

Addressing Immigrant Financial Trauma and Empowerment Through CDFIs

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BACKGROUND

Immigrants are often excluded from mainstream financial wealth-building pathways or face barriers in accessing financial tools. Our prior research on Empowerment Economics has shown that **financial well-being is about not just being able to cover one's bills, but to understand your power in the economy.** We wanted to examine the role of Community Financial Development Institutions (CDFIs) in immigrant wealth-building in Massachusetts. In particular, we were interested in better understanding **family financial trauma—a dimension not captured by statistics on housing, jobs, food stability, etc.—and associated health and social-emotional challenges.** Our research goal was **to understand how financial trauma and financial empowerment prevent or facilitate healthy relationships between immigrants and financial institutions.**

METHODS

Over the course of this one-year study in 2025, we used **snowball sampling** to recruit a sample of CDFI leaders and experts from across the United States. We conducted **11 semi-structured qualitative interviews** and used **thematic and narrative analysis** to identify recurring patterns and overarching themes. We **triangulated our findings with data from another study focused on immigrant COVID-19 economic recovery**, drawing on participant (n=36) and staff (n=5) data.

Table 1. Characteristics of the CDFIs Interviewed

| Category | Description | Count |
|------------------------------|---|-------|
| Geographic Scope | National | 3 |
| | New England region | 5 |
| | Other U.S. regions | 2 |
| Population Served | Refugees only | 1 |
| | Low-income and minority communities, including immigrants | 9 |
| Demographic Focus of Clients | AAPI | 1 |
| | Pacific Islander communities | 2 |
| | Communities of color broadly | 1 |
| Type of Lending / Services | Small business only | 5 |
| | Multiple lending types (home lending, consumer loans, small business) | 5 |
| Participant Role | CDFI leaders/practitioners | 10 |
| | CDFI academic expert | 1 |

FINDINGS

Financial Trauma, Healing and Empowerment

- **Key sources of financial trauma** include loss and violence through migration; predatory lending, fraud, or violence due to debt, poverty and an inability to provide for family and others; being denied opportunities (e.g., lending, jobs); fear of further loss; racial or gender-based discrimination; and anti-immigrant policies and narratives.
- **Resolving specific barriers builds trust** (e.g., becoming banked, finding loans consistent with one's religion and values, learning the U.S. financial / regulatory systems).

CDFI Role in Immigrant Inclusion

- CDFIs (can) engage in **trauma-informed lending** by hiring staff who reflect the communities served, providing multilingual services, being physically present in communities, offering resources without pressure to sign, and including loans that align with immigrant needs and values.
- CDFIs (can) offer **relationship-based coaching**, acknowledging a client's history and intergenerational trauma; conducting a holistic assessment of goals, risk, and credit; facilitating referrals and partnerships; shifting clients' relationship with money; and creating a shame-free environment.

Narratives to Foster Empowerment

- CDFIs **fill existing gaps in the financial system** and create a "path to 'yes'" for immigrants, reevaluating risk with a holistic approach and being clear and transparent with their clients.
- CDFIs are here for **low- to middle-income families, immigrants, and BIPOC families and communities.** They serve entire neighborhoods and zip codes and contribute to the overall economic prosperity of the United States.
- In this current environment, financial **empowerment can look like building the link between financial stability and health, engaging in humanization and belonging initiatives, and respectfully finding common ground.**

*"I believe that the entrepreneurs we've helped, immigrant and nonimmigrant alike, have become more financial stable and **more financially self sufficient** than they were before they got a loan from us. And in that way I think, I hope, that we've **helped them heal some of their financial trauma.**"*
- CDFI leader

*"It is reality in the United States, whether people wish to acknowledge it or not, that **race, ethnicity, and immigrant status can and does correlate with economic prosperity. So, we're seeking to find the path to 'yes' for folks to whom the banks have said 'no.'**"*
- CDFI leader

*"I think in terms of empowerment, it's being able **to not come in as the saviors but more as the resources needed.** More of, we can be kind of like the toolkit for you to have more access to finances, **but we're not saving anybody and we're not taking that from them.**"*
- CDFI leader

DISCUSSION

Financial trauma among immigrants emerges from multiple, interconnected sources—shaped by migration experiences, economic exclusion, discrimination, and systemic barriers. These harms influence financial behaviors, trust in institutions, and long-term well-being.

Financial empowerment and inclusion foster healing. Immigrants gain access, knowledge, stability, and community support within the financial system and establish new relationships with finances, while institutions grow to support and advocate for all members of a community.

Immigrant financial well-being cannot be separated from the histories, traumas, and structural barriers that shape people's lives. **CDFIs play an essential role in supporting communities whose financial needs and strengths are often overlooked in traditional systems.**

Below, we summarize key points and potential future research questions:

Economic stability and legal status are key determinants of health.

- Policy reforms that expand economic opportunities and strengthen legal protections will improve community prosperity and health.
- Future research question: *To what extent are CDFIs advocating collectively for these policies?*

CDFIs provide culturally responsive, trauma-informed financial services.

- CDFIs can play a key role in building trust and reducing financial trauma in immigrant families and communities.
- Future research question: *How are best practices developed, evaluated, and disseminated among CDFIs?*

Evidence-based narrative research is needed.

- CDFIs are well-positioned to develop empowering and evidence-based messaging about community health and prosperity.
- Future research question: *To what extent are CDFIs conducting narrative research and/or developing narrative strategies?*