



Department of Consumer Affairs
Office of Financial Empowerment

Immigrant Financial Services Study

Kathryn Glynn-Broderick
Deputy Director of Research & Evaluation

FDIC
3rd Annual Consumer Research Symposium

October 17, 2013



Agenda

- Background of *Immigrant Financial Services Study*
- Field Research: Demand and supply of financial services
 - Methodology
 - Characteristics of the sample
 - Main findings
- Research-Informed Interventions



Agenda

- Background of Immigrant Financial Study
- Field Research: Demand and supply of financial services
 - Methodology
 - Characteristics of the sample
 - Main findings
- Research-Informed Interventions



NYC Department of Consumer Affairs Office of Financial Empowerment

The Office of Financial Empowerment (OFE) is the first local government initiative in the nation with a mission to **educate**, **empower**, and **protect** New Yorkers with low incomes so they can build assets and make the most of their financial resources.



Department of Consumer Affairs
Office of Financial Empowerment

Partners

Community Development

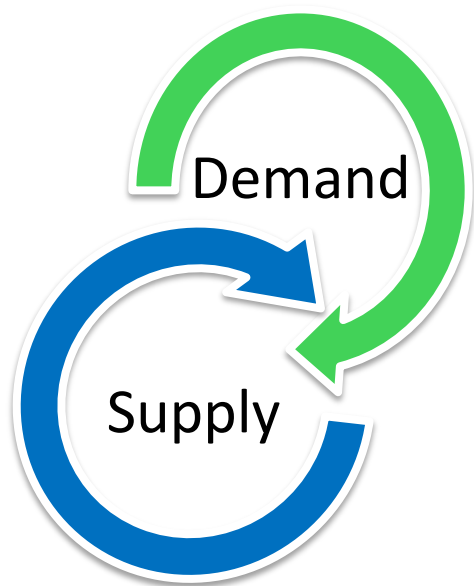


NYC Mayors Office of Immigrant
Affairs



The New York Community Trust

Immigrant Financial Services Study



Purpose: To identify unmet needs in financial services among low and moderate immigrant

Examine the **financial services needs**, of first-generation immigrant households

Identify areas where the financial services can supply marketplace to improve these communities move forward financially.

Inform public and private efforts on how to better serve immigrant households.

How does this study build on past research?

Past research

- Characteristics of **unbanked** immigrants
- **Quantitative** assessment of how many immigrants use financial services
- Characteristics and determinants of **remittances**
- Best practices and opportunities for **financial institutions**

Immigrant Financial Services

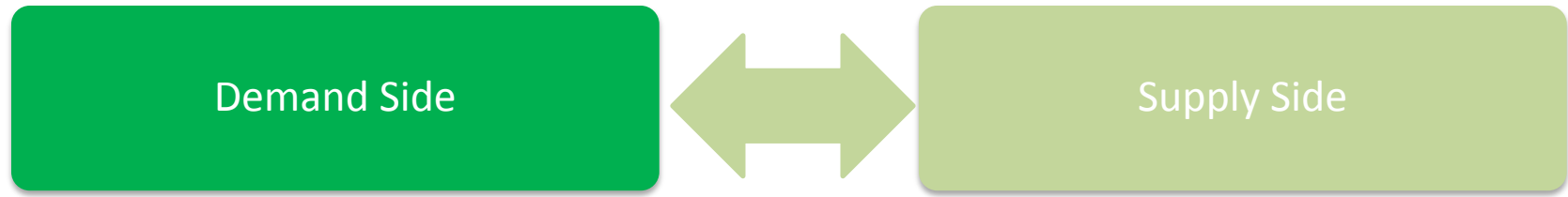
- Characteristics of **banked, unbanked and underbanked** immigrants
- **Quantitative and qualitative** assessment of immigrants' financial behaviors
- Analyzing patterns of **savings, credit and transactional activities**
- Studying both **supply and demand** in one particular geographical area



Agenda

- Background of Immigrant Financial Services Initiative
- Field Research: Demand and supply of financial services
 - Methodology
 - Characteristics of the sample
 - Main findings
- Research-Informed Interventions

Methodology



Sample Design and Survey Development

Banked/Unbanked

Mexican, Ecuadorian, Chinese (n=1,324)

3 initial focus groups through CBOs (n=29)

