Financial Capability for New Americans

Lessons from Early Interventions with Refugees

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Acknowledgements

The International Rescue Committee (IRC) helps people whose lives and livelihoods are shattered by conflict and disaster to survive, recover and regain control of their future. In keeping with this mission, the IRC works with New Americans to create solid financial foundations as they rebuild their lives within the United States. In recent years, the IRC has partnered with JPMorgan Chase to build its capacity to serve New Americans as they strive for lasting self-sufficiency and healthy family finances.

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Executive Summary

New Americans are a vital part of the United States' communities, culture and economy; supporting full financial inclusion for refugee and immigrant families through financial capability interventions is a critical step towards ensuring their integration and success.

Drawing on data from more than 2,400 refugee households — as well as the International Rescue Committee's resettlement and economic empowerment work in 28 U.S. cities — this report aims to inform future program models in order to create more effective and responsive approaches to building financial capability, lasting economic security for all New Americans.

Financial Capability for New Americans presents analysis which intends to:

- Shed light on the financial dynamics of refugee households in the first years after they arrive in the U.S., to foster a better understanding of their financial needs and opportunities.
- Share promising practices in the field of financial capability development and ways these practices can be contextualized to best serve refugee and immigrant families.
- Examine the impact that responsive financial coaching can have on refugee economic outcomes when integrated into financial capability programming.
- Offer learnings that can inform practitioners and researchers as they work to support full financial capability for all New Americans.

The report offers a variety of key findings, including:

- Refugee families undergo accelerated financial change and learning during their first years in the U.S. and this period is ripe for financial capability interventions.
- More individual financial coaching correlates with better economic outcomes for New Americans; however, a hybrid coaching model is recommended for greatest acceptance and impact among newly arrived families.
- Delivering integrated financial education, financial coaching and access to financial products that are designed to help new Americans establish credit and build assets is a promising strategy to promote their lasting economic wellbeing.
- Key practices for successful service delivery among New Americans include strong relationship-building between clients and coaches, intentional on-ramping into financial capability programming and a just-in-time approach to offering services when the client is ready to use them.
- Introducing a gender-lens when designing financial capability services is necessary to ensure that women can access and reap equal benefits from these services; more research is needed in this area.

Introduction

The United States is home to more than 42 million immigrants, representing nearly 15% of our current population. They come to the U.S. to join family members, attend school and fill critical jobs in our dynamic and growing economy. Some arrive under duress, as refugees and asylum seekers who faced persecution, war and violence in their home countries. What these New Americans share in common, is a desire to build healthy, thriving futures for themselves and their families in the U.S., while contributing to the economic and cultural vitality of our nation.

While these dreams and aspirations are grounded in a belief that building a good life in the U.S. is possible, immigrants do face some unique challenges in order to prosper in our country. Nearly 70% of the foreign-born population in the U.S. hold jobs — a participation rate that exceeds the native-born population — yet poverty rates among immigrant families are more than 20% higher. The median household income of immigrant families falls 12% below native-born families. New Americans are vital and motivated contributors to our economy, but too often reap disproportionately low benefits from economic opportunities due to information and skill gaps that delay their progress.

This report shares learnings from the IRC's financial capability work with refugees and aims to inform approaches for building lasting economic security and financial inclusion for all New Americans. It offers new insights into the dynamic financial situation of refugee households in their first years in the U.S. and provides an overview of interventions designed to build financial capability tailored to the special circumstances and needs of these low-income newcomers. This report also offers an analysis of the benefits of financial coaching, one of the most promising evidence-based practices, and its impact on early indicators of financial health among refugees.

PHOTO: Jessica Wawrzyniak/IRC

Financial Capability for New Americans presents its key findings in four parts:

Part I details the financial situation of refugee households in their first years in the U.S. This picture is drawn from an analysis of over 2,400 refugee family budgets tracked for up to 4 years after their arrival, as well as from in-depth conversations with IRC financial capability practitioners and clients.

Part II presents a descriptive analysis of promising financial capability practices that have been adapted to the unique circumstances of the refugee or low-income newcomer experience. This section highlights the ways proven approaches to delivering financial capability programming can be implemented in a manner that is responsive to, and effective for, New Americans.

Part III explores how one promising practice — financial coaching — works in the refugee context and, when combined effectively, can improve the impact of other financial inclusion services. It also presents evidence that shows financial coaching as a powerful strategy by which to lift New Americans up towards economic prosperity.

Part IV offers a series of key tactics that financial capability practitioners can deploy to maximize results when working with refugees and other New Americans to achieve and sustain economic independence, as well as directions for future research.

It is the IRC's hope that the findings, analysis and recommendations presented will serve to advance learning, inform practices in the field and identify areas for additional investigation. While this report primarily draws on experiences and data from refugees, we also hope that lessons learned will inform financial capability work with all New Americans. Refugee and other immigrant populations share a common experience of rebuilding their lives in a new country, while facing the challenge of cultural adaptation, language barriers and a demand to learn new skills and systems in order to thrive.

Our country has always welcomed immigrants to build and strengthen our nation; New Americans continue to be central to the economic and cultural might of America.
By better understanding how we can nurture financially healthy immigrant families, we are contributing to the strength of our nation today and in the future.

Part I

Refugees: Understanding their Early Financial Experiences

Refugees are a unique population of New Americans. They arrive under duress, often from volatile and least developed nations, and receive humanitarian support upon arrival. Refugees begin building their economic lives anew from their very first day in America and within their first two years in their adopted country take many critical steps in establishing their financial footing and a path towards lasting self-sufficiency.

PHOTO: Ethan Fichtner/IRC

Since 1933, the IRC has worked to help refugees who are fleeing war and conflict rebuild their lives in nations that have provided them safe haven. Today, the number of refugees worldwide exceeds 20 million. The IRC works in conflict regions and fragile states around the globe to help many of these displaced people — the majority of whom are women and children — regain control of their future. In the U.S., the IRC's resettlement and economic empowerment programming staff work in partnership with refugees who are dedicated to building life anew.

U.S. Refugee Resettlement

The United States has long played a leading role in responding to the needs that arise from forced displacement both domestically and abroad. One crucial component of the U.S.' global refugee policy is its active role in offering permanent resettlement to tens of thousands of refugees each year who cannot return safely to their homes. To this end, the State Department works in cooperative agreement with nine private, not-for-profit agencies in the U.S., including the IRC, to assist in the reception of new arriving families to help them start a new life in the U.S. In 2016, the U.S. resettled 84,995 refugees from dozens of countries around the world.

> A refugee, as recognized under international law, is someone who has been forced to flee his or her country because of persecution, war or violence. A refugee has a well-founded fear of persecution for reasons of race, religion, nationality, political opinion or membership in a particular social group.

Refugees are diverse, not just in terms of their country of origin, but also in their varied educational and professional backgrounds. While in recent years the majority of refugees (71%) have completed secondary education, this varies widely between populations. Refugees displaced from Bhutan, Burma and the Democratic Republic of Congo, for example, are less likely to have completed secondary education than those who were forced to flee from countries such as Iraq and Iran. Nearly all refugees are non-native English speakers and most arrive to the U.S. with low English skills. In recent years, just 7% have been identified as having "good" English at the time of arrival. A refugee with "good" English could be expected to comfortably converse in most every day social situations.[1]

PHOTO: Jessica Wawrzyniak/IRC

Initial refugee resettlement services include extensive case management services. Resettlement services staff help families settle into housing and get utilities and phone services set up. Staff and volunteers assist children with school enrollment and adults with English language classes and employment services. They help families get oriented to local transportation options and cultural orientation activities to help the refugee family begin to learn about their new community.

As the nation's second largest refugee resettlement agency, and one of the longest serving, the IRC's work with these newcomers is expansive. Through a network of 28 field offices spread across the U.S., each year the IRC resettles some 15% of all new refugees and provides services to thousands of additional refugees through longer-term programming designed to support successful integration and the development of thriving families.

