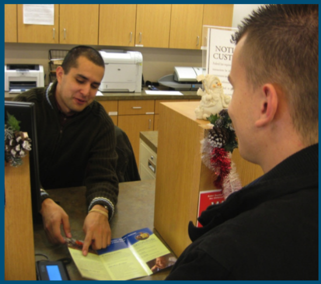
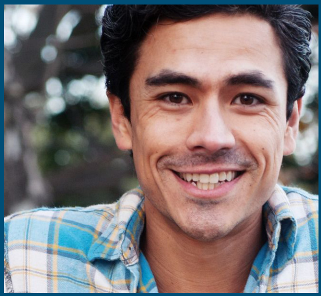
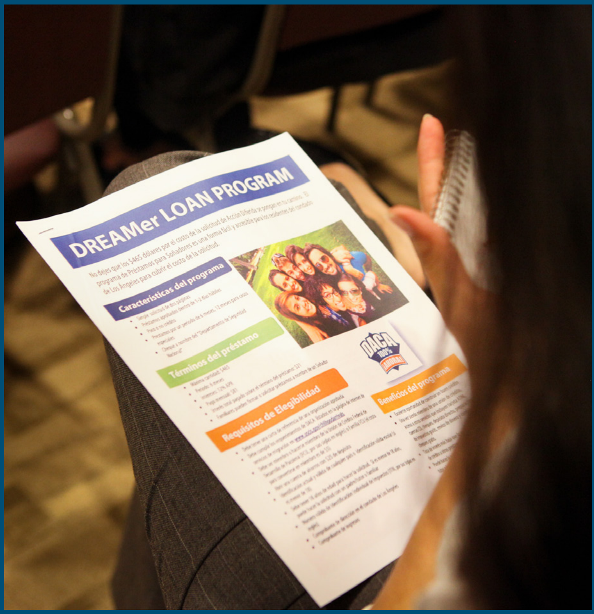
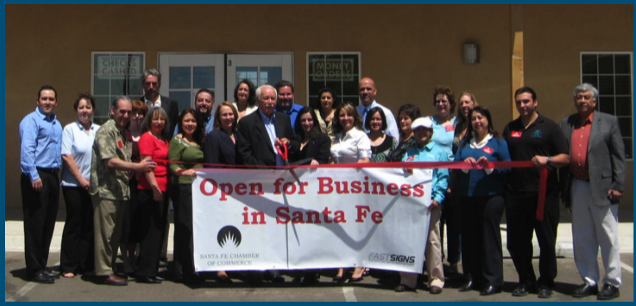



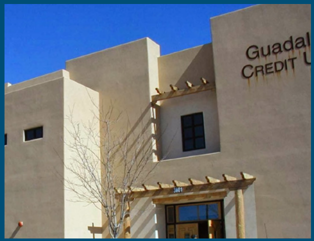










Dreamer Loan Programs

The Power of Partnerships with Community Development Credit Unions

August 2014

GRANTMAKERS CONCERNED WITH
IMMIGRANTS AND REFUGEES

Glossary

Community Development Credit Union (CDCU) is a credit union with a self-defined mission of serving low- and moderate-income people and communities, particularly populations with limited access to safe financial services, such as recent immigrants.[1]

Deferred Action for Childhood Arrivals (DACA) is a policy directive that provides qualifying immigrant youth and young adults relief from deportation for a two-year renewable period and allows them to apply for work authorization. DACA benefits a narrower pool of undocumented immigrants than proposed DREAM Act legislation (see below).[2]

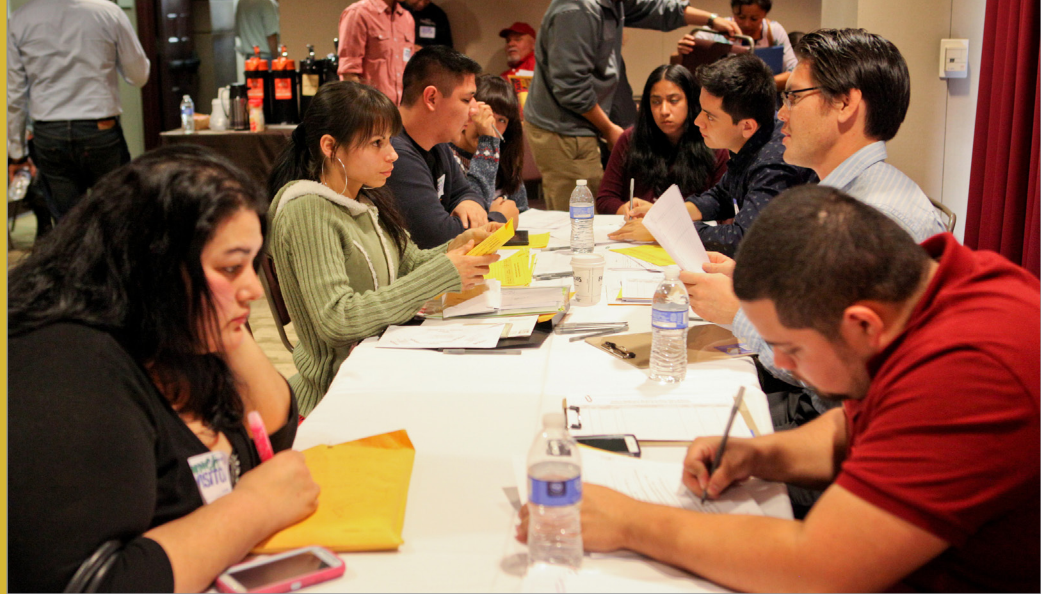
Dreamers or DREAMers refers to intended beneficiaries of the federal legislation first introduced in the U.S. Senate on August 1, 2001, the Development, Relief, and Education for Alien Minors Act or the DREAM Act. This bill would provide conditional permanent residency and an eventual path to citizenship for certain undocumented immigrants. The term Dreamers or DREAMers is used interchangeably with DACA beneficiaries as well as undocumented youth and young adults in this report.

Immigrants are persons born abroad who have come to settle in the United States, regardless of their legal immigration status or whether they have become U.S. citizens.

Loan-loss reserve is a monetary reserve set aside to cover the expected losses on a group of loans due to default, late payment, or renegotiation.

