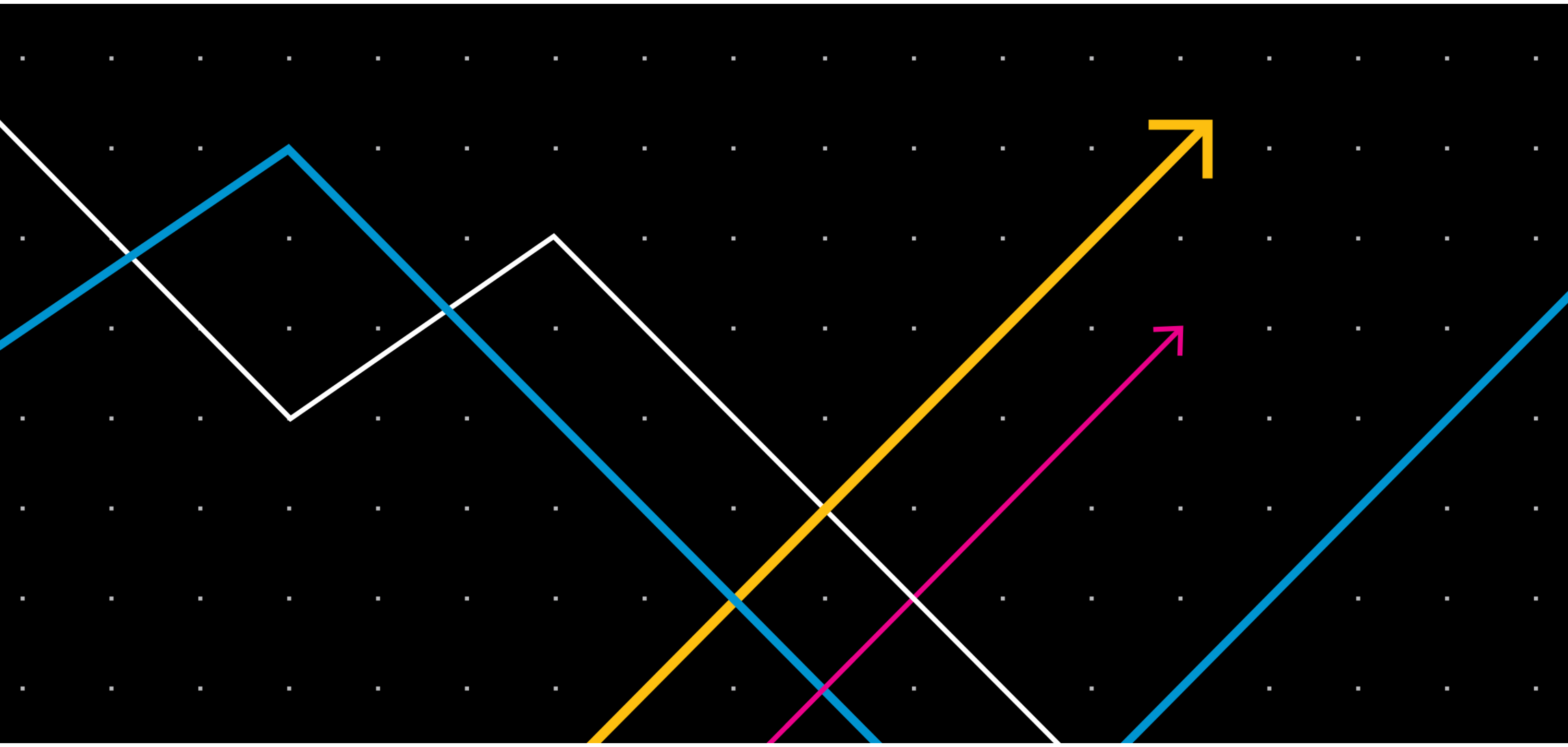

RESEARCH REPORT

How Do Financial Attitudes and Preferences Vary among Latine Consumers?

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April 2024

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Acknowledgments

This report was funded by BMO Bank as part of Urban's Financial Well-Being Data Hub, a research initiative that delivers evidence-based solutions to enhance equity and improve financial well-being. We are grateful to them and to all our funders, who make it possible for Urban to advance its mission.

The views expressed are those of the authors and should not be attributed to the Urban Institute, its trustees, or its funders. Funders do not determine research findings or the insights and recommendations of Urban experts. Further information on the Urban Institute's funding principles is available at urban.org/fundingprinciples.

We also express our appreciation to Tonantzin Carmona, Thea Garon, Kassandra Martinchek, Apueela Wekulom and Amalie Zinn for their careful review; Thea Garon and Miranda Santillo for project management help; and Liza Hagerman for editorial assistance.

Executive Summary

The Latine community in the United States is the fastest growing segment of the US economy. Yet Latine families still face unique barriers to accessing financial services and products. To understand what factors influence Latine people's experiences with the financial system, we conducted a mixed-methods study, pairing findings from semi-structured interviews with analysis of the 2022 Survey of Consumer Finances. This approach allowed us to understand Latine experiences firsthand and provide a broad context of Latine consumers in the US. Our findings suggest the following:

- Language and cultural barriers create challenges for Latine consumers navigating a complex and confusing system. This is particularly true for Latine people who have newly arrived in the US and have low acculturation levels.
- Latine consumers with higher levels of acculturation and those who were either born in the US or had been in the US for more than 10 years have lower levels of trust toward financial service providers. This subgroup of Latine participants talked about having had negative experiences with banks, which influenced their feelings about the financial system.
- Undocumented Latines faced unique barriers to financial inclusion, including having to meet high identification requirements for opening an account.
- Racism remains an issue for the Latine community, with participants across subgroups referencing having endured microaggressions and other forms of racism or knowing people who had those types of experiences.
- As expected, income plays a role in Latines' savings behaviors and influences people's abilities to save and plan for the future.
- Similarly, income plays a role in how respondents view financial well-being and whether they are prepared for unforeseen expenses.

These observations highlight the need for more research and more targeted policy and product design that incorporates disaggregated data showing how individual characteristics can influence the barriers, feelings, experiences, and trust of Latine people toward the financial system.

How Do Financial Attitudes and Preferences Vary among Latine Consumers?

The Latine community in the US is rapidly expanding. Latine people make up 19.1 percent of the US population[1] and contribute significantly to the country's economy. If the value of US Latine workers were measured as a country's GDP, in 2021 this GDP would have been $3.2 trillion, making it the fifth-largest GDP in the world.[2] By 2030, it is estimated that 56 percent of new homeowners will be Latine, making them a driving force in the housing market (Freddie Mac 2019). Yet many Latine individuals and families still face unique cultural, experiential, and structural barriers to accessing the financial system (Zinn et al. 2023).

To explore this dynamic, we conducted interviews with Latine participants in Chicago to better understand their experiences with the financial system in today's context. We complemented our qualitative analysis with data from the 2022 Survey of Consumer Finances (SCF) to provide a broad overview of the state of Latine consumers in the US economy.

We found that Latines are not a monolith. Instead, acculturation levels, length of stay in the US, immigration status, and income impact how Latine families perceive the financial system and the extent to which they benefit or feel underserved by financial products and services. In particular, we were interested in measuring how acculturation—the process of cultural and psychological change resulting from interaction between different cultural groups (Berry 2017)—could influence how participants experienced the financial system.

BOX 1

Our Use of "Latine" throughout the Report

We are committed to employing inclusive language whenever possible, though we acknowledge that not every member of these groups may identify with these terms. Throughout this report, we use the term Latine instead of Hispanic, Latino, or Latinx. However, we acknowledge that language is constantly evolving and that some individuals may not identify within this term.

We identified differences between different subgroups of Latine people. Though commonalities emerged between groups, each group experienced the financial system differently and faced unique barriers to navigating it. For example, Latines who have been in the US for more than 10 years were less likely to trust financial institutions, likely because of previous negative experiences within the system. In contrast, Latines with lower acculturation levels and less time in the US (fewer than 10 years) were more likely to trust financial institutions but had trouble understanding the system or faced cultural and language entry barriers. Income and immigration status also played a role in Latine people's experiences with the financial system.

Overall, a better understanding of the unique barriers that Latine community members face today to access financial services may help inform policy and business recommendations aimed at increasing financial inclusion for Latines. These findings also inform how both public and private efforts can increase trust in Latine communities, which is crucial for the financial system to function efficiently. Importantly, national-level data often do not account for subgroup variations, and our work highlights the need for more data analyzing the motivations behind the use (or lack thereof) of financial products and services for these subgroups.

Background

Latine Communities Are Very Diverse

Great diversity exists within the Latine community, with people from more than 30 countries across Latin America, with the largest populations in the US hailing from Mexico, Puerto Rico, El Salvador, Dominican Republic, and Cuba (Moslimani et al. 2023) (see table A.1 in the appendix for a full breakdown of Latine populations in the US by origin group). In 2019, roughly one-third of Latines in the US were foreign born, two-thirds were born in the US (Funk and Lopez 2022), and the vast majority (81 percent) were citizens (Krogstad et al. 2023). In 2021, nearly 3 out of 4 Latines in the US spoke only English at home or spoke English very well (Moslimani et al. 2023).

