

Thriving but Still Vulnerable in the U.S.

U.S.
Financial
Diaries

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Mateo Valencia, 31, and **Lucia Benitez, 30**, are an unmarried couple living in Queens with their four-year-old son Pablo. Mateo is a romantic with a big personality, big dreams, and an optimistic outlook; Lucia is quiet and diligent in her management of the household. The family lives in a three-bedroom, one-bathroom townhouse, and they rent out rooms to friends and relatives who are between homes or jobs.

Mateo and Lucia both moved to the U.S. in 2005 from Ecuador. They met here at a social club where Mateo performed and Lucia waited tables. Mateo says, “Our eyes met, and that was it.” Today, Mateo has a full-time job as a body shop technician and Lucia works as a seamstress. In addition to his earnings from his regular job, Mateo gets additional work repairing cars. Both Mateo and Lucia take on other work as well. For example, Lucia sells beauty products out of the home and Mateo made some extra cash helping with clean-up efforts after Hurricane Sandy; he also promoted a debit card linked to prepaid cell phones in exchange for free cell phone service.

Mateo and Lucia are undocumented immigrants, and the realities and dangers of living in the U.S. without papers are very present in their lives. Mateo volunteers at a community-based organization where he helps other immigrants. Early in the couple’s time in the USFD study, a neighbor was deported. Lucia’s brother Alberto was nearly taken into custody at his workplace, until he was able to show immigration officials that he was awaiting judgment on an asylum application because of his political affiliations in Ecuador.

Alberto and his wife came to the U.S. with the help of a “coyote”—a person who smuggles immigrants across

the border—for a promise of paying \$14,000 upon settling in the U.S. Lucia and Mateo were named as “fiadores,” guarantors of the debt, which means they are responsible for ensuring that Alberto and his wife pay the coyote. The risks for Mateo and Lucia of being involved in the arrangement with the coyote became clear in November 2012 when, because of Hurricane Sandy, Alberto and his wife had to move to a suburb outside of New York City and they were unable make payments on time. The coyote threatened to harm Mateo and Lucia when the payments were late.

Despite the perils that are present in their lives due to their immigration status and the status of their friends and family members, Mateo and Lucia rate their financial health as “good” overall and in relation to their financial position in the past. Throughout the USFD study there was only one month during which their expenses exceeded their income, and on that occasion the deficit was due to unusual events. They have \$3000 set aside for emergencies and regularly participate in a savings group, to which they contribute a substantial portion of their monthly income. They feel that they could manage for three months without borrowing if Mateo lost his job. They believe it is fairly likely that Mateo would find another job with similar pay and benefits if he were to lose his current job. They are also very certain that they will be able to get ahead financially over the next five years. Still, they say that securing financial stability is more important than moving up the income ladder. They believe they will never be able to retire.

Mateo and Lucia have regularly participated in a large savings group over the last five years. In the savings

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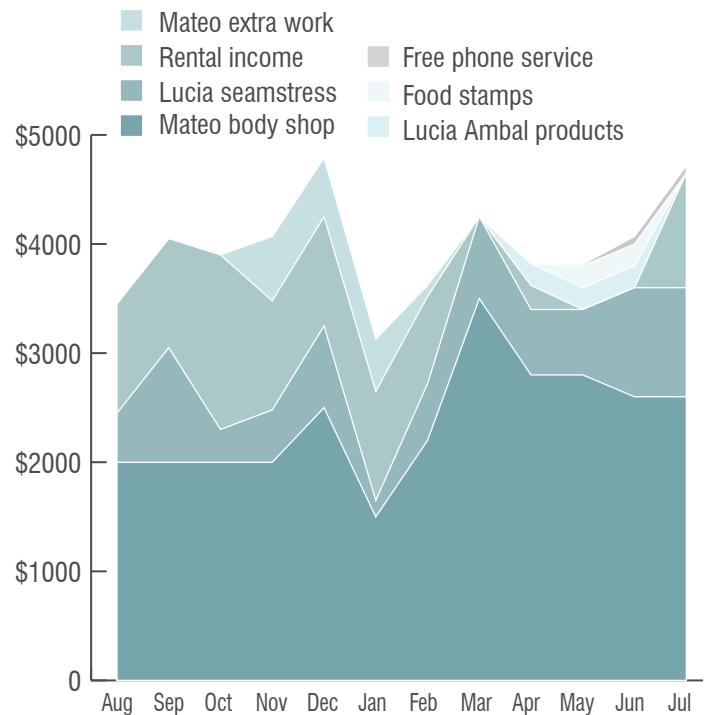
group, members contribute a set weekly amount, and take turns receiving the combined amount (for more on savings groups, see the U.S. Financial Diaries Issue Brief *An Invisible Finance Sector: How Households Use Financial Tools of Their Own Making*). Mateo's group is made up of 30 to 50 members (not all members participate in every round), which is much larger than typical savings groups. All participants are immigrants from the same region of Ecuador. Each member contributes \$300 each week, and with so many members, the pot has been as high as \$15,000. Receiving the payout has helped them through difficult financial periods, and it also enabled Mateo to purchase a large amount of audio equipment that he uses as a DJ and host in social clubs, though he doesn't earn income from this activity as yet. When they participate, they say that making the weekly payment is their top financial priority. "My friends are counting on that money," says Mateo, "I can't let them down." When they don't have the cash necessary, they have borrowed from Alberto in order to meet their commitment, repaying him when their turn to take the pot comes up. They hope to use future rounds of the savings group to save up enough to build a house in Ecuador.

