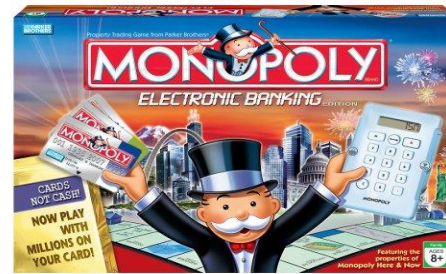


REFUGEEWORKS

THE NATIONAL CENTER FOR REFUGEE
EMPLOYMENT AND SELF-SUFFICIENCY



Financial Literacy for Refugees



Financial Literacy for Refugees

Workshop Introduction

Introduction to Teaching Financial Literacy

Train the Trainer: Financial Literacy Quiz

Financial Literacy in a Cross-Cultural Perspective

Six Financial Risks Refugees Should Avoid

Further Resources

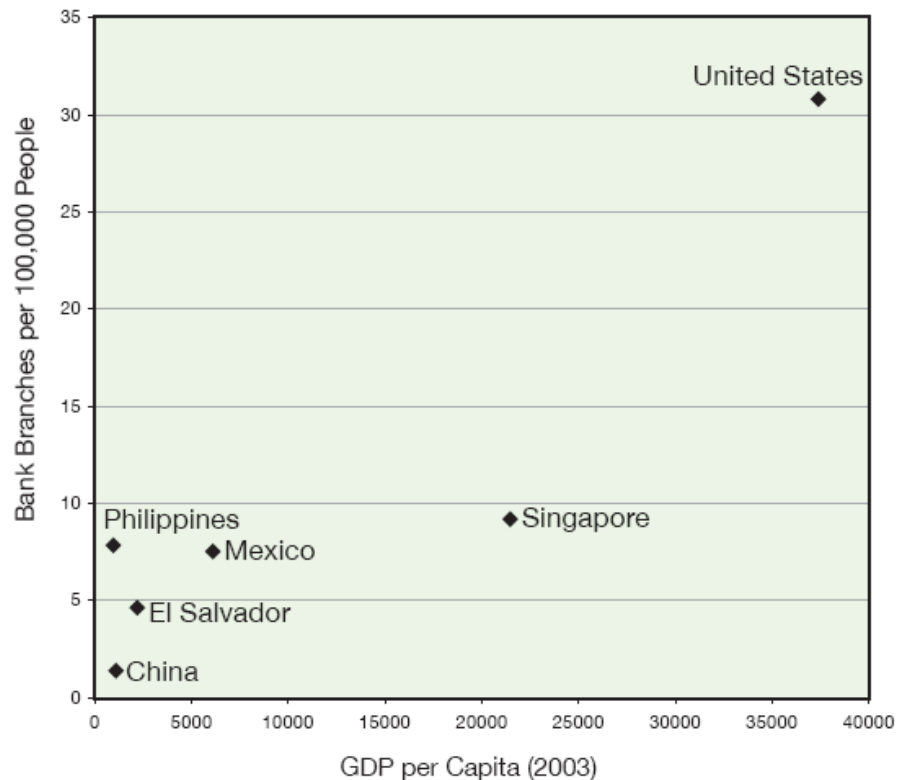
Workshop Introduction

- What are your expectations for this workshop and what do you hope to learn?
- Draw an image or symbol that represents the work you do in your agency and what this work means to you.



Introduction to Teaching Financial Literacy

Bank Branches Per 100,000 People vs. GDP per Capita



Introduction to Teaching Financial Literacy

Understanding basic economics is not an easy task.

% of Population Without Checking or Savings Account

United States	10%
United Kingdom	8%
Australia	3%
Canada	3%

U.S. Americans vs. Non-American Born Residents

76% of native-born have checking accounts

63% of adult U.S. immigrants have checking accounts

Misconceptions

Financial experts have misconceptions about the cultural and financial backgrounds of clients. It's important for advisors to understand their own cultural biases towards financial literacy.



