

COMMUNITY INVESTMENTS

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Special Issue: Immigrant Communities

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Crossing Borders, Creating Communities

Immigration Trends and their Implications
for Community Development

Financial Access for Immigrants

The Challenges and Opportunities
Facing U.S. Depository Institutions

Community Development in Dynamic Neighborhoods

Synchronizing Services and Strategies
with Immigrant Communities

Community Profiles

Arizona

Chicanos Por La Causa

Los Angeles

Asian Pacific Islander Small Business Program

California's Central Valley

Fresno Center for New Americans

Utah

Comunidades Unidas

COMMUNITY INVESTMENTS

This publication is produced by the Community Development Department of the Federal Reserve Bank of San Francisco. The magazine serves as a forum to discuss issues relevant to community development in the Federal Reserve's 12th District, and to highlight innovative programs and ideas that have the potential to improve the communities in which we work.

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CI Notebook

by Naomi Cytron

Editor

The immigration reform debate that has been swirling through Washington's political corridors is enormously complicated. At issue are concerns over national security and the effects of competition in U.S. labor markets, as well as the costs that immigrants may impose on government budgets.

While answers to these questions are ardently disputed by politicians and academics alike, there is no doubt that immigration has always been a significant driver of U.S. population growth and change. And over the past decade, the foreign-born population has not only grown but has dispersed from traditional "immigrant gateways" to cities, suburbs, and rural areas all across America.

The resultant increase in diversity has expanded the spectrum of foods found in local markets and ethnic celebrations seen in the streets, and has enriched the cultural landscape of our nation in many other ways. But this settlement pattern also raises new challenges for those of us working to revitalize low- and moderate-income areas. While many immigrants enter the U.S. with strong academic credentials and professional skills, many others find themselves in circumstances similar to native-born low-wage and low-skilled workers. Concerns that are common to all include housing affordability, accessibility of quality health care and education, availability of living-wage jobs, and neighborhood safety.

Increasing the accessibility of programs and services that help to address these concerns is paramount to stabilizing low-income households and communities of any demographic composition. In this issue of *Community Investments*, we aim to shed some light on the data and arguments that circulate on both sides of the immigration debate, and look at ways in which both financial institutions and community development organizations are working to respond to the needs of a diverse and growing immigrant population. We hope the articles in this issue help you think more broadly about the ways you can work to help meet the needs of all those who live and work in your communities.

Naomi Cytron

Inside this Issue

Crossing Borders, Creating Communities	3
Financial Access for Immigrants.....	10
Community Development in Dynamic Neighborhoods.....	15
Community Profiles	
Arizona.....	9
Los Angeles, CA	10
Fresno, CA.....	16
Utah.....	24



Crossing Borders, Creating Communities

Immigration Trends and their Implications for Community Development

by Carolina Reid

On May 1, 2006, hundreds of thousands of immigrants and their supporters marched in communities across the country as part of “A Day without Immigrants.” The parade of white T-shirts and signs provided a public glimpse into the private hopes of immigrant families, as marchers shouted slogans calling for the opportunity to work in this country and pursue their own “American Dream.”

Among those marching in San Francisco was Maria, an undocumented immigrant from El Salvador. Maria came to the United States five years ago, and lives with her sister in the Fruitvale neighborhood of Oakland. She generally earns between \$300 and \$500 a week cleaning houses in the Oakland hills—far below a living wage in the Bay Area—but enough to contribute to the household’s expenses and provide for her basic needs. Although her daughter was born in the U.S. and is therefore a citizen, fear of immigration officials keeps Maria from seeking out mainstream social services such as food stamps, and she relies primarily on her social networks within the Salvadoran community for financial support.

Stories like Maria’s are at the heart of the debate over the costs and benefits of immigration. Do immigrants like

Maria—willing to work for very low wages—hurt the labor-market outcomes of native born workers? Or are immigrants working in jobs that Americans are unwilling to do? Are they placing an undue burden on public services, particularly in cities that serve as immigrant gateways? Or do immigrants pay more in taxes than they use in government supports?

The answers to these questions are not straightforward, particularly when we take into account the incredible diversity of immigrants and the skills and services they provide. For every three immigrants working in low-wage service occupations like farming and housekeeping, two work in professional or managerial positions such as finance, medicine and computer science.¹ More than one in three immigrants becomes a U.S. citizen.² Indeed, the majority of Hispanics and Asians living in the U.S. today are citizens—many of them native-born—despite the tendency to conflate race or ethnicity with immigrant status. And while the majority of undocumented immigrants may come from Mexico, the undocumented also include European and Canadian students and tourists who overstay their visas. As such, immigration policy must contend with a complex and intertwined set of economic, social, cultural, and national security issues, none of which are easily resolved.

Figure 1.1

Foreign-Born Population and Percent of Total Population for the United States: 1850 to 2000

Source: Schmidley, A. Dianne, U.S. Census Bureau, *Current Population Reports, Series P23-206, Profile of the Foreign-Born Population in the United States: 2000*, U.S. Government Printing Office, Washington, DC, 2001.

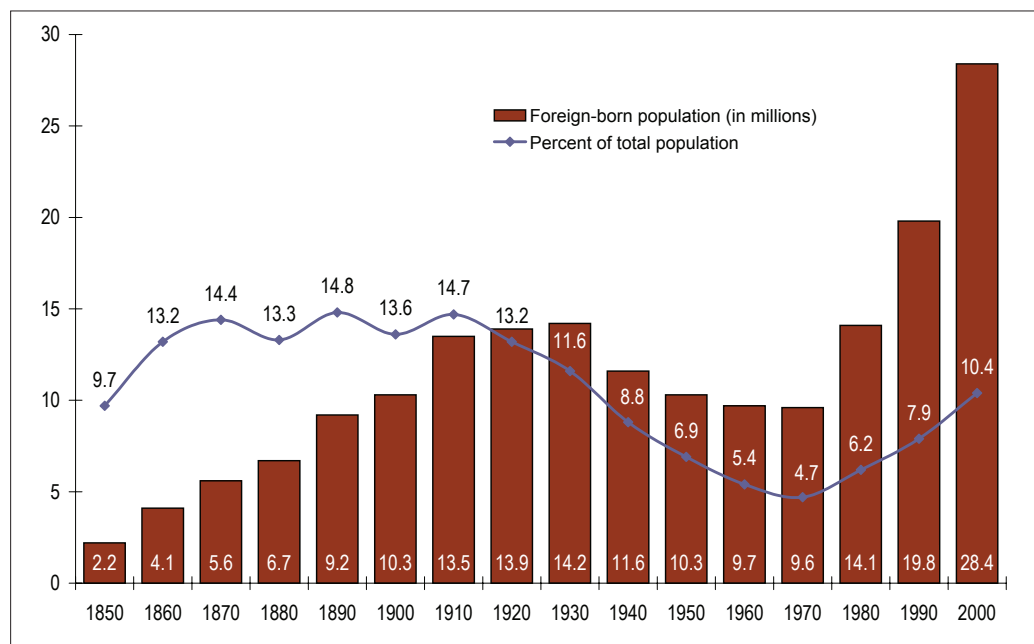
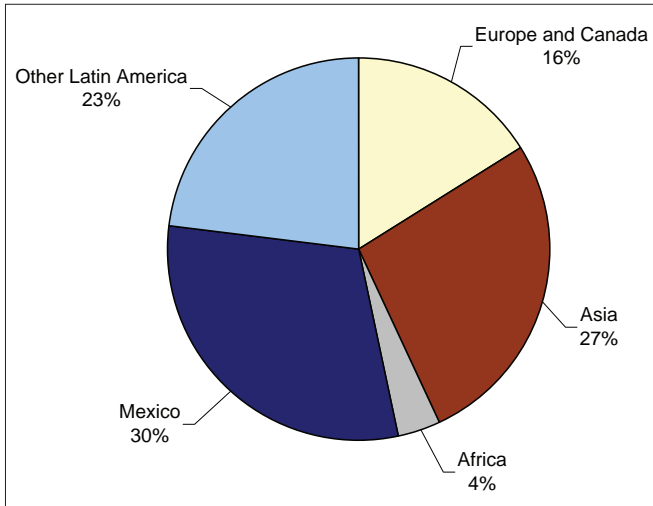


Figure 1.2



Origin of Foreign-Born Population in the United States, 2005
Source: U.S. Census, American Community Survey, 2005.

In this article, we describe recent immigration trends and examine the primary economic arguments in the contemporary debate over the costs of immigration. The article sets the context for this special issue of *Community Investments*, which explores the links between immigration and community development and highlights initiatives across the Federal

Reserve's 12th District that help immigrants to integrate both socially and economically into their new neighborhoods.

Trends in Immigration

According to the 2005 American Community Survey (ACS), the number of foreign-born³ living in the U.S. is 35.7 million, or 12.4 percent of the population. While lower than the historical high of 15 percent in 1890, the foreign-born share of the population has more than doubled since 1970, when it dropped to a low of 5 percent (Figure 1.1). The majority of these immigrants are in the U.S. legally. While estimates on the number of undocumented immigrants vary, most researchers place the number at around 10.5 million.⁴

The growth in the scale and diversity of immigration since 1970 is in part explained by the passage of the 1965 Immigration and Nationality Act Amendments. Before 1965, the U.S. restricted the annual number of immigrants and used quotas to allocate visas across countries based on the ethnic composition of the U.S. population in 1920. As a result, 60 percent of visas were awarded to applicants from only two countries, Germany and the United Kingdom. The 1965 Amendments repealed the national-origins quota system, thereby vastly changing the national origin of immigrants coming to the U.S.. In 1970, approximately 70 percent of the foreign-born were from Europe and Canada. By 2005, this number had dropped to 16 percent, with 53 percent of the foreign-born arriving from Latin America,

