

**Congressional Hearing on Economic Mobility and Social Capital:
Expanding Opportunity by Strengthening Families, Communities and
Civil Society**

Tuesday, April 30, 2019

Statement of José Quiñonez, Founder and CEO
Mission Asset Fund

Thank you, Chairman Lee, Vice Chair Maloney, and members of the Joint Economic Committee for having this important hearing.

My name is José Quiñonez.

I am an immigrant, came to this country in the dark of night as a nine-year old, adjusted my status through the Immigration Reform and Control Act of 1986, became a U.S. citizen, and now I'm living my American Dream of helping low-income people become visible, active and successful in the financial marketplace.

As CEO of the Mission Asset Fund, a nonprofit organization based in San Francisco, California, I have first-hand experience addressing the daunting financial challenges our clients face every day.

And what I've learned is this: being poor in America is expensive, particularly for people living outside of the financial mainstream.

Nationally, one-in-seven Latinos are unbanked, meaning they do not have checking or savings accounts. While researchers point to various reasons why people go without accounts, we know banks exclude people based on immigration status or by requiring narrow forms of IDs. Consequently, many of our clients are left unbanked and without a choice but to rely on alternative providers that charge more to cash checks or pay bills. The average underserved household that earns \$25,500 annually pays about 10% of their income on fees and interest for financial services that those of us with bank accounts often get for free.

Lacking access to credit is a challenge. Nationally, nearly one-in-three Latinos are credit invisible, meaning they do not have credit scores or credit reports. Given the nature of our economy, there is little anyone can do without credit—people cannot get loans to buy homes or start businesses, they cannot rent apartments, and, in some states, they

cannot even get jobs without employers checking their credit reports. Without access to affordable credit, people turn to high cost lenders—some paying 100% APRs on small-dollar loans, and significantly more for short-term payday loans.

Barriers to economic mobility are not just financial. People are also burdened with uncertainty from the current anti-immigrant political environment, fearing losing their families and draining their savings. Many worry of being detained for lack of documentation—igniting a financial crisis. Bail alone could strip them of \$5,000; obtaining legal representation, up to \$20,000; and the costs mount from there.

So, how can we help people realize their economic potential when they are financially invisible and facing enormous challenges in their lives?

We found answers in how our clients leverage social capital—their relationships with family and friends to survive and thrive.

Our clients practice a time-honored tradition of lending and saving money together; it's an activity known by hundreds of different names throughout the world but which is essentially the same. A group of people come together and agree to pool their money so that one member of the group can take the lump sum, and they do it again on a weekly or monthly basis until everyone in the group has had the chance of getting the lump sum. When people don't have access to loans, this is how they create their own, using only their word and trust.

We built our Lending Circles Program on this tradition. We formalized loans by having participants sign promissory notes, which MAF then services and reports to credit bureaus.

Since launching the program in 2008, we have made 11,223 loans to help participants build credit—in fact, they see an average score increase of 168 points, opening a world of possibilities for them in the credit market. And the repayment rate is 99.3 percent—an unheard-of rate in the microlending world.

Lending Circles is an example of what we could do with—and for—people if we design programs and policies for success, based on people's strengths and social capital to create real lasting change.

Despite the promise from this approach, it is not enough to help the millions of people trapped by barriers that diminish their economic potential.

We need better data to understand people's challenges. Research reports based on national datasets often ignore those who are financially invisible, thereby missing critical segments of our society.

Congress can remove asset limits to public benefit programs like SNAP that are a lifeline for families not earning enough to make ends meet.

Congress can provide clarity that US citizenship is not a prerequisite for accessing financial services, and allow for more government-issued IDs when opening accounts.

Congress can significantly reduce the number of credit invisible by allowing positive payment data from utilities, rent, and telecoms to be included in credit reports.

And Congress can require "ability to repay" underwriting standards and longer repayment terms for small-dollar and payday loans.

I believe these reforms can go a long way to unlock people's economic potential, and help them realize their American Dreams too.

Thank you for holding this hearing and I look forward to continuing this important conversation.