Mateo supports a son and ex-wife in Ecuador, but, since they are undocumented, Mateo and Lucia are unable to travel back and forth between the U.S. and Ecuador. They are troubled by that reality, worrying that if a loved one became ill, they would be unable to return home to be with family. They say they will return to Ecuador permanently if they are unable to achieve legal status in the U.S. within the next five years.

Income and Expenses

Mateo earned \$500 a week in the early months of the study from his job at the body shop. After getting a new job at a different shop in March 2013, his pay increased to \$650-\$700 a week. Lucia generally earned between \$450-\$1000 each month from her work as a seamstress. In some months, one or both of them brought in extra money from work they did on the side, such as Mateo's additional work as a mechanic and Lucia's selling of beauty products. The couple also regularly rented one or more rooms of their apartment to friends or relatives. Finally, the couple began collecting \$200 each month in food stamps in

FIGURE 1: Lucia & Mateo's Income



the spring of 2013. In total, the household's average monthly income was just under \$4000 between August 2012 and August 2013. In January 2013, the couple's income was lower because Mateo was ill: he suffered a severe allergic reaction, he believes from exposure to mold when he was doing extra work with post-Hurricane Sandy clean-up. Headaches, dizziness, nausea, and vomiting kept Mateo from work. Lucia also missed work in order to care for him. That month, their income was \$3130 (see Figure 1).

Mateo and Lucia's largest regular monthly expense is their \$1700 rent. However, up to \$1000 of this was covered in payments from boarders staying with them. They paid the full amount themselves in only three of the 12 months of data collection. From August 2012 through August 2013, the couple spent \$430, on average, each month on groceries and \$355, on average, for Pablo's childcare. Mateo and Lucia do not have health insurance, so when Mateo became ill in early 2013, they spent \$520 in January and \$500 in February on medical expenses. They spend \$115 a month, on average, for public transportation. Most months, Mateo pays \$80 in child support to his ex-wife in Ecuador. In July 2013, he paid a lawyer \$2000 for legal assistance when his ex-wife threatened to terminate his parental rights (see Figure 2).

FIGURE 2: Mateo & Lucia's Expenses

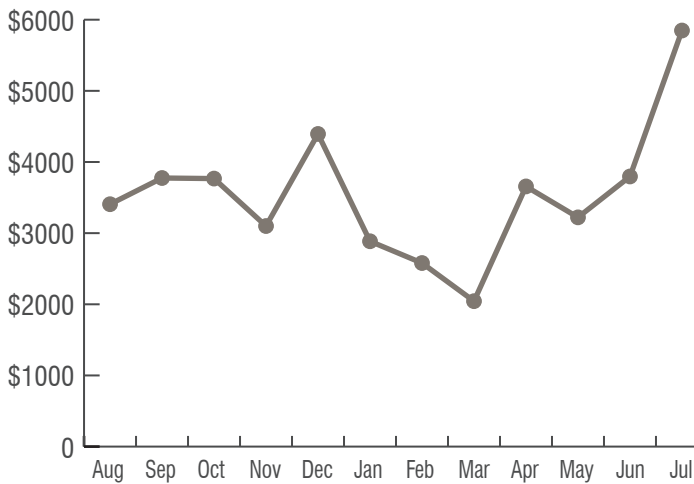
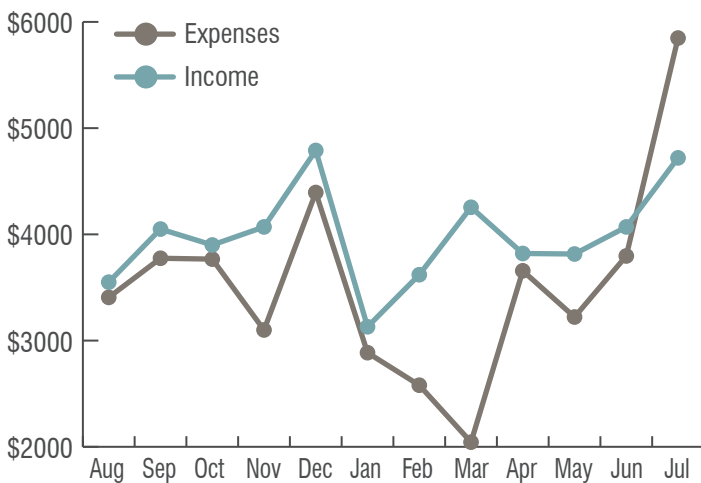