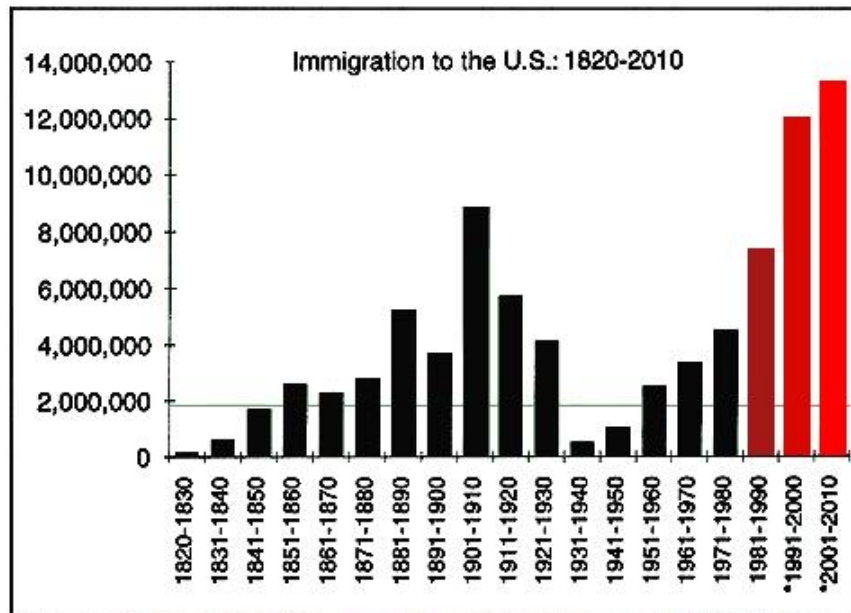
Banks are not structured to serve low-income

Banks are typically not structured to serve low-income. Add language barriers and legal status to the mix and the challenge to guide refugees to financial well-being is met with frequent frustration.



Importance of Financial Education

Between 1990 and 2000, the immigrant population grew by 57 percent. Today, at least one in nine American residents was born abroad.



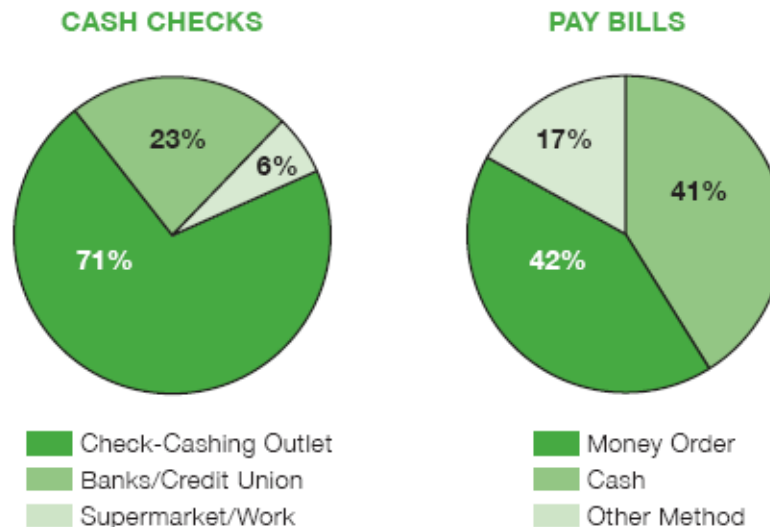
More misconceptions

Many refugees view banks as institutions that serve the wealthy. The idea of opening a bank account can intimidate them.



Disadvantage of being “unbanked”

Being “unbanked” puts an individual at an economic disadvantage. How do individuals without bank accounts (a) cash checks and (b) pay bills? Unbanked clients must convert their income checks to cash, usually for a fee.

