly predatory in nature, with high interest rates and steep fees, typically offered by payday lenders and pawn shops; tax “refund advance loans,” weekly installment loans, and car title loans also fall into this category. (See Table 2 for borrower costs associated with typically available loan products.) Typically, these lenders are highly culturally competent, often staffed by immigrants themselves, convenient, and tend to be accessible, located

* An interest rate cap, also known as an interest rate ceiling, is the maximum interest rate a financial institution can charge a customer for a loan or line of credit. The interest rate is usually expressed as a percentage and is used to protect consumers from usurious costs for the loan. Military members are extended an interest rate cap of 36%, per the Military Lending Act, on most personal loans, credit cards, and deposit advances. The interest rate cap of 36% is viewed as an industry standard for most personal lines of credit extended to all consumers. For example, the highest credit card rate goes up to 36%, although many states have usury laws that cap them well below that rate. Federal credit unions have their own interest rate cap of 18% for most loans, and a payday alternative loan program cap of 28%.

in high-traffic locations often close to public transportation. Moreover, they are known for their ability to provide instant cash in a single visit, often with minimal documentation, as opposed to conventional lenders, which verify one’s ability to repay the loan. Although the customer experience with predatory lenders is highly “efficient” at origination, these products are extremely expensive and often lead to debt traps that prevent consumers from building a positive financial identity. Since payday, installment, and car title lenders are allowed under many state laws to charge triple-digit interest rates, reaching as high as 391% APR for a typical payday loan, it is difficult for financial institutions to compete with these market players. The financial damage to consumers pushes other affordable options further out of reach.

PREDATORY LENDING

Predatory lending is any lending practice that imposes unfair and abusive loan terms on a borrower,²³ often getting borrowers to accept unfair terms through deceptive, coercive and exploitative actions.²⁴ Characteristics that are associated with predatory lending include, but are not limited to:²⁵

- Balloon payments with unrealistic repayment terms.
- Repeat refinancing and excessive fees.
- Excessive interest rates that may involve steering a borrower to a higher-cost loan.
- Lending without assessing a borrower’s ability to repay the loan.²⁶
- Abusive collection practices.

