



International Migrant's Development Fund
Fondo Internacional para el Desarrollo de Migrantes
FIDMi

COMMITTEE ON PUBLIC SERVICES AND CONSUMER AFFAIRS
PUBLIC ROUNDTABLE ON FINANCIAL LITERACY AND EDUCATION IN THE DISTRICT OF
COLUMBIA
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SUBMITTED FOR YOUR CONSIDERATION BY:
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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 FINANCIAL LITERACY IN THE DISTRICT OF COLUMBIA.

Today, I would like share some of the experiences and lessons learned on financial literacy and its relationship with the provision of formal financial services to *Latino immigrants residing in the District of Columbia*.

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, particularly Latinos and Latinas, through economic and finances development. FIDMi does it through, the provision of "one- stop affordable financial services" in partnership with financial institutions including, Lafayette Federal Credit Union, the provision of culturally and linguistically appropriate financial literacy and promotion, advocacy as well as community reinvestment. FIDMi is part of local, national and international networks serving Latino and Caribbean communities.

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 population¹. Latino immigrants in the District of Columbia however, earn between \$9,000 and \$35,000 dollars a year.²

¹ US Census 2003

² 2000 US Census

In the 2000 decade, Latino immigrants came predominantly from rural Central America 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.³

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 population⁴. A multilateral organization based in Washington, DC, the Inter American Development Bank (IADB) reported that, last year Latino immigrants sent \$45 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.

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 places⁵ 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.

FIDMi-"Semillas" (Seeds) Program: Lessons learned from program participants:

Financial Literacy and Access to Financial Services should be carried out hand by hand!

One of FIDMi core programs is Semillas ("Seeds"), an education program that focuses on financial literacy. This program main objective **is to increase immigrants' capacity to understand and to engage in the formal financial system, so their quality of living improves**. This is particularly important since a large percentage of Latino immigrants (almost 50%) do not use the services of formal financial institutions. Unfortunately, there's no specific data related to Washington, D.C. however, we believe that it follows the same national trends.

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-According to one of many studies published by Dr. Manuel Orozco, of the Inter -American Dialogue, two in ten Latin American and Caribbean individuals have bank accounts.⁶;
2. Language and cultural barriers;

³ 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.

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

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

⁶ Fedewa R., Orozco M. "Leveraging Efforts on Remittances and Financial Intermediation". Intal ITD. Working Paper 24 December 2006.

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.

FIDMi-SEMILLAS grew out of immigrants experiencing barriers to joining the financial system that were mentioned above. Semillas is FIDMi's backbone and supports and complements Mi Tierra (My Land), FIDMi's financial services program.

In its origins, FIDMi was created to respond to the need for affordable money transfer services and the provision of financial education. Soon enough, we learned the following lessons:

1. Low-cost money transfer services is an important tool to attract immigrants to engage in the formal financial system, however, this engagement does not guarantee effective money management, long term savings and investments.
2. "Walking" Latino immigrants through the formal financial system with culturally and linguistically informational materials that uses experiential learning methodologies and techniques will succeed.
3. Financial Literacy alone does not support the engagement of Latino immigrants in the formal financial system. A relationship with a financial institution with culturally and language capacity with true interest in meeting the needs of our community would be a great vehicle to encourage unbanked immigrants to join the formal financial system

As a result of these lessons, FIDMi developed four core education strategies to reach out to the wider immigrant community leading them to joining the formal financial system:

1. Provision of Culturally and Linguistically Appropriate **Experiential Learning Workshops Sessions**. A culturally and linguistically appropriate curriculum was designed to teach basic banking concepts, financial options and opportunities, increasing knowledge on how to engage in the formal financial system, money management and wealth creation through experiential learning or "Popular Education" methodologies. This methodology was selected since we recognize that many of its clients and participants cannot speak, read or write the English language at a fully functioning level. Sessions may be taught in a series of seven workshop sessions or stand alone sessions. A workbook with informational and working materials is provided to each participant.
2. **The Financial Literacy "Promotores" Project**, a peer- to -peer based education strategy. Through this project, FIDMi-Semillas train members of the community to train to train others on the importance of participating in the formal financial system and to exchange information on the diverse services and products available for them, irregardless of their immigration status. This strategy's objective is to "democratize" and to multiply the knowledge on financial literacy within the wider immigrant community. Currently, FIDMi is about to implement a strategy in partnership with the Washington Area Women's Foundation to specifically target low-income single mothers of Latino background.

3. **Individualized Counseling.** FIDMi provides one- on -one basic financial counseling to members of the community and of the Mi Tierra or Semillas Programs such as, basic banking concepts, how -to read a bank statement, how-to use an ATM, to write a up check, how to create a budget or credit counseling among others.
4. **Basic Financial Literacy across all organizational activities.** FIDMi recognizes that education alone may not result in a change of attitudes, values regarding the confidence of an immigrant on joining the financial system nor, joining the financial system implies that he or she manage their money effectively. Strategically, FIDMi strongly encourage members to commit (in writing), to joining the financial system and with our staff support, to create a personalized education program that will serve their money management and savings needs.

Last year, FIDMi trained 12 financial literacy Promoters, engaged 3,527 Latino community members in 57 formal training sessions, and engaged 13,348 individuals in one or more of informational, promotional or outreach activities. Ninety percent of education program participants are women.

In six months, FIDMi-Mi Tierra staff managed to engage 259 new members in Lafayette Federal Credit Union and have a growth rate of 35% per month on the provision of money transfer services. Mi Tierra, according to a market study conducted by our staff, has the lowest money transfer rates.

While 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 learn about finances and to take action to accessing the formal financial system:

- One:* Provide special incentives to organizations and financial institutions that geared to provide financial literacy and are providing affordable financial services, including loans.
- Two:* 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.
- Three:* Provide financial education in primary and secondary schools. Education programs should be accompanied by allowing youngsters to open savings accounts and money management skills.
- Four:* Fomenting financial literacy courses for low-income immigrant women accompanied with special funding to opening diverse savings programs including but not limited to IDA's.

Five: Provide incentives to organizations providing-or interested in the provision of- micro-credit for women, accompanied of financial literacy. Micro-credit for women has a multiplier effect since they will help increase health, education and nutrition variables, for example and, since they are excellent money managers.

I welcome you to get to know FIDMi 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 accompanied of financial literacy.

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