Program-related investments (PRIs) are investments made from a foundation's endowment to support mission-related activities that involve the potential return of capital. PRIs take a variety of common financing forms, including low-cost loans, loan guarantees, and equity investments.[3]

Undocumented immigrants are persons residing in the United States without legal immigration status; includes individuals who entered without inspection and those who entered with a legal visa that is no longer valid. The term undocumented immigrants is used interchangeably with unauthorized immigrants in this report.



Potential DACA applicants at a DACA clinic held in February 2014 with support from the California Community Foundation.

Acknowledgements

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Graphic design: www.axiebreen.com

Overview

Deferred Action for Childhood Arrivals (DACA)[4] transformed the national immigration policy landscape and—by extension—the lives of young immigrants across the country. Enacted in 2012, this federal directive offers an estimated 2.1 million[5] undocumented immigrants both temporary relief from deportation and the opportunity to obtain work authorization, without which their educational and career options are severely limited. Yet for many would-be applicants, the $465 application fee is an insurmountable barrier to accessing the program's benefits. In tackling this obstacle, community development credit unions (CDCUs)[6] throughout the United States have created an opportunity to set immigrants on a path out of poverty and toward a more sound financial future.

Individually and in partnership with philanthropic foundations and immigrant-serving organizations, CDCUs across the country have launched micro-loan programs that not only help young immigrants pay DACA application fees, but that also introduce this predominantly low-income population to mainstream financial services. These loans can help establish or improve immigrants' credit scores, bringing them into the financial mainstream. Complementary programs, such as savings match incentives, not only encourage future savings but also build familiarity with credit unions and other financial institutions. Access to car, student, and business loans can expand career and economic horizons, along with opening the door to an array of financial products that are integral to life in America today: credit cards, business services, and retirement accounts.

Study after study shows an economic divide between non-citizen immigrants—especially the unauthorized—and their native-born counterparts. This gap is particularly pronounced in the use of mainstream financial products and services. One in three immigrant households does not have a checking account—and that number increases to nearly two in three for Mexican immigrant families.[7] Even after controlling for factors such as education, age, and work experience, immigrants are six percentage points less likely to have a checking account and eight percentage points less likely to have a savings account than their U.S.-born peers.[8]

Many immigrants rely on predatory and payday lenders due to the absence of trusted financial institutions near their homes[9]; others do not interact with mainstream institutions because of a lack of either English language skills or an awareness that these services are available. For instance, immigrants pay an estimated $2 billion each year in fees for check-cashing services, which most credit unions and banks offer for free.[10] Familiarity with and access to banking services can help low-income immigrants avoid such fees, increase their savings, and build a solid financial foundation for the future.

Since the first credit union launched in the United States at the turn of the 20th century, these institutions have helped alleviate poverty and bring fair and safe financial products and services to low-income individuals and communities of color, among other underserved populations. While their numbers have waxed and waned over the decades depending on policy and regulatory changes, CDCUs have a legacy of advancing immigrant integration and economic empowerment.

With the goal of helping philanthropy understand funding opportunities in this sector, this report provides an overview of five Dreamer Loan[11] programs; identifies their common and distinguishing features; and underscores timely financial

By partnering with community development credit unions (CDCUs), philanthropic foundations can increase assets and economic mobility for low-income individuals and communities with relatively modest investments. Such loan programs can typically leverage lending capital at a ratio of 1:10. For example, a foundation grant of $100,000 to establish a loan-loss reserve allows a CDCU to allocate as much as $1 million in lending capital.

Q&A[12]

What is a credit union? Credit unions are nonprofit financial institutions that are owned by their members.

Who can join a credit union?
Credit unions determine who they serve. Membership is typically offered based on where a person lives or works, what they do (e.g., airline employees, railway workers, teachers), or whether they are members of certain group (e.g., church, school, labor union, homeowners' association, etc.). Many require a one-time membership fee.

Who regulates credit unions?
If a credit union has the word "federal" as part of its name, it is regulated by the National Credit Union Administration and backed by the full faith and credit of the United States government. Individual credit union accounts are covered up to $250,000.

Most credit unions without the word "federal" in their name are state-chartered and are regulated by the state authority where the credit union is headquartered.

How do I investigate a credit union?
For federal credit unions, use the Research a Credit Union and Credit Union Locator tools to learn more about individual institutions. For state-chartered credit unions, consult the relevant state authority. In California, for example, consumers can contact the California Department of Business Oversight's Credit Union division.

What are the benefits of credit unions?
While corporations are obligated to maximize profits, credit unions focus on serving the financial needs of its members. Statistics show that credit unions, on the whole, typically offer higher rates on savings, fewer fees, and lower rates on loans.

Federal Credit Unions By the Numbers

6,491 Federally Insured Credit Unions

97 million Members

$1.1 trillion Assets

empowerment opportunities presented by DACA. In addition to helping individuals afford the DACA application fee, the programs' loan products help largely unbanked immigrants avoid predatory lenders, gain financial knowledge, and begin to establish credit and savings.[13] This report also considers how philanthropy can help replicate such loan programs in various regions of the country. With the prospect of expanded administrative action on the horizon, as well as possible large-scale legalization through future legislation, DACA loans provide an important test-run for the effort that would be required to help upwards of 11 million immigrants along the path to legal status and citizenship, which is likely to include thousands of dollars in fines and fees.