Survey, Nov. 2011-Jan. 2012

Mexican and Ecuadorian Consulates

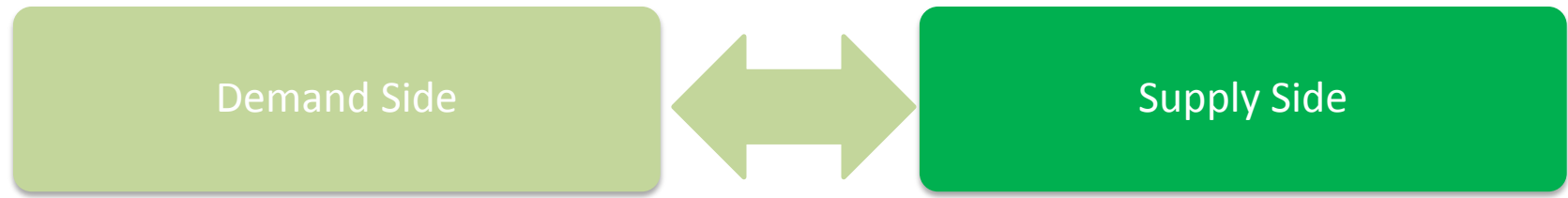
Major intersections

Van station, dumpling shop, health clinic

Probing Survey Responses, February-March 2012

6 follow-up focus groups (n=64)

Methodology



Literature review- October 2011

In-depth Interviews & “Secret Shopping”- October-December 2011

- Interviews with 20 staff (front-line and management) of 5 banks and credit unions
- Observation of “secret” recent immigrant consumers at 10 bank branches, money transfer agents, and check cashiers in immigrant and non-immigrant neighborhoods

Key informant interviews October 2011-February 2012

- Remas; CBOs that focus on immigrants in providing information and education about financial institutions and their services



Agenda

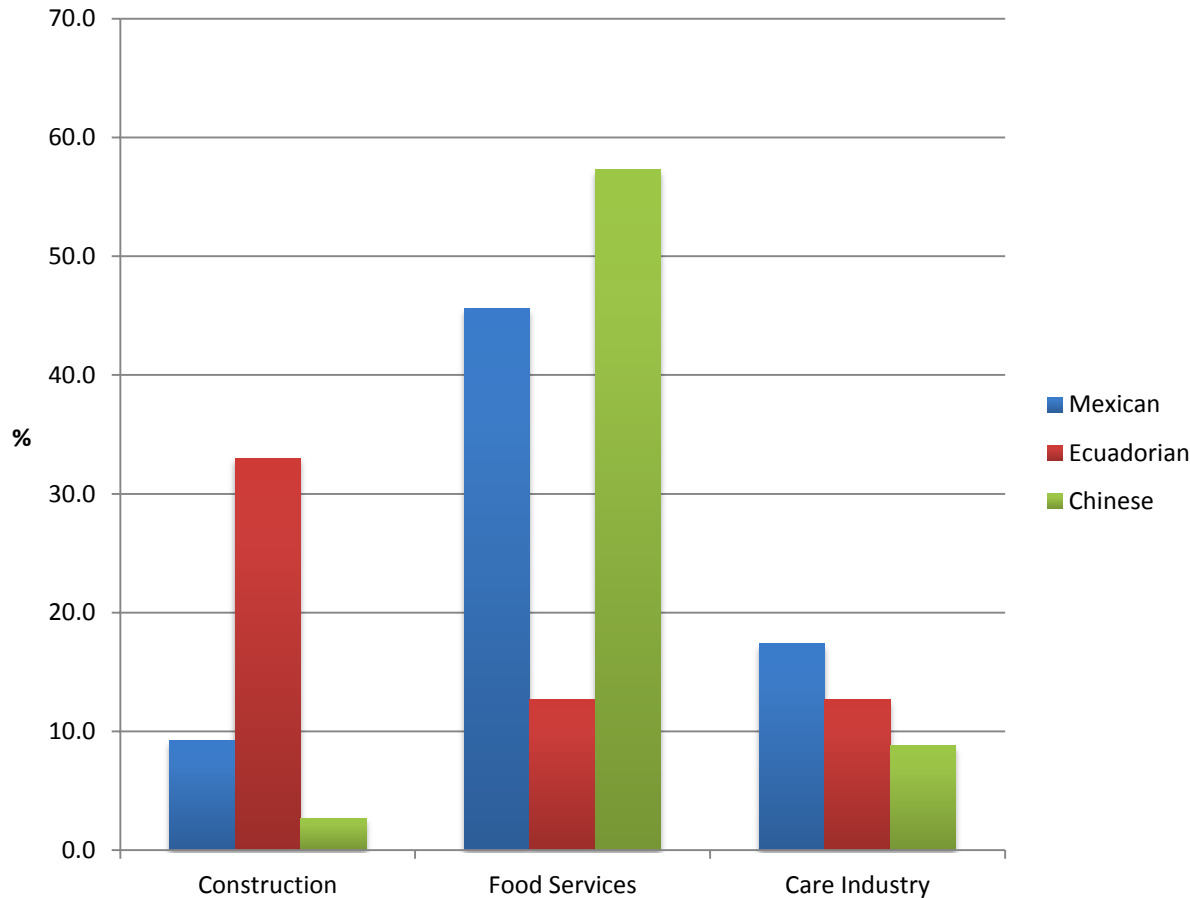
- Background of Immigrant Financial Services Initiative
- Field Research: Demand and supply of financial services
 - Methodology
 - Characteristics of the sample
 - Main findings
 - Next Steps
- Research-Informed Interventions



