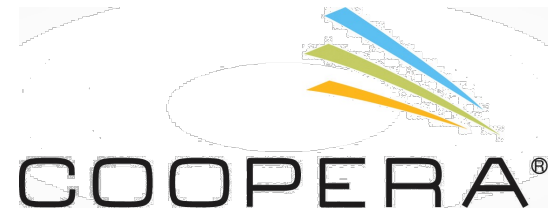




**Southwest Lending
& Collections Conference**

How to Kick off an ITIN Lending Program

Víctor Miguel Corro
CEO, Coopera



DEI + Multicultural Outreach Strategy

Víctor Miguel Corro - CEO

Disclaimer

- It is important to remember that credit unions should always consult with their legal counsel and compliance team on questions related to regulation and compliance.
- Coopera cannot accept responsibility for the implementation of the credit union's policies or for their compliance with applicable federal or state regulations.
- It is each credit union's responsibility to remain current with regulatory changes.
- Coopera is providing this presentation for information purposes. This information does not constitute legal, compliance or regulatory counsel.



Agenda

- ITIN Lending Background & Outcomes
- Program Kick-off & Improvements
- Best Practice Champions
- Resources and Tools



Immigrants are Underserved Consumers

1. Immigrant consumers represent **growth opportunities** for credit unions. There is a tremendous **untapped market** for responsible financial products and services among immigrants.
2. Immigrant consumers have a **high degree of loyalty** to their credit unions. Word of mouth is particularly strong in immigrant communities.
3. Even those institutions that excel at serving this population are leaving opportunities on the table. Immigrant respondents identified numerous financial products that they accessed through other financial services providers because they were **unaware their credit union offered these products**.

An estimated **29.5 million individuals (about the population of Texas)** in the U.S. could benefit from the ITIN lending program.



ITIN DATA

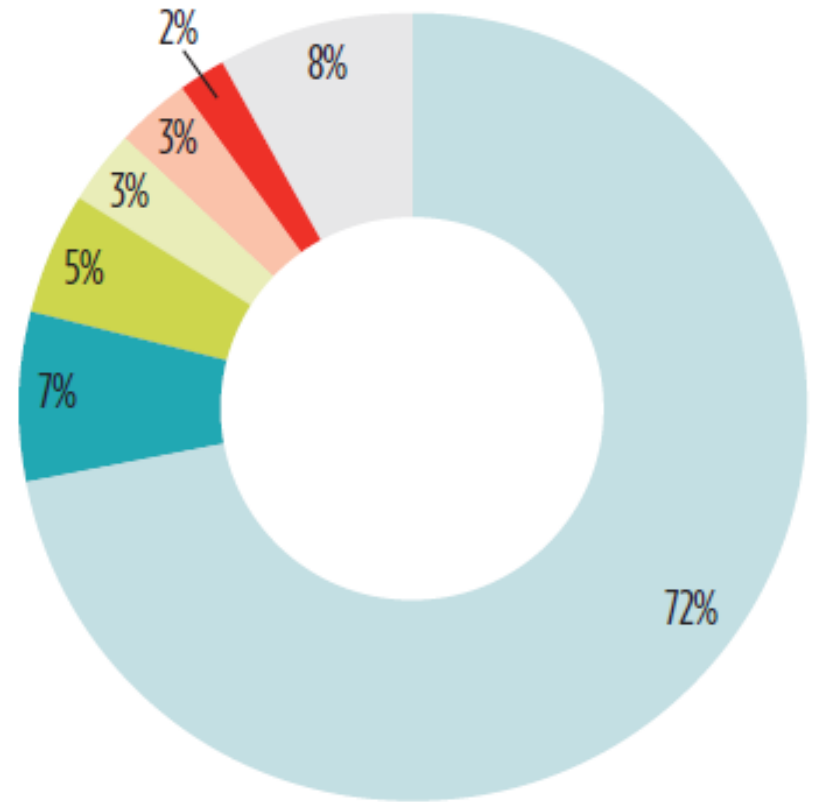
- Hard to find
- Not updated
- Limited public data
- More than 5 million file taxes per year