Approaching the Latine community as a monolith overlooks the vast diversity within the community and the unique barriers that different groups face to financial inclusion. Factors such as race, language, immigration status, time in in the US, acculturation, and more are critical in differentiating the experiences within the broad Latine community (Carmona and Sugrue 2023). For example, Latine median household net worth varies geographically, ranging from less than $6,000 in New York to nearly $160,000 in Illinois (Carmona and Sugrue 2023). South Americans (aside from

Ecuadorians and Venezuelans) are more likely to be homeowners compared to Latinos overall.[3] Age, immigration generation, number of years in the US, and English proficiency also influence homeownership among Latine populations (Becketti and Atreya 2017).

Barriers to Accessing Financial Services

Despite their economic contributions, Latine households still have fewer assets, are less likely to be approved for credit, and face higher overdraft fees than white households.[4] The 2022 SCF shows that white families have five times as much wealth as the typical Latine family.[5] In 2022, a survey of 1,200 Latinos found that 15 percent of respondents were unbanked, significantly more than the national average of 5.4 percent.[6] Previous work has found that Latine communities face a variety of unique hurdles to accessing the financial system.

LACK OF BRANCH AVAILABILITY

Many Latine communities live in areas with a scarcity of banks, which makes opening an account harder (Brown et al. 2019). Financial technology (fintech)[*] offers an alternative for communities in banking deserts by providing mobile banking options (Sanchez-Moyano and Shrimali 2021). However, fintech may not be a catch-all solution, particularly for Latines without internet or smartphone access, and research has shown that these technologies may end up perpetuating existing inequities (Carmona and Godinez-Puig 2023).

STRICT IDENTIFICATION REQUIREMENTS

Some Latines who are immigrants struggle to meet strict identification requirements; this can be particularly onerous for low-income and undocumented Latines (Brown et al. 2019). For example, only some banks and credit unions accept individual taxpayer identification numbers (ITINs), the main form of identification for people who lack a social security number. Even among financial service providers that do accept ITINs, there are often discrepancies about identification requirements across bank branches, which can be confusing and discourage Latines from engaging with banks (Martinez 2007).

[*] Financial technology is a term that encompasses a broad range of financial products and services that incorporate technology and innovation (Carmona and Godinez-Puig 2023).

COST OF FINANCIAL SERVICES

The numerous fees associated with opening a bank account, including initial costs, maintenance fees, and minimum-balance requirements, are often barriers for communities of color (Brown et al. 2019; Collins 2016). A 2016 survey of community leaders who work with Latines with low incomes revealed that 91.6 percent of leaders cited minimum balance requirements as the main barrier to opening a bank account for their clients (Collins 2016). Fees incurred while maintaining an account pose additional barriers. For example, in 2022, a survey of 1,200 Latinos found that 42 percent of respondents with a bank account were charged an overdraft fee, which is nearly four times the national rate of 11 percent.[7]

Latine households are also charged with higher interest rates and fees on loans compared with other groups, either because they are shut out from mainstream regulated financial services and turn to alternative services or because they are deemed more financially risky for financial institutions and are thus charged higher interest rates (Hasan et al. 2022).

LANGUAGE AND CULTURAL BARRIERS

For Latines who struggle with lower levels of financial literacy, this is often exacerbated by language and cultural barriers (Lin et al. 2022). For example, in 2013, 72 percent of Latines who preferred bank transactions in Spanish had an account, compared with 86 percent of Latines who preferred English (National Council de La Raza 2015). Savings habits followed a similar pattern: 88 percent of Latinos who preferred English reported saving, compared with 64 percent of those who preferred Spanish for bank transactions (National Council de La Raza 2015).

CREDIT SCORES

Credit scores play a critical role in accessing mortgages, credit cards, and other financial services, which can help facilitate financial well-being. Yet Latines struggle to build their credit scores, because they have to build their scores from scratch upon arrival (especially people who have newly arrived) or because they suffer from high debt burdens (for people who have been in the US longer) (Brown et al. 2019). The credit score system is not built to account for the specific circumstances of Latine people in the US, whether they are new in the US or were born here. As a result, Latines are unable to build the credit necessary to engage with financial services that help build wealth and financial well-being. A 2022 survey of 1,200 Latines in California, Arizona, and Texas revealed that 20 percent had no credit at all, and only 56 percent of respondents had their own credit card, compared with 84 percent of all people in the US.[8]

HOMEOWNERSHIP

Historical discrimination

Communities of color, especially Black and Latine communities, have also been systematically and historically denied the same opportunities to homeownership as white families (Sanchez-Moyano and Shrimali 2021). For example, racially restrictive covenants were clauses that prohibited communities of color from purchasing or occupying certain homes until the Fair Housing Act was enacted in 1968 (Welsh 2018). Similarly, the history of redlining—the discriminatory practice of determining neighborhoods' risk for home loans based on racial makeup of the area—has also negatively impacted opportunities for Latine communities (Zinn et al. 2023).

Low housing inventory

In addition to historical exclusion, Latines are also often concentrated in high-cost areas with low affordable housing inventory (Dey and Brown 2020; Freddie Mac 2019; Limon et al. 2021). States such as Arizona and Florida, home to 12.7 percent of the US Latine population, experienced the highest rates of home price appreciation in 2021, making it harder for first-time homebuyers to find affordable homes (Limon et al. 2021). Affordability was an especially pronounced issue for Latines living in metro areas with the largest gaps between the median Latino household income and median home price (Limon et al. 2021). The National Association of Hispanic Real Estate Professionals surveyed Latine real estate practitioners and found that 54 percent reported lack of homes for sale in their clients' price range as the top barrier to homeownership (Limon et al. 2021).

Other challenges

The ability to save enough to make a down payment is also a major barrier to homeownership, often exacerbated by the other many hurdles (mentioned above) that Latines confront to accessing mainstream financial institutions (Freddie Mac 2019). In the housing space, these include facing higher mortgage denial rates, higher interest rates, and higher fees; and receiving smaller loans than white and Asian borrowers.[9] Just as with opening bank and savings accounts, many Latines struggle to understand a complicated housing system. This is only heightened by the fact that many Latine people are often first-time homebuyers.[10] In addition, intergenerational wealth is very low in the community. Research shows that only 5 percent of Latines get intergenerational transfers, compared with more than 20 percent for their white counterparts.[11]

Unsurprisingly, citizenship and length of stay in the US play a particularly determinant role in predicting homeownership (McConnell 2015). Although citizenship can facilitate wealth building, the naturalization process includes various expenses that can add up to hundreds or thousands of dollars and set back Latine families from buying a home.[12] Finally, in comparison with other racial and ethnic groups, Latines are more likely to use cash for everyday finances: this can be a barrier to purchasing a home if people lack credit or have insufficient credit.[13]

TRUST TOWARD THE FINANCIAL SYSTEM

The structural hurdles Latines face to being financially included, which we examined above, are further compounded by racial discrimination. Their root is often found in racism, at least historically, and has resulted in Latine communities' mistrust of banks and financial institutions. Many Latine households reported "lack of trust" as a direct reason for not having a bank account (Zinn et al. 2023). For example, in 2008 banks issued a disproportionately large amount of subprime loans to Latine families, which led to greater foreclosure rates for many families (Zinn et al. 2023). As a result, from 2007 to 2010, Latine families lost 44 percent of their wealth (Carmona and Godinez-Puig 2023).

Without making banking accessible and affordable, Latines may feel as though banks are not for them. Unfortunately, the solutions that have been offered to correct these issues have tended to focus on changing Latines' behavior rather than fixing systemic issues (Carmona 2023).

Overview of the Study

Through this project we sought to analyze how Latine people experience the US financial system in today's context and identify the structural barriers that Latine consumers still face to maintain a foot in the financial system. We conducted interviews with people in the general Chicago region to understand Latine communities' unique experiences and barriers.

Overall, we address two research questions:

1. What are Latine communities' experiences with and feelings about the financial system in 2023?
2. Do individual characteristics influence Latine people's experiences with and feelings about the financial system?

Methodology

Latines make up nearly 30 percent of Chicago's population, which made it an ideal place for our study[14]. We leveraged relationships with two local community-based organizations—Heartland Alliance and

LIFT—to help us recruit participants within the community and make sure our participants felt comfortable speaking with us.

IN-DEPTH INTERVIEWS

To answer our research questions, we used a mixed-methods approach. First, we conducted 22 virtual semistructured interviews with Latine adults in the larger Chicago area. We reached out to participants through our community partners via email and offered a $75 gift card incentive to thank participants for their time and cover any interview-related expenses (e.g., child care). We then conducted the interviews in summer 2023 over Zoom in English (*N* = 10) and Spanish (*N* = 12), depending on each participant's preference. Most conversations lasted between 45 minutes and one hour.

Interview questions covered a variety of topics, including questions on savings and spending behaviors, feelings toward financial institutions, barriers faced in accessing financial products and services, and how participants experienced the pandemic. We also collected demographic information to ensure our sample of participants was diverse across several dimensions, including age, income bracket, acculturation level, and length of time in the US (tables 1 and 2).

To assess participant acculturation levels, we used the Short Acculturation Scale for Hispanics (SASH), which is a four-item scale that has been validated and found to be reliable by multiple studies (Marin et al. 1987). Responses to items included in the SASH are scored on a scale from 1 to 5. A score of 1 is "only Spanish," a score of 5 is "only English," and a score of 3 is "both equally." Overall acculturation scores are calculated by finding the average across all items. Low scores (1–2) indicate low acculturation, scores of 3 indicate medium acculturation, and high scores (4–5) indicate high acculturation.

