



AFFORDING CITIZENSHIP AND SECURING A SOUND FINANCIAL FUTURE

Introduction

U.S. citizenship is a crucial step toward improving the social, civic, and economic well-being of new Americans and their children. Promoting citizenship among immigrants is also important to advancing the overall integration and social cohesion of our nation. Furthermore, citizenship is an increasingly necessary precondition for financial stability and economic mobility for immigrant families.*

While our country aspires to fully integrate immigrants into U.S. society, barriers on the path to naturalization threaten this goal by placing citizenship out of reach for many eligible immigrants. One of the major obstacles to naturalizing that many immigrants face is the financial cost. The high fees can make naturalization prohibitive to many, while also providing fertile ground for financial predators to take advantage of immigrants' needs for cash to cover these expenses. High-cost lending to low-income immigrants is a well-documented problem that can threaten families' economic stability.

Previous NCLR reports have discussed the need to examine the U.S. Citizenship and Immigration Services (USCIS) agency's naturalization application fee structure and costs. This paper previews new data on the demand for solutions to the cost barriers to citizenship and early observations from a burgeoning social enterprise sector striving to meet this demand. The report concludes with key considerations for scaling innovative models that facilitate citizenship and promote financial security.

Economic Hurdles to Citizenship

The journey to citizenship consists of a \$680 application fee and can include costs associated with other supportive services such as English and citizenship preparation classes and legal assistance. The application cost alone increased 610% between 1998 and 2008. Following the most recent fee hike in 2007, the number of applications for citizenship fell sharply from 1.4 million applicants that year to 526,000 in 2008.¹ Furthermore, while reforms to the nation's broken immigration system will present new opportunities for immigrant families to access citizenship, these efforts at the same time often impose new financial barriers to achieving that dream. For example, the Deferred Action for Childhood Arrivals policy[†] announced by President Obama will require students to pay a processing fee of \$465 to obtain their work permit.

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† On June 15, 2012, the Secretary of Homeland Security announced that certain people who came to the U.S. as children and meet several key guidelines may request consideration for deferred action on their immigration status for a period of two years, subject to renewal, and would be eligible for work authorization during that time. Individuals who can demonstrate through verifiable documentation that they meet these guidelines will be considered for deferred action.

Immigration advocates estimate that an average immigrant earning the federal minimum wage would have to save eight weeks of full-time earnings to pay the citizenship fees for a family of four, yet in the current economic climate, there is little evidence to suggest that families have that much left over after paying for household necessities.² Record unemployment and foreclosure rates have wiped out savings reserves, knocked families out of the banking system, and devastated credit scores. The economic gains associated with higher incomes in the late 1990s and 2000s have been eroded, and recovery and advancement will likely be incremental and challenging for those affected by the recession, especially immigrants. While national attitudes have shifted in favor of prioritizing household savings, many families are not well positioned to save enough to cover unexpected emergencies or seize new opportunities. Families living paycheck to paycheck require financial tools to preserve as much of their income as possible and avoid financial pitfalls. Those that live outside the mainstream banking system spend as much as \$1,000 annually on financial transaction services such as check cashing and bill pay services.³ Households trying to make up gaps in income spend untold sums on predatory payday loans or rack up costly credit card bills. Such economic constraints are widely felt among low-income, unemployed, and elderly households. However, these issues are especially acute for noncitizen families.

Financial Capability of Immigrants

New research from NCLR suggests that immigrant families—who are disproportionately un- and underbanked compared to U.S. citizen households—face additional difficulties in accessing essential financial tools and services,

² Seventy percent of non-U.S. citizens in the survey reported annual earnings of less than \$30,000. The 2009 FDIC Survey of Unbanked and Underbanked Households showed that households with earnings below \$30,000 account for at least 71% of unbanked households, and households with a householder who is a noncitizen are more likely to be unbanked.

and that too few banks have the linguistic or cultural skills to meet their needs. The lack of access to financial products and information not only threatens the long-term financial stability of non-U.S. citizens, it puts citizenship out of reach for many.

