New Economics for Women

Participation in the Wealth Economy by Low-Income Latino Immigrants

Proyecto Adelante

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About New Economics for Women (NEW)

Founded in 1985 as the first Latina-operated nonprofit community economic development organization in the United States, NEW's vision is to reduce poverty by creating and building wealth opportunities for the families and neighborhoods we serve. Its mission is to "create economic and educational opportunities for single parents, families, and disinvested communities as a pathway for dreams to come true. We carry out that mission by designing and operating quality housing for families and single parents; helping families build assets and develop resources; and helping low-income communities develop strategies to eliminate poverty."

NEW currently owns and operates 651 units consisting of a transitional living center for young single mothers and eight affordable multi-family housing developments. In addition, through its financial literacy, homebuyer education, foreclosure prevention and matched savings programs, NEW enables families to become first-time homeowners start businesses and attend college.

NEW serves primarily low-income Latino immigrant families from Mexico and Central America who have limited English language skills and reside in some of the densest and poorest neighborhoods of Los Angeles County.

Introduction

This report summarizes the results of a pilot program launched by NEW to introduce low-income immigrant Latino families to the importance of owing financial assets. NEW noted the cultural, educational and structural barriers that impede immigrants, and especially the undocumented, from fully participating in the U.S. economy and offers some recommendations for addressing these issues. The report also contains a brief review of the current literature summarizing the work of organizations concerned with asset development for low-income Latinos.

It is estimated that immigrant labor contributes more than 40 percent of the Southern California gross regional product and their spending power is more than one-third of the region's total. America has a huge stake in the successful integration of immigrants into our socio-economic fabric. NEW concluded that immigrants need basic economic rights to enable them to prosper in meaningful ways that enhance the well-being of us all.

Background

Owning financial assets is a critical element of a family's well being and the key to creating wealth. Financial assets are defined as investments that appreciate over time including real estate, business ownership, stocks and bonds, etc. This kind of wealth enables families to weather crises and take the risks necessary to take advantage of financial opportunities. Studies have shown that asset accumulation and growth lead to better education, jobs, health, marriages and other measures of socioeconomic and psychological well being. Families that have the capacity to acquire and increase their financial assets can participate in the "wealth economy" and achieve a measure of financial security.

Families with low incomes and low assets face multiple barriers toward growing savings and wealth, including limited opportunities and incentives to save, a lack of understanding about the importance of asset building, and a reliance on high-cost financial services.

NEW's understanding of the fundamental principle that asset accumulation is necessary for economic self-sufficiency resides at the heart of NEW's work in wealth creation. The observation of families served by NEW's financial literacy programs led NEW to investigate how Latino families perceive financial assets, their behavior in managing money, and their receptivity to shifting their beliefs and behavior from "living paycheck to paycheck" to wealth creation.

NEW conducted an initial survey in late 2007 of immigrants' attitudes toward assets and the U.S. financial system to provide some baseline data to inform the next evolution of NEW's wealth creation programs. NEW surveyed more than 300 low-income (40 to 50% of area median income) immigrant residents of the Pico-Union, San Pedro, Boyle Heights and Canoga Park neighborhoods of Los Angeles and found:

1. **Immigrants own few assets but have the capacity to save.** Though fewer than 5 percent of respondents indicated they owned a home or business, almost half had either a checking or savings account and nearly 40 percent regularly sent money to family abroad.
2. **Immigrants have a low level of trust in financial institutions.** Respondents feared that banks would not return their money when they need it. Some feared they would lose everything if deportation or some other emergency occurs.
3. **Immigrants' understanding of the U.S. financial system and how to build a more secure financial future is limited.** Nearly 64 percent of immigrants surveyed believed that the main way to earn more money was to work harder. Many did not perceive the protection and growth of assets as a way to build financial security.
4. **Immigrants want to learn more.** More than 80 percent of respondents reported that they wanted to learn more about building and protecting their financial assets. By the same large margin, immigrants wanted to learn about this subject in a one-on-one interaction or in a classroom setting geared to their needs (e.g. close to home, evening hours).