TABLE 1

Demographics for Participants Born in the US

Age	Gender	Income bracket	Acculturation score
32	F	$25,000–$49,9999	4.5
32	F	$100,000–$149,999	2.75
47	F	$25,000–$49,9999	2.75
31	F	$25,000–$49,9999	3
26	M	$25,000–$49,9999	4.5
35	F	$10,000–$24,999	4
32	F	$10,000–$24,999	5

Source: Recruitment survey for participants in the interview.
Notes: We used the Short Acculturation Scale for Hispanics (SASH) to measure acculturation on a scale of 1 to 5, with higher scores indicating higher levels of acculturation and lower scores correlating to lower levels of acculturation.

TABLE 2

Demographics for Participants Born Outside the US

Age	Gender	Income bracket	Acculturation score	Length of time in US (years)
33	M	$25,000–$49,9999	2.5	5–10
55	F	$25,000–$49,9999	3.5	> 10
46	F	$10,000–$24,999	2	< 5
41	F	$0	2.75	5–10
60	F	$10,000–24,999	1.25	> 10
31	F	$75,000–$99,999	2.5	< 5
47	F	$10,000–$24,999	1.75	>10
34	F	$1–$9,999	1.5	5–10
36	M	$10,000–$24,999	1.5	> 10
38	M	$100,000–$149,999	2	> 10
26	F	$10,000–$24,999	3.75	> 10
49	F	$50,000–$74,999	3.75	> 10
36	M	$1–$9,999	1.75	> 10
42	M	$1–$9,999	1.75	< 5
27	F	$50,000–$74,999	4.25	> 10

Source: Recruitment survey for participants in the interview.
Notes: We used the Short Acculturation Scale for Hispanics (SASH) to measure acculturation on a scale of 1 to 5, with higher scores indicating higher levels of acculturation and lower scores correlating to lower levels of acculturation.

SCF DATA ANALYSIS

Second, we analyzed the 2022 SCF, a cross-sectional survey of US families' finances (Board of Governors 2023) with the most updated data at the national level on American consumers. These data allowed us to provide a broad and updated overview of the state of finances for Latine consumers in the US and in some cases conduct racial/ethnic comparisons with other groups to contrast wealth dimensions between groups.[†] It's important to note that the data in the SCF were collected throughout 2022, ranging from six months to a year before the interviews we conducted.[15] We present both qualitative and quantitative data together to provide a wider context to each data source.

[†] The 2022 Survey of Consumer Finances included disaggregated data on Asian American families for the first time; however, we had to include Asian families in the "Other" category to allow for comparisons between 2019 and 2022.

STUDY LIMITATIONS

Our project has some notable limitations. We were only able to conduct interviews in Chicago, so the trends and patterns from our conversations may most reflect that overall region. In future research, we hope to target wider geographical diversity and expect to see differences in Latines' experiences as a result. Although we were able to target a diverse set of participants, a wider sample would allow for more nuance and understanding of how participants' characteristics inform their feelings and experiences toward the financial system. Future work could further explore the roles of race and other intersecting characteristics, such as national origin, in addition to the ones we were able to pay attention to in this work, and target more gender diversity. Importantly, we were connected to participants through partner organizations that support Latine people, including financial education workshops, which may have influenced the types of people we spoke to. Finally, we conducted the qualitative interviews during summer 2023 in a moment with unique macroeconomic conditions, including high inflation. It is possible that the attitudes presented in this study reflect that moment in time and the specific struggles people faced as a result.

Findings

Language and Cultural Barriers Create Challenges for Latine Consumers Navigating a Complex and Confusing System

We talked with participants about their experiences trying to access financial services and products. A large share of interviewees thought that English proficiency was a deterrent for many for opening a bank account or credit card. This was particularly true of participants with a medium-to-low acculturation scale. In line with this experience, previous bodies of work have found various connections between English proficiency and financial inclusion (Becketti and Atreya, 2017; National Council de La Raza 2015).[16] Although research has shown that minority-owned financial institutions have a history of serving communities of color and show promise for increasing financial inclusion for these communities, our interviewees generally did not bring up these types of institutions (Neal and Walsh 2020).

The first barrier for an immigrant is the language, and it is hard to find someone that speaks your language in the bank. And it makes you a bit scared to go and you feel pretty ignorant about how to start the process from scratch.
—Latine interviewee

Nevertheless, participants highlighted that going to a branch that had staff from the community really made a difference. One participant, who had recently joined a bank as a financial agent, talked about his role as a messenger within the community. He felt it was his mission to function as a bridge between community members and the bank and often thought of the barriers he himself experienced when first arriving in the US. Data corroborate the importance of trusted messengers in financial inclusion interventions, including financial coaching classes and financial outreach and dissemination (Elliot et al. 2020; Godinez-Puig et al. 2022).

Aside from language, different groups of Latine interviewees faced a variety of hurdles they had to overcome to enter the financial system. Newly arrived Latines and those with low acculturation scales discussed having difficulties understanding a very complicated and new financial system.

I don't have much experience with financial institutions. So I am trying to open an account, but I still haven't because I feel like the services and products are not completely clear and straightforward to understand. It feels you need to get training on them before you can understand them.
—Latine interviewee

Many interviewees wanted to have these services explained in person but had no time during the workday to go to the bank to open an account. It has been shown that Latines face logistical barriers to accessing mainstream financial institutions because of geographical locations and because bank branches are only open 9:00 a.m. to 5:00 p.m. during the workweek (Zinn et al. 2023).

I don't have the time to get familiar with services or go to the bank and don't know how to add in the time because I am working full time. There is always something to do, even though I know this is important.
—Latine interviewee

Many thought the credit score system was counterintuitive and had a hard time reconciling the fact that acquiring debt was important for building one's credit score. Many of these conversations were illustrative of previous findings showing that Latines are often unfamiliar with their credit scores (National Council de La Raza 2015).

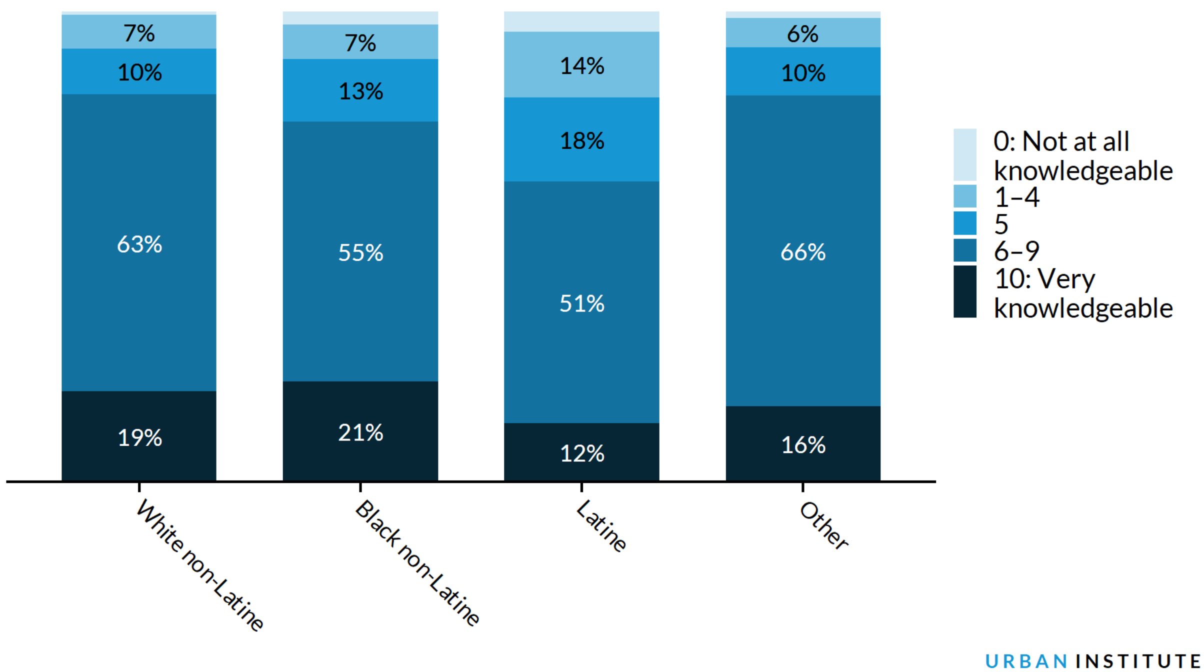
More than half of the participants talked about the difficulties of building a credit score from scratch, albeit for different reasons depending on participants' income levels, acculturation levels, and length of stay in the US. Data show Latines struggle to build their credit scores (Brown et al. 2019). For participants with low incomes, regardless of acculturation or length of stay in the US, the first difficulty was related to having very little savings. Many that ranked low on the acculturation scale had little knowledge of credit-building resources and had a hard time finding user-friendly information to understand how the credit score system worked.

Finally, many Latine interviewees expressed feeling like outsiders to the financial system and the economy as a whole, which likely also impacted their trust levels toward financial institutions. These feelings were mimicked in the SCF, with Latine respondents expressing less confidence in their knowledge of their finances compared with other racial/ethnic groups. In 2022, 19 percent of Latines rated their knowledge of personal finance at a 4 or below on a scale from 0 to 10. By contrast, only 8 percent of white respondents, 11 percent of Black respondents, and 8 percent of respondents from other racial groups rated their knowledge this low (figure 1). We were not able to disaggregate survey findings by time of stay in the US because of sample size limitations (the majority of survey participants were born in the US; table A.2).