ITIN Holders by country of citizenship in 2012



ITINs issued by country of citizenship



-  Mexico
-  Guatemala
-  Honduras
-  El Salvador
-  India
-  Canada
-  Other

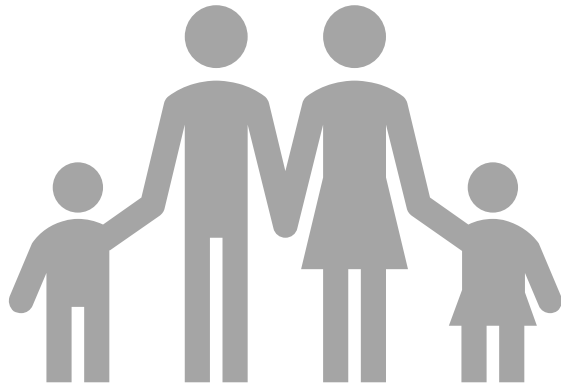
Serving foreign nationals

Foreign Nationals are individuals who are not citizens or permanent residents of the US.



- Financial institutions **can serve** foreign nationals
- Financial institutions can accept **non-U.S. government** forms of ID and documentation for account-opening
- Financial institutions can accept a taxpayer identification number (ITIN) for interest-bearing accounts and loans reported to the credit bureaus

Serving Foreign Nationals



1. Not all foreign nationals are undocumented
2. Not all ITIN holders are undocumented
3. Mixed status households are growing



What is an ITIN number?

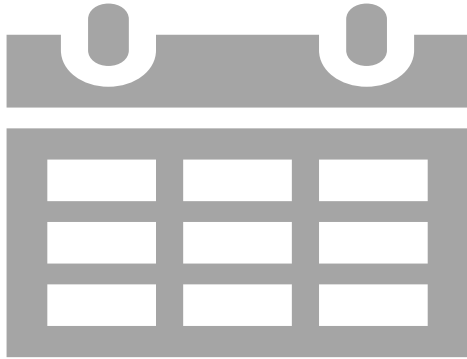
A **tax processing number issued by the IRS** to individuals who do not qualify for a SSN but are required to file a federal tax return

- An individual who **does not have a lawful immigration status**
- **A non-resident who owns or invests in a U.S. business** and receives taxable income from that U.S. business, but lives in another country.
- **A foreign student** who qualifies as a resident of the United States (based on the substantial presence test).
- **A dependent or spouse of a U.S. citizen** or lawful permanent resident.
- **A dependent or spouse of a foreign national on a temporary visa.**

Nine-digit number beginning with “9”

9XX-83-XXXX

Expiration dates



ITINs with expiration date of
December 31, 2021:

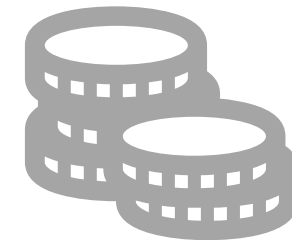
- All ITINs not used on a federal tax return at least once in the **last 3 years**
- All ITINs issued before 2013 with **middle digits** of 83, 84, 85, 86, or 87



Immigrants without a SSN make significant tax contributions at the federal, state and local levels.

Immigrant Tax Contributions

- **Payroll taxes** – In 2010, 3 million unauthorized workers, including ITIN-filers, paid over **\$13 billion** into Social Security
- Net positive effect – undocumented immigrants can contribute to these programs, but do not receive any benefits
- In 2010, over 3 million federal tax returns were filed with ITINs and accounted for over **\$870 million** in income taxes



Account Opening vs. Lending



Account Opening

- Customer Identification Program (CIP)
- Alternatives forms of ID – passport, matricula consular, etc.
- Interest bearing accounts



Lending

- ITIN and SSN
- Income verification

CIP/MIP Requirements for citizens of non-U.S. countries

- **Name**
- **Date of birth**
- **Address**
- **One or more of the following:**
 - U.S. Taxpayer identification number
 - Passport number and country of issuance
 - Alien identification card number
 - Number and country of issuance of any other government-issued document evidencing nationality or residence bearing a photograph

Alternative forms of ID



Add new driver's licenses & municipal ID's for immigrants to CIP policy & procedures

- **Driver's license**
 - Temporary Visitor Driver's License for Undocumented Individuals
- **U.S. Citizenship and Immigration Service Documents**
 - Permanent resident card
 - Work authorization card
 - Visa
 - Passport
- **Consulate Cards**
 - Matricula Consular
 - Documento Personal de Identificación
- **National Identification Cards / Cédulas**

