

Recognition of Credit History for New Immigrants

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1.0 Executive Summary

Background

The study, a Metropolitan Immigrant Settlement Association (MISA) research project in partnership with the Atlantic Metropolis Centre, Economic Domain assesses the issue of recognition (or lack) of credit history for new immigrants. A literature review, explores the issue, examines its impact on settlement, and outlines the best practices of financial institutions and community organizations to redress the issue. Focus is placed specifically on the recognition of credit history for newcomers to Nova Scotia (NS), through a survey and focus group of MISA clients to better understand immigrants' financial, both personal and business, needs, in addition to any barriers they may experience when seeking financial services in NS.

Major Findings

Findings of the Recognition of Credit History for New Immigrants

- 'Lack of credit' is an immigrant-specific issue
- Credit History prevents new immigrants from accessing personal and business credit, which in turn affects housing market, training efforts, and business ventures, along with creating socio-economic consequences for Canada, and NS
- Immigrant entrepreneurs rely mostly on their own savings along with loans from family and friends
- Canadian community-based organizations, financial institutions, and government departments have started to introduce immigrant-specific financing programs to offset the problem
- American community-based organizations and financial institutions have developed best practices for reaching newcomers
- Limited Canadian academic and policy research is available on the topic

Findings of the MISA/IBDS Client Survey

Launched in July 2005, the IBDS Unit sent 297 clients this questionnaire. 68 clients completed and returned the survey by the extended end date.

General Questions

- 72% of respondents had a business in their home country and 76% percent currently own a business in Nova Scotia.
- 71% of respondents have applied for business loans in NS

- 68% of respondents have applied for personal loans in NS

Business Questions

- 4% of clients sought out information on how to obtain a loan in Canada prior to immigrating, while 26% became aware of the types of loans available upon arrival in NS
- NS financial institutions rejected 81% percent of clients' loan applications because of their 'lack of Canadian credit history'
- The top two sources of start up capital for immigrant entrepreneurs were one's 'own money' (37%) and money 'from family & friends' (26%).
- 91% of clients' international record of loan payments were 'not recognized' by financial institutions in NS
- 75% of respondents felt their loan experience in NS was completely different compared to their loan experience in home country

Personal Questions

- 79% of clients sought out credit cards to build their credit history in Canada
- 97% of respondents encountered problems or challenges when applying for a personal loan in NS
- 93% of clients had problems establishing a credit history in NS

Findings of the MISA/IBDS Client Focus Group

In order to deal more specifically with the issue, seven clients, five male and two female, gathered to discuss their personal and business financing experiences in NS.

Information on Credit History

- The majority of participants first learnt about Canadian credit history three months after their arrival in Canada
- Individual friends provided information for some, while others found out the hard way when financial institutions rejected their business loans

Establishment of Credit History

- Most clients obtained a credit card to establish a Canadian credit history, but even that was difficult
- General agreement that immigrants encounter problems when seeking to establish credit history in Canada and the main challenge is the recognition of their international credit records

Business Loans and Personal Finances

- All participants agreed that although their loan applications were rejected, their personal finances were not affected as their business and personal finances were separate

Business Plans and Credit History

- The majority of clients felt the credit history process in Canada affected their business plans negatively

Recommendations & Conclusions

The research results demonstrate that credit history is an issue for immigrants in Canada, specifically Nova Scotia, and that MISA/IBDS clients are generally unhappy with the current Canadian financing process. Financial institutions, government & research bodies, and community-based organizations must collaborate and strategize to alleviate the problem for immigrants and prevent the larger long-term societal consequences. The recommendations highlighted below provide a starting point and merit further research on this topic.

Financial Institutions

- Educate staff, especially marketing & loan processing, to understand immigrant markets
- Provide cultural sensitivity training to staff
- Introduce deposit and loan product enhancements
- Expand alternative credit measurements and underwriting guidelines
- Develop partnerships with community-based organizations and private organizations to conduct financial literacy programs such as 'Introduction to Financial Services' and 'How to Create a Credit History'

Government & Research Bodies

- Conduct policy-oriented research on the issue of credit history
- Provide potential immigrants with literature and online information on the Canadian financial system
- Educate financial institutions on the opportunities surrounding the immigrant market

Community-based & Economic Development Organizations

- Develop partnerships with financial institutions and private organizations to conduct financial literacy programs such as 'Introduction to Financial Services' and 'How to Create a Credit History'
- Conduct policy-oriented research on the issue of credit history

2.0 Introduction

Having a credit history is important if you want to get a credit card, a mortgage, or even to rent an apartment. Consumers who have not had an opportunity to establish a credit history, such as recent immigrants and students, may find themselves at a disadvantage when applying for credit products (Financial Consumer Agency of Canada Commissioner Bill Knight, Speech, August 8, 2005).

Canadian financial services are credit-oriented. However, financial institutions in Canada generally do not recognize international credit history, making it hard for immigrants, even those with years of stable banking practices in their own country, to access personal and/or business financing. Lack of a Canadian credit history is a genuine problem for immigrants trying to settle in Canada, especially entrepreneurs looking to start a business, as it is an access barrier to financing, often preventing newcomers from integrating and settling into Canadian society.

By means of a literature review, this study explores the recognition of international credit history for new immigrants, examines its impact on settlement, and outlines the best practices of financial institutions and community organizations, in Canada and the United States, to redress the issue. Looking specifically at the recognition of credit history for newcomers to Nova Scotia (NS), a survey and focus group of immigrants in the province were conducted to better understand immigrants' financial needs, both personal and business, in addition to any barriers they may experience when seeking financial services in NS.

The findings and recommendations outlined in this report contribute to the ongoing efforts of the Metropolitan Immigrant Settlement Association (MISA), a not-for-profit immigrant-serving agency, which runs the Immigrant Business Development Services (IBDS), to advance the recognition of credit history issue for new immigrants in NS, as well as the increasing need for social integration policy research.

3.0 Recognition of Credit History for New Immigrants

3.1 Background

The issue of credit history and immigrants is not new to Canada, yet there is very little information available and no research study obtainable on the specific topic. An extensive literature search uncovered Canadian and American media reports, community-based organizations' papers, and financial institutions' presentations, which allude to financing problems for immigrants without ever discussing the validity of the hypothesis.

An Industry Canada literature review revealed, "... this study was not specific to ethnic minorities in Canada, and it does not directly examine potential barriers to financing by these groups. However, it might provide a starting point to identify variables which might be implicated in decisions related to financing decisions."¹ When discussing language minority entrepreneurs, the Industry Canada paper stated, "Regional studies do exist in the literature, but these studies are not specifically focused on financing barriers that are unique to language minority entrepreneurs. As a result, no literature is reviewed in this section."² There is a need for further research to empirically confirm the issue of credit history for newcomers and delve into the negative outcomes associated with the problem. Websites like Citizenship & Immigration Canada³ and NS Office of Immigration⁴ along with Canadian Bankers Association⁵ discuss credit/ credit rating, but in terms of defining it, building good credit, and applying for credit. The sites convey neither the importance nor the necessity of credit history to obtain financing to

¹ Heidrick, T. & Nicol, T. *Financing SMEs in Canada: Barriers Faced by Women, Youth, Aboriginal, and Minority Entrepreneurs in Accessing Capital Phase 1: Literature Review*. Prepared for Industry Canada (January, 2002, p. 19).

