

Learning the Language of Money

This project was made possible through a grant from
the
**United States Department of Labor
Employment and Training Administration –
Region 5**



**Project developed and coordinated by
Minnesota Department of Employment and Economic
Development
Employment Transition and Community-Based Services**



“Learning the Language of Money”

NOTES TO THE READER

The “*Financial Literacy: Learning the Language of Money*” project began in February, 2004 with a grant from the United States Department of Labor’s Employment and Training Administration. Bringing the project to fruition has been an educational journey that progressed in three stages: laying the groundwork, developing the guide and using the guide. Our hope is that it will help to ‘guide’ you and your clients through the evolving, fascinating and sometimes uncharted waters of cross cultural financial literacy.

STAGE I – LAYING THE GROUNDWORK

In order to create a cross cultural guide book and training curriculum that would be culturally accurate, fiscally informative and able to meet the needs of our stakeholder audience, we needed assistance. To meet this need, we selected a multi-cultural advisory board. Members of the group volunteered many hours of their time and brought a wealth of expertise in education, finance, business, social service, government and employment and training.

One of their first tasks was to decide upon a working definition of culture. For the purposes of this project the board chose the following description: “*An integrated pattern of human behavior that includes thoughts, communications, actions, customs, beliefs, values and institutions of a racial, ethnic or religious group.*” The analogy we used to help define culture was, “If we were fish, culture would be the water in which we swim.”

The advisors helped develop a Request for Proposals (RFP) to solicit writers for each of the three cultural sections of the guide book — Hmong, Latino, and Somali — and reviewed the proposals to determine awardees. Writers were selected based upon their project summary, relevant qualifications and writing samples.

Throughout the project the advisors reviewed the work, offered helpful suggestions and validated the accuracy of the written material.

STAGE TWO -- DEVELOPING THE GUIDE

Each section of the guide book was written by an individual whose background and experiences reflect the Hmong, Latino and Somali culture. Having an understanding of the challenges that people of diverse cultures face in learning about the American economic system was critical to the success of the project.

Several cultural considerations were made during the writing process including:

- **Difference in writing styles** - while the guide is uniform in structure, the writing style “reads” a little differently from one culture to another. These stylistic differences were intentionally retained to capture the distinct “flavor” and cultural nuances of each language.

- **Financial literacy topics** – the material is presented as authentically as possible, despite the fact that some of the financial literacy topics are unknown to certain cultures or may differ between generations.
- **Hispanic vs. Latino** - there were differing opinions on the use of the term Hispanic vs. Latino. Upon the advice of the U.S. Department of Labor, we used Latino in the guide, as it is considered to be the most inclusive of people of Spanish-speaking origin.
- **Experiential Stories** – these were used to illustrate specific scenarios commonly faced by “New Americans.” The names of people in the stories are fictitious.

STAGE THREE — USING THE GUIDE

The guide book is intended to supplement other financial literacy curriculums. While there are several excellent curriculums available, this guide is structured around the 10 modules used in the *Money Smart* program. Developed in 2001 by the Federal Deposit Insurance Corporation, *Money Smart* is a comprehensive financial education curriculum designed to help low income “unbanked” individuals gain the knowledge and confidence needed to achieve financial security.

The guide book is divided into three sections. Each section examines the *MoneySmart* curriculum through the cultural perspective of Hmong, Latino and Somali people; in other words it provides front-line workers with a cultural “primer” on financial literacy.

Flexibility was also an important consideration in developing the guide book. Each module can be used as a “stand-alone” curriculum or in combination with other resources. Since the topics are often interrelated, however, there is some overlap in the content. To make it more user-friendly, the guide is structured so the material can be rearranged to meet the individual needs and style of each user. We encourage you to supplement the guide with additional information and have included a section in the guide book to add such materials.

Finally, while we made every effort to validate all of the information in this publication, it is impossible to represent the experience of every person in an ethnic or cultural group. Culture is not monolithic. Within every culture, people have unique attributes and life experiences that shape them as individuals.

To order a free copy of the Money Smart financial literacy curriculum in English, Spanish, Chinese, Korean, Vietnamese, go to the FDIC web site at <http://www.fdic.gov/>

View and download this guide at <http://www.deed.state.mn.us/youth/>

*Available after October 1, 2004

Cross-Cultural Guidebook

Hmong Introduction

HISTORY OF HMONG CULTURE

*The Hmong people were believed to have migrated from China. Hmong, also referred to as Meo, means “savage” in Laotian and “barbarian” in Chinese — a term the Hmong find very unacceptable.

The Hmong migrated southward into mainland Southeast Asia and the mountainous regions of northern Burma, Thailand, Laos, and Vietnam. An accurate count of how many Hmong live in each of the Southeast Asian countries has never been determined. Estimates of more than 300,000 Hmong settled in Laos, of which more than half are now in the U.S. The Hmong once called Long Cheng, Laos home, but that changed after many were recruited by the CIA to fight for the U.S. in the once-secret wars in Laos.



U.S. NEW HMONG HOMELAND

Following the Vietnam War, America became the new homeland for Hmong, with concentrations of Hmong now living in Wisconsin, Minnesota and California. Today there are approximately 2.8 million Hmong people still remaining in China, Thailand, Laos, and Vietnam — all of which speak a variety of Hmong dialects.

TWIN CITIES LARGEST HMONG SETTLEMENT IN U.S.

Today the Twin Cities of Minneapolis and St. Paul have the largest Hmong settlement in the U.S., with estimates of 45,000 or more Hmong living in Minnesota. This has shifted from the central valley area of California, which at one time had the largest Hmong settlement. Prior to 1995, 71 percent of the Hmong population lived somewhere else. According to the 2000 Census, there are 186,000 Hmong living in the U.S., with 130,000 refugees arriving during the 1990’s. According to statistics cited by the Federal Reserve Bank in Minnesota at a recent homeownership meeting, however, this number is incorrect and there are probably over 300,000 Hmong living in the U.S.

STRUGGLE FOR CULTURE AND IDENTITY

While the U.S. has given Hmong an opportunity for a better life, particularly for their children, they continue to struggle with culture and identity issues. They try to maintain ties to the rich culture of their past, while seeking to thrive in modern, urban America.

LANGUAGE CRITICAL BARRIER

The Hmong elderly have not forgotten their homeland and many expect to return someday to Laos. Life in America is particularly difficult for elderly Hmong because they are unable to speak, write and understand the English language. There was no

education to prepare them for the United States and so language is a great barrier to them. Adopting the new ways in America has not been easy for elderly Hmong, who must struggle daily with America’s seemingly unusual ways. Walking to a store or being approached by an American can be a terrifying experience for the Hmong elderly.

YOUNGER GENERATION ADAPTING WELL

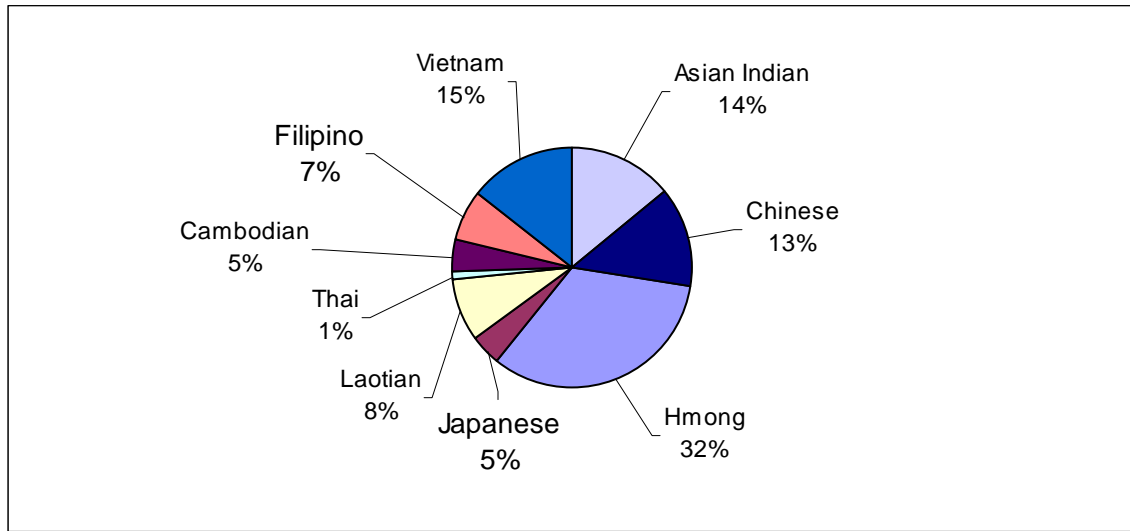
The new generation of younger Hmong people have adapted well to the American culture, however, they also find themselves at risk of losing touch with their culture. Adapting well to American ways brings hope to the Hmong family. Not only is the younger generation contributing to American society, but they are also helping to ease the pain and struggles of the Hmong elderly.

FIRST AND SECOND GENERATION

The first and second generation of Hmong arrived in the U.S. between 1975 – 1990 with the vast majority settling in California and others in Hawaii, Minnesota and Wisconsin. While they have adapted well to the American culture, they also still encounter racism. The majority of Hmong now live in Minnesota due to the education, employment, and housing opportunities. Hmong is the largest Asian group living in St. Paul (over 26,000), plus 11,000 more in Minneapolis and the surrounding suburbs.

ASIAN ETHNIC GROUPS IN MINNESOTA

Below is a comparison of Hmong living in Minnesota compared to other Asian groups.



Hmong	Japanese	Laotian	Thai	Cambodian	Filipino	Vietnamese	Asian Indian	Chinese
45,443	6,483	11,516	1,498	6,533	9,696	20,570	19,963	18,622

Source: 2000 U.S. Census

A LOCAL STORY

“I came to Minnesota in December 1978 with my wife and five kids. It was during the winter season and snow was falling. That moment I was in heaven. Our American sponsor came to greet us at the airport with coats and boots. My sponsor tried to tell me

that it is cold and there is a lot of snow on the ground, so I should wear the coat and boots. But I had no idea what he was saying and refused to wear them until we stepped outside of the airport. In Laos the temperature was 100 degrees-plus year round. Our sponsor got us an apartment, so I had to learn how to use the bathroom, shower and stove. In Laos, the fireplace was our stove and the sanitary station was our bathroom. The first year in America was our family's hardest. My kids were told to leave and go back to our country and I was rubbed and spit on by some Americans while walking to the grocery store. My heaven quickly became hell. From 1995 to 2003, two of my sons graduated from college and my three daughters all graduated and got married. One of my children got a teaching degree, another a engineering degree and one a political science degree. Today I have my own business and have no regrets or feel hatred toward anyone who treated me differently as that has helped my family and I become who we are now."

CONTRASTING BELIEFS, VALUES AND PRACTICES

The following table lists some of the distinct historical contrasts between traditional Asian and white mainstream cultural orientations documented by Sam Chan of the California School of Professional Psychology.

Asian Culture	White Mainstream Culture
Contemplative, holistic thinking	Analytic, linear thinking
Fatalistic	Personal control over environment & fate
Stoicism, patience	Optimism, eagerness to take action
Tradition, living with the past	Change, future orientation
Self-denial, self-discipline	Self-assertiveness, self-gratification
Spiritualism, detachment	Materialism
Group welfare, public consciousness	Self-actualization, privacy
Hierarchy, role rigidity, status defined by ascription (birthright, inheritance, family name, age, sex)	Equality, role flexibility, status defined by achievement
Conformity	Challenge or question authority
Cooperation, non-confrontation and reconciliation	Competition, aggressiveness
Family solidarity, responsibility, and harmony	Individual pursuit of happiness, fulfillment, and self-expression
Children are extension of parents	Children are individuals
Indirect expression, nonverbal, formal, goal-oriented, emotionally controlled, self-effacing, modest	Direct expression, explicit, verbal, informal, spontaneous, emotionally expressive, self-promoting, egocentric

Source: Greater Twin Cities United Way

***Editors Note:** *The information in this introduction and subsequent chapters on the Hmong culture is according to Community Neighborhood Housing Services, Inc., a non-profit housing agency in St. Paul, Minn. and the Hmong National Archives, a non-profit organization whose mission is to preserve the Hmong heritage.*

Bank On It and Check It Out

INTRODUCTION

The Hmong people living in Laos and Thailand were nomadic farmers. They were nomadic because once they settled in an area; the local population would kick them out. Hmong migrated from China, so they didn't really have a homeland of their own but they were extremely self-sufficient. They generally didn't stay in any one area long enough to have the need to pay bills, so the only time they used their money was to purchase food and clothing. Since Hmong people paid for their food and clothing in cash or traded goods, the concept of a checking account and using checks was non-existent.

Laos has banking systems, which are owned by the Royal Laos Government. The National Bank of Laos was created in December 1954. Today the Kip is the official currency of Laos, with Notes in denominations of 1,000, 500, 100, 50, 20, 10, 5 and 1. The smaller denominations are being withdrawn from circulation. Coins have a negligible purchase power and are not in common use. The central bank, The Bank of Laos, is responsible for issuing notes. Traveler's checks may be cashed at commercial banks and at licensed foreign exchange bureaus. The exchange of foreign currency must be made at a bank that is a licensed foreign exchange bureau.

