



Creating CULTURAL WINDOWS to Banking OPPORTUNITIES

By Gilda Haas, Executive Director,
Strategic Actions for a Just Economy

THERE IS A RECURRING CONDITION IN THIS COUNTRY'S ECONOMIC LANDSCAPE THAT LEAVES LARGE SEGMENTS OF OUR POPULATION SITTING ON THE SIDELINES. The underserved market to which I refer represents enormous, yet still untapped, economic potential. It includes individuals who are systematically lumped into the "unbanked" category; a catch-all word that carries so many stereotypes and so much baggage, it's just easier to ignore it altogether.

The numbers are economically significant. Approximately 1 million new immigrants enter the United States each year. The majority come from Asia and the Americas, and as a result, Los Angeles has replaced New York as the primary point of entry into this country. Although there are new immigrants living in cities and towns across the nation, many regard L.A. as a "living laboratory" . . . the perfect place to study and better understand immigrant

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issues. In L.A., for example, one out of three residents is foreign born, and the area's cultural diversity is so great that 79 different languages are spoken in the L.A. Unified School District.

Strategic Actions for a Just Economy (SAJE) is a community-based organization in Los Angeles that is dedicated to improving opportunities for working-class people and new immigrants. The organization's banking experience began back in 1988, when activists, who are now part of SAJE's banking program, organized to fight branch closings in South Central LA.

More recently, SAJE has launched an ethnic banking project to learn more about the banking practices and economic potential of immigrant groups. The pilot study has generated financial profiles of four immigrant communities—Armenian, Korean, Salvadoran and Cambodian. More studies are planned, but these initial four provide a basic foundation of knowledge, a methodology, and a platform upon which to build a much larger view of the impediments to and possibilities for banking L.A.'s diverse ethnic consumers.

LESSONS FROM THE STUDY

Banks that are interested in playing a larger role in the financial lives of new immigrants may borrow some lessons from the SAJE study. There are obvious communication efforts that can be made, such as hiring staff who speak the language, both literally and culturally, and providing materials in languages other than English. But to learn how banking issues interface with the immigrant experience requires flexible thinking.

A good starting place is to look at boilerplate requirements that most banks use to determine the stability and creditworthiness of their customers. In the case of new immigrants, these requirements may simply be missing the mark, and with it, opportunities for communities as well as financial institutions. Questions to pose, are “what do we really need to know?” and, “Is there another way to achieve the same results?” Concrete action steps for banks to consider include:

► **DEVELOP FLEXIBLE IDENTIFICATION REQUIREMENTS**

Bank accounts are a basic point of entry to the financial mainstream of the U.S., but the requirement to provide credit cards and/or multiple forms of photo identification often preclude the ability of newcomers to open a bank account. SAJE has worked with several banks to identify what they really need to know about people, and to develop alternative identification requirements that meet the banks’ needs and are more feasible for our constituents.

► **TAKE A MORE FLEXIBLE APPROACH TO EVALUATING CREDIT HISTORY AND CREDIT-WORTHINESS**

Establishing a credit-history is difficult for most first-generation immigrants, even through they may have excellent credit records in their country of origin. The fact that a person or organization has been operating successfully outside the U.S. financial mainstream could be seen as an asset rather than a liability. More respect should be paid to financial success in another country as a valid credit history. An alternative is to accept non-traditional forms of credit history—consistent and timely payment of bills, for example, over a substantial period of time.

► **DEVELOP FLEXIBLE STRATEGIES THAT INCREASE LOAN OPPORTUNITIES FOR IMMIGRANTS**

Cultural adaptations are the key components of successful programs that build and extend credit to new immigrant populations. Korean banks, for example, have helped their customers build credit histories by establishing installment savings accounts that borrow from Korean cultural practices. Autofin, described later, incorporates the familiar *tanda* process in an institutional lending setting. These are not dissimilar from Christmas Clubs and other traditional American banking products, yet are designed to resonate with the experience of immigrant consumers.

This type of thinking and approach actually opens doors for all under-served people, native Americans and immigrants alike. Indeed, one of the great advantages of accommodating immigrants is how it accommodates the rest of us as well. The following story illustrates how cultural traditions can be adapted to U.S. banking practices in order to reap substantial collateral benefits.

THE STORY OF AUTOFIN

Autofin is a large Mexican finance company with over 60,000 customers. The company’s lending strategy is designed to capitalize on *tanda*, a traditional, informal lending circle typically used by women in Mexico to pool resources for “once in a lifetime” expenses such as weddings, quinceneras, or funerals.