Credit Union Loan Programs for Dreamers: Common Features

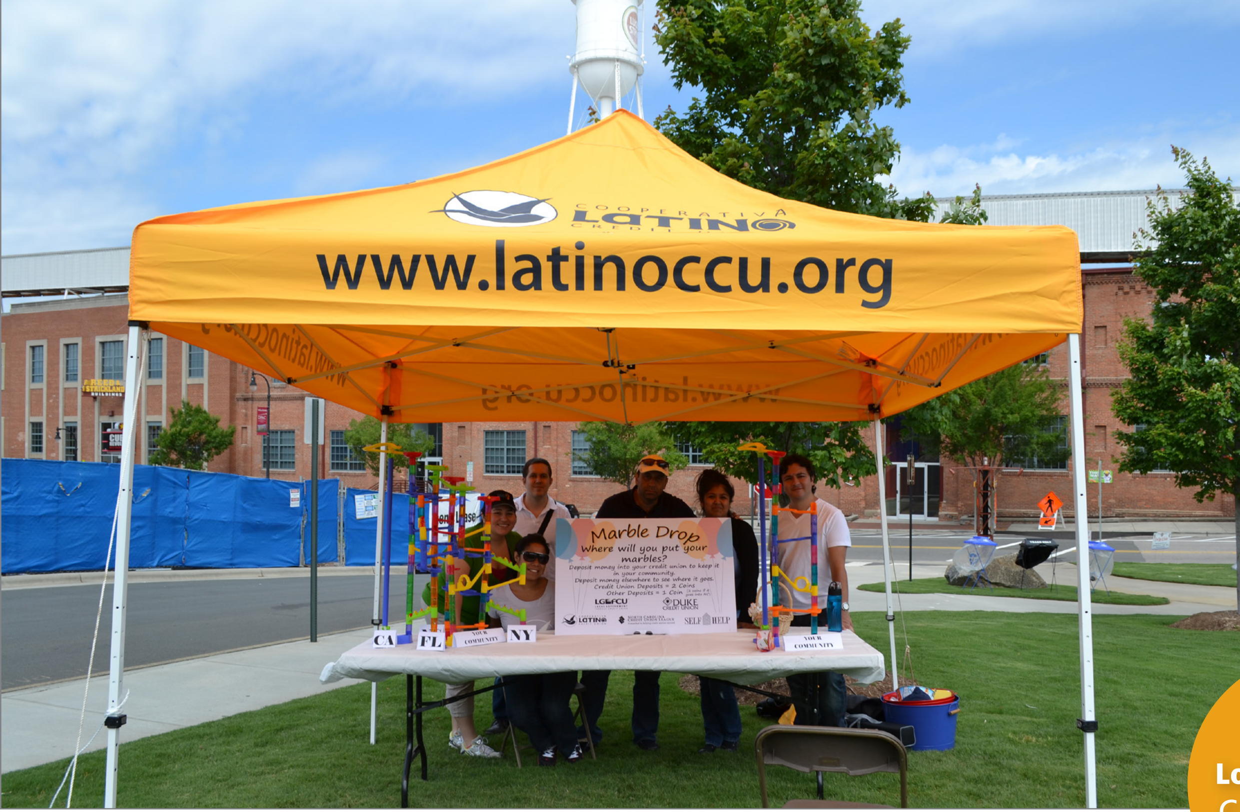
While each credit union loan program for Dreamers highlighted in this report has a slightly different structure, most share the following common features:

Applicants must:

- Be 18 years old or older, or apply with the help of a parent or family member. (Parents may also borrow on their children's behalf.)
- Demonstrate that they are applying for DACA. This typically consists of presenting copies of their application form or a pre-screening document from a qualified partner organization.
- Present the following identification:
  - Valid Social Security Number or Individual Tax Identification Number (ITIN)
  - Photo ID (passport, *matrícula consular*,[14] or student ID)
  - Proof of physical address
  - Proof of income (for some programs)

Most programs:

- Make loan checks payable to the U.S. Department of Homeland Security (DHS)[15]
- Approve or deny loan applications within one to two business days
- Are structured as unsecured personal loans, necessitating interest rates somewhat higher than typical automobile loans, which are typically between 3% and 5%, or mortgage loans, which average 4%.[16]



Latino Community Credit Union partnered with other North Carolina credit unions in the first-ever Co-Op-A-Fair, celebrating North Carolina's Cooperatives.

Dreamer Loan Programs: Case Example

1 Latino Community Credit Union: Dreamer Loan

Durham, North Carolina | latinoccu.org/Dreamer

Between 1990 and 2000, the Latino population in North Carolina grew 374 percent. By 2002, the Tar Heel State had a half a million Latino immigrant residents—roughly five percent of its total population. Many newcomers did not have access to banks or other reputable financial institutions where they could deposit their earnings; consequently, they became increasingly vulnerable to exploitation and violent crime. "Immigrants were getting robbed and mugged and in some instances killed," said Erika Bell, former vice president of strategy and services at Latino Community Credit Union (LCCU). In direct response to this crime wave, LCCU was founded in 2000. A decade-plus later, the credit union has amassed nearly 55,000 members representing more than 110 countries, although most are from Latin America. Approximately 95 percent are low-income and 70 percent never had a bank account before joining LCCU.

LCCU maintains several policies and practices common to credit unions that primarily serve disadvantaged and underserved communities, including immigrants. For example, it accepts alternative forms of credit, such as proof of on-time rent and utility bill payments, and it has long served as an acceptance agent for the Internal Revenue Service (IRS), granting it the ability to issue ITINs. LCCU eschews risk-based lending, in which interest rates are based on the likelihood of default. Instead, it sets rates without regard to how much borrowers have in their accounts or whether they use an ITIN instead of Social Security number. A photo identification from an individual's country of origin, such as a passport or *matrícula consular*, is considered sufficient proof of identity.

KEY STATS

Launch Date:
August 15, 2012

Interest Rate: 16%[17]

Fees:
$10 savings deposit to join credit union

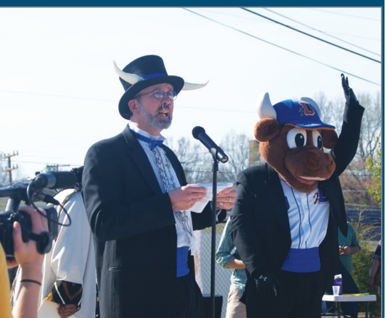
Payback Period:
Up to six months

Loans Issued:
1,350 as of June 2014

Default Rate:
2.4% as of June 2014

Screening:
Performed by qualified partner organizations

Funding Source[18]: LCCU



In 2011, LCCU held a community event that celebrated the symbolic marriage between Durham and its citizens, promoted the area's diversity, and encouraged civic participation. LCCU's strong community relationships are key to its ability to generate a high volume of DACA loans.

In addition to maintaining immigrant-friendly policies, LCCU provides a full range of financial products, from car loans to home mortgages. "We believe that our members need access to the same products and services that we all enjoy in the mainstream," Bell said. Despite offering a range of services to a population that many financial institutions deem highly risky, LCCU's losses are quite low. In 2013, the delinquency rate for all of the credit union's loans averaged only 1.88%, compared to 1.01% for all federally insured credit unions.[19]

Given its membership profile, LCCU began preparing to make DACA loans as soon as the policy directive was announced in June 2012. "We designed a simple loan product," Bell recalled. "That meeting probably lasted about 10 minutes because we didn't want to make it complicated."