Visa cards are accepted at certain shops, restaurants and hotels. The Banque pour le Commerce Exterieur Laos (BCEL) is the agent for Visa in Vientiane. Visa cash withdrawal service is not, however, available yet. The Thai Farmers Bank card is accepted where their logo is displayed. The banking system in Laos, which has changed in recent years, will open current (checking) accounts in U.S. dollars or baht (the Thai currency), as well as in convertible Kip.

Lack of financial experience

Because of Laos's difficult banking system, Hmong people have never had experience with financing, credit or banking and kept their money under a mattress or buried. When a family needed money, they would go to where they kept it. The women had a belt made from fabric wrapped around them with pockets where money was kept. Silver bars and coins are what they called money "nyiaj". There are no ATM machines in the village. When silver bars were used, the purchase was generally large, such as a wedding or the purchase of animals. Coins were mostly used when shopping for food and clothing.

Cash preferred among elderly

Hmong people did not begin using checks until they came to America and learned about the U.S. financial system. Cash is still common with the elderly Hmong generation, who find it to be more convenient than using checks. They also don't have to balance their checkbooks, worry about overdrafts, or pay additional fees — all skills they've never needed before. Cash in their pockets gives them a feeling of better control of their money.

Balancing a checkbook

Balancing a checkbook is often a struggle for anyone, let alone an elderly Hmong person who doesn't speak, write or understand English. Even educated professionals have problems balancing a checkbook. Many elderly Hmong don't understand the benefits of using a bank or having checks or cash cards. They see their children using these financial tools, but the reality is that it is just too complex for them to use.

Lure of easy credit

Hmong youth have adapted very well to the America ways of banking, and at times too well, which is putting them at risk. Like many others, the lure of easy credit often gets them into trouble and they may become overextended. Since they have no history of credit, they often don't realize the ramifications of having a damaged credit history. However, their understanding of the banking system gives them the ability to help the Hmong elderly by cashing checks for them, writing checks and opening saving accounts. But culturally, the elderly still do not trust the bank and even if they open a saving account, it doesn't mean they will put all their money in it.

A LOCAL STORY

Nou Ying Lor, age 44, opened a checking and saving account in 2002 and deposited all of his money into his saving account. He returned to the bank a month later to withdraw the money, but he was not able to do so as his Social Security and driver's license numbers were entered wrong when he first opened the account. He never thought to recheck the contract information because of his confidence in the bank. It took three months to resolve the problem, which delayed his son's wedding. Mistakes happen, but when they happen to people like Nou Ying Lor, it reverberates throughout the Hmong community, sending a very negative message about banks to other Hmong families.

TIPS TO PROVIDER

- Hmong do not trust the U.S. banking system. They need to be educated more on the benefits and safety of banks. Make sure to explain to them why there are taxes involved with having a saving account.
- Never insult someone for keeping cash under their mattress as it is the Hmong traditional way of keeping money safe.
- Be aware of your audience's financial and income status. Some may be employed and others are SSI or MFIP recipients. They may not disclose their income status to you if you are not Hmong.

Borrowing Basics

INTRODUCTION

The Kip is the official currency of Laos and it is used from time to time to buy food and clothing in Vientiane. Hard currency, such as silver bars or maybe gold, was considered concrete money to Hmong. People also may have used the barter system to trade goods and services. The concept of a loan existed and probably was understood, but it is unclear if people charged interest or not. It is more likely they borrowed from relatives.

No credit system in Laos

Laos has yet to have a develop credit system for the general public and the only credit available is for commercial purposes and foreign exchanges. When the need arose in Laos to borrow money, (i.e. death, marriage or illness) people would borrow money from their immediate family in America. Typically, the collateral was animals or farm land.

Peer lending practices

If you borrowed money from a relative, the loan became a family obligation and no interest was charged because it was viewed as a favor. This system of trust within a small family or extended family — called peer monitoring — worked because of strong familiarity and trust. There wasn't a sense that loaning money was a risky activity that required the need to charge interest. Since everyone was more or less related, charging interest for loans to relatives might be viewed as being greedy. Peer lending is a practice found throughout the world, particularly in third world countries and rural populations. It is not as popular in the U.S., however, due to a variety of cultures and value systems.

Predatory lending

Due to their lack of experience with formal lending practices, Hmong people might be more susceptible to the dangers of predatory lending by unscrupulous lenders. Hmong people have been approached by people they know (or that know their relatives) and have been offered bad products. Because of their relationship with the person, they don't suspect any wrongdoing. When they realize that they were taken advantage of, Hmong people are less likely to press charges because they feel betrayed and insulted. They don't want to be responsible for the shame and harm of publicly charging their relatives or friends of wrongdoing. This is especially true if the situation involves criminal charges or convictions.

A LOCAL STORY

Tou Lee Hang's son got married and the wedding cost about \$8,000 in total. He invited relatives, friends and families to a pre-wedding celebration, where guests brought gifts and money totaling about \$4,000, which helped to pay for half of the wedding. Tou Lee did not have to take out a loan to pay for the wedding. Even if he had needed to take out a loan, however, he would still probably seek out the help of his family and friends first.

TIPS TO PROVIDER

- The majority of Hmong people understand the concept of borrowing. Interest is something they will pay, but only for a large purchase, not a smaller one.
- The younger Hmong person is the target audience for this chapter. The elderly Hmong would probably not understand it as well, due to the language barrier.
- Older Hmong people would benefit from learning about predatory lending.

Money Matters

INTRODUCTION

In Laos and Thailand, Hmong families never had to budget, plan or really keep track of their money. Silver and gold bars were their concrete money. However, the barter system was frequently used to secure goods or services that a family might need. The real money was rarely used, so the elderly people never had to record or budget money.

Of course they kept track of how much money they had and where it was, but there was no need for a budget or long range planning. In Laos, there was no rent, auto loans, or insurance and utilities to pay. Food came from farming; electricity came from batteries, and light came from a flashlight or fireplace. The future for the Hmong people in Laos was always uncertain, due to involvement with the CIA during the Vietnam War. They had no choice but to flee to another country to seek freedom, which left them with little concern for financial or retirement plans. The Hmong in Laos worry everyday what will happen tomorrow and where they will end up in the future. Money is no longer their top priority; surviving to see tomorrow is.

Saving a top priority

In America, Hmong have freedom and parents are working hard to save money for their children's future and their own retirement. Financial planning and budgeting is a top priority for parents, who will work in any career to save enough money. While an average American family spends hundreds of dollars in clothing, food and entertainment, the average Hmong family worries about what will happen tomorrow. They tend to save and live very cheaply.

Financial planning more common

Budgeting is a priority for all Hmong people who are educated and understand the American money culture. Hmong families, however, still don't want to have much debt. The younger generation is more sophisticated and understands the U.S. culture of money and the need to save for retirement, their children's education, and for medical needs. Hmong grandparents help by babysitting, which allows parents to work and bring home money for the family. This helps to eliminate childcare expenses and enables them to pay off bills or to save money for the future.

TIPS TO PROVIDER

- Never criticize the ways of Hmong traditional financial budgeting, but help them understand the new ways of budgeting.
- Know the age and English level of your audience, which will help you to communicate more effectively and respectfully.

Pay Yourself First

INTRODUCTION

The older Hmong generation believes in first paying their bills on time and then determining what they have left over to spend on other things. Traditionally, Hmong people were farmers, who stored food that would last for months so they didn't have to worry about purchasing food on a monthly, weekly, or daily basis. They put their basic needs first — food and shelter — and if there was money left, they either saved it or spent it on things they wanted. Paying themselves first didn't make sense to them.

Traditional approach to financial decisions

The Hmong man is the head of the household, but his wife still plays an important role in deciding how money is kept and utilized. Both the husband and wife compromise on buying expensive items and contributing or lending money to family members. This is the traditional approach to making financial decisions, which also occurs in America.

For example, a Hmong person might say, "I'd rather pay all my bills first and then save. If there is anything left I can enjoy it with no worries. If I pay myself first, some of my bills may not get paid until my next paycheck and that will create a late payment. I'd rather pay the important things first (mortgage, food, clothing) and then really enjoy buying the things I want without guilt."

Wealth not common

In Laos, earning money is hard and becoming wealthy is not common in the Hmong culture. Sometimes Hmong people volunteer to work and in return they get food or a bag of rice. Getting a job is impossible, due to the Laotian economic system. Money is received from relatives or immediate family in America or earned by Hmong women who make clothes and sell them for money.

Today relatives and immediate family in America still gather money and send it to loved ones in Laos upon request. Due to the communist system in Laos, it is not safe to send money without monitoring and following up on it. For example, sometimes a Hmong dress or clothing from Laos is sent to relatives in the U.S., who sell the item and send the money back home to Laos. This practice has been done for many years and is a way of supporting those in Laos.

Younger generation more Americanized

The younger Hmong people are more adapted to American ways and understand the freedom and opportunity they been given. The younger Hmong generation in particular is much more Americanized, with some who are conservative with their money and others who don't think saving should be a priority. The older generation still teaches children how to spend and save money.

Keep It Safe

INTRODUCTION

Hmong people have many common names, with only 18 last names in the entire culture. That's why you see so many Yang, Vang, Xiong, Her, etc. For example, the names Pao Yang, May Yang, and Bao Yang have no family relationship. It is similar to Anderson or Smith in the American culture, only worse. The older generation believes that the simplest way to avoid identity theft and scams and resolve bank account errors is to stay away from them altogether. The prevailing attitude is "Don't share your information." This includes opening a bank account, obtaining a credit card or getting a loan.

Identity in Laos

Pao Yang does not want to be confused with another Pao Yang. In Laos, Hmong lived in rural areas and were not given any identity such as a Social Security number or a driver's license. All they had for identity was their name, date of birth and the city they lived in. The only time they needed an identity was when they went to a local clinic. Driver's licenses were never needed because they only traveled by foot, by bus or on a scooter. In Laos, Hmong people did not have to worry about losing their Social Security number, driver's license number, bank account or personal identity because they didn't have them. The only thing in their wallet was money; often they didn't carry their wallet with them.

Cash better than loans

The Hmong culture is not like other ethnic groups that prohibit taking out a loan with interest. It is not a religious issue for the Hmong culture. A Hmong person would rather pay the full amount in cash than take out a loan or pay interest, which allows them to save money. The only time they are comfortable taking out a loan with interest is when they are purchasing a home or an automobile that will cost them more than \$20,000. For example, if a car sells for \$5,000, there will be interest of 9 to 12 percent on the loan. The total of the loan and finance charges for a two-year term would be estimated at \$6,200. A Hmong person would rather pay in full and save the \$1,200 in interest.

Identify theft scams

The younger Hmong generation is better educated and more aware of potential financial scams, such as identity theft. The previous generation, however, needs to be educated about their rights and to learn how to handle identity theft problems that might arise.

TIPS TO PROVIDER

- Be sensitive to the fact that some Hmong (particularly the elderly) may not want to give out their Social Security number.
- Credit is a key issue. Explain how to resolve issues like credit report errors and how and where Hmong people can go to get help correcting the errors.
- Educate them about ways to protect important information and how to safely share the information as necessary.

To Your Credit and Charge It Right

INTRODUCTION

In Laos, Hmong people were never in need of credit cards or auto loans. They lived in rural areas where most everything was paid for in cash. When it was time to pay for a marriage, the negotiation would usually involve a number of silver bars. If the groom's parents did not have enough money, they borrow from relatives and pay it back later.

Credit reports new concept

Credit reports are a new concept for Hmong people. Like many Americans, most Hmong have not seen their credit report and don't know what it looks like or what is on it. It is only when people need to borrow money that they become aware of their credit report. In Laos, Hmong paid for things with cash or traded goods and used credit by borrowing from each other at different times. This family system of trust is still used today, which is why many Hmong people do not have anything on their credit reports. In Laos, their credibility was often based on whether they were an opium addict. Family members known to be opium addicts were not considered good risks for borrowing/lending money.

Parents discourage using credit

In America, the only time a Hmong person takes out a loan is when they need to make a large purchase, such as a home or a new car. It is then that they find themselves getting denied due to insufficient credit. Often times it is to their advantage to open a credit account or take out a small loan just to be able to establish some credit. Most Hmong who have a credit card use it primarily to rent a car or in case of an emergency. Hmong parents still discourage the use of credit and are more conservative in their usage, compared to the more Americanized Hmong youth. The Hmong youth are like any other ethnic youth group when it come to credit usage: some have poorly managed their credit and others are more conservative. The majority of Hmong could easily become predatory lending victims and fall for scams, as they have not learned what to look out for.