² Ibid, p.21.

³ CIC Canada, *Welcome to Canada What You Should Know*, August 2003, <http://www.cic.gc.ca/english/newcomer/welcome/wel-09e.html> (10, January 2006).

⁴ NS Office of Immigration, *Credit History and Rating* <http://www.novascotiaimmigration.com/default.asp?mn=1.3.131&id=190&pagesize=1&sfield=MenuId&search=131> (10, January 2006).

⁵ Canadian Bankers Association, *Helping You Bank Understanding Credit*, 2006, <http://www.cba.ca/en/viewdocument.asp?fl=3&sl=251&tl=254&docid=481&pg=1> (10, January 2006).

succeed in Canada. Furthermore, present research studies make no mention of the long-term societal consequences.

3.2 Impact of Lack of Recognition of Credit History

Charles Kamasaki, Senior Vice President of the National Council of La Raza, US' largest Hispanic civil rights organization, identifies 'lack of credit' as an access issue; one of many barriers constraining immigrants' access to financial services.⁶ 'Lack of credit' is an immigrant specific issue directly influencing personal and business credit, creating socio-economic problems for newcomers, in addition to federal and provincial economic consequences.

3.2.1 Personal Credit

Without credit history, immigrants run into difficulties in their everyday lives. Housing, in particular, has been a problem for immigrants. On January 21, 2003, CBC Marketplace broadcast a housing discrimination story linked directly to immigrants having 'no credit history.' Aslam Ahmed was refused an apartment because he did not have a credit rating and the landlord equated no credit with 'bad credit.'⁷ Ahmed brought the case to the Ontario Humans Rights Commission and won.⁸

In April 2005, the Canadian Press reported on the Seyffert's, an immigrant family originally from South Africa. Employed and with a 25 percent down payment for a home, the parents were still rejected for a mortgage by local homebuilders based on their lack of Canadian credit history.⁹ According to lenders, the Seyffert's only

⁶ National Council of La Raza. "Prepared Remarks of Charles Kamasaki." (Presented at the Federal Reserve Bank of New York Conference, November 21, 2002).

⁷ C. Smyth. (Producer). *Housing Discrimination* [television broadcast]: CBC Marketplace, 21 January 2003.

⁸ Ibid

⁹ R. Trichur. Lack of Canadian Credit History Shutting Immigrants Out of Hot Housing Market. *Canadian Press*, 14 April 2005.

hope of securing capital was to pay premium interests rates to mitigate the risk of an immigrant application, which further incensed the family.¹⁰

You've come to this country and you think you can add to the economy and can be of benefit to people, but they don't seem to recognize that. I felt like I just wanted to pack up my stuff and go back. Sometimes you feel like you're a criminal or you're in the wrong because you get treated as if you're absolutely nothing. And I think it's wrong (Carel Seyffert).¹¹

It is ordeals like that of the Seyffert's that explain why 38 percent of newcomers to Canada experienced difficulties finding housing and lack of credit is listed as one of the top three most serious complications.¹² The traditional mortgage and financing tools exclude immigrants from receiving mortgages for homes. This not only has serious implications for social integration within a community, but within Canada. U.S. research indicates homeownership is also an integral part of the resettlement process for immigrants.¹³

Immigrants often have to complete training and upgrading courses to obtain the appropriate Canadian licensing/certification to work in the country, however, the programs can be quite costly. While landed immigrants can apply for student loans in NS, non-credited upgrading programs and courses are not approved for assistance.¹⁴ Furthermore, many newcomers are ineligible for standard bank loans, as they do not have credit history, collateral, or employment.¹⁵ Immigrants find themselves in a vicious circle, needing employment to develop a credit history; credit history to obtain a loan; loan to enroll for training; and training to gain employment as shown in Figure 1.

¹⁰ Ibid

¹¹ Ibid

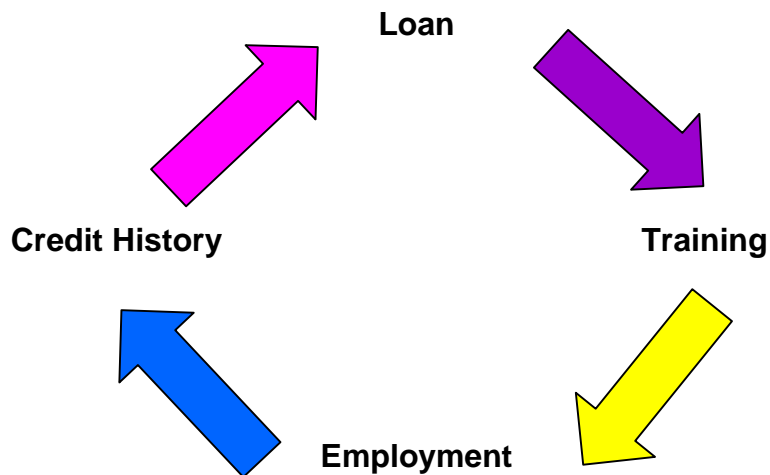
¹² Statistics Canada, *Multicultural Profile of Canada*. Presentation by Dr. Ivan P. Fellegi. 22 March 2005.

¹³ R.D. Alba, and J. Logan. Assimilation and Stratification in the Homeownership Patterns of Racial and Ethnic-Groups. *International Migration Review* 26 (1992): 1314-1341.

¹⁴ Nova Scotia Student Assistance <http://studentloans.ednet.ns.ca/info2005/geninfo01.shtml#04> (10 January 2006).

¹⁵ Maytree Foundation, Immigrant Employment Loan Program <http://www.maytree.com/MaytreeInitiatives/FinancialAssistanceForImmigrantsAndRefugees/ImmigrantEmploymentLoanProgram.htm> (10 January 2006).