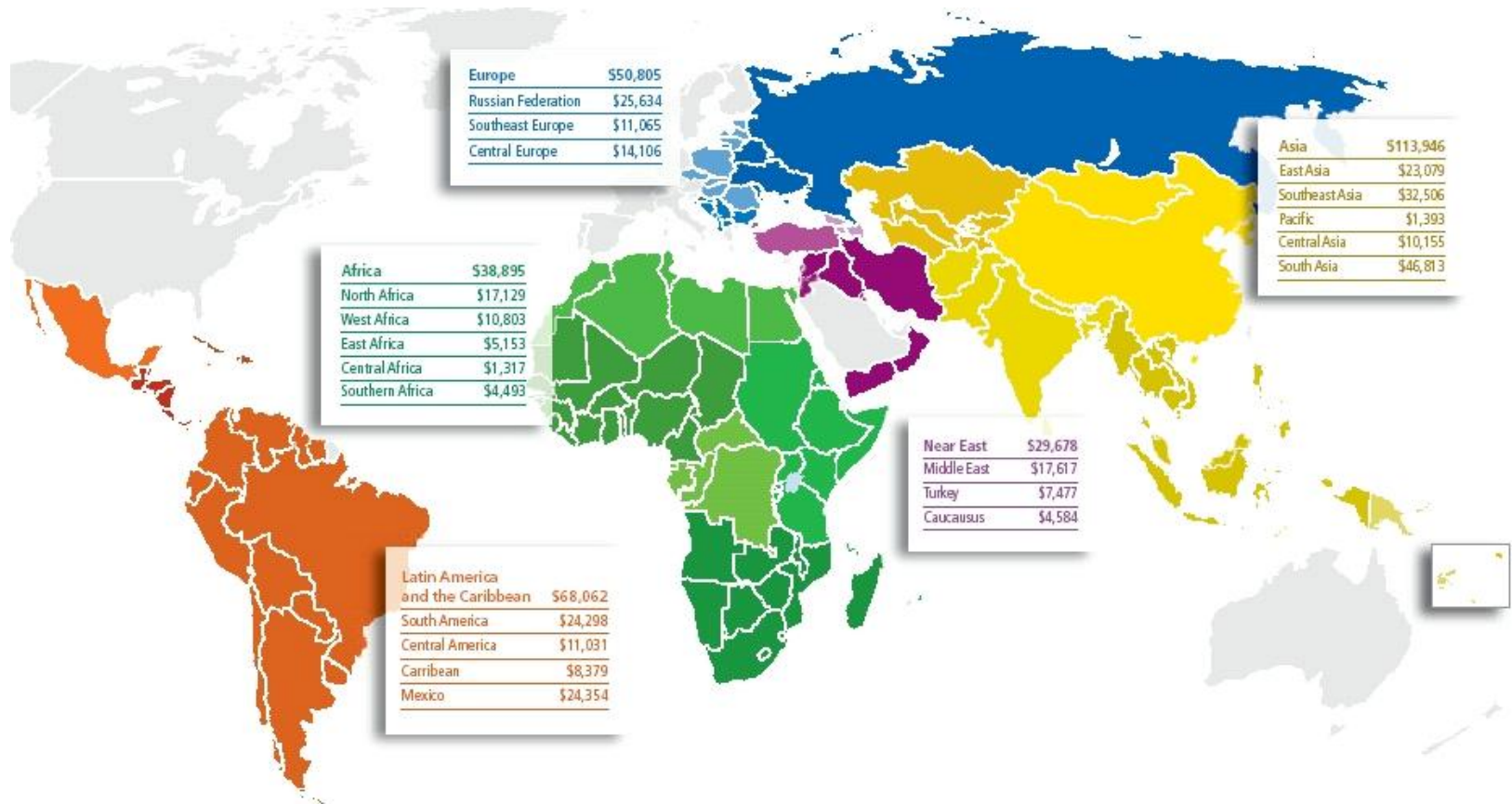


Importance of Financial Education

Indebtedness contributes to the general decline in savings rates

- Nowhere is this crisis more acute than in the United States, where in 2003, 1.6 million households (around 9% of all American households) filed for personal bankruptcy [...] [A]bout two decades ago (in 1984), Americans managed to save 8.8% of after-tax income. By contrast the 1996 United States savings rate was just 4.9%. (OECD)

