



FDIC
Alliance for Economic Inclusion
Cambio de Colores Conference

April 3, 2007
Kansas City, MO
*with the Iowa Bankers Association
 and the Missouri Bankers Association*



Alliance for Economic Inclusion
Past and Future

- To bring financial education and affordable financial services to unbanked immigrants
- 2001-2004
 - Banking immigrants seminars at New Iowan Centers (with Iowa Bankers Association)
 - Meatpacking plants in Emporia and Garden City, Kansas
 - Banking fairs in Kansas City, Omaha, Wichita
 - Outreach at request of Kansas Bankers Association
- 2005-2006
 - New Americans Task Force kickoff with Iowa Bankers Association
 - Formation of three committees
- 2007 and Future
 - NATF efforts merged into Alliance for Economic Inclusion
 - Work with Iowa Bankers Association and Missouri Bankers Association
 - Broaden scope to help unbanked immigrants to other unbanked, underserved markets
 - Still focus on guidance for targeting immigrants, bank accounts, remittance products, loans but also focus on alternative loans to payday lenders, affordable short term credit with savings component, savings accounts
 - Focus on free tax preparation for low income families
 - Two committees: meet in Kansas City but open to all
 - AEI conferences in Minneapolis (May) and St. Louis (April)



KC Region Cumulative Results

- ✦ Spanish Money Smart: 3,500 participants
- ✦ Bank accounts: 25,884/\$6.7 million in deposits
- ✦ Remittances:
 - 15 banks have affordable remittance products
 - 2,834 transactions, \$1.9 million transmitted
- ✦ Mortgage/consumer loans
 - 11 banks offer targeted mortgage programs
 - 520 loans, \$24 million originated



Alliance for Economic Inclusion

- Build on NATF coalition efforts
- FDIC's new national initiative to establish broad-based coalitions of financial institutions, community-based organizations and other partners in eight cities across the country
- Enhance the economic well-being of low- and moderate-income individuals and families, including the unbanked and underserved, by improving access to the U.S. banking system; and
- Work with financial institutions and other partners on ways to bring those currently unbanked and underserved into the financial mainstream through innovative low-cost products and services and expanded financial education efforts, including unbanked immigrants



Alliance for Economic Inclusion

- ✦ Focus is also on helping low & moderate income families find alternatives to predatory lending
- ✦ Financial education and financial services committees
- ✦ Committee meetings in Kansas City every 3-4 months



Size of Unbanked/ Underbanked Market

- ✦ As many as 39 million people are **unbanked**
- ✦ Approximately 44.7 million people are **underbanked** – 19.4% of all households
- ✦ The combined un- and underbanked populations may be 40 million households and **\$1.1 trillion** in income

Source: BearingPoint and Center for Financial Services Innovation



Unbanked Families by Race & Ethnicity

| U.S. Born | % | Immigrant | % |
|-----------|----|----------------|----|
| White | 14 | Mexican | 53 |
| Black | 46 | Other Latin Am | 37 |
| Hispanic | 34 | Asian | 20 |
| | | European | 17 |

Source: 2000 Survey of Income Program Participation, Rhine and Greene, "The Determinants of Being Unbanked for U.S. Immigrants," The Journal of Consumer Affairs, Vol. 40(1), Summer, 2006.



Meetings & Conferences

- ✦ Kansas City – Financial Services & Financial Education Meetings – March 27 & 28
- ✦ Kansas City – AEI Conference - June 14th
- ✦ Conferences in St. Louis & Minneapolis



KC Region Goals Alliance for Economic Inclusion

- ✦ 5,000 bank accounts per year
- ✦ 10,000 attending Money Smart classes per year
- ✦ 5 new banks offering small dollar loans and Directo a Mexico or other new remittance products
- ✦ 5 new banks offering IDAs or other special savings accounts
- ✦ 4,000 low income families filing tax returns
- ✦ \$4 million in refunds
- ✦ Promote employer based and bank in school programs
- ✦ Add new, committed members



Why Should You Join the Alliance for Economic Inclusion?

- ✦ Gain new customers
- ✦ Get free guidance from FDIC and group members
- ✦ Receive free monthly list serv with events & latest research
- ✦ Meet other bankers and community groups
- ✦ Receive invitation to FDIC AEI events
- ✦ Opportunity to be included in media coverage
- ✦ CRA credit
- ✦ Find out about FDIC student internships



FDIC Student Internships

- ✦ Student internships
 - ✦ Corporate Employee Program
 - ✦ Honors Attorney
 - ✦ <http://www.fdic.gov/about/jobs/index.html>
- Recruitment Events
- ✦ Lincoln University, Career Fair, Jefferson City, MO (4.17.07)



Two Versions: Instructor-Led & Self-Paced



Train-the-Trainer

- ✦ Train-the-Trainer Video for potential Money Smart instructors
 - ▣ About half an hour overview of teaching Money Smart
 - ▣ English and Spanish
 - ▣ Viewable online or order in VHS/DVD format
- ✦ Train-the-Trainer workshops

Immigrant Population Growth

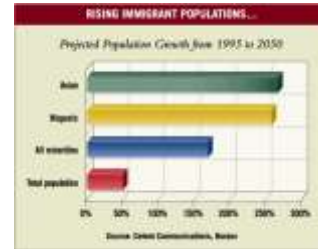


Figure 3: Immigrants Disperse to New Growth States



NOTE: Major destination states together constituted 67% of the U.S. immigrant population in 2000. Slow growth areas are those states where the foreign-born population grew by more than 50% between 1990 and 2000.