Map 1.1

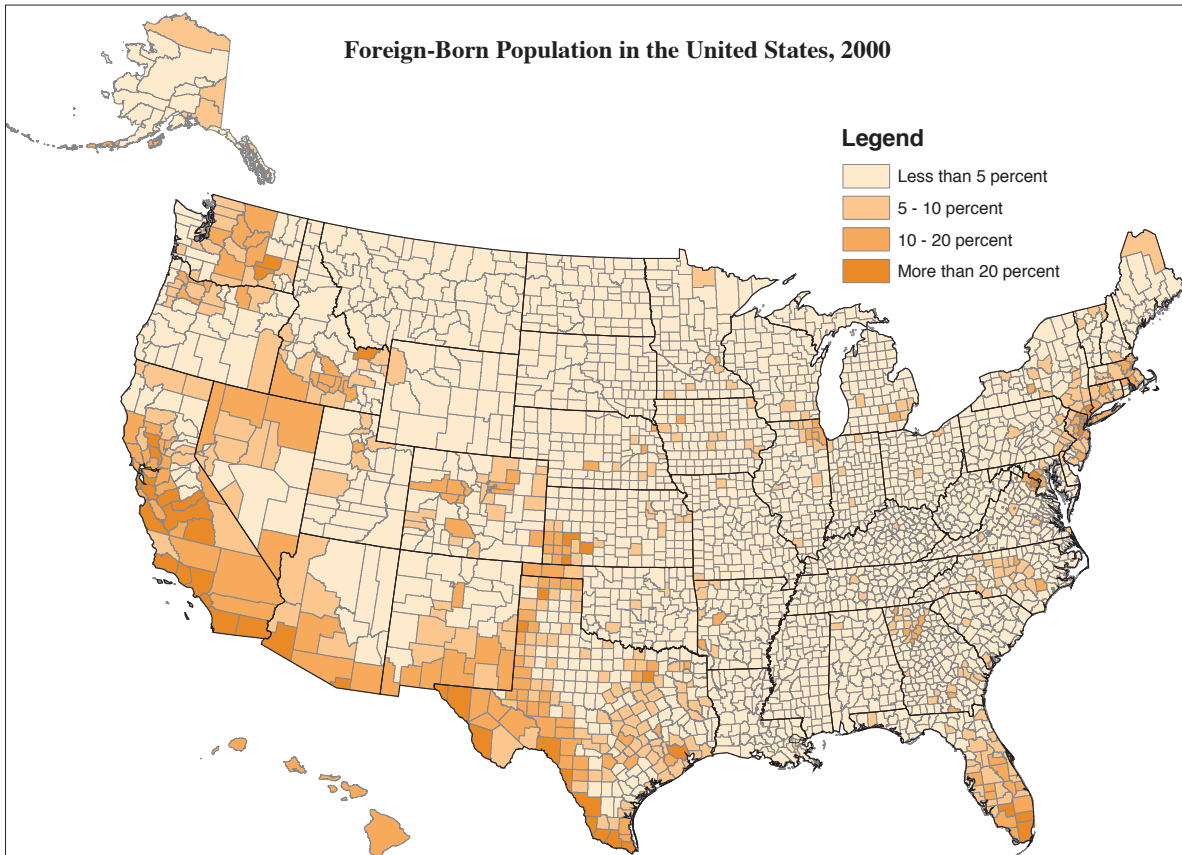


Figure 1.3

State	Number of Foreign-Born 2005
California (1st)	9,611,356
Arizona (8th)	843,296
Washington (10th)	750,258
Nevada (18th)	413,298
Oregon (20th)	344,575
Hawaii (25th)	212,404
Utah (27th)	192,916
Idaho (39th)	76,377
Alaska (45th)	34,368

Foreign Born Population in the States of the Federal Reserve's 12th District (National rank in parentheses)

Source: U.S. Census, American Community Survey, 2005

27 percent from Asia, and 4 percent from Africa. Thirty percent of immigrants come from Mexico, making it the single largest country of origins (Figure 1.2).

In addition to the changing composition of the immigrant population, one of the most notable trends in recent years has been a shift in where immigrants live. In 1990, about three-quarters of all immigrants lived in just six states: California, New York, Texas, Florida, Illinois and New Jersey.

These states still serve as important immigrant gateways, and are home to the largest percentage of immigrants (see map). But the fastest growth in the immigrant population in the past 15 years has been in “non-traditional” destinations, such as Colorado, Georgia, Nevada, and North Carolina.⁶ Rural areas in states such as Arkansas, Georgia, Indiana, Iowa and Kansas are also experiencing a rapid growth in ethnic enclaves.⁷

These trends are mirrored within the communities of the Federal Reserve's 12th District. While California is still home to the largest number of immigrants (Figure 1.3), growth rates in the 1990s were higher in states like Nevada, Arizona, and Utah (Figure 1.4). Nevada saw the largest increase in immigration within the 12th District, with the immigrant population growing by 31.1 percent.

The growth of immigrant communities in non-traditional areas can be seen at the metropolitan level as well. Although from a very small base, Boise City topped the list of cities that saw the largest percentage increase in immigration during the 1990s (Figure 1.5). As Figure 1.5 shows, many of the metropolitan areas attracting large numbers of new immigrants in the 12th District are outside California.

In addition, while immigrants have traditionally settled in inner cities, today more immigrants are moving to the suburbs, far distant from the historical settlements in Chinatown or Little Tokyo. In Seattle, for example, the foreign-born population in the suburbs grew by 132 percent, compared with an increase of 53 percent in the city center.⁸ These demographic shifts are presenting communities with new challenges and are pressing local governments and community-based organizations to respond to the needs of

Percent Growth in Immigrant Population in 12th District States, 2000 – 2005

Source: U.S. Census, American Community Survey, 2005

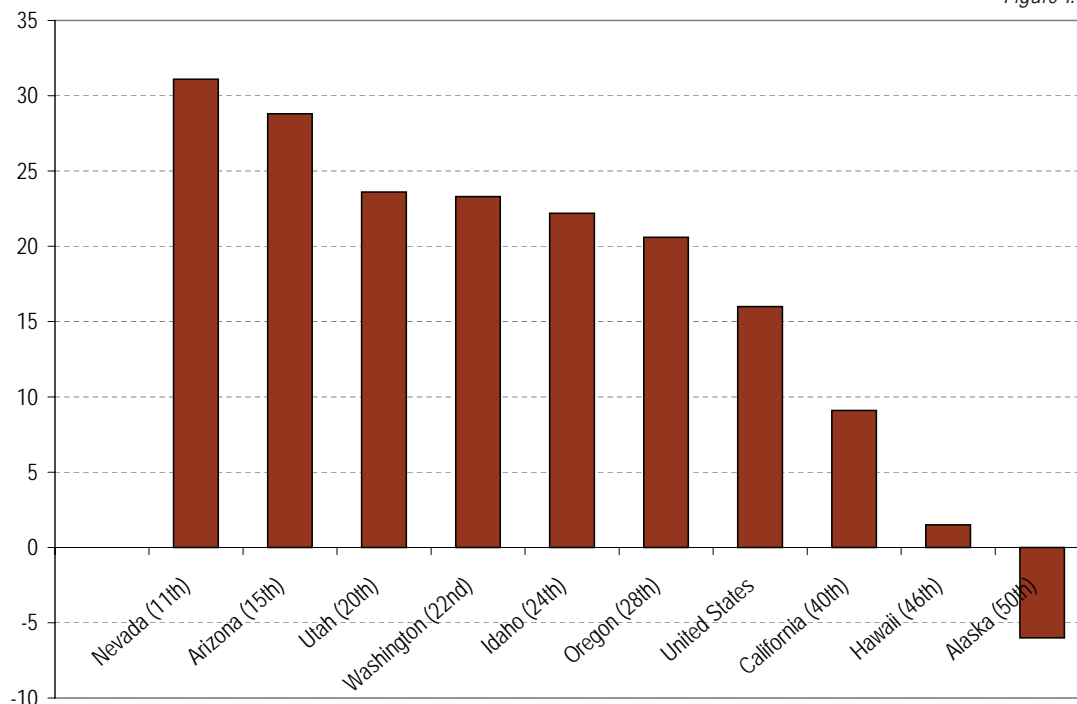


Figure 1.4

Figure 1.5

Metropolitan Area	1990	2000	Percent Growth
Boise City, ID MSA	4,389	24,224	451.9
Las Vegas, NV-AZ MSA	74,304	258,494	247.9
Portland–Vancouver, OR-WA CMSA	87,211	248,068	184.4
Phoenix–Mesa, AZ MSA	161,830	457,483	182.7
Provo–Orem, UT MSA	8,301	23,187	179.3
Salt Lake City–Ogden, UT MSA	41,775	114,508	174.1
Salem, OR MSA	16,202	39,993	146.8
Richland–Kennewick–Pasco, WA MSA	11,845	24,482	106.7
Reno, NV MSA	23,364	47,993	105.4
Seattle–Bellevue, Everett WA CMSA	169,798	331,912	95.5
Riverside–San Bernardino, CA PMSA	360,650	612,359	69.8
San Francisco–Oakland–San Jose, CA CMSA	1,250,693	1,902,304	52.1
Orange County, CA PMSA	575,108	849,899	47.8
San Diego, CA MSA	428,810	606,254	41.4
Los Angeles–Long Beach, CA PMSA	2,895,066	3,449,444	19.1

Foreign Born Population in Major Metropolitan Areas within the 12th District

Source: U.S. Census 2000

this diverse and growing immigrant population⁹ (See article “Community Development in Dynamic Neighborhoods”).

Immigrants and the Labor Force

With the rapid growth of immigration in recent years, interest and debate about its implications for the U.S. economy have intensified, particularly with regard to its impact on the labor market. In 2005, the number of immigrants in the U.S. labor force reached a historic high of 22 million, or 14.7 percent of the total labor force. Of particular concern is that immigrants compose a disproportionately large share of the low-wage labor market (20 percent), and earn considerably less than their native born counterparts (Figure 1.6). Lack of formal education and limited English proficiency can hinder immigrants’ economic mobility, and make it particularly difficult for them to move into better-paying jobs. As a result, immigrants are more likely to be poor than the native-born. In 2004, 17.1 percent of foreign-born residents lived in poverty, compared to 12.1 percent of residents born in the U.S.¹⁰

The dominance of immigrant labor in low-wage occupations has prompted a heated discussion over whether or not immigrants hurt the economic chances of native-born workers, either by directly taking available jobs or by depressing wages for low-skilled work. If, for example, Maria were not willing to clean houses for extremely low pay, would demand for housecleaners increase wages, thereby making the job

more attractive to native-born workers? Public opinion polls show that between 25 and 40 percent of the population believes that immigrants take jobs away from Americans.¹¹ So while the debate over immigration encompasses more than its impact on the labor market, this question continues to be central to the political discussion of immigration policy.

... immigration policy must contend with a complex and intertwined set of economic, social, cultural, and national security issues, none of which are easily resolved.