	Mexican	Ecuadorian	Chinese
	33	36	
	10.4	11.5	
	82	62	
	34	44	
	1.7	1.7	
		10.2	
Spoken English (Self-assessed scale 1=low; 5=high)		2.4	
With Cell Phone (%)	91.6	93.8	100

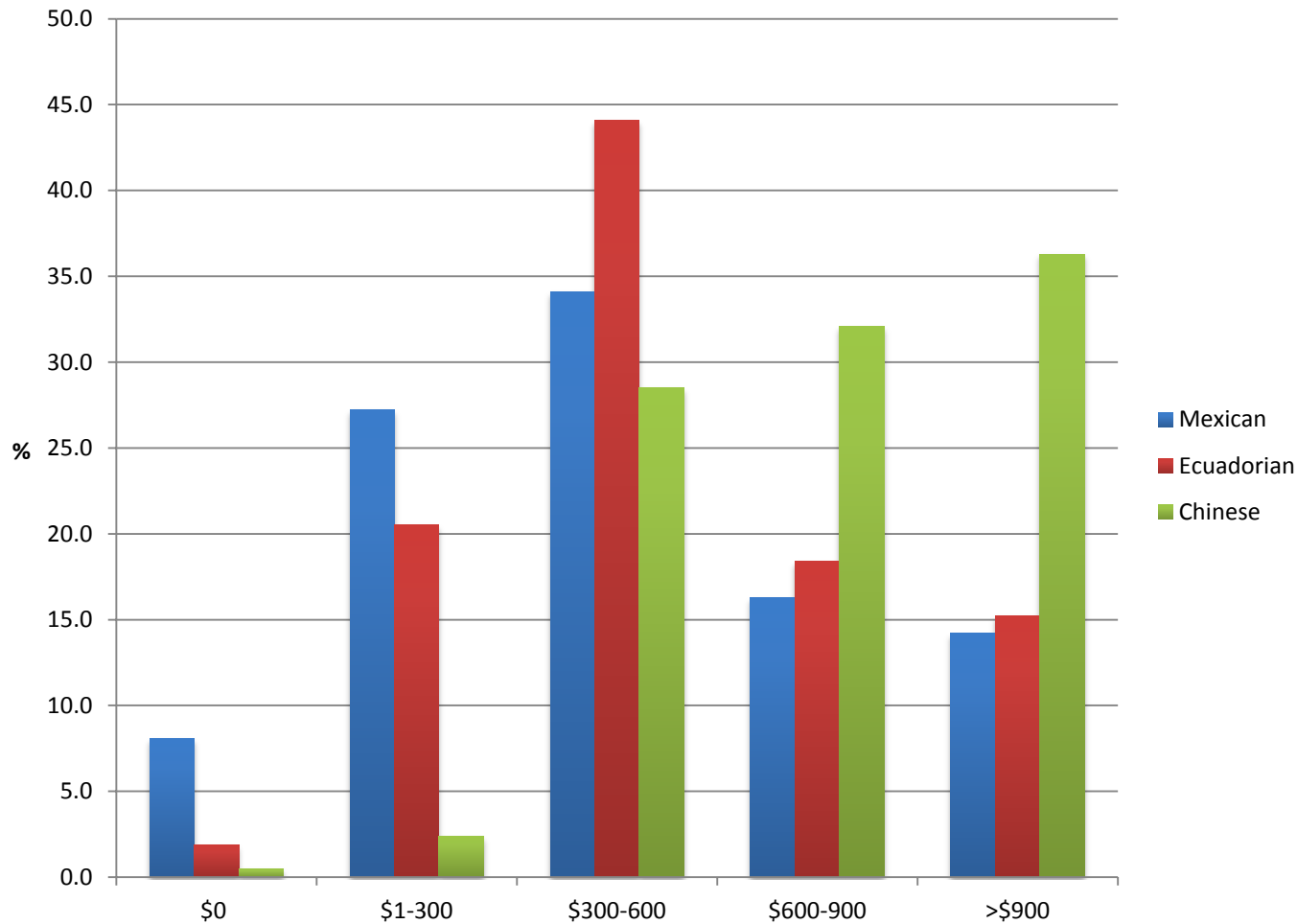


% Employed Job Category (Top 3)





Weekly Household Income Distribution (%)





OFE 2011 Survey Sample (Demand Side)

	Mexican (443)	Ecuadoran (417)	Chinese (464)	Total (1,324)
Banked	43%	65%	95%	68%
Total	100%	100%	100%	100%