Autofin has adapted and formalized the concept so that applicants enter an established lending group defined by the loan amount they are seeking. Autofin, like *tanda*, requires participants to make monthly contributions to a common fund prior to actually applying for a loan. This way, poten-

tial applicants build up savings while establishing a “repayment” history at the same time. After a minimum number of payments into the loan pool, applicants are able to receive car, home, or business loans. But now, instead of making monthly contributions to the pool, they are making monthly loan repayments, under much the same terms as before.

The Autofin story describes how traditional banking products such as savings clubs and secured loans can be adapted to emulate cultural practices around lending and money. This is a relatively new concept for U.S. banks, which adapt to cultural contexts in order to compete in foreign markets, but still shape their domestic products around a white, middle-class consumer model.

Today, substantial “foreign markets” reside in American cities. SAJE plans to continue the ethnic banking project to learn more from other, diverse communities in L.A. Based on our past experience, we are confident that merging the culture of banks with that of new immigrant communities can result in great opportunity and significant potential for both. **CI**

SAJE’s ethnic banking study entitled “Transactions: Building Access to Financial Services and Credit Across L.A.’s Immigrant Communities” is available free of charge. SAJE is actively soliciting partnerships with banks that wish to develop innovative, culturally responsive strategies for serving immigrant populations. For a copy of the report or additional information, please contact Gilda Haas, executive director, at (323) 732-9961.

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Strategic Actions for a Just Economy

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SAJE is a 501(c)3 corporation founded on the premise that many of Los Angeles' social problems have economic roots. Our primary mission is to build economic power among grassroots people. SAJE's strategy is a bottom-up approach that convenes people affected by a problem and helps them create solutions with others at a much greater scale.

Our unique contribution to community development in Los Angeles is our focus on the relationships between ownership, capital and participation. Towards this end, SAJE's core programs promote access to banking services, the development of sustainable jobs through cooperative enterprises, and the creation of public policies that make capital more accountable to community and worker needs.

RECENT ACCOMPLISHMENTS

SAJE has been building new economic options for working class people in Los Angeles since our inception in 1994. In addition to our ethnic banking project, some of our accomplishments include:

- ▶ **Welfare-to-Work Banking:** SAJE has created a partnership among community reinvestment activists, welfare recipients, advocates, L.A. County's Department of Social Services, and Washington Mutual Bank to create the County's first direct-deposit policy and a welfare-to-work bank account that may ultimately serve thousands of people on aid in L.A. County. Presently in the pilot stage, the program anticipates federally mandated electronic benefit transfer laws that must be implemented across the country by the year 2001. It will provide an alternative banking model for people who are being mainstreamed from welfare checks to paychecks.
- ▶ **Cooperative Job Development:** SAJE has organized immigrant low-wage workers into cooperative job development programs that provide alternatives to exploitative working conditions, provide living wages, and a sustainable foundation for the future. To date, our *Hollywood Domestic Workers Cooperative* has generated over 200 housecleaning jobs which pay an average of \$10 per hour.
- ▶ **Healthy Homes Collaborative:** SAJE is the lead organization of a collaborative which includes Esperanza Community Housing, St. John's Well Child Clinic, and L.A. County's Childhood Lead Poisoning Prevention Program. The project seeks to prevent lead poisoning in SAJE's own "lead hot spot" neighborhood by integrating housing, health, and employment initiatives into a comprehensive approach. We have recently trained 15 neighborhood residents as State-certified lead abatement workers and are building a foundation for a more strategic lead abatement policy in L.A.

For more information, please call or write us:

SAJE, 2636 Kenwood Avenue, Los Angeles, CA 90007, (323) 732-9961



ABOUT THE AUTHOR

GILDA HAAS is an organizer, educator, and economic development professional who has been assisting community and labor organizations in building economic development projects and policies from the ground up for over twenty years. She is the director of Strategic Actions for a Just Economy (SAJE), an organization dedicated to building economic power for working class people in Los Angeles.

Ms. Haas' contributions to economic development are varied. She founded Communities for Accountable Reinvestment, a diverse coalition based in Los Angeles that fights against redlining and for community development banking. She was also founding Board member of South Central People's Federal Credit Union. Ms. Haas also created the Community Scholars Program, housed in UCLA's School of Public Policy and Social Research, where she has taught economic development courses for the past 15 years. Congress has tapped Ms. Haas' expertise numerous times by requesting her testimony on community banking issues.