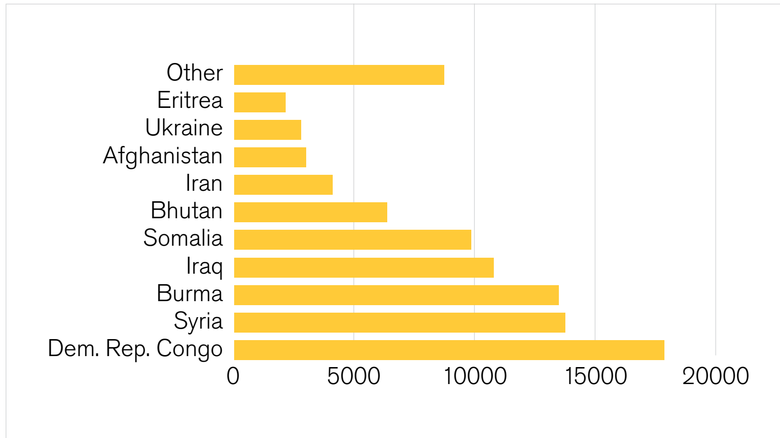
Becoming “Self-Sufficient” and Establishing a Financial Foothold

Economic independence is the foundation of long-term stability and successful integration for new arrivals in the U.S. With this critical outcome in mind, the IRC focuses on helping refugee families become self-sufficient and begin to establish their financial footing in America from the outset. After receiving very modest support to supply basic household furnishings and cover the cost of essential needs in the first months after arrival, there is immediate pressure on refugee families to take steps towards earning income and gaining self-sufficiency. Cash assistance typically does not suffice to cover family needs and is only available for a few months after arrival. Even before this minimal cash assistance is depleted, the family is highly motivated to earn income to pay rent, cover basic expenses such as food and transportation, personal hygiene and more.

With the goal of rapid self-sufficiency in mind, all refugees of working age are enrolled in employment services within the first few weeks after arrival in the U.S., unless they have serious health issues that preclude participation in the workforce. While the specific terms and conditions of employment programs may vary across localities, most programs require refugees to take job readiness or vocational English classes and provide access to an employment counselor who is tasked with identifying appropriate employment opportunities and assisting the refugee to apply for jobs. During the period they are active participants in this program, the adult will typically receive a modest cash stipend of a few hundred dollars per month.[2] In addition to providing needed language and employment readiness skills, these programs are typically a welcome opportunity for refugees, as they are eager to acquire the skills they need to succeed in their new country. In addition to this employment assistance, refugee families receive support and guidance in enrolling in public benefits, such as food assistance programs like SNAP and WIC, for which they may qualify based on income and family composition.

Obtaining employment to earn income is the most pressing and immediate financial hurdle refugees must overcome after arrival. However, there are other critical financial barriers that refugees face as well. Access to credit can be almost as important to financial independence and resilience as earned income. Yet, as New Americans, refugees do not have a credit history or score in the U.S., which impacts their access to housing, jobs and affordable credit. Refugees also arrive in the U.S. with debt. Their airfare to America is paid via a travel loan, financed through a revolving fund managed by the International Organization of Migration (IOM). Refugees must sign a promissory note prior to departing for resettlement and payments on this loan begin just six months after arrival. Missed payments on the travel loan are reported to credit bureaus and can tarnish a refugee’s credit within the very first year post-resettlement. The combination of no credit score, plus debt upon arrival, means that refugees face the high risk of early defaults and being targeted by providers of expensive, high-interest financial products designed for individuals with poor credit.

Graph 1 — U.S. Refugee Arrivals 2016



> Not only do refugees arrive with no credit history but they arrive with debt — each refugee has a travel loan and payments begin just six months after arrival.

Many refugees arrive from countries with vastly different financial systems and economies — they may be used to a more informal or cash economy — and understanding and navigating the sheer complexity of financial choices in the U.S. may be overwhelming. Limited English skills and, for some, limited literacy skills, in both their native language and English, make it difficult to understand even the most basic financial processes such as reading a bill, interfacing with an ATM, or filling out a money order to pay rent. Taken together, lack of knowledge of the American financial system, plus limited literacy skills, further compounds the risk of a refugee engaging in a financial behavior that has both near-term and long-term negative consequences to the household budget and credit profile.

Table 1 — Sample Budget Family of Four

Income		**Expenses**	
Wages	$1,240	Rent	$900
SNAP	$560	Bus Pass	$75
		Food	$600
		Utilities and Phone	$100
		Household Supplies	$25
		Clothes	$25
		Travel Loan Payment	$70
Total Income	**$1,800**	Total Expenses	**$1,795**

Despite the challenges of becoming self-sufficient and establishing initial financial footing, New Americans actually make remarkable progress in a matter of months. Nonetheless, it is helpful to understand some key points about the average refugee household in these first months post arrival. Noteworthy among these are both the extreme economic vulnerability that refugee families face early on, as well as their persistence and success in starting to build solid financial footing in the U.S.

For many refugees, employment happens remarkably quickly. Indeed, within the first year, nearly half of all adult refugees are working and, in some refugee employment programs targeting those most ready for employment services, more than 80% of participants are employed within just six months. These jobs are typically low-wage, low-skill jobs with an average hourly wage of just under $10 nationally.[3]

Comprehensive refugee family household budget data is not available nationally for all refugees. However, in the past two years, the IRC has invested in capturing and tracking refugee family household budgets across its 28 program sites in the U.S.

The picture that emerges from a review of more than 2,400 family budgets from 2015 and 2016 arrivals is one of economic vulnerability, but also of upward momentum. Within less than a year, refugees are earning an average of more than $1,239 in wage-based income, which comprises more than 60% of their household budget. The remainder of their budget is typically a combination of means-tested income supports (e.g. Supplemental Nutrition Assistance Program (SNAP)) and sometimes, help from relatives and community members. On average, annual total incomes remain low, at less than $24,000.

In the first months in the U.S., refugees experience many financial milestones and "firsts." They may open their first bank account, get their first credit card, sign a lease, begin paying regular monthly bills, take out a loan and file their taxes for the first time. And, while these firsts are exciting and present opportunities to begin to build a strong financial footing in the U.S., they also present opportunities for mistakes that refugees may not fully understand they are making because of limited knowledge, language barriers and in some cases, predatory financial services behaviors that are targeting these low-income, immigrant communities.

Refugee Families: Working Families With Unique Needs

Like all American working families, refugee families need access to financial advice and products that can help them address immediate challenges and plan for the future. However refugees do have unique needs in this regard, owing to a specific combination of financial, knowledge and cultural barriers. Their material deficits — low-incomes, reliance on a shifting and sometimes unstable mix of low-wage work and means-tested income support, limited assets, lack of credit score — are, as they are for all low-income families, obvious markers of their need for knowledge, skills and access to financial products that are aligned with their needs. Refugees are often even more in need of financial capability programming, as their language skills, cultural context, prolonged experience with violence-driven displacement and trauma, make it even harder for these families to navigate new financial knowledge, products and institutions.

PHOTO: Jessica Wawrzyniak/IRC

Mainstream financial products and long-range financial planning do not always meet the full needs of low-income families. Effective product design for this segment must consider addressing immediate and pressing challenges related to making ends meet each month, with few assets to their name and absent or poor credit.

While these New Americans did not necessarily want to leave their homeland, they are invested in integrating, improving the welfare of their families and productively contributing to the United States. To do that effectively, they need responsive programming that can support full financial inclusion in their communities. The financial lives of refugee families are dynamic in their first years and it is a window during which refugees are taking many key steps that impact their economic situation in the short and long-term. There is great opportunity to shape key financial behaviors to help support long-term self-sufficiency among refugees through financial capability interventions in these early months and years.

Case Study | **Financial Firsts in Action**

Daniel, a refugee from Iraq, decided to take out a car loan in his first year in the U.S. so that he could get to and from his new job. His lack of familiarity financing in the U.S. led him to end up with a dealer-financed car loan at a 22% interest rate and an add-on extended warranty package that cost $1,600. Because of the financing, additional GAP insurance was required, adding an additional $1,000 cost to his original $4,000 loan.

Part II

Effective Financial Capability Strategies for New Americans

Effective promotion of financial capability among New Americans requires responsive programming that contextualizes evidence-based best practices to the reality of their unique needs. Bundled services including financial education, coaching and integrated financial products can be deployed in culturally and contextually accessible ways that meet the needs of New Americans.

PHOTO: Jessica Wawrzyniak/IRC

Building the financial capability of refugees and immigrants successfully requires integrating effective models and approaches the offer the most potential to help families succeed in building lasting financial stability in their adopted homeland. For more than a decade the IRC has worked to incorporate a variety of evidence-based models into service delivery and to test and assess their fit and efficacy with refugees and immigrants.