Figure 1



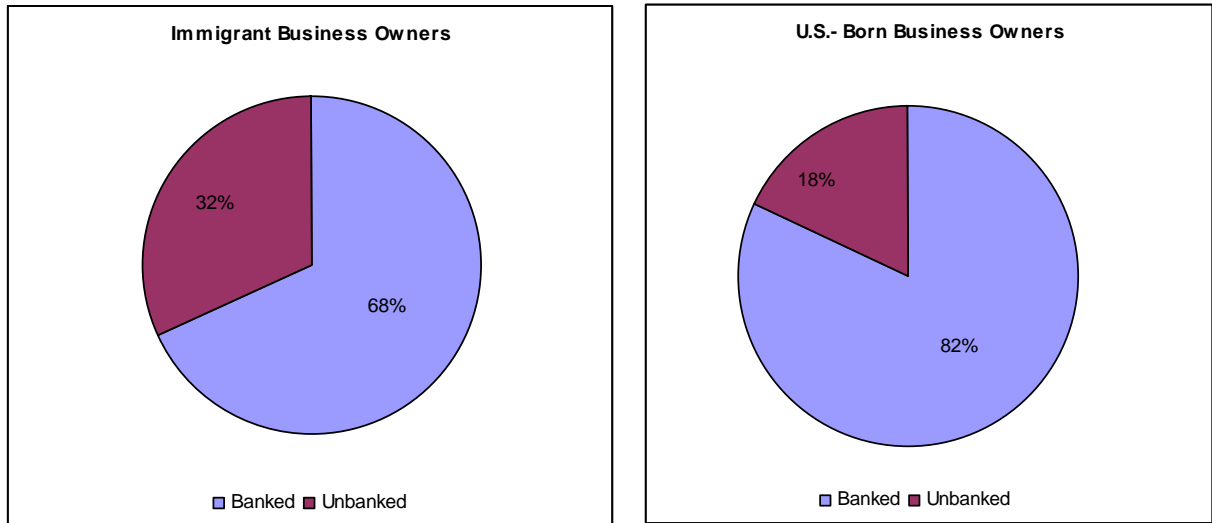
3.2.2 Business Credit

Without credit history, U.S. research shows that self-employed immigrants, also, run into difficulties in their business lives. Standard business debt financing poses a challenge for newcomers, as most banks and financial institutions will not lend money without both, debt and equity. Gap Min, professor at Queens College and the Graduate Center of the City University of New York, believes it is a myth that government agencies and commercial banks favor immigrants when offering loans for start-up capital because newcomers usually cannot acquire loans from commercial institutions.¹⁶ Min's point is well taken in the U.S. context, however, in Canada, government agencies and commercial banks do not specifically favor immigrants. As a result, immigrants in both, the U.S. and Canada, have more limited relationships with financial markets.¹⁷ Figure 2 contrasts the relationship with banks for Immigrant business owners with that of banks for U.S.-born business owners. More U.S.-born business owners associate with banks than Immigrant business owners.

¹⁶ Pyong Gap Min. "Sources of Start-up Capital for Post-1965 Asian Immigrant Businesses." (Presented at the Federal Reserve Bank of Chicago's Financial Access for Immigrants Conference, April 16, 2004) 5.

¹⁷ Maude Toussaint-Comeau. "Self-Employed Immigrants." (Presented at the Federal Reserve Bank of Chicago's Financial Access for Immigrants Conference, April 16, 2004)10.

Figure 2
Relationship with Banks



Source: Survey of Income Program and Participation (SIPP), 1996 Panel, Wave 12 (Aug. 99-Feb. 2000).

Self-employed immigrants have to consider and secure alternative, non-traditional sources of financing for start-up capital. There are a few choices available; however, immigrants rely on their own savings along with family and friends the most as Tables 1, 2 & 3 illustrate. Gap Min points out the importance of class sources¹⁸ especially since some immigrant group's leverage heavily on personal savings.¹⁹

Table 1
Sources of Start-up Capital for Korean Immigrant Businesses in Atlanta (N=159)

Source	Proportion of source as part of overall start-up capital	%
Savings in US	100%	32
	50-99	30
	1-49	15
Money Brought From Korea	100%	8
	50-99	18
	1-49	7

¹⁸ Pyong, p.6.18

¹⁹ Maude, p. 10.

Money Borrowed From Relatives and Friends	100%	6
	50-99	11
	1-49	27
Commercial Banks or Government	100%	1
	50-99	9
	1-49	8
Rotating Credit Associations	100%	1
	50-99	0
	1-49	2

Sources: Survey Conducted by the Presenter in 1982. See Pyong Gap Min, *Ethic Business Enterprise: Korean Small Business in Atlanta* (Center for Migration Studies, 1988), p. 80.

Table 2
Sources of Start-up Capital for Taiwanese Immigrants in Los Angeles
(N=310)

No Loan to Start a Business	43 %
Of those who received loan:	
Sources of Loan	
Family Members	73%
Friends	17%
Government	0%
Commercial Banks	6%
Other	100%

Sources: Survey Conducted in 1992 by Yen-Fen Tseng; Her Articles on *International Migration Review* 29 (1995): 46.

Table 3
Sources of Start-up Capital for Japanese Immigrant Businesses in New York (N=194)

Source	%
Savings in the U.S.	69
Loan from Kin	26
Loan from Family	24
Money Brought from Homeland	23
Loan from Bank	24
Rotating Credit Associations	0

Sources: Survey Conducted by Akiko Hosler in 1993. See Akiko Hosler, *Japanese Immigrant Entrepreneurship in New York City* (Garland, 1998:97).

3.3 Immigrant Tailored Financing Programs

Some Canadian and American community-based organizations, financial institutions, and government departments are aware of the issues associated

with lack of recognition of credit history and have started to introduce immigrant-specific financing programs to offset the problem.

Canadian Programs

The Maytree Foundation, a Toronto-based charitable foundation committed to reducing poverty and inequality, offers *the Immigrant Employment Loan Program* for immigrants that need short-term training in order to be employable in Canada.

The objective of the loan program is to develop a new and permanent stream of financial capital for immigrants and refugees who do not possess a credit history or collateral, but require short term training and upgrading that leads to employment or require an assessment of their previous skills, education and experience that could lead to certification.²⁰

Similarly, MCC Employment Development, a Calgary- based community economic development organization, in conjunction with the Immigrant Access Fund Society, has the *Immigrant Access Fund*, which provides immigrants with micro loans to pursue Canadian accreditations in their field of prior study.²¹

Partnerships have formed to address the credit history issue for immigrants. In Vancouver, VanCity Credit Union, together with Mosaic, a non-profit settlement agency, developed the *Immigrant Loan Program*, which also provides funding for licensing and upgrading.²² S.U.C.C.E.S.S, a non-profit settlement agency located across British Columbia, along with Western Economic Diversification Canada and Coast Capital Savings, have the Business Links Program, which assists immigrants (with no Canadian credit history) with business start-up loans.²³ Manitoba Family Services and Housing's *Affordable Housing Initiative* (AHI) assists new immigrants, in addition to low- to moderate-income renters, urban families, off-reserve Aboriginal people, northern residents, seniors and persons

²⁰ The Maytree Foundation

²¹ MCC Employment Development, Immigrant Access Fund Program: <http://www.mcca-ed.org/departments/set/programs/immigrantaccess.html> (10 January 2006).