Holding an account at a federally-insured bank or credit union is widely regarded as a primary step in achieving financial stability. For immigrants, it has also become an issue of physical safety as workers known or suspected of holding large sums of cash have become targets for criminals. NCLR surveyed over 1,000 Latinos at NCLR Affiliates and Progreso Financiero sites in California to learn more about how they meet their daily and long-term financial needs.⁴ In line with the national profile of non-U.S. citizens, noncitizen survey participants were overwhelmingly low-income and lacked a checking or savings account at a bank or credit union.* Non-U.S. citizens represented the majority of the unbanked in the survey results, making up 60% of participants who reported they did not have a basic bank account. Noncitizen survey participants were predominately Spanish-speakers and a majority was female.

The survey findings suggest that the costs associated with citizenship present a true challenge for many immigrants, and they reveal three insights into the demand for access to affordable financial services for daily use and when seeking citizenship:

- **More than half of eligible noncitizens report unaffordability as a primary reason for not pursuing naturalization.** Although eligibility was a factor for some non-U.S. citizens surveyed, over half

(51%) of those who were eligible for citizenship reported cost as the reason they were not yet U.S. citizens.

- **Noncitizens do not have the financial security necessary to deal with financial emergencies or opportunities to pursue citizenship, and most do not see traditional depositories as having a solution.**

Noncitizens surveyed overwhelmingly lacked access to traditional forms of credit (47%), were unlikely to have a bank account (38%), and were likely to have experienced unemployment in the last year (13.4%). Nearly a third reported income insufficient to save after paying household bills (31%). Furthermore, the survey data show that regardless of citizenship status, most participants would turn to a friend or family member for emergency funds if they needed them, as opposed to drawing from savings or tapping credit. If family were unable to provide the money, most did not know where they would turn next. Notably, most were either unaware of potential resources at a local bank or credit union or did not believe the financial institution could meet their need.

- **Citizenship is a household asset.** Individuals surveyed who had obtained citizenship were much more likely to have basic financial accounts, earn higher incomes, and put away savings, even when compared to documented immigrants who had not yet naturalized. This difference is highlighted in rates of the unbanked for naturalized and non-naturalized immigrants. Naturalized survey participants had an unbanked rate of 10%, compared to documented but non-naturalized immigrants, who had an unbanked rate of 34%. This data suggests that the differences in banking experiences and capability among immigrants cannot be attributed to legal or documentation status alone, and that the step from permanent residency to citizenship opens up additional important doors for immigrants. Of course, citizens also face economic challenges. Hispanic families are still more likely than

their White peers to be unbanked and lack access to key financial resources. However, becoming a citizen presents new opportunities to engage the financial system in constructive and helpful ways. For example, the restrictive identification requirements of some banks, which are easier for citizens to meet, may make credit available on more favorable terms. When asked what banks could do to attract their business, one survey respondent stated, “I’d want to open an account more easily with only one ID.” Another commented on the burden of ID requirements: “To open an account they ask for so many things, like your social security number.”

In sum, personal savings and access to reasonably-priced credit are two critical components of any household budget. For families working to stretch their dollar, savings and credit become even more important. They need tools and resources that promote savings and avoid excessive debt that will inhibit future financial opportunities. Moreover, families need objective advice and information to make the complex financial decisions that will put them on track to save for citizenship.

Lessons from the Field

In identifying specific strategies that can put citizenship in financial reach for immigrant families, NCLR sees several promising models emerging from its field-based network of community organizations. Since 2007, the *ya es hora ¡CIUDADANIA!* campaign, begun through a partnership by the National Association of Latino Elected and Appointed Officials Educational Fund and Univision, has worked with a national network of community-based organizations that provide pro bono assistance with the naturalization application. Recently, many of those community groups are adding a financial access component to the application assistance that can help eligible Legal Permanent Residents (LPRs) overcome the affordability obstacles of naturalization, while also helping families address their financial

* Both comments were originally written in Spanish and have been translated by NCLR.

goals. Other social entrepreneurs are also putting forward promising models, such as the San Francisco–based Mission Asset Fund, where the Lending Circles Program blends social lending and Individual Development Account matches, and the Latino Community Credit Union in Durham, North Carolina, which recently announced affordable microloans for students submitting applications under the Deferred Action program.