Another significant barrier to asset creation for the families and communities NEW serves is the significant number who are undocumented and the peculiar problems they face. Los Angeles is home to the largest undocumented population of any American metropolis. Los Angeles County residents are one-third immigrants, half of the workforce is foreign-born and nearly two-thirds of those under the age of 18 are children of immigrants. Approximately 16 percent of children live in households in which one of the parents is an undocumented immigrant from Latin America. Of these children, fully 80 percent are U.S. citizens.[1]

Beginning in 2007, a convergence of forces put NEW's families in a state of crisis and fear. Many were victims of financial predators succumbing to credit scams that left them with insurmountable debt. Concurrently the economic downturn in the U.S. grew more severe and job losses accelerated. Immigration enforcement intensified with a huge upswing in workplace raids

[1] Manuel Pastor, Rhonda Ortiz, *Immigrant Integration in Los Angeles,* Program for Environmental and Regional Equity & Center for the Study of Immigrant Integration, University of Southern California, January 2009

and deportation of the undocumented. Many of those deported were parents with minor U.S. born children. Suddenly separated, parents had little or no time to make care arrangements for their children. Older children often had to manage whatever money was left behind to take care of themselves and their siblings, an adult responsibility that they were ill-prepared to handle. Those deported did not know how to access their money in the U.S. nor did they know how to arrange guardianship for their children or give the legal right to another to manage their affairs. The trauma of family separation caused by the raids has had long-lasting negative financial and emotional consequences for the families directly affected as well as the surrounding community.

In an atmosphere of fear, it is difficult to think beyond immediate survival, much less plan for a secure financial future. NEW wanted to focus specifically on growing and protecting assets for Latino low-income families that faced the threat of deportation of one or more family members.

Population Studied

The Westlake/Pico-Union community has historically served as a "gateway" for newly arrived immigrants primarily from Mexico and Central America. It is an area of severe and pervasive economic hardship and one of the most densely populated areas in Los Angeles County. Over 75,000 residents, of which 28% are under 18, live within a 1.75 square mile area. Fifty-four percent of the total population is below the federal poverty level with 44 percent of the households earning less than $15,000 each year. Latinos comprise the largest racial/ethnic group (63 %) with a growing Asian population (26%). Spanish is spoken on the street and in the local shops.

Many of the families residing in NEW's affordable housing units are single-parent families. Their economic situation is even more precarious as there is only one income to rely upon. The possibility of job loss, care for minor children, deportation or another emergency would be disastrous.

The local Latino population is a closely-knit community where word-of-mouth plays an important role in disseminating news, information and referrals for needed goods or services. Consistent with other immigrant populations, the experiences and recommendations of friends, family, or trusted community members are often valued over traditional advertising and outreach.

Literature Review

Though this study is about low-income Latino immigrants, it helps to place the group's economic status in the context of the larger picture of Americans' economic well-being.

Even before the recession, between 2000 and 2006, the number of American middle-class families that lacked economic security grew from 19 to 23 million. The decline in assets, the rising cost of housing, and more families lacking health insurance depleted middle-class economic resources, and left millions of families poorly positioned to weather the current recession. In 2006, only 24 percent of middle-class families were economically secure. For the African-American middle-class the rate was just 16 percent. For Latino middle-class families, it was an even lower 12 percent.[2]

Experts have identified many strategies to help low-income families grow their assets. These strategies generally fall into the following categories[3]:

1. Provide financial literacy education;
2. Create opportunities and incentives to save;
3. Improve access to mainstream financial services;
4. Promote home ownership;
4. Increase or supplement earnings;
5. Curb predatory lending practices; and
6. Expand access to insurance

Community-based organizations, funders, financial institutions and policymakers in various communities have implemented many of these strategies. However, very few strategies are targeted specifically to the unique needs of Latino immigrants and fewer still to the undocumented.

