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PERSPECTIVES ON IMMIGRATION

Serving the Under-Served: Banking for Undocumented Immigrants

by Calvin E. Bellamy*

In recent years, there has been a great deal of controversy over the efforts of some banks to offer financial services to individuals without Social Security numbers, many of whom are undocumented immigrants. More and more banks now allow people to open checking and savings accounts and to apply for credit cards and home mortgages using an Individual Taxpayer Identification Number (ITIN) issued by the Internal Revenue Service (IRS) or an identification card issued by a foreign consulate in the United States. In February of 2007, for instance, Bank of America announced a pilot program in Los Angeles offering credit cards to individuals who lack either a social security number or a credit history, provided that they have ITINs.¹

Supporters argue that the banks behind such initiatives are simply providing services to under-served groups (primarily Hispanics) who are integral members of the communities in which they live and in which the banks operate. Critics, on the other hand, maintain that the banks are, in effect, “rewarding” or even “aiding and abetting” the illegal behavior of immigrants who enter or remain in the country without authorization. Invoking precisely this argument, Rep. John Doolittle (R-4th/CA) introduced a bill on January 16 (H.R. 480) that would prohibit financial institutions from issuing residential mortgages to anyone without a Social Security number.²

One of the banks that felt the ire of opponents to these kinds of outreach efforts among immigrants was Bank Calumet. Until its acquisition by First Midwest Bank in 2006, Calumet was a billion-dollar community bank serving northwest Indiana and the southern Chicago metropolitan area. The bank had a long tradition of community involvement and special outreach to under-served individuals. For over a decade, Calumet enjoyed an “outstanding” rating from the U.S. Office of the Comptroller of Currency for purposes of the Community Reinvestment Act, which is “intended to encourage depository institutions to help meet the credit needs of the communities in which they operate, including low- and moderate-income neighborhoods.”³ The bank’s service area was heavily blue collar and long had been characterized by a rich mixture of Eastern Europeans, African Americans, and southern whites. In recent years, the Hispanic population increased significantly.

Hispanic Outreach and Public Hostility

In 2003, Calumet developed a comprehensive program for serving this growing Hispanic population. Over the ensuing three years, the bank opened several hundred deposit accounts using ITINs and consular identification cards. Calumet also created a new product—the “two ATM card” savings account—to facilitate the transfer of funds from account holders in the United States to their relatives in other countries. In August 2005, the bank issued its first mortgage using the borrower’s ITIN rather than a social security number.

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While most of the bank's Hispanic outreach initiatives went largely unnoticed, the reaction to the ITIN mortgage program was surprisingly negative. Even though ITIN mortgages were made only after careful underwriting, with no private or public subsidies, some non-Hispanics seemed to feel that these loans were a giveaway to undocumented immigrants. Some viewed the mortgage program as criminal or even treasonous.

A local newspaper wrote about the program in a story formatted to look like a "Most Wanted" poster, under the headline "Region bank opens home ownership to illegal immigrants." The same day, ITIN mortgages were "topic one" on a local radio station. In subsequent days, the newspaper published several anonymous call-in comments and gave substantial coverage (including two large photographs) to a local anti-immigration group that briefly picketed one of the bank's offices. Following this extensive coverage, the bank received a small avalanche of negative e-mails, letters, and telephone calls. The accusations contained in these messages fell into the following categories:

- *Criminality (and Treason)*: This was by far the most commonly expressed view. The bank was accused of "aiding and abetting" undocumented immigrants and one correspondent promised to report the bank to his congressional representatives and U.S. Immigration and Customs Enforcement (ICE), as well as "everyone I know." The bank also was admonished for "dealing with criminals." Several people concerned about criminality identified themselves as being from the southwestern United States. While these front-line states along the border with Mexico bear the burden of unauthorized border crossings and may be justifiably concerned about the stress on their social-service networks, Bank Calumet was in no position to address these large issues. The bank could deal only with one individual at a time. The ITIN mortgage program required a complete financial vetting. Applicants had to be employed, pay their rent, utility bills, and taxes on time, and otherwise obey the law. If Calumet was "aiding and abetting" undocumented immigrants, so too were employers, landlords, utilities, grocers, and discount stores. And, of course, the IRS collects income, Social Security, and Medicare taxes from these individuals even though ITIN filers may never qualify for retirement benefits. Regardless of how they arrived here, these individuals are deeply embedded in our economy and society.
- *Greed*: Another assertion was that Bank Calumet made ITIN mortgages in pursuit of the "almighty dollar," as some correspondents put it. The criticism that the bank made ITIN mortgages "for money" is a curious charge in a capitalistic society. Like any private company wishing to succeed, the bank provided desired products and services to members of the community and did so in a cost-effective manner. Perhaps critics were concerned that the bank was pursuing profits in a reckless manner. This was not true. Bank Calumet applied the same underwriting standards to ITIN mortgages as it did to all other mortgages, but with the added requirement that ITIN applicants qualify for private mortgage insurance (PMI). Moreover, ITIN mortgages tended to be less profitable than others because they usually were smaller, even though the bank incurred about the same expense in underwriting a small mortgage as it did for a large one. However, ITIN mortgages had a long-term benefit of central importance to a community-based financial institution like Bank Calumet: neighborhood stability.
- *My Ancestors Were Legal*: Certainly, Native Americans could question whether the original European settlers "legally" entered what would eventually become the United States. Regardless, it seems too simplistic today to just say "send them back" to all immigrants who

⁴ Mexicans and other Latin Americans leave their home countries because of limited opportunity and are drawn here because less-skilled jobs are available. Isn't it part of American folklore that wave after wave of European immigrants came here for the economic opportunities the New World had to offer? What's so different about the motivations of Latin American immigrants?

- *My Ancestors Didn't Need Any Help:* Critics with this viewpoint seem to believe that anything done to help Hispanics enjoy the advantages of U.S. society is somehow a betrayal of their own family's immigrant heritage. Of course, many native-born Americans don't actually know how their immigrant ancestors came here or what support they might have received along the way. More importantly, is it wise to deny opportunities to people who, once they arrive here, have worked, paid taxes, and otherwise played by the rules? Creating a new underclass of people without economic opportunity certainly isn't a solution to the problem of undocumented immigration.
- *U.S. Citizens Are Being Denied:* Some critics asserted that Bank Calumet was favoring undocumented immigrants over native-born Americans. This reasoning is based on the assumption that doing something for one person requires taking something away from another. In reality, no qualified applicant was denied financing because of the ITIN mortgage program. Bank Calumet had sufficient mortgage funds for all qualified applicants and remained equally committed to its decades-long practice of promoting home ownership among all groups in its market area. Every applicant had to meet the same underwriting standards and everyone meeting those standards could obtain financing.

Conclusion

The critics of Bank Calumet's ITIN mortgage program tended to see the beneficiaries of the program as a faceless crowd of undocumented immigrants. But the bank saw individuals, one face at a time. Perhaps it would have been helpful if critics could have seen these individual faces and heard the particular stories of ITIN applicants. These were longtime U.S. residents with good employment histories who had paid their bills and taxes on time and who often had children or grandchildren who were U.S. citizens, some of whom were military veterans. We need a national solution to the problem of undocumented immigration, but remember that we are talking about people with families, jobs, and something to contribute to American society.

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¹ Miriam Jordan & Valerie Bauerlein, “Bank of America Casts Wider Net for Hispanics,” *Wall Street Journal*, February 13, 2007; E. Scott Reckard, David Streitfeld & Adrian G. Uribarri, “Banking on illegal immigrants,” *Los Angeles Times*, February 14, 2007; Kenneth H. Harney, “Social Security Number as Mortgage Prerequisite,” *Washington Post*, February 24, 2007.

² *ibid.*

³ Federal Financial Institutions Examination Council, “About the Community Reinvestment Act: Background and Purpose” (<http://www.ffiec.gov/cra/history.htm>).

⁴ These estimates are taken from Jeffrey S. Passel, *The Size and Characteristics of the Unauthorized Migrant Population in the U.S.: Estimates Based on the March 2005 Current Population Survey*. Washington, DC: Pew Hispanic Center, March 7, 2006, p. i-ii.