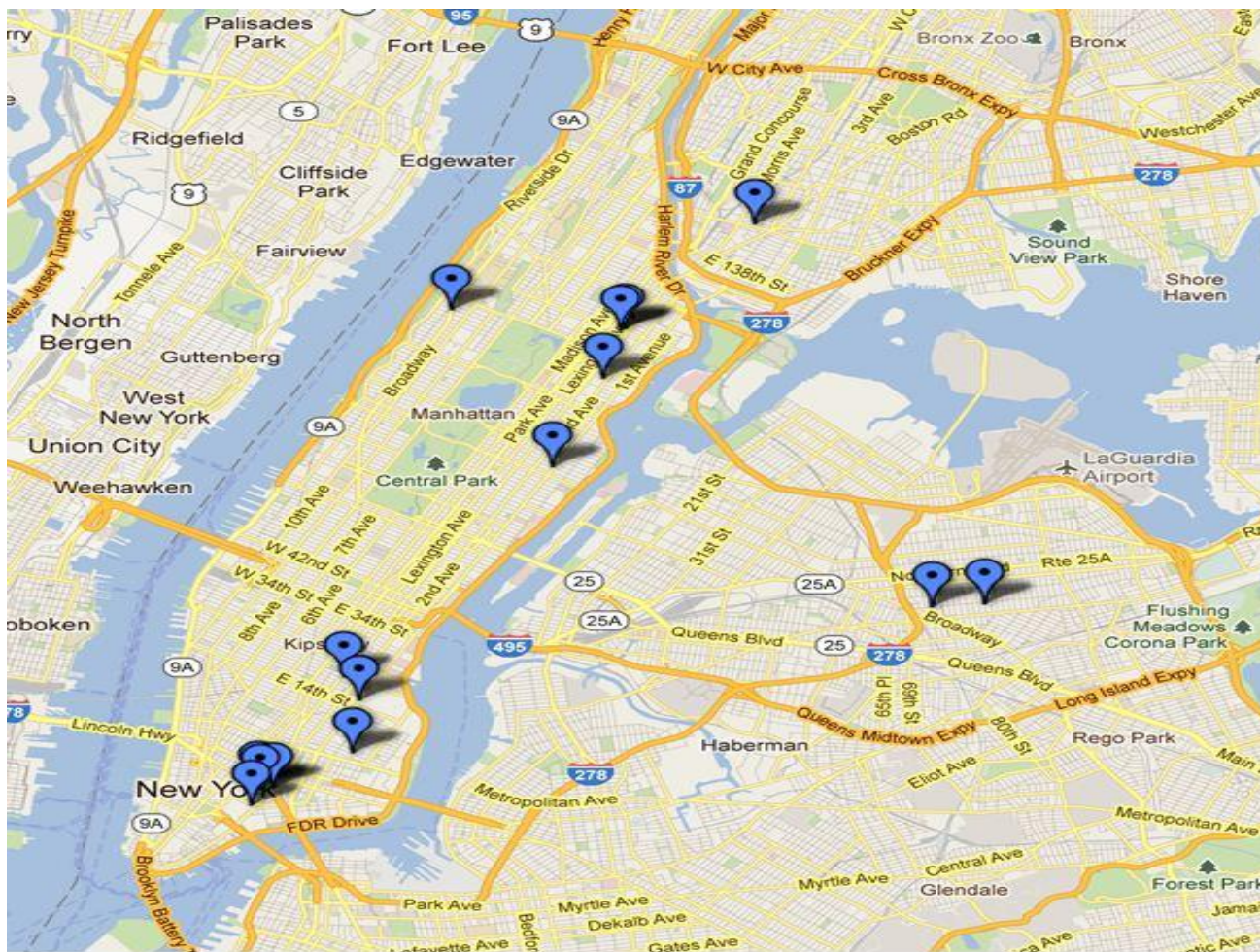


Characteristics of Banked and Unbanked

	Mexican				Ecuadorian				Chinese			
mean	Overall	Banked	Unbanked	p	Overall	Banked	Unbanked	p	Overall	Banked	Unbanked	p
Yrs in US	10.4 (7.1)	12.9	8.55	0.000	11.4 (7.3)	13.1	8.5	0.000	5.75 (3.6)	5.93	1.92	0.000
Age	33 (9.7)	34.0	32.22	0.046	36.2 (10.9)	37.9	33.16	0.000	30.2 (8.612)	30.4	26.9	0.163
Yrs of Education	8.48 (3.66)	9.53	7.7	0.000	10.19 (3.91)	10.96	8.84	0.000	10.50 (3.463)	10.8	10.49	0.797



Financial Institution Sample





Agenda

- Background of Immigrant Financial Services Initiative
- **Field Research: Demand and supply of financial services**
 - Methodology
 - Characteristics of the sample
 - **Main findings**
 - Next Steps
- Research-Informed Interventions



Main Findings

- I. **Access to Banking:** A breakdown of perceived structural and non-structural barriers to FIs
- II. **Savings:** High prevalence of savings behavior in all communities
- III. **Savings:** Banked status positively associated with savings amounts and household stability
- IV. **Missed Market Opportunities**
 - I. Remittances
 - II. Savings, Aspirations and Assets