As a result, LCCU was able to launch its Dreamer Loan program on August 15, 2012, the day the government began accepting DACA applications, which Bell said was integral to the program's success. "We had a really high volume in the first three months when everyone was very excited about it and there was a lot of buzz," she said. Similar to other credit unions, LCCU partnered with nonprofits and service providers offering free DACA application assistance. As of June 2014, the credit union had made 1,350 loans—among the highest volume in the country. Through that month, defaults accounted for a mere 2.4% of loans issued.

Education has been a critical component of LCCU's Dreamer Loan program. Once approved, borrowers meet with a loan officer and learn about the importance of making timely payments in order to establish a good credit score—and how a good credit score is essential to future borrowing, including student and automobile loans. "We really use this as an opportunity to educate people about the [role] of credit," Bell said.

The credit union's strong community relationships, strategic partnerships, and advance planning were key to its ability to generate a high volume of DACA loans, along with the fact that many applicants and/or their family members were already credit union members. Widespread familiarity with and trust in LCCU helped spread the word about the loan program without a great deal of marketing. The credit union has also benefited from partnerships built over the years with other trusted stakeholders, including community groups, churches, and notably the Mexican consulate. At joint events, these groups offer free services and consultations, which helps attract potential borrowers.

DACA impressed upon LCCU the need to increase staff capacity if immigration reform legislation were enacted, according to Bell. As successful as the DACA loans have been, LCCU will have to do significantly more outreach, build new partnerships, and provide additional education for a much larger pool of borrowers. "We can reach the membership we already have, but we know there are more people out there in need of these services," she said.

2 Guadalupe Credit Union: DACA Loan

Santa Fe, New Mexico | guadalupecu.org

Dreamer Loan Programs: Case Example

In early 2001, Guadalupe Credit Union's (Guadalupe) growth was flat. This small credit union, which was established by the Catholic Church in 1948, was trying to compete on pricing and deposit rates with much bigger players—including larger credit unions and corporate banks. To chart a new course, Guadalupe's leadership looked for a niche that was in line with the credit union's charitable founding mission. They quickly realized no one was serving New Mexico's steadily growing immigrant population. "We saw this unreached, untapped, unbanked market," recalled Brenda Dominguez, the credit union's chief financial officer.

More than banking, *we're family!*™ GUADALUPE CREDIT UNION

After consulting with community members and local leaders, Guadalupe, which serves six predominantly low-income counties in New Mexico, began launching immigrant-specific financial products. To combat rising crime against immigrants who were holding their cash at home, non-interest-bearing[20] "safe" accounts were developed. The credit union's hours of operation were extended to 7 p.m. to serve customers who often worked two or three jobs. And to attract new clients, Guadalupe began providing financial education classes at local nonprofits and working with the Volunteer Income Tax Assistance (VITA) program and the Mexican consulate in Albuquerque, New Mexico. The most popular new product was a low-cost remittance service that allowed immigrants to safely and affordably send money to family members in their home countries. It was the first product Guadalupe had ever offered to non-members.

The effort has been transformative. Today, 20 percent of Guadalupe's loan portfolio consists of applicants using ITINs. From approximately 5,000 members and $40 million in assets a decade ago, today Guadalupe has more than 15,000 members and $133 million in assets. One of its most successful branches opens an average of 150 new accounts per month.

Instead of launching a DACA-specific loan program, Guadalupe began issuing short-term personal loans, either on a signature or collateral basis, to eligible members in August 2012. "We really didn't have to create new products or regulations," said Dominguez. Publicizing through partner organizations and word of mouth, Guadalupe attracted mostly existing members or children of members with established credit.

Guadalupe is also interested in expanding the pool of potential borrowers. "We're aware that maybe we're not reaching people who do not already have a relationship with us," Dominguez said. To that end, the credit union is working with Somos Un Pueblo Unido, one of Northern New Mexico's oldest and most active immigrant service providers, to launch a grant-funded program to issue DACA loans with a 12-month term and an interest rate of 2.1%. They have also teamed up to offer financial education classes.

Now that the credit union's reputation is firmly established among immigrants in New Mexico, Dominguez said she sees political advocacy as vital to maintaining its position in the community—and attracting new clients. Guadalupe officials have testified on behalf of a state law granting driver's licenses to immigrants with ITIN numbers, as well as supporting immigration reform. "Our voice has been strong," she said.

KEY STATS

Launch Date:
N/A

Interest Rate:
2.1% to 15.2%[21]

Fees:
$1 fee and $5 deposit to join credit union

Payback Period:
35 months (on average)

Loans Issued:
Unavailable[22]

Default Rate:
Unavailable[23]

Screening:
None

Funding Source:
Guadalupe Credit Union

Dreamer Loan Programs: Case Example

3

New Economy Project: NYC Dreamer Loan Fund

New York, New York | nedap.org/DreamerLoanFund

Lower East Side People's Federal Credit Union

New York, New York | lespeoples.org

Brooklyn Cooperative Federal Credit Union

Brooklyn, New York | brooklyn.coop

KEY STATS

Launch Date:
December 2012

Interest Rate:
0%

Fees:
$20

Payback Period:
Up to 12 months

Loans Issued:
83 issued, 46 in progress as of July 2014

Default Rate:
Unavailable

Screening:
Referral by partner organization

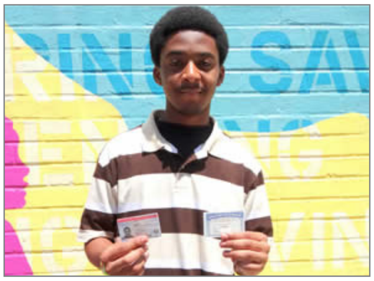
Funding Source:
$200,000 anonymous individual donation

Incentive:
$25 saving contribution match

Founded in 1995, the New Economy Project[24] works with community groups in New York City to promote economic justice and build a new economy based on principles of cooperation, equity, racial justice, and ecological sustainability. Immigrants' economic rights and financial inclusion are of particular concern to the organization, which has led various campaigns to eliminate barriers that low-income and undocumented immigrants face in the mainstream banking system.