Table 2: Sample Immigration Small-Dollar Loan Products

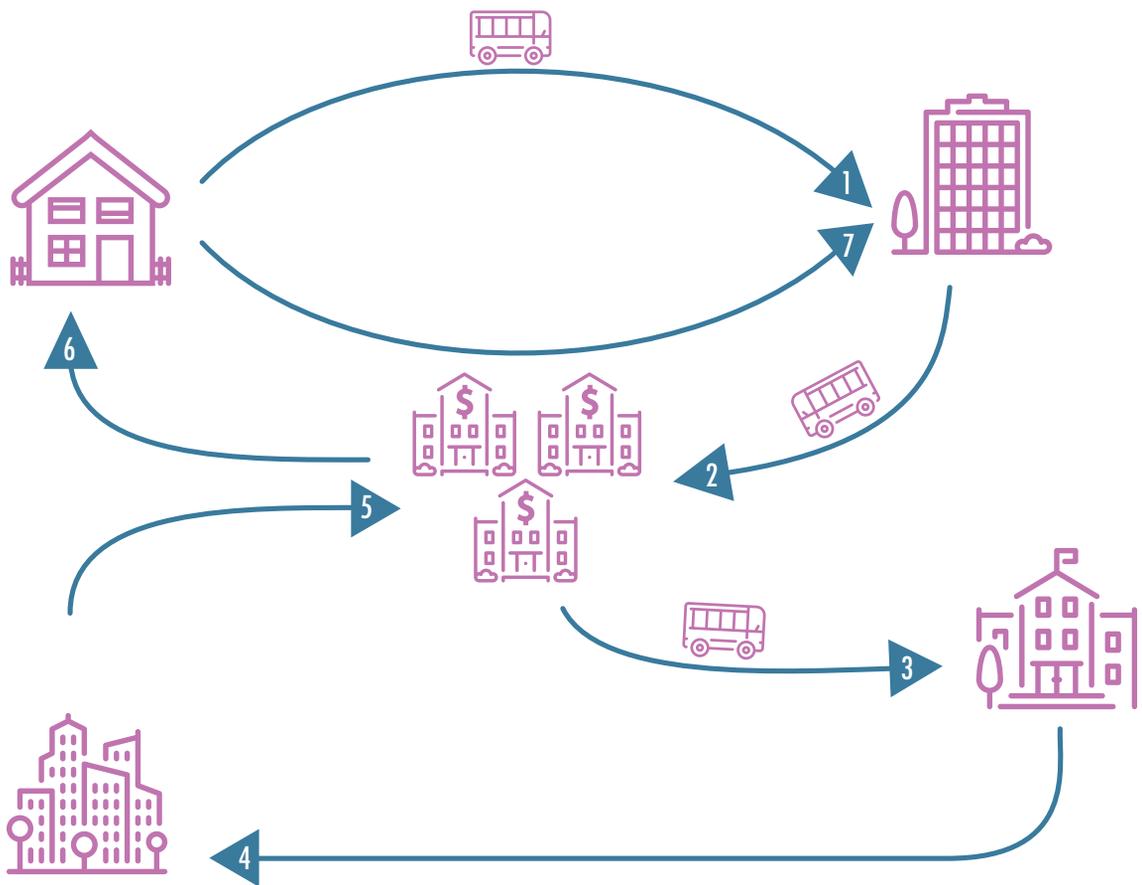
	Loan Amount	Length of Loan	Annual Percentage Rate (APR)	Monthly Payment	Total Interest Paid Over Life of Loan
Credit Union Loan	\$800	12 months	17%	\$72.96	\$136.00
Community Development Financial Institution (CDFI) Loan	\$800	12 months	35%	\$79.97	\$159.64
Payday Loan*	\$800	Every 14 days, multiplied by seven	391%	\$240 (fees only, no principal)	\$840

* According to research by the Consumer Financial Protection Bureau, more than 80% of payday loans are rolled over or renewed within two weeks and more than 60% of payday loan borrowers are trapped in a loan sequence lasting seven or more loans in a row. **The payday loan in this example has been rolled over seven times to reflect borrower’s inability to pay back the loan in two weeks’ time. Every time a borrower rolls over a loan, they incur a fee in addition to the original amount borrowed.** Typical payday origination fees are \$15 per \$100 borrowed or \$120 on an \$800 loan. An \$800 loan, due in two weeks with \$120 in fees = 391% APR. If the loan is flipped at least twice, monthly payment is \$120 x 2 = \$240. This amount represents the fees only, since the borrower is not actually paying down any of the principal balance when rolling over a payday loan. If the \$800 loan is flipped for an average of 7 times (\$120 x 7) = \$840.

Where affordable, small-dollar immigration loans are available, they have been limited in scope. Several of the existing immigration loan programs tend to be heavily subsidized by local governments and/or private foundations. These subsidies target a specific type of immigration status adjustment, usually DACA or citizenship, and typically only finance the immigration application fee. Therefore, the impact of these investments is limited to the immigrants who are eligible for that type of adjustment and does not cover the other immigration expenses the applicant will encounter, such as legal aid fees. While NCLR strongly supports these programs, their ability to be “scalable”—i.e., operated with sufficient geographic reach, capital, and sustainability over time without ongoing subsidies—has been limited.

