

**COMMITTEE ON PUBLIC SERVICES AND CONSUMER AFFAIRS**  
**DEPARTMENT OF INSURANCE SECURITY AND BANKING**  
**PUBLIC OVERSIGHT HEARING**  
**NITZA SEGUI ALBINO, CEO**  
**INTERNATIONAL MIGRANTS DEVELOPMENT FUND (FIDMi)**  
**JANUARY 26, 2007**

Council Member Mary Cheh, Council Members of the Committee on Public Services and Consumer Affairs. On behalf of the International Migrants' Development Fund (FIDMi), I would like to thank you for the opportunity to speak before you regarding issues related to banking. I will particularly focus on service provision for the "unbanked".

Before I continue with my testimony, I would like to provide you with a brief background of the International Migrants' Development Fund (FIDMi). FIDMi is a young independent not-for profit organization, based in the Adams Morgan area, whose mission is to contribute to poverty reduction in migrant communities and in their communities of origin through the engagement of immigrants, primarily Latinos, in the formal financial system. FIDMi does it through, the provision of "one- stop affordable financial services" in partnership with Lafayette Federal Credit Union, financial education and promotion, advocacy and community reinvestment. FIDMi is part of local networks such as the Council of Latino Agencies and, the DC Saves Campaign, among others; national networks such as, NALAAC and TIGRA and has working partnerships with financial institutions in Central América.

**The context: Labor migration and poverty**

As you are aware, the movement of people is a key factor for economic development internationally and nationally. The Latino population in the District of Columbia grew exponentially in the 1990's and currently represents around 10 percent of the total population<sup>1</sup>. Latino immigrants in the District of Columbia however, earn between \$9,000 and \$35,000 dollars a year.<sup>2</sup>

In the 2000 decade, Latino immigrants came predominantly from rural Central América as a result of *the increasing poverty and inequality in rural areas, including the inability of the economy to absorb the labor force and, lack of access of the poor to receive financial services to build assets.*<sup>3</sup>

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<sup>1</sup> US Census 2003

<sup>2</sup> 2000 US Census

<sup>3</sup> See Orozco, Manuel. Rural Finance Innovation Case Study. Remittances, the Rural Sector, and Policy Options in Latin America. Paper published at an International Conference on Best Practices: Paving the Way Forward for Rural Finance.



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## Latinos' financial capacity

The Latino immigrant labor force represents an important asset to support the growth of the city, the national economy and of their countries of origin. Despite poverty, data shows that Latino's purchasing power is expected to rise from over \$700 billion a year to \$1 trillion dollars in 2008.

According to a report published by Los Angeles Times, Latino households spend an average of 46% more on their weekly grocery bills than the general population<sup>4</sup>. A multilateral organization based in Washington, DC, the Inter American Development Bank (IADB) reported that, last year Latino immigrants sent \$55 billion dollars on electronic transfers mainly from the United States. A study published by the same organization stated that in 2004 Latinos living in Washington, DC sent 95 million and, over 2.5 billion dollars from the Washington Metropolitan Area.

## Latinos' need for formal financial services

In the United States, more than 50% of Latinos do not have access to formal financial institutions. Unfortunately, there's no specific data related to Washington, D.C. however, we believe that it follows the same national trends. To remedy this issue, immigrants utilize non-formal channels to satisfy their need for financial services. Examples of these channels are: the proliferation of money transfer agencies, cash checking places<sup>5</sup> and, "sharks" or individuals that lend them monies to purchasing a home or, to pay for debts acquired in their countries of origin in preparation for their journey to the US.; thus, stripping immigrants from opportunities to building access to wealth.

Some of the barriers Latino immigrants face for not participating in the formal financial system are: (1) lack of trust in formal financial institutions since they were ignored by these same institutions in their countries of origin; (2) language and cultural barriers; (3) uncertain immigration status; (4) not proper US valid issued ID and; (5) little interest of formal financial institutions to offer affordable services and products that are appropriate for this segment of the population, among others.

While these type of businesses offer consumers an alternative for services that they can not access from formal financial institutions, we would like to caution you on the risks and costs of these mentioned barriers may have for immigrants and for the economy of the city if they are not corrected. In the long run these barriers might: (1) limit immigrants' capacity to save and to build assets in the city; (2) hinder immigrant's children opportunities to access higher education; (3) continue to borrow money from "sharks" or from companies that offer credit cards with outrageous interest rates; (5) lose their entire or partial salaries if their money is not in a "safe place", (6) increase their cycle of poverty; (7) increase capital flight to be deposit in foreign banks, rather than

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<sup>4</sup> "Investment Firms Focusing in Latino Purchasing Power" Josh Friedman, Los Angeles Times, September 2005.

<sup>5</sup> You may have notice that there are at least 20-25 of this type of businesses between the 16<sup>th</sup> & 18<sup>th</sup> Sts. & Columbia Road, NW corridor.



to have this money to stay in formal financial institutions that will use it to offer services in the District and, will support immigrants wealth creation.<sup>6</sup>

FIDMi recognizes the unique commitment of the city's government throughout the years to facilitate an environment in which Latino immigrants are welcomed and experience safety. Further policies however, need to be in place so immigrants can access the formal financial system. Such policies will provide an opportunity to make their dream of having a better quality of living for themselves; their families and, their community to come true.

Please allow us to share some areas in which changes in policies can support immigrants' to a basic human right: **accessing the formal financial system:**

- 1) Creating a special valid issued identification for immigrants residing in Washington, DC, irregardless of their immigration status;
- 2) Offer incentives to financial institutions that allow opening checking and savings accounts to immigrants with valid government of origin issued ID;
- 3) Offer incentives to formal financial institutions that create a pool of affordable financial products for low-income immigrants, beyond the IDA's.
- 4) Widen the pool of funding for community-based organizations that focuses on basic, culturally appropriate and low-literacy financial education and, programs and services that lead immigrants to use the services provided by formal financial institutions.
- 5) Create a savings program for higher education for immigrants irregardless of their immigration status.
- 6) Creating incentives for social enterprises that promote or provide affordable housing and;
- 7) Widen the funding stream for economic development programs that are targeting immigrant women.

I welcome you to get to know FIDMi-Mi Tierra's' unique model program. At FIDMi we are committed to support members of our community to get off poverty through engaging them in the formal financial system and the provision of affordable financial services and financial literacy.

Again, thank you for the opportunity. Feel free contact me for further questions on this issue and/or visit us at FIDMi.

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<sup>6</sup> Note that immigrants have a moral commitment to support the families left behind. It is our assumption that 1) immigrants will continue sending money home, 2) if formal financial institutions create affordable financial products and services, along with creating policies to bank those who are unbanked, a portion of the money that is remitted will stay in the city, creating the basis for savings and investments in the city.