In this section, NCLR shares early learnings from one model which is currently being tested in the field. The New American Loan Fund, a project of CASA de Maryland, an NCLR Affiliate, seeks to increase the rate of naturalization among LPRs in Maryland through a small-dollar loan program that helps immigrants pay for their citizenship application. With support from Citibank, Raza Development Fund, NCLR, and others, CASA is partnering with two local Community Development Financial Institutions (CDFIs) to administer the microloans. The CDFI partners underwriting the loans, the Latino Economic Development Center and the Ethiopian Community Development Council’s Enterprise Development Group, have closed on 60 loans for the \$680 naturalization application fee at 18% APR repaid over six months, which averages out to six \$120 payments per participant. These payments are reported to the credit bureaus, aiding the borrowers in their effort to build a solid credit history before becoming citizens. Participants also meet with a financial coach while repaying their loan. Their coach recommends financial education classes, helps to open a bank account if the participant does not have one, provides guidance on the household budget, and checks in on the participant’s progress toward naturalization. NCLR commissioned an evaluation of the program from the University of North Carolina’s Center for Community Capital, which is designed to provide proof-of-concept level information about the impacts of the program on participants’ attitudes about saving, credit, and money management. The evaluation consists of an online survey, administered first when a participant enrolls in the program and again three months later, and

a series of interviews with LPRs who worked with CASA on their citizenship application and loan. The results are intended to highlight critical program elements necessary to take the project to scale. Early insights include:

- **Without access to this unique loan, CASA clients indicate that they would not have had the financial resources to complete the citizenship process.** One participant noted, “My friend...told me about CASA de Maryland...he told me, ‘Call them, it’s a support, CASA de Maryland will help you’... Thanks to them and God, I got the loan approved. We are elderly people, but thank God we were able to become citizens of this country...It was the best thing that has happened to me in these last two years. Since a long time ago I wanted to [become a citizen], but sometimes [it’s] the lack of money.” Another participant affirmed, “I couldn’t raise the \$680. [CASA] lent me the money, and thanks to you I became a citizen.”
- **Advice and guidance regarding financial topics and the naturalization process are a critical combination when extending credit to finance citizenship.** In addition to a loan to cover the cost of the application, CASA provides holistic services that prepare eligible LPRs for the naturalization process and for financial integration into U.S. society. Program participants receive help in completing the citizenship application—a process that typically costs several thousand dollars in legal fees—and preparation for the exam, plus follow-up throughout the application process, which currently takes four or five months in the USCIS’s Northeast Region. Alongside citizenship services, applicants participate in one-on-one financial coaching that promotes family financial stability and positive financial behaviors. This service helps to ensure that families receiving a credit product have a robust understanding of how the loan works and a resource to turn to if repayment becomes a challenge.

- **Loans are being repaid on time and in full.** All of the survey participants are on time with their loan payments; in fact, 100% of the 40 loans that have closed have on-time repayment. Because these payments are being reported to the credit bureaus, participants will start their citizenship journey on more solid financial ground with newly-established or improved credit. The evaluation will continue until the target goal of 100 participants are enrolled in the program and have completed the surveys.

Considerations for Scaling Innovation

An estimated 8.5 million immigrants are eligible for citizenship⁵ but have not taken all the steps necessary to naturalize. In addition, the Obama Administration's Deferred Action for Childhood Arrivals program is anticipated to serve 1.7 million young adults and students. Many of these families are unable to take advantage of the opportunities that citizenship provides—or temporary work eligibility in the case of Deferred Action students—because they cannot afford the associated fees. Moreover, with an estimated 11 million undocumented individuals living in the U.S., future demand for affordable solutions to citizenship promises to be enormous. Leaving this need unmet is likely to result in high-cost or predatory lenders targeting immigrants, particularly given the potential volume bursting into the market should a pathway to legal status be approved by Congress.