Most of the existing immigration loan programs also have critical design limitations; loan applicants do not experience the same efficiency as they do at predatory lenders: they’re often required to make multiple in-person trips to different locations to complete the process (see Figure 1). For example, an applicant for naturalization might receive citizenship application assistance from one nonprofit, and then be referred to a financial institution to apply for a loan. The loan application process itself will usually require at least two trips—one to apply and another to pick up the check. If the loan application is incomplete, a third trip may be required to provide necessary documents. In addition, many financial institutions have limited bilingual capacity, meaning that scheduling windows to see bilingual loan officers are narrow or instructions from monolingual staff may be misunderstood. Requiring multiple visits would discourage any consumer from completing a transaction, but may have an especially strong deterrent effect on immigrants who hold multiple jobs, limited transportation options, and who may lack comfort with conventional financial institutions. Current affordable loan programs are filling an important void in the market and are tremendously beneficial to those who know about and can take advantage of them, but there remains a need to scale and sustain them. Shoring up the availability, accessibility, and affordability—for both borrowers and lenders—is essential to ensuring that immigrants have the financial means to pursue changes to their immigration status.

Figure 1: Immigration Loan Process without Technology



- 1) Applicant visits nonprofit or lawyer for assistance with immigration application
- 2) Applicant is told to visit local financial institution to apply for loan to cover immigration expenses
 - 2a) Applicant has to visit several institutions to find one that will lend to them
 - 2b) Applicant finds an institution but is told they'll need to pay \$25 to become member to get loan
- 3) Applicant goes to consulate to get identification documentation
- 4) Applicant visits their employer for letter as proof of income
- 5) Applicant returns to financial institution with documentation
- 6) Applicant waits for check or direct deposit from financial institution
- 7) Applicant returns to nonprofit or lawyer to file immigration application and provide necessary fees



Innovative Solutions

There are several institutions that have recognized the need for more credit options and prioritized the immigrant market by developing solutions to reach and serve immigrants who are adjusting their status. Each program has strengths, with some offering high-quality financial inclusion services but not scalability to multiple markets, while others are scalable but lack profitability for the lender. Based on its work over the past four years—piloting its own programs, working directly with NCLR Affiliates, partnering with credit unions on their models, and facilitating introductions between community organizations and financial institutions—NCLR seeks to support development of a model that addresses the unique challenges that immigrants experience in the credit market while also being scalable and sustainable. The following features are a sampling of the innovative solutions, or promising approaches, currently in the market that can provide the immigrant community with affordable products at scale.

- **Affordable products.** Given the likelihood of a Latino immigrant to be lower-income, product affordability is critical to a borrower's successful repayment. Loan products that offer low or no application fees and interest rates, and thereby low monthly payments, are more affordable and manageable for borrowers. An APR of 36% or below is the cap recognized in 15 states and by Congress via the Military Lending Act, and helps ensure the borrower can repay and doesn't fall into a cycle of debt.²⁷ Self-Help Federal Credit Union, a network of credit union branches in California, Florida, North Carolina, and Illinois, offers a citizenship loan with a 17.7% APR on a \$680 loan. This is \$49.78 monthly for a 24-month term for a total of \$194.70 interest over the life of the loan. There is no penalty for paying off the loan early and if the borrower is denied for any reason, they are not charged the application fee of \$20.