²² VanCity Community Foundation, VCF Grant and Loan Recipients 2003-04, <https://www.vancity.com/MyMoney/AboutUs/WhoWeAre/Subsidiaries/VancityCommunityFoundation/VCFGrantandLoanRecipients/> (10 January 2006).

²³ Business Links Program: <http://www.success.bc.ca/eng/location/sbctre/BusLink.htm> (10 January 2006).

with disabilities, through the following programs: The New Rental Supply Program; Repair/Conversion Program; Homebuyer Down Payment Assistance Program; and the New Ownership Supply Program.²⁴ The AHI increases immigrants' access to safe, affordable housing.

ICICI Bank Canada of Toronto, targets immigrants (specifically Indo-Canadians) offering *Hello Canada Newcomers Accounts*.²⁵ This program allows Indians to arrange their banking needs, accounts; credit cards; car and house loans, prior to arrival in Canada.

In the absence of a credit-rating network, ICICFs 470 Indian branches verify in person the credit histories of Hello Canada applicant, checking ration cards (standard form of ID in India), passports, pay stubs, financial statements, and local bank references.²⁶

American Program

Like ICICI, The United Commercial Bank, a San Francisco-based financial institute, also addresses housing with the launch of the *Easy Key Home Loan Program*²⁷. The program reviews details beyond that of a standard loan application.

UCB is driven by old-fashioned community lending. It targets new Chinese immigrants, 75% of whom have no credit history. ...aimed at accelerating the borrowing process by getting to know the client beyond what's on paper. That sometimes includes making calls to former employers in Hong Kong.²⁸

Given the number of programs aimed at financially assisting immigrants, it is time all stakeholders ranging from community- based organizations, financial institutions, to government departments recognize the seriousness of the issue.

²⁴ The Affordable Housing Initiative, <http://www.gov.mb.ca/fs/housing/ahi.html> (10 January 2006).

²⁵ Jim McElgunn, "Welcome to Canada," *Canadian Business*, 77:18 (2004): 12.

²⁶ Ibid

²⁷ Erica Brown, "Strike," *Forbes New York*, 14 May 2001, 220.

²⁸ Ibid

3.4 Best Practices

There is a growing understanding of the need to re-engineer financial services and to a greater extent the financial industry in order to reach the immigrant population. As Robert Suro, Director of the Pew Hispanic Center, a Washington based non-partisan research organization, remarked:

Currently, the financial industry's marketing practices, its cost structures and indeed in many cases entire business plans are substantially geared to customer who are deeply familiar with the financial institution and the financial practices and financial culture that developed in this country... That's based on a population quite different than the immigrant population,²⁹

However, such a task has not fallen solely on the shoulders of financial institutions. Rather, in order to facilitate greater access to financial services for immigrants' financial associations, federal regulators, community organizations, and immigrant- serving agencies just to name a few, must collaborate together.

The barriers hindering immigrants' access to financial services are formidable. But I am convinced they can be overcome. Doing so, however, will require a much more serious commitment by all of us- industry, community organizations, regulators, and policy-makers.³⁰

Regrettably, there was only American (no Canadian) literature on best practices available. American Metro Bank³¹, Harris Bank³², National Council of La Raza³³, and the Pew Hispanic Center³⁴ have all developed practices for reaching newcomers. Some shared tactics include:

- Greater understanding of immigrants and their cultural values and behaviour
- Establish a presence in immigrant communities
- Hire bilingual/multilingual employees
 - o For branches
 - o For customer service call centres

²⁹ Pew Hispanic Center. "Remarks by Roberto Suro." (Presented at the Federal Reserve Bank of Chicago's Financial Access for Immigrants Conference April 15, 2004).

³⁰ National Council of La Raza

³¹ American Metro Bank. "Remarks by Yman Vlen." (Presented at the Federal Reserve Bank of Chicago's Financial Access for Immigrants Conference April 15, 2004).

³² Harris Bank. "Innovation Practice for Reaching Immigrants." (Presented at the Federal Reserve Bank of Chicago's Financial Access for Immigrants Conference April 15, 2004).

³³ National Council of Raza

³⁴ Pew Hispanic Center

- Develop individual contacts and one- on- one relationships
- Form partnerships and engage in community outreach
 - o Build community connections
 - o Provide 'financial literacy' programs

The American Banking Association along with its immigrant-marketing partners created the following step plan to working with immigrants.³⁵

- Understand the market
 - o Language, culture, regional differences, religion etc
- Build infrastructure
 - o Multilingual, diverse, representative team
- Reach out
 - o Good outreach program on financial basics
- Determine creditworthiness
 - o Alternative ways to deliver banking services
- Tailor effective products
 - o Programs that incorporate lower down payments or higher qualifying ratios
- Develop a plan of action
 - o Organizational goals to pool bank resources together to serve immigrant consumers
- Set realistic, long term goals
 - o Lasting relationships based on trust and loyalty

Dr. Andrew Schoenholtz of the Institute for the Study of International Migration formed comprehensive model practices for increasing homeownership in immigrant communities hinging on three key factors.³⁶

1. Understanding Immigrants Markets
2. Creating Institutional Capacity & Partnerships
3. Developing Tools to Reach the Immigrant Market

Table 4 outlines model practices to adopt to increase access to financial services for newcomers.

³⁵ James Ballentine.: 3,000 Reasons A Day Why Immigrants Pose Opportunity." *American Banker* 168:147 (2003): p. 7.

³⁶ Andrew Schoenholtz. "Reaching The Immigrant Market: Creating Homeownership Opportunities For New Americans." (Presented at the Federal Reserve Bank of Chicago's Financial Access for Immigrants Conference April 2004).

Table 4

Model Practices	
Key Factors	
1. Understanding Immigrant Markets	The Immigration System & Legal Status of Immigrants
2. Establishing Institutional Capacity & Partnerships	<p style="text-align: center;">Preparing the Financial Institution: Assessing the Market</p> <ul style="list-style-type: none"> - Research potential immigrant homeowners - Network with community organizations, realtors, brokers
	<p style="text-align: center;">Preparing the Financial Institution: Developing Staff Cultural & Linguistic Capability</p> <ul style="list-style-type: none"> - Cultural training - Hiring and keeping bilingual staff for marketing, seminars, and loan processing
	<p style="text-align: center;">Preparing the Financial Institution: Technical Training</p> <ul style="list-style-type: none"> - In-house training - Community College based partnership with the mortgage lending and housing community
	<p style="text-align: center;">Reaching the Community- Outreach Activities</p> <ul style="list-style-type: none"> - Establish a presence in the community - Meet potential customers in informal gathering - Use different media - Network through established neighborhood institutions
	<p style="text-align: center;">Creating Effective Partnerships</p> <ul style="list-style-type: none"> - Partnerships between community-based organizations and financial institutions (education, counseling, affordable housing) - Partnerships between employers and financial institutions (financial literacy) - Public-private partnerships (education, counseling, affordable housing)
	<p style="text-align: center;">Creating Knowledgeable Consumers</p> <ul style="list-style-type: none"> - Linguistically and culturally appropriate - Teaching financial literacy - Home ownership education and counseling - Counseling
	<p style="text-align: center;">Determining Creditworthiness in Newcomers Market- Documenting Income</p> <ul style="list-style-type: none"> - Undocumented income, verification of employment form, pooled household income, supplemental part-time employment, supplemental income
3. Developing Tools to Reach the Immigrant Market	<p style="text-align: center;">Determining Creditworthiness: Establishing Credit in Newcomers Market</p> <ul style="list-style-type: none"> - Establish employment history (overcome job hopping) - Create credit history (nontraditional approach)
	<p style="text-align: center;">Determining Creditworthiness in Newcomers Market- Verifying Assets</p> <ul style="list-style-type: none"> - Savings pattern profile, cultural savings club, budget letter, verifying deposits
	<p style="text-align: center;">Making Homeownership Affordable</p> <ul style="list-style-type: none"> - Low down-payment - Higher qualifying ratios - Alternative/ nontraditional credit - Latitude in proof of immigrant status