Reaching the undocumented presents many challenges, and they face numerous structural barriers that inhibit their ability to gain the knowledge they need to grow and protect their assets. In a 2005 conference organized by the National Endowment for Financial Education (NEFE), community practitioners met to discuss how to make progress in asset development for this population. They also identified a number of issues that may arise should immigration reform be implemented:

- effects of mandatory departure for a home or business owner
- effects of separation of family members who collectively own assets
- fees, fines, a new tax liability, or pay back-taxes owed should permanent residency be granted
- the process of what to do with tax preferred/deferred savings (IRAs) accounts and social security contributions should an immigrant be deported or forced to leave the United States within a period of years
- the need to transfer personal and financial records between the U.S. and Latin America, and vice-versa
- the elimination of the matricula consular card or ITIN as acceptable forms of ID to open a financial services account
- the ability of Latino undocumented immigrants to obtain a drivers license

The issue of trust in financial institutions is critical to helping Latino immigrants participate more fully in the American economy. All of these issues are present with the families NEW

[2] Jennifer Wheary, Tatjana Meschede, Thomas M. Shapiro, *The Downslide before the Downturn,* Institute on Assets and Social Policy and Dēmos, #5 in the By a Thread Series and the Middle Class Security Index, 2009

[3] Christianne Lind, *Strategies to Build Assets Among Low-Income Families: Mapping the Field*, The Finance Project, December 2006 and the Ford Foundation – *Opening Doors to the Economic Mainstream*, 2007

serves. Community practitioners identified the ideal attributes[4] of a financial literacy program targeted to Latino immigrants:

Immigrant Centered

Culturally sensitive
Socio-economic appropriate
Customized to immigrants' household, local, or community needs
Designed to be a springboard off survival mode

"Latino-Immigrant Approved"

Involve Latino immigrants in developing financial education solutions.

Iterative

Financial education is a process, not a product that requires constant interaction, reinforcement, and follow-up.

Marketed to the Proper Audience

Latino women are typical household decision makers.
Sometimes a school-aged household member advises the parents on financial decisions.

Tied to Institutions Latinos Trust

Latino immigrants would view providers of financial education more positively if they were tied to Latino-based organizations that know how to get a message across in the proper manner and with the proper timing.

The field of experts recognizes the necessity of integrating Latino immigrants into the U.S. financial mainstream and the wealth economy. However, there are still more questions than answers in determining the best way to reach Latino immigrants, how to take successful efforts to scale and how to effect policy and structural changes needed to improve Latino immigrants' capacity to acquire, grow and protect financial assets.

Proyecto Adelante Pilot Program

NEW's experience in wealth creation programs and in serving Latino immigrants led to the development of the pilot program *Proyecto Adelante*. Funded by the Ford Foundation and begun in May 2008, the program had two major objectives:

1) To educate Latino immigrant families--including children and youth--on asset development and protection and wealth creation through customized workshops and one-on-one case management sessions; and

2) To document the process, analyze "lessons learned," and provide policy recommendations on enhancing the field of asset development.

Thirty families were recruited to participate in the pilot program. Twenty-seven families consisting of 60 adults and teens and 54 children followed through, signing contracts to

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[4] National Endowment for Financial Education, Think Tank on financial services and Latino immigrants, Nov, 2005

participate. Twenty families successfully completed the program. Those who successfully completed the program were given stipends of $1,000 per family.

The participants were intentionally recruited to represent a mix of Latino subgroups (Mexican and Central American), including single parent and two parent households. Most of the participants were residents in NEW housing developments in the Westlake/Pico-Union neighborhood, just west of downtown Los Angeles. To be eligible for participation, the families had to have graduated from the NEW Smart Consumer workshop, a basic financial literacy program. The legal status of the participants varied. One-third of the participants were citizens or legal residents while the other two-thirds were undocumented. Many families had a mix of documented and undocumented members so everyone was interested in information about immigration.