The difficulty of settling the debate is due in part to our inability to measure the ‘counterfactual’ case—in other words, how would native born workers be faring today if there were no immigrants? For example, immigrants generate new jobs by helping to increase productivity, stimulate investment, and raise demand for new goods and services. Do these gains in the overall economy offset the jobs they take? Do immigrants address the gap in low-skilled labor, particularly as the U.S. population becomes older and more educated? What other factors may be affecting productivity and wages, irrespective of the growth in immigrant labor?

And are the impacts of immigration different if we measure labor market changes at the local or national level?

Scholars have used different methodologies to address these questions, and they have yet to come to a clear consensus on whether immigration has a positive or negative effect on the labor market outcomes for the native-born. A report published in 1997 by the National Research Council reviewed the literature and concluded that immigration had a negligible effect, reducing the wages of natives by only 1 or 2 percent.¹²

Scholars have yet to come to a clear consensus on whether immigration has a positive or negative effect on the labor market outcomes for the native-born.

Studies published after this review, however, have presented a more polarized view of the evidence. George Borjas and his colleagues, for example, have used national data to argue that the wage effects are negative and larger than what has previously been found. Between 1980 and 1995, Borjas estimates that the earnings of low-skilled workers fell 11 percent, and that immigration likely accounted for half this drop, or about 5 percent.¹³ More recently, Borjas has claimed that immigration between 1980 and 2000 drove down low-skill wages by 8.9 percent.¹⁴ And there is some evidence that immigrants may be displacing natives from jobs. For example, RAND researchers found that in California, from 1970 through 1999, “between 1 and 1.5 percent of the state’s adult native population ... left the workforce or became unemployed because of competition from immigrants.”¹⁵

Other research, increasingly associated with the work of David Card at UC Berkeley, has shown little or no effect of immigration on the wages or job opportunities of Americans. He argues that data from the 2000 Census show that wages of native-born, high school dropouts are unrelated to the increase in low-skilled immigrant labor.¹⁶ His research also argues that local labor markets can effectively absorb immigrants and the services they provide. For example, Card examined what happened after the 1979 Mariel Boatlift, which increased Miami’s workforce by 7 percent practically overnight with an influx of relatively unskilled Cubans. Even at this very local scale and with the possibility of direct competition for local jobs, Card found no increase in unemployment or other negative impact among less skilled blacks or other native workers.¹⁷

The studies cited here all use credible data and methods to come to their conclusions, making it difficult to evaluate which research better reflects reality. But let’s put the numbers in this debate into perspective. There are approximately 43.1 million low-wage workers in the U.S., 8.6 million of whom are foreign-born. If Borjas’s largest estimates are correct, these workers might be earning 9 percent more today without the negative effect of immigration. For someone earning an annual salary of \$20,000, that translates into a salary of \$21,800, a raise of about \$1,800. While this is a significant increase, it still translates into a wage far below what is needed to afford a two-bedroom apartment at fair-market rent in all but a handful of states.¹⁸ So while this debate has garnered a lot of press, it is worth noting that even if immigration has a negative effect on wages, the larger issue is the growing gap between wages on the low rungs of the income ladder and the cost of living. As such, it may be more important to think about how to improve the labor market potential and earnings of *all* 43 million low-skilled workers and ensure that these workers have a high enough wage to make ends meet.

Figure 1.6

	Foreign-born workers		Native workers	
	Female	Male	Female	Male
Wage Level				
Less than minimum	13%	9%	9%	6%
100-200% of minimum	40%	36%	31%	20%
>200% of minimum	47%	55%	61%	75%
Mean Annual Earnings	\$26,700	\$38,400	\$29,700	\$47,500

Wage Levels and Income of Workers by Nativity and Sex, 2002

Source: Randolph Capps, et al. (2003). *A Profile of the Low-Wage Immigrant Workforce*. Washington, D.C.: The Urban Institute.

The Fiscal Costs of Immigration

In addition to the equity concerns in the labor market, discussions over the costs of immigration often focus on the fiscal impacts of immigrants. Do immigrants place an undue burden on already strapped government budgets? As with the labor market question, the methodology and assumptions used to analyze this question have a large bearing on the results. But, at the federal level, the majority of studies support the view that immigrants—both legal and undocumented—result in a large positive fiscal impact.¹⁹ According to the 2005 Economic Report of the President, “More than half of undocumented immigrants are believed to be working ‘on the books,’ so they contribute to the tax rolls but are ineligible for almost all Federal public assistance programs and most major Federal-state programs.”²⁰ Moreover, research on the foreign-born generally finds that they are less likely than natives to use public services and that most of those who do use them are refugees.²¹ As a result, immigrants are increasingly being seen as an important taxpayer base that can help to ensure the future solvency of Social Security and Medicare.

For the community development field, the challenge is to respond to the growth, diversity and settlement patterns of immigrants proactively and ensure that they are able to access the resources they need to achieve financial security.

At the local and state level, however, studies show that immigrants can impose a fiscal cost, although the magnitude of that cost differs depending on the choice of time horizon. Relative to the native population, immigrant households have more children, meaning that on balance they ‘use’ more public education funding. Yet studies that find a large fiscal drain associated with educating immigrant children generally rely on static, short-term cost analyses.²² In other words, these studies do not account for the long-term tax contribution that these children provide once they join the labor force. Once that contribution is taken into account, there is no negative impact. And it is worth noting that the negative fiscal impact at the state and local level holds true for children in native-born families as well.

Conclusion

On balance, most of the research on immigration suggests that politicized statements about the negative impact caused by immigrants in the U.S. are largely unfounded. The National Research Council study’s ‘immigration balance sheet’ suggests that immigration provides the U.S. a net benefit of around \$80,000 per immigrant, or as much as \$10 billion annually.²³ And while there may be some costs associated with job or wage loss among native-born workers in direct competition with low-skill immigrants, these costs appear to be relatively small in relation to the larger forces of economic restructuring, globalization, and new technologies in the workplace.²⁴

For the community development field, the challenge is to respond to the growth, diversity and settlement patterns of immigrants proactively and ensure that they are able to access the resources they need to achieve financial security. Many of the characteristics of immigrant families are shared by all low-income households—such as low wages, limited job skills or education, and lack of access to services such as child care. Yet in immigrant families these problems are often compounded by limited English proficiency and cultural differences that affect the uptake of services. As immigrants have shifted to living in new communities, the community development field must evolve to meet the needs of this diverse population, particularly with regard to language services and cultural competencies²⁵ (See “Community Profiles”).

But the growth in immigration also holds much promise for the field. For example, immigrants are proving to be a viable market for financial services, including not only transaction accounts but also home and small business loans (See article “Financial Access for Immigrants”). Immigrants can also help to spur commercial revitalization and strengthen neighborhoods and communities. In many inner cities, immigrants are fueling an economic recovery by stimulating demand for housing and rejuvenating small business activity in once-abandoned commercial corridors.

In the end, the economic impact of immigration on the U.S. economy will be shaped far more by how we help low-income immigrant families succeed than by the length of the fence at the border. The effects of poverty on families and communities are negative and costly over the long-term, regardless of nationality or immigrant status. Helping to expand access to opportunity for those on the lower rungs of the labor market, such as improving education and training, increasing the availability of health insurance and child-care services, and supporting protective policies such as minimum wage laws, will translate into better outcomes for all low-income families and the neighborhoods in which they live. **CI**



Community Profile: Arizona

Chicanos Por La Causa

Between 1990 and 2000, Arizona saw a 136 percent increase in its foreign-born population, and among the foreign-born population in the state in 2000, 72 percent were born in Latin America. With its farming regions that are home to year-round growing and harvesting of greens, cotton, pecans, melons and tomatoes and a booming construction industry, Arizona is drawing Hispanic immigrants who are increasingly finding it possible to establish their own roots in the state.

A strong infrastructure to support both new and more established Hispanic immigrants in Arizona has been built in part by Chicanos Por La Causa (CPLC), a 35-year-old community development corporation based in Phoenix but active throughout the state. CPLC's services, which span education, health, housing, and economic and cultural development, aim to address comprehensively the needs of a diverse and, in some respects, difficult-to-reach immigrant population. Max Gonzales, CPLC's vice president of Community Affairs, said that among the communities it serves, "There is some commonality—as far as safety, health, and employment needs—but we are trying to understand the specific interests of a number of subgroups within the immigrant population." CPLC helps more established immigrants take part in asset-building activities such as homeownership and business development. Last year alone, 500 families were able to become homeowners, and 3,500 individuals took part in business "seminario," workshops about business planning, access to capital, and management that are conducted in Spanish.

For newly arriving immigrants, CPLC offers assistance in accessing more fundamental education and health-related services. CPLC's Head Start program, which targets migrant and seasonal farmworker families, represents one of these doorways through which newer arrivals to the state can access CPLC's integrated network of programs and services. The program offers full-day, full-year care and education for children aged six weeks to five years old, and "provides a safe and secure place for kids to go, contributes to later success in schools, and offers avenues for intervention and prevention of a variety of health and safety issues," said program director Laura Walker. In addition, the program prioritizes parental involvement. Referrals are provided for job training and computer literacy classes, English as a Second Language

and GED High School Equivalency classes, financial and legal counseling, housing assistance, and a variety of other services.

Annually CPLC's Head Start program is able to reach nearly 700 children and their families. However, Walker estimates that this figure represents only 19 percent of eligible children—and only 1 percent of eligible infants. With the need for bilingual staff and intensive outreach methods, reaching all families in need is difficult, and budgetary constraints limit the number of children they are able to enroll. Despite limitations, though, Walker views this program as a vital element in creating stable communities. In addition, she noted that partnerships with schools and hospitals have been critical in augmenting their ability to serve clients.

Gonzales noted that partnerships with Spanish and English media outlets, as well as with nontraditional partners such as the local energy company, have also broadened CPLC's ability to reach out to community members. In addition, CLPC has evolved in response to community interests—in some cases merging or acquiring other non-profit organizations, in other cases creating or expanding programs and services to address emerging needs.

Both Gonzales and Walker emphasized the scope of benefits that can stem from supporting a segment of the population that continues to grow. "The economic benefits of increasing the availability of early development and health programs for immigrant families, for example, would be enormous," said Walker, citing the growing body of research showing the positive economic impacts of early childhood care.¹ While Gonzales indicated that some of Arizona's financial institutions and corporate entities have begun to tap into the substantial market opportunities presented by the immigrant community, he also said that "current political climate has contributed to some reluctance on the part of corporate and financial institutions to engage with immigrant communities, and there is room for increased commitment and support."