CIP Legal opinion letter

- In 2014, Inclusiv asked NCUA to clarify the acceptance of Municipal IDs for account opening purposes.
- In response, the NCUA Office of General Counsel issued Legal Opinion Letter 14-0801. Dated November 24, 2014, the letter states that an “unexpired Municipal ID, that includes data found in other forms of government-issued identification such as name, photo, date of birth, address, and signature, would contain the elements required by the CIP Rule for a primary source of identification in opening a new account for either US or non-US persons.”
- In a letter dated June 25, 2018, NCUA confirmed the validity of that original opinion. This letter provides guidance as to what features government-issued IDs (for instance, the Matricula Consular) must have to comply with CIP regulations.

NCUA Opinion Letter:

http://www.ncua.gov/Resources/RegulationsOpinionsLaws/OpinionLetters/2003_letters/03-0964.htm

Flexible CIP

- Align policy with procedures
- Accept non-U.S. government forms of ID such as the matricula consular, cedula, voter registration card & new forms of U.S ID's for immigrants
- Provide training for compliance and frontline staff on alternative forms of ID
- Have bilingual capacity to read/verify non-U.S. forms of ID
- Partner with Mexican and other consulates to establish processes to verify ID
- Clearly communicate acceptable ID to membership



ITIN lending is not starting a new product line, but rather **expanding access to existing lending products.**



IMPLEMENTATION GUIDE

Individual Taxpayer Identification Number (ITIN) Lending



***More than 2/3 of
ITIN Lending borrowers
were not members of their credit union before
they received their loans***

Credit unions reported significantly ***faster loan growth*** during the three years after the implementation of a program compared with the three years prior.

The average annual
loan growth rate rose to 8.62%
in the post period,

Compared with 5.11% in the prior
three-year period

How do we get started?