A LOCAL STORY

Thirty-year-old Nou Yang graduated with a teaching degree and found a teaching job with a good income. Her credit was damaged from mishandling five of her credit cards and she is now faced with many collection items. It started when she entered college and had a limited amount of money to spend. With a balance limit of \$1,000 on each card, she had a hard time trying to resist buying new things. Nou now realizes that Hmong youth can put themselves at risk if they ignore their parent's traditional financial advice.

TIPS TO PROVIDER

- Spend more time explaining how credit is established and rebuilt. Discuss how credit scores are graded and by whom.
- Explain how common names can create mistakes on credit reports. Stress the importance of monitoring these reports to make sure it belongs to the right person.

Loan to Own and Your Own Home

INTRODUCTION

The concept of “loan to own” is not a big issue in the Hmong culture as they never really understood the idea or cared to explore it. To Hmong people, loaning to own is just a scam and does not make sense. In Laos, they built their own homes with help from relatives, so there wasn't a need for any contracts or mortgages.

No mortgage finance system

In Laos, there was not a mortgage finance system established and the commercial system was mainly used for trade and currency exchanges. Today there has been little change. The property in Vientiane is owned and run by the Royal Government. Hmong lived in rural areas and mountain villages, so they have not experienced mortgage financing or contract for deeds. Also, there weren't any property taxes, hazard insurance and mortgage loans involved. But, if they were forced to move to a different village, they would not be compensated for the house — the next family or ethnic group would simply move into it.

Limited opportunities in Laos

The opportunity to own your own business was impossible for Hmong people in Laos, which is one of the world's poorest nations. It is very different from America, where there is much greater opportunity to start and grow a business. In Laos, business practices are yet to be improved and are still controlled by the communists.

Homeownership in Minnesota

In America, Hmong take out a mortgage loan to own a home. To become a homeowner, one must fill out loan applications, undergo credit checks and obtain funds needed for closing, which is a much more stressful process than in Laos. In Minnesota, Hmong are becoming homeowners faster and more successfully than in other parts of the country. Hmong homeownership has risen fast in Minnesota and has increased from 10 percent to more than 60 percent from 1990 to 2000, according to the Federal Reserve Bank of Minneapolis.

These increasing home ownership rates are due to affordable home loan programs and continuous efforts by the state and the City of St. Paul to create special mortgage finance programs for low and moderate income families. Despite increasing costs, Hmong families want to become homeowners because it gives them a sense of pride, stability and self-sufficiency. The steps to becoming a homeowner can be challenging for all cultures, but it is particularly difficult for Hmong people because English is their second language.

A LOCAL STORY

Bao Xiong lived in a rental unit with two bedrooms. She has six kids and only speaks Hmong, with a little English. Her rental unit, which was tested and found to have lead-based paint, also did not comply with city code. She went to a mortgage broker hoping to obtain a mortgage loan, but was denied due to insufficient funds, income and credit. She was frustrated and extremely stressed due to the health hazards of her current living situation. It would cost her around \$1,200 to rent a four-bedroom house or apartment. She heard about the first time homebuyer program through Hmong Public Radio, so she called and was referred to Community Neighborhood Housing Services. She discussed her situation with a housing counselor and, who referred her to Twin City Habitat for Humanity in Minneapolis. Bao Xiong is now a happy homeowner with a newly constructed home built by TCHH. She pays less than \$700 a month for the mortgage.

TIPS TO PROVIDER

- Homeownership is a great topic to discuss, but make sure you understand the housing prices today and what type of programs are available to homebuyers.
- The down payment and closing cost assistance will be the most discussed topic. Make sure you explain credit in detail, because it is the most important component in the home buying process.
- Have resources to suggest and know what services are provided at the agency you suggest as not all agencies provide the same services.
- Inform the home buyer of the tax credits available once they purchase a home. Mortgage interest is tax deductible.

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Latino Introduction

LATINO COMMUNITY DIVERSE

The Latino community is truly diverse and you will find people of all colors, sizes, ages, religions, education and economic levels. In other words, Latinos don't fit into one box.

The following quote puts it more eloquently: *“Hispanics are an ethnicity, not a race. We come in all colors and sizes. We are not a “melting pot” of Spanish speaking people, but a ‘vegetable soup’, where each ingredient vies for a place of honor on the plate.”*



As you progress through this guidebook, you will learn about the intricacies of the Latino community as it relates to money and finance. The Latino community is made up of a great variety of people from many different geographic areas and in some cases, different cultures. To be successful in working with them, make a personal effort to understand their needs, history and values — this will build trust and increase your level of success.

CONTRASTING BELIEFS, VALUES AND PRACTICES

There are also a number of contrasting beliefs, values and practices between the Latino culture and white mainstream culture. Maria Zuniga from San Diego State University School of Social Work has highlighted the following differences between the cultures:

Latino Culture	White Mainstream Culture
Collective orientation	Individual orientation
Interdependence	Independence
Collective, group identity	Individual identity
Cooperation	Competition
Saving face	Being direct
Relaxed with time	Time sensitive
Emphasis on interpersonal relations	Emphasis on task orientation
Spiritual/magical belief orientation	Rational/empirical belief orientation
More recent agrarian influence	More urbanized/industrialized mode
Tendency toward patriarchal family structure	Tendency toward democratic family structure
More relaxed expectations for child development	Strong expectations for child development
More overt respect for the elderly	Less value/respect toward the elderly
Extended family system more pronounced	Nuclear family system more pronounced
Death more ritualized	Death less ritualized

Source: Greater Twin Cities United Way

KEY GENERATIONAL DIFFERENCES

Along with education and economic levels, there are significant differences among Latinos in social environment and language comprehension. There are also several key differences between first generation and second generation Latino immigrants.

The first generation immigrant has come to the U.S. with dreams of financial or personal freedom (often having preconceived ideas that have been planted by TV advertisements and other immigrants back home telling tales of all the great things the U.S. has to offer).

Many leave behind family, friends and most possessions at 'home', with hopes that they will achieve their lofty dreams of accumulating wealth and then go back home to family and friends. Despite these 'illusions of grandeur', they might not have a valid Social Security number, health insurance, a driver's license or knowledge of their rights. These are the Latino immigrants that have the hardest time adjusting to the U.S. because they are not vested in creating a financial future for themselves in the U.S. and refuse or postpone creating credit, purchasing a home or saving for retirement because they believe that "they will be here for a just a few more years". Immigrants will often continue to refer to their native community, city or town as 'home', even after many years in the U.S.

SECOND GENERATION MORE ADAPTABLE

The second generations of Latinos who are born in the U.S. are much more adaptable than the first generation and have learned to live between both cultures. They attend school, have a much better grasp of the language and know their rights. While they may retain some of their parent's ideas about financial education, they are also influenced heavily by the culture and norms of the community or neighborhood in which they live.

SOCIAL AND EDUCATION LEVELS

Another division between Latinos is their social and educational levels. Higher social standing does not mean higher educational level or vice versa. Financial awareness is not always taught in school; it is most commonly handed down from one generation to the next. Higher social standing first generation immigrants have more financial education, but not necessarily a higher educational level.

In Mexico, mandatory minimum educational requirements changed from 6th to 9th grade in 1999. Prior to the 1960s, education was not enforced due to lack of schools and tutors in rural parts of the country, and the agricultural/economic needs of the communities.

In the past, a higher social standing required the individual to play a greater role in the lives of their workers and the community at large. These individuals are sought after for their advice and influence in matters of finance, politics and business. Those with a higher social standing in the Latino community are commonly known as a "Boss", "El Patron" (L Pah-tron) or "Don".

The disparity between these social and educational levels is becoming smaller as higher education is increasingly available in communities and is more affordable for the average citizen. Therefore, younger immigrants have access to information that enables them to make independent decisions without relying on the "Dons" in their community, as was the case with their parents and grandparents.

Bank on It

INTRODUCTION

Banking system serves wealthy

In Mexico and much of Latin America, the banking system is designed to accommodate the small percentage of people who are wealthy, such as owners of valuable land; owners of established, prosperous businesses; or those with political clout. Unless a person is born into this selective class, most people do not understand the banking system. In addition, high interest lending credit is based upon social standing, relationships and political influence.

Changing ownership of banks

Economic and political instability in Latin America has had a significant impact on how “traditional” banking practices are viewed. This unstable political climate has not only created an unstable economy, but it has also caused mistrust between the classes. A good example of this is the changing ownership of banks in Mexico.

Banks in Latin America offer a wide variety of services including brokerage, insurance and even prepaid cell phone cards.

Mistrust of banks

Most Latinos have considerable mistrust of the Latin American banking system and believe banks want to take their money. Banks are viewed as looking out only for the financial gain of political parties and influential community leaders, such as the “Dons”. Many people do not know where to get information on banks, which often have high interest rates for borrowing, very low rates for savings or investment, and considerable hidden fee structures for bank accounts. Interest rates also tend to fluctuate by the hour with the value of the U.S. dollar against the country’s monetary unit.

With little trust in and knowledge of the banking system, the average Latin American citizen pays in cash, receives store credit or obtains trust loans from friends, neighbors and family members. In other words, banks do not play an important role in the saving, spending and credit aspect of their lives. Once they arrive in the U.S., they instinctively shy away from the banking system and feel more comfortable using predatory lenders such as check cashing establishments, payday lenders and independent loan providers.

To further complicate matters, they view banks as being controlled by the U.S. government, and view them as being similar to government agencies, such as the U.S. Citizenship and Immigration Services (USCIS, formerly INS), Internal Revenue Services and the Department of Human Services.

DIFFERENCES IN BANKS IN U.S. AND LATIN AMERICA

Latin American Banks	U.S. Banks
<ul style="list-style-type: none">• Serve the wealthy	<ul style="list-style-type: none">• Serve those who can participate responsibly
<ul style="list-style-type: none">• High interest lending- credit based upon social standing, relationships and political influence	<ul style="list-style-type: none">• Variable rate lending based upon a standard credit reporting system and a regulated lending criteria
<ul style="list-style-type: none">• Non-disclosure of rights	<ul style="list-style-type: none">• FDIC regulates closely
<ul style="list-style-type: none">• Hidden fees for accounts	<ul style="list-style-type: none">• Banks regulated nationally with oversight from Federal Government for disclosure of fees

The Banking System

Banco Nacional Mexicano or Banamex (ba-na-mecks) operates primarily for the wealthy class in Mexico and Latin America. The depository accounts consist of checking and savings accounts in the form of certificates of deposit (CD's). In addition:

- The minimum balance (\$500 in U.S. money) is more than one month's pay for the average person in Mexico.
- To open an account, a person is required to pay a fee and have a punched voter registration card and birth certificate.
- Funds deposited in a savings account are not guaranteed to be available, so customers often have to notify the bank prior to withdrawal of funds from their account.
- There are a variety of fees for failure to maintain a minimum balance, for withdrawing fees too many times per month and for closing an account.
- Borrowing money through the bank requires collateral, a down payment of between 25 percent and 50 percent, and references (generally business references). The interest rate on a car loan averages about 31 percent for a six-month term, making it unaffordable for the majority of the population.

A LOCAL STORY

When Anita lived in Mexico, she earned a weekly income from cleaning homes and was paid in cash. She paid her bills in cash and saved a small amount in a box in her bedroom closet in case of an emergency. In 2004, Anita and her family moved to Minneapolis and she landed a job at a local hospital, which wanted her to use direct deposit. Based on her past experience, she is nervous about direct deposit and believes the bank will charge high fees or will not have money available when she needs it.

She sees a check cashing business on the way to the bus stop everyday. She stops in and can clearly see the fees to cash her check. She pays the fees, which allow her to transfer some of the money to relatives in Mexico — an attractive, but costly option. When she goes home she looks at the cash in her purse and realizes that after paying income taxes and social security out of her pay, as well as the fees she incurred at the check cashing

business, she has no money left over to put in her emergency fund.

Fortunately, Anita meets another immigrant from Mexico who tells her about XYZ Bank, which has Spanish speaking tellers. Anita goes with her to set up a new account at the bank. With a free savings and checking account, Anita is able to save a few dollars each pay period, using the money she previously spent on check cashing fees. Having the account also lets her establish a credit history to obtain credit from the bank, instead of a predatory lender.

TIPS TO PROVIDER

- Remind your client that there is considerable competition for bank customers in the U.S., therefore they should be treated with respect and have their questions answered.
- Encourage them to shop around for the best selection of services to meet their needs.
- Suggest they prepare a list of questions before shopping around for a bank to avoid giving in to sales pitches and to make more objective comparisons between banks.
- Communicate to clients that in the U.S. there are organizations that provide information about banking rules and resources. Reinforce the message that they can contact the following organizations with questions about a banking institution/credit union and/or questions about the ethics and legality of a transaction. They are:
 - The Federal Deposit Insurance Corporation (FDIC, www.fdic.gov) is the national watchdog of bank deposits and the National Credit Union Administration (NCUA, www.ncua.gov) is the watchdog for credit unions.
 - Better Business Bureau (www.bbb.org) with local offices in most cities.