> Financial capability is a broad concept, encompassing people's knowledge and skills to understand their own financial circumstances, along with the motivation to take action. Financially capable consumers plan ahead, find and use information, know when to seek advice and can understand and act on this advice, leading to greater participation in the financial services market.

This section offers an overview of the key approaches that inform IRC's economic empowerment programs for New Americans. It describes the core financial capability services that can be offered in this model and explores implementation practices that most effectively facilitate refugee engagement with financial capability programming. It explores how a bundled services approach, inclusive of financial coaching and integrated financial products, can be informed by strategies that emphasize strong client-coach relationships, on-ramps that support clients in accessing services and an attention to timely intervention.

PHOTO: Jonathan McBride/IRC

IRC has developed its approach from the understanding that building financial capability requires both gains in financial knowledge (literacy) as well as access to financial services (inclusion) and that these must be coupled with a sense of agency and confidence that allows for positive financial behaviors and sound decision-making. IRC's work embraces this established definition of financial capability, with a strong emphasis on activating a refugee's full participation in financial planning and decision-making in accordance with a timeline that is appropriate to the level of knowledge and comfort that a family feels in what is, at first, a very foreign environment.

Bundled Service Model

Beginning nearly 10 years ago, the first IRC field offices began utilizing a formal "bundled services" approach. Based on pioneering work from the Annie E. Casey Center for Working Families, this bundled services model advanced the concept of a Financial Opportunity Center (FOC) that would offer an integrated set of services to low-income families to help them climb — and stay — out of poverty. The model included providing clients with workforce services, screenings for and connections to income supports and financial capability services under the same roof of a community-trusted provider. There are currently more than 70 FOCs operating across the U.S. and according to recent research analyzing over 40,000 participants in this model, there is evidence that this approach to economic empowerment services has helped improve the financial situation of low-income families. Specifically, the evidence shows that low-income families that receive bundled services are more likely to see increases in household net income and household net worth than those individuals who are only receiving assistance with employment, access to income supports, or financial capability services.[4]

Applying a bundled services approach is a particularly promising model for refugees, due not only to robust evidence that it works for low-income families, but also because it has a strong, natural fit with the refugee resettlement process. Refugee resettlement already includes the provision of workforce services and assistance alongside enrollment in appropriate income supports. Further, the community organization that resettles a refugee becomes a "trusted community provider," by virtue of the close case management that refugee receives from them during resettlement. The bundled services model is also adaptable to the many faces of refugee resettlement, both in terms of organizational size and capacity, as well as population(s) served, which increases the possibility of replicating this model in different resettlement sites across the nation.

The IRC has adopted the bundled services model by incorporating financial capability programming — especially financial education and financial coaching — into the work that the IRC does to support employment and access to income supports during a refugee's first years in the U.S. This is a natural fit because of the way in which employment programming already begins to address key financial concepts (e.g. earning income, paying taxes, covering work-related expenses such as transportation). Further, because refugees enter employment programming within a matter of days after arrival, it ensures an opportunity to engage refugees in financial capability programming early on.

Financial Capability Services

The IRC has built a suite of three fundamental financial capability services to address the unique situation of New Americans, which, when offered with our employment and career development services, represent an expansion of the traditional financial capability services in the Annie E. Casey Center for Working Families model. Our suite of services is comprised of:

- Classroom based financial education and skill-building
- Individual financial coaching and counseling
- Access to tailored financial products

These services are designed to foster both financial literacy and financial inclusion and to support the development of full financial capability in refugee households.

Classroom-based Financial Education: Building Foundational Skills

With the goal of building crucial basic financial skills among our clients, the IRC offers financial education workshops which have proven to be effective for refugee and immigrant populations. Though some evidence suggests that mainstream Americans do not actuate their knowledge in a classroom setting, there is evidence that shows that immigrants do, in fact, act on knowledge gained in a classroom setting.[5] Indeed, research has shown that financial education is at times more effective for populations with particularly low levels of financial literacy (which describes many refugee populations). Further, some of the analysis that argued that low-income populations were not benefiting from financial education did not fully take into account that sometimes lagging behavior change owes more to immediate circumstance, than lack of learning or intent to change behaviors when circumstances permit.[6]

> More than 90% of refugees taking IRC financial literacy classes demonstrate increased financial literacy knowledge and skills upon completion of the class.

New Americans who face the unique challenges described above do benefit from these basic, initial knowledge-building financial education workshops as a cornerstone on their journey towards sustained financial health. Many topics that would never appear in a basic financial education class for U.S.-born individuals are critical to address with New Americans.[7] For example, instructors spend time engaging the participants on topics such as the benefits of a bank, the safety of banks, government backing of banks — just to build trust in the institution itself — before they are able to explain the

Table 2 — Key Financial Education Topics for New Americans

Topics Critical to New Americans	Typical New American Lived Experience
Security and Trustworthiness of Financial Institutions	Financial institutions in home country are frequently insolvent or corrupt
Highly Complex Nature of American Financial System	Financial systems and infrastructure in home country is rudimentary
Role of Government Safety Nets in US Context	Government safety net programs are weak or non-existent
Long-term Planning	Have had disrupted lives for decades and the concept of planning may be foreign

differences and proper uses of a checking or savings account.

Introducing these topics and providing education in a group, classroom setting offers the opportunity for the instructor to address issues that are common to many refugees. Adjusting to a very different financial environment than they have previously known represents a paradigm shift that refugees — by virtue of their circumstances more than their particular, individual values — will need to embrace. It is important that financial education classes are tailored to the needs of adult learners with varying literacy skills. For example, incorporation of pictorial content and experiential learning can be more effective with low-literacy adults. In-language instruction can be ideal for new refugees, but there are also effective ESL-based model (where instruction is in contextualized, developmental ESL) that can help immigrants develop financial literacy skills.[8]

> Coaching is a client-led interaction that is future-oriented, integrates client generated goals, emphasizes positive financial behaviors, examines underlying beliefs and values and is deeply collaborative between client and coach.

Coaching for New Americans

Financial coaching is an integral part of financial capability services. There is a growing body of literature spanning the past decade that indicates that one-on-one financial coaching is an impactful, effective way to help low-income families make financial progress. Placing the client at the center of the decision-making process is central to the coaching strategy.

Financial coaching has been shown to help low-income families make both short and long-term goals for their families and modify their financial behaviors to achieve those goals. Financial coaching has also been shown to be effective in building the confidence of clients to navigate their financial lives and to feel less stress doing so. Finally, financial coaching is understood to work in part because it helps families think about their underlying financial values and beliefs and make choices based on those values and beliefs as opposed to functioning in a primarily reactive manner, which can support better long-term financial outcomes.[9]

The financial coaching model that leads to these positive impacts is usually defined as a set of core characteristics. It is a client-led approach that emphasizes goal setting, with the coach playing a key role in helping the participant stay motivated and accountable for the step(s) he wants to take to achieve his goal.[10] Coaching creates opportunities for clients to adopt positive financial behaviors by first examining the underlying beliefs and values that shape the client's current behavior and motivations. It occurs in successive, deeply collaborative exchanges between the coach and the client.

The IRC has introduced individual coaching as a key component of our financial capability suite. Yet, in the context of serving refugees and other New Americans, implementing this traditional, orthodox coaching model can be challenging. Refugees — with no knowledge of the U.S. financial system, on the heels of years of dislocation, violence and survival mode thinking — are often not primed for effective engagement with financial coaching in this pure sense. Nevertheless, it is apparent in our experience with refugees that one-on-one interactions with a coach are still critically important.

One of the learnings that IRC has noted in providing individualized financial support to nearly 2,000 refugees a year is that in the early months, refugees often look to their financial coach for immediate, transactional support to solve a problem in a crisis situation. For example, they may need help figuring out how to pay rent that is due in two days and they are short $600 and have no English skills to speak with a property manager and may not even know how to contact their property manager. Or perhaps they recently started working and, as a result of this earned income, their subsidized transit card suddenly stopped working and they cannot afford to get to and from work. In these situations, what the New American most frequently benefits from — and, indeed, needs and wants — is immediate, directive assistance in solving a problem. The hallmarks of a coaching relationship — future orientation, client-led interactions and coach/client collaborations — are challenging to pull forth in this type of situation. In responding to this need, a financial coach may engage in what is typically considered a “counseling” response that is more coach-led and more focused on short-term problem solving.