Action Plan



START THE
CONVERSATION TODAY



DISCOVER YOUR
MARKET OPPORTUNITY



STRATEGIZE



Improvements



Personnel



Products



Processes



**Promotional/
Marketing**

Accepting Non-Traditional Documentation



- Proof of address



- Employment & income verification



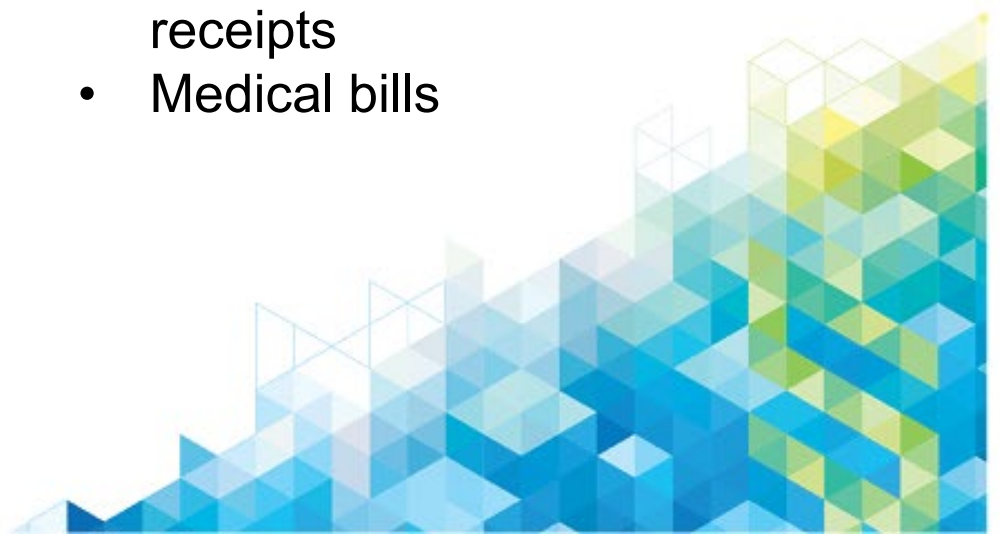
- Credit/payment history

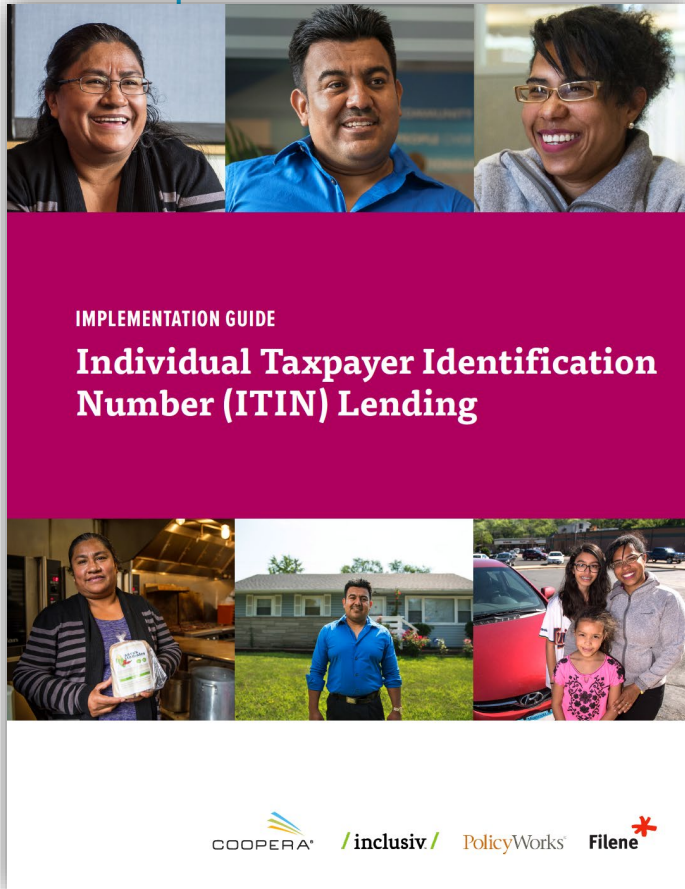
Proof of Address/Payment History Considerations

Alternatives:

- Cell phone bills
- Remittance receipts (i.e. Western Union, Vigo, etc)
- English as a Second Language (ESL), citizenship or other educational classes/course registration receipts
- Medical bills

If individual does not own home, will likely be renting or living with roommates this could impact **rental/lease agreements and utility bill requirements being in their name**





ITIN Lending Implementation Guide

filene.org/ITIN

How ITIN lending can Help with Inclusion

SMALL DOLLAR LOAN & CREDIT BUILDER LOAN



PERSONAL LOAN & CREDIT LOAN

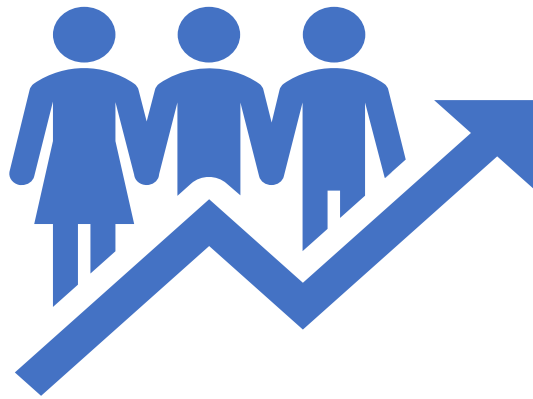


DIRECT AUTO LOAN



1ST MORTGAGE

ITIN loan program example



- 1st Step: 30-day membership and \$500 credit builder loan
- 2nd Step: \$1,000 personal loan or \$500 credit card with a \$500 loan
- 3rd Step: Direct Auto Loan or Auto Loan Refinance
- 4th Step: ITIN Mortgage

BEST PRACTICES

POLICY CHECK-IN



- **Identifying information** required to open an account:
 - Does the language in your policy encompass all of the forms of identification the credit union is prepared to accept when opening a new account (is it too restrictive)?
- **Verification of identity:**
 - Does your policy language align with your procedures?
- ITIN Lending Implementation Guide (Page 30) – **policy suggestions**

Staff Training

- Assess Internal Culture
- Alternative Forms of ID and Verifications
- Cultural Training
- Financial Journey & Cross Selling