Importance of Financial Education



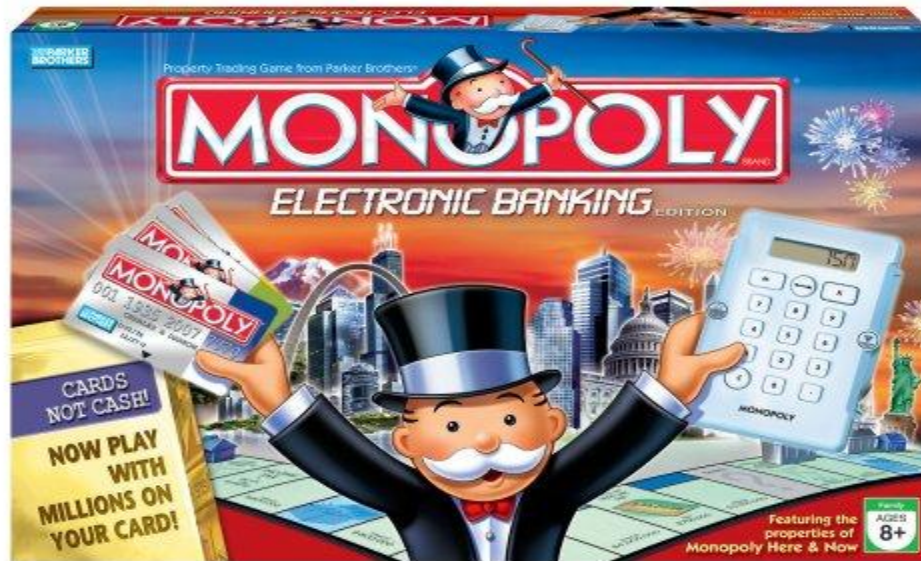
Total Remittances to Developing Countries: US\$301 billion

Additional financial strains as a result of remittances

Additional financial strains as a result of remittances

- Many refugee families experience pressure and negative feedback from relatives who are expecting continued financial support
- The transfer fee costs about 6% of the remittance value, regardless of whether the remittance is sent via a bank or wire transfer (Western Union, MoneyGram, Vigo, Dolex)

Train the Trainer: Financial Literacy Quiz



Financial Literacy in a Cross-Cultural Perspective

In groups of (2) complete the following exercise:

Each partner should create a list of 10 characteristic assumptions that would generally describe the financial literacy of their clients. Exchange lists. Are there any characteristics on your list that you disagree with? If so, why?

Best Timing For Financial Education

Best timing for financial education:

- After the first six months refugee clients can begin to focus on issues relating to social integration, such as language acquisition and becoming familiar with their community. It is at this time that an introduction to the financial system is the most beneficial.



Before you begin



- If you do not speak the refugee participant's language, you will need to work with an interpreter to conduct the training. Consider having your FL materials translated.
- Solicit feedback from your students and encourage active listening. Questions like “What do you understand?” are more helpful than “Do you understand?”
- Ask participants to repeat what they have heard.

Before you begin

- Financial management affects the entire family. It can be helpful to have couples, parents, and older children take part in the class together.
- If you have been a refugee, sharing your own experiences will be inspiring. Communicate the hurdles you overcame in learning about money management.



Different Cultural Perceptions of Banking



- Islamic leaders in the U.S. agree that financial interest is OK if it is absolutely necessary, for use in the purchase of a car or a house.
- Recommend involving the entire household in the creation and maintenance of a family budget that helps keep finances on track.
- Be aware of your clients' financial and income status.

Different Cultural Perceptions of Banking

- Encourage your clients to shop around for banking services that best meet their needs. Suggest they take a friend with them and prepare a list of questions.
- Discuss with clients that the U.S. has organizations that provide information about banking rules: 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.