Source: Reaching The Immigrant Market: Creating Homeownership Opportunities For New Americans, Andrew Schoenholtz, 2004.

4.0 Methodology

4.1 Data Collection

For this MISA/IBDS study, in partnership with the Atlantic Metropolis Centre, Economic Domain, both, qualitative and quantitative data were collected utilizing the three methods discussed below to investigate the following linkages:

- Lack of recognition of international credit history on and access to personal credit for immigrants in NS; and
- Lack of recognition of international credit history and access to business credit for immigrants in NS.

Literature Review

A literature review was conducted first to explore the recognition of credit history for new immigrants. This was essential to gain insight into the study topic and to better understand the scope of the research project. An extensive literature search was undertaken, using business administration, economics, public administration, and sociology databases for academic documents, multiple government websites for policy papers, community organization websites for program information, and financial institution websites for information booklets.

Current Canadian news articles and reports on immigrants and access (or lack of) to personal and business credit by media such as CBC Marketplace, Canadian Press and organizations like Metropolis, Maytree Foundation served as an overview, outlining the negative impact of lack of recognition of credit history on immigrants. The complete bibliography is included in the Appendices.

American Banker's, Harris Bank's, National Mortgage News', Institute for the Study of International Migration's, and Pew's Hispanic Center's presentations and publications on immigrant focused financing programs and strategies provided U.S. best practices, and showed future opportunities for community organizations and financial institutions.

The literature review provided a wealth of information; however, it should be considered preliminary research. The Researcher was limited to the existing research available, and the information does not cover the subject matter completely.

Survey

Survey research was selected to capture immigrants' personal and business financing experiences in their home country, as well as, in Canada. The self-administered survey method was more effective for dealing with sensitive issues and was time efficient and labour effective for administering to a large sample. This research method allowed a number of questions on financing and provided quantifiable, measurable results.

The Research Instrument

Appendix A contains a copy of the survey questions. Below, Table 5 illustrates the major components of the survey.

Table 5
The Survey of MISA/IBDS Clients

Section 1	General Questions
Section 2	Business Questions
Section 3	Personal Questions

Section 1 includes background information such as country of origin, gender, date of arrival to Canada, and present business status.

Section 2 asks about business loans, sources of business financing, and record of loan payments.

Section 3 examines immigrants' access to loans, credit histories, and personal loan experiences.

Administering the Survey

The survey was launched in July of 2005 with a minimum target sample size of thirty (10% of MISA/IBDS clients) needed to obtain a representative sample. Two hundred ninety -seven MISA/IBDS clients were contacted via email and given nine days to respond to the survey. However, only five surveys were completed by the end date so telephone and in-person surveys quickly replaced the email survey and the survey deadline was extended. The responses were recorded in an Excel spreadsheet and monitored regularly to ensure the target response rate was achieved. The final sample is shown in Table 6.

Table 6
Respondents Participation in Research by Survey Tool

Survey Tool	Target Response Rate (# of Respondents)	Actual Response Rate (# of Respondents)
Email	Min. 30	9
Telephone		53
In Person		6
Total	Min. 30	68

Focus Group

In order to deal more specifically with the study topic, a focus group was arranged with seven immigrant participants, five male and two female, to discuss their personal and business financing experiences. The prospect of bringing to light challenges to existing assumptions and practices made this research method desirable. Please refer to Appendix B for the facilitator's questions.

4.2 Data Analysis

Focus group responses along with statistical data collected contributed towards the final analysis and policy recommendations. The focus group comments were compared and contrasted to reveal common responses and trends while the survey results were recorded in a Microsoft Excel spreadsheet for statistical analysis, frequency and percentages tests, to draw better connections from the

results. Relevant findings were placed in graphs and charts to create a visual impact and highlight the statistics.

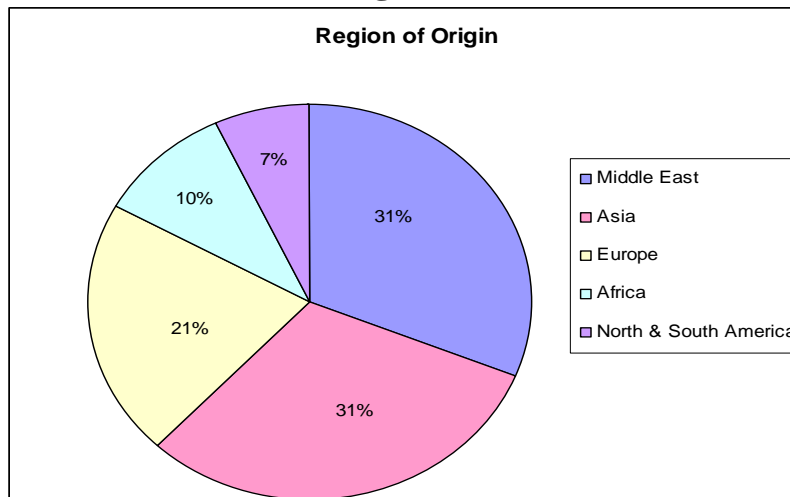
5.0 Recognition of Credit History for New Immigrants

5.1 Results from the Survey of MISA/ IBDS Clients

5.1.1 General Questions

This section describes the sixty-eight respondents who completed the *Survey of MISA/ IBDS Clients*. The sample included sixty-three (93%) males and five (7%) females. Clients from six regions were included in this study. Figure 3 shows the Middle East (31%) and Asia (31%) were the top two source regions followed by Europe (21%), Africa (10%), and lastly North & South America (7%).