- **Broader definition of creditworthiness.** As discussed, the financial characteristics of non-U.S. citizens tend to make these borrowers appear to be “risky.” The industry’s reliance on the traditional FICO score for immigrants means that many qualified borrowers may not qualify for a loan. However, several lenders have developed successful loan portfolios by expanding the traditional definition of “creditworthy,” considering factors other than a credit score in their underwriting criteria. Lenders who have used alternative data sources to assess a borrower’s likelihood to repay have approved more applicants. Alternative data can include rent and telecommunications payment history from sources like LexisNexis or Clarity. It could also include payment history from formal “lending circles.” For example, MariSol Federal Credit Union in Phoenix, Arizona, has a referral program with an online “lending circle” startup called eMoneyPool, which provides an alternative savings and loan option for people who may not qualify for a traditional loan. Once borrowers complete a round of pool payments through eMoneyPool, they receive a certificate that is recognized at MariSol as evidence of ability to repay and can then qualify for prime rate loan products at the credit union.
- **Technological innovation.** Reducing the number of locations a person must visit to complete their immigration and loan applications can ease the process for applicants and save the financial institution time. Today’s technology solutions can also automate the loan decisioning process for a better borrower experience—the consumer knows almost immediately whether they qualify for the loan. A remote decision also helps abate the intimidation that immigrants feel when visiting financial institutions²⁸ and are apprehensive about being rejected for a loan. Unlike payday lenders, who offer a similar experience but at astronomical prices of APRs averaging more than 300%, many responsible lenders are using online application and decisioning technology to bring down origination costs and interest rates. For example, Capital Good Fund (CGF) is a community development financial institution (CDFI) based in Rhode Island that specializes in remote lending of small-dollar personal loans to underserved individuals. CGF offers its loan application via phone, tablet, or computer. Through a one-time authorization, CGF electronically pulls a borrower’s transaction banking history to gain a better depiction of a borrower’s debt-to-income ratio, housing expenses, and bank deposit and overdraft history. Borrowers can remotely upload income and identify verification documents and e-sign the loan application from their device and receive an automated, real-time decision about their application.
- **Cultural competence.** Many Latinos prefer to speak in their native language when discussing their finances.³⁰ Therefore, bilingual services and materials are essential to consumers’ comfort when working with an institution and their understanding of product features and terms. Similarly, institutions that understand the immigration process, the wide variety of fees associated with different status adjustments, and an immigrant’s alternate credit profile are more prepared to work with immigrant customers. Juntos Avanzamos (Together We Advance) is a program of the National Federation of Community Development Credit Unions that brings together credit unions committed to serving and empowering Hispanics and immigrant consumers. The Federation works with community development credit unions to meet the needs of these emerging markets and to demonstrate that serving immigrants is both a

sustainable business strategy and vital to helping people of modest means achieve financial independence. To obtain the Juntos Avanzamos accreditation, credit unions must have Customer Identification Programs that include alternative identification forms (such as the Matrícula Consular and Individual Taxpayer Identification Number, or ITIN*) as well as flexible loan underwriting criteria (noncredit score-based). Credit unions must also demonstrate that they have the institutional capacity and cultural understanding to meet the needs of Hispanics and immigrant consumers: bilingual and bicultural staff, signage, relevant products (small-dollar loans), application forms, and marketing materials, as well as relevant product (small dollar loans) that meets the community's needs.

- Integration of immigration assistance and financial products.** Community collaboration is critical to increase immigrants' awareness and adoption of loan products. Many immigrants have a cultural aversion to debt,³¹ are unaware of the financing options available to them, or have difficulty distinguishing between products that will be helpful to building credit versus those that are harmful. Partnerships between financial institutions and immigrant-serving organizations allow immigrants to learn about financial resources in a familiar setting and establish referral pipelines for lenders. Such partnerships can help financial institutions increase visibility, especially if they lack branches in immigrant neighborhoods, help the borrower receive basic product education, and ease the intimidation that many immigrants feel when dealing with traditional financial institutions. CASA, an NCLR Affiliate and immigrant-serving organization, provides financial counseling to all immigrant clients and can speak knowledgeably about the local financing options. CASA staff takes initial loan application information at its citizenship center then makes a "warm hand-off" to loan officers at various local financial partners who have been vetted for predatory lending practices, often reducing the time it takes to apply for and process the loan.
- Marketplace with a variety of product options.** Borrowers want the opportunity to choose the products and services that best meets their needs, without being preyed upon by lenders that offer high accessibility but with high costs. For immigrants who want to establish a relationship with a financial institution to gain access to a range of financial products and advice, working with credit unions or community banks that provide financial education or a full suite of bank products might be ideal. Other immigrants seeking a one-time loan to address an immediate need might gravitate to working with an institution, like a CDFI, that provides affordable products with more flexible underwriting. There are also immigrants who may be debt adverse and would rather take a savings-based approach to their financial needs; they might be best served by a lending circle that helps them save consistently while reporting their payments to the credit bureaus to help build their credit history.

