

Financial Practices of Latino Immigrants in a Mid-Sized Midwest City: Lessons for Consumer Educators

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In the first decade of the 21st century, immigrants, primarily from Latin America and especially Mexico, have been moving to new destinations in the Midwest in addition to traditional destinations such as Chicago (Diaz McConnell, 2004; Durand, Massey, & Capoferro, 2005; Kandel & Cromartie, 2004). These new immigration patterns give rise to challenges for consumer and financial educators. Immigrants arriving in small cities and towns need different types of services from the non-immigrant traditional clientele. For example, immigrants send remittances to relatives in their home country, leading to a need for inexpensive and secure financial services. Financial knowledge is usually low among foreign-born Latinos, who are less likely to own bank accounts and more likely to say that they know nothing about saving or investing for retirement than the average American worker (National Council of La Raza, 2004).

This paper describes findings from a 2005 study of 59 Latino immigrants residing in a mid-sized city in the Midwest. The city is located within 3 hours of Chicago, which is a top-five U.S. destination city for immigrants from Latin America. For the purpose of this study, we focus on three critical financial issues for Midwest immigrants: (1) access to health care and health insurance, (2) housing, and (3) remittances. The immigrant survey data were supplemented with information collected in 2008 through interviews with representatives of financial institutions that had programs targeting the Latino population in the city being studied.

Data

The data were collected from September to November 2005 through 59 interviews with Latino immigrants who had recently moved to the Midwest. One of the authors of this paper, a bilingual graduate student with extensive experience in the Latino community, conducted the interviews. Of the 59 interviews, 2 were pilot interviews, 31 were from a purposeful sample, and 26 were from a snowball sample. The criteria for inclusion in the sample were the following: born in Latin America, aged 18 or older, lived within a 15-mile radius of the city center, resided 8 months or more per year in the city, and had been living in the U.S. at least one year. Potential respondents were excluded from the study if they held professional jobs, were U.S. citizens, or attended the local university. We sought to interview equal numbers of men and women and allowed only one respondent per household.

The local places where participants were recruited for the purposeful sample included parking lots of several factories, a Mexican grocery store, restaurants where Latinos work, a Roman Catholic Church, and an adult education center. By selecting respondents from a variety of locations, we obtained participants who represented a diverse range of occupations. The snowball sample was based on friends and relatives of several initial respondents in the purposeful sample. Although we did not ask about documentation status, most respondents revealed their status during the interview; both legal and undocumented immigrants were represented in the sample. Of the total number of respondents, one person refused to answer the interview questions, so the effective sample ended up being 58. Respondents were given a modest gift in the form of a grocery voucher for participating in the study, regardless of whether or not they completed the survey.

The purpose of the survey was to examine household structure, income and employment, health care access, and housing of Latino immigrants in the Midwest. The survey data

were supplemented with information from in-depth interviews conducted in April 2008 with managers of financial institutions that had decided to market their services to the Latino population in the study area.

Demographic and Socioeconomic Characteristics

Differences in demographic and socioeconomic characteristics among the respondents are presented in Table 1. The interviews were evenly split between males and females. About half of the respondents came from Mexico, with the others equally divided between Central and South America.

The Census breaks down every state and various subdivisions of states into "Public Use Microdata Areas" (PUMAs), which are each comprised of at least 100,000 persons. PUMAs are primarily based on counties, and may be whole counties, groups of counties, and places. We undersampled Mexicans, who according to the 2000 U.S. Census, comprised 96% of Latino immigrants in the PUMA that included the county where the study city was located. We also oversampled women, who comprised 45% of Latino immigrants in the same PUMA. Table 1 shows that the three Latino immigrant groups had different household structures and educational levels, which suggests distinct financial education needs. For example, some undocumented immigrants had children with different citizenship status, with only U.S.-born children having access to programs such as Medicaid. Understanding the diversity of the Latino immigrant population can help consumer and financial educators develop and deliver more effective financial education programs and services.

Table 1 also shows that the Central American immigrants were the youngest and least educated of the three groups. They also were the least likely to be married or to have children. The Mexican immigrants were the most likely to be married and to have children. While not presented in Table 1, all of the married Mexican women lived with their spouses, whereas three of the married Mexican men had spouses living in Mexico. The Mexican

mothers indicated that all of their minor children were living with them in the Midwestern city, although eight of the mothers also had children who were born in Mexico. Mexican fathers were less likely to live with their children than the mothers were. The immigrants from South America had the highest educational levels. One-third of these respondents were married, but none lived with their spouses, who were living in their home countries.