Figure 3



The majority of respondents (72%) had a business in their home country and seventy-six percent currently own a business in Nova Scotia. Given these percentages, it is not surprising that seventy-six percent of clients consider themselves 'business people.' Most respondents have applied for loans in Nova Scotia, with seventy one percent for business purposes and sixty eight percent for personal purposes

Table 7

Summary Chart	
Survey Components	Respondents (%)
Business in Home Country	72
Business in NS	76
Considers Themselves a 'Business Person'	76
Applied for Business Loans in NS	71
Applied for Personal Loans in NS	68

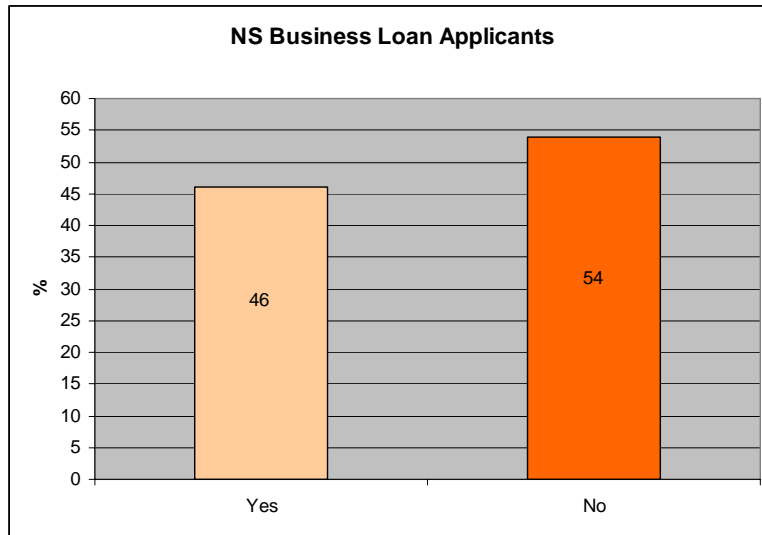
5.1.2 Business Questions

This section examines sources of financing and availability of loans for immigrant in Canada. Just four percent of clients sought out information on how to obtain a loan in Canada prior to immigrating. A few clients reported they did not attempt to seek out loan information when applying to immigrate to Canada in fear that CIC³⁷ would reject their immigration application on grounds of insufficient capital. Upon arrival in Nova Scotia, twenty-six percent became aware of the types of loans available. These low percentiles are understandable considering only thirty one percent of clients had previously received business financing from a bank in their home country.

Figure 4 reveals that slightly more than half (54%) of the respondents had not applied for a loan in Nova Scotia to open their business. At the same time, forty-six percent of respondents had applied for a start-up business loan in Nova Scotia.

³⁷ Citizenship and Immigration Canada, federal government department

Figure 4



Of the respondents that applied for a loan in NS, financial institutions denied eighty one percent of them. Respondents' comments indicate they were rejected because of their 'lack of Canadian credit history.' This forced clients to consider alternative sources of financing. As Figure 5 illustrates the top two sources of start up capital were one's 'own money' (37%) and money 'from family & friends' (26%).

Figure 5

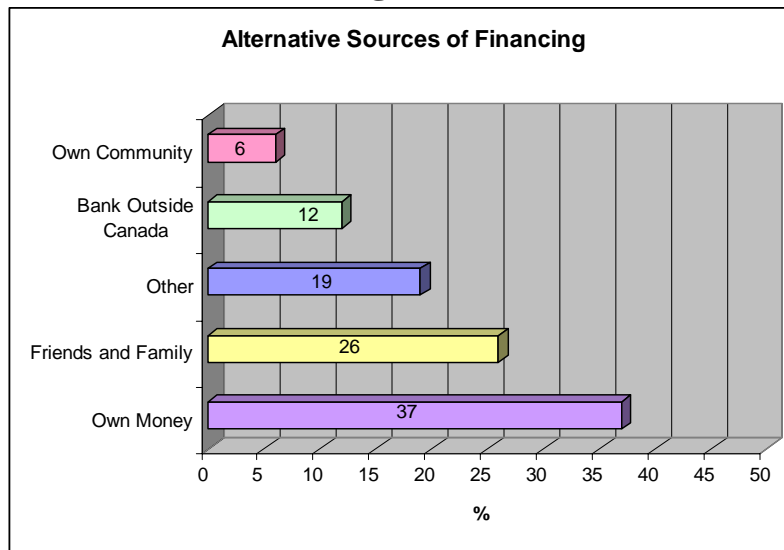
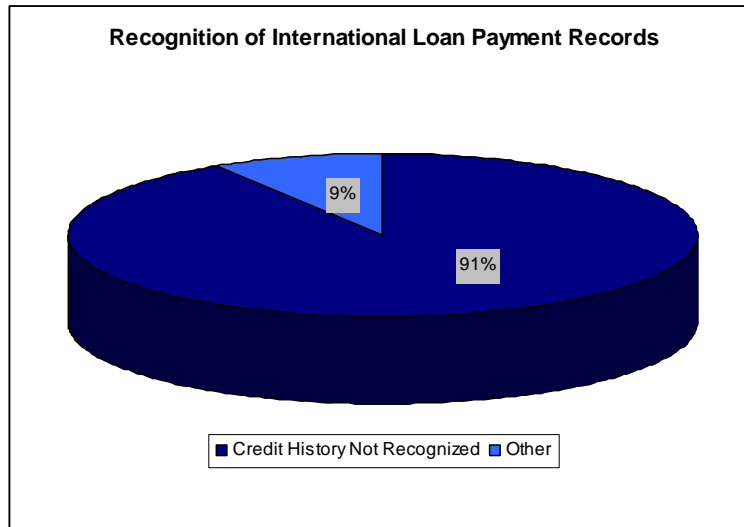


Figure 6 shows that ninety-one percent of clients' international record of loan payments were 'not recognized' by financial institutions in NS. This is interesting

since eighty-four percent of clients stated that the bank or credit union did not ask for their record of loan payments from their country of origin and ninety-six percent of clients said they did not provide their international records of loan payments. Similarly, eighty-eight percent of clients reported that the financial institution did not even ask about their financial assets from their home country.

Figure 6



When asked, "Were your business loan experiences with banks and credit unions in NS similar to your experience in your country of origin," the majority (75%) of respondents' felt their business loan experience in NS was 'completely different.' However, a few respondents (10%) felt it was 'quite to very similar'. Figure 7 illustrates the clients' varied responses to the level of assistance provided by financial institutions in NS. Fifty- three percent of clients found the banks and credit unions in NS were 'not helpful' while forty percent found them 'quite to very helpful.'