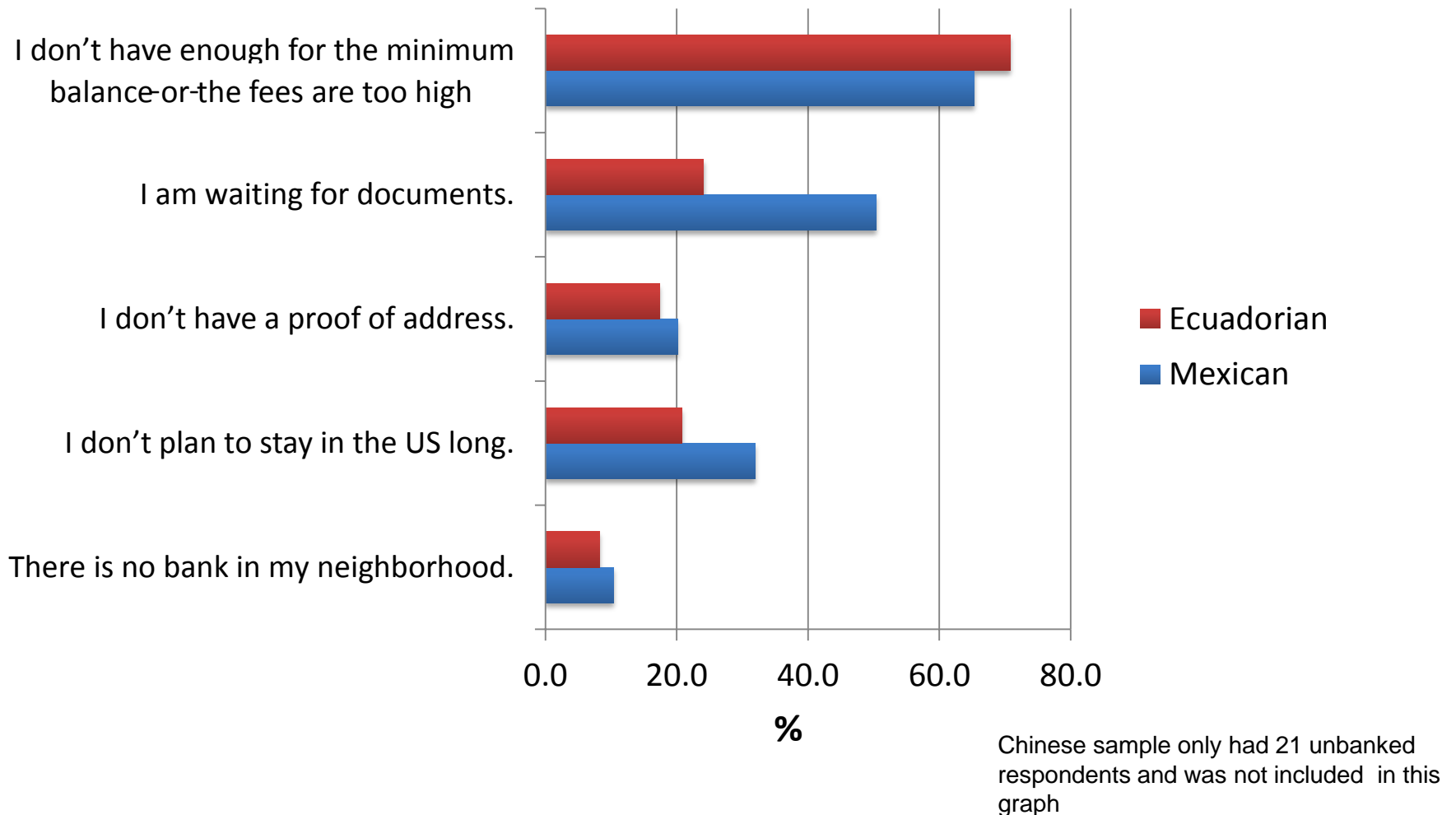


Main Findings

- I. **Access to Banking: A breakdown of perceived structural and non-structural barriers to FIs**
- II. Savings: High prevalence of savings behavior in all communities
- III. Savings: Banked status positively associated with savings amounts and household stability
- IV. Missed Market Opportunities
 - I. Remittances
 - II. Savings, Aspirations and Assets