For New Americans, attending to immediate, pressing needs through an individual counseling approach can be helpful in addressing urgent financial crisis, while at the same time building rapport and understanding between the refugee

Case Study | **Hybrid Financial Coaching in Action**

Neman arrived from Afghanistan in 2014 and found employment rapidly, but he wanted to improve his career options by attending community college. When he first approached an IRC Financial Coach in San Diego, he wanted help filing for financial aid for college. This first service was transactional — Neman just wanted quick help with the confusing FAFSA form — and he got it. But, his Financial Coach began to engage Neman in other conversations. They talked about his budget and setting up a payment plan for his travel loan. Neman then took an interest in the topic of credit and his coach provided education and helped Neman get a credit-building loan. Dialogue continued and Neman identified a goal of earning more income as he felt that his expenses were creeping up. Together, they developed a plan of action. What began as a hurried request for a form that was due to a local community college — in just a few days — was transformed into a coaching relationship that is helping Neman truly build a sustainable financial future for himself.

PHOTO: Ethan Fichtner./IRC

and the financial coach. The financial coach, through trouble-shooting and problem-solving with the client, becomes a helpful, trusted resource over time. Then, the financial coach can move the relationship to a more traditional coaching approach, as the refugee builds an initial foundation of knowledge of the American context. The client then begins to move from the space of crisis to one that allows for thinking about goals and develops the confidence in their ability to have agency in crafting their financial future.

The IRC recognizes that tasking coaches with basic counseling duties, in some ways, represents a deviation from the evidence surrounding financial coaching. This method, while responsive to the unique needs of New Americans, is actually aligned with evidence that suggests that the most effective coaching interventions are those that are flexible in responding to the specific contextual situations of clients.[11] IRC refers to this continuum of counseling-to-coaching approach "hybrid financial coaching."

> In the past decade, the IRC has helped over 1,000 refugees participate in an incentivized savings program, enabling them to purchase over $47 million in assets including homes, cars and businesses.

Integration of Financial Products

New Americans typically arrive with very few assets and, by definition, have no financial history in the U.S. This is compounded by the fact that they face a particular financial handicap — no credit score — that makes it challenging to get started on the path of building financial assets. The lack of a credit score means they are often shut out from mainstream financial products and may face difficulties in renting housing, establishing utilities and, in some cases, it may even be a barrier to employment. At the same time, they may have a strong need for access to credit, often to purchase a car to get to and from work or to pay for an unexpected emergency expense.

Affordable, appropriate financial products — offered in conjunction with financial capability services — are a critical component of supporting refugees and immigrants in building a strong financial future.[12] The IRC has been at the forefront of developing financial products for this population and has seen the following types of products be particularly impactful in helping New Americans.

The IRC offers products that are responsive to the cultural needs of refugee communities, such as interest-free products that are structured to be accessible to those for whom their religious beliefs preclude them from taking an interest-bearing loan, or earning interest on a savings

Table 3 — Financial Products

Financial Product	Rationale
Credit-building Loan	A small ($100) interest-free credit-building loan paid over five months can help a refugee establish a credit score; on average over 650
Auto Loan	An affordable auto loan, especially one that allows for the purchase of a used car which many mainstream financial institutions will not finance, helps a refugee secure transportation for work and helps the refugee avoid the exorbitant interest rates found at many car dealerships (30%+)
Microenterprise Loan	Capital to start or grow a small business can advance the economic wellbeing of entrepreneurially-focused New Americans
Career Development Loan	Degree evaluation and re-credentialing costs sometimes prevent refugees from being able to pursue higher-skill, higher-wage jobs and a modest loan to cover these costs can expedite this step towards earning more income
Emergency Loan	An affordable emergency loan offers an alternative to pay day, title, and other high-cost loan options
Incentivized Savings Accounts	Incentivized savings accounts, which may take the form of providing "match" for each dollar saved or offer very high interest rates (15-20% or more) help refugees prioritize and accelerate savings

product. Similarly, the IRC promotes saving among many first-time savers through financial incentives. Matched savings help clients learn saving, but even more significantly, contribute to overcoming the lack of critical assets.

These products cover a spectrum of early financial demands and are designed to meet the needs of refugees in their first years in the U.S. They are deployed over the entire range of a refugee's engagement with financial capability programs to support specific goals such as establishing a credit score, building an emergency savings reserve, or buying a car to allow a refugee to take a better paying job in a different location. Products range from very small loans targeted to establishing a positive credit to more substantial microenterprise loans that go to aspiring entrepreneurs who may be neglected by mainstream creditors. As detailed in Table 3, they are products that help refugees establish a credit score, secure transportation, start businesses, weather emergencies and build savings.

The integration of financial products into the overall financial capability work with a refugee family can help the family establish and build credit, save for emergencies and access needed funding to facilitate progress on increasing household income. Financial products can help refugee families avoid financial missteps, such as taking on high-interest debt that can haunt the family for years to come.

By offering financial products in the context of broader financial capability services — notably financial education and coaching — refugees have the opportunity to learn to manage debt in a supported environment that is explicitly focused on building their capacity.

The success of New Americans using these products is apparent in the key indicators of incentivized savings programs (over 1,000 refugees have met savings goals), as well as repayment rates on IRC consumer and business loan products (94%), demonstrate clearly that financial products are a tool that refugees can use successfully with appropriate support.

Key Practices

Through years of work building up the financial capability of New Americans, the IRC has begun to develop key best-practices that can support successful implementation and achieve outcomes. This experience points to three key practices that lead to the best results in reaching and retaining New Americans in financial capability programming : relationship building, intentional on-ramps and “just in time” engagement. The value and utility of each of these practices is explored below.

Relationship building: This practice refers to an approach that strategically uses repeated interactions to foster in the refugee a sense that a financial capability staff member is available, knowledgeable and able to provide meaningful assistance to address

Case Study | **Relationship Building in Action**

Mohanad lost his wife to violence in his home country of Iraq and now, as a single father, was devoted to building a new life for his two young daughters. When Mohanad first arrived, he had no English language skills and needed a job. He was enrolled in the IRC’s intensive vocational ESL program, which included financial literacy lessons taught by a financial coach who spoke Arabic, just like Mohanad. With his class, he took trips to neighborhood banks and learned valuable financial fundamentals. IRC helped Mohanad find work at a local grocery store to support his family.

Shortly after starting his job, Mohanad came back to his financial coach because he had learned about credit and wanted to take out a $100 credit-building loan to establish a credit score. His financial coach helped him to enroll in a utility bill payment assistance program. Things were still tight for Mohanad, as he was in $550 debt, had payments due on his travel loan bill and his expenses exceeded his income by $300 a month. Persisting, Mohanad soon found a higher paying job, but for which he needed a car to get to. He came back to his coach and worked with him to apply for an auto loan. Within a week of starting the new job, Mohanad got a $5,000 low-interest auto loan and he purchased a car for his commute. Within a year, Mohanad had a credit score above 600 and his income exceeded his expenses by $525 a month. Mohanad then felt much more secure about his ability to take care of his family and continue rebuilding his life in America.

PHOTO: Keith Lane/IRC

both immediate and longer-term needs. The very idea of a "financial coach" or "financial capability programming" is foreign to refugees and so the process of building trust over time through valued actions — helping a refugee complete a money order to pay their first utility bill, jumping on the phone to negotiate a waiver of a late fee for a delayed rental payment, reminding them that it is time to file taxes and that they might be eligible for an Earned Income Tax Credit — lays the foundation of a trusting relationship that can then be leveraged to engage in more goal-oriented financial coaching. Priming refugees for effective engagement with financial capability programming is an iterative process and one that is frequently best carried out by a staff member who has the language and cultural skills to comfortably interact with the newcomer family.[13]

Intentional on-ramping: There is significant evidence that low-income adults accessing financial capability services often struggle to overcome logistical and motivational barriers to accessing services. In a universe of many pressing priorities and limited resources, choosing to access financial capability services is not always a top priority. To address this, practitioners can build intentional on-ramps to financial capability services. In essence, the goal is to build an on-ramp to one or more sustained interactions with a financial coach into programming that refugees are already participating in, mitigating the need to "choose" to participate in financial capability services. For example, a financial coach might visit an employment program's job readiness classes each week to teach some basic financial education, but also make himself available to informally speak with New Americans after class about any individual circumstances they are struggling with or want to know more about. In this example, the refugee does not have to "choose" to attend a financial education class as it is embedded in required job readiness classes and further, she can get some initial individual financial support without having to overcome the logistical and motivational hurdles of planning a separate appointment. Another approach might be to have a financial coach tag along on one of the early home visits that are a part of the refugee resettlement process, encouraging the family to become familiar with the coach and take some early steps — such as reviewing bills that might be sitting on a kitchen table, or helping a family mark off on a calendar when bills are due — that demonstrate the helpfulness, knowledge and accessibility of the financial coach. Here again, the family does not have to "choose" financial capability services but rather is provided these services as a timely add on to a regular visit from a resettlement caseworker.