Figure 7

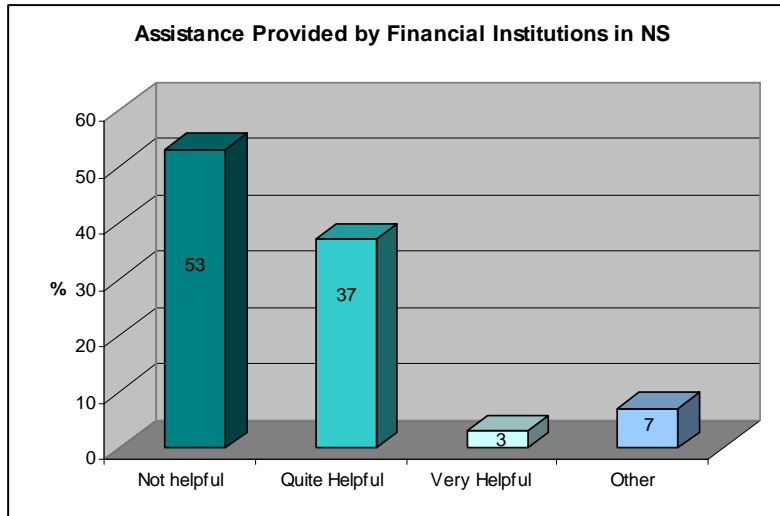


Table 8

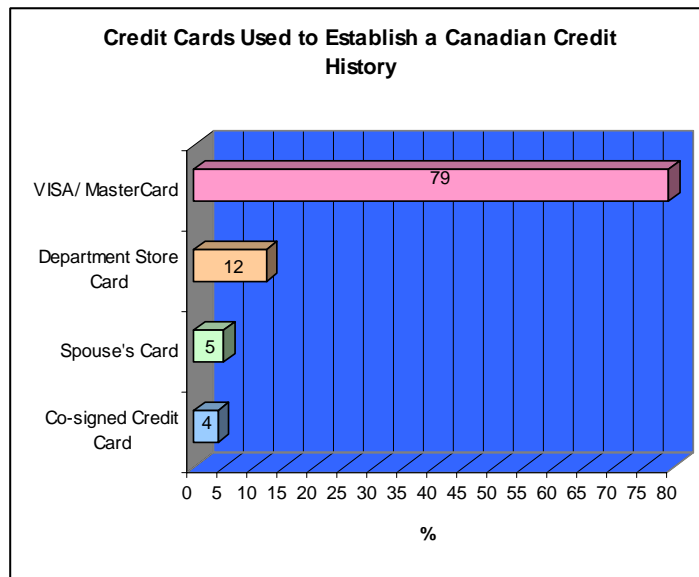
Summary Chart	
Survey Components	Respondents (%)
Sought out Loan Information Prior to Arrival in NS	4
Aware of Loan Process Upon Arrival in NS	26
Received Business Loans in Home Country	31
Applied for Business Start- Up Loans in NS	46
Denied Loans in NS	81
Alternative Sources of Financing	<ul style="list-style-type: none"> - 37 said 'own money' - 26 said 'friends & family' - 19 said 'other' - 12 said 'banks outside Canada' - 6 said 'own community'
NS Financial Institutions' Recognition of International Loan Payments	- 91 said 'not recognized'
NS Financial Institutions' Requested International Record of Loan Payments	- 84 said 'no'
Provided International Record of Loan Payments	- 96 said 'no'
NS Financial Institutions' Requested Information on Financial Assets in Home Country	- 88 said 'no'
Loan Experience in NS Compared to Loan Experience in Home Country	<ul style="list-style-type: none"> - 75 said 'completely different' - 10 said 'quite to very similar'

Assistance Provided by NS Financial Institutions	<ul style="list-style-type: none"> - 53 said 'not helpful' - 40 said 'quite to very helpful' - 8 said 'other'
--------------------------------------------------	------------------------------------------------------------------------------------------------------------------------------------------------

5.1.3 Personal Questions

This section explores credit history, loan applications, and immigrants' credit experiences in NS. The majority (79%) of clients sought out credit cards to build their credit history in Canada. Figure 8 shows that the types of credit cards issued ranged from VISA/ MasterCard to department store cards to spouses' and co-signed cards.

Figure 8



Most (85%) of the respondents had applied for a personal loan in NS and of those that applied, ninety-four percent received loan approval. While these percentiles are positive, ninety-seven percent of respondents encountered problems or challenges when applying for a personal loan. Some of those troubles included:

- Lack of information on financing alternatives;
- Inconsistent use of financing policy and procedures; and
- Financial institutions are hesitant when approving loans to newcomers.

In addition to the many problems encountered during the loan process, ninety-three percent of clients had problems establishing a credit history in NS. This is quite troubling considering only ten percent of clients' personal loan experiences with banks and credit unions in NS were similar to their experience in their home country.

Figure 9

Summary Chart	
Survey Components	Respondents (%)
Credit Cards Used to Establish Canadian Credit History	<ul style="list-style-type: none"> - 79 said 'VISA/ MasterCard' - 12 said 'Department Store' - 5 said 'Spouse's Card' - 4 said 'Co-signed Card'
Applied for Personal Loan in NS	85
Received Personal Loan in NS	94
Experienced Difficulties When Applying for Personal Loans in NS	97
Faced Problems Establishing a Canadian Credit History	93
NS Personal Loan Experience Similar to that of Personal Loan Experience in Home Country	10

5.2 Results from the Focus Group of MISA/IBDS Clients

Information on Credit History

The majority of participants first learned about Canadian credit history three months after their arrival in Canada. Individual friends provided information for some, while others found out the hard way when financial institutions rejected their business loans. One lone participant became aware of Canadian credit history in his/her own country, through a consultant, and was ready to deal with Canadian financial institutions. Knowing where to go and how to establish a Canadian credit history, this participant used money as collateral to secure a credit card. Given that the participant did not experience any financing problems, he/she felt that immigrants perform better with access to credit history information prior to arrival in Canada.

Establishment of Credit History

Most clients obtained a credit card to establish a Canadian credit history however; the cards had high interest rates. Additional issues cropped up. Some clients needed employment in order to get a credit card, others could only get a secured credit card, which requires putting money up front as a security against the credit card loan. Yet another client waited one to three years for a credit card. There was a general agreement that immigrants encounter problems when seeking to establish credit history in Canada and the main challenge was the recognition of their international credit records.

Business Loans and Personal Finances

All participants agreed that although their loan applications were rejected, their personal finances were not affected as their business and personal finances were separate. They did note that financial institutions weigh business peoples' business equity, if it is their sole income, in order to determine the outcome of personal loan applications.

Business Plans and Credit History

The majority of clients felt the credit history process in Canada affected their business plans negatively. Financial institutions were not forthcoming with alternative financing arrangements.

- Fourteen percent of clients thought the loan was denied based on his/her ethnic background.
- Twenty-nine percent of clients believed they were treated badly when applying for loans.
- Twenty-nine percent of clients almost gave up their businesses due to their loan difficulties.
- Forty-three percent of clients considered returning to their home countries.