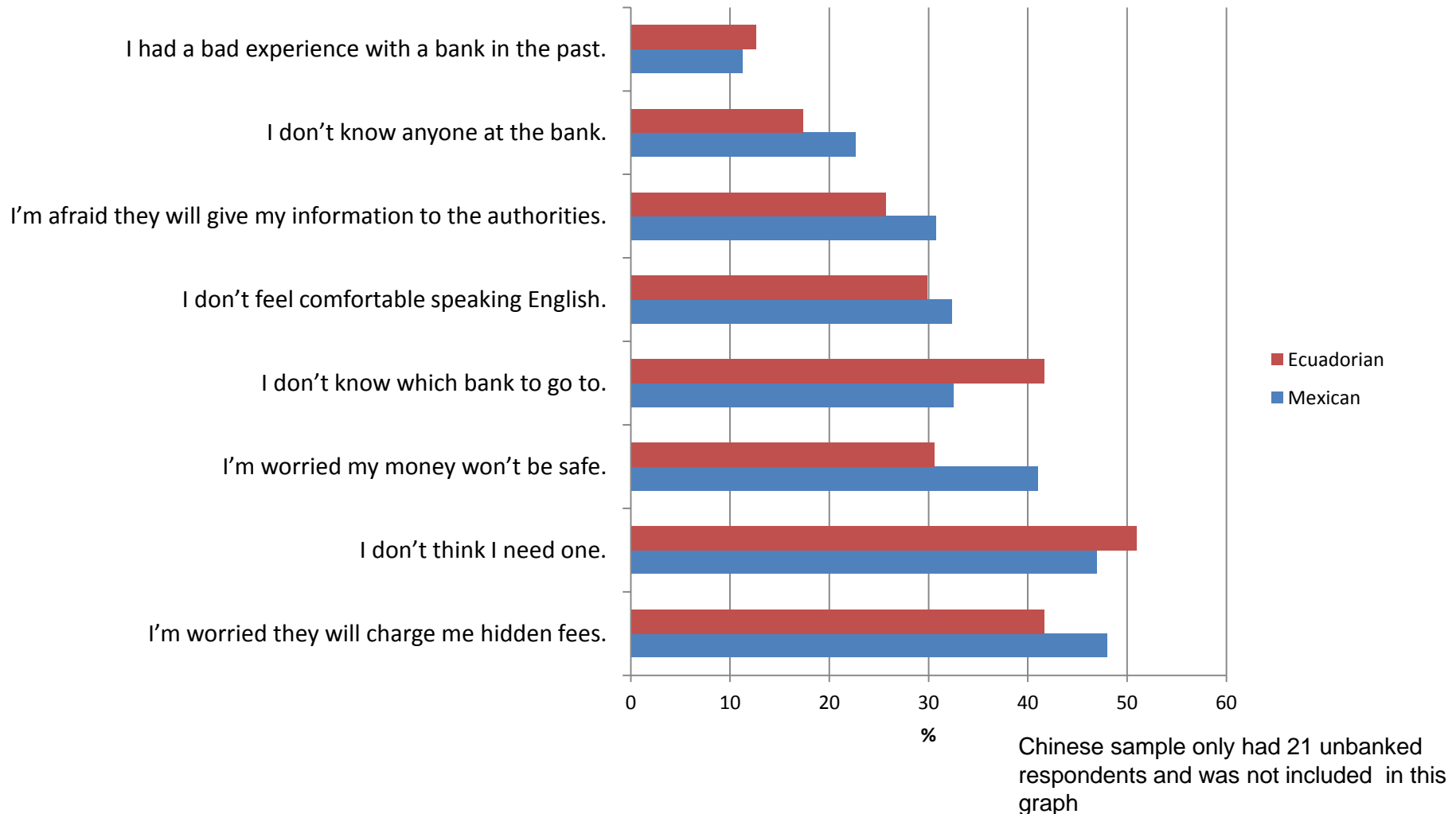


Perceived Structural Barriers of Unbanked Immigrants





Perceived Non-Structural Barriers of Unbanked Immigrants





I would open a banking account IF...

(Top 3 responses)

	Mexican (%)	Ecuadorian (%)
...If I found a bank where they speak my language.		
...If I found a bank that didn't require a SSN or a passport.	59	49
...If I could send money home more cheaply.	53	44

Chinese sample only had 21 unbanked respondents and was not included in this chart



Supply Side: Actual Financial Institution Practices

Identification	13/15 sampled branches had flexible requirements
Language	15/15 sampled branches were bilingual



Demand Side:

Pathways to Accessing Financial Services are largely informal and relationship-based

	Mexican	Ecuadorian	Chinese
Why did you open an account?			
A friend/relative explained it to me	35%	33%	20%
How did you choose your bank?			

...it takes a longer for some to be banked

- **Chinese** sample has an average of **5.8 years in US**; and are **95% banked**
- **Ecuadorian** sample has an average of **11.5 years in US**; and are **65% banked**
- **Mexican** sample has an average of **10.4 years in US**; and are **43% banked**