Over a nine-month period, participating families were educated on the U.S. financial system, predatory lending practices, asset creation opportunities and on how to protect their investments. In addition, other transnational financial issues such as remittances were addressed. Because children and youth are often left behind to manage the family finances when their parents are deported, they also participated in the program, utilizing a different, age-appropriate set of workshop activities. Subjects covered included:

- Legal Status and Deportation Issues: Identification, ITIN Numbers, INS, IRS, Parents Rights and Responsibilities Towards Children
- Your Economic Rights and Opportunities: Importance of Asset Protection, Power of Attorney, Living Trusts, Wills, College Fund
- Predatory Lending & Fraud (transnational): Check Cashing, Pay Day Loans, Auto Lending, Credit Cards
- Remittance / Bank Accounts in Another Country
- Use of Financial Institutions: Banking, Checking Accounts, Savings Accounts, Overdraft Fees, Branch Communication, Establishing a Record of Payments
- Wealth Creation I: Money Market Accounts, Certificates of Deposit, US Savings Bonds
- Wealth Creation II: Mutual Stocks and Bonds, Retirement Accounts (IRA, Keogh, 401K, Thrift Accounts)
- Property: Land Acquisition, Rental Property, Owning Property in Another Country
- Homeownership / Own Your Own Business
- Insurances: Health, Life, Auto, Homeowners

Findings

Participants did not perceive assets in purely financial terms.

1) Immigrant parents believe that their children are their most important asset. This was a recurring theme throughout the nine-month program.

2) The program's emphasis on how family and group values shape beliefs about money helped participants make the connection between their values and behaviors. In short, they recognized the importance of human capital in their ability to create wealth.

There is a lack of appropriate financial literacy information tailored to immigrants.

3) **There is a dearth of information on asset accumulation and growth tailored to the needs of Latino immigrants.** Though there is an abundance of financial literacy educational materials, few are bilingual or culturally appropriate. Almost none deal with more sophisticated financial products or the tools available to protect financial assets.

   Furthermore, nothing is available on how to establish guardianship for minor children or manage your financial affairs in the event of deportation or death. Typically, attorneys who are unaffordable for low-income families provide this information.

   Therefore, NEW created its own curriculum tailored to the needs of its families. For example, new information included guardianships, insurance protections, asset protection in other countries, creating a will or trust, etc. Providing practical step-by-step information with an overview of the U.S. financial system and practices was a successful strategy in transferring knowledge to participants.

   Two elements were missing from the curriculum that NEW believes should be included in future curricula – disability insurance (the likelihood of being disabled during one's working lifetime is high) and "repatriation" insurance, a kind of insurance that covers the return of the deceased to their home country.

4) **Immigrant parents do not have access to readily available information on how to protect their interests and provide care to their U.S. born children if they are deported.** They do not understand the practical steps and documents required to designate guardianship of their children. There is no central information source regarding immigrants' rights in protecting their children or their financial assets.

   Given the high level of concern among program participants over the possibility of being deported and their corresponding concern about the welfare of their children, it is not surprising that many of the participants said the most helpful information they learned was about preparing for an emergency (deportation or death) and how to put contingent guardianship plans in place.

   Families participating in *Proyecto Adelante* developed customized Emergency Plans - an actual binder with important information on family matters, finances and legal documents. These plans made families feel secure in the knowledge they are prepared if their family is ever separated or is facing a legal or financial emergency. This process required one-on-one counseling because most of the information was not easily accessible and having a knowledgeable and trusted financial expert to guide them was critical.

5) **Practitioners serving immigrant families must treat this audience as "global citizens" and design their educational programs accordingly.** Based on responses from our participants, many have assets in both the United States and their country of origin. Therefore, it is necessary and critical for immigrant families to understand the financial systems and practices of each country.