FIGURE 3: Mateo & Lucia's Income Usually Exceeds Expenses



Most months, the couple's income exceeds their expenses. The only month during the study period when it didn't was July, when they incurred the legal fees (see Figure 3).

Mateo and Lucia conduct most of their financial life in cash. For his primary job, Mateo is paid by check. He deposits the check in a checking account. The couple withdraws cash from this account regularly, sometimes several times a week, for expenses. All of their other income is paid in cash. They do not use credit cards or any other credit vehicles, but do have a savings account connected to the checking account where they keep a small emergency savings fund. They also keep a small amount of savings in cash at home.

■ Net Income Over Time

The sections that follow beginning on page 4 provide additional detail on Mateo and Lucia's cash flow activity. The household data collected as part of the U.S. Financial Diaries study are self-reported and thus subject to error and omissions. For this household, as with many others, it is likely that some periods of time are more fully reported than others. In addition, because income generally represents fewer cash flows than expenses, income is more likely to be fully reported than expenses. Expenses likely do not reflect the true extent of the household's spending. Finally, the weekly sums do not reflect changes in actual account balances, but rather the net of the household's reported income and expenses in each week and month.

This detailed review of Mateo and Lucia's cash flows gives a sense of their finances from week to week. We tracked the household's cash flows for more than a year, but below, we highlight their income and expenses in November-December 2012 and January 2013. November and December were typical months for Mateo and Lucia. In January 2013, the couple had to get by with less income than usual when Mateo's illness kept them both away from work.

■ November 2012

In November 2012, Mateo and Lucia had \$3920 in income (\$1000 of this from boarders), which is close to their average amount. They did not incur any major expenses and had a net cash flow of \$832.

FIGURE 4: November Overview

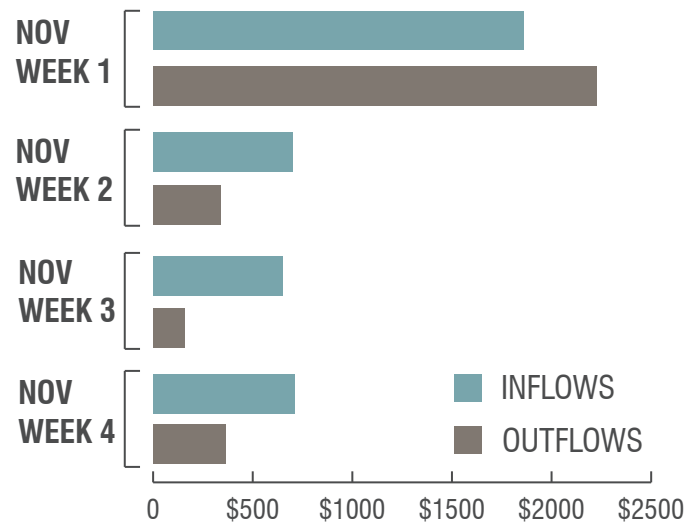


TABLE 1: November Cash Flow Ledger

WEEK	INFLOWS	OUTFLOWS	WEEKLY SUM	ACCUMULATION
1	\$500 body shop \$330 side work \$30 seamstress \$1000 boarders	\$1700 rent \$130 utilities \$100 child care \$100 cell phone \$80 child support \$41 misc \$32 alcohol for the home \$25 dry cleaning \$19 medical	-\$367	-\$367
2	\$500 body shop \$150 seamstress \$50 side work	\$150 groceries \$100 child care \$42 misc \$29 public transport \$20 dry cleaning	+\$359	-\$8
3	\$500 body shop \$150 seamstress	\$100 child care \$29 public transport \$20 dry cleaning \$9 medical	+\$492	+\$484
4	\$500 body shop \$150 seamstress \$60 side work	\$200 groceries \$100 child care \$29 public transport \$20 dry cleaning \$13 misc	+\$348	+\$832

December 2012

While their income in December 2012 was slightly higher than average (\$4080), Mateo and Lucia also incurred an increased number of smaller expenses like kitchen tools (\$120), gas/motor oil (\$104), and gifts (\$50), yet still had a monthly net gain of \$173.