Following DACA's announcement, an anonymous donor gave New Economy Project $200,000 to help eligible low-income immigrants cover the cost of the application fee. New Economy Project partnered with two long-time collaborators, the Lower East Side People's Federal Credit Union and the Brooklyn Cooperative Federal Credit Union, to increase its leverage and lending power. Both partner CDCUs had experience serving immigrants and other underserved populations, and they provided a user-friendly entry point for individuals who have never before used mainstream financial services.

The two credit unions issue the Dreamer Loans (each was assigned specific geographic areas of the city according to where they had branches), while New Economy Project provides overall coordination and outreach. Half of the $200,000 donation was used to create a loan-loss reserve fund that leveraged $2 million in lending capital from the credit unions. The remaining $100,000 was set aside for savings "bonuses." Upon loan repayment, each borrower receives a $25 deposit to their savings account, which serves as an incentive to repay the loan and to encourage them to continue to maintain their accounts at the credit unions. Having the guarantee against loan losses also "helps



New Economy Project client Alex B., 16 years old: "Before deferred action, I was always saying, 'I wish.' Now I can say, 'I can.'"

assuage any concerns that the credit union's examiners may have about the riskiness of these loans," said Deyanira Del Río, New Economy Project's co-director.

To identify and screen applicants, New Economy Project assembled a large network of partners, from nonprofits and service providers to churches and foreign consulates. These organizations have trained staff who conduct outreach and screen individuals for DACA eligibility. "We wanted to make sure that before Dreamers take on this debt—as small and relatively 'friendly' a debt as it is—that they are properly screened, are eligible for deferred action, and their applications are complete," Del Río said.

The three partners launched the NYC Dreamer Loan Fund by the end of 2012, four months after USCIS began accepting DACA applications. While the delay in launching the Fund was largely unavoidable due to the time required to set up financing and other details, Del Río counts it as a lesson learned. "Because loans weren't available until several months after DACA was announced, we missed the initial wave and had a harder time than expected building up a pipeline of applicants."

Finding the right collaborators also took time, as their initial outreach partners did not bring in as many applicants as they expected. "We ended up having to expand our outreach and referral networks to include many more groups to be able to get numbers in the door," Del Río said. The result, observers say, is one of the largest and most effective screening systems of any DACA loan program in the country.

"We wanted to leverage the funds, and not spend a lot of time recreating the wheel. By partnering with the credit unions rather than developing a separate loan function in-house, we were able to get the loan fund off the ground relatively quickly and in partnership with trusted institutions."

Deyanira Del Río
Co-Director
New Economy Project

Dreamer Loan Programs: Case Example

KEY STATS

Launch Date:
December 2012

Interest Rate:
12%[25]

Fees:
$5 to join credit union

Payback Period:
Typically six months

Loans Issued:
30 as of June 2014

Default Rate:
0% as of June 2014[26]

Screening:
Referral by partner

4

California Community Foundation

Los Angeles, California | calfund.org

Pacoima Development Federal Credit Union: DREAMer Loan

Pacoima, California | pacoimadfcu.org

Family Federal Credit Union: DREAMer Deferred Action Loan

Wilmington, California | familyfcu.org/dreamer.php

In 1986, following the passage the Immigration Reform and Control Act (IRCA), which ultimately legalized more than 3.1 million undocumented immigrants, the California Community Foundation (CCF) collaborated with several local foundations to launch a loan program that helped more than 1,600 immigrants pay the necessary immigration application fees. Nearly three decades later, the foundation is leading a similar effort in response to deferred action.

Following the announcement of DACA in June 2012, CCF partnered with Pacoima Development Federal Credit Union (Pacoima) to launch a loan program for the nearly 130,000 DACA-eligible immigrants in the greater Los Angeles area.[27] Pacoima later partnered with Family Federal Credit Union (Family Federal) to further expand the program's reach. Pacoima operates in Northeast San Fernando Valley, while Family Federal serves residents of Wilmington, California. Both have traditionally served the immigrant community; for instance, 15 percent of Pacoima's loans are to applicants using ITINs.

CCF provided a $500,000 program-related investment (PRI) to Pacoima to capitalize the loans, as well as a two-year $50,000 grant for operational costs, allowing them to waive the credit union's $20 application fee. The foundation chose to use a PRI due to the institution's history with the funding mechanism and its limited grantmaking budget, explained CCF Program Manager Chris Hubbard. Moreover, said Hubbard, the foundation saw this pilot program as an effort that could encourage other funders to pursue a similar PRI-based model not just for DACA loans but also for future large-scale legalization programs.

The CCF-funded DACA revolving loan program—with the capacity to make 1,075 loans—had a 'soft' launch in January 2013. Given the size of the DACA-eligible population in the region and the limited capacity of the loan program, the foundation wanted to trial run the program for a few months with minimal publicity. They elected to partner with a small credit union for the same reason: a large credit union might attract more demand than the foundation's investment could service.

In retrospect, Hubbard and his colleague, Rosie Arroyo, who also assisted on the program, say they wish they had launched the program sooner, with more partners and an extensive outreach campaign. Yet, as a trial run, some hiccups were expected. "We're learning as we go with a program like this," said Hubbard.

Despite the challenges, this program represents an alternative funding model that other grantmakers, credit unions, and banks can consider. Using PRIs to fund DACA loan programs could help private foundations reach their annual spending minimums.[28]

5 Self-Help Federal Credit Union, Community Trust division: Dreamer Loan

self-helpfcu.org/communitytrust/loans/dreamer-loan

Chartered in 2008, Self-Help Federal Credit Union (Self-Help) is a relatively young institution. Yet over the past several years, through mergers with more than half a dozen long-established credit unions, Self-Help now has 22 branches and offices in 11 cities in the Greater San Francisco Bay Area and the California's Central Valley, as well others in the South Side of Chicago.[29] The credit union focuses on serving underserved and disadvantaged communities, including people of color, women, rural residents, and low-income families.

Following the announcement of DACA, a private donor and the Evelyn & Walter Haas, Jr. Fund contributed a combined $80,000 for a loan-loss reserve at Self-Help. Modeled after the New Economy Project program described above, this reserve enabled the credit union to leverage approximately $800,000 in Dreamer Loan funds.