FIGURE 1

Knowledge of Personal Finance, by Race and Ethnicity, 2022

Survey question: Some people are very knowledgeable about personal finance, while others are less knowledgeable about personal finance. On a scale from zero to ten, where zero is not at all knowledgeable about personal finance and ten is very knowledgeable about personal finance, what number would you be on that scale?



Source: 2022 Survey of Consumer Finance.

Latine Consumers with Higher Levels of Acculturation Generally Have Lower Levels of Trust toward Financial Service Providers

Throughout our conversations, Latine participants who were born in the US and had high acculturation levels indicated that they were less likely to trust financial institutions. Participants shared that banking accounts often had hidden fees, and they felt manipulated by the terms and conditions of financial services, including hidden fees and minimum payments on credit card balances. Similarly, some people mentioned disliking having to share their personal data and information because it made them feel vulnerable.

I don't want them to start randomly charging me if I don't have over $200 in the bank. When you are getting the credit card or opening the account with them, they make it all colorful and stuff. But when you actually have it after a month or so, there is a charge for this and a charge for that.
—Latine interviewee

These feelings likely reflected the negative experiences these participants had in the past, and many said so directly.[17] Previous research has shown that Latine communities in the US have faced a history of financial exclusion that has resulted in a lack of trust toward the financial system.[18] For instance, our conversations revealed that participants who were born in the US or had lived in the country for more than 10 years, and those with higher acculturation levels, had often been victims of predatory services. Many mentioned they were paying off high debts they had accumulated over the years. These experiences really influenced their ability to save money and the way they felt about financial institutions. Unsurprisingly, survey data have shown that Latines struggle with high debt burdens that affect their ability to save.[19]

Latino communities, you know, we don't know the language, or we don't trust institutions because you know they have some people that have taken advantage of the community.
—Latine interviewee

I was 18 and they [a bank] sent me a student card and gave me a credit limit of $500. They didn't make it too hard actually, but later on I kind of messed my credit. It wasn't easy. So, it was kind of like, oh, here you go, here is a taste. And then here is a slap on your hand because you mishandled it, but the fine print wasn't clear.
—Latine interviewee

In contrast, people with lower acculturation levels and/or fewer years in the US were more likely to trust some or most financial institutions. Although many were still reticent to open a bank account and access financial systems, they did not relate this to a lack of trust, but rather to not understanding the system, not having enough income to open an account, or facing cultural and language barriers (see section above on “Language and Cultural Barriers”). As we mentioned before, some people just felt more in control with managing their finances physically as opposed to through a banking instrument. There were various reasons for trusting financial institutions. For many their trust came from knowing that banks were regulated by the financial system and beliefs that regulations protect consumers. Others acknowledged having had positive experiences with financial institutions, which gave them no reason to mistrust them.

It is better to have the money in the bank than to have it at home.
—Latine interviewee

They would not be here unless they had an institutionalized way of running things. I trust them enough.
—Latine interviewee

Several consumers who were recent immigrants (shorter length of time in the US) felt that because financial institutions were backed up by the financial system and were regulated, they were trustworthy, but they also were wary of falling for predatory traps when it came to financial services from the same institutions. This denoted that consumers had different types of trust for institutions: trust for the financial system as a whole and trust in duty of care and appropriate services for Latine people.

I trust financial institutions to an extent. I know that my money is “safe” in banks, but I also don’t trust them because of hidden fees, account minimums, etc.
—Latine interviewee

Undocumented Latines Face Unique Barriers to Financial Inclusion

Many participants talked about the unique hurdles that undocumented Latine families face when trying to access financial products and services. This comment came almost universally from all participants, even when people were not undocumented themselves. Even then, we heard from various interviewees directly about their unique experiences too, and these people overlapped with participants with low acculturation scales. In these conversations, many expressed fear of sharing their immigration status with financial agents and fear of having a negative impact on their immigration status as a result.

In addition, several consumers brought up that undocumented immigrants often needed to present an ITIN to open an account at a bank. For many, this represented a large entry barrier because obtaining an ITIN is very burdensome. Indeed, the process for obtaining an ITIN involves applying via mail and sending original documents in this format or having a certified Internal Revenue Service agent approve original documentation in person. In some cases, getting these documents back can take many months, during which people are left without their documentation. In addition, free legal clinics do not always work with undocumented immigrants, and few IRS-certified agents work in free legal consultation clinics (Godinez-Puig et al. 2022). Finally, and as found by Martinez (2007), many interviewees also said it was unclear what the documentation requirements were across financial institutions, as these tended to vary widely.

I was DACA,[20] and it gives you a certain limitation toward what you can do, it's a bit hard because no matter what you are still working under an ITIN number […] at [X] bank [and] the first thing they ask you [for] is your documentation—very strict.
—Latine interviewee

Racism Remains an Issue for the Latine Community as a Whole

One commonly mentioned barrier to accessing financial services across groups was racism. Many talked about their own negative experiences, referencing feeling discriminated against by financial institutions, feeling they were offered higher fees and rates compared with other groups or that they were taken advantage of by financial agents (Faber and Friedline 2018). As we have discussed extensively in this report, these feelings have been widely validated by myriad studies showing that Latine people often pay the most bank fees compared with all other groups.[21] Wide gaps also exist in outcomes between communities of color, including Latine communities, and white communities when it comes to financial inclusion (see section on “Background”).

Even when participants had positive experiences with financial institutions, they said racism was a struggle for the Latine community overall. These feelings and experiences are not surprising because they illustrate the history of exclusion that has particularly affected communities of color in the US.

They just think you don’t have the income to pay, you know? They judge you straight up based on how we look. And if we start speaking in Spanish or any other language, they will change the way they treat us. They probably think you don’t earn enough, or you are not in the correct place for the kind of services you require.
—Latine interviewee

Income Plays a Role in Latines’ Savings Behaviors and Influences Their Ability to Save and Plan for the Future.

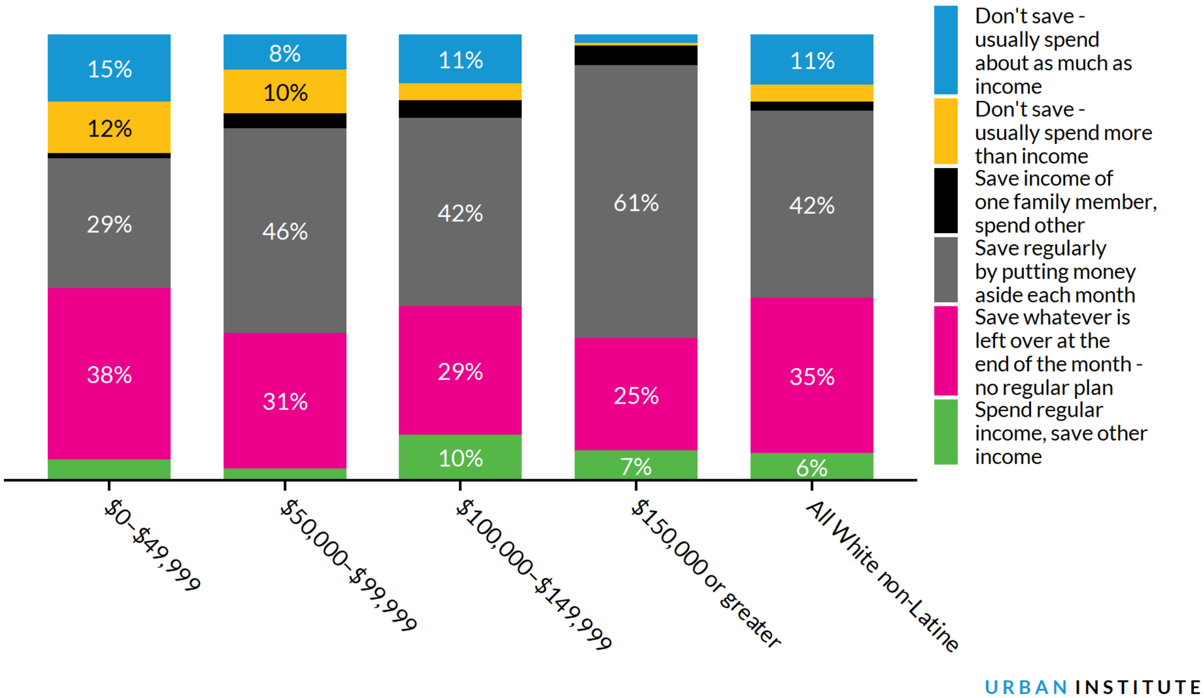
SAVINGS BEHAVIOR

According to the SCF, Latines were slightly less likely than other groups to save regularly in 2022: 38 percent of Latines reported saving a set amount each month compared with 42 percent of white families (figure A.1). As expected, Latines with lower incomes were overall less likely than those with higher incomes to save more regularly (figure 2).

FIGURE 2

Savings Habits, Latines by Income, 2022

Survey question: Which of the following statements comes closest to describing your savings habits?



Source: 2022 Survey of Consumer Finances.