FIGURE 5: December Overview

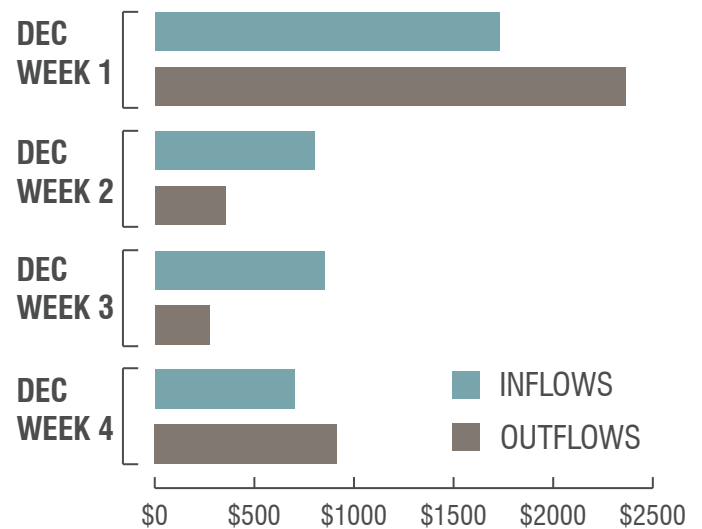


TABLE 2: December Cash Flow Ledger

WEEK	INFLOWS	OUTFLOWS	WEEKLY SUM	ACCUMULATION
1	\$500 body shop \$150 seamstress \$80 side work \$1000 boarders	\$1700 rent \$200 child care \$130 utilities \$100 cell phone \$80 child support \$60 medical \$30 misc \$29 public transport \$20 dry cleaning \$15 alcohol	-\$634	-\$634
2	\$500 body shop \$150 seamstress \$150 side work	\$200 groceries \$100 child care \$29 public transport \$26 misc	+\$445	-\$189
3	\$500 body shop \$150 seamstress \$200 side work	\$100 child care \$64 gasoline \$36 movies \$29 public transport \$20 dry cleaning \$15 alcohol \$10 on misc	+\$576	+\$387
4	\$500 body shop \$150 seamstress \$50 side work	\$300 groceries \$150 misc \$120 kitchen tools \$80 clothing \$80 alcohol \$50 gifts \$40 gasoline \$30 personal care \$29 public transport \$20 dry cleaning \$15 medical	-\$214	+\$173

■ January 2013

In January 2013, both Mateo and Lucia were unable to work for a week due to Mateo's illness. However, the loss of their regular weekly income was offset by \$1500 in boarder payments for the month. They also incurred several medical bills totaling \$420, but they reduced overall spending and ended the month in the black with \$960.