The credit union is positioned to serve the estimated 43,000 potentially DACA-eligible immigrants in the greater San Francisco Bay Area, 40,000 in California's Central Valley, and a portion of the 46,000 in the greater Chicago area.[30] Prior to establishing a loan-loss reserve, Self-Help had already launched a Dreamer Loan that was structured as personal loan. However, as a result of the donors' contributions, Self-Help was able to reduce the interest rate from 18% to 8% and eliminate their fees. Self-Help also received $20,000 from an anonymous donor to conduct targeted marketing and offer $50 scholarships to low-income immigrants in California's Central Valley and in the San Francisco Bay Area, reducing the loan amount to $415.

Partly due to Self-Help's geographical dispersion and its recent expansion, the Dreamer Loan program's effectiveness has varied significantly by location. As noted above, the credit union recently acquired a number of smaller credit unions with a wide range of histories and practices. In all, there have been eight consolidations and mergers between 2008 and 2013. Some of Self-Help's recently absorbed branches have offered financial services to immigrants for decades, including ITIN mortgages, savings accounts, and personal loans. Others have less experience serving this population and do not have established relationships with the immigrant community. In many of these locations, demand for DACA loans has been low. "The trick for us is building the type of networks that the New York and North Carolina programs have," said Jack Lawson, Self-Help's former chief operating officer. "We certainly have more capacity than demand."

Self-Help's Dreamer Loan had a soft launch at its California locations in October 2012. But it spent those first months ironing out initial kinks in the program. It was not until January 2013 that Self-Help began actively marketing the program in California. It was March 2013 when they launched the program in Illinois. The delay meant they, like other credit unions, missed the initial rush of applicants. Applications came in at a trickle initially, with Self-Help making just eight loans monthly during the first six months of the program. The slow start was largely a product of the short time frame between DACA's announcement and enactment, but Self-Help officials still count the delay as a lesson learned. "I would have done it even more quickly if we could have," said Joe Duran, a senior vice president in Self-Help's Community Trust

Dreamer Loan Programs: Case Example

KEY STATS

Launch Date:
California: October 2012
Illinois: March 2013

Interest Rate:
8%[31]

Fees:
None

Payback Period:
Up to 12 months

Loans Issued:
374 as of June 30, 2014

Default Rate:
8.8% as of June 30, 2014

Screening:
Referral by partner organizations

Funding Source:
Two private donors, one foundation grant

"When opportunities hit, those organizations that have developed strong relationships are going to succeed. You might have the best product in the world and maybe the best marketing, but you can't go anywhere without partners."

Joe Duran
Senior Vice President
Self-Help
Community Trust division

division. Nevertheless, the program has slowly gained popularity. In the first half of 2014, the credit union made about 22 loans per month.

Self-Help's Central Valley branches have had the most success, thanks in part to an established history of serving the immigrant community, said Duran, who is based in Modesto, California. The branches he oversees have long served as IRS acceptance agents, enabling them to issue ITIN numbers to potential clients. They also offer remote check-cashing services in locations that are more convenient for immigrant clients. Duran said one of the most successful measures they undertook was granting Self-Help employees two hours a week to volunteer in local elementary schools, giving the community a chance to meet credit union staff in an informal environment. Duran believes such efforts are much more effective than costly marketing campaigns on Spanish-language television and radio programs.

"When opportunities hit, those organizations that have developed strong relationships are going to succeed," Duran said. "You might have the best product in the world and maybe the best marketing, but you can't go anywhere without partners." Nearly as important, he added, is designing products that serve people on their terms, in their communities, and in environments where they feel comfortable. "I see so much money that's being spent on some really good ideas, but they're set up to fail because they're not relevant," he said.

Lessons Learned and Best Practices

While the five programs profiled differ in location, structure, and other factors, their challenges, successes, and lessons learned reinforce a similar set of best practices: .

- **Partnerships pay off.** Formal partnerships with immigrant-serving organizations, consular offices, and trusted legal service providers help to promote and market available loan programs. Most CDCUs work under slim operating margins and do not have the budget or the capacity to promote these loans themselves. For some loan programs, non-traditional partnerships—with faith organizations and elementary schools, for instance—are essential to effective marketing and outreach efforts.

- **Readiness is rewarded.** The most successful programs launched on the same day USCIS began accepting DACA applications. The ability to start making loans immediately allowed some loan programs to service the initial wave of applicants and respond to interest sparked by intense media coverage. Those programs achieved more sustained utilization of their loan products over time.

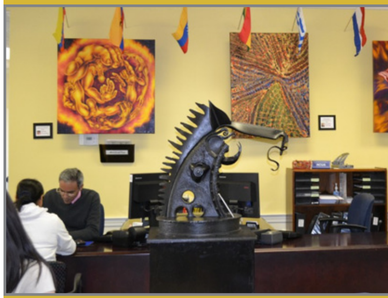
- **New products are not always necessary.** Credit unions can use or adapt existing programs and products to serve would-be DACA applicants who already have an ITIN or otherwise qualify for a personal loan. While this strategy may not cover all applicants, it does allow credit unions to serve certain clients while developing more targeted financial services to reach a wider pool.

- **Outreach is essential, even when demand is high and resources are limited.** Many DACA loan programs feared their funds would be oversubscribed, particularly in areas with high numbers of DACA-eligible immigrants. However, to date, no program has seen applicants overwhelm its funds. Indeed, many have found additional outreach campaigns were necessary in order to bring in applicants. However, due limited budgets, most credit unions do not have the staff capacity or resources to engage in paid marketing campaigns, relying instead on their networks and partners to attract loan applicants. Tactics such as savings matches can also help attract additional candidates.

- **Experience with immigrants counts.** Credit unions without prior experience serving immigrants face a much steeper learning curve, as they may need to develop both a new financial product like a Dreamer loan program and the capacity and procedures to serve immigrant customers.

- **Clients should be served on their terms.** Credit unions often must adjust their business practices to effectively serve immigrant customers. Some successful strategies include offering evening hours, opening mobile branches, and hiring bilingual staff. Providing services at DACA application assistance workshops has been especially effective in reaching the target population and increasing loan volume.

The most successful programs launched on the same day USCIS began accepting DACA applications.



Providing services at DACA application assistance workshops has been especially effective in reaching the target population and increasing loan volume.

Potential DACA applicants at a DACA clinic held in February 2014 with support from the California Community Foundation.