Repackage loan offerings



BUENA
Vida
PERSONAL LOAN

Individual Tax Identification Number (ITIN) accepted

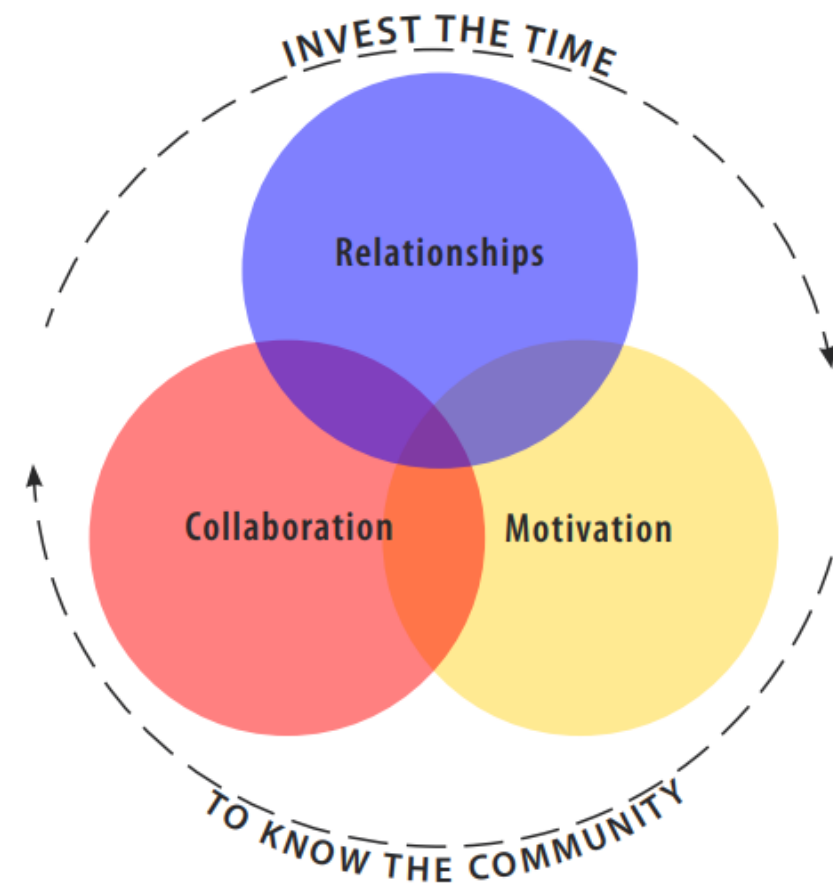
*APR=Annual Percentage Rate. Speak to a financial consultant for full details.

- ✓ Cultural connection
- ✓ Language
- ✓ Images
- ✓ Messages

Be Visible, Be Present

- Grassroots Efforts
- Time Investment
- Consistency
- Staff Involvement & Embracement

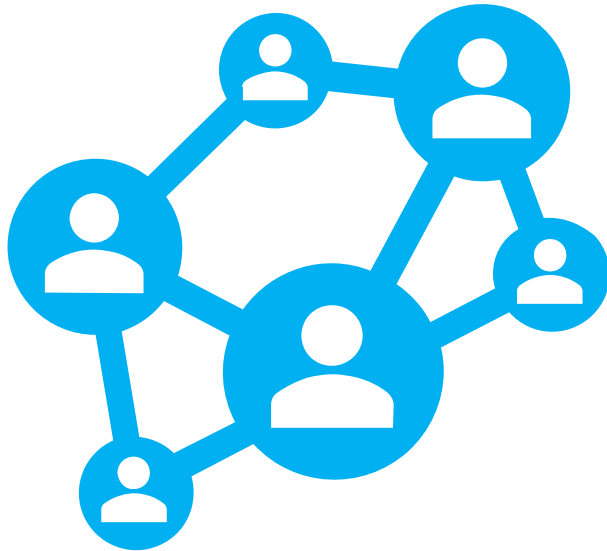


Be Visible, Be Present

Community Engagement

- Festivals
- Open House
- Financial Education Sessions
- ESL Classes
- Legal Clinics
- Job Fairs
- Places of Worships
- Holiday Celebrations
- After School Programs

Community Partnerships



- Employers of immigrants (i.e. Hispanics)
- Immigrant owned businesses
- Faith based organizations that serve underserved markets
- Human service organizations that serve immigrants
- Community service organizations (city departments, workforce development agencies, etc.)
- Legal clinics and trusted immigration and worker's compensation attorneys

Questions?

Thank you!

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