Whole family education is critical.

6) **Whole family education, where each member of the family participates in learning financial concepts, helps reinforce family unity and makes each family member accountable toward financial goals.** *Proyecto Adelante* had another unintended but very positive result. The shared experience brought families closer together as they learned how to communicate about their financial goals and how to work as a team to enhance their assets. As teenagers, who are often more acculturated than their parents, recognized the complexities of their parents' economic lives, they expressed a greater interest in helping the family. Children and youth gained a better understanding of the difference between a "need and a want" which serves them well as they become full-fledged consumers.

7) **Attitudes about money developed in their homeland strongly affect immigrants' financial behaviors in the U.S.** NEW learned that depending on a person's country of origin and their social class, they had different views of money, different customary behaviors and different definitions of a financial asset. For example, in Central America, owning your own business can make you a target for robbery and kidnapping. In Mexico, banks do not insure deposits and devaluation of the peso is commonplace after elections. It is therefore considered more financially prudent to convert your currency into hard assets like gold or land (in the home country) than to deposit cash in the bank.

   The psychological/emotional view and behavior towards money and finances must be explored with each family for a deeper understanding of what motivates their behavior. It is vital for each family to share their family values and link those values with their financial goals thereby creating a reference point when making financial decisions.

Access to Knowledge Must be Improved

8) **Immigrants need better information on preparing their children for college.** Achieving a post-secondary education is increasingly necessary to being able to earn more income and thus increase an individual's capacity to save and acquire financial assets. Students who aspire to attend college know that post-secondary education is uncharted territory for their parents and many others in their community. Parents in the program expressed concern that they did not know how to help their children get into

college and in some cases they were not sure about sending their children to college because of the high cost or their own legal status, even if their children are U.S. citizens.

At the workshop on education and college, the parents and teens sat together and learned about how a student's high school education affects their college prospects, for example, how a student's grades dictate the level of college the student will be qualified to attend. They also learned what the critical high school course requirements are for college entrance and information about valuable educational access and scholarship opportunities. Some parents and teens were relieved to discover that in California students can attend college regardless of their legal status.

9) **The financial services industry is under serving low-income immigrant families.** Though banks have made some efforts to serve this population through the acceptance of ITIN numbers and provision of remittance services, many families do not understand the breadth of services available to them through their banks. While much has been written about the "unbanked" population, there is much progress needed in serving the "underbanked."

   A significant shift in perception occurred during the program among participating families regarding their relationship to their bank. Rather than view the bank as an authority that "allows" them to do certain things with their money, they were empowered with the knowledge that they are in charge of their own money and that the bank is there to serve their needs.

10) **The financial planning industry is not structured to serve low-income immigrant families.** The fee-based model of for-profit financial planning does not work for low-income families who typically do not have enough money to invest to meet the minimum (usually $100,000) threshold. The alternate business model is the sale of commission-based investment products that pushes consumers to purchase high-cost products rather than the products that are in their best economic interests. Furthermore, only immigrants with valid social security numbers can open a brokerage account.

11) **Participants perceived the information as very useful and shared their learnings with others.** At least 70 percent of the participants reported sharing information they learned at the workshops with their family and friends here and in their countries of origin. These same participants requested more formal training in the subject matter to educate others in their community.

12) **Limited access to the internet for low-income families or the "digital divide" impedes their ability to learn more about the U.S. financial system and practices.** Information on investments and personal finances is plentiful on the internet, but a philosophy of "caveat emptor" or buyer beware makes consumer education available only to the educated, English-speaking, and those with regular access to the internet.