Just-in-time: This approach refers to the idea of connecting a New American to a financial capability service at precisely the moment when it will feel most naturally relevant and needed. For example, an employment case manager, upon helping a New American find work, will walk that client over to a financial coach to learn about auto loan options to facilitate his or her commute to work. This "just in time" introduction to a financial product is far more personalized and relevant to the refugee than simply providing general information about financial capability services through signs in a lobby or as part of a general information and orientation session that a refugee might participate in. And while it may be the auto loan product that serves as the hook into financial capability programming, through engaging the financial coach to apply for an auto loan, the financial coach as the opportunity to provide additional financial education and coaching, laying a foundation for sustained engagement with programming.

Case Study | **Just in Time in Action**

Lombune and his wife were recent refugee arrivals from the Democratic Republic of Congo. They and their children were resettled by IRC and were eager to build a new life. In their first months in the U.S., they received income supports in the form of Temporary Assistance for Needy Families (TANF) while they immersed themselves in a rapid vocational ESL and employment program. Because of a paperwork error involving misplaced immunization records at the local health and human services office, just a few months after they arrived, their income supports were suddenly reduced by several hundred dollars, just days before rent was due. As Swahili speakers with minimal literacy skills and limited understanding of how to fix this predicament, they were worried that they would be evicted. Fortunately, their work readiness instructor took the family to a financial coach who helped them apply for a small emergency loan to cover the missing portion of their rent that month and she also provided assistance in navigating the income supports error. The family has expressed how much they trust the IRC to help them navigate the new financial system they find themselves in and made an appointment to get help with filing taxes this year.

Part III

Maximizing Outcomes through Financial Coaching

Financial coaching is one of the key promising practices that the IRC uses in the field. The IRC's analysis of individual financial coaching among refugees suggests that it is an impactful intervention that can strengthen financial outcomes for refugee families. The IRC's analysis also suggests promising approaches for deploying financial coaching with maximum effectiveness and key areas for additional research.

Over the past two years, the IRC has prioritized building out our national and field office capacity to deliver high-quality financial coaching interventions effectively as a part of our bundled services approach. This effort has included investments in financial coaching training, peer-to-peer learning communities and site-specific technical assistance to field offices.

In light of these enhanced efforts to strengthen the IRC's work in the area of financial coaching as a component of financial capability programming for New Americans, the IRC undertook an analysis of the relationship between the financial coaching and economic wellbeing among new Americans.[14] This section provides an overview of the methodology and key findings from this analysis.

Methodology

The findings are derived from a combination of quantitative and qualitative data collection and analysis. For the quantitative review, the IRC utilized refugee family budget data that is routinely collected through the delivery of resettlement and economic empowerment services. This data is collected by direct service staff and is entered into a customized database using the Efforts to Outcomes (ETO) software platform. The data set analyzed here includes 2,410 refugee family budgets. The criteria for inclusion of record were: 1) had a minimum of one baseline budget collected prior the client's 180th day in the U.S and 2) included at least one follow-up budget collected at least three months after the baseline budget.

The family budget tool includes detailed information about a family's monthly income, expenses, assets, liabilities and credit score. The families were drawn from 10 locations in the IRC's U.S. network, respectively within the metro areas of Atlanta, Miami, Dallas, Los Angeles, Miami, New York City, Oakland, Phoenix, Salt Lake City, San Diego and Wichita. The 10 primary locations were selected because these field offices routinely collect both baseline and follow-up family budget data that meet the inclusion criteria. The IRC implements financial coaching programming in some cities and utilized data regarding client participation in coaching sessions; these cities included Atlanta, Dallas, Oakland, Phoenix, Salt Lake City and San Diego. Finally, the IRC utilized data on client utilization of financial products from all offices that offered financial products during this time period which included Phoenix, Salt Lake City and San Diego. All families in the study arrived between 2012–2017 and represent households from a total of 33 different nations.

This is a large and rich data set, yet there are some important caveats to note in regards to limitations of the data set. Although IRC strives

PHOTO: Jessica Wawrzyniak/IRC

to ensure that all client interactions are tracked in the agency-wide database, there is still a risk of underreporting, as some client interactions are informal and may not be consistently recorded by all coaches. For example, a financial coach might teach a credit class to 30 newly arrived refugees and a half-dozen students may stay after class and ask individual follow-up questions and receive informal financial counseling. It is clear that not all of these types of interactions are fully documented.[15] There is little evidence to suggest this underreporting of financial coaching services would significantly skew the findings as it is presumed that it would affect all groups studied equally, independent of the recorded number of interactions.

This data set does have a geographic bias, as it includes an overrepresentation of clients served by the Oakland and San Diego office; they are a subset of clients who received more intensive financial coaching, due to the fact that these offices have the most robust financial coaching and capability services in our network. This bias may skew some measures in the family financial snapshot towards trends that reflect the particular makeup of California's social safety system. Finally, although the total baseline sample is over 2,400 households, the population size of clients who received more than four financial coaching services — as discussed below in greater detail — was low (63), limiting to an extent the degree to which these findings can be generalized.

For the qualitative analysis, the IRC team of Economic Empowerment technical advisors conducted focused discussion groups, staff interviews and site visits with field staff to garner additional contextual understanding of the implementation of financial coaching in the field. This included discussions with nearly a dozen financial coaches and group (conference call) discussions with nearly two dozen financial capability staff engaging on topics including the financial counseling to financial coaching continuum, financial products, learning objectives and curriculum in financial education and culture and gender in the context of financial capability programming.

Findings

The IRC's analysis resulted in several key findings that suggest the promise of financial coaching as an intervention — especially when combined with financial products — and some of the challenges in effectively engaging refugees in the intensity of coaching that leads to the best results. These findings are explored in more detail below.

The First Years of New Americans' Financial Journey are Ripe for Intervention

New Americans move rapidly into their financial lives and face a variety of situations that are new to them in quick succession. Refugees move from an initial period of extremely limited term cash assistance to employment and along the way, may access various other means-tested income supports. During this time period, household incomes often fluctuate rapidly and families must work to comply with rigorous rules surrounding income supports (for example, only using a transportation subsidy to purchase a particular kind of transit pass). Many begin to engage with financial products early on and are quickly building credit, acquiring debt and making payments on a variety of revolving and fixed accounts. In analyzing the data from over 2,400 New American households what is striking is not just the speed at which they achieve key goals such as employment, but how rapid and complex the changes are to their household budget in these first months post-arrival in the U.S. As shown below, families are quickly growing the percentage of wage-based income in their households, beginning to build a small savings cushion and facing choices about how to utilize a modest positive monthly net income.