Our interviews confirmed that income plays a role in the savings and spending behavior of Latine participants. As shown in tables 1 and 2 (above), we had conversations with participants with a wide range of incomes, and these differences came through in the feelings they expressed. For example, in about half of the conversations, interviewees expressed not having any savings habits often because of a lack of sufficient income. For these families, spending was dedicated to basic necessities including housing and food. Yet these participants understood the importance of saving money and were eager to put savings practices into play. Research has shown that Latine communities demonstrate a high desire and ability to save, but income restrictions and a lack of availability of products that target people with low incomes keep them outside of the system (Ibarra and Rodriguez 2005).

Well, right now I really don't have any savings just because all of it goes to my expenses and my kids. I am a single mom, so that also plays a factor to what my bills look like.
—Latine interviewee

SAVINGS STRATEGIES

Participants with higher income levels, and a higher ability to save money, used different money management methods, depending on their feelings about financial services and their cultural customs. Many people preferred to save the money physically and mentioned this approach gave them a sense of control over their spending. Many shared that this was a practice they had learned at home when growing up. Latine people are in fact more likely than other groups to use cash for their financial transactions (National Council de La Raza 2015).

> *I use what I call the envelope savings technique, where I put different funds in different envelopes. It makes me feel like I have more control over my income […] and I have used this technique since I was living in [country in Latin America}. I am able to manage my money better and more precisely. It is a technique that works very well for me.*
> *—Latine interviewee*

Other interviewees were more inclined to save money through checking accounts, savings accounts, or high-yield savings accounts; only one participant talked about investing their money in the stock market. Importantly, many referenced having a specific financial goal, which they were saving for; some were saving money for a house, for a car, for retirement, or for social outings. A few participants talked about credit cards too and said they solely used the credit cards to start to build or improve on their credit scores, and they saw this as one of their goals for becoming financially empowered.

> *I do several things. I put a portion of each paycheck into my savings account, and I have another account for emergencies. […] I also have a 401(k) account. I am currently trying to save to buy a house, although the interest [rates] are so high it is becoming very hard, but who knows.*
> *—Latine interviewee*

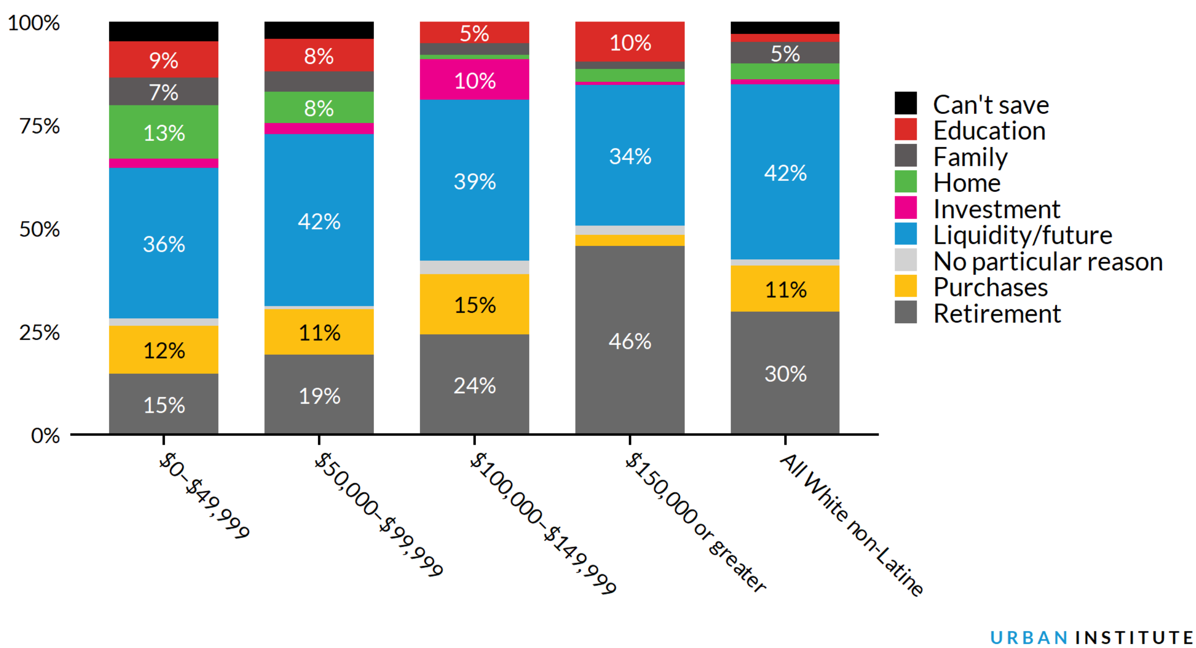
SAVINGS GOALS

Reasons for saving also showed racial/ethnic variations. In 2022, Latines' primary reported reason for saving was for liquidity, or to have cash available or on hand (38 percent), followed by retirement (20 percent; figure A.2). Compared with averages across all racial/ethnic groups in 2022, Latines were also more likely to report saving for education (8 percent) and a home (9 percent), or that they could not save (4 percent). Reasons for saving varied by income levels for Latine people too, with people with higher incomes more likely to save for retirement and those with lower incomes less likely to be able to save (figure 3).

FIGURE 3

Reasons for Saving, Latines by Income, 2022

Survey question: People have different reasons for saving, even though they may not be saving all the time. What are your most important reasons for saving?



Source: 2022 Survey of Consumer Finances.

Income Plays a Role in How Respondents View Financial Well-Being and Whether They Are Prepared for Unforeseen Expenses

EMERGENCY SPENDING

As expected, participants' preparation for emergencies or unforeseen expenses mimicked their savings behavior. Participants with low incomes had a hard time preparing for those types of expenses. Some participants mentioned having to rely on credit cards (when they had them), in those emergency instances, because they were not able to save money to prepare for it. One participant said,

> When I could not pay for all of these expenses, I had to start using the credit cards. But I have given myself a two-year window to pay all of my debts and I have already started paying some of them.

Consumers brought up that they relied on family members or friends for emergencies. A participant who had recently lost a job mentioned, "My family gives me a bit of money, so does a friend of mine, since I lost my job." While about half of participants considered their families as a safety net, the other half talked about their families as being a financial weight on them. In fact, previous work has found that it is common among Latine families to have reverse transfers of wealth and resources between parents and children, where children often provide for their parents' expenses and retirement (Carmona and Sugrue 2023).

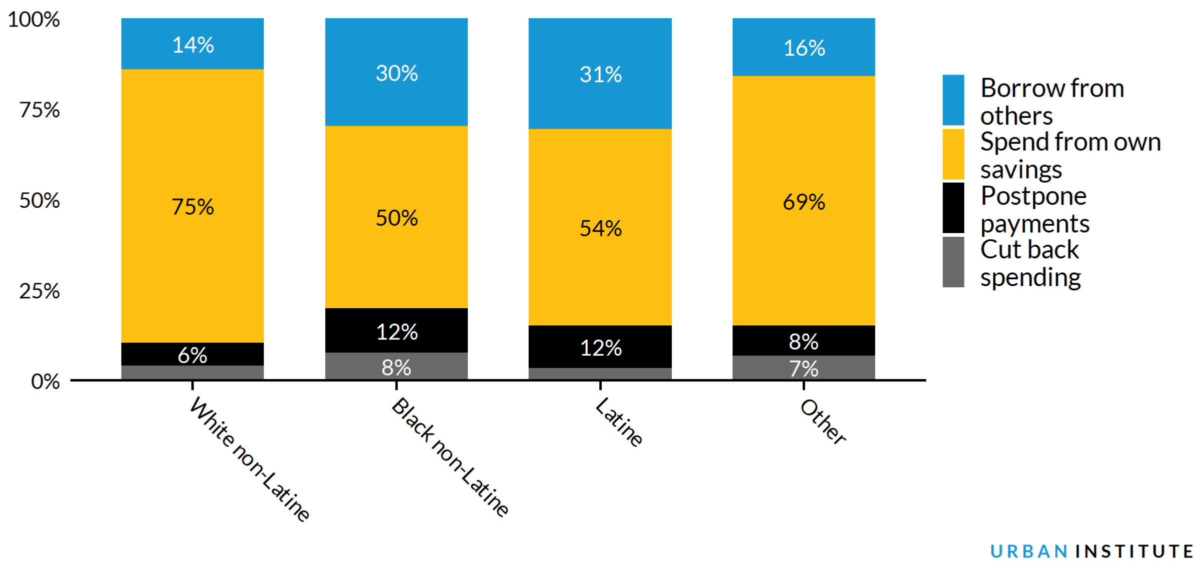
Data from the SCF overall confirmed these trends. Latines were most likely to spend from savings in a hypothetical emergency compared with other groups in 2022. More than half (54 percent) would choose to spend from savings, and 31 percent of them would borrow from friends (figure 4). Across all racial/ethnic groups, few would choose to postpone payments or cut back spending. As expected, Latines with higher incomes were less likely to borrow from others and more likely to use their savings compared with Latines with lower incomes (figure 5).

Younger (under age 35) and older Latines (ages 55 and above) were especially likely to use friends and family as a resource (figure A.5). Income also played a role, as expected, with Latines with lower incomes more inclined to borrow from others than spend from savings (figure A.4). We did not identify significant racial variations in borrowing sources for emergencies (figure A.3).

FIGURE 4

Reactions to a Hypothetical Financial Emergency, by Race and Ethnicity, 2022

Survey question: If tomorrow you experienced a financial emergency that left you unable to pay all of your bills, how would you deal with that?