Borrowing Basics

INTRODUCTION

Fluctuation in value of currency

In Latin America, most people believe that banks only benefit financially from political parties and influential community leaders. Interest rates can fluctuate hourly (with the value of the U.S. dollar against the country's monetary unit), creating an inherent instability, which is part of the nation's history and ideology. Lenders charge high interest rates and fees to secure return on investment, anticipating fluctuation in the value of currency. The borrower feels overwhelmed by the volume of paperwork, legal requirements and bank inflexibility, and therefore is discouraged from pursuing credit from financial institutions. Instead, the common practice is to go to a more flexible and familiar source of funding — family and friends.

Store credit common

The use of store credit is common in smaller cities and towns. For example, if an individual wants to purchase a service or product, they will ask the store owner if they can pay for it by the end of the week. If so, the lender will make a note of their name and the amount owed. This informal system works in these smaller communities because honor and shame are powerful forces that hold the borrower accountable for their debt.

Majority use cash

The majority of Latinos use cash, save at home and obtain “letter loans” (letra de prestamo), which means to borrow funds from family, friends, acquaintances or individuals in their community known for this type of lending. An individual interested in borrowing comes to the lender with a “reference” that either will vouch for their character or will actually co-sign the loan as a guarantor. The interest rate charged ranges from two to five percent monthly, with loans generally unsecured compared to U.S. standards. It is an honor-based system where those who default on a loan shame not only themselves but also their family and the reference. The bottom line — peer pressure is more powerful than collateral or credit score.

Attitudes of new immigrants

Due to conditioning in their native country, new immigrants often have these attitudes:

1. If I have to borrow, it's not mine (*I only buy what I can afford*).
2. I will be embarrassed if I can't pay (*what will my family and friends think*).
3. I will only be here for a few years and then will be going back home (*I don't need to establish credit here*).
4. I don't make enough money or have enough credibility (*The only credit I can get is a prepaid credit card, so I will just use my own money*).
5. I do not understand the papers I have to sign (*what if the government traces my money, will I lose what I have?*)

A LOCAL STORY

Carlos just landed a good job with a construction company and will start work in a month. Since he will be traveling to different cities, he needs reliable transportation and is concerned that his car will not make it to the end of the month. Since he has no real savings and is just making ends meet, he will need to borrow the money to buy a new car. However, he does not know anyone who could lend him the money to purchase a car.

If the car dealers are anything like the ones in his country, he will need at least \$1,500 to \$3,000 to buy a decent, four-year old car for approximately \$6,000 (and make payments of \$200 - \$300). While pondering his situation, a friend inquires as to what is troubling Carlos. His friend explains how loans in the U.S. work and encourages Carlos to visit a car dealer to find out what they have to offer. Carlos is surprised to discover that he can buy a new car with a small down payment and still make his monthly payments. He also learns that local banks will authorize the finance department at the car dealership to do all the paperwork, making it more convenient than Carlos thought possible.

DIFFERING VIEWS OF CREDIT BY COUNTRY

Auto Loan	Peru	Mexico	U.S.
Down Payment	25 – 50%	25 - 50%	0% and up
Collateral	Vehicle	Vehicle + other	Vehicle
Interest Rate	13.5% or above	16-31%	0-20%
Term	12-48 months	6-24 months	6-72 months
Amount financed	70-80%	70-80%	100%
Fees	Insurance through bank, annual tax and other fees \$175.50 + 3.68% of insured price + tax and license plates	Insurance through bank, annual tax and other fees + 15% tax and license plates	Tax and License plates Insurance

Sources: Banco de Credito del Peru and Banco Commercial Mexicano (Bancomer, Mexico)

TIPS TO PROVIDER

- Communicate that credit is a very important step that should not be rushed and that it costs nothing to research options for the best interest rate, terms or conditions.
- Suggest they prepare a list of questions before shopping around for a bank to avoid succumbing to sales pitches and to make a more objective comparison of banks.
- Inform clients of the *Consumer Credit Protection Act of 1968*, which launched Truth in Lending disclosures. For the first time, creditors had to state the cost of borrowing in a common language so that consumers could figure out what the charges are, compare costs, and shop for the best credit deal. Online at www.federalreserve.gov.

Check It Out

INTRODUCTION

In the Latino community there are two levels of comfort using checking accounts:

- 1) Immigrants from large cities are very comfortable handling a checking account.
- 2) Immigrants from a small towns or cities find the concept of a checking account hard to understand and difficult to incorporate into their life.

For the most part, countries in Latin America are comprised of a large city surrounded by very small towns, which are hard to reach — making a trip to the city a special treat. Due to the distance of these cities from “the province”, a trip to the city is a planned, all-day event, which usually occurs on a Saturday or Sunday. Generally, the entire day is reserved for purchasing items that are not available or are too expensive to buy in town.

The facts for small town/rural residents:

- The need for high minimum balances added to high annual cost and fees limits the amount of people accessing these kinds of services.
- The majority of purchases are made at small stores that cannot support the fees incurred from a bad check. Also, immediate cash flow is necessary to sustain the business and the family, who uses it for living expenses.
- ATM machines and banks are not highly accessible to business owners or consumers.

The facts for residents of larger towns or cities:

- Larger towns or cities have greater accessibility to ATM's, bank branches and businesses, which accept both checks and credit cards.
- The use of debit cards is more prevalent in major Latin America cities than paper checks due to overdraft fees for the consumer and a preference by businesses for the safer, more immediate transfer of funds to the merchant.

Banks call the shots

Banks are not interested in serving these small towns. If a small town does have a bank, it is usually the only one in town, as the residents cannot support more than one bank. Due to this, there is no competition for customers, so the banks call the shots.

Many not able to write checks

While the younger population is more educated in Latin America, older individuals tend to have little if any education. Often, they cannot read or write in their own language and are not able to write a check in their own country. Immigrants coming to the U.S. who are unfamiliar with checks and do not know how to read and write in English have little use for paper checks. If they do have a checking account, they often will use a debit card

and have someone else write checks or use money orders until they can learn to do it themselves.

A LOCAL STORY

Jose is feeling in a bind because his wife had to go back to their country to take care of her sick mother. She has been gone almost a month and the bills are stacking up. Since he always let her take care of this, he has no idea how she organizes it or even what the balance is. Usually he just tells her what they need and she takes care of it. The other problem is that he does not know how to write checks in English. In order to resolve his dilemma, he will have to ask his son to help him, which will be extremely embarrassing.

DIFFERENCES IN CHECKING REQUIREMENTS BY COUNTRY

	Argentina www.bancociudad.com.ar	Mexico www.banamex.com	U.S. Standard Free Checking
Number of checks	Unlimited dependence on credit history, up to amount in account.	Five at no charge, 1 check and 4 debit card with a minimum monthly average of \$300 or more	Unlimited up to amount in account
Requirements	<ul style="list-style-type: none"> • Original and copy of photo ID • Proof of assets • Certificate of address or original service bill with name and address • Pay check stub • Letter from employer certified by the bank that it is a legitimate business • 1 year minimum at job 	<ul style="list-style-type: none"> • \$300 in an investment account • Current ID with photo and signature • Proof of address 	<ul style="list-style-type: none"> • Patriot Act ID requirements • Deposit required to open account • Social security number run through “Check Systems”
Minimum Balance	Not disclosed	Minimum balance will be established according to investment account	No minimum

Source: Argentina: Banco Ciudad, Mexico: Banamex, U.S.: average of major banks

TIPS TO PROVIDER

- Remind clients that in the U.S., there is considerable competition for bank customers. Therefore, they should expect to receive answers to questions and to be treated with respect. Also, they should shop around to find the services that best meet their needs.
- Suggest they prepare a list of questions before shopping around for a bank to avoid succumbing to sales pitches and to make a more objective comparison of banks.

- Discuss with clients that the U.S. has organizations that provide information about banking rules and resources and that they can inquire about the ethics and legality of any transaction at a banking institution/credit union from:
 - The Federal Deposit Insurance Corporation (FDIC, www.fdic.gov) - the national watchdog of bank deposits and the National Credit Union Administration (NCUA, www.ncua.gov) is for credit unions.
 - The Better Business Bureau (www.bbb.org) in your community.

Money Matters

INTRODUCTION

Tracking household income and expenses is not a typical practice in the Latino culture. There is however, a very strong emphasis on budgeting, due to increased costs and inflation and the wide spread use of cash to purchase daily groceries and necessities. Money for household expenses is usually distributed by the female head of household to family members on a daily, weekly or monthly basis.

Budgeting without paper

As in every country, creating a budget is not the biggest challenge — maintaining it is. Most people who have experienced financial hardship see no reason to keep a formal budget when there not enough money to cover basic expenses. Others keep a very detailed budget in their head, check bank balances on a daily basis and know to the penny what their balance is, and how long it will take a check to clear. These individuals are “head budgeting”, as there is no paper to prove it.

Homemaker tracks budget

In families that budget, the task of tracking household expenses usually falls to the woman. She communicates budget information to the head of the household. Generally, she puts any leftover money into a stash to pay a utility bill, purchase a large household item and/or save for personal use. Expenses are usually estimated and tracked mentally.

Another method used is a variation of ‘envelope budgeting’, where the money is divided into equal amounts for the week and only that day’s money is put into the homemaker’s purse for spending. The budgeting process, which usually does not involve the entire household, is often overwhelming for the woman and does not expose the children to the principles of budgeting and money management.

A LOCAL STORY

Rosa and her husband have two school-age children. She works part-time, her husband has two jobs and she is in charge of maintaining the household and paying the bills. Both of them deposit all of their paychecks into a bank account and Rosa is responsible for paying the bills, balancing the account and making sure the children have what they need for school. Rosa tries to set aside the time to pay bills, but the process can sometimes be overwhelming. It often seems that when she is writing checks, her children think it is a good time to ask for new things they want (like a video game, new tennis shoes, and the list goes on and on). Even her husband sometimes says, “Honey I need to buy some tools for the car.” Rosa wishes they understood they are barely making ends meet and that she must keep constant tabs on the status of their bank account to determine what bills she can pay. How can she tell them that making these requests while she is writing checks makes her very tense and anxious?

TIPS TO PROVIDER

- Recommend involving the entire household to help create and maintain the family budget and to help keep finances on track. This approach also exposes children to principles of budgeting and money management.
- Encourage the entire family to attend financial literacy workshops to learn budgeting situations and solutions (make sure classes recommended are focused on the family).

Pay Yourself First

INTRODUCTION

Most Latinos are open to the idea of earning profits through financial investments. Unlike some cultures, religion does not play a role in financial investment strategies. As in any culture, there are savvy individuals who regularly invest in growth opportunities and others who cannot or will not invest in themselves. The result? They continue to have a hard time making ends meet.

Lack of retirement investment

Lack of retirement investment is as much a problem in the Latino culture as it is in the American culture. One of the deeply-held values in the Latino culture is the importance of family. Parents see their role as securing the well-being of their children by directing any remaining income to their children's education. Another key priority is to provide children with a strong financial base so they have a secure economic future and can provide for the well-being of their parents in their old age.

It is a tremendous challenge for new immigrants to understand the need for:

- Retirement income
- Governmental involvement (i.e. Social Security)
- The employer's role in retirement planning

Their natural inclination is to focus on planning for and investing in their children's or grandchildren's future. Many immigrants do not plan to live in the U.S. until retirement age and don't believe they can access the funds saved once they return to their country of origin. Many, at least initially, also do not plan to make the U.S. their permanent residence.

Sending money home

It is very common for Latinos to send money home to support family members left behind. In addition to supporting family members in other countries, research from the U.S. Census Bureau reveals that foreign-born employees may also be supporting larger families in the United States. According to the research, more than a quarter of foreign-born households consist of five or more people. In contrast, only 13.2 percent of American-born households are this large. Achieving financial stability is not as important as the peace of mind that comes from knowing those that are left behind are doing well.

FINANCIAL EXCUSES COMMON IN ALL CULTURES

*What is said:	What is meant:
<ul style="list-style-type: none"> • It's too late for me to start. 	<ul style="list-style-type: none"> • I am at a disadvantage; I have a lot of catching up to do. If I were from the U.S., I would have a much better job.
<ul style="list-style-type: none"> • I don't have time to figure this all out. • I don't know where to begin. • It's too hard to figure out. • I don't know where to turn for help. • I don't know who to look for to help. 	<ul style="list-style-type: none"> • I am embarrassed; people will think that I don't know anything. • The people that know how this works the best don't understand my priorities and are in it for their own profit.
<ul style="list-style-type: none"> • I don't have enough money to invest. • I'm afraid I'll lose my money if I invest it. 	<ul style="list-style-type: none"> • I have to take care of my family first, there is no money left over. • I would rather send my money home and buy a house or property there, I know and feel safe about that investment.
<ul style="list-style-type: none"> • I'm too busy paying off debt. 	<ul style="list-style-type: none"> • Minimum wage is not enough to pay rent, gas and groceries.
<ul style="list-style-type: none"> • I don't understand why this is so important. 	<ul style="list-style-type: none"> • I will not retire here; I am going back to my country and will not be able to collect anyway.