SOURCE: U.S. Census Bureau, based on Census 2000 and 1990 U.S. Census, Demographic Profiles, Table DP-2.



- On average, 25% of Hispanics in high growth areas tend to be recent immigrants
- 50% tend to speak Spanish only, 38% are bilingual
- In these areas, deposits have increased 53% on average nationwide (FDIC Outlook, Winter 2004)

Hispanic Purchasing Power

In 2007, Latinos nationwide held \$700 billion in purchasing power



Growth in Bank Accounts

- ✦ Between 2002 and 2007, the number of Hispanic households with
 - ▣ checking accounts will increase by 57%
 - ▣ savings accounts will grow by 76%
 - ▣ using investment products will grow by 94% (American Banker, 2003)

Growth in Bank Accounts

Recent surveys say that up to 60% of Latinos and 54% of Mexican immigrants (5 million) are unbanked

- ✦ The more recent the immigrant, the less chance they are banked

Growth in Bank Accounts

- ✦ FDIC has facilitated banking fairs in different locations
- ✦ Banking fairs: 103 accounts were opened at El Centro, Inc; 130 accounts were opened at the Muscatine, Iowa New Iowan Center
- ✦ Mexican immigrants open accounts with an average of \$2,000 to 3,000

Alternate Forms of Identification Matrícula Consular



Alternate Forms of Identification Individual Taxpayer Identification Numbers

Alternate Forms of Identification

- ✦ Issued by the Internal Revenue Service since 1996
- ✦ Banks can apply to the IRS to become Certified Acceptance Agents with form 13551
- ✦ Valid for 4 years
- ✦ Banks have the background check waived
- ✦ Section 326 of the PATRIOT Act mentions ITINs

Alternate Forms of Identification

- ✦ Part 326 of the Patriot Act does not discourage banks' use of the matricula card or ITINs
- Other alternate identification forms:
- ▣ Mexican voter registration card
 - ▣ Passports
 - ▣ Matricula card from other countries



Remittances

- ✦ \$22 billion sent to Mexico in 2006
- ✦ Banks can get CRA credit for offering low cost remittances
- ✦ Directo a Mexico



Remittances

- ✦ 70% of Latinos send money home; 75% of Mexican remitters are unbanked
- ✦ Remittances are often the first priority item on immigrants' budgets
- ✦ Immigrants send money home about 10 times a year in amounts from \$200 - \$300



Asset Building Products

- ✦ Individual Development Accounts
 - Homeownership – UMB Bank & El Centro
 - The Family Conservancy
- ✦ Remittances
 - Directo a Mexico – Federal Reserve Bank
Can open an account in Mexico
- ✦ Small Dollar Loans
 - Credit Builder (and Saver) – Central Bank of Kansas City
 - Citizenship Loans
 - Consumer Loans – First National Bank of Olathe
 - Micro Loans – Go Connection
 - Car Loan - The Family Conservancy Ways to Work Program



Marketing Financial Services

- ✦ Do your homework...obtain information on your prospective clientele
- ✦ Host a focus group of community leaders
- ✦ Team up with community group/faith based organization (training, bring customers to you)
- ✦ Work with the New Iowan Centers, Nebraska Appleseed and consulates



Marketing Financial Services

- ✦ Go to community meetings, ethnic festivals, banking fairs
- ✦ Offer financial education classes with a nonprofit
- ✦ Recognize that there are different groups within the Latino market
- ✦ Employ bilingual staff from the community...start with platform personnel



Marketing Financial Services

- ✦ Train/sensitize your staff to serving needs of immigrant customers (new IDs accepted, etc.)
- ✦ Staff may have to do more explaining than usual (be visual, show VISA ATM card which is a symbol of status sometimes)
- ✦ Be careful about translations
- ✦ Consider paying tellers/account reps extra to translate for loan officers



Marketing Financial Services

- ✦ Make your branches appealing to your clientele
- ✦ House Hispanic serving nonprofits
- ✦ Immigrants prefer personal touch: high tech, electronic features may not appeal to them
- ✦ Many immigrants want to become entrepreneurs



Marketing Financial Services

- ✦ Design products that your customers want (remittances, tanda accounts)
- ✦ Offer CD secured loans to establish credit
- ✦ Offer package deals
- ✦ Consider alternate underwriting guidelines



Marketing Financial Services

- ✦ Market on radio/newspapers (word of mouth crucial)
- ✦ Work with high school with high number of bilingual kids Open branch in high school with students as staff
- ✦ Hire bilingual high school kids and give scholarships to local college
- ✦ If you offer gifts, consider calling cards, gas cards, etc.



Marketing Financial Services

- ✦ Open accounts at employer sites, construction sites, tea parties
- ✦ Offer play area, coffee, babysitting during account opening/mortgage closing
- ✦ Let customers write checks in Spanish
- ✦ Provide coloring books and school supplies with bank's name to Hispanic nonprofit



For more information...

Elizabeth Russell Kelderhouse
 Community Affairs Officer & Corporate Recruiter
 FDIC Kansas City Region
 816.234.8151
ekelderhouse@fdic.gov