Table 1

Respondent Demographic Characteristics, Latino Immigrants in the Midwestern Study City, 2005

	Central America	Mexico	South America
Total	14	29	15
Males	8 (57%)	13 (45%)	8 (53%)
Females	6 (43%)	16 (55%)	7 (47%)
Education levels			
Less than high school	9 (64%)	13 (44%)	2 (13%)
High school graduate	3 (21%)	12 (41%)	2 (13%)
Vocational	1 (7%)	1 (3%)	0 (0%)
Some College	1 (7%)	2 (7%)	0 (0%)
College graduate	0 (0%)	1 (3%)	11 (73%)
Avg. age	25.4	32.5	32.7
Males who are married or in informal union	0 (0%)	8 (28%)	3 (20%)
Males who are single or divorced	8 (57%)	5 (17%)	5 (33%)
Females who are married	2 (14%)	9 (31%)	2 (13%)
Females who are single, divorced, or widowed	4 (28%)	7 (24%)	5 (33%)
# of men with children	0 (0%)	8 (28%)	2 (13%)
Avg. number of children*	n/a	2.7	1.6
# of women with children	3 (21%)	15 (52%)	5 (33%)
Avg. number of children*	2.7	2.5	2.5
Avg. hourly wage of men	\$7.07	\$8.68	\$8.75
# of men who remit	8 (57%)	9 (31%)	6 (40%)
Avg. monthly amt remitted by men**	\$356.25	\$294.44	\$291.67
Avg. wage of women who work	\$7.06	\$7.27	\$7.83
# of women who remit	6 (43%)	9 (31%)	5 (33%)
Avg. monthly amt remitted by women**	\$258.33	\$162.22	\$280

Note: Percentages reported are for the respondents from the region/country of origin.

* Average among respondents who reported having any children. Includes children living in the country of origin.

** Average among respondents who reported sending any remittances.

Five of the seven South American women were mothers, and three reported that at least one child was living in their home country. Two of the South American men were fathers, and only one lived with his children. These demographic characteristics are important for consumer educators to keep in mind because the financial needs of immigrant families with young children may be different from those of other families.

It is interesting to note that, although education levels and wages were highest for respondents from South America, all groups had relatively low wages, typically \$7 to \$9 per hour. Respondents worked in a variety of jobs including food service worker, assembly line worker, maintenance worker, and small business owner.

Financial Practices and Issues

The following section describes the financial practices of the 58 Latino immigrants. The discussion focuses on three critical areas: (1) access to health insurance and health care, (2) housing, and (3) remittances. Following this discussion, key issues for consumer and financial educators are discussed.

Access to Health Insurance and Health Care

The interviews revealed that the many of the Latino immigrants in the community likely had inadequate health insurance coverage and limited access to quality health care services, putting them at risk for financial disaster should they experience a severe illness or accident. Only nine out of the 58 respondents in the sample reported that they had health insurance. Coverage varied across demographic groups. Pregnant women were able to receive Medicaid and to secure health care services relatively easily through Planned Parenthood. The children of Latino immigrants were more likely to have insurance coverage than their parents, primarily because children born in the U.S. are also eligible for Medicaid. All of the 38 minor U.S.-born children of Latino immigrants had insurance coverage, with

all but two families covered by Medicaid. Respondents demonstrated knowledge of the Medicaid requirements (only one reported that a child who was not eligible had coverage). Ten of the 25 respondents who had children living with them in the U.S. indicated that they had differing insurance coverage for their children, with U.S.-born children covered by Medicaid and foreign-born children not covered.

Having access to Medicaid, however, did not guarantee access to medical doctors. In 2005, most area doctors were not accepting new Medicaid patients. Therefore, only seven respondents reported that their children had a regular doctor they saw at one of the three largest health care systems in the study area. Instead, 15 of the families took their children to a health clinic that was affiliated with the largest area hospital and provided primary medical care to the community's low-income population. Patients with Medicaid coverage were served at no out-of-pocket cost, while patients without coverage could obtain services on a sliding-fee scale. The clinic had Spanish-speaking staff. Children who attended this clinic usually had a specific doctor whom they saw regularly. Families who had some children with coverage and some without tended to take all children to this clinic, although 3 families reported taking children to different health care providers depending on Medicaid status. Latino immigrants in this community were able to access health care on behalf of their children by using Medicaid, if eligible, or through the use of the low-cost clinic.

