

Hispanics Drive

Member Growth

WARREN MORROW AND MIRIAM DE DIOS

Attracting and serving Hispanic members drives membership growth and bolsters the bottom line.

When Jose Francisco Batres and Martha Alarcón moved to Des Moines, Iowa, from Veracruz, Mexico, six years ago, they—like countless immigrants before them—ran the gauntlet of check cashers, money-transfer companies, and pricey banks to conduct their financial affairs.

But when the couple learned about \$8.3 million asset Village Credit Union, Jose and Martha found they didn't have to pay a 2% fee to cash their paychecks or a 15% charge to send money to Mexico.

Now, the two restaurant workers have a savings

account, a small loan—and a roadmap for their financial future. “We talk about how to save and how to manage our money to obtain our goals—the purchase of a home, automobile, and insurance,” Alarcón says. “This is important because many of us don't know how to manage our money. [Village] gives us confidence and support. It's like a family.”

Given credit unions' slow membership growth—1.6% during 2008, according to the Credit Union National Association's (CUNA) economics and statistics department—and their need for income in the wake of corporate credit union stabilization, credit unions need Jose and Martha as much as these members need credit unions.

Plus, as credit unions' recent 100-year anniversary celebration brings to mind, these are the same types of members credit unions were formed to serve a century ago. At that time, credit unions filled a void by serving people lacking access to mainstream financial services—primarily immigrants.

Credit unions' cooperative nature and “people helping people” philosophy helped the movement grow for a century. But with the many challenges facing today's credit union industry, who will drive

FOCUS

- ▶ **The Hispanic market** is the largest, fastest-growing, youngest, and most underserved market in the U.S.
- ▶ **Engage staff**, management, and the board in outreach to the Hispanic community.
- ▶ **Board focus:** Reaching out to a new market takes dedication and a long-term commitment.



Martha Alarcón (middle) and Jose Francisco Batres serve on Village CU's Hispanic Outreach Committee. At left is their daughter, Nayeli Batres, also a member.

new membership growth for the next 100 years?

The Hispanic market is the largest, fastest-growing, youngest, and most underserved market in the U.S. It presents a great growth opportunity for credit unions seeking to remain viable in the future. According to the Pew Research Center, Washington, D.C., Hispanics will make up approximately one-third of the U.S. population by 2050. Currently, almost one of five people under age 18 is Hispanic.

‘We gain their trust, then make them a more participatory part of our membership.’

Laida Garcia



Hispanics also play a major role in the U.S. work force. Almost half of all people entering the work force are Hispanic, according to the Bureau of Labor Statistics. The median age of Hispanics is 27, while the average age of credit union members is 47, report the U.S. Census Bureau and CUNA, respectively.

Hispanics have a purchasing power that’s expected to reach \$1 trillion next year, according to the Selig Center for Economic Growth, Athens, Ga.—and yet 40% to 55% of U.S. Hispanics don