* According to the Internal Revenue Service (IRS), Individual Taxpayer Identification Number (ITIN) is a nine-digit number issued by the IRS to ensure that people—including undocumented immigrants—pay taxes even if they do not have a Social Security number, and regardless of their immigration status.

Additional Models from the Field

- Latino Community Credit Union**, a community development financial institution (CDFI) based in Durham, North Carolina, was founded to serve unbanked people and immigrant communities. They are a long-time provider of DREAMer loans for DACA applicants, provide in-depth financial education, and report payments to the credit bureaus to ensure people are also building credit. They have issued more than 1,300 DREAMer loans as of June 2014, almost certainly the largest DACA loan portfolio in the United States.
- Mission Asset Fund (MAF)** is an award-winning nonprofit that creates pathways to prosperity through financial products and solutions born from the ingenuity of the communities they serve. MAF is the creator of Lending Circles, an innovative social lending model that helps people come out of the financial shadows by building credit histories, paying down high-cost debt, and saving toward goals like starting a business or applying for DACA or citizenship. MAF leverages technology and the power of social networks to deliver high-impact programs to low-income communities nationwide. More than 50 nonprofits offer Lending Circles in 17 states and Washington, DC.
- Grantmakers Concerned with Immigrants and Refugees (GCIR)** is a convener for funders to learn, connect, and collaborate on immigrant-related issues. This is achieved through in-depth research, programs, briefings, and conferences sponsored by GCIR. GCIR has fostered dialogue about the role of philanthropy in immigrant integration, specifically around immigrant financial inclusion. GCIR developed and implemented a DACA loan pilot program, in collaboration with credit unions in Washington, Oregon, Minnesota, and Iowa by leveraging available funding, promoting coordination among service providers, and sharing best practices.
- The City of Seattle Office of Immigrant and Refugee Affairs (OIRA)** launched an immigration loan program, in partnership with the Seattle Metropolitan Credit Union (SMCU) and several community organizations, to help low-income immigrants overcome financial hurdles to become naturalized citizens. OIRA promotes SMCU's citizenship loans as a part of their naturalization events. In turn, SMCU sends loan officers to community naturalization events to screen applicants who need help financing immigration fees. Seattle's initiative is an example of multisector collaboration that leverages complimentary resources for a greater impact in immigrant communities.
- Cities for Citizenship** is a national initiative aimed at increasing citizenship among eligible U.S. permanent residents and encouraging cities across the country to invest in citizenship programs. It is led by 30 city and county leaders with support from the Center for Popular Democracy, the National Partnership for New Americans, and Citi Community Development. The initiative has helped more than 10,000 people initiate the citizenship process and more than 12,000 people receive information on the fee waiver, financial counseling, and citizenship microloan assistance.

Considerations for Going to Scale

The innovations presented above all provide important incremental advances on immigrant financial integration, but none are easily scaled such that they can offer multiple products to serve multiple communities in a sustainable, cost-effective way. NCLR has begun to explore how to scale promising approaches in the field through an immigration loan pilot program that connects local organizations and responsible small-dollar lenders using technology, specifically an online tool called Fuente Credito.* For immigration applicants who need financing assistance, the community-based organization's staff starts the process of finding lender matches by helping the applicants complete a web-based application on Fuente Credito (Figure 2).