The low-cost clinic also played a very important role in the lives of the adult Latino immigrants in the community. Most adults were uninsured because their jobs did not offer health insurance or they felt the insurance offered was too expensive for them. Of the total sample, 59% reported that they were most likely to seek health care at the low-cost clinic. However, because the clinic was overcrowded and waiting times were long, taking a child to the clinic for care could mean giving up most of a day's wages. A serious accident, or some illnesses, might still require a trip to the emergency room, which was more expensive than

treatment at the clinic.

Housing

The single most important asset for families in the U.S. is their home (Bucks, Kennickell, & Moore, 2006). Owning a home is a popular way to build wealth, although recent turmoil in the markets has shown that this strategy is not risk free and may not be a good financial option for some low-income families. Only one respondent in the study, a female from Central America, owned a home, although 9 owned a trailer. Of those who owned a trailer, seven were Mexican. For Latino immigrants, buying a trailer was a way to build wealth because they were often able to improve it, sell it for a profit, and then upgrade to a better trailer. Trailers were bought and sold within the community of Latino immigrants. It was much easier to secure financing for a trailer than to secure a mortgage for the purchase of a house, especially for undocumented immigrants.

Several respondents aspired to buy a house in Mexico. When asked why he moved to the study city, one respondent replied, "Because my friends told me that I could accomplish things here like building a house in Mexico or sending money to my parents" (personal communication, November 15, 2005). Other similar responses suggest that Latino immigrants may prefer to hold assets in their home countries; however, respondents were not asked directly during the interview about assets held abroad.

Undocumented immigrants face barriers when trying to purchase a home because of a lack of access to mortgage lending. According to the results of this study, some banks in the Chicago area had started making mortgage loans to immigrants who did not have social security numbers, but did have Individual Tax Identification Numbers (ITINs). We did not find similar programs in the study city in 2005. Given the credit constraints facing Latino immigrants, especially those who are undocumented, buying a trailer may be one of the best investments for them.

Remittances

A primary reason why Latinos immigrate to the U.S. is to earn money to send back to their home countries. As one respondent from Central America replied when asked why she migrated to the U.S., "Because we had no money, and I'm the oldest of my siblings, and they need to go to school and eat" (personal communication, November 3, 2005). The respondents in our study remitted large sums of money back home despite their low average earnings. Out of 57 respondents who reported information on remittances, 43 sent remittances home regularly (23 men and 20 women). See Table 1 for more details. Of the 43 who sent remittances, 33 sent monthly amounts that ranged from \$100 to \$600 and 10 sent monthly amounts that were less than \$100. Parents were the most common recipients; 33 out of 43 remitters reported sending money to parents. At the time of the survey in 2005, most respondents utilized Money Transfer Operators (MTOs) such as Western Union to send money back home.

The results also showed that remittance behavior differed by region/country of origin and by household structure. The group with the lowest wages and education, the Central American respondents, was the most consistent in sending remittances and also sent the highest average amounts home. In fact, all of the Central American respondents sent money to their home country, with the average amount remitted being \$356 per month for Central American men and \$258 for Central American women. We estimated that the Central Americans were remitting between 20% and 55% of their income to their home country. Almost all sent their remittances to parents, except for one woman who sent money to her son and another who sent money to her sister.

Among the Mexican respondents, 62%, or 9 women plus 9 men divided by 29 respondents (Table 1), reported sending remittances to their home country. Males who remitted sent an average of \$294 per month home, whereas females sent \$162. One demographic difference between the Mexican respondents and those from other countries is that the Mexicans were more

likely to live with children and spouses. Therefore, more income was needed to meet the needs of family members living in the U.S. This group also showed wide variation in the percentage of estimated income sent to Mexico. Men who had spouses or children in Mexico reported sending an estimate of between 33% and 75% of their income home. Those who did not have spouses or children in Mexico sent money to their parents and the amount varied between 2% and 23% of income.

Finally, 73% of the South American respondents sent remittances to their home countries. South American male remitters sent an average of \$292 per month, and South American female remitters sent \$280 per month. The four individuals who reported having children in the home country all sent remittances home, ranging from 7% to 38% of their income. Three of the four respondents who had spouses living in the home country sent remittances. There were eight South Americans who did not have a spouse or child in their home country. Of these, seven sent remittances home to parents or sisters, ranging between 6% and 35% of income.

At the time of the survey, the high transaction fees associated with sending remittances were a concern for respondents. Computer illiteracy and not having a credit or debit card prevented respondents from using Internet services that charged less for remittance transactions. Recently, increasing competition in the market for MTOs has resulted in lower prices for the consumer.