CPLC's own commitment to integrating economic and human development through a host of services and programs is a locally and nationally recognized community development model. As Gonzales said, "Regardless of how long people have been part of this community, we aim to help them achieve stability through education and services... We try to engage and empower families and kids to help them succeed."



Community Profile: Los Angeles

Asian Pacific Islander Small Business Program

As of the 2000 Census, just over 40 percent of the population—or 1.5 million people—in Los Angeles were foreign-born. A longtime magnet for peoples from all over the globe, Los Angeles continues to attract new immigrants from countries throughout Asia and Latin America. For immigrants with self-employment goals, linguistic, cultural and financial barriers to starting and maintaining a business can be high. The Asian Pacific Islander Small Business Program (API SBP), a microenterprise development program, aims to minimize these obstacles by delivering culturally-competent small business services to the growing number of Asian ethnic communities in Los Angeles.

“Cultural competency is essential for developing appropriate community outreach strategies.”

The impetus to develop API SBP emerged during the aftermath of the Los Angeles riots of 1992, which saw widespread looting and burning of many Korean businesses. Many business owners were uninsured, and the resulting economic losses meant that they were suddenly unable to afford household rent or college tuition. Many families doubled up into apartments and children were pulled out of school. Cook Sunoo, director of API SBP, said that the situation called attention to the marginal nature of many Asian-owned businesses in Los Angeles: “With the high levels of entrepreneurship in many of the Asian communities, it became clear that social welfare was highly correlated with the health of small businesses in those communities. However, government support for small businesses was not adequately serving the needs of immigrant and ethnic communities.” Sunoo noted that at the time, out of the nine SBA-run Small Business Development Centers in Los Angeles, only one had staff with Asian-language capabilities.

This lack of support pointed to the need to deliver additional business development services to subgroups

within the Asian community, but the challenge was in determining how to conduct outreach in a variety of languages and maintain sensitivity to a growing spectrum of cultural differences, all while operating with limited funding and resources. The leadership of Chinatown Service Center, Korean Youth & Community Center, Little Tokyo Service Center CDC, Search to Involve Pilipino Americans, and Thai Community Development Center—all of which are established social service organizations—decided to create API SBP as a collaborative in order to efficiently support entrepreneurs and advance economic development in each of their communities. A collaborative structure allows administrative and managerial resources to be pooled while also enabling the program to have broad reach into a number of unique communities. It also allows the organization to approach financial institutions and foundations as a unified voice.

Broad cultural knowledge—as well as strong business acumen—is required of staff, who can now offer individual counseling and group workshops in six languages. “Cultural competency is essential for developing appropriate community outreach strategies,” said Sunoo. For instance, he noted that religious institutions are often gateways for reaching community members in need of business services, but while it can be acceptable, for example, to conduct business-related outreach on the grounds of a Thai temple, the same activity would likely be frowned upon on the grounds of a Korean church. Cultural competency also means understanding the stresses that business ownership can place on families and children. To address some of those ancillary issues, API SBP’s programs also aim to link clients to a host of other services, including child care, family counseling, and tutorial programs for youth.

Since its inception, API SBP has sought to break down the linguistic and cultural barriers that have excluded immigrants from mainstream business development services. The vision of API SBP is to expand its services so that it can reach other Asian ethnic groups for whom a service void still exists, including Vietnamese and Cambodian communities. Said Sunoo, “There is a need for additional economic development and technical assistance to make sure that the whole range of Asian businesses can fully participate in the Los Angeles economy.”

Financial Access for Immigrants

The Challenges and Opportunities Facing U.S. Depository Institutions

by Robin Newberger and Anna Paulson, *The Federal Reserve Bank of Chicago*
Audrey Singer, *The Brookings Institution*
Jeremy Smith, *independent consultant*¹

Introduction

In the past decade, immigration has changed from a phenomenon that had a major impact on just a few places to one that influences nearly every community in the United States. In the district served by the Federal Reserve Bank of San Francisco, immigrants make up about a fifth of the total population, an even greater share than for the U.S. as a whole. Whether they come seeking economic opportunity or fleeing political turmoil, immigrants are finding common ground with the native-born in their shared wish to create a safe, secure, and prosperous future for themselves and their children. Financial access—knowing one’s financial options and having products and services to choose from—is fundamentally linked to economic prosperity. The extent to which immigrants participate in the banking system is a key measure of success in terms of integration into the economic mainstream, and has relevance for many groups, including bankers, consumer advocates, policymakers and immigrants themselves.

Overall, immigrants are much less likely to use the financial mainstream compared to individuals who were born in the United States. While 76 percent of native-born household heads have a checking account, the same is true for

only 63 percent of immigrant household heads (see Table 2.1). This pattern holds for savings accounts, homeownership, and stock ownership as well, with the gap between immigrant and native-born connections to the financial mainstream increasing with the sophistication of the financial product. This article reviews recent research identifying key factors that affect immigrants’ financial participation, describes some of the steps banks have taken to meet the financial needs of immigrants, and identifies additional opportunities that can help draw more immigrants and their families into the banking system.

Why are Immigrants Less Likely to use Banks than the Native-Born?

Immigrants’ decisions to avoid banks on the one hand and patronize the alternative financial services sector for check-cashing and remittance services on the other find their roots in three broad factors.

First, socioeconomic and demographic characteristics like age, education, ethnicity, and income play a role in immigrant as well as native-born choices regarding financial services. These characteristics are only part of the story,

Table 2.1

Country of Origin	Checking Account	Savings Account	Checking or Savings Account
Mexico	27%	26%	40%
China	48%	61%	78%
Philippines	63%	52%	76%
India	65%	56%	77%
Vietnam	49%	28%	56%
Cuba	49%	34%	59%
Korea	56%	38%	68%
Canada	75%	57%	85%
El Salvador	34%	25%	44%
Germany	72%	66%	87%

Source: 1996-2000 SIPP data.

however. Immigrants are less likely to have checking and savings accounts compared with the native-born, even after taking into account differences in socioeconomic and demographic factors.

The extent to which immigrants participate in the banking system is a key measure of success in terms of integration into the economic mainstream.

Second, characteristics that are unique to immigrants—time spent in the United States, language barriers, intentions of returning to their native country, an orientation toward country of origin institutional norms, perspectives on the trustworthiness of institutions like banks, legal status, and the tendency to cluster in neighborhoods with other immigrants from the same country—shape their financial choices as well.

Finally, these choices are influenced by the features of products and services offered by banks compared with those offered by the alternative financial services sector including: cost, anonymity, documentation requirements, minimum balance requirements, and convenience – both in the United States and, in the case of remittances, in the country of origin. Less tangibly, but of enormous importance, the

“culture” of the institution determines how welcoming and familiar it feels to a potential immigrant customer.

Minimum balance requirements are among the most burdensome barriers to opening a bank account, and survey responses among Latin American immigrants show negative views about high minimum balance requirements.² Another bank policy that can discourage immigrant financial participation is the use of the ChexSystems database to screen out potential customers with a lack of, or a poor, credit history. About 80 percent of U.S. bank branches use the database to run credit checks before opening accounts for prospective customers. A related issue is that some immigrants cannot meet the documentation requirements imposed by banks. While banks are not required by law to ask customers for Social Security Numbers and can choose to accept alternative forms of identification, many banks still do ask for Social Security Numbers to open an account or conduct other business (See Box 2.1, New Forms of Customer Identification and the USA PATRIOT Act).

Convenience and accessibility of financial services also drive immigrants’ decisions on where to conduct basic financial practices such as cashing checks and sending remittances. Sending remittances is one of the most common and important financial transactions among immigrants. Remittances are sent by the entire range of immigrants: documented and undocumented; permanent and temporary; upper- and lower-income; middle-aged and young; married and single; and male and female.³ However, most immigrants and their families use money transfer operators, not banks, to

New Forms of Customer Identification and the USA PATRIOT Act

Box 2.1

Section 326 of Title III of the USA PATRIOT Act*, the International Money Laundering Abatement and Anti-Terrorist Financing Act of 2001, requires financial institutions (or third-party agents performing services on their behalf) to keep and report accurate records that verify the identities of their “customers,” particularly as those records pertain to money laundering, terrorism, identity theft, and fraud. Customer Identification Programs (CIPs) require banks to collect the name, address, date of birth, and tax identification number of a prospective customer in addition to any other information that a bank’s particular account-opening procedure requires. A bank’s CIP must: (1) specify the identifying information that will be obtained from each customer; (2) verify the identity of each customer; (3) retain the identifying information obtained at account opening for five years after the account is closed; and (4) determine whether a customer is on any federal government list of terrorists.

Under the Treasury Department’s final rules for implementation of this part of the USA PATRIOT Act, acceptable forms of identification include Social Security Numbers and driver’s licenses, as well as foreign government-issued identification and consular identification cards. Whether a bank chooses to accept alternative forms of identification depends on the amount of risk it is willing to assume with respect to its ability to verify the identity of each customer. The USA PATRIOT Act requires that institutions that accept the *Matricula Consular* card take reasonable steps to ensure that they have verified the identity of the customer through documentary or non-documentary means.

*The formal title is the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act. The Act was signed into law in October 2001.

Despite institutional barriers that can limit financial access, the trend in recent years has been for banks of all sizes to reach out to rapidly-growing immigrant populations.

send and receive remittances, and even immigrants with bank accounts do not necessarily use banks to send remittances. In one survey, just 22 percent of remitters who had a bank account used a bank to send remittances.⁴ Part of the reason relates to lack of information—another study showed that only a fraction of the remittance senders with bank accounts understood that they could use the bank to remit money to their native countries.⁵ Reliable service, extended hours, and staff that speaks the language of customers are other reasons why immigrants send remittances via money transfer operators versus banks.

How Banks are Reaching Out to Immigrant Populations

Despite institutional barriers that can limit financial access, the trend in recent years has been for banks of all sizes to reach out to rapidly-growing immigrant populations. Motivated largely by a business rationale, banks and credit unions have led the charge in raising public awareness about the growth of the immigrant market.

For small banks or community banks, reaching out to immigrant customers can be matter of survival. On average, community banks finance 40 to 65 percent of their assets using local household and business deposits, compared with about 30 percent for large banks. As the neighborhoods that many serve undergo dramatic demographic changes, small banks have transformed their business strategies to work with new customer bases.