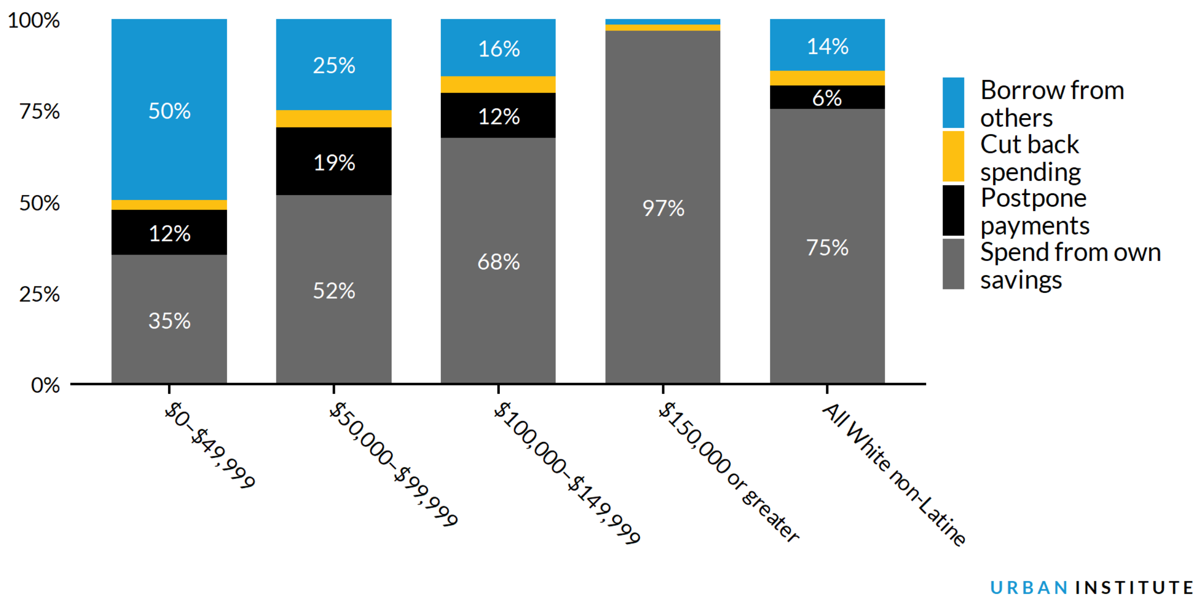


Source: 2022 Survey of Consumer Finances.

FIGURE 5

Reactions to a Hypothetical Financial Emergency, Latines by Income, 2022

Survey question: If tomorrow you experienced a financial emergency that left you unable to pay all of your bills, how would you deal with that?



Source: 2022 Survey of Consumer Finances.

FINANCIAL WELL-BEING

Finally, we asked participants how they defined financial well-being to better understand whether their definitions influenced their savings, spending, and financial goals. To no surprise, savings and spending capacity highly influenced how participants defined what financial well-being would look like for them.[‡] Some families, often with lower incomes, understood financial well-being as being able to cover basic needs such as having the funds to "eat every day," "have clothes," and "have a roof over [their] head." Many referenced not having to worry about money; for example, one participant defined financial well-being as "having the ability to take a spontaneous daytrip and not worry about the money." For families with higher incomes, the definition of financial well-being was broader. Some mentioned it involved having knowledge about the financial systems, which they understood as an element of empowerment and entry to the financial system—"being able to manage [their] money" and "knowing more about the financial world." Others viewed being fully included in the financial system through different services or investment opportunities as a crucial part of their financial well-being—"[having] extra money for emergencies and being able to invest your money in various assets and funds."

Taken together, Latines' financial goals and savings habits are influenced by their relative income and savings capabilities, with participants with higher incomes more likely to have broad definitions of financial well-being, have routine financial management systems and goals, and be less likely to rely on family for financial stability. These findings are in line with earlier research findings that income highly influences Latines' abilities to save, invest, and contribute to their overall financial well-being (Valdes et al. 2023).

Conclusion and Recommendations

Our interviews and data analysis revealed that Latine communities have different financial behaviors, experiences, and feelings depending on their income level, length of stay in the US, acculturation level, and immigration status. Although they are a fast-growing segment of the American population,[22] many Latine people are still excluded from the financial system and are wary of accessing financial products and services for different reasons. Depending on their background, Latine people show different types of trust (or mistrust) toward the financial system: mistrust in banking institutions themselves, mistrust

‡ Financial well-being refers to people's ability to manage their daily finances, be resilient to economic shocks, and pursue opportunities for upward mobility.

in the treatment they will receive from institutions, and/or mistrust in using banking products instead of relying on at-home cash management.

A few recommendations for public and private financial entities, as well as the research community, include the following:

Financial institutions could implement changes to gain Latine communities' trust. Financial institutions could regain the trust of their Latine consumers by expanding services in Spanish, while also incorporating cultural accuracy such that Latine people feel more confident to approach these institutions. Diversifying the race/ethnicity of staff at all levels within organizations and incorporating culturally targeted programs could also help increase trust and confidence in Latine communities.[23] Importantly, having flexible hours of operation and branches available in Latine communities may help bridge some entry barriers too (Zinn et al. 2023). Additionally, creating partnerships with community organizations that are dedicated to helping Latine families can help expand trust. In general, financial institutions should strive for tailored and targeted outreach strategies for different subgroups of Latines to avoid developing "one-size-fits-all" solutions.

Financial Institutions could focus on designing financial products and services that specifically meet Latine consumers' needs. Given subgroup variations, the private sector could also aim to develop more specialized savings products for people with low incomes within the Latine community that better fit their economic circumstances—for instance, having more options of services with no minimum balance requirements or services with low or no fees.[24] Because many Latine people suffer from high debt burdens, policies targeted at reducing debt burdens can help protect consumers. This includes making credit card terms and conditions clearer for consumers through information networks, information in Spanish, and information that incorporates cultural accuracy (e.g., direct translations to Spanish do not always translate the exact meaning of words).[25] This could also include extending credit to consumers who have suffered systemic disadvantages through Special Purpose Credit Programs or exploring programs that can expand access to financial infrastructure such as postal banking (Haberle and House 2021; Long and Pressman 2023).

A comprehensive suite of solutions that address the many facets of people's financial lives would be most effective in improving financial well-being and expanding financial inclusion for Latine consumers. Policies should focus on helping families build assets, access important tax credits, and eliminate debt and promote work stability depending on their unique circumstances. For example, policies could target investing in areas that are struggling with residential segregation and disinvestment.

Policymakers could identify and remove the unique barriers that undocumented people face, particularly when it comes to obtaining an ITIN, and private institutions could streamline individual identification requirements. The US Treasury could streamline and improve the ITIN application system to make it less burdensome on people and train additional certified agents who can provide their services for free and in Spanish (Goodman et al. 2024).

Financial institutions could expand the types of identification they accept and market these widely within Latine communities and within their branch managers. In coordination, financial institutions could push for a great standardization of parameters to serve ITIN holders between banks and branches (Goodman et al. 2024). To help financial institutions with this effort, the federal government could also provide more guidance on what other forms of identification are widely accepted within the US (e.g., the Mexican Matricula Consular or expired Venezuelan Passports).

Credit score models could take into account Latine communities' unique circumstances, as building and maintaining a high credit score continues to be a hurdle for these communities. More policies that eliminate structural barriers are likely to have the largest impact. For example, research has shown that changing credit score models to include positive rental payment history could be a successful strategy for including people who have traditionally been left out of the financial system. These policies should take into account that many Latines are building their credit scores from scratch upon arrival in the US (Choi et al. 2022) and that others are facing high debt burdens that limit their capacities to improve their scores.

Expanding consumer protections and safeguards while fostering innovation could enhance financial inclusion for Latine families. By being left out of mainstream financial services, many consumers may turn to alternative options. For instance, financial technology has been proposed as a potential solution to make banking more accessible to low-income communities of color who have historically been excluded from mainstream systems. In part, fintech has been regarded as having the potential to increase accessibility of mainstream banking through mobile platforms, helping Latines build and repair their credit and offering more targeted Spanish-language applications (Collins et al. 2016). It could also increase participation in mainstream financial services by offering lower-cost products (Sanchez-Moyano and Shrimali 2021). However, without appropriate safeguards and regulations, fintech carries risks regarding data security and privacy, lack of cost transparency, perpetuations of existing inequities, and consumer protection concerns (Carmona and Godinez-Puig 2023).

More information on financial networks and opportunities to increase financial literacy should be widely available for Latine communities, but these policies should be paired with policies that eliminate systemic barriers to be most effective. Financial coaching sessions—where participants set goals and plan concrete steps to enter the financial system—that improve financial capability have shown to be successful intervention models to increase financial inclusion (Theodos et al. 2015). Investing in affordable specialized supports for Latine people could bridge informational gaps and increase financial literacy among this group (Brown et al. 2019). However, to be successful, these efforts should be coupled with changes in the structural barriers that immigrants face (Carmona 2023; Zinn et al. 2023).

This analysis also highlights the need for more disaggregated data to analyze the feelings and experiences of Latine community subgroups—to understand how demographic characteristics, including race, income level, education level, age, country of origin, acculturation, and other intersecting features can deepen barriers or enhance people's financial opportunities.[26] Future work should expand on the findings from this report to analyze Latine subgroups' experiences across the US, in a broader range of financial well-being outcomes and by looking at the role of intersectional characteristics.