Main Findings

- I. Access to Banking: A breakdown of perceived structural and non-structural barriers to FIs
- II. Savings: High prevalence of savings behavior in all communities**
- III. Savings: Banked status positively associated with savings amounts and household stability**
- IV. Missed Market Opportunities
 - I. Remittances
 - II. Savings, Aspirations and Assets



Across all income groups: Communities tend towards high savings

Percent responding they have savings, by Weekly Income

Weekly Income	Have savings?
\$0	78 %
0-\$300	80 %
\$300-\$600	79 %
\$600-\$900	88 %
>\$900	91 %

N = 464; all statistically significant at $p \leq .001$

Banked Tend to have Higher Savings Level

Savings Level	Banked	Unbanked
Mexican	93.2%	74.1%
Ecuadorian	83.0%	68.7%
Chinese	91.2%	81.0%

Banked immigrants tend to save more (total \$ amounts)

Total Savings	Banked	Unbanked
\$0-500	27.0%	64.5%
\$500-\$6000	53.0%	29.1%
\$6000+	20.1%	6.4%



Main Findings

- I. Access to Banking: A breakdown of perceived structural and non-structural barriers to FIs
- II. Savings: High prevalence of savings behavior in all communities
- III. Savings: Banked status positively associated with savings amounts and household stability