Large banks have also been critical to bringing immigrants into the financial mainstream. Large banks account for less than five percent of all banking institutions in the U.S., but they hold more than three-quarters of all bank deposits. Hence, the policies of a single large bank can have repercussions for millions of potential clients across the country.

“Hybrid” entities represent another set of banking institutions that have had success in reaching immigrants. These include banks and credit unions that combine the services usually associated with check-cashing companies with the products associated with depository institutions. Hybrids are still experimental, but they are designed to reach just the kind of customer that many immigrants represent: working people who pay bills and send remittances, and who regularly patronize check cashers and money transfer operators.

Building immigrant acceptance of banking institutions is a gradual and multi-stepped process. It takes time to understand the cultural backgrounds and diversity of immigrant populations. Outreach often requires making large up-front investments in marketing, staffing, and training – investments whose returns may take years to realize. The time line may even extend to the children of immigrants. Tapping into the financial services opportunities offered by the growth in the immigrant population, therefore, requires mainstream institutions to be patient and flexible. They must also be willing to take on a complex and evolving regulatory environment.

Building trust

A first step that many banks have taken to get immigrants in their doors involves building trust within immigrant communities. Some of this has meant changing the methods that banks use to interact with clients, such as hiring bilingual staff, providing multicultural training for bank workers, and redesigning websites and ATMs. Some of this activity has also led to making branch lobbies more inviting, and adding or switching advertising channels.

Another fundamental way that banks have built trust among immigrants has been through the cultivation of relationships with churches, schools, and other community organizations that immigrants know and respect. By working with these community actors, bankers hope that the trust that immigrants place in these organizations will transfer to the bank. For their part, community-based nonprofits, schools, employers, and other community organizations

Matricula Consular

Box 2.2

The *Matricula Consular* card is an official national identity card issued by the Mexican government through its network of consulates in the United States. In 2002, security enhancements were made to the card and it was redesigned as the High Security Consular Registration Card, though it is still known informally as the *Matricula Consular* card. The card provides a name, address, and identification number for bank customer identification programs. While other Latin American governments have begun to issue similar cards, the *Matricula Consular* is the most widely circulated, carried by more than 4 million Mexicans in the United States as of 2005, according to the Mexican government. Of these, 2.2 million carry the high security version of the card. Although the *Matricula* allows immigrants to open accounts at many banks in the U.S., it must be used in conjunction with a Social Security Number or an Individual Taxpayer Identification Number to open an interest-bearing account or to engage in other taxable bank activities.

often have their own stake in whether immigrants join the financial mainstream. For example, Boat People SOS, a national agency that helps Vietnamese refugees become economically self-sufficient, approached Citibank with the prospect of becoming involved in its Individual Development Account program. Once this relationship was established, representatives from Citibank and other banks sent staff to volunteer at Boat People SOS.

Accepting alternative forms of identification

A second important tactic banks have used to reach immigrants is to accept alternative forms of identification to open accounts. Some banks accept driver's license numbers, consular-issued identification cards and Individual Taxpayer Identification Numbers in addition to Social Security Numbers. Wells Fargo, for example, became one of the first major banks to accept the *Matricula Consular* card for Mexicans, and later for Guatemalan immigrants.⁶ As of November 2003, Wells Fargo had opened 250,000 accounts for *Matricula Consular* card holders in California, Texas, Arizona, New Mexico and elsewhere⁷ (See Box 2.2, *Matricula Consular*).

Anti-money laundering and anti-terrorism legislation, the main legislation that impacts this area, has made it clear that Social Security Numbers are not required to open bank accounts. Hundreds of banks in the United States now accept the *Matricula Consular* card to open bank accounts either as a unique source of identification or in conjunction with a second piece of documentation. A growing number of financial institutions also accept Individual Taxpayer Identification Numbers, known as ITINs, as documentation for

opening interest-bearing accounts.⁸ Obtaining these numbers has become more difficult in recent years, however, and ITINs must be used in conjunction with other identification due to regulatory requirements.

Offering services usually associated with check-cashers and money transfer operators

Banks are also competing for immigrant clients with entities such as check-cashers and money-transfer operators. Beyond the few "hybrid" models, many banks and credit unions offer check-cashing for non-account holders, money orders, and non-financial products like phone cards, along with low-cost savings and checking accounts. A 2004 study found that at least 60 U.S.-based depository institutions, including the largest banks as well as community banks and credit unions, offer remittance products.⁹ There are numerous methods available, including debit or dual ATM cards, credit cards, account-to-account transfers, and stored value cards. In Bank of America's SafeSend program, for example, checking account customers can send remittances to Mexico at no charge. San Francisco-based Xoom is an online remittance system that sells its technology and infrastructure as a turnkey system for regional and community banks.¹⁰ The Federal Reserve has also begun to promote remittances through the banking system with the "Directo a México" program, an automated clearinghouse money transmission option (See Box 2.3, *Directo a México*).

Moving clients up the financial ladder

So far, the marketing of transaction accounts and remittance products has been the first crucial step that many banks have taken to get immigrants in their doors. A smaller number of banks are also trying to match their immigrant customers with higher-end financial products. Union Bank of California, for example, has developed an array of credit products for low-income and immigrant borrowers, such as secured credit cards, new and used car loans, small business loans, and mortgage products, aimed at helping clients either build credit histories or build assets.

Homeownership is one area beyond basic banking and remittances where financial institutions have been able to take advantage of growing demand by immigrants. Although immigrant homeownership (at 55 percent) lags behind that of the native-born (at 76 percent)¹¹, immigrant households are projected to account for approximately one-third of all new households between 2000 and 2020.¹² Many of the mortgage products developed for immigrants are part of broader minority homeownership initiatives that offer flexible credit underwriting standards and take into account the contribution of the extended family in determining the income of a prospective borrower.

A small number of banks also offer home mortgages using ITINs for people without Social Security Numbers. Working with ACORN in California, for example, Citibank

Directo a México

Box 2.3

"Directo a México" offers an inexpensive remittance system for banks interested in serving the Mexican market.

Launched in 2004, "Directo a México" is an automated clearinghouse money transmission option available to virtually every depository institution in the United States. Developed by the Federal Reserve, the service provides direct access to all bank and most credit union accounts in Mexico. It requires both remittance senders and recipients to have bank accounts. To date, only a few small- and medium-sized banks have used the system. In a pilot program begun in April 2006, "Directo a México" is experimenting with allowing remittance senders to set up bank accounts for remittance recipients at participating bank branches in Mexico.

created a new mortgage product to make mortgages available to immigrants who have previously been shut out of credit markets.¹³ For all lenders, though, the lack of a secondary market for ITIN loans has limited the growth in this area.

Future Opportunities

As the immigrant population continues to grow, there are many opportunities to link immigrants to the mainstream financial system.

Offer check-cashing and money transfer services

One potentially fruitful approach is for more banks to offer the services that immigrants want but currently receive through check-cashers and money transfer operators. If more banks were to provide and advertise remittances, bill-paying and check-cashing services, immigrant customers would benefit from lower fees resulting from greater competition (even for those who continue to use check-cashers), as well as from the opportunity to open checking and savings accounts. The advantage to banks and credit unions would be additional fee income as well as the chance to grow their customer bases. And regulators would benefit from increased transparency and simplified enforcement of money laundering and anti-terrorism legislation as more check-cashing and bill payment transactions were conducted through the banking sector.

Reach out to the children of immigrants

Another potential strategy for banks is to reach out to the children of immigrants through the school system. There already exist numerous bank-school and credit union-school partnerships throughout the country, although not necessarily with a focus on the children of immigrants. By 2020, second generation Latinos are projected to outnumber their parents. In addition to representing a large and growing future market opportunity, the children of immigrants may be easier for banks to connect with than their parents. Roughly three-quarters of school age children with an immigrant parent are U.S. citizens. The children of immigrants are also more likely to be proficient in English. Bank branches in high schools, such as the Bank Within East, a Wells Fargo branch at East High in Anchorage, Alaska, could expand financial education opportunities for the nation's high school population.

Offer financial services through the workplace

A third opportunity for banks is to connect with immigrants through their places of employment. Immigrants make up 12 percent of the U.S. population but 15 percent of all workers.¹⁴ Banking at work could save time for busy immigrants who often cite convenience as a primary reason for using check-cashing outlets. For banks, the workplace offers the opportunity to connect with large numbers of immigrants who are ready for and in need of financial services. Company-sponsored financial initiatives that increase loyal-

ty and lower turnover rates could benefit employers as well, particularly large firms that employ significant numbers of immigrants. In addition, large employers operate at a scale at which significant savings may result from having a greater proportion of their payrolls delivered through direct deposit or stored value cards.

It is important to create a financial system that offers access to those who want it.

Target immigrant neighborhoods

Finally, banks may realize substantial customer growth by targeting immigrant neighborhoods. Immigrant enclaves, neighborhoods with a high percentage of foreign-born residents from the same country, are often places with particularly low bank account ownership. However, inroads into account ownership in ethnic communities may be multiplied through immigrant networks and word-of-mouth among people who rely heavily on one another for information. Getting just one immigrant to open a new bank account may lead many others to do the same as they learn about the process and the benefits of account ownership from an individual who shares their country of origin and language. Partnerships among banks, ethnic community groups, and other organizations with abundant credibility in the immigrant community are instrumental for realizing this opportunity.

Conclusion

Efforts to connect immigrants with the financial mainstream are happening against a backdrop of unprecedented immigration to the U.S. Today, at least one in nine residents of the U.S., or 35 million people, was born abroad. Immigrants have many different needs and banks may not be right for everyone. It is clear, though, that the extent of financial access is an important indicator of the overall economic and social well-being of an area. How immigrants integrate financially into the U.S. has repercussions not just for a few cities or states, but for neighborhoods and communities throughout the country. It is important to create a financial system that offers access to those who want it.