By 2008, financial institutions in the study community (such as banks and insurance companies) realized that Latinos were a growing market. Many local banks began accepting the Mexican *matricula consular* (an identity card issued by the Mexican consulates, including the one in Chicago) as a form of identification to open bank accounts. As an incentive to attract a previous "unbankable" population, banks offered practical and inexpensive ways to send remittances back home. A local bank manager commented: "It is challenging to serve the increasing immigrant community in the area. They are distrustful of banks

and even when we do gain their trust, they often don't have the necessary documentation to open an account. For those who do, though, we've discovered that offering lower rates on remittances is a good incentive to open an account" (personal communication, March 13, 2008).

In 2007, a new financial institution began an intensive marketing campaign geared toward the study city's Latino community. A manager of this financial institution observed, "This is a market that no one is catering to in this area...We are interested in them as consumers and as a community as well; therefore, in addition to selling them our products we also educate them about personal finances" (personal communication, March 20, 2008). This institution offered one free remittance for a new account and charged \$9.00 per remittance thereafter. Additionally, remittances could be set up automatically which, according to the institution's representative, was appealing to Latino customers.

Banks' ATM machines were an alternative way in which respondents were sending remittances back home. Withdrawing money from a foreign ATM was estimated to cost approximately \$5.00 in bank fees regardless of the amount withdrawn. This was significantly less than the minimum \$9.00 fee for most MTOs. Therefore, sending a debit card back home for a family member to use was a popular means for conducting financial transactions. A local bank manager commented on this: "I have seen more people come in and open a second account and once they receive their ATM card they call to let us know this card will be used abroad" (personal communication, March 20, 2008). One other institution automatically issued a second debit card per account in an effort to attract new customers. Despite these alternatives, MTOs were the most popular way to send money back home because they were perceived as safer and more practical than other options.

The increased efforts of local banks to serve the Latino immigrant community did not decrease business at local MTOs, according to a Western Union agent. The MTOs were aware,

however, of the increasing competition. In response to this competition, Western Union, along with Radio Shack and Trumpet Mobile, recently launched the "cell phone remittances" package. Under this package, customers can send up to \$2500 using their phones. Western Union wires the money and then sends a text message to the recipient that includes instructions for retrieving the remittance.

Recommendations for Consumer Educators

Consumer and financial educators should realize that the Latino community is diverse. Their financial education needs differ according to family structure, citizenship status of adults and children, and country of origin. For this reason, it is insufficient to meet the needs of the community by simply translating materials intended for non-immigrant audiences into Spanish.

Latino immigrants remit large amounts of money to their home countries and are in need of safe, secure means to send remittances. Educational materials for this audience might include a comparison of fees for different remittance services. Many banks and MTOs already provide some of this information. However, their primary motive may not be to assist Latino immigrants in making choices that best meet their financial needs.

The participants in this study were fairly knowledgeable about how to gain access to resources such as Medicaid. However, Latino immigrants in other locations may not be as financially savvy. Educators might want to remind clients about the availability of Medicaid for pregnant women and for U.S.-born children. Also, access to a low-cost health clinic was very important in meeting the health care needs of Latino immigrants in our study, so consumer information on the availability and cost of local health care services may be useful as well.

To help with housing choices, educators could prepare materials that include more specific information on non-

traditional housing options such as owning a trailer and how owning a trailer can be a smart investment strategy. Owning a trailer might be a sound investment for Latino immigrants who intend to return to their home country after a few years.

A challenge for reaching this community is that many individuals are undocumented and therefore wary of outsiders, especially people associated with local, state, and federal governments. In the study community, there were institutions that were trusted by the Latino community, specifically a refugee and immigrant assistance center and a low-income health clinic. Therefore, when delivering information and educational services, educators may want to partner with trusted groups and organizations within the Latino community. These partners are likely to be informed about developments within the community such as new financial services.

Consumer and financial education is increasingly being delivered via the Internet, but this may not be the best way to reach Latino immigrant communities. Holding meetings and information sessions aimed at the community may also be an ineffective delivery strategy because immigrants have busy work and family schedules. A family-oriented health fair, however, could be a source of both entertainment and information. Consumer educators might also consider taking advantage of situations where Latino immigrants are waiting for a service. For example, almost all of the Latino immigrants in this study attended a low-income health clinic, where they were required to wait for services. Providing brochures in Spanish on relevant financial topics might be a good way to reach a captive audience at the clinic.

Finally, consumer educators should be aware that Latino immigrants might be investing considerable amounts in their home countries through financing a family business or building a house. Future studies of this group should include questions designed to elicit information about assets held both in the U.S. and abroad. Financial educators might want to prepare materials to help clients think through trade-offs between investing in their

home country compared to the U.S., taking into consideration immigrants' plans to stay in the U.S. or to return home.

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