IV. Missed Market Opportunities

- I. Remittances**
- II. Savings, Aspirations and Assets



Demand Side Remittances: Non-bank Money Transfers are the #1 Choice

% Sending Money Home, by Country of Origin and Banked Status

	Mexican	Ecuadorian	Chinese	Overall
Banked	76.4%	73.7%	55.6%	65.6%
Unbanked	74.0%	73.5%	28.6%	71.5%
Overall	75.1%	73.6%	54.4%	67.5%

% Banked Remitters Using Money Transfer Services, by Country of Origin

	Mexican (% Yes)		Ecuadorian (% Yes)	
	Banked	Unbanked	Banked	Unbanked
Do you use non-bank money transfer services?	58.9	78.9	63.4	74.3



Demand Side: Why don't you use your bank to send money home?

Consumer Perceptions		
Why do you use money transfer services instead of your bank account? (% yes)	Mexican	Ecuadorian
The hours are more convenient.	56	47
It is closer to my home/work.	54	38
It's what I'm used to.	54	52
I can send someone else.	45	38
They charge lower fees than my bank.	34	29
My account doesn't offer money transfers.	32	15
Other (easier, faster)	15	24

In this sample the number of Chinese who were unbanked totaled 21
As this represents such a small proportion, the Chinese population was removed from analysis.



Supply Side: Policies and Procedures

Policies and Procedures	Money Transfer Agents	Banks
Identification	not required	flexible (sampled branches)
Bank Account	not required	required
Cost	fixed fee; higher rate for small amounts recipient's total amount clear when sending	low fees/free if sent to a in-network bank exchange rate charged upon receipt of the transfer in home country
Speed	Same day/next day (most cases)	2-3 business days

*Source: Remas, Sunset Park 2012



Main Findings

- I. Access to Banking: A breakdown of perceived structural and non-structural barriers to FIs
- II. Savings: High prevalence of savings behavior in all communities
- III. Savings: Banked status positively associated with savings amounts and household stability

IV. Missed Market Opportunities

- I. Remittances
- II. Savings, Aspirations and Assets**



Demand Side: Savings Aspirations

Long and Short-term Aspirations, total sample	
Respondents with at least one long-term savings aspiration	81%
Respondents with at least one short-term savings aspiration	67%



Demand Side: Savings Aspirations

Short Term Aspirations by Country of Origin (% responding “yes”)				
	Overall	Mexican	Ecuadorian	Chinese
Are you saving for a moment of need or emergency?		42.3%	49.8%	68.1%
Are you saving in case you lose your job?	42.8%	34.6%	37.6%	55.2%
Are you saving for health expenses?	39.3%	38.7%	43.5%	36.4%
Are you saving to rent a better apartment?	18.0%	19.6%	16.7%	17.7%
Are you saving for gifts for others?	15.0%	20.9%	16.5%	8.0%
Are you saving for a business in the US?	14.7%	11.8%	10.8%	20.9%
Are you saving for a celebration?	12.9%	13.9%	11.6%	13.1%



Demand Side: Savings Aspirations

Long Term Aspirations by Country of Origin (% responding “yes”)

	Overall	Mexican	Ecuadorian	Chinese
Are you saving for your children or grandchildren’s education?	49.9%	42.8%	50.0%	
Are you saving to buy a house/apartment in the US?	30.7%	13.9%	18.9%	56.9%
Are you saving to buy a house/apartment in your home country?	29.4%	40.7%	35.1%	13.8%
Are you saving for your own education?	27.1%	31.1%	30.9%	20.0%
Are you saving for retirement?	21.5%	19.4%	23.5%	21.8%
Are your saving to make home improvements?	19.9%	29.2%	25.7%	6.0%
Are you saving for a business in your home country?	17.9%	23.6%	25.6%	5.6%

Agenda

- Background of Immigrant Financial Services Initiative
- Field Research: demand and supply of financial services
 - Methodology
 - Characteristics of the sample
 - Main findings
 - Next Steps
- Research-Informed Interventions



Research-Informed Implications for Financial Institutions

- Products:
 - Savings products
 - Remittances and transactional services
 - Employer-based banking and direct deposit
- Education/Raise Awareness for Consumers:
 - Language and documentation
 - Use of international/online products
- Education/Raise Awareness for Employers:
 - Leadership training



Department of Consumer Affairs
Office of Financial Empowerment

Department of Consumer Affairs

nyc.gov/consumers

Office of Financial Empowerment

nyc.gov/ofe

