



Statement for the Record on Behalf of NALCAB, the National Association for Latino Community Asset Builders “Unfinished Business: A Review of Progress Made and a Plan to Achieve Full Economic Inclusion for Every American.”

U.S. House Committee on Financial Services, Subcommittee on Diversity, and Inclusion
December 6, 2022

The Honorable Maxine Waters
Chairwoman
Committee on Financial Services
U.S House of Representatives
Washington, DC 20515

The Honorable Patrick McHenry
Ranking Member
Committee on Financial Services
U.S. House of Representatives
Washington, DC 20515

Chairwoman Waters, Ranking Member McHenry, and distinguished Members of the Committee, NALCAB, the National Association for Latino Community Asset Builders appreciates the opportunity to submit a statement for the record for the hearing entitled “Unfinished Business: A Review of Progress Made and a Plan to Achieve Full Economic Inclusion for Every American.”

NALCAB is a US Treasury-certified Community Development Financial Institution (CDFI) that represents and serves over 200 diverse nonprofit community development and asset-building organizations across the country. Over half of our members are lenders, more than 50 of which are certified CDFIs. These organizations uplift Latino communities by strengthening access to quality affordable housing, safe financial products and services and the ability to start and grow successful businesses. Many of the people served by the NALCAB Network are low- to moderate-income individuals who are first- or second-generation immigrants.

We applaud efforts by the Committee to examine economic inclusion and would like to raise the profile of key barriers among those keeping Latinos and immigrants from full participation in the US economy.

First, immigrants in the United States make up approximately 1-in-7 residents, 1-in-6 workers and create about 1-in-4 of new businesses.¹ Immigrants wield a spending power of \$1.3 trillion.² Despite the economic boon, to this country they are immigrants, particularly those that hold Individual Taxpayer Identification Numbers (ITIN)s, are largely excluded from accessing the capital needed to reach their full economic potential. ITINs are tax processing numbers issued by the Internal Revenue Service (IRS) to foreign nationals, undocumented immigrants, nonresident individuals, their spouses, and other dependents who do not have social security numbers (SSN) but are still required to pay taxes. Many financial institutions require

¹ Congressman Don Beyer, “Immigrants Are Vital to the U.S. Economy,” Immigrants Are Vital to the U.S. Economy (United States Joint Economic Committee, November 4, 2021), <https://www.jec.senate.gov/public/index.cfm/democrats/2021/11/hispanic-entrepreneurs-and-businesses-are-helping-to-drive-the-economy-s-entrepreneurial-growth-and-job-creation>.

² “Take a Look: How Immigrants Drive the Economy in United States of America,” New American Economy, March 15, 2022, <https://www.newamericaneconomy.org/locations/national/>.



SSN as the only acceptable form of ID to open accounts and apply for and receive loans despite there being no law requiring SSN to be the only acceptable form of ID. This results in economic exclusion in the following ways:

1. ITIN holders are shut out of the financial system and must find alternative service providers for their basic financial needs, such as keeping their money safe and accumulating savings.
2. ITIN holders are driven to predatory financial service providers ranging from check-cashing services to payday lenders, to loan sharks, to online personal and small business lenders. These service providers not only may not meet their true financial needs, but they also charge exorbitant rates and offer unattractive terms.
3. ITIN holders are held back from building assets including via homeownership and entrepreneurship because of their lack of access to credit in the form of mortgages and small business loans.

This discriminatory practice does not align with the financial behaviors of ITIN holders. Mission Asset Fund in San Francisco surveyed their ITIN holder clients and found that they had a 99% successful loan repayment rate and 90% had a prime or near prime credit score.³ Expanding access to safe and affordable capital to these borrowers helps them build assets, invest in their businesses and create jobs which in turn boosts the US economy.

Second, for full economic inclusion to be a reality we must continue to support Community Development Financial Institutions (CDFIs) and Minority Led CDFIs. In 2020, out of the clients CDFIs served, 60% were people of color and 84% were low-income, low-wealth, or historically disinvested.⁴ CDFIs are community-based, financial institutions that provide financial products and services to those that are traditionally underserved by mainstream financial institutions. CDFIs led by, accountable to, and anchored in communities of color play an outsized role in closing opportunity gaps and should be recognized for their high levels of service and accountability to minority populations.