As these changes happen, New Americans are navigating household budgets that are changing from month to month. Access to credit — as well as things like access to rental property and housing options — are changing over a matter of months. The need for financial coaching is strong during this first two year period because families are engaging in financial behaviors and making choices about things like:

Moving the Needle [5]

59%

Wage-based income increases

392%

Net income increases

$150

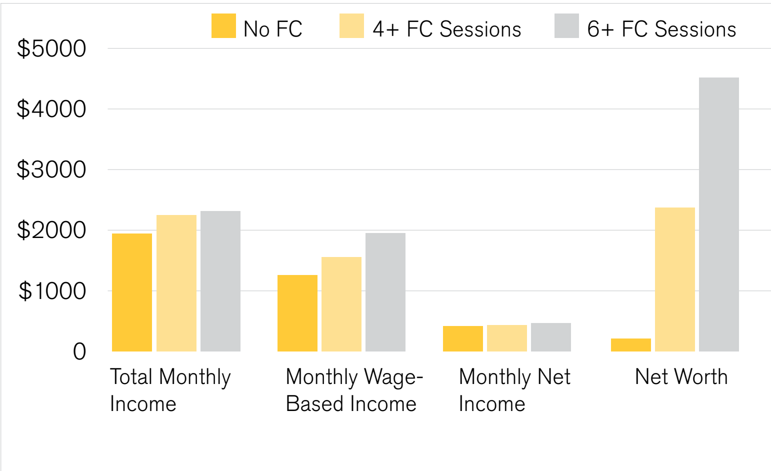
Net worth reaches

664

Average credit score attained

- Learning to manage a household budget that has fluctuating, wage-based income as well as some (also fluctuating) means-tested public benefits such as SNAP
- Striving to figure out a savings plan to prepare for emergencies, but doing so with average annual incomes that are still below $24,000 a year
- Navigating credit, including learning to pay creditors in a timely manner, feeling the impact of one's credit score in trying to access needed loan products such as for a vehicle and learning first-hand how credit score impacts housing options — which remain a family's single biggest expense

Graph 2 — Financial Coaching and New Americans' Household Financial Indicators



The IRC operates with the firm belief that the first two years of New Americans' financial journey are ripe for financial capability interventions and this thinking aligns with the emerging body of evidence that supports the practice of financial coaching for families in poverty. Yet it does remain at odds with some strongly held beliefs in the practitioner community. These beliefs hold that families living in poverty are of such limited

Case Study | **New American Financial Transitions in Action**

Qasim, a refugee from Somalia resettled by the IRC in 2014, experienced many financial transitions in just the first few months of life in the U.S. Before he found a job, his family was relying entirely on the income support that IRC staff had enrolled him in to cover their living expenses. The family's expenses exceeded their income because of high housing costs. Even though Qasim was able to find work as a housekeeper with the IRC's help, he was already $2,000 in debt when he started his job. Through hard work, he was promoted to a full-time laundry attendant, earning more than $1,400 in wages each month and significantly decreasing his family's reliance on incomes support. More changes were afoot, as Qasim received IRC assistance filing his taxes, earning a $2,000 Earned Income Tax Credit and purchasing his first car, which increased his ability to work overtime when available. In less than a year, Qasim's family experienced many changes in their household finances and for this newcomer — with minimal English and literacy skills — support in navigating these changes was critical.

means that trying to engage them with financial coaching is of little value, as there are so few discretionary resources in the family and few financial choices to be made when a household budget is so tight. The IRC's work in this area affirms this perception in certain ways — New Americans do have very tight budgets without much discretionary income. But, the data drawn from more than 2,400 New American family budgets paints a picture of multiple critical inflection points where New Americans are making key financial choices (e.g. first bank account, first credit card, first rental contract). Furthermore, even basic tasks like managing a household budget when the primary sources of earned and unearned income are fluctuating, is a complex task and one that is tightly connected to their ability to establish a strong financial foothold in the U.S.

More Coaching Correlates with Better Outcomes

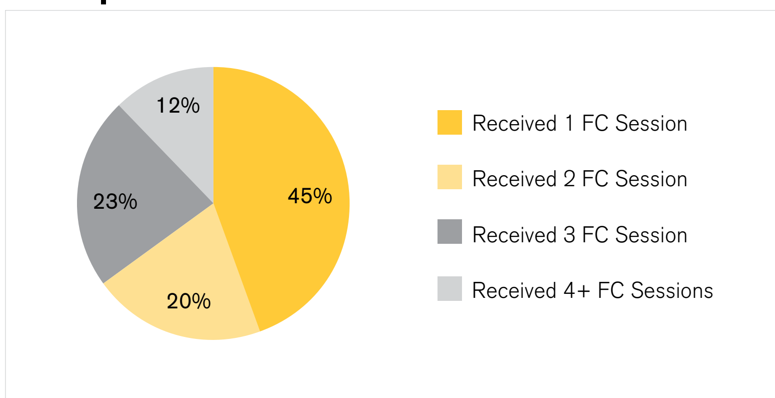
In IRC's analysis, clients who received four or more coaching touch points with an IRC financial coach have stronger household financial indicators than those with fewer interactions with coaches. These coaching sessions were all individual coaching sessions that ranged from 20 minutes to two hours and almost all were held in person, at the IRC office location. As shown below, clients who received four or more coaching sessions showed higher net incomes, a greater percentage of wage-based income and higher net worth than clients that received no financial coaching. The correlation is particularly strong among net worth, suggesting that the goal-oriented approach of financial coaching may be helping refugees to set savings and/or asset goals for themselves in a way that refugees not receiving financial coaching are not.

The outcomes of the IRC's analysis of refugee family financial indicators and coaching is aligned with emerging evidence that increasing the intensity of economic empowerment services — particularly those that include financial capability services — leads to better outcomes among low-income families.[16]

Retention and Participation are the Greatest Challenges to Financial Coaching

While there is evidence suggesting that more financial coaching is better, the IRC's analysis also shows that getting clients to participate in multiple financial coaching sessions is challenging. As shown below, among New Americans participating in financial coaching services across six IRC field offices in the study time period (a total of 299 clients), the most common number of touch points is one; though the majority of clients do participate in two or more touchpoints.

Graph 3 — New Americans and Financial Coaching Participation and Retention



Of note, these participation and retention rates are in line with research on financial coaching in low-income families more broadly; for example, in a recent Consumer Financial Protection Bureau report among financial coaching among low-income families in New York City and Miami, the average number of coaching sessions was 3.1 and 2.7 respectively. Indeed, in this study less than 20% of clients attended 4 or more coaching sessions and the majority of clients attended just one session.

The IRC's analysis suggests that New Americans engage in financial coaching much like other low-income families when it comes to participation and retention. Many may attend only one session and either get a basic, transactional issue taken care of or decide this is not something they are interested in participating in at that time. Another group (55% in the case of IRC's data set) may persist for at least one more session and a smaller subset (35%), who can meaningfully be described as sustained participants, work with their financial coach over a longer period of time with multiple interactions.

The IRC held focus discussions among field staff participating in Financial Literacy community of practice, to look into the reasons behind the drop off in participation rates. It was attributed to several factors, including:

- Some clients have a simple, transactional question such as requiring assistance with paying a bill or seeking assistance with one step of their overall goal (e.g. filling out an application for affordable housing, in line with their goal of reducing housing costs) and do not engage beyond this transactional step.

- Transportation, childcare and work schedules all make attending financial coaching appointments challenging, especially if they are perceived as less of an immediate priority.

- Sometimes the arc of financial coaching among New Americans is long (and longer than was captured by this data set), particularly in offices with robust financial capability services. It is not uncommon to have one transactional interaction with a client and then, three years later, if additional guidance is needed, they may return.

- Some refugees are worried about making financial decisions that might contribute to losing even modest — but critical — income support and may fear engaging with financial coaching because they are afraid of upsetting the status quo.

- While some studies on financial coaching have identified "overconfidence" among clients as a reason that clients don't persist with coaching, it is notable that this was not identified by staff as a factor with New Americans.[17]

Based on interviews with financial coaching staff, the IRC identified some potentially promising practices in strengthening the likelihood that clients will participate in multiple financial coaching sessions. These promising practices include:

Language access: Ensuring that the financial coach (or an interpreter) speaks the client's language in the early sessions, to help the refugee feel more comfortable that the conversation will fully and accurately capture the issue(s) at hand and that more complex issues — where the financial coach can really add value — are able to be addressed.

Home visits: Financial coaching home visits can improve effectiveness of coaching, as they help mitigate transportation, time, and childcare barriers clients face in access support.

Direct inquiry: Directly asking clients what they are afraid of — particularly in regards to losing certain income supports — serves as a good way to have a realistic conversation about how income supports fit into short-term financial needs and long-term financial goals.

Integrating Financial Products into Coaching Correlates With Better Outcomes

One key component of the IRC's model of financial capability programming for New Americans is that integrating financial products into financial coaching can accelerate the economic well-being of families. In this study, there were 191 clients that accessed an IRC loan product and the household financial indicators for this subset of clients suggests that loan products — when coupled with financial coaching — does support better financial outcomes on the specific financial indicators that the product is designed to address.

For example, the data shows a correlation between auto loans and increased employment and household income. The most common explanation given for this correlation by IRC staff providing this product to refugees is that refugees who take out auto loans have increased flexibility to take on extra shifts at work,

work overtime and, in some cases, take higher paying shifts such as overnights, which were previously not an option because of decreased public transit options during these non-peak commuting hours.