Recommendations and Next Steps

Improve Financial Literacy Information Tailored to Immigrants

1. **Develop a bilingual, bicultural financial "toolkit"** covering financial literacy basics, financial assets as well as the immigration information and asset protection tools covered in the Proyecto Adelante curriculum. The toolkit should include information on college planning and preparation beyond how to finance a college education.
2. **Develop different formats for the "toolkit"** targeted to adults, teens and children -- for example, a print and web-based toolkit for adults and teens, a video game for teens and comic books for children. The toolkit for adults should also have a section tailored to the special issues of single parents.
3. **Promote the toolkit using Spanish-language mass media and distribute through consulates and grassroots efforts** in settings that are both trusted, accessible and comfortable for immigrants.

Improve Access to Knowledge

1. **Translate the successful "promotoras" model for financial literacy education.** "Promotora" is the Spanish word for a female "promoter," and in this context also refers to a community health worker, sometimes known as a lay health advisor. Promotoras typically live in the communities that they serve, and their expertise is based on knowing the communities where they live and serve rather than in formal education. The promotora model reaches underserved or hard-to-reach populations through peer education.[5]

2. **Provide financial literacy training through ESL classes.** Many Latino immigrants make it a priority to learn English and typically do this through English as a Second Language (ESL) classes. Adapt the financial literacy toolkit for ESL curricula and train ESL teachers to teach financial literacy.

3. **Expand legal aid services to include wills, trusts, guardianship and other issues important to immigrants.** Most traditional legal aid services are focused on tenant rights and issues such as domestic abuse.

4. **Develop a financial planning certification program for non-profit financial literacy providers.** Working in partnership with financial planning associations, develop standards, training and curricula to certify non-profit staff to provide financial literacy education and counseling.

Promote the notion that every individual has the right to be full participants in the wealth economy – that this is a basic economic right.

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[5] A Guide to Promotora Programs, Planned Parenthood of America, 2004

Most discussions regarding immigrants focus on their civil rights as opposed to their economic rights. This has precedence as The United Nation's 1948 Universal Declaration of Human Rights[6] divided rights into civil and political rights (CP rights) and economic, social and cultural rights (ESC rights). Those countries [including the United States] "with a strong faith in full economic liberalism and a severely constrained role for the State in matters of welfare" resisted ESC rights.[7] Even this definition of economic rights focuses only on the rights to work, to free choice of employment, to fair work conditions, to unionize, to strike and to own property.

Based on NEW's wealth creation work and the learnings from Proyecto Adelante, NEW believes that economic rights should be expanded to include the **right to be a full participant in the wealth economy,** especially as it applies to the most vulnerable people in our society***:*** immigrants and low-income individuals. This set of rights is inclusive of:

1) The right to protect the physical and financial well-being of your children in the event of emergency;
2) The right to access and manage your financial assets from anywhere in the world;
3) The right to low-cost legal services that help protect assets;
4) The right to be protected from predatory financial practices;
5) The right to access linguistically and culturally appropriate financial literacy information;
6) The right to establish a credit score using non-traditional information such as history of rent payments;
7) The right to access knowledge and financing for entry to post-secondary education;
8) The right to purchase investment, insurance and retirement products without a social security number;
9) The right to benefit more equitably from the U.S. tax code; and
10) The right to have access to affordable health insurance and other financial safety net provisions.

Conclusion

NEW learned, and this paper seeks to clarify those findings, that changing the lives of low income Latino immigrants so they move from dependency to independent wealth builders requires an affirmation of what Nobel Prize winner Amartya Sen advocates in his book *Development as Freedom*—**that economic rights are a foundation of political freedom**.

Though this was a first step, NEW was able to test strategies that engage and inform its immigrant families and identify what barriers must be broken to permit them, particularly if they are undocumented, to fully engage in the wealth economy. Finally, by engaging these immigrant families with the strategies and programs that work, NEW knows which of those would be most effective going forward that will empower families to understand and assert their fundamental human and economic rights.

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[6] Adopted December 10, 1948, G.A. Res. 217A (III), UN Doc. A/810, at 71 (1948)
[7] Asborne Eide, *Economic, Social and Cultural Rights as Human Rights*, 1995

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