FIGURE 6: January Overview

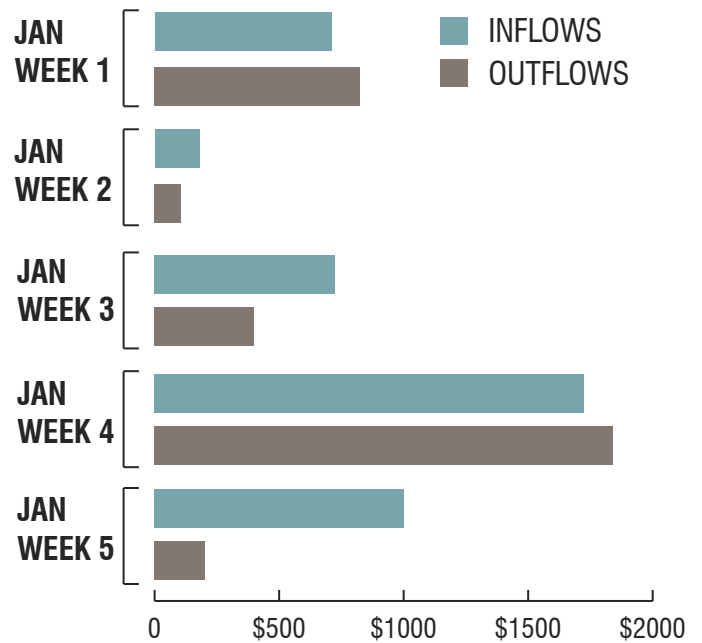


TABLE 3: January Cash Flow Ledger

WEEK	INFLOWS	OUTFLOWS	WEEKLY SUM	ACCUMULATION	
1	\$500 body shop \$150 seamstress \$60 side work	\$130 utilities \$100 child care \$100 groceries \$80 child support \$70 meals out	\$120 medical \$65 alcohol \$50 gifts \$40 dry cleaning \$42 misc \$29 public transport	-\$116	-\$116
2	\$180 side work	\$105 medical \$2 misc		+\$71	-\$45
3	\$500 body shop \$75 seamstress \$150 side work	\$265 medical \$100 groceries	\$20 public transport \$15 dry cleaning	+\$325	+\$280
4	\$500 body shop \$75 seamstress \$150 side work \$1000 boarders	\$1700 rent \$60 cell phone service \$50 child care	\$20 public transport \$12 dry cleaning	-\$117	+\$163
5	\$500 body shop \$500 rent income	\$100 groceries \$50 child care \$30 medical	\$15 dry cleaning \$8 misc	+\$797	+\$960

■ Conclusion

Mateo and Lucia are in many ways emblematic of the American immigrant experience. They came to the U.S. with hopes of building a better life and while they are not truly secure yet, they are finding opportunities. They each work multiple jobs and actively seek additional income earning opportunities. They are generally frugal in their spending and regularly save a substantial portion of their income to have a cushion and invest in the future. They were able to weather two major adverse financial events in the 12 months of the study—Mateo’s child custody legal fees, which amounted to 60% of their average monthly income; and the loss of roughly \$950 in January from loss of income and medical expenses incurred—without significant disruption.

Not surprisingly, Mateo and Lucia live much of their financial life outside the formal financial system. About a third of their income is received in cash and they handle most of their daily living expenses in cash. They borrow from Lucia’s brother Alberto, but also guarantee his informal debt, taking on some financial and physical risk. Their primary savings vehicle is an informal savings group. Their engagement with their community isn’t limited to finances. Mateo volunteers at a community organization focused on immigration issues; he hopes to become a prominent DJ in Latino social clubs in Queens.

Their use of informal finance is not a substitute for formal financial services but a complement. The foundation of the Mateo and Lucia’s financial life is Mateo’s job at the body shop which flows through a checking account. They also do use a formal savings account, though not to build up large lump sums as they do with the savings group. Lucia supplements her cash spending on food with food stamp benefits paid to a benefits card.

The drawback of these arrangements is that a large portion of Mateo and Lucia’s activity is hidden. With so much activity in cash, there is little information to support a credit score or to build a track-record for future engagement with the formal financial sector. They also lack both health and asset insurance, which may become more important as their son grows older and the couple’s financial success puts more valuable physical assets within reach. They do not have

long-term savings, and their undocumented status undermines their ability to invest in the long-term. Mateo’s considerable investment in audio equipment would be lost if he was detained by immigration authorities; any future investment would likewise be at risk. Their undocumented status also makes it difficult to fully understand their financial lives. Typical survey approaches would have either missed Mateo and Lucia entirely, or gathered only small pieces of their financial lives. Even the in-depth methodology of the U.S. Financial Diaries is likely missing some details about Mateo and Lucia’s financial lives. Their arrangement with Alberto and the coyote, for example, is sometimes described in a murky way. That said, through the U.S. Financial Diaries, we are able to create an unusually nuanced portrait of Mateo and Lucia’s lives.



**U.S.
Financial
Diaries**

The U.S. Financial Diaries Project collected detailed cash flow and financial data from more than 200 families over the course of a year. The data provide an unprecedented look at how low and moderate-income families—in four regions and 10 distinct demographic profiles—manage their financial lives. USFD was designed and implemented by Jonathan Morduch of NYU-Wagner's Financial Access Initiative, Rachel Schneider of the Center for Financial Services Innovation, and Daryl Collins of Bankable Frontier Associates. Morduch and Schneider are the Principal Investigators for the ongoing analysis of the data. For more information, please visit www.usfinancialdiaries.org.



The Financial Access Initiative is a research center housed at NYU Wagner focused on exploring how financial services can better meet the needs and improve the lives of poor households. www.financialaccess.org

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Leadership support for the U.S. Financial Diaries Project is provided by the Ford Foundation and the Citi Foundation, with additional support and guidance from the Omidyar Network.



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