Similarly, credit-building loans, which are explicitly designed to help a refugee establish a credit score, were shown, to help a refugee establish a score above 630 within less than a year. In a separate study that the IRC conducted with a treatment group (refugees receiving a credit-building loan) and a control group (a comparable refugee population not receiving a credit building loan), more than 90% of refugees in the treatment group established a credit score above 600 within a year, whereas in the control group, fewer than half did. Among those who had established a credit score in the control group, almost 40% had at least one derogatory factor on their credit report compared with less than 7% in the treatment group.[18]

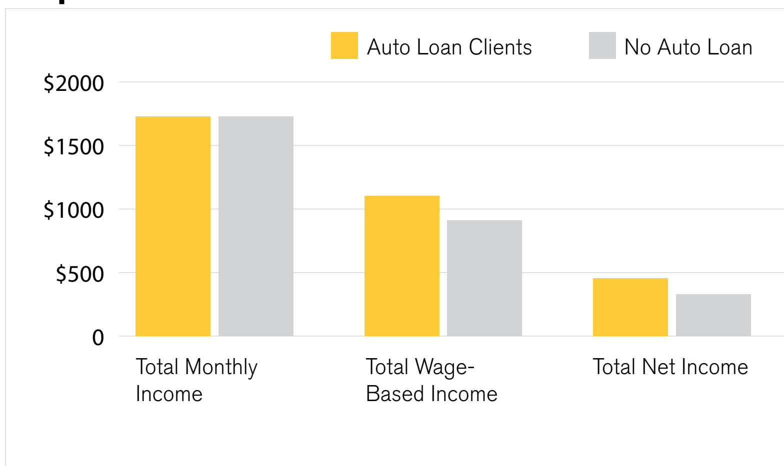
In sum, we conclude from this analysis that the timely integration of an appropriate financial product can accelerate progress towards a financial goal such as earning more income, establishing or improving credit and laying a foundation for an asset purchase.

Increasing the Impact of Financial Coaching Requires a Gender-Lens

Women often make up more than half of the refugees who enter the U.S. They arrive with spouses, as a part of two-parent families, as single female head of households and as single young adults. Initial evidence on gender and financial coaching drawn from this data set suggests several interesting findings. First, women are significantly less likely to access financial coaching than men — indeed, fewer than 20 women out of nearly 300 total coaching clients accessed three or more individual financial coaching sessions. Further, these women were generally in worse financial shape, with an average of less than $100 in earned income in their initial budgets and negative net worth. Because of the relatively small data set it is challenging to draw meaningful generalizations, but a recent gender analysis and staff observations suggest the following factors at work:[19]

- Cultural norms often lead men (in households with men and women) to assume a more dominant role in engaging in services and programs of all sorts, but especially those having to do with income and wealth.

Graph 4 — Auto Loan Clients and Income



- Women are more frequently saddled with childcare responsibilities making it difficult to come in for services; similarly they may not have a driver's license and/or access to a car and/or feel confident taking public transportation making it difficult to come in for services.

- Female head of household families are often particularly financially vulnerable because of logistical challenges to employment and a default to greater reliance on income supports; they are also negatively impacted by the gender earnings gap present in most industries across the U.S.

Notably, women who received financial coaching (especially more than three sessions) were able to improve their financial situation, improving their net worth and household incomes as well as increasing wage-based income to 36% up from less than 5%. So this suggests that the intervention has the potential to help female New Americans establish a foothold in the American economy, but that more work needs to be done to ensure that female New Americans are able to robustly engage in financial capability programming.

IRC staff identified several potential strategies to better serve New American women. Rising to the top of the list was a need to intentionally and proactively engage women in these conversations, especially in households or cultures where a male relative may be seen as the default decision-maker. Field offices have also piloted special female-only groups that focus on economic empowerment more broadly. These groups, such as the Women in Action group in the San Diego field office, meet weekly for three months and invest time in helping women identify personal goals that include individual and family financial goals. Finally, home visits are a particularly promising strategy for women as they often face particular challenges with arranging childcare and transportation.

PHOTO: Jessica Wawrzyniak/IRC

Case Study | **Women And Financial Coaching in Action**

Marwa came to the U.S. as a refugee, bringing with her two beautiful children. As a single mother, she knew that she would have to begin working right away to take care of her family. Fortunately, her employment case manager was a dynamic, encouraging woman who had come to the U.S. as a refugee from Iraq, just like Marwa. This helped Marwa feel comfortable talking about her challenges and fears and, together, Marwa and her employment specialist talked with an IRC financial coach about what would happen to Marwa's SNAP benefits — which she used to feed her family — when she started working. The financial coach, who also spoke Arabic and conveniently met Marwa right after her English class at IRC, explained to Marwa that when she took her minimum wage housekeeping job, she would still be eligible for some SNAP benefits and that overall, her household income would increase. This made Marwa feel more comfortable in starting her new job and excited about the steps she was taking to build a life for her children.

Part IV

Recommendations

Learnings from the IRC's financial capability work and data analysis lead to recommendations for practitioners and other stakeholders in this space. In this section we present recommended key tactics and practices to improve financial outcomes for New Americans. Additionally we offer suggestions for directions for further research in this arena.

Promising Practices For Serving New Americans

The analysis of New Americans and financial coaching suggests several key tactics for practitioners working to help refugee families achieve and sustain self-sufficiency.

Intervene Early. Refugees have many touch points for service providers in their first few months in the U.S. and this is the time to begin to engage them with initial elements of financial capability programming. While it may be too early for a refugee to be interested in saving for a college or career training program, it is the right time to help them navigate their initial challenges with making ends meet and to lay a foundation of trust between financial coaches and refugee families. It is the right time for refugees to learn that a financial coach can help them solve financial challenges such as assisting them in signing up for a discounted utility program and to learn that a financial coach can help them build their knowledge around basic skills, such as how to fill out paperwork for direct deposit of a paycheck.

Intervene Frequently. More contact is better and, at least initially, service providers should not assume that refugees will be self-motivated in reaching out for financial education and coaching. Service providers should explore multiple avenues — embedding financial capability programming in required classes or services, incentives, place-based service delivery that mitigates transportation and childcare challenges —

Case Study | **Promising Practices in Action**

Eh Lar came to the U.S. in 2006 as a refugee from Burma. A child at the time, Eh Lar is now a young man who didn't self-identify as a person in need of financial coaching. He was interested in one of the IRC's career pathway programs in the building trades though and, through that program, he was required to meet one-on-one with a financial coach and participate in financial education.

Within the first few weeks of working with his financial coach, Eh Lar learned that he could decrease his expenses by participating in the SNAP program and trimming daily expenses. He also identified the goals of saving money, establishing his credit and eventually buying a car. His coach helped him open a savings account and take out a credit-building loan and he still has his eyes on his goal of buying a car.

Eh Lar didn't even know what a financial coach was prior to meeting one and now, he relies on her as a key resource in building his future.

for increasing the likelihood that a refugee will have multiple contacts with financial capability programming and coaching specifically.

Explore ways to offer integrated financial products. Whether through internal channels or by building partnerships with other financial institutions that offer these products, helping a refugee access a financial product that is tied to their specific goals can accelerate progress towards that goal.

Pay special attention to the needs of women. Refugee women face unique challenges and barriers and programming needs to be designed and implemented with these things in mind. In particular, service providers can think about the need to address a woman's sense of her own role in household financial decisions, as well as make accommodations in programming to ensure that childcare and transportation challenges — present for both men and women but often falling disproportionately on women — are not barriers to engagement in programming.

Keep Goals Realistic. Financial coaching can move the needle on New Americans' economic health. But service providers and refugee families alike need to set realistic goals for what can be achieved in the short, medium and long term. Realistic short-term goals might include establishing a credit score, having positive net household income and building a small savings cushion. Long-term goals could include maintaining a good credit score and accessing credit responsibly, earning an annual income that is aligned with the region's median wage and purchasing larger assets such as a home.

Use Data. Models and approaches may have strong evidence that speak to their effectiveness. Yet service providers need to commit to collecting and tracking data over time about financial coaching participants to assess whether the ways in which they are implementing these models, services and approaches with their local population is working. Comprehensive family budgets, household income, net income, wage-based income, net worth, credit score and number of open credit accounts (including balances and delinquencies) are all good indicators to capture a New American family's financial health and progress.