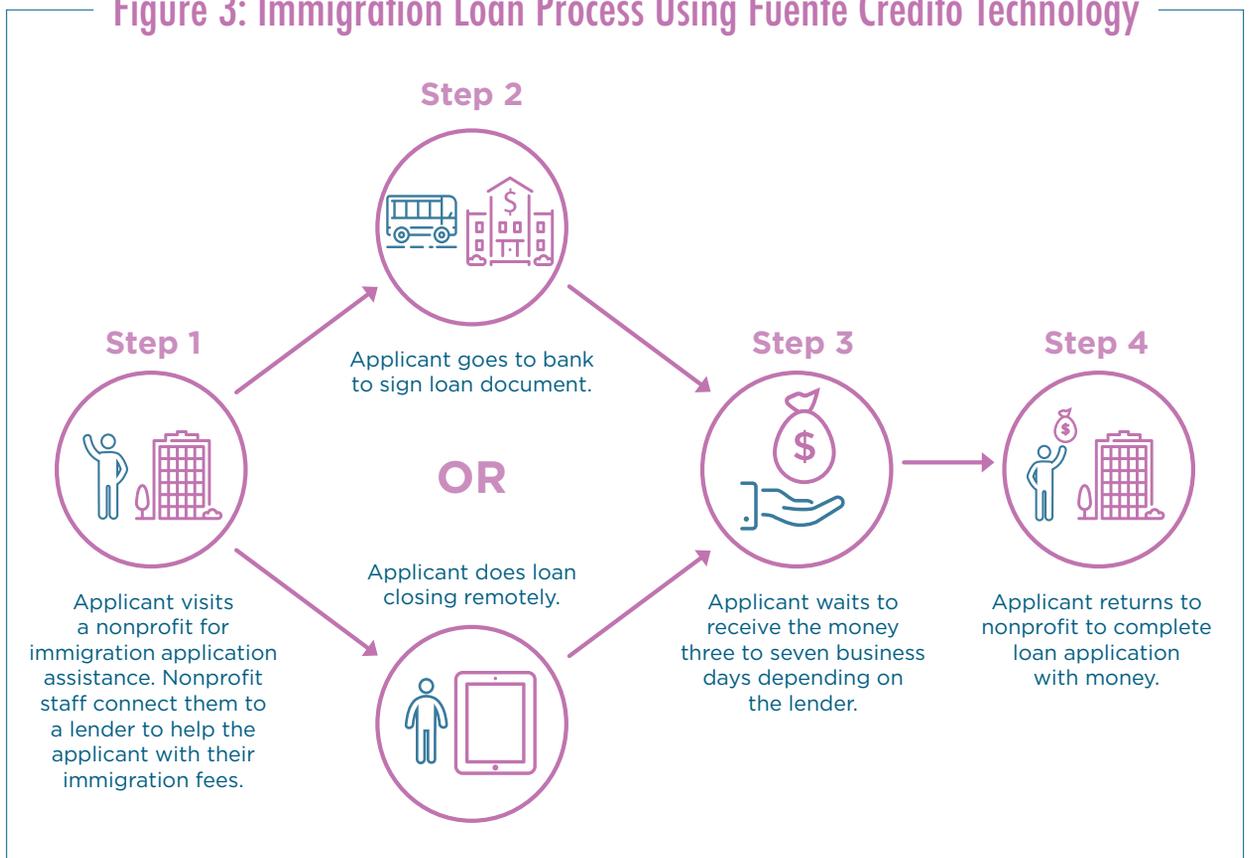
Figure 2: How Community Organizations Use Fuente Credito



* Fuente Credito is an online platform developed by NCLR, powered with LogicFI technology, that helps immigration legal service providers connect their clients to safe and affordable loan products that help immigrants build credit and finance expenses associated with adjusting their immigration status. Fuente Credito enables NCLR partner organizations to screen and prequalify immigration loan applicants for products offered by local lenders, primarily credit unions, community development financial institutions (CDFIs), and community banks. Fuente Credito leverages technology to expand the reach of local credit products in Latino immigrant communities. LogicFI is NCLR's primary tech contractor and continues to provide ongoing technical assistance and maintenance to Fuente Credito.