Roles for Philanthropy

DACA provides foundations, service providers, community organizations, and financial institutions—including credit unions—with a trial-run for a broader legalization program.

DACA offers philanthropy a rare opportunity to dramatically and immediately improve the lives of tens of thousands of young immigrants across the country. Aside from the direct benefits of the program—relief from deportation, work authorization, possible eligibility for driver's licenses and in-state tuition—DACA sets immigrant youth and young adults on a positive financial trajectory. Receiving and repaying a loan can establish or help repair their credit history, while interacting with a credit union can encourage them to open a savings account and expose them to other financial products that can save them money and open the door to new economic opportunities.

Aside from its immediate benefits, DACA provides a trial-run for implementation of either expanded administrative relief or future legislative reform. DACA gives foundations, service providers, community organizations, and financial institutions including CDCUs an opportunity to develop systems, procedures, and best practices for helping millions of immigrants complete a complex application process. It is valuable practice given any future comprehensive reform program is likely to span more than a decade and require thousands of dollars in fees and fines.

Funders managing a variety of grantmaking portfolios—from poverty alleviation and education to workforce development and economic opportunity—have a stake in successfully implementing DACA. Whether through grants or program-related investments, foundations can take advantage of this opportunity and achieve substantial leverage through a variety of funding strategies (described below) that resonate with their mission, priorities, and theories of change.

Funding Loan Programs

- **Providing loan-loss reserves** to credit unions has been the most common form of philanthropic support for DACA loans. For every dollar a foundation provides to offset potential loan default, most credit unions can make $10 to $20 in loans. Thus, a $100,000 grant could, for example, leverage between $1 and $2 million in loan capital. Loan-loss reserves also allow credit unions to reduce interest rates and fees.

- **Offering a matching contribution** towards a post-loan savings deposit. This practice encourages borrowers to pay off loans and establish positive savings habits.

Combatting Fraud

- **Supporting efforts to educate applicants about the risk and potential for fraud,** such as unqualified or dishonest "notarios" or other legal service providers, fraudulent or exploitative lenders, and other potential scams.

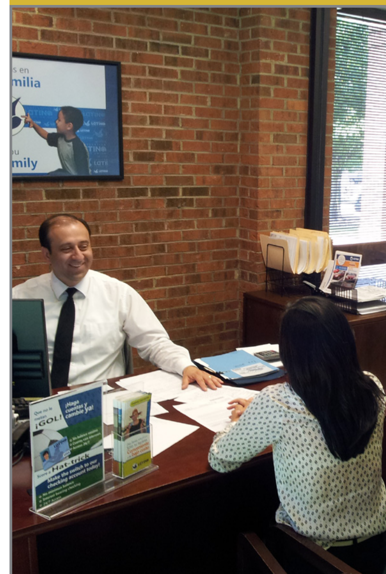
Promoting Collaboration and Coordination to Increase Impact

- **Supporting funder collaboratives and coordinated initiatives** to distribute pooled or aligned grants, particularly in regions where the number of DACA-eligible applicants is lower and more on-the-ground work and local knowledge are needed.

- **Encouraging and facilitating partnerships between credit unions and immigrant service providers,** which has thus far shown to be one of the key indicators of success in increasing applicant referrals to DACA loan programs, as well as other immigrant-friendly financial products.

- **Capacity building among existing loan programs and partner nonprofits,** including funding additional staff to market the loans and provide financial education, as well as adding loan screening to intake processes.

- **Improving access to technology** to assist credit unions and service providers to make loans, financial services, and financial education more readily available to would-be applicants. Efforts could include making bank services available by phone or over the internet and increasing a bank's online resources.



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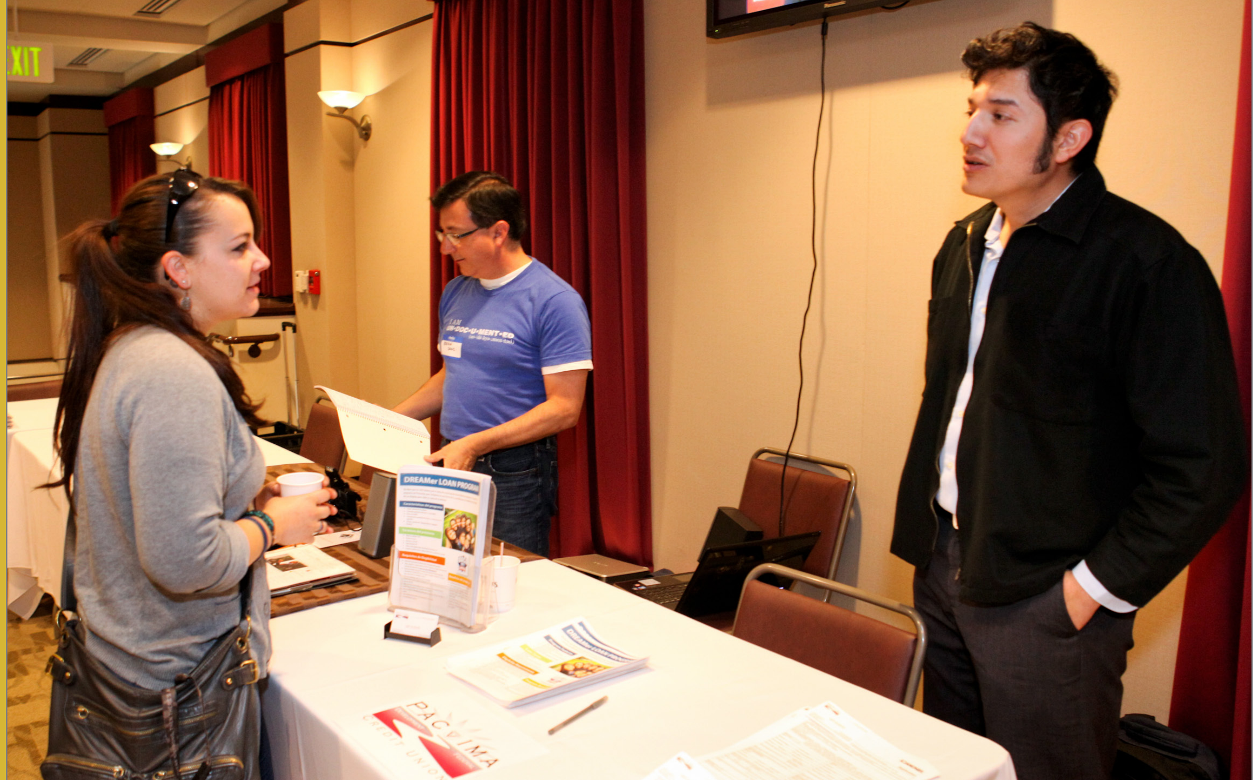
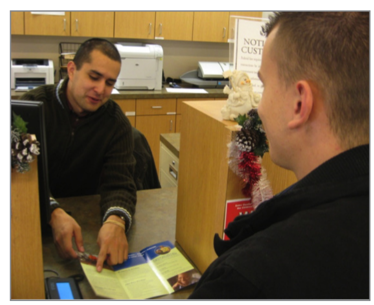