Directions For Further Research

Within the space of New Americans and financial coaching specifically, there is clearly more research to be done on several topics. The importance of sustained financial coaching is evident, making it all the more critical to better understand the ways in which service provider(s) can increase retention of coaching participants in these services. There are some interesting current efforts underway in this space, yet more needs to be done to understand how New Americans in particular respond to strategies to enhance retention, particularly because of the cultural diversity of these populations and what types of communication styles, behaviors, values and expectations of interpersonal relationships that they bring with them to the financial coaching environment.[20]
In addition, among New Americans there is evidence of movement along the continuum of more directive, transactional, "counseling" type interactions to more client-led, goal oriented "coaching" type interactions. Financial capability practitioners would benefit from a better understanding of how this transition unfolds and in particular, what specific strategies and techniques can coaches use to support this transition from counseling to coaching in a way that feels comfortable to the refugee family.

Local context — particularly the availability, type and duration of means-tested income supports — are an important factor in refugee households in the early months post arrival. More research is needed about the interplay between effective coaching strategies in environments with varying levels and types of income supports. Even though we have suggestive evidence that integrating financial products into financial coaching is a powerful accelerant of economic progress, there are many more questions to be answered here. For example, does the "early advantage" in establishing a credit score among New Americans via a credit-building loan product persist, or does this advantage dissipate over time? How does the integration of an internal vs. external financial product from a partner organization impact the benefit of including financial products as a part of financial capability program for New Americans? How does building a positive credit history help New Americans reduce expenses in what is usually the household's largest expense, housing? By investing in additional research in these areas, financial coaching practitioners will be able to build interventions that are broader in their short-term impact and more effective in setting up refugees for long-term financial success.

The field of financial capability and financial coaching research has begun to include studies that incorporate experimental design methods, yet there is a need for more of this work to more fully understand the impact of financial capability programming and financial coaching specifically. In particular, there is more to learn about how much self-selection into the intervention impacts its efficacy across New American populations.

Finally, there is clearly more to learn about how to make coaching work more effectively for New American women; women who play such a pivotal role as income earners in many immigrant households. Research that addresses what makes women choose to engage with services and persist is key, as is a better understanding of the unique financial pressures of female head of household families and how financial capability programming can respond to those unique pressures.

Conclusions

Refugees and other immigrants come to this country as dynamic families, invested in starting anew and building their lives in communities across America. They bring determination, skills and a vision of a future where they and their children are thriving Americans — business owners, professionals, homeowners and engaged members of civic life.

In order to realize this vision, New Americans can benefit from financial capability programming, even in the earliest months after arrival. Evidence-based practices designed for low-income populations should inform work with New Americans, but the refugee experience demands responsive, contextualized interventions delivered by trusted, culturally-competent providers. We continue to find evidence of the efficacy of financial coaching: it works and is strengthened by the inclusion of financial products and by ongoing, sustained participation of New American families. Even refugees in dire financial straits living on very limited incomes can achieve better economic outcomes if they access individual financial coaching in conjunction with other financial capability services.

New Americans contribute richness to our economy and culture. By ensuring that they are able to reach full, equal financial capability, we are strengthening the fabric of families and communities for generations to come.

PHOTO: Sandy Huffaker/IRC

End Notes

1. 1 Migration Policy Institute. (2015). *Integration Outcomes of U.S. Refugees.* Washington D.C.: Migration Policy Institute.

2. There is significant variation across states and counties in terms of the specific levels of income supports available to refugees while they participate in initial employment services; refugees may variously be enrolled in a U.S. Department of Health and Human Services funded "Matching Grant" employment program, an Office of Refugee Resettlement "Wilson Fish" employment program and, in some cases, local Temporary Assistance for Needy Families (TANF) programs.

3. Office of Refugee Resettlement. (2015). *ORR Indicators for Refugee Resettlement Stakeholders.* Washington D.C.: Office of Refugee Resettlement.

4. Rankin, S. *Integrated Services and Improved Financial Outcomes for Low-Income Households.* (2015). Local Initiative Support Corporation.

5. 5 Birkenmaier, J., Curley, J., Sherraden, M. (2013). *Financial Capability and Asset Development: Research, Education, Policy, and Practice.* Oxford: Oxford University Press.

6. Lyons, Chang. (2005). Translating Financial Education into Behavior Change in Low-Income Populations. Center for Economic Education. *Working Paper Series Economic Affairs.*

7. For an additional discussion of financial education topics that are unique to immigrants, see Consumer Financial Protection Bureau. *Financial Education Programs Serving Immigrant Populations.* (2016). Washington D.C.: Consumer Financial Protection Bureau.

8. Miley, M. *Expanding Financial Skills in Low-Income Communities: A Framework for Building an Effective Financial Education Program.* (2008). Newton, MA: Massachusetts Community Banking Council.

9. See Center for Financial Security, University of Wisconsin. (2015). Financial Coaching: A Review of Existing Research. *Issue Brief 2015-10.1.* See Theodos, B., et al. (2015). *An Evaluation of the Impacts and Implementation Approaches of Financial Coaching Programs.* Washington D.C.: Urban Institute See also Collins, M., Olive, P., O'Rourke, C. (2013). Financial Coaching's Potential for Enhancing Family Financial Security. *Journal of Extension 51(1)* and NeighborWorks America. *Scaling Financial Coaching: Critical Lessons and Effective Practices.* (2013). Washington D.C.: Neighborworks. For multi-program analysis of the effectiveness of financial coaching. See also Grant, M., Cavanagh, M., and Parker, H. (2010). The State of Play in Coaching Today: A Comprehensive Review of the Field. *International Review of Industrial and Organization Psychology, 25,* 125-167 for an analysis of coaching (in general) as an intervention to address behavior change.

10. See Collins, M., Baker, C., and Gorey, R. (2007). *Financial Coaching: A New Approach for Asset Building?* PolicyLab Consulting and Annie E. Casey Foundation for an initial, field-shaping definition of financial coaching.

11. Lee, J. and Hebert, S. (2014). *Funder Briefing: New Insights in Financial Coaching Programs, Outcomes, and Replication.* Annie E. Casey Foundation.

12. For an additional discussion of immigrant financial product needs, see Consumer Financial Protection Bureau. Financial Education Programs Serving Immigrant Populations. (2016).

13. For an additional discussion of the importance of a trusted, culturally competent provider in providing financial capability services to immigrants, see National Council of La Raza. *Financial Education in Latino Communities.* (2004). Washington D.C.: National Council of La Raza. and Consumer Financial Protection Bureau. *Financial Coaching: A Strategy to Improve Financial Well Being* (2016). Washington D.C.: Consumer Financial Protection Bureau.

14. In this section, the term financial coaching is encompassing the continuum of financial counseling and coaching practices of IRC financial coaches, recognizing that in IRC field offices, most interactions represent a blend of counseling (directive) and coaching (client-led) interactions.

15. The source data for these indicators comes from 2,410 refugee family budget that met two key criteria: 1) had a baseline budget collected prior the client's 180th day in the U.S. and 2) included at least one follow-up budget collected at least three months after the baseline budget. These indicators represent averages from the client's most recent family budget update which is at least 3 months post-baseline. The follow-up budgets were collected between 3 months and 4 years post-initial baseline, with an average of approximately 6 months between baseline and follow-up.

16. Of note, this issue has been recognized in other analysis of financial coaching interventions, including Rankin, S. *Integrated Services and Improved Financial Outcomes for Low-Income Households.* (2015). Local Initiative Support Corporation.

17. See for instance Financial Coaching: A Strategy to Improve Financial Well Being, Consumer Financial Protection Bureau, October 2016 and Integrated Services and Improved Financial Outcomes for Low Income Households, LISC, April 2015.

18. Moulton, S., Cäzilia Loibl, A., and Collins, M. (2013). Borrowing Capacity and Financial Decisions of Low-to-Moderate Income First-Time Homebuyers. *Journal of Consumer Affairs 47(3)*, 375-403

19. This study was conducted internally by IRC in 2015 and 2016 as a part of a separate initiative and included credit data from 136 refugees, including a control group of 34 refugees who did not receive any financial capability intervention.

20. The Gender Analysis Toolkit pilot project was an initiative designed to plan for, evaluate and strengthen programming to be responsive to gender needs. The San Diego pilot focused on economic empowerment programming for newly arrived refugees and was conducted between August–November of 2016.

21. For example, see the current work of the Common Cents Lab at Duke University, using a behavioral economics approach to better understand retention among financial coaching participants at Financial Opportunity Centers.

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