* *Source:* www.ahorrando.org

TIPS TO PROVIDER:

- Keep your messages short and use words that are easy to translate.
- Communicate that it does not take a lot of money to participate in a retirement plan (*instead of saying they can provide better for their family's future through a 401(k)*). Communicate the benefits of participating, but do not suggest they discontinue their financial support for their family abroad (it is important not to imply that they should support their family less in order to save for their own retirement). Explain that it does not take a million dollars to participate in a retirement plan and that every little bit helps.

Keep It Safe

INTRODUCTION

Immigrants from Latin America come to the U.S. for many reasons: to achieve self-sufficiency, obtain an education and have the opportunity to live the American dream.

These goals drive many Latin Americans, particularly Mexicans, to do whatever it takes to get to the U.S. illegally, including borrowing someone else's Social Security number or acquiring a false one. This is less common with immigrants from South America.

A common misconception among immigrants is that all government agencies are connected and share similar information. This is due to the fact there have been several cases reported of immigrants being given reassurance that their personal information will not be used against them.

Purchasing potential

There is increasing awareness of the purchasing potential of the Latino community. Unfortunately, this has made them more vulnerable to predatory businesses or scams. This often happens because of their hesitancy to file a complaint and their tendency to ignore the requirements imposed by businesses to disclose any costs prior to signing a contract or completing a purchase.

A LOCAL STORY

Mauricio needs to find a more secure place to keep the small amount of money he has left from his paychecks. Recently he stopped at a local bank, but he didn't understand the banking representative very well, and the banker didn't understand Mauricio very well. The banker used lots of words he couldn't translate and so Mauricio said he would return tomorrow. The banker gave him a few brochures in English, which he has been attempting to read. One of the brochures has a comparison chart of the different types of checking accounts, but Mauricio finds it to be very confusing.

All Mauricio wants is a simple checking account so he can manage his money and pay his bills. Plus, it will be less expensive than using money orders, which have really been adding up lately. He decides to visit another bank, which has someone who speaks Spanish and is very familiar with his needs. He leaves the bank with a sense of relief; knowing that his money is safe and he is earning interest on his balance. In addition, he can transfer money to a money transfer program the bank has with other Mexican banks.

TIPS TO PROVIDER

- Remind the client that in the U.S., there is considerable competition for a bank customer. Therefore, they should expect to be treated with respect and to receive answers to their questions.

- Encourage them to shop around for banking services that best meet their needs.
- Suggest they take a friend with them and prepare a list of questions or needs before visiting banks so that comparisons can be made on their terms, not in response to a sales pitch.
- Tell clients that they can contact the following U.S. organizations for questions about the ethics and legality of a banking institution or credit union transaction:
 - The Federal Deposit Insurance Corporation (FDIC, www.fdic.gov) is the national watchdog of bank deposits and the National Credit Union Administration (NCUA, www.ncua.gov) is for credit unions.
 - The Better Business Bureau (www.bbb.org) in your community.

To Your Credit

INTRODUCTION

Having a bad credit reputation is not a new concept. Latinos believe that their word is their credit. For many generations their word and a handshake (based on their reputation) was the way deals were made and credit was granted. Failure to satisfy a debt damaged their credibility and future opportunities were hard to obtain.

One key barrier for first generation Latinos (especially Mexicans) is the lack of a Social Security number, which prevents them from obtaining access to credit or establishing a credit history in the U.S. For example, an individual may use a stolen or false identification number to obtain credit. Even when they pay the debt, the record is attributed to the other person and not the debtor.

Barriers to credit

Following are the key factors and barriers to obtaining and using credit cards:

- Language, especially comprehension of meanings and terms
- Credit scores and credit report jargon and layout
- How credit information is gathered for new immigrants
- How this information is used by creditors- computerized credit scoring systems
- Who reports credit activity and how often
- Fear and mistrust of INS and other government agencies that track credit reports

A LOCAL STORY

Isabel is getting ready for college and she needs furniture for her apartment. After paying the deposit and the first month's rent, she has no money left. She does not want to ask for a loan from her family; they have already helped so much.

She recalls the commercials for no payments, no interest for six months at the furniture store so she decides to go and check it out. She goes shopping and finds affordable and functional furniture and tells the salesperson she would like to take advantage of the promotion being advertised. Isabel fills out the paperwork, but does not qualify for the no-payment promotion as she has no credit history. They offer her an alternative credit option at an extremely high interest rate, which she knows she cannot afford. She theorizes, however, that she really needs the furniture and "it goes perfect in her new apartment". Six months later, she is unable to keep up with the credit payments and her furniture is repossessed.

Now she has a credit history that will keep her tied to high interest creditors for many years. Unfortunately, this is not particularly detrimental to Isabel because of the many predatory lenders seeking her business, especially when she graduates from college.

TIPS TO PROVIDER

- Use a sample credit report if your client does not want their credit report pulled.
- Visit websites such as www.advantagecredit.com that offer credit reports in simple English or Spanish. Online at www.advantagecredit.com/media/spanish.pdf.

Charge It Right

INTRODUCTION

There is a wide variety of usage levels of credit cards and debit cards in the Latino community; with some being afraid to use them and others very comfortable using them. Debit cards are becoming more prevalent than paper checks and credit cards are increasingly common among the majority of Latinos.

Fear of overspending and high fees

Key barriers to using credit cards are a fear of overspending, hidden or high fees, and the relationship to a Social Security number, which can expose a person's immigration status.

Many Latinos view credit as short-term borrowing and often do not want to take on more debt than they can quickly repay. While it is positive that they will not become overly debt-ridden, it also limits their ability to order products online, reserve a hotel room, etc. Another key factor is the fear of hidden or high fees because they have not built up a sufficient credit history to access lower interest rate credit cards. Perhaps the biggest barrier to credit card usage, however, is the connection to a Social Security number, which may affect some immigrants who have not legalized their immigration status.

Many banks now accept ITIN

There has been a concerted effort by Mexico and the U.S. to accept a "Matricula" (Mah-trick-you-la) and ITIN (Individual Taxpayer Identification Number). Many banks now accept the ITIN (more information available from Internal Revenue Service) and the Matricula Consular, an official identification issued by the Consulate of Mexico to open a bank account or cash checks, which are drawn at a U.S. bank.

U.S. banks are partnering with the Internal Revenue Service (IRS) and Social Security to educate consumers about the use of the ITIN, which makes it easier for individuals with non-resident status to open accounts. Today, this secure document is recognized as a valid identity document in 32 states and in more than 300 banking institutions, which are now offering financial services to the Latino market.

A LOCAL STORY

Julia was a 19-year-old college sophomore when she got her first credit card application in the mail. Most of her friends already had their own credit cards and the campus post office floor was littered with applications. Julie envied how they could use their credit cards to buy new things whenever they wanted or to pay for a night out with friends. The best part about the application in Julia's view was that she didn't need her parents' signature; it was her own decision and her own account! It seemed like a relatively low credit limit — \$1,500 — how much trouble could it be if she used it carefully and paid it off? She applied for a credit card.

It took only twelve months for Julia to max out her first credit card and to obtain two more credit cards, which each carried a balance totaling \$2,100. She pays a little off every month, but it is difficult for her to pay anything above the minimum amount due. Julia must now talk to her parents, who have bought and paid for everything, except their house with cash.

Julia's parents use this as one more reason why credit is bad and how things should be more like they are at home in Mexico. The impact of this is three-fold. Julia is faced with the conflict between her family values and trying to fit in with a modern society. For her parents, it is further reinforcement of their choice not to become involved in credit in the U.S. Julia is carrying a debt of \$2,100 at 18 percent interest and making the minimum payments, which could take her more than 15 years to pay off.

Barriers to using credit cards

Following is a recap of the barriers to using credit cards:

- The inability to obtain a Social Security card often leads to the use of other individuals' identification numbers (with their permission and sometimes without).
- Some Latinos, like all cultures, fail to differentiate between credit cards and debit cards, and therefore refuse to use debit cards.
- Mistrust of the government in relationship to technology creates a fear that the use of credit or debit cards is an electronic record that can be used by INS or other agencies.
- The actual mechanics of using a credit card or debit card may be unfamiliar to older immigrants or those who came from very rural or poor areas.

TIPS TO PROVIDER

- Encourage families to attend financial education classes. Many colleges and high schools are starting to offer sessions on using and avoiding debt with credit cards.
- Remember to be sensitive to family dynamics. The father or head of the household may have to be sold on the idea of credit/debit cards so that the wife/mother and the children can use them, even if they are already familiar with them.
- ITIN information in English and Spanish: <http://www.irs.gov/pub/irs-pdf/p4244.pdf>

Loan to Own

INTRODUCTION

Like any culture, Latinos aspire to own a wide variety of material possessions, from a stereo to a car to a home. The way they approach it is as varied as it is in any culture. For the majority of Latinos, owning without owing is the ultimate goal. In other words, owning something without having any strings attached is a great source of pride.

Language greatest barrier

Lending and borrowing is a fact of daily life. For Latinos, the greatest barrier is to understand the language — even in their own country. Legal documents have specific terms and definitions and can prove difficult, even for the most English-literate immigrant. Advertisements pose a danger because they do not disclose all of the information or do so in fine print with complex meanings. It is not until the actual time of purchase, when documents are being signed that all information is legally disclosed. By that time, they have already made a commitment to buy and it is now a matter of honor. To avoid looking foolish or ignorant and feeling embarrassed, clarifying questions are often not asked, regardless of the consequences.

Predatory and scam lenders

Increasingly, minority communities are being targeted by both honest and predatory lenders. While many financial institutions have literature written in Spanish and in some cases staff who speak the language, they tend to offer it with their own spin — particularly if the loan officer is working on a commission or quota basis. Predatory and scam lenders are the biggest advertisers because they know that fear and lack of English language comprehension make the sale easier. Often, Latinos do not realize what they are signing and in the vast majority of instances do not make a complaint or know how to file one with authorities.

A LOCAL STORY

Marta has established some credit history and is now receiving one or two offers for credit cards each day. As she is running her own business, she finds herself looking at the offers more closely. One of them is very attractive to her; it has no annual fee so she gets the card. She discovers that she has to purchase fraud protection and it will be automatically charged to her credit card monthly. Further, the credit card requires her to buy a \$200 catalog that is also charged to her account. She does not understand or need the catalog but she has already agreed and the fraud protection insurance seems like a great idea.

As a single mother with two children, she is told the cost will be about three dollars per month, which she can afford. The card has come in very handy as she needs to purchase business supplies for a special festival next week, but she goes over her credit limit.

Sales are going well and she anticipates that she will be able to pay off the credit card in less than three months. A month later, her statement arrives and she discovers that she has been charged for exceeding her limit due to the fraud insurance amount, which went up according to the purchases she made. This put her above the limit and the amount they are charging for this protection is now huge. This is too much and she cannot make the minimum monthly payment, so she decides to “deal with it later”.

TIPS TO PROVIDER

- It is important that individuals feel they are informed of all the little details and the consequences both good and bad.
- Advise individuals to read the fine print for additional charges they do not need, which will be added unless they specifically state that they will not accept (i.e. magazine subscriptions, fraud protection, life insurance, credit report checks)

Your Own Home

INTRODUCTION

Owning a home or property is a cherished dream for most people. When asked, the majority of young, single male immigrants from Mexico say that they came to “El Norte” (the north) to work and save money to buy a house in their home town. The reality, however, is that most will never save enough money to build a house in either the U.S. or in Mexico.

Barriers to home ownership

The key barriers for Latinos to own a home are:

- Language and comprehension of terms
- Lack of a valid Social Security number
- Lack of credit history
- No long-term vision of a future in this country
- Fear of a long term commitment

Different home buying expectations

In many Latino countries, the expectation for and the process of buying a home are very different. The first step is to buy an empty lot and start building room by room as the money allows. Homes are usually a once in a lifetime purchase so people usually buy just one home and do not trade-up. Purchasing an existing home will in most cases not require a bank loan but may require a contract for deed. In this situation, the owner receives payment in pre-established periodical payments and once all payments have been made they go to the title transfer office with all sales fees usually paid by the seller.

A LOCAL STORY

Paul has lived in the U.S. for several years now and has saved some money. He is ready to bring his wife and children to live with him. He has been living in an apartment with a few people from his country and they share household duties and bills. He realizes, however, that he can't move his family to such a small apartment and he would enjoy coming home to a cooked meal, instead of having to do so many chores. Paul knows that owning a home will cost him the same as renting so he has to consider these factors:

- Will he remain in the states for 5 years or more?
- How much home can he afford?
- How much will he need for a down payment?
- How can he find out about his credit report?

Paul realizes that he should really talk to someone he trusts who can help him get pre-qualified, come up with a home buying plan and help him with the documents he needs to sign. He procrastinates and continues to rent, even after his wife and family join him.

He now rents a larger apartment and pays more per month, but he just never gets around to buying a house.