Appendix

TABLE A.1

Latines in the US by Origin Group

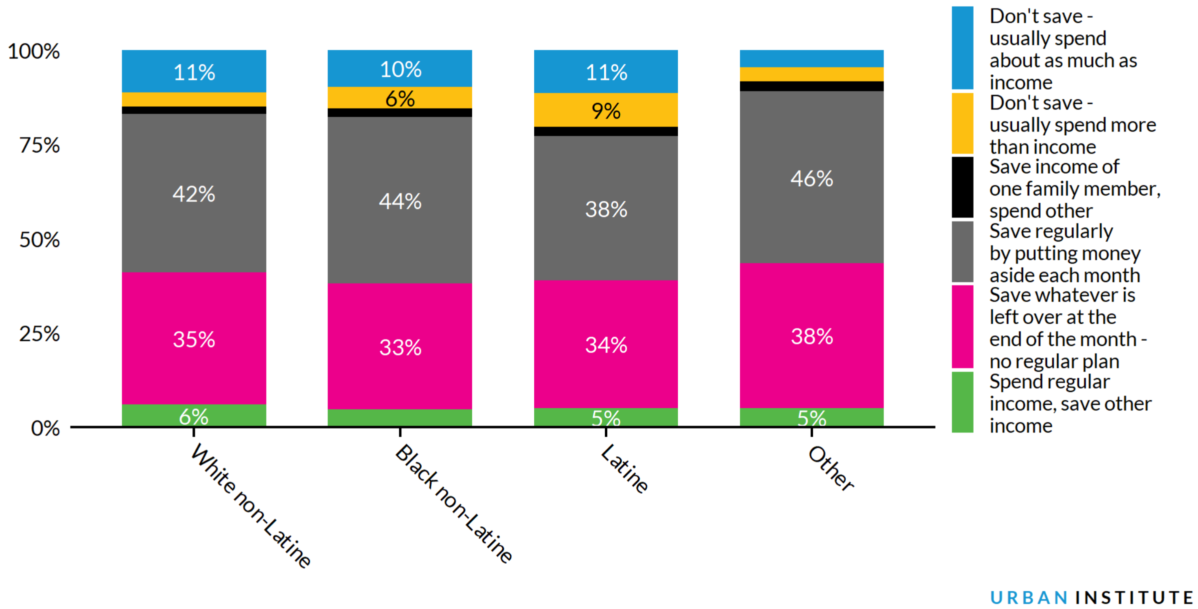
Origin group	US population
Mexico	37,200,000
Puerto Rico	5,800,000
El Salvador	2,500,000
Dominican Republic	2,400,000
Cuba	2,400,000
Guatemala	1,800,000
Colombia	1,400,000
Honduras	1,100,000
Spain	990,000
Ecuador	830,000
Peru	710,000
Venezuela	640,000
Nicaragua	450,000
Argentina	290,000
Panama	240,000
Chile	190,000
Costa Rica	180,000

Source: Pew Research Center analysis of the 2021 American Community Survey (1 percent IPUMS): Mohamad Moslimani, Mark Hugo Lopez, and Luis Noe-Bustamante, "11 Facts about Hispanic Origin Groups in the U.S.," August 16, 2023, https://www.pewresearch.org/short-reads/2023/08/16/11-facts-about-hispanic-origin-groups-in-the-us/.

FIGURE A.1

Savings Habits, by Race and Ethnicity, 2022

Survey question: Which of the following statements comes closest to describing your savings habits?

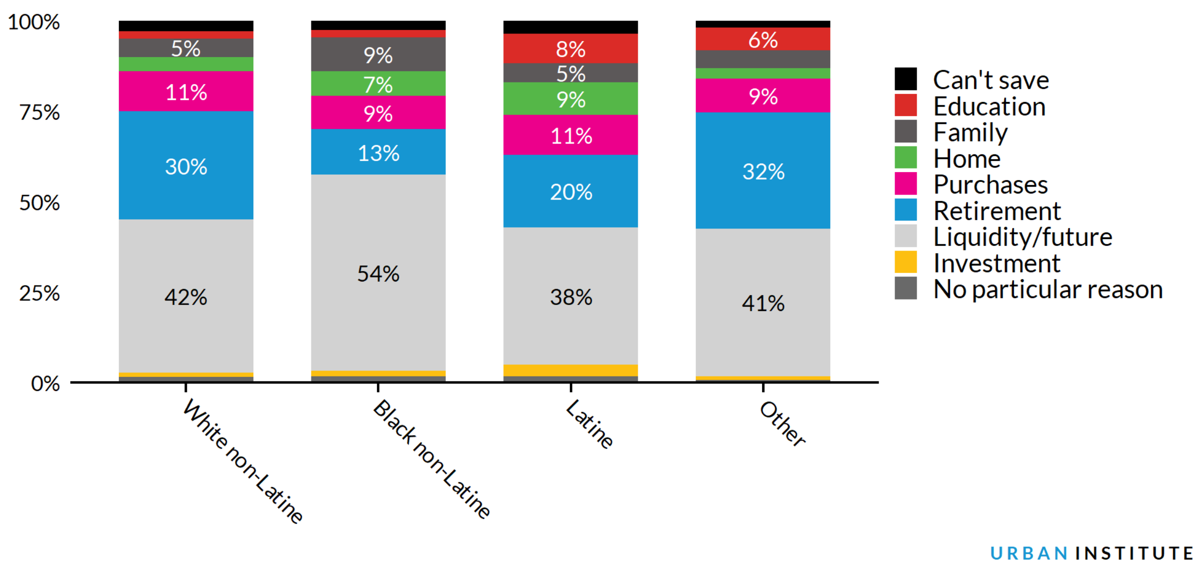


Source: 2022 Survey of Consumer Finances.

FIGURE A.2

Reasons for Saving, by Race and Ethnicity, 2022

Survey question: People have different reasons for saving, even though they may not be saving all the time. What are your most important reasons for saving?

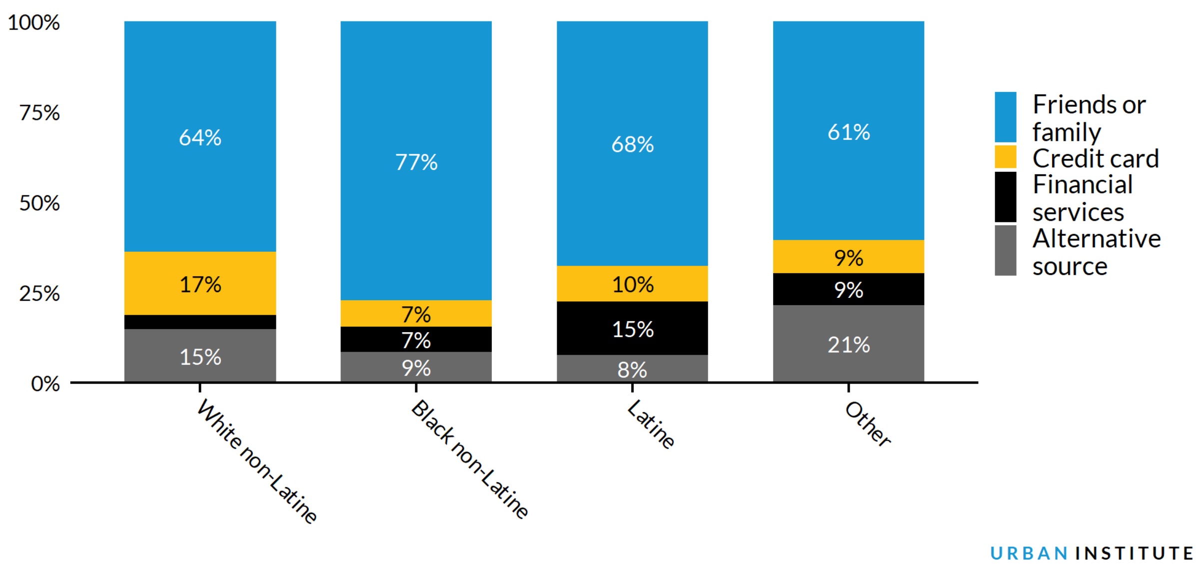


Source: 2022 Survey of Consumer Finances.

FIGURE A.3

Emergency Borrowing Source, by Race and Ethnicity, 2022

Survey question: If tomorrow you experienced a financial emergency that left you unable to pay all of your bills, please tell me where you would borrow from first. Is it?