In 2020, the HOPE Policy Institute conducted a study on racial disparities in CDFI fund awardees. Over 14 years, among CDFI Fund awardees, white-led CDFIs had a median asset size 2.5 times larger than minority-led CDFIs.⁵ This asset and capital gap gains persists, and minority led CDFIs face more challenges in gaining access to philanthropic and bank funding than their white counterparts. These minority serving CDFIs are on the front lines of meeting the financial needs of people that are disproportionately underserved by traditional financial institutions and must be supported. The 2021 Federal Deposit Insurance Corporation (FDIC) household survey found that, 9.3% of Hispanic households were unbanked, compared to 2.1% of white households that were unbanked.⁶ 24.1% of Hispanic households were

³ “Impact,” Mission Asset Fund, April 20, 2021, <https://www.missionassetfund.org/impact/>.

⁴ “Inside the Membership,” Opportunity Finance Network, 2020, https://cdn.ofn.org/uploads/2022/04/14153742/OFN_Inside_The_Membership_FY2020.pdf.

⁵ Kiyadh Burt, “Hope Policy Institute,” Hope Policy Institute, November 5, 2020, <http://hopepolicy.org/manage/wp-content/uploads/CDFI-Fund-Time-Series-Analysis-brief-edited.pdf>.

⁶ “Despite COVID-19 Pandemic, Record 96% of U.S. Households Were Banked in 2021,” *Despite COVID-19 Pandemic, Record 96% of U.S. Households Were Banked in 2021* (Federal Deposit Insurance Corporation (FDIC), October 25, 2022), <https://www.fdic.gov/news/press-releases/2022/pr22075.html?source=email>.



underbanked in 2021, compared to 9.3% of white households that were underbanked.⁷ To help bridge this gap in financial inclusion, we support 40% of future CDFI Fund awards going to CDFIs with a strong reach into communities of color.

Additionally, it is critical that we maintain a strong Consumer Financial Protection Bureau (CFPB) that is independent from political influence. The Dodd-Frank Wall Street Reform and Consumer Protection Act (P.L. 111-203) established the CFPB to implement and enforce federal consumer financial law while ensuring that consumers can access financial products and services that are fair, transparent, and competitive. Access to responsible financial services and products is key to helping consumers build assets and plan for the future. In turn, unfair treatment and financial exclusion with practices such as redlining, predatory products like payday loans, the current crypto crisis and others keep Latinos and other minorities from being able to build wealth and only worsens the racial wealth gap. Eliminating racial inequities in the U.S. could add \$5 trillion of growth in our GDP over the next five years.⁸

Since its creation, the CFPB's enforcement and supervisory efforts have resulted in over \$14 billion in relief to consumers with millions going directly to minority consumers.⁹ To ensure full economic inclusion for all, there must be an end to discrimination in banking. The CFPB must be able to use its authority to fight discrimination in all consumer finance markets, including credit, servicing, collections, consumer reporting, payments, remittances, and deposits.

With these recommendations and others, we can increase opportunities for traditionally underserved and overlooked consumers and expand equity and inclusion. We thank the Chairwoman and members of the Committee for their commitment to economic inclusion. NALCAB looks forward to supporting these efforts and opportunities to work together on behalf of the nation's Latinos.

Sincerely,

A handwritten signature in black ink that reads 'Clarinda Landeros'.

Clarinda Landeros

Director of Public Policy

⁷ "Despite COVID-19 Pandemic, Record 96% of U.S. Households Were Banked in 2021," *Despite COVID-19 Pandemic, Record 96% of U.S. Households Were Banked in 2021* (Federal Deposit Insurance Corporation (FDIC), October 25, 2022), <https://www.fdic.gov/news/press-releases/2022/pr22075.html?source=email>.

⁸ Dana M Peterson and Catherine L Mann, Closing the Racial Inequality Gaps: The Economic Cost of Black Inequality in the U.S., Citi Global Perspectives and Solutions (September 2020), <https://www.citivelocity.com/citigps/closing-the-racial-inequality-gaps/>.

⁹ Dave Uejio, "Celebrating 10 Years of Consumer Protection," Consumer Financial Protection Bureau, July 21, 2021, <https://www.consumerfinance.gov/about-us/blog/celebrating-10-years-consumer-protection/>.