6.0 Recommendations

Strategies	Outcomes
Financial Institutions	
Educate staff, especially marketing & loan processing, to understand immigrant markets	<ul style="list-style-type: none"> - Lenders' marketing materials more effectively reach the immigrant community - Loan processing staff, equipped with culture and circumstances, can make informed decisions on immigrants' applications.
Provide cultural sensitivity training to staff	<ul style="list-style-type: none"> - Staff are more sensitive to newcomers' culture and language and are able to serve them better
Introduce deposit and loan product enhancements	<ul style="list-style-type: none"> - Immigrants' access to personal and business financing in Canada is increased - Financial institutions better meet the financing needs of immigrants
Expand alternative credit measurements and underwriting guidelines	<ul style="list-style-type: none"> - Immigrants' access to personal and business financing in Canada is increased
Develop partnerships with community-based organizations and private organizations to conduct financial literacy programs such as 'Introduction to Financial Services' and 'How to Create a Credit History'	<ul style="list-style-type: none"> - Newcomers to Canada become knowledgeable banking consumers
Government & Research Bodies	
Conduct policy-oriented research on the issue of credit history	<ul style="list-style-type: none"> - Formulated policy can address the issue directly
Provide potential immigrants with literature and online information on the Canadian financial system	<ul style="list-style-type: none"> - Immigrants become familiar with the Canadian financial system and are better prepared prior to arrival in Canada
Educate financial institutions on the opportunities surrounding the immigrant market	<ul style="list-style-type: none"> - Financial institutions strive to attract immigrant consumers
Community-based & Economic Development Organizations	
Develop partnerships with financial institutions and private organizations to	<ul style="list-style-type: none"> - Newcomers to Canada become knowledgeable banking consumers

conduct financial literacy programs such as 'Introduction to Financial Services' and 'How to Create a Credit History'

Conduct policy-oriented research on the issue of credit history

- Relevant research to assist policy-makers and decision makers formulate policy

7.0 Future Exploration

Research findings highlighted the need for the following:

- More in- depth scholarly research on the issue of credit history in Canada;
- Research on the impact of credit history on newcomers along with the associated long-term settlement concerns; and
- Further studies on the socio-economic consequences for Canada, and more specifically Nova Scotia.

8.0 Conclusions

The literature review concluded that credit history is indeed an issue for immigrants. In fact, it makes life quite difficult for newcomers, directly influencing housing, training, and business ventures, which in turn affects the local economy. A number of community organizations, financial institutions, and government departments have designed immigrant- specific financing programs and strategies to help alleviate the problem, showing the seriousness of credit history for immigrants.

The results of the survey and focus group demonstrated that the majority of newcomers were unhappy with the financing process that exists in Canada and experienced difficulties building credit. Most were unaware of Canadian credit history prior to arriving in Nova Scotia and learnt very little about it upon arrival. It was not until the newcomers applied for personal and/or business loans and financial institutions rejected the applications that they became aware of its existence. Without a Canadian credit history, immigrant entrepreneurs used personal finances for start-up capital and newcomers, in general, needed to rely on credit cards to establish a local credit history.

Credit history is an integral part of life in Canada and if immigrants are to succeed, settle, and establish business in this country and NS, stakeholders must address the issue. Unlike the professional qualifications recognition issues, the problem of credit history can be dealt with relatively easily since there are much fewer stakeholders involved. Best practices exist in the U.S. showing they are ahead of Canada. This emphasizes the need for more Canadian research to illustrate the reality of credit history here along with the socio-economic consequences for all Nova Scotians.

APPENDIX

APPENDIX A

Survey of MISA/IBDS Clients

QUESTIONNAIRE

WHEN ANSWERING ANY QUESTION THAT REQUIRES WRITING, PLEASE PRINT YOUR ANSWER, AND YOUR ANSWERS SHOULD BE PERSONAL EXPERIENCE.

PLEASE RETURN THE QUESTIONNAIRE BY JULY 18, 2005

Section 1: General Questions

1. Country of origin _____ Gender Male Female

2- Date of arrival in Canada _____ in Nova Scotia _____
Year/month/day year/month/day

3- What was your first point of landing in Canada? -----

4- What attracted you to come to Nova Scotia? -----

5- Did you have a business in your country of origin? YES NO

6- Do you currently own a business in Nova Scotia? YES NO

7- Do you consider yourself a business person? YES NO

8- Did you apply for a loan for business purposes in Nova Scotia? YES NO

9- Did you apply for a loan for personal purposes? YES NO

Section 2: Business Questions

12- Did you borrow money from the bank for business purposes in your country of origin?

YES NO

13- Did you seek information about how to obtain a loan in Nova Scotia before you came to Canada?

YES NO Other, please explain-----

14- Were you aware of the availability of loans in Nova Scotia after you arrived?

YES NO Other, please explain -----

15-Did you apply for a loan in Nova Scotia to open your business?

YES NO Other, please explain

16- If you applied for a loan in Nova Scotia, did you get one? YES NO

Other, please explain -----

17 - What other sources of financing did you use for your business in NS?

Own money _____ from friends/family _____ From a
Bank outside

Canada-----

18- Did the bank or credit union ask about your record of loan payments from your country of origin?

YES NO Other, please explain-----

19- Did you provide records of loan payments from your country of origin? YES NO

Other, please explain -----

20- How did banks and credit unions in Nova Scotia respond to your record of loan payments from your country of origin?

Recognized Not recognized Incomplete Other, please
explain -----

21- Did the bank or credit union ask for information about your other financial assets from your country of origin? YES NO

Other, please explain -----

22-If your application for a loan was rejected, what were the reasons for rejecting it? -----

23- Are your experiences with banks and credit unions in Nova Scotia similar to your experience in your country of origin?

Yes, very similar Quite similar completely different

Other, please explain -----

24- How did the response of banks and credit unions in Nova Scotia affect your business plans?

Very helpful Quite helpful Not helpful Other, please explain

Section 3: Personal Questions

25- What did you do to start a credit history in Canada? -----

26-Did you apply for a loan in Nova Scotia for personal purposes (for example, to buy a house or a car)?

YES NO Other, please explain -----

27- If you applied for a loan, did you get one? YES NO

Other, please explain -----

28- Did you find problems or challenges when you applied for a loan?? -----

29- Did you find any problem in establishing a credit history in Nova Scotia?

YES, please explain -----

NO, please explain -----

Other, please explain -----

30- Are your experiences with banks and credit unions in Nova Scotia similar to your experience in your country of origin?

Yes, very similar Quite similar Completely different

Other, please explain -----

31- Is there any question you consider important that the questionnaire has not covered? -----

Thank you for sparing your time to fill-out the questionnaire, your contribution will indeed is important to new immigrants, banks, and credit unions.

APPENDIX B
Focus Group of MISA/ IBDS Clients

FOCUS GROUP QUESTIONS

- 1- How did you first learn about credit history in Canada?
- 2- What did you do to establish credit history and what challenges did you encounter?
- 3- How did the issue of credit history affect your personal finances?
- 4- How did the issue of credit history affect your business plans?

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