Saving Money



- Stress the importance of paying off travel loans. It's your client's first line of credit!
- The best way to get out of debt is not to get into it.
- Practicing Muslims will have a negative opinion of credit. Younger members of the community will frequently be more open to receiving interest on their money. When in doubt, recommend an interest-free checking account with no minimum balance and an ATM card only.

Saving Money

- Assess with the individual his/her current monetary needs and long-term goals. Help your client plot a strategy to start a savings program.
- Remittances: A general rule of thumb is to send home not more than ten percent of one's income.



Concept of Credit

Many refugees are not familiar with the concept of credit

- At home, many refugees paid for things with cash or traded goods and used credit only when borrowing from each other.
- In Somalia, credit is extended on the basis of character and familiarity and is based on an oath before Allah, which makes it binding.

Encourage clients to acquire a secured credit card

Language Barrier

- Credit scores and reports contain jargon.
- Encourage clients to acquire a secured credit card. This is a safe way to establish credit.
- Spend more time explaining how credit is established and rebuild.
- Pay your credit card bills on time every month (penalties of up to \$15-35 per day)



Language Barrier

- Remember to be sensitive to family dynamics. The father or head of household may have to be convinced of the idea of credit/debit cards for wife/mother and children, even if they are already familiar with them.
- Visit websites such as www.advantagecredit.com that offer credit reports in simple English or Spanish. Online at www.advantagecredit.com/media/spanish.pdf

Homeownership

- The concept of “loaning to own” does not make sense to many refugees. At home they built their houses with help from relatives, so there is no need for mortgages.
- Homes are usually a once in a lifetime purchase so people usually buy just one home and do not trade-up (as with low-income or traditional families in the U.S.)



Homeownership

- Finding affordable, long-term housing is difficult due to the long term ban on paying or accepting interest in the Islamic community.
- Advise clients to read the fine print for additional charges they do not need (i.e. magazine subscriptions, fraud protection, life insurance, credit report checks)



Create a list of the pros and cons if homeownership

- 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.

Further Resources

Banking on the Future, USCRI

With the support of Citi Foundation, USCRI has developed a culturally appropriate financial literacy curriculum that can be used by case managers, ESL instructors and qualified community volunteers. Available in English, Spanish, French, Arabic, Somali and Russian.

<http://www.refugees.org/article.aspx?id=1971>

Further Resources

Financial Literacy for Newcomers, RefugeeWorks

<http://www.lirs.org/InfoRes/PDFs/FinancialLiteracy.pdf>

Financial Literacy. Learning the Language of Money, U.S.
Department of Labor & The Minnesota Department of
Employment and Economic Development

This guidebook looks at financial literacy in the client's country of origin and examines how these systems shaped the client's values and perspectives of the American financial systems.

<http://www.deed.state.mn.us/youth/MoneySm/FullGuide.pdf>

Further Resources

Improving Financial Literacy. Analysis of Issues and Policies, OECD. This book evaluates the effectiveness of financial education programs and introduces the OECD Council Recommendation on Principals and Good Practices for Financial Education and Awareness.

<http://tinyurl.com/29jpm6>

Jumpstart, Coalition for Personal Financial Literacy.

First convened in December, 1995, Jump\$tart determined that the average student who graduates from high school lacks basic skills in the management of personal financial affairs. Many are unable to balance a checkbook and most simply have no insight into the basic survival principles involved with earning, spending, saving and investing.

<http://www.jumpstart.org>

Further Resources

MoneySmart, Federal Deposit Insurance Corporation

Money Smart is helpful resource put out by the FDIC. It is available in both English and Spanish. It contains several modules as well as very good instructions for how to use the site. MoneySmart is available both online and in the form of a CD-ROM. Both can be accessed from:

<http://69.0.254.19/wwMS/english/main.htm>

Picture This! Financial Literacy Curriculum for Adults and Teens with Limited Literacy, ISED

<http://tinyurl.com/yocdkd>

The end

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