Based on new data from low-income immigrants surveyed in California and the early lessons gleaned from pioneers in this field, NCLR offers the following considerations for scaling innovative solutions to citizenship affordability:

- **Leverage mission-driven entities to provide the capital needed for responsible microloans.** Small-dollar lending can be difficult to offer at costs that are affordable to the user and profitable to the lender. Moreover, small-dollar users—immigrants,

in this case—are often highly exploitable, and thus great care must be taken to ensure that citizenship application loans do not become an invitation for predatory lending. To achieve the goal of offering loans on affordable and responsible terms, policymakers should look to mission-driven financial institutions such as CDFIs and Community Development Credit Unions (CDCUs). Assuming that half of eligible LPRs and Deferred Action youth require a loan to cover their application fees, the market for related microloans could easily exceed \$1 billion. At scale, CDFIs and CDCUs could offer credit at an affordable cost. USCIS should explore ways to partner with these institutions to advance microloans to cover citizenship fees. Lawmakers should consider appropriating funds for this purpose as a component of future comprehensive immigration reform proposals. Finally, private financial institutions should see this as a potential market and explore ways to deliver affordable capital through CDFIs and CDCUs or responsibly-priced credit directly through their branches.

- **Promote personal savings and positive financial behaviors.** The low savings rate among immigrants is offset by their thirst for reliable financial information and advice. Nonprofit financial coaches facilitate this process by providing families with objective advice and guidance while they are making key budget decisions and also help families of modest means save for future goals through programs such as matched savings, peer lending circles, Individual Development Accounts, and tax-time savings initiatives. By padding their personal savings, families better position themselves to obtain credit on reasonable terms—if credit is needed at all—and reduce reliance on expensive and risky credit such as payday loans when emergencies come up. A national program to reduce the financial burden of citizenship should include both a household savings strategy as well as access to credit.

- **Seize opportunities to collaborate and capture a powerful teachable moment.** Low-cost naturalization assistance and financial access programs exist in communities but have only recently begun to find each other on the ground. By busting the silos between the two fields, a powerful “teachable moment” is created: that is, families that are motivated to find an affordable solution to completing the citizenship process become a captive audience for relevant financial information that can shape and enhance their decisions as banking consumers. The purpose of a naturalization assistance program is to facilitate citizenship; therefore, lack of financial education should be addressed so it does not become a barrier. However, research has shown that financial information is best received and digested when it is delivered at or near the time a decision is being made. Similarly, navigating the naturalization process can be confusing. A program intended to eliminate cost barriers to citizenship must incorporate advice on the application process so that resources—whether from personal savings or a loan—are applied as intended. Few institutions will have the necessary expertise in both financial and immigration issues, so strong partnerships will be required to support a sustainable program. Moreover, with a market potential in excess of \$1 billion, capital is not likely to come from a single source. Partnerships between nonprofit, private, public, and philanthropic institutions must be fostered in order to meet the demand.

Endnotes

- ¹ U.S. Department of Homeland Security, "Table 20: Petitions for Naturalization Filed, Persons Naturalized, and Petitions for Naturalization Denied: Fiscal Years 1907 to 2008," *2008 Yearbook of Immigration Statistics*, <http://www.dhs.gov/yearbook-immigration-statistics-2008-0> (accessed September 2012).
- ² Flavia Jimenez, *Priced Out: U.S. Citizenship, A Privilege for the Rich and Well Educated?* (Chicago, IL: Illinois Coalition for Immigrant and Refugee Rights, 2008), <http://icirr.org/sites/default/files/Priced-Out.pdf> (accessed August 28, 2012).
- ³ Matt Fellowes and Mia Mabanta, *Banking on Wealth: America's New Retail Banking Infrastructure and Its Wealth-Building Potential* (Washington, DC: Brookings, 2008).
- ⁴ Full survey results will be available in the Fall of 2012 at www.nclr.org.
- ⁵ Nancy Rytina, "Estimates of the Legal Permanent Resident Population in 2011," *Population Estimates*, July 2012. Office of Immigration Statistics, U.S. Department of Homeland Security. Washington, DC, 2012, http://www.dhs.gov/xlibrary/assets/statistics/publications/ois_lpr_pe_2011.pdf (accessed August 28, 2012).