Immigrants are changing as they adapt to the U.S., and the U.S. is in turn changing as newcomers are, to varying extents, accommodated and incorporated. The challenge is to ensure, as much as possible, that these transformations strengthen communities and families across the nation, that they benefit immigrants and the native-born, help financial institutions build sustainable business models, and take into account the wisdom and the expertise of the community. ■



Community Profile: California's Central Valley

Fresno Center for New Americans

In the late 1970s and early 1980s, the Hmong, an Asian ethnic group from the mountainous regions of Southeast Asia, faced persecution, especially the Hmong in Laos and those who had aided the American forces during the Vietnam War. Many sought refuge in Thai refugee camps and in Western nations. In the U.S., three areas— California's Central Valley, Minnesota, and Wisconsin—became home to the vast majority of Hmong refugees. A second wave of Hmong refugee settlement occurred in 2004 and 2005, and out of the 15,000 arrivals to the U.S., an estimated 2,500 new refugees joined the Hmong community in Fresno, with others expected to arrive in the coming years.

"There are so many issues that surface when a new group of people settles in a given area. Where will they live? What about jobs? Where will their kids go to school? What about health care?" asked Silas Cha, associate director of the Fresno Center for New Americans (FCNA). FCNA, established in 1991, works to address those and a host of other questions about how to meet the needs of the estimated 30,000 Hmong refugees in the area.

The answers are complicated when dealing with a refugee population with a unique history and a unique set of cultural beliefs and practices, not to mention linguistic barriers. Coming from Thai refugee camps with few employment opportunities, limited health services and schools, and the lack of running water in living quarters, "culture shock is inevitable," said Cha. "And there is a lot of cultural conflict, particularly over the treatment of health issues." For example, "soul loss" has traditionally been perceived as the root cause of illness, and the Hmong have relied on shamans and sacrifices, rather than methods used by Western physical and mental health practitioners, to restore well-being.

Even for the Hmong families who arrived during the first wave of settlement, challenges remain when it comes to attaining quality housing and employment that offers a supporting wage. Hmong families are typically very large. In 2000, the median household size for Hmong families in the Central Valley was seven people, compared with fewer than three people in the population at large. Cha noted that because of the high cost of housing, FCNA sees Hmong families overcrowding in small apartments in unsafe neighborhoods. And although many of the Hmong have been able to engage in agricultural work and own small farms in the Central Valley, language barriers and other skill deficiencies contribute to their high unemployment rate and low incomes.

The situation is certainly complicated, but Cha notes that "there has been a lot of optimism over the past year and a half." To help smooth the transition for new refugees, FCNA and other services providers recently took the initiative to form the Hmong Resettlement Task Force along with elected officials, city, county, and state government representatives, and school board members. In addition, private foundations have provided funding for long-term programs to help families learn how to access and navigate the health-care system. Cha noted that as a result of community health education and the increase in Hmong health-care professionals, an increasing number of Hmong are becoming more receptive to Western medical treatment. He also noted that members of the Hmong community are beginning to gain leadership roles where they can help shape public policy.

Programs run through the FCNA and other social service agencies in the Central Valley are also helping to acculturate refugees, foster leadership, and change the policy environment. FCNA's offerings include English as a Second Language classes, health education and referrals, and employment services. In this last capacity, case workers are able to work with both job seekers and employers in filling out applications, explaining workplace issues like safety codes, and resolving misunderstandings that may arise because of cultural differences. FCNA also conducts research, advocacy, and relationship-building to help bring the Southeast Asian community into the civic mainstream.

But a lot more work needs to be done to help both established and newly arriving refugees in the Central Valley gain a firmer footing. "In many ways the Hmong are an invisible population—on a large scale, we don't exist and people aren't aware of our issues," said Cha. "But we need to continue to create programs that are responsive to our unique needs so that we can build healthy communities."

The Federal Reserve Banks of Chicago and Minneapolis have issued several reports on the Hmong community. Please visit:

http://www.chicagofed.org/cedric/hmong_and_control_household_and_business_data.cfm

<http://minneapolisfed.org/research/studies/hmong/>



Community Development in Dynamic Neighborhoods

Synchronizing Services and Strategies with Immigrant Communities

by Kay Fernandez, PolicyLink

Despite growing research about the implications of immigrant markets for the private sector, there is little research about the role and contributions of community development organizations in the integration of new immigrants. This article is adapted from a longer report that, through a review of current literature and interviews with leading experts and community development practitioners, private lenders, and governmental agencies, explores both how immigration trends are driving much of the dynamic change in neighborhoods across the United States and the ways in which community development organizations can work to address changes at the local level.¹

In order to be most effective, community development organizations must be increasingly cognizant of and responsive to their changing neighborhoods. The nature and role of community development has changed since the 1960s, when grassroots activism attempted to turn around deteriorating inner-cities. The community development field has evolved as the number of organizations has multiplied in both urban and rural areas, and in many places neighborhood demographics have been in constant flux. Among the most notable of these demographic changes is the growth in the number and diversity of immigrants to the United States.

Community development organizations (CDOs) are in a key position to recognize and address immigration trends at the local level. Since most CDOs are neighborhood-based and resident-led, they have a comparative advantage over governmental agencies in connecting new immigrants to the socioeconomic fabric of their neighborhoods through housing, economic development, employment and civic-engagement strategies. Given this unique position, CDOs must be aware of recent immigration trends for three main reasons:

1. Changing demographics indicate a changing marketplace, with increased demand for new goods and services;
2. Community development organizations can prevent immigrant families from being vulnerable to unscrupulous practices; and
3. New immigrants contribute to neighborhood-revitalization strategies in various cities, including ones that have been historically disinvested or communities that are looking to expand and grow.

On the one hand, the increase in new immigrant families creates demand for housing and business and community services that can help to revitalize and strengthen neighborhoods in both hot and soft local economic markets.² Researchers have considered the positive consequences of immigration as they contribute to the rebirth of functioning private markets in former wastelands – soft markets defined by population decline, high vacancy rates and unemployment. The settlement of immigrants in disinvested cities can be major propellant of urban neighborhood revival.³ Soft market cities such as Pittsburgh and Philadelphia, or even small cities like Schenectady, NY, now have policies or public programs aimed deliberately at attracting immigrants.

The continued settlement of immigrants in hot markets such as Boston, Atlanta or Oakland also can contribute to revitalization efforts. Researchers have noted that “thanks in large part to Russians in Coney Island and Brazilians in Newark, Mexicans in Chicago and Houston, and Asians in Oakland, rundown neighborhoods are suddenly seeing a burst of new activity – not just in the number of residents, but in small-business investment, street life, and an asset that hardly anyone associated with these places 20 years ago: cultural élan.”⁴

On the other hand, the challenges posed by the influx of immigrants into both hot and soft markets means an increased role for community-organizing and community-building activities, especially in regard to housing and tenant rights, workforce development and education and counseling. As the demographics and marketplace change, CDOs must recognize the barriers to addressing the community development needs of immigrant communities. Some CDOs

have conducted extensive needs assessments in their neighborhoods and found that new immigrants quickly move out of neighborhoods that lack affordable housing and job opportunities in search of better conditions. This constant out-migration of residents causes instability in neighborhoods where one low-income community is replaced by another. CDOs have an opportunity and responsibility to stabilize the neighborhoods, and can do so by supporting and encouraging immigrants to make long-term investments in the community through homeownership, education and job opportunities.

“Immigrants have been the backbone of stability in many struggling neighborhoods. With their aspirations, immigrants have been fueling the stability of distressed neighborhoods. They are and will continue to be the future renewal of many cities,” said Kenneth Wade, chief executive officer of NeighborWorks America.⁵ Unfortunately, in many communities, mainstream market channels overlook the fact that immigrants are a significant economic force. The increasing presence of immigrants in small towns and rural areas, as well as the continued growth of the immigrant population in traditional gateway cities, has implications for CDOs, the neighborhoods they work in, the immigrants themselves, and the long-term revitalization strategies of community development.

Community development organizations (CDOs) are in a key position to recognize and address immigration trends at the local level.

How Can CDOs Respond to Changing Demographic Profiles?

The level of demographic change that warrants a community development response varies greatly according to the degree and length of immigrant presence, the capacity of the organizations to adapt, and the availability of existing resource networks. Gateway cities like Los Angeles, Chicago, New York and Miami have a long history with immigrants. Their networks are relatively sophisticated, yet many newcomers experience isolation within their own neighborhoods. In some areas, ethnic-focused community development organizations have emerged to fill the need for language-specific, culturally appropriate programs that address housing discrimination and small business development. Furthermore, established organizations have

Understanding Local Immigrant Characteristics

It is difficult to design services without a basic understanding of an immigrant group's socioeconomic, historical and cultural characteristics. This table presents some of the questions that CDOs have found it important to ask when trying to understand the specific characteristics and needs of local immigrant communities.

Characteristics	Questions
Settlement patterns	<ul style="list-style-type: none"> ■ Where are immigrants moving from and where are they settling? Why? ■ In what kinds of conditions do most immigrants find themselves?
Immigrant population growth	<ul style="list-style-type: none"> ■ How fast or slow is the demographic change? ■ What countries do the recent immigrants come from?
Economic status	<ul style="list-style-type: none"> ■ What education level and skill level do immigrants have? ■ What is the level of English proficiency in speaking, reading and writing? ■ What kinds of dwellings or living conditions do immigrants tend to live in the neighborhood? Renters and homeowners often have different visions for community development. ■ What is the family structure of most immigrants in the neighborhood?
Immigrant status	<ul style="list-style-type: none"> ■ What is their legal status? ■ Are there other immigrant-serving organizations addressing citizenship needs?
Motivation	<ul style="list-style-type: none"> ■ What are their reasons for immigrating? ■ Do immigrants feel culturally alienated in the community? Why or why not? ■ Do certain immigrant groups have strong cultural connections in the community that assist them? If so, how can a CDO access and build on those existing connections?

broadened their mission from serving one ethnic group to reach a more diverse constituency. CDOs that have broadened their missions rarely limit programs to people in their service neighborhood, and have stretched limited resources to areas where mainstream organizations have not responded.

But traditional gateway cities are not the only places experiencing immigrant growth and diversity. Data from the 2000 census brings to light the dispersal of recent immigrants to suburbs outside central metropolitan cities to Midwestern counties and rural towns all over the country. Immigrants are migrating or immigrating directly to these areas to be with family members, and to take advantage of job oppor-

tunities and affordable housing. The influx of immigrants to rural areas, for example, has caused numerous challenges. Often there are few community development organizations to handle the growing numbers, and those present are ill-equipped to provide services to meet the critical housing needs of migrant agricultural workers or immigrant factory workers. These phenomena mean that community development practitioners in these areas must seek new methods of outreach, education and partnership.