Based on the applicants’ needs and location, they will see a marketplace of small-dollar savings and loan product options. Fuente Credito enables applicants to complete a loan application, upload income verification and identification documents, and receive an immediate decision. The technology streamlines the process for the applicant while reducing origination costs for the lender (Figure 3). By embedding Fuente Credito into immigration services (e.g. legal services, English as a second language (ESL) classes, and civics classes), clients who have financing needs can apply immediately without having to leave the organization’s office to learn more about financial products or their eligibility, or to have to make multiple trips to multiple lenders to compare products or to apply for a loan. The pilot has grown to include seven lenders in eight markets, including Phoenix, Arizona; Kitsap, Washington; Florida statewide; Delaware statewide; Los Angeles, California; Washington, DC; Hyattsville, Maryland; and Woodbridge, Virginia. This approach is a promising combination of various best practices, but it is still in the pilot phase and there are multiple challenges to scaling the system nationally.

Figure 3: Immigration Loan Process Using Fuente Credito Technology





Case Study 1: Bridging Geographic Divides in Kitsap, Washington

Kitsap Immigration Assistance Center (Kitsap IAC) provides low-cost legal services to immigrants in the mostly rural counties of Clallam, Jefferson, North Mason, and Kitsap, Washington. Many of their clients work in the agricultural sector and live a great distance from both the Kitsap IAC office and Connection Credit Union (Connection CU), a local community credit union that provides affordable personal loans of \$300–\$2,000 for immigration-related purposes. If Kitsap IAC identifies an applicant with financing needs through their intake and screening processes, the staff uses Fuente Credito to connect them to Connection CU.

By using Fuente Credito to help clients apply online and upload their supporting documents, Kitsap IAC saves people a visit to Connection CU to determine if they prequalify for a loan. Instead, the applicant makes a one-time visit to Connection CU to close the loan after receiving the prequalification notice through Fuente Credito. The Kitsap IAC's model is a prime example of how automated underwriting and technology can bridge the divide that is common for rural immigrants who need responsible loans but live, work, and bank across large geographic distances.



Case Study 2: Integrated Services in Rockville, Maryland

CASA is an NCLR Affiliate that works to organize, advocate for, and expand opportunities for Latino and immigrant people in the Washington, DC metropolitan area. CASA has recently integrated Fuente Credito into their immigration services, which allows their clients to learn about immigration loans regardless of what immigration service they are seeking.

A prime example of this integration can be seen with Juan and Maria, spouses who are CASA clients. Juan and Maria are long-time LPRs in the United States and decided to become citizens due to concerns about a proposed administrative travel ban that might restrict their entry into the country. They enrolled in ESL language classes at CASA to improve their English capabilities prior to filing their naturalization applications. As a part of their class, they learned about the immigration loans available through the District Government Employees Federal Credit Union (DGE), a local credit union offering immigration loans between \$250 and \$2,500 to CASA clients. With the help of CASA staff, the couple applied for a loan using Fuente Credito. Within a week, they received their checks from DGE in the mail and returned to CASA to file their naturalization application. Juan and Maria's story illustrates how integrating financial information into citizenship and ESL classes can help people find financial resources they would otherwise not know are available.

NCLR believes several characteristics are required to establish a viable, sustainable, nationwide marketplace for immigration-related small-dollar loans:

- **More Lender Technology Enhancements.** A key to decreasing the costs associated with small-dollar loans is using technology to facilitate the application and decisioning process. Fintech companies, payday, and installment lenders already do this, but typically with high interest rates and fees for those with nonprime credit. However, smaller mainstream lenders such as community banks and credit unions tend to have fewer technology upgrades and many are not evaluating borrowers with alternative credit data. Investing in origination and underwriting technology to streamline their services can help smaller banks, credit unions, and CDFIs compete with nontraditional lenders. Tools like Fuente Credito can aggregate resources and connect lenders to immigrant-serving organizations, but lenders must have basic technology infrastructure—such as an online loan application and automated underwriting and servicing systems—that are connected to their core technology. In one example of how this is already happening at the credit union level, the National Federation of Community Development Credit Unions recently launched its CU Impact initiative, which will create the first core platform that aggregates accounting, compliance, and processing functions across credit unions.³² Through CU Impact, Federation members can switch from fragmented and high-cost processing systems to a new and flexible shared-cost system that will enable credit unions to devote more of their resources to serving clients. More investments like this must be made across different financial institutions to better serve the growing Latino community, who are more actively engaging with their finances through mobile than any other racial or ethnic group.³³
- **More Lenders Focused on Immigrant Financial Needs.** Financial institutions have an opportunity to fill a critical void in the small-dollar market with loans ranging from \$500 to \$5,000. Helping an immigrant change their immigration status might generate limited profits in the short-term, but providing affordable loans will create loyalty and allow lenders to build a deeper long-term relationship with these customers. Research shows that Latino consumers are some of the most loyal and want to work with companies that understand their culture and offer products and services that meet their needs.³⁴ Lenders should design products to make them accessible to immigrant borrowers with unique profiles, including those who use ITINs and have limited or no credit history. In addition, Latino customers are looking for financial providers that have bilingual staff and materials to provide complex financial information in their preferred language.

- Better Integration Between Financial Services and Immigrant-Serving Programs.**

Legal services organizations are a critical gateway to the immigrant community because they are trusted sources of information and can break down cultural misconceptions that immigrants may have about debt and loans. They are also serving a population with existing demand for loan products, as clients are looking for ways to finance their immigration applications. However, immigration legal service providers and financial institutions do not typically know one another or work closely with one another. In fact, NCLR has found that even organizations that operate both immigration legal services and financial counseling programs rarely connect the two. Legal service providers need support from financial institutions to understand the small-dollar lending landscape, specifically, which institutions offer affordable products and how much their clients can save by working with mainstream lenders. Financial institutions can benefit from partnerships with legal service providers to expand their name recognition into immigrant communities and capture referrals that bring down their customer acquisition and loan origination costs.

The Latino population is projected to grow significantly over the next few decades, increasing from 17% of the population in 2015 to 29% of the population in 2060.³⁵ This increase will only spur more demand for small-dollar credit and culturally competent financial services. Access to safe and affordable loans is an important stepping stone for immigrants on the path to financial inclusion, credit building, and ultimately long-term economic stability in the United States. Similarly, the demand for administrative relief such as DACA, avenues for adjustment to legal status, and eventual citizenship when available are also expected to grow substantially. For the financial industry, immigrants tend to be very loyal customers and serving the community makes long-term business sense. At the community level, organizations that are integrating immigration and financial services can help their immigrant clients achieve greater financial security through the process of transitioning status. Without significant intervention, however, the twin goals of promoting financial inclusion for immigrants while maximizing their access to lawful status and eventual citizenship are disconnected. In fact, the two systems may work at cross purposes: the absence of affordable credit products deters or excludes many immigrants from the relief they are eligible for, while immigrants who finance their immigration fees through predatory products are set back in their path toward long-term financial stability.

The current disconnect in the immigration fees market is unlikely to be narrowed significantly through incremental improvement; it represents a classic market failure that might best be addressed through a disruptive technological advance. If Fuente Credito, or systems like it, can be scaled, the needs of this growing consumer market could be met more efficiently, while simultaneously providing cost-reducing measures that make small-dollar loans a more sustainable option for financial institutions. And if, at the same time, such systems make affordable products widely available, they have the potential to accelerate immigrants' access to administrative relief like DACA, lawful permanent residence, and even citizenship, facilitating newcomers' integration into the American mainstream. This development would be widely beneficial and more sustainable than a strategy that attempts to tackle the problems of lack of financial access and lack of legal status or citizenship separately.

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