Low-wage immigrants are a particularly hard-to-reach segment of the underbanked population. Lack of identification or documentation, distrust of banks, language differences, and cost barriers often stand between these individuals and the mainstream financial system. As a result, they often turn to high-cost alternative providers such as check-cashers to meet their financial services needs, and therefore they have limited opportunities to build assets and achieve financial prosperity.

Nonprofit Distribution of Prepaid Cards

Alliance to Develop Power and partners are working to overcome these barriers by helping immigrants connect to affordable financial products and services such as prepaid cards.

General-purpose reloadable prepaid cards provide an affordable transaction option. These cards function as checkless checking accounts. Consumers load funds onto the cards and can spend only what they load, providing immediate liquidity while limiting the risk of overdraft.

Thanks to their deep and trusting relationships with low-income immigrants, the worker centers are uniquely positioned to market and distribute prepaid cards to this hard-to-reach segment. Worker centers can also provide more education and support than is possible through other distribution channels to facilitate cardholder longevity and success.

How It Works

• Cardholders can open accounts online, often while at worker centers, with forms of identification common in immigrant communities, such as the Matricula Consular Card or passport. Worker center staffers help members complete the online application, and applicants receive the cards in the mail.

• Cash can be loaded onto the cards at worker centers for a small fee or at a retail outlet. Direct deposit is available for paychecks, government benefits, and tax refunds.

• Cards can be used to make purchases and pay bills (in person or online), to withdraw cash (via ATM or point-of-sale), and to transfer money. Text alerts (e.g., balance queries and deposit alerts) and online account management are also available.

Additionally, the prepaid program is designed to strengthen the financial sustainability of the worker centers themselves by creating a steady funding stream through revenue-sharing and by facilitating automatic dues collection.
Results to Date

The program has had limited success so far, with just 314 cards sold in the first 11 months, and of those, only 43 are in active use. The Worker Center Collaborative recently enlisted the help of an independent consultant, New Market Partners, with deep experience in the financial services industry and marketing prepaid cards to evaluate and make recommendations for the program. Valuable learnings include:

- **Market segmentation**: Understanding the consumer’s needs, employment and housing situations, past banking experiences, and pain points is essential to successfully marketing the card. The card has appealed most to the previously banked, because they tend to understand the basic functionality of an account-based product and appreciate the financial value compared to check-cashing and/or a checking account with unexpected fees. Similarly, the card works well for members with steady employment, because they have enough money to see value in account ownership, and even better for those with direct deposit.

- **Member education and support**: The population served by the worker centers has high educational needs, especially the never-banked. The worker center staff provide general information about the product as well as one-on-one support to guide the transition from cash to card. One-on-one support has included tutorials on online account access, trips to use ATMs and to load funds at third-party retailers, and help with navigating customer service calls.

- **Vendor selection and relationship management**: Selecting a strong vendor partner was the most critical decision during the start-up phase. The collaborative conducted a rigorous request for proposals and ultimately selected AccountNow. Working together, they created a customized card program designed to meet the needs of the cardholders and the worker centers with low fees, the individual center’s name and logo printed on the cards, and a tailored enrollment process. The customizations have increased the overall program costs and caused several operational glitches. All program partners continue to work together to resolve operational issues in the areas of enrollment, card delivery, and Spanish-language customer service.

- **Cash- and check-loading**: Since many in the target population do not have direct deposit, convenient cash-loading is necessary—and is the reason the worker centers now load cash onsite. An unforeseen challenge was that many states require a money-service business license and additional insurance to do cash loading, which increased costs and delayed the program start. The worker centers are still exploring the options for check-loading.

Looking Ahead

The worker centers are reflecting on the consultant’s recommendations and planning for 2010. They realize that the program as originally designed (prepaid cards as a standalone product) will not be sustainable. However, they are compelled by the early evidence of the helpful role the cards have played in their members’ lives and the strong partnership they have built with AccountNow. Some centers will likely continue to offer the cards, possibly as part of an expanded suite of financial services, to increase revenue and more holistically serve their members.

For More Information:


Simplifying Daily Expenses

Lisa, a single mother of two, signed up for a prepaid card through the Alliance to Develop Power (ADP). She received the first direct deposit of her state disability benefits onto her card on Christmas Eve, allowing her to buy Christmas presents for her children.

Lisa no longer has to take the bus to a check-cashing center to purchase money orders to pay her rent and bills. Her funds are available the day they are disbursed, and she pays bills and rent online. She shops in stores using the card’s MasterCard POS feature. Steep overdraft fees led Lisa to cancel a previous checking account, but the $4 a month she now pays in fees is affordable. “I am so thankful for the time and money I save using my ADP card,” she says.

Independent Living

Luis had just gotten out of prison when he came to El Centro Humanitario. He now has an AccountNow card and a permanent job in a restaurant that enables him to add money to his account. As part of his probation, Luis had to live in supervised housing and open a bank account. The card is considered his bank account, and he will soon move out of the housing unit to his own apartment.

Saving with Prepaid

Maria uses New Labor’s AccountNow prepaid card to deposit her money and send remittances to her family in Mexico. She says she saves about $27 per month on remittances now, so her family has more to survive on and receives the remittances more often.