Given the heterogeneity of this immigrant wave, there are no one-size-fits all solutions to engaging immigrants in community development. Community development organizations working in dynamic neighborhoods with changing demographics frequently wrestle with questions such as:

Local Needs Assessment

Box 3.1

- El Centro, Inc., conducted a survey of immigrant adults in the metropolitan region of Kansas City, Kansas. The CDO adopted an organizing strategy to identify and define the social, economic, educational and civic realities of Latino immigrants through a comprehensive needs assessment. El Centro used the study in its strategic planning process.
- Chhaya Community Development Corporation, in Queens, New York, conducted a quantitative and qualitative needs assessment of the South Asian American community using various data resources, including decennial census data from the New York City's Housing and Vacancy Survey, and data from a random survey and focus groups conducted by Chhaya CDC staff. Using a grassroots approach that included interviews in various languages, the organization was able to capture information that would not be revealed by quantitative data alone.
- Neighborhood Housing Services of New York City (NHS of NYC) has adopted various forms of market analysis in order to understand its changing constituency. In 2002, NHS of NYC hired a consulting group, Checco Communications, to conduct a series of focus groups throughout the region. The information gathered helped the CDO develop more culturally appropriate marketing messages for immigrants. NHS of NYC was also involved in a needs assessment with HUD and Hunter College to understand the homebuying needs of Koreans and Dominicans in northern Queens. This partnership between the CDO, college and public agency was a way to leverage meaningful information for all parties involved.

- How do I know when immigrant communities are moving into my neighborhood?
- What are their community-development needs?
- What role can my organization play in working with recent immigrant groups?
- Who else in the community is working on these issues?
- Where can my organization get the resources to expand and strengthen our immigrant focused work?

These questions – along with countless others about socioeconomic conditions, housing and economic-development opportunities, leadership development, and the availability of resources – can be answered through a firm understanding of the immigrant communities being served, their organizational capacity, and other key stakeholders in the immigrant community. Many of the CDOs targeting services to newcomers have four common elements: (1) understanding of local demographic changes and immigrant needs in the community, (2) organizational assessment of the capacity to address the changes and needs, (3) knowledge of strategic partners and a willingness to collaborate, and (4) innovative programs and services tailored to community needs.

Understanding local demographic changes

Detailed market analysis is already a common practice that well-managed CDOs engage in, but it is crucial for CDOs that work in communities with changing demographics to consistently and constantly analyze local demographic trends. Using data that is based on observation, research and analysis rather than anecdotal information helps CDOs identify and present the needs of their changing community.⁶ Although demographic analysis of data from sources such as the census and the American Housing Survey helps, it is not the only means of understanding the local immigrant population. Qualitative data collection through grassroots methods like facilitated focus groups or door-knocking further illustrates the most pressing needs for invisible immigrant communities, many of whom might not have been counted in the census or any other governmental

surveys because of their uncertain legal status.⁷ A thorough and sound needs assessment can help an organization articulate and justify the need for action and change. It will also help to create baseline statistics that will be important to communicate to funders, board members and other stakeholders (See Box 3.1, Local Needs Assessment).

It is crucial for CDOs that work in communities with changing demographics to consistently and constantly analyze local demographic trends.

Organizational assessment

Recognizing the community development characteristics and needs of newcomers is only the first element of reaching out to the immigrant community. CDOs must also take stock of their organizational capacity in order to determine the staffing and resources needed to serve the community.

Once CDOs have a clear assessment of their changing constituency and understand their organizational capacity to serve the immigrant population, they can engage in some form of strategic planning. Strategic planning allows CDOs to think through the entire service-delivery process, recognizing staff capacity. For example, in the Twin Cities of Minnesota, the Community Neighborhood Housing Services found it to be cost-efficient to train people within the immigrant community about financial services and home ownership. Once trained, the Homeownership Center hired immigrant trainees as consultants and provided them with cell phones to field questions and concerns from potential clients.⁸

Strategic partnerships

Developing strategic partnerships is a key element in building organizational capacity to serve immigrant communities, and more importantly in creating a network of organizations that provide continuous support. In many cases, it does not make sense for a CDO to serve multiple populations. Instead, the organization should foster partnerships or contracts with organizations that have a track record of geographic or cultural understanding with immigrant populations. Immigrant-focused and ethnic-specific organizations can help serve communities with specific language or cultural barriers. Frequently, these community-based organizations provide the first wave of social services and short-term or emergency housing to newcomers. But they often lack the capacity to get immigrant families into the pipeline of the financial system, long-term housing, stable jobs and homeownership opportunities. Some CDOs look to connect their financial literacy and education programs to English-language schools or citizenship classes at the local

community center. Other CDOs have linked up with local schools because they found that many working immigrant parents were only willing to take time out to participate in programs related to their child's success.

Another approach adopted by CDOs is to reach out to trusted advisors and leaders in local immigrant communities and organizations. Although board members and the leadership of CDOs are often members of the local community as well, there is often a time lag from when the demographics of a community are changing and when CDOs are able to build immigrant leadership within the staff or organizational leadership. As the residential make-up of a neighborhood changes, CDOs must respond by providing the training opportunities and outreach for immigrant residents to participate and develop their leadership.

Box 3.2

Partnerships between financial institutions and CDOs

Increasingly, financial institutions are developing partnerships with CDOs due to immigrants' potential market power. More CDOs are endorsing financial education and training for immigrant and minority communities. As a result, there are several resources for language-specific information on financial education. One such effort is the Money Smart program of the Federal Deposit Insurance Corporation (FDIC). The curriculum is offered in Spanish, Chinese, Vietnamese and Korean. The tailored language versions of Money Smart were developed to help build awareness among unbanked immigrants. Also, the National Coalition for Asian Pacific American Community Development (National CAPACD) offers free financial education materials online in English, Chinese, Korean and Vietnamese.¹ Motivated financial institutions, such as Wells Fargo and First National Bank and Trust of Rogers, Arkansas, are becoming more aware of the power of reaching and capturing the eligible immigrant market for housing opportunities. A handbook developed by the Fannie Mae Foundation and Georgetown University's Institute for the Study of International Migration presents various ways that financial institutions can access immigrant communities. One possibility includes partnering with community based organizations to provide needed financial-literacy training. The handbook describes ways that banks can use organizations like CDOs as a conduit.²

For established organizations, such as the Unity Council in Oakland, California, it did not make sense to duplicate services that were already being offered by other CDOs in the area.

Motivation: Recognizing that their community's largest population, Latinos, dropped below 50 percent of the area population, the leadership decided to broaden the organizational mission to include a more diverse constituency that also works with underserved Asian Pacific Americans (APAs).

Strategy: The Unity Council's former executive director and founding member, Arabella Martinez, understood that her staff could not tackle the issues facing Southeast Asian families alone. The organization sought out partnership with other CDOs in the region with knowledge of, access to and expertise on the APA community.

Outcome: Unity Council's job-readiness and employment program involves an extensive partnership between five community-based organizations and is available in seven languages.

Tailored programs

Given the increasing diversity and complexity of immigrant communities today, CDOs need to develop innovative outreach and appropriate delivery strategies – and must also think ahead. Some of the issues facing underserved immigrants are similar to those of the low-income population as a whole, but there are specific socio-cultural barriers that make it even more challenging for new immigrants to better their circumstances. Language access, employment opportunities and cultural attitudes about financial institutions are some of the barriers that make it difficult for immigrants to engage in community development opportunities. In some areas, the influx of new immigrants is so fast that there simply are not enough institutions to address the changing needs of the community. Immigrants have so many different needs that even cities with constant flows of immigrants have a relatively weak immigrant support infrastructure.

Given the increasing diversity and complexity of immigrant communities today, CDOs need to develop innovative outreach and appropriate delivery strategies – and must also think ahead.

Outreach strategies: Offering bilingual services and translated materials are not enough, especially given the increasing diversity of today's immigrants. Outreach and marketing strategies to immigrant communities must be innovative, recognizing their education level, cultural values and priorities. CDOs must update traditional outreach methods by using ethnic print media and local radio stations to inform immigrant communities about their services. Increasingly, CDOs must do more footwork and outreach to churches, trade associations and mutual assistance associations to gain access to immigrant communities. CDOs that work with

newcomers often have strong education and training components that are accessible to working immigrants and provide culturally appropriate one-on-one counseling that meets the language needs and cultural norms of that community. For example, in order to decrease the homeownership gap of the growing Latino population, the National Council of La Raza supports increased employment of Latino bilingual and bicultural professionals in the financial services industry through training and internship programs. Neighborhood Housing Services of New York City conducts public-opinion research to identify appropriate media messages and themes that encourage qualified immigrant families to seek homeownership opportunities; then it markets its materials through ethnic radio, print, and television outlets.

Community-building: CDOs dealing with neighborhood tensions fueled by anti-immigrant sentiment and discrimination should focus on common goals and issues. Community-building activities must openly address the anxiety that arises between existing communities and newcomers. CDOs often wrestle with questions about how to mediate tensions between existing communities and newcomers. Lori Gay, President and CEO of Los Angeles Neighborhood Housing Services, says this issue is not new, but is increasingly important to deal with.⁹ She asserts that all members of the community should focus on common issues, like decent and affordable housing or living-wage jobs. Sometimes it is a matter of dispelling misconceptions that are rooted in the negative stereotypes of immigrants. Tensions around job competition and limited resources continue to arise between those who consider themselves "Americans" and those who are labeled as "foreigners." For many existing residents, there is an honest concern that increased job competition with low-skilled workers reduces the earnings and job opportunities of low-skilled or disadvantaged native workers. But no conclusive evidence exists that immigrants displace natives from jobs or reduce earnings of the average worker.¹⁰

Challenges of a growing immigrant population have been prominent in California in the past decade. CDOs

and community leaders in historically African American communities, like South Central Los Angeles, struggle with the fact that the majority of the population is now Latino. Community development leaders must possess a multiracial and multiethnic perspective that fully appreciates each group's needs while successfully advocating for multigroup goals that produce a greater good for everyone. CDOs must communicate and work with other organizations for the common good, to foster community goodwill, and to build infrastructure and programs that will improve everyone's standard of living and generate neighborhood vitality. Leaders of CDOs must negotiate how best to bring groups that are in conflict together as well as to mitigate disputes over competition for limited resources.