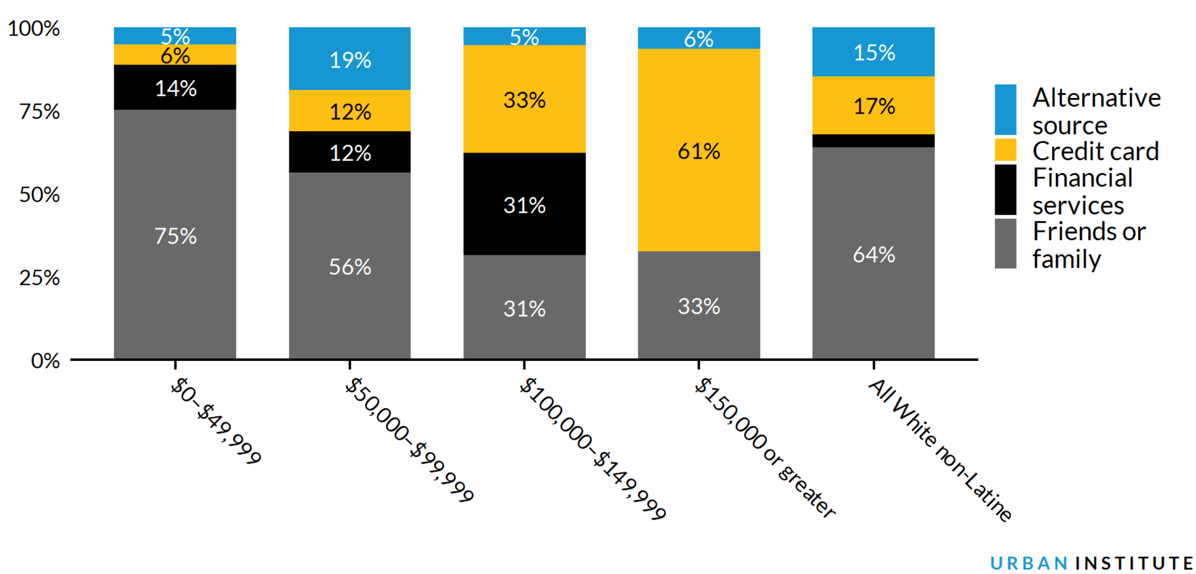


Source: 2022 Survey of Consumer Finances.

FIGURE A.4

Emergency Borrowing Source, Latines by Income, 2022

Survey question: If tomorrow you experienced a financial emergency that left you unable to pay all of your bills, please tell me where you would borrow from first. Is it?

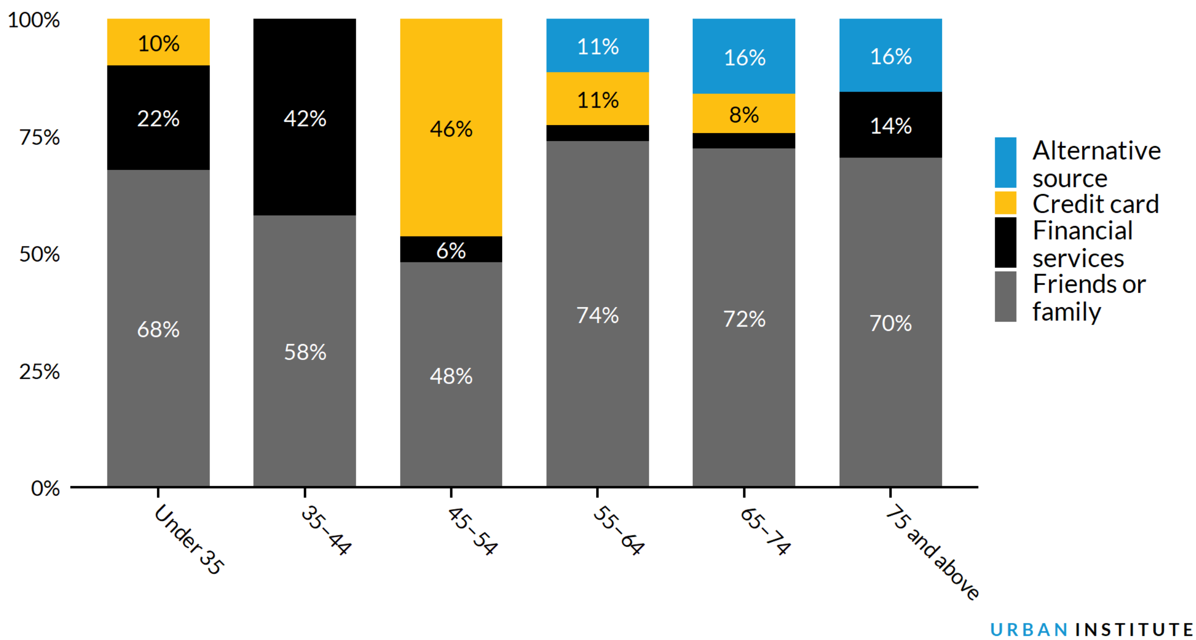


Source: 2022 Survey of Consumer Finances.

FIGURE A.5

Some Younger Latines Are Increasingly Willing to Borrow from Financial Services, Though Most Prefer Friends/Family

Survey question: If tomorrow you experienced a financial emergency that left you unable to pay all of your bills, please tell me where you would borrow from first. Is it?



Source: 2022 Survey of Consumer Finances.

TABLE A.2

Sample Size for Latine Survey Participants by Length of stay in the US

Length of stay	Percentage of Latine participants
Less than 1 year in the US	1.3%
1–5 years in the US	0.4%
5–10 years in the US	3.4%
10 or more years in the US	94.9%

Source: Authors' analysis of 2022 Survey of Consumer Finances.

TABLE A.3

Latines' Reasons for Not Applying for Credit, by Time Spent in the US, 2022

Survey question: You just indicated that you did not apply for any credit over the past twelve months. Was that because you had no need for additional credit, you thought interest rates were too high, you did not think you would get approved, or something else?

	Less than 1 year	1–5 years	5–10 years	10+ years or entire life	All Latines
Number of observations	25	10	125	2,915	**3,075**
Reasons for not applying for credit	**Percent of Latines, by time spent in US**				
Did not know how to apply or not worth the effort/time consuming	0%	0%	0%	1%	0%
Did not think I would get approved	0%	0%	11%	6%	6%
Did not want additional credit; prefers to avoid using credit	25%	0%	6%	5%	6%
Interest rates too high	0%	0%	15%	5%	5%
No need for additional credit	33%	48%	18%	29%	29%
Other	0%	0%	0%	0%	0%
N/A	42%	52%	50%	54%	54%
Total	**100%**	**100%**	**100%**	**100%**	

Source: Authors' analysis of 2022 Survey of Consumer Finances.

TABLE A.4

Latines' Willingness to Take Financial Risks, by Time Spent in the US, 2022

Survey question: Some people are fully prepared to take financial risks when they save or make investments, while others try to avoid taking financial risks. On a scale from zero to ten, where zero is not at all willing to take risks and ten is very willing to take risks, what number would you be on the scale?

	Less than 1 year	1–5 years	5–10 years	10+ years or entire life	All Latines
Number of observations	25	10	125	2,915	3,075
Willingness to take financial risks	**Percent of Latines, by time spent in US**				
0: Not at all willing to take financial risks	0%	0%	10%	24%	23%
1–4	7%	48%	33%	29%	29%
5	0%	0%	23%	18%	18%
6–9	35%	52%	31%	25%	25%
10: Very willing to take financial risks	58%	0%	3%	4%	5%
Total	100%	100%	100%	100%	

Source: Authors' analysis of 2022 Survey of Consumer Finances.

TABLE A.5

Latines' Knowledge of Personal Finance, by Time Spent in the US, 2022

Survey question: Some people are very knowledgeable about personal finances, while others are less knowledgeable about personal finances. On a scale from zero to ten, where zero is not at all knowledgeable about personal finance and ten is very knowledgeable about personal finance, what number would you be on the scale?

	Less than 1 year	1–5 years	5–10 years	10+ years or entire life	All Latines
Number of observations	25	10	125	2915	3075
Willingness to take financial risks		**Percent of Latines, by time spent in US**			
0: Not at all knowledgeable	25%	0%	0%	4%	4%
1–4	20%	48%	8%	14%	14%
5	0%	0%	11%	18%	18%
6–9	54%	52%	74%	51%	51%
10: Very knowledgeable	0%	0%	8%	13%	12%
Total	100%	100%	100%	100%	

Source: Authors' analysis of 2022 Survey of Consumer Finances.

TABLE A.6

Latines' Views on Credit, by Time Spent in the US, 2022

Survey question: In general, do you think it is a good idea or a bad idea for people to buy things by borrowing or on credit?

	Less than 1 year	1–5 years	5–10 years	10+ years or entire life	All Latines
Number of observations	25	10	125	2915	3075
Willingness to take financial risks		**Percent of Latines, by time spent in US**			
Bad idea	0%	0%	19%	31%	30%
Good in some ways, bad in others	42%	52%	48%	38%	38%
Good idea	58%	48%	34%	31%	32%
Total	100%	100%	100%	100%	

Source: Authors' analysis of 2022 Survey of Consumer Finances.

Notes

[1] "Hispanic Heritage Month: 2023," US Census Bureau, accessed February 5, 2024, https://www.census.gov/newsroom/facts-for-features/2023/hispanic-heritage-month.html#:~:text=The%20Hispanic%20population%20of%20the,19.1%25%20of%20the%20total%20population.

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[7] "New Survey Shows Latinos Are Struggling With High-Debt Burdens, Low Savings Rates, and a Lack of Access to Affordable Bank Products," UnidosUS.

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[19] "New Survey Shows Latinos Are Struggling With High-Debt Burdens, Low Savings Rates, and a Lack of Access to Affordable Bank Products," UnidosUS.

[20] Deferred Action for Childhood Arrivales (DACA) is a process open to a person who came to the US as a child for requesting a deferred action for a period of two years on their immigration status. It can be extended. See "Consideration of Deferred Action for Childhood Arrivals (DACA)," US Citizenship and Immigration Services, last updated September 18, 2023, https://www.uscis.gov/DACA.

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