A Pacoima Valley Credit Union representative (r) speaks with a potential DACA loan applicant at a DACA clinic held in February 2014.

Conclusion

Partnerships with credit unions offer funders with diverse grantmaking strategies and investment tools a chance to have a transformative impact on the lives of countless young immigrants as well as the communities in which they live and work. Access to affordable loans not only helps these newcomers access DACA's benefits; it can set them and their families on a path out of poverty and toward sustained financial well-being by establishing credit, introducing them to mainstream financial services, and building savings. It puts them in a position to contribute to and participate more fully to the country they now call home. In short, it gives them access to the American Dream.



For additional information, please contact Michael Kavate, GCIR's research and communications coordinator (michael@gcir.org).

Endnotes

1 Adapted from the National Federation of Community Development Credit Union's "What is a CDCU?" article. Retrieved from: http://www.cdcu.coop/about-us/what-is-a-cdcu/.

2 For more information about DACA, including the program's eligibility requirements, visit the U.S. Citizenship and Immigration Services (USCIS) DACA web portal: http://www.uscis.gov/humanitarian/consideration-deferred-action-childhood-arrivals-daca

3 For more information about PRIs, visit Grant Space's Knowledge Base article on PRIs, from which this definition is adapted: http://grantspace.org/Tools/Knowledge-Base/Grantmakers/pris

4 DACA is a temporary immigration relief and employment authorization program for undocumented immigrant youth and young adults that took effect on August 15, 2012.

5 According to Migration Policy Institute, out of 2.1 million potentially eligible immigrants, an estimated 1.2 million immigrants are immediately eligible for DACA; 426,000 need to complete certain educational requirements in order to attain eligibility; and 473,000 do not meet the age requirement but will likely become eligible at age 15.

6 While CDCUs are uniquely positioned to offer DACA loan programs, references in this report to CDCUs also apply, in most cases, to other types of credit unions.

7 Newberger, Robin, et. al. "Financial Access for Immigrants: The Challenges and Opportunities Facing U.S. Depository Institutions." October 2006. Federal Reserve Bank of Chicago.

8 Paulson, Anna, et. al. "Financial Access for Immigrants: Lessons from Diverse Perspectives." May 2006. Federal Reserve Bank of Chicago.

9 Ibid.

10 Singer, Audrey; & Paulson, Anna. "Financial Access for Immigrants: Learning from Diverse Perspectives." October 2004. The Brookings Institution. Policy Briefing, Conference Report #19.

11 CDCUs that extend loans to DACA applicants typically refer to them as "Dreamer Loans."

12 Information in this sidebar is adapted from MyCreditUnion.gov, the consumer website of the National Credit Union Association.

13 National Council of La Raza is preparing a research paper that will profile a similar collection of DACA loan programs with a focus on the roles for community-based organizations.

14 A photo ID issued by the Mexican government to Mexican citizens living abroad.

15 DHS houses USCIS—which is the government agency that oversees lawful immigration to the United States and considers all requests for DACA.

16 SNL Datatrac, Inc. "Comparison of Average Savings and Loan Rates at Credit Unions (CUs) and Banks." National Credit Union Association. March 2012. Retrieved from: SNL Datatrac, Inc.

17 Assuming a six-month loan term, a borrower would pay approximately $22 in interest.

18 This refers to the source of funds used to capitalize the loans by establishing a loan-loss reserve and, in some cases, to create a pool of funds to offer savings incentive matches.

19 National Credit Union Administration Annual Report 2013. May 12, 2014. National Credit Union Administration.

20 Banks and credit unions do not offer interest-bearing accounts to customers without either a Social Security number or an ITIN, as the Internal Revenue Service requires financial institutions to report all interest earned by customers. Some credit unions assist customers in obtaining ITINs.

21 Guadalupe Credit Union bases its interest rates for these loans on the risk each borrower poses, which accounts for the wide range reported. Assuming a 35-month loan term, a borrower would pay between $15 (at the 2.1% rate) and $113 (at 15.2%) in total interest.

22 Guadalupe was unable to separate its DACA loans from other personal loans due to a coding issue.

23 Again, due to a coding issue, Guadalupe was unable to track defaults on DACA loans.

24 New Economy Project was formerly known as the Neighborhood Economic Development Advocacy Project or NEDAP.

25 Assuming a six-month loan term, a borrower would pay approximately $16 in interest.

26 Three loans are currently delinquent.

27 This figure applies to a region encompassing Los Angeles, Long Beach, and Santa Ana, California.

28 Private foundations, unlike public charities such as CCF, can count PRIs against their annual minimum spending requirements.

29 Though the loan program is technically operated under the Community Trust division of Self-Help Credit Union, it will be referred to as "Self-Help" in this document.

30 This figure applies to a region encompassing Chicago, Joliet, and Naperville, Illinois.

31 Assuming a 12-month loan term, a borrower would pay approximately $20 in interest.

About GCIR

Since 1990, GCIR has sought to influence philanthropy to advance the contributions and address the needs of the country's growing and increasingly diverse immigrant and refugee populations. In so doing, we seek to promote effective grantmaking that not only improves the lives of newcomers but also strengthens communities. In response to DACA, GCIR helped to organize a coordinated response, known as Delivering on the Dream, among national, state, and local foundations to support much-needed community outreach, application assistance, legal services, and loan programs.

For more information about GCIR and our various programs and resources, visit www.gcir.org or email info@gcir.org.

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