Private sector attention: Due to issues of immigration status, income sources and creditworthiness, many immigrants are ineligible for certain financial services and programs. As lenders attach increasing importance to formal credit histories, the challenges for potential borrowers living outside the economic mainstream are intensifying. The increasing use of conventional tools to measure creditworthiness means that many immigrants are deemed ineligible for financing when their conventional assets and income are handled by computerized screening. Many immigrants cannot demonstrate conventional credit histories. By custom, many immigrants prefer not to use credit cards; while they may pay rent, their names might not be on the lease; multiple generations live in the same home or apartment; and often their work is paid for in cash and there is no written documentation of their employment on the books.

However, lending institutions are providing more innovative financial products that take into account the

challenges of immigrants regarding eligibility, citizenship status, income sources and creditworthiness. Banks, mortgage institutions and real estate brokers are increasingly aware that immigrant homebuyers make up a market of borrowers largely unfamiliar with and often skeptical of financial institutions. Lending professionals can aid immigrants' entry into and completion of the homebuying process by advertising in their native languages, employing staff who speak those languages, and educating staff about relevant issues and barriers for specific immigrant populations. Community development organizations need to tap into this growing attention to immigrant markets and help to expand and inform private practices. CDOs can focus on financial fitness in order to get low-income immigrant families into the economic pipeline (See Box 3.2, Partnerships between financial institutions and CDOs).

In addition to the linguistic, cultural and institutional barriers that face many immigrant communities, there are various challenges that CDOs face when looking to increase their strategies to meet immigrant needs. With dwindling government support for operating expenses, many CDOs are unable to build their capacity to meet the needs of their changing populations. The lack of resources and support is also a result of the constraints imposed by funders, even if the CDOs are committed to carrying out their mission of being resident driven. National intermediaries, such as NeighborWorks America, Enterprise Community Partners, and the Local Initiatives Support Corporation (LISC), are beginning to respond to the growth of the immigrant population by providing CDOs with financial training and support. Some banks at the national level have broad goals, but allow their local entities to determine the market needs and

In order to address the growing need for housing services for the Latino population in Arizona, the National Council for La Raza's Homeownership Network (NHN) brought a coalition of Latino CDOs together to increase outreach, specialized products, and services. The coalition includes Housing for Mesa, Chicanos Por La Causa, Housing America Corporation and the National Council for La Raza.

Motivation: To break Latinos' language and cultural barriers to the homebuying process.

Strategy: Target low- to moderate income Latino families that are potential homebuyers with the following programs:


- Flexible underwriting through a partnership with Fannie Mae to create more flexible standards with National Council of La Raza (NCLR). Innovations included substitution of nontraditional evidence of creditworthiness, such as regular payments of rent and utility bills for families with little or no credit history, and greater acceptance of multiple sources of income to calculate mortgage eligibility.
- Down-payment assistance provided as small grants through the use of public and private resources.
- Mandatory prepurchase housing counseling by Latino CDOs with support from Fannie Mae and First Interstate and with extensive technical assistance from NCLR.

entry points. In order to expand and tailor services to immigrants, organizations need financial and technical resources to access data and market analyses, as well as regional and national networks to share successful service delivery and inclusion strategies.

Conclusion

Immigration today is different from the past and is driving much of the dynamic change in neighborhoods. CDO's should play a key role in addressing the housing, economic and civic-engagement needs of new immigrants in the neighborhoods they serve. CDO's are often the first to know about local housing concerns for new residents. They are positioned to identify trends and needs in immigrant communities, and possess the creativity and flexibility to calibrate the support to effectively match that need. The growing immigrant population demands the attention of the community development field at all levels. But the goal of public agencies cannot reasonably be to advocate for the development of distinct housing and economic development projects for every ethnicity or immigrant subgroup. Rather, local agencies should remain sensitive to the general importance of culture, understand its relationship to racial discrimination and intolerance, and work toward establishing an inventory of strategies appropriate for many ethnic groups and contexts. CDOs should primarily look to develop strategic partnerships to educate and counsel immigrants about the U.S. financial sector. CDOs should also work with lenders, real estate agents and banks to establish programs appropriate for low-income immigrants.

CDOs can be key players in economically uplifting immigrant communities, but they need to gather more data and engage in more analysis of their markets. Staff should know what demographic variables to look for and analyze. It is important to talk to key informants, including immigrant leaders, social-service advocates and regional coalitions. Strategies must target the needs and assets of immigrants. In order to do so, CDOs should assess their organizational capacity and should develop a plan before retooling strategies for outreach and programs. Strategic partnerships are important in the entire process.

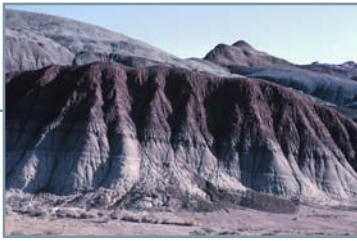
Finally, the homeownership focus of community development is important, but is not the only key to an effective community development strategy. CDO's should extend their homeownership goals to recognize the realistic barriers facing the growing immigrant population. In many tight housing markets, the low-income status of immigrants, coupled with the lack of available and affordable housing, make "the American Dream" very difficult to achieve. CDOs should support immigrant advocacy issues with an emphasis on multiple housing goals that address both rental and homeowner needs, as well as economic development strategies that deal with the economic gap. Dealing with unemployment, building day-care centers and promoting neighborhood commercial areas are all ways to ensure that housing efforts will not be undermined by other developments.¹¹ By increasing immigrant community awareness, knowledge, engagement and commitment, CDOs can convey the urgency, possibility, equity and inevitability of change in cities across the United States. 

In Santa Fe, New Mexico, Homewise (formerly Neighborhood Housing Services of Santa Fe) has created a Spanish speaking Immigrant Program to help immigrants overcome their limited English skills and understand the complicated rules of the mortgage industry.

Motivation: Many immigrants do not believe that home ownership is a realistic goal, and think that their only option is to purchase a manufactured home using higher-interest financing. Non-English speakers are one of the most targeted populations for predatory lending practices, and many experience high levels of housing discrimination.

Strategy: Education about the financial process and setting realistic expectations that the process will take time. To deal with the issues of eligibility, Homewise developed a one-hour orientation called Mortgage Eligibility for Immigrants that focuses on criteria for low-income, Spanish-speaking immigrants. Some sessions are held in collaboration with local immigrant led CBOs, like Somos Un Pueblo Unido. The collaboration helps create an environment of trust and legitimacy between immigrant customers and Homewise. Once deemed eligible, participants fill out a customer profile and meet with a Spanish-speaking loan counselor for one-on-one services.

Outcome: In a few years, Homewise was able to assist 12 immigrant families into homeownership, and 24 are close to being mortgage-ready. About 75 Spanish-speaking families now receive financial counseling. And Spanish-speaking staff has increased to four.



Community Profile: Utah

Comunidades Unidas

Though not typically thought of as an immigrant gateway, between 1990 and 2000 the foreign-born population Utah increased 171 percent, with the majority of that increase composed of immigrants from Latin America. Drawn by employment opportunities in the construction, tourism, farming and mining industries, as well as by affiliations to the Church of Jesus Christ of Latter-day Saints, the presence of immigrants from Mexico and Central and South America has grown in urban and rural communities throughout Utah.

This demographic shift is pushing state agencies, nonprofits, and private-sector firms to understand and reach out to Hispanic community members in new ways. Within Utah's Department of Community and Culture, a unified state Office of Ethnic Affairs was created in 2005 from previously fractured ethnic office 'silos' to ensure that the state government was responding more efficiently to the needs of Utah's growing ethnic communities. This office conducts public policy analysis and research on different issues affecting Utah's ethnic communities, and it consults with state agencies to ensure that ethnic populations have access to state programs and services.

"One of the most pressing issues facing Utah's Hispanic community is the need for improvements in health care and health behaviors," said Luz Robles, the director of the Office of Ethnic Affairs. Results from a 2002 Survey by the Utah Department of Health showed a host of health disparities between Utah's Hispanic population and the population at-large, and reported that nearly 25 percent of Utah's Hispanic adults indicated being in fair or poor health compared to 10 percent of all Utahns. For recent immigrants, risks for poor health outcomes are compounded for a number of reasons, including linguistic, cultural and geographic isolation, low incomes, a lack of insurance, and low education levels.

Chief among the programs in place to help address health disparities in the Hispanic population is the Comunidades Unidas program. Established in 2002, Comunidades Unidas is a growing nonprofit health education program that operates throughout Utah to help ensure that community health resources are accessible as well as culturally and linguistically appropriate. Comunidades

Unidas uses a peer-to-peer model of community outreach, enlisting members of the Hispanic community to volunteer as peer educators. Literally going door to door in some areas, educators are able to inform community members in Spanish on a host of health issues ranging from HIV/AIDS prevention to prenatal care to diabetes management. When necessary, educators help connect people to health services. In addition, educators train health-care providers to recognize a number of cultural issues so that they can better treat their patients. "Taboos within Latino cultures mean that patients don't share information that in other communities would be common sense," said Sabrina Morales, executive director of Comunidades Unidas. "And cultural beliefs and practices—like the 'evil eye' and the use of *curanderos* (folk healers), which sometimes leads people to believe they are immune to certain diseases—are typically overlooked by health care providers."

Comunidades Unidas conducts community forums to help identify high-priority health issues in the communities it serves. In many areas, adult dental care has emerged as the top issue, and in more isolated and remote places, mental health and domestic violence rank high on the list of issues to address. Morales noted that by learning from community members what their needs are and then transmitting that information to service providers, Comunidades Unidas helps achieve a higher level of cultural competency in program and service provision. For example, in places like Moab and St. George, where work is seasonal, many families are reliant on food banks in the off-season. But because food banks were not stocking familiar foods such as tortillas, family diet and nutrition were compromised. Outreach workers succeeded in working with the food bank to stock more appropriate foods.

Comunidades Unidas employs a multifaceted approach to engaging the community in lowering the barriers to health care access for Utah's Hispanic families. Its newest program is a multicultural youth coalition that trains teens on advocacy and leadership skills, and many of the program participants have spoken in front of their legislators on health and education-related issues. "A lot of the people who are making a difference are coming from within our communities," said Morales, "and we are working to empower them."

COMMUNITY INVESTMENTS

Endnotes

Crossing Borders, Creating Communities

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Financial Access for Immigrants

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BOX 2.1

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BOX 2.3

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Community Development in Dynamic Neighborhoods

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BOX 3.2

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Community Profile: Arizona

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