TIPS TO PROVIDER

- Help the client research homes and create a list of the pros and cons of homeownership versus renting, including the financial differences.
- Show on paper how home ownership creates wealth beyond just a place to live. This is critical to overcoming the fear of a long-term commitment to a mortgage.
- Encourage clients to attend a homeownership training program, in Spanish if possible, to obtain more information.
- Check agencies that have resources in Spanish, such as the local Latino Chamber of Commerce, the United Way or other nonprofit organizations for Latinos.

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Somali Introduction

Somalia is an ancient civilization and the culture and traditions predate the writings of the Prophet Mohammed. Somalia retained its traditional values under various occupations, with significant changes made only after the advent of the British during World War II.



Source: Yahoo.com

Reliance on barter system

Somali immigrants have only recently entered into the modern financial world. Somalia has traditionally been an agrarian society and has (and still does) rely heavily on the barter system; trading goods for goods. While currency (the Schilling) has been available for years, it is used as a medium of exchange primarily in the cities. The traditional Somali family creates everything it needs at home: utensils, tools, clothing or furniture. They trade or buy what they can't make, such as spices, medicines or modern machinery.

Training for finance begins early

Training for finance began at birth when the umbilical chord of a male child was tied to look like a sheep, goat, cow or camel. This ritual was done by the father and signified the wealth of the child. Children were raised to care for young animals, such as a lamb or baby goat, under the watchful eye of the elders. As the child grew, they were expected to care for older animals. By the age of eighteen, young men were able to move their heard from one location to another in the event of draught or famine. It was the duty of the herder to care for the needs of the animals, to protect them and lead them. They tended the animals by naming them, singing to them, and calling them by name.

Wealth determined by land, livestock

Prior to WWII, Somalia was primarily an agrarian country. Wealth was determined by the amount of land or livestock owned. An individual who was good at trading was simply considered lucky until they used that cash to acquire real property. Farmers traded their extra livestock, leather, skins and produce in the marketplaces and cities — sometimes for currency and sometimes for goods. Often goods were kept until currency was needed, which was often more safe. When a young couple married, a dowry was paid by the husband to the wife's family to reimburse them for the loss of their daughter's help. The wife brought all of her real wealth with her into her husband's household.

Customs governed by Koran

Somali customs were primarily governed by the Koran, for more than 95 percent of the population was Muslim. Yet the family traditions predate the writings of Mohammed. This number is virtually 100 percent in the rural areas. Migration away from the faith has come only recently, primarily in urban areas.

Division of labor

Traditional Somali culture had a distinct division of labor. Men did the heavy and dirty work and women cared for the home, the children and the young animals. In Somalia the woman is the mother of all things.

Contrasting Beliefs, Values and Practices

According to the Greater Twin Cities United Way, the role of women as authority figures in U.S. society is different from Somalia, where few women work outside the home and men are not accustomed to taking instruction from women. The majority of Somali people are Muslim. Along with learning a new language and a new cultural system, they are dealing with physical and emotional scars from their experiences in Somalia and refugee camps.

Somali Culture	White Mainstream Culture
Tradition dependent	Technology dependent
Focus on extended family	Focus on individual
Destiny determined by Allah	Control own destiny
Prayer time valued	Leisure time valued
Community interdependence	Personal independence
Spiritual	Materialistic
Men head of household	Gender equality

Source: Greater Twin Cities United Way

Educational levels

Prior to the modernization following WWII, men and women were equally educated (or not), depending on the wealth of the family. Yet teachings from the Koran and scripture readings were an integral part of life. Beginning in the 1950's, formal public education was introduced to both boys and girls and survived for the next forty years. When the Civil War erupted, the infrastructure of the country disintegrated. Today there are fewer schools, so the education of the newest, school age immigrants has been interrupted. It is not uncommon to have a 17-year-old enter the U.S. with only a year or two of formal schooling, due to the war and living in refugee camps for an extended time.

Shifts in Culture

The war has not only disrupted the infrastructure of the country, but it has also shifted the culture in other ways. As a result of religious traditions, men killed men during the war. Many of the older women became the heads of families, businesses and schools because they were the ones who survived. This cultural change has carried over to the U.S.

Small businesses that dominate the Somali community are owned equally by men and women. While the division of labor is still intact in older, more established families, younger families and individuals are less likely to maintain a strict division of labor.

Muslim faith and finances

The age of an immigrant also affects whether or not they follow the Muslim faith. Those over the age of 30 and traveling with their immediate family are more likely to maintain their faith, due to the family support structure. Those who are younger or who are traveling more independently are more likely to adopt western ways much more readily. Whether or not they follow the Muslim faith affects how they handle financial matters. Regardless of the age of the immigrant they are coming from a cash economy. Less than five percent of Somalis have had access to checking accounts. These individuals were either the very wealthy or government workers. Paper checks were accepted within the capital city, but were not available in rural areas. Paychecks were unheard of, so individuals were paid in cash. Credit was extended on the basis of character and familiarity and was based on an oath before Allah, which made it binding.

Scale of economy different

The scale of the economy was (and is) very different in Somalia. The current exchange rate is \$1.00 for 8,000 Schillings. A good house (4 bedrooms, living room, dining room and kitchen) can be purchased for \$8,000.00 or less. The daily cost of living is less as well, making it a “pay as you go economy.”

Bank on It

INTRODUCTION

Somali immigrants have only recently entered the modern financial world. The Somali people have primarily operated on a cash economy. It is only within recent years that the banking system arose, in response to the need for a secure place to store funds. The more traditional method of burying money for safe-keeping increasingly resulted in lost or destroyed funds (paper money did not stand up well to the abuse). The Somali immigrant experience in the banking industry is limited, with:

- 70 percent having no banking experience.
- 25 percent having experience with savings accounts.
- 5 percent having experience with checking accounts.
- 0 percent having previous experience with credit.

Physical wealth important

According to the cultural stories, Somalis converted their cash into sheep, goats or other livestock. Wealth was counted not in terms of money, but in physical wealth, livestock, land or real estate. Physical wealth was measured by an individual's physical size. So for example, it was easier for a large man to obtain credit than a thin man. The larger the person, the more money they had. The more wealth they had, the better they ate.

Heavy reliance on barter system

Somalia has traditionally been an agrarian society that has (and still does) rely heavily on the barter system — trading goods for goods. Currency (the Schilling) is available in major cities and is also used as a medium for exchange. The traditional Somali family creates everything it needs at home: utensils, tools, clothing and furniture. Families trade for or buy items they cannot make, such as spices, medicines or modern machinery.

Somali financial system

The major changes in the Somali financial system only date back to World War II when the British colonized Somalia, using the country as a more inexpensive way to procure supplies during the war years. The British found strong opposition to taxation as a result of the numerous times Somalis had been taxed by their Ethiopian conquerors. It took significant education on the part of the British to help the Somalis understand they could benefit from taxation. The idea that roads, schools or other services could be provided by paying taxes was a novel idea — and one that required a sustained educational effort.

Islamic leaders in the U.S. agree that financial interest is OK if it is absolutely necessary to buy a car or a house. They recognize that in order to survive in the U.S., Somali people must be able to buy these things. The economy of scale here is much higher than in Somalia. While some recent statements from the Islamic leaders have allowed the payment of interest for a first home or a car, many individuals still operate solely in cash,

paying cash for an automobile or renting a home instead of buying one. It is still not uncommon for a client to have large sums of cash in the house if they are saving for a major purchase (i.e. a car). The idea that they are losing interest income is irrelevant to those Somali who follow the Islamic traditions.

A LOCAL STORY

Ali Abdi Ali is a Somali businessman. He keeps approximately \$70,000 at home on a regular basis. He is considering opening a bank account for approximately \$10,000, but he does not like or trust banks. He is only opening the account primarily to make transactions over \$10,000, which can and become problematic when all of the funds transacted are cash. Ali is not alone in his distrust of banks. Approximately twenty-five percent of immigrants keep large sums of cash at home because they find it easier manage than credit cards or checks.

TIPS TO PROVIDER

- Understand where your client is in the resettlement process. Recent arrivals (six months in the U.S. or less) are still in survival mode. Individuals with young children face even greater difficulties, which can increase stress levels.
- After the first six months individuals can begin to focus on other issues, language acquisition, and becoming familiar with their community. It is at this time that an introduction to the financial system is the most beneficial. Earlier than that and new refugees cannot assimilate the information; later than that the individual may have created some significant difficulties for themselves. Knowing where the individual is in the resettlement process will help you gauge this more accurately.
- As many of the new refugees receive monies from the resettlement agencies and local social services, they are becoming familiar with basic bank accounts and the ATM/debit cards. However, these accounts have been established for them and they frequently have not had the experience of opening their own bank account.
- Before making recommendations as to banking services, you may want to ask where the individual stands on the issue of interest. As indicated earlier, Somalis who are practicing Muslims will have a negative opinion of credit. Younger members of the community will frequently be more open to being paid interest on their money. When in doubt, recommend an interest-free checking account with no minimum balance and an ATM card only. This allows clients to look for a very specific account (frequently TCF or Wells Fargo). They learn how to keep track of their money first on paper, using a check register, and then learn to write down withdrawals using the ATM card. These banking choices ensure security with the convenience of a checking account, without worrying about interest. It also gives them the opportunity to learn the banking process in a more simplified manner.
- Tackle electronic banking and debit cards after an individual has mastered the concept of tracking their funds and understanding their bank balance.

Borrowing Basics

INTRODUCTION

Borrowing money for purchases as we know it did not exist in Somalia. Typically, borrowing money to start a business or to build a home was done with the support of family members or close friends. When business was transacted outside of the family, an individual's character was a key factor in the transaction. In most loan agreements there was a simple verbal contract to repay the money as soon as possible.

Access to credit in Somalia

Credit was used by the largest businesses in Somalia prior to the Civil War, however, it existed primarily between businesses and banks, not individuals. When a Somali individual or family moves to the U.S., the credit system is totally new to them. The concept of making monthly payments for anything is an unfamiliar concept. In Somalia people pay for things when they purchase them — they do not have ongoing debts.

ACCESS TO CREDIT IN SOMALIA

Business	2 percent
Personal	0 percent

Source: African Credit Education and Financial Counseling Agency

Credit limits easily exceeded

Once immigrants have been in the country for six months and have begun to earn a paycheck, they begin to receive credit applications. While they may speak some English, their reading skills are more limited. Usually they have a valid Social Security number and can read words like signature, date, and address. They complete the form, mail it in and receive a credit card.

The credit limit usually isn't high (\$200 - \$300), but they tend to quickly exceed their credit limit. They don't understand that payments need to be made on a monthly basis or they will be charged for being over their credit limit.

During this period they may be offered one or two additional credit cards, neither of which have high credit limits. But now the problem is compounded by three. By the time a new Somali immigrant has lived in the U.S. a year, they are barely earning a living, yet they may have several credit card companies after them because they have not made a payment to any of them, as they don't understand the terms of the agreement.

A LOCAL STORY

Abdi Rashid Ali is a typical Somali immigrant. He got his first credit card application after living in the U.S. for one year. He had a small apartment and one roommate. Abdi was working two jobs and doing fairly well when he applied for a credit card.

He understood that there was a \$45.00 fee. While the credit card had a limit of \$500, he assumed the limit was now \$545.00, as he had paid the initial fee. He charged a T-shirt for \$15.00 and at the end of the month he received a bill for \$27.00, as a result of the average daily interest rate. He called the credit card company to complain. The customer service representative, who did not understand him, told him to just make the minimum payment, which he did.

The following month he received a bill for \$26 and again paid \$15. The following month he received a bill for \$16 and paid the bill off that month on the advice of a friend, who also cut the card up. He had paid a total of \$114, including the credit card fee and interest payments on a card marketed to those individuals who have less than perfect credit. He had charged one item for \$15.00. While he would have had to wait longer to receive a traditional credit card, his next credit experience would have been better. Now, he is one of many members of the Somali community who counsel others either to not use credit at all, or to get the card, but never use it.

TIPS TO PROVIDER

- Early education is critical to the financial success of the Somali immigrant. Making sure they understand the financial commitments in any loan or credit contract is extremely important. When asking questions, start with the basics:
 - How much interest will they pay (or are paying) on the loan or credit card?
 - Do they know what their over-limit fee is?
 - Do they understand what a late payment fee is and how much they will be charged if it is late?

- Most Somalis get into trouble when they are first offered credit because they lack an understanding of the American banking system. Clients need a careful translation of any contract they become involved in. This way, they can make an *informed choice*. While this will not stop credit difficulties entirely for the individual, it can help to significantly reduce them.

Check it Out

INTRODUCTION

Access to checking accounts was extremely limited in Somalia. They were limited to the use of paper checks in the capitol city of Mugadisho. Approximately five percent of the population had access to the use of paper checks. Debit cards and electronic banking did not exist.

Difficulty tracking funding withdrawals

Most immigrants have their first experience with a bank account during their first six months in the U.S. Checking accounts were very limited in Somalia and were used primarily in the large cities by government employees or the very wealthy. They are however, comfortable with ATM cards and quickly learn how to access money using their card. New immigrants frequently run short of money, however, simply because they do not know how to track their funding withdrawals.

Account overdrafts common

Once individuals have switched from resettlement dollars (available the first six months they are in the country) to local county support, many of them choose to open their first checking account. They withdraw cash from their MFIP account and deposit it into their checking account. They are then able to write checks. It is not uncommon for these individuals to have their first checking account closed on them due to the number of overdrafts. This is because they are not good at recording the checks as they write them.

The problem is frequently compounded by the use of cash withdrawals, which do not have a paper trail. Once the checking account is closed, the bank reports it to the credit bureaus and check systems, which has an adverse impact on the individual's credit rating. The closure appears on their credit report, making it difficult for them to obtain housing.

A LOCAL STORY

Amina Ahmed works three jobs, earning minimum wage at each of them for a total of approximately \$300 per week after taxes. She has a debit card and uses it frequently for small purchases. One Friday she made a deposit at the cash machine but it was a little later than usual and the funds did not credit to the account that day. Over the weekend she made seven small purchases, totaling less than \$50. However, since the funds had not credited to her account, she was charged an overdraft fee of \$28 for each transaction or a total of \$198 for less than \$50 worth of purchases. While social service agency personnel were able to get six of the check charges reversed, Amina lost not only money, but a lot of faith in the system. After that, she turned to her debit card for a regular ATM card. (If the money isn't recorded you can't access it.) She is active in the Somali community and often tells others to stay away from the debit cards, as they can be costly.

TIPS TO PROVIDER

- Review basic banking and check writing principles with clients and explain how to track or access their account balance. If they have a history of difficulties, encourage them to open a checking account without getting an ATM card so they can go to the bank to write a check and get money, or write a check for purchases and bills.
- Remind them to use the check register to record transactions immediately. After two to three months of tracking their money successfully, they can get an ATM card and practice the same process. Finally, they can acquire a debit card, which is usually obtained eight to nine months after opening a checking account.
- Remember that many Somali clients have not had experience with a checking account or have had a negative experience with a checking account. It is a relatively small number who successfully manage their checking account without difficulties during their first year or two in the U.S.

Money Matters

INTRODUCTION

Somalia runs as a cash economy. Most Somali immigrants are very good at keeping track of their cash and saving it for large purchases. If America ran as a cash economy, Somali immigrants would do quite well very quickly.

“Hagbad” asset building

One type of asset-building is called “hagbad”, which enables immigrants to acquire assets without taking on debt. It involves a group of ten individuals, who get together and pool their money, with each person contributing \$100 a week. Here’s how it works:

- The first week one person uses the pooled money to buy an item.
- The second week a second person uses the pooled money to buy an item and the process continues for eight more weeks.
- At the end of ten weeks, everyone has had the opportunity to buy something they need to improve their livelihood.
- In the next cycle everyone puts in \$125 and the process continues as before.

Families pool resources

Somali families are quite good at acquiring assets because they pool their resources. If the rent needs to be paid everyone contributes their paychecks until the money is paid. If money is needed for a new car, resources are solicited until the car can be purchased. Then, one member of the family will drive the others around to their various jobs. Somali immigrants start businesses in the U.S. in much the same way. Family members pool their resources to start small businesses, which often begin at home and then move to small commercial locations. Most of these businesses are started with cash assets.

Purchasing a house

Housing is the one area in which Somalis are at a disadvantage financially. In Somalia or Somaliland, a four bedroom house typically costs \$8,000. Houses are made of stone and individuals have the option to build a house one room at a time. In other words, they can build as they pay. In the Twin Cities today, an average three-bedroom house costs \$230,000.00. The option to build a home is much more limited, and much more costly. It is often helpful for individuals to have a savings plan to pay for this major purchase.

Finding affordable, long-term housing is difficult due to the long term ban on interest within the Islamic community. Many individuals are reluctant to pursue buying a house even if the ban has been lifted. Of the current wave of new immigrants to Minnesota:

- 95 percent of Somalis actively practice the Islamic faith. (95 percent of those practicing their Islamic faith observe the ban on interest for mortgage purposes).
- 80 percent of Somalis still observe the Islamic ban on interest with credit cards.

Paying interest by participating in an IDA program or in one of the many first-time home buyers programs is a step in the right direction for most Somalis. These programs frequently cover closing costs, down payments, second mortgages, or interest points. Currently participation in these programs is fairly limited and as a result home ownership may not be immediately possible for most Somalis.

Sending money home

Somalis, like other immigrants, have significant ties to home. They frequently send funds to family members on a regular basis, for that is what helps the families to survive. Due to the extreme differences in the cost of living (Somalia vs. U.S.), individuals frequently start off sending home an excessive amount of money. They don't understand that in the U.S. economy they are relatively poor, until they have lived here a little longer. A general rule of thumb is to send home not more than ten percent of their gross income.

A LOCAL STORY

Rashid Omar Hassan is a typical Somali male who has lived in the U.S. for five years without any family here. He started by working one job and sending a little money home (\$20-30.00 per week). Word got out and soon he started to get calls from uncles, aunts and grandparents about sending money home to them. In response, he doubled, then, tripled what he was sending home, which added up to \$400 to \$500 dollars a month.

He decided to get a roommate to help with expenses. Things were going OK. Then his brother, and uncle, and three cousins were living in a refugee camp in Kenya. He needed to send more money to support them while they waited to finish their paperwork to come to the U.S. He again increased the amount of money he was sending home to approximately \$800 a month. He got a third roommate to help with expenses and was now sending more than 50 percent of his disposable income home. A year ago his brother and one cousin arrived in the U.S., but he had nothing saved for them. He was also able to help them get jobs. They have recently started contributing to the family coffers. It still isn't easy, but the pressure has eased now there are three of them sending money home. They are starting to acquire some assets for themselves.

TIPS TO PROVIDER

- Help clients organize a ledger, which visually shows them how much money they are spending. Tracking the use of their cash and acquiring assets is something the Somali community is instinctively quite good at. Their record keeping skills, however, are more problematic.
- One weakness may be the tendency to send too much money back home. To help them save and acquire assets, encourage them not to send more than ten percent of their gross salary home. Remember: family obligations and ties are strong; in times of difficulty the family need is likely to be the driving force behind the amount of money sent home.

Pay Yourself First

INTRODUCTION

Somalis are well acquainted with the need to save money. In Somalia, cash or barter was the primary medium of exchange. The economy was more personal there and an individual could comfortably “pay as they went”, so to speak. In the U.S., however one’s assets such as a home (unlike a business or a car), require more money than one small group of individuals can save.

Members of the Somali Community have successfully started and run businesses with cash. The bigger problem is getting them to put their money into a bank for safety. (a non interest bearing account). Encouraging Somalis to save is not a major problem. Helping them to invest their money where interest is not an issue, however, requires some creativity. While businesspeople understand profit and loss and accept it, investments that simply generate interest income are not acceptable.

A LOCAL STORY

Within the Twin Cities metro area there are six Somali Malls. These malls are filled with approximately 1,000 small businesses. The vast majority of businesses are started with cash and run by women. While some of the businesses started very small and made very little profit initially, they are all successful now. The start-up inventories were bought with cash and these businesses are almost all cash only. Many of the receipts are written on paper and there is no cash register on the premises.

TYPE OF SOMALI BUSINESSES IN THE TWIN CITIES

Business Type	Owned By	Number
Clothing, Household and Novelty	95% Women 5% Men	950 50
Restaurants	100% Men	30
Grocery Stores	100% Men	40
Social Service Agencies	100% Men	30
Sole Proprietorships, i.e. Taxi Driver, Furniture, etc	100% Men	230

Source: African Credit Education and Financial Counseling Agency

Somali employment

The majority of employed Somalis work for other businesses in retail or assembly line work. These individuals are frequently hampered by the need to send larger amounts of cash to family members living in Somalia or in refugee camps in Kenya or other countries. The need to save for a car, a piece of furniture or a refrigerator is well understood in the Somali community. The need to save simply to acquire some unknown asset, however, is not well understand.

Once housing, transportation, clothing and food are paid for and a family business is operating, it is less clear why saving money is important. In Somalia, individuals bought land and livestock (livestock is one of the biggest exports from the country). In the U.S., it is more difficult to acquire real estate, so it takes some help and encouragement to teach individuals the importance of saving and investing money.

TIPS TO PROVIDER

- Assess with the individual their current monetary needs and their long-term goals. Help them plot a strategy to start a savings program, if possible (if only a rainy-day fund).
- Help them to set a long-term goal(s), such as starting a business, paying for additional education and/or buying a home.
- Encourage saving. They will do that naturally, especially once immediate needs are met. Suggest they use a no-interest checking account (if they are concerned about interest, explain the importance of keeping their money safe).
- Help them to assess what they can realistically send to family members at home. While they may be supporting family members in refugee camps, sending the funds home may delay their own opportunity to start a business or buy a home.

Keep It Safe

INTRODUCTION

Somalis have little to no experience with mutual funds, stocks, bonds, or other investment vehicles when they arrive in the U.S. Their experience with credit is equally limited when they arrive, as there are no credit cards in Somalia. Typically, businesses use letters of credit and individuals use cash. Since access to credit is easier in the U.S., recent immigrants often run into trouble before they understand how credit really works.

Problems with identity theft or inaccurate credit reports are also foreign to new immigrants. Unfortunately, they learn all too soon that having credit can be problematic.

Social Security and identity issues

Many Somalis do not understand how important it is to keep their Social Security number secure or what could go wrong if they allowed someone else to use it. In the Somali culture, male and female names are very similar, so the only unique, identifying difference between people is their Social Security number.

Common names such as Abdi, Mohamed, Rashid, Omar and Hassan as well as female names Rashia, Sahra, Amina, etc., which are combined with a common birth date of 01/01/year. Consequently, there may be 200 women named Rashida Abdi Alis born on 01/01/1974 or 300 men named Mohamed Abdi Ahmeds born on 01/01/1981

A LOCAL STORY

Here is a story from a local credit counseling agency. One day Mohamed Ali Rashid came into the agency office with a hospital bill for the birth of his daughter. However, he had been mistaken for someone else, as he was not married and did not have a daughter.

The same day, Rashida Ali Mohamed came into the office with her new daughter and had a problem with a credit card bill. Credit reports were run on both individuals and their numbers were verified. The credit files were segregated to alert an individual at any time that a change was made to their credit report. The agency notified the hospital that the bill was incorrectly sent to Mohamed Ali Rashid and that it should have been sent to Rashida Ali Mohamed. Rashida promptly took care of the hospital bill and Mohamed's credit report was changed within a month.

Not all cases of mistaken identity are that simple. Frequently individuals are confused for one another regarding both credit and criminal issues. To avoid being confused with another person, some Somali individuals have even changed or Americanized their name.

TIPS TO PROVIDER

- Encourage clients to have their credit files segregated. The similarity of names and shared birth dates makes identity confusion or theft far more prevalent in the Somali community.
- Make sure they understand how unique their Social Security number is and how important it is to protect not only their number, but the number of their family members as well. Encourage them to access their credit reports on a regular basis and to keep track of their FICO score. **[Susan to insert new paragraph here]**
- Start at the beginning with investment education and do not make any assumptions about their knowledge. Investments of the type readily available in the U.S. were available only to a select few in Somalia. Make sure they understand the importance of keeping their Social Security Number secure. Many do not understand that this number is the key to their credit future.
- Suggest that they keep a credit card in a safe place. Many immigrants are not aware of how fast they can be misused.
- Make sure they know how to cancel a debit card, credit card, or checking account quickly, if information is lost or stolen.

To Your Credit

INTRODUCTION

Credit was basically unavailable in Somalia. Individuals who needed to access funds to buy a house or other items routinely arranged financing with family members or friends. Interest charges were unknown (and were not charged) due to the Islamic ban on interest as usury. The economy was very much based on a 'pay-as-you-go' mentality, with housing built piecemeal as an individual could afford it. Credit as we know it in the U.S. was reserved for the very wealthy and for government agencies.

Lack of credit experience

As a result, the average Somali citizen had virtually no experience with credit prior to entering the U.S. Frequently their introduction to credit has come before they have reached any understanding of the potential issues or risks.

By the time an individual has reached a state employment counselor (a year to eighteen months after arriving in this country), they have already had some problems with credit, such as being turned down for a house loan or being turned down for a job based on a poor credit rating. These difficulties may have resulted from failure to repay their travel loan (taken out to pay airfare to this country), terminate leases appropriately, shut off utilities appropriately, or make credit card payments on time.

Outreach needed earlier

By the time an immigrant or family seeks advice on credit they are frequently already in trouble. Outreach to Somali immigrants on credit issues is not happening early enough. There is an effort currently underway to reach immigrants within the first three months, while they are still working closely with the resettlement agency. That way it is possible to alert them to possible difficulties with credit before they happen.

Credit mentors needed

When it comes to credit issues these new Somali immigrants are not unlike vulnerable adults. They are old enough to make decisions, but not aware enough of the issues to do so in a competent way. It is frequently worth the effort to connect the new immigrant with a well established member of the community, who can act as a mentor as the individual ventures into the credit arena.

A LOCAL STORY

Mohamed Ali Abdi has a family of six: four children and his wife. He has lived in subsidized housing since he arrived in the U.S. He works two jobs and is able to provide the basic needs for his family. He started to receive offers for credit cards through the mail, which he understood to be a sign of prestige, so he applied and got one. It was a moderate interest rate of 14.9 percent and he started off fairly well. He didn't miss any

payments for the first six months. Then the annual review for his subsidized housing came up. Because he was earning more money, he needed to pay an additional \$50 per month toward his housing costs. That put a strain on his cash flow, as it was not an anticipated expense. As a result he used his credit card more, which increased his minimum monthly payments. He was OK for a few months, but then he missed a payment on his credit card. That made his interest rate increase to 18.9 percent, which increased his minimum monthly payment. This caused him to miss two payments in five months, which showed up on his credit report and affected his ability to get a new job. Not getting the new job then led him to a local social service agency to help him deal with these credit issues. The bottom line: credit must be used very carefully, as it can easily create a domino effect in one financial life.

TIPS TO PROVIDER

- Conduct an inventory with the client by asking the following questions:
 - Are you usually able to pay your rent on time?
 - Are you on time paying your monthly utilities?
 - Do you have a checking account?
 - Have you bounced any checks?
 - Do you have money left at the end of the month or are you always running short of cash?

- If the client responds negatively to the above questions (i.e. they aren't paying on time, they run out of money at the end of the month, etc.), walk them through the process of analyzing their expenses and where their money goes. Frequently clients don't know where they are spending their money. Analyzing the money trail can be a first positive step in acquiring credit.

- If the answers to the above questions are positive, proceed with these questions:
 - Do you have enough extra cash to pay the balance in full each month?
 - If not can you pay more than the minimum balance each month?
 - Do you understand how long it will take to pay the balance off if you only make minimum payments each month?

- Before encouraging an individual to proceed with a credit application, it is important for them to be able to answer these questions. Helping them to understand that one must be able to afford credit and comfortably make the payments is the first step in preparing to apply for credit.

Charge it Right

INTRODUCTION

Somalis entering the country for the first time have a very limited knowledge of credit, if any at all. Why? That is because credit cards do not exist in Somalia. To obtain credit in Somalia, a loan was extended by a family member or friend. While individuals who have traveled to other African countries may have been exposed to credit cards, most have a high degree of naiveté.

Islamic ban on interest

As noted earlier, many Somalis (approximately 80 percent) will not accept credit cards due to the Islamic ban on interest. Although some individuals who are well established use credit cards for convenience and pay them off every month to avoid interest charges, others apply for them to access cash or to purchase needed items and frequently do not have the money to make the payments.

Credit problems start early

Credit problems within the Somali community frequently originate prior to the first application for a credit card. Failure to make payments on their travel loan, pay utility bills on time, to give appropriate notice when leaving an apartment, or having a checking account closed due to a large number of returned checks frequently cloud an individual's credit rating before they have an opportunity to apply for a credit card.

Often the individual must engage in credit repair activities prior to applying for a credit card. This underscores the need for clients to understand the credit card process so they do not create further damage to their credit report.

A LOCAL STORY

Omar Mohamed migrated from Somalia three years ago. During the first six months he and this family of four lived with family members and then acquired an apartment of their own. Omar was able to pay the bills by working through the local temporary agencies. After a year he was offered a job in the Rochester area. He sought and received advice on how to get out of his lease and was able to do so successfully.

However no one thought to tell him how to transfer the utilities. Omar knew enough to transfer the phone, but the electric and gas were handled by different companies. He successfully had his utilities turned on in Rochester but never cancelled them in Minneapolis. He worked in Rochester for a year until he was able to find a better-paying job in the Twin Cities. When he returned to look for an apartment in Minneapolis he was turned down several times for poor credit. Confused, he went to a credit counseling agency and they pulled his credit rating and found that the unpaid utilities had been reported to the credit bureau.

Fortunately the bills were relatively small and the issue was resolved with a few hundred dollars and several phone calls. Now, Omar has a better job and an adequate apartment. And, he is a little wiser. For other families the bills are larger and the consequences more dire, thwarting their attempts to become established within a new culture.

TIPS TO PROVIDER

- Ask the individual if they have had a credit card. If they have had one, ask if they have had any trouble in making the payments. Most of the Somali immigrants who have gotten credit cards quickly upon arriving in the U.S. have run into credit difficulties based on cash flow problems and lack of understanding.
- When working with a Somali client who is planning to apply for credit for the first time, make sure they understand the terms of the credit agreement including: interest rate, payment schedule, penalties for being over the credit limit or late payments, and/or yearly annual fees. It is important to help the client understand how much money they need to have available to stay current on their credit card payments.
- Start by asking them the following questions:
 - Are you usually able to pay your rent on time?
 - Are you on time with paying your monthly utilities?
 - Do you have a checking account?
 - Have you bounced any checks?
 - Do you have money left at the end of the month or are you always running short of cash?

If the client responds negatively to these questions (i.e. they aren't paying on time, they run out of money at the end of the month, etc.), then walk them through the process of analyzing their expenses and where their money goes. Frequently clients don't know where they are spending their money. Analyzing the money trail can be a first positive step in helping them to acquire credit.

- If the answers to the above questions are positive, then proceed with the following types of questions:
 - Do you have enough extra cash to pay the balance in full each month?
 - If not can you pay more than the minimum balance each month?
 - Do you understand how long it will take to pay the balance off if you only make minimum payments each month?
- Before encouraging an individual to proceed with a credit application, it is important for them to be able to answer these questions: Understanding that you need to be able to afford credit and that you can comfortably make the payments is the first step in being ready to apply for credit.

Loan to Own

INTRODUCTION

Most Somalis entering the country have had little or no experience with any type of formal loan process. In Somalia most loans are made by family members or friends and are paid off in a relatively short period of time. (A nice, four-bedroom house in Somalia costs around \$8,000) The concept of a thirty-year loan is totally foreign to most Somalis, who have traditionally operated in a cash economy. Saving to buy what they need is a way of life and one that has stayed with them in the U.S. Somali family members all contribute to the cost of a new car or new appliance. This sharing of financial burdens makes it easier to buy things and to improve their quality of life.

A LOCAL STORY

A recent Somali immigrant saved \$20,000 to buy a new car. He went to the dealership and paid cash for the car. The client could not read English and could not read the documents he was signing. He drove away with the new car assuming he owned the car. Three months later the car was repossessed by the manufacturer's finance company. The man was stunned. He knew he had paid cash for the car (as did many other members of the community). Upon further investigation, it was discovered that the sales person had signed him up for a car loan. The cash of course was long gone. While there was significant evidence to take the dealer to court, the Somali immigrant decided not to sue. He did not want to "make trouble" in his new country. So he and his family were out the \$20,000 and their car. While many were outraged and surprised at this response, he was adamant about not suing, due to his newly arrived status in the U.S.

TIPS TO PROVIDER

If your client is planning a major purchase, help them to understand the issues such as:

- The interest rate
- How it is compounded
- The monthly due date for the payment
- The amount of the payment
- The late charge they will be assessed if they cannot pay on time
- The grace period they have for making a payment

If they can not read English well enough to understand and comfortably sign a legal contract, encourage them to take along someone who can read and understand the contract they are signing. Make sure they understand they will be paying interest on any large commercial loan and that specific repayment terms will be spelled out in the contract. If they have a trusted friend who can help in the transaction and or a banker who speaks the language, this is also helpful. The more information you can communicate, the better prepared they will be to enter into formal loan agreements.

Your Own Home

INTRODUCTION

Property ownership was common in Somalia prior to the Civil War. People were able to own their own small homes at a relatively small cost. They could build the house as they could afford to and add on to it as needed. While the economy is more stable in Somaliland (Northern Somalia), there is essentially no infrastructure in Somalia. As a result, it is difficult to own anything. Many of the individuals coming to America have lived in refugee camps for several years and many young children do not know any other lifestyle.

Communal sense of ownership

For those who have lived with extended families and in other countries, they have a different sense of ownership. In the Somali culture, when someone owns something it belongs to the entire family. There is a communal sense of property ownership, not just an individual one.

Housing costs differ greatly

Housing in Somalia was relatively affordable when compared to housing costs in the U.S. In Somalia a house could be bought for \$8,000 and in the Twin Cities a small three-bedroom house sells for \$230,000. In Somalia housing could be financed among family members, being built one room at a time and added onto as was feasible financially. In the U.S., a house requires a thirty year mortgage, which is inconceivable to most Somalis.

Interest bans and options

As a result of the long standing ban on interest in the Muslim religion, many Somalis who actively practice their faith will not seek to buy a house. Currently mortgage companies such as *Fanniema* and *Freddiema* have developed riders for their mortgage products that cover the issue of interest. However they are not yet widely known so many individuals are not yet aware of the option. The Islamic leaders have stated that it is acceptable to agree to pay interest to acquire your first house. However, most individuals have said "If it is against the Koran at home it is against the Koran here." So while some leeway has been given by the religious leaders, most members of the community have not taken it to heart.

Housing costs and issues

Immigrants coming to America from Somalia have typically spent years waiting in a refugee camp for the opportunity to come to America. They have endured the difficulty of living there for the opportunity to come here. Once in the U.S., they usually live with a family member for a month or two until they become somewhat adjusted to their new environment. That time is generally quite short due to overcrowded conditions and the lease constraints of the sponsoring family.

As quickly as housing can be located, the family moves into their own apartment or rented house. The major problem is that larger apartments are frequently not available under subsidized housing. As a result the individual is paying seventy to eighty percent of his/her income to rent at full commercial prices. This puts a tremendous burden on the adult family members who may be working at \$6.00 per hour jobs to support the family. While there is some support for refugee families from the government for the first six months, individuals and families need to quickly become self sufficient or qualify for public assistance.

HOUSING FOR SOMALI FAMILIES IN MINNESOTA

Number of Home Owners	<1%
Number of Large Families Living in Subsidized Housing	30%
Number of Small Families Living in Subsidized Housing	40%
Number of Families Paying More than 50% of their Gross Income for Housing	50%
Number of Families Paying More Than 80% of their Gross Income for Housing	20%

Source: African Credit Education and Financial Counseling Agency

Housing costs frequently become a significant issue for families, who need to spend 70 to 80 percent of their take-home pay on housing, which makes making ends meet quite difficult. Not infrequently, families are evicted for failure to pay rent on time and often move without giving proper notice. In either case, finding subsequent housing in the future becomes problematic and often cannot be resolved without the help of a social service agency. For single individuals housing is not such a problem, as they can share a small apartment, which makes saving money much easier. Once they acquire a small savings and with the aid of many of the first time homebuyer programs, they can qualify to buy a home. For many of these individuals, however, the issue of interest remains a problem. Educating individuals about to the financial tools available will make it possible for some to acquire a house.

A LOCAL STORY

The story of Sharif Omar Ahmed illustrates some of the housing challenges Somali immigrants often encounter. Sharif bought a moderately priced home on a contract for deed from a developer who had rehabilitated the house. The purchase was arranged with a three-year balloon payment, which allowed him to qualify for the appropriate financing. His income was good and he could readily afford the payments. A problem, however, arose with the truth in housing statement because he didn't realize that he needed to have an independent inspection done on the house (nor could he have afforded one if he had).

It wasn't long before problems with the house started cropping up. First, he discovered that the wood in the basement steps were rotten, so he had the basement steps rebuilt. Next, he had to rewire the first floor, install a new washer and dryer, and cut down a dead tree in the front yard, which cost him \$5,000 of unanticipated repairs. A friend of his who knew quite a bit about houses pointed out several other things that were seriously wrong with the house and suggested Sharif hire an attorney to seek reimbursement from

the seller. Fortunately for Sharif, he was able to successfully get out of the house and recover all expenses, including the down payment and moving expenses. Although it took him three years to buy another house, things turned out much better the second time around.

TIPS TO PROVIDER

- These questions will help assess the individual's readiness to buy a house:
 - Can the individual afford the house or apartment they are living in?
 - What percentage of their income are they spending on housing?
 - Have they begun the process of saving for a house?
 - What is their current credit rating?
 - Have they attended a home buyer's seminar?
 - Do they qualify for a first time home buyer program?
 - Are they prepared to pay heating bills or air conditioning bills?
 - Are they prepared to pay sewer and water bills?
 - Can they maintain the property themselves?
 - Do they have the skills for routine house repairs?
 - Will the family budget allow for routine house repairs?

- Refer clients who are first time home buyers to local resources and experts who can provide services. Remember that you are working with a more vulnerable population that may or may not understand the financial burden they are taking on. The more prepared they are, the less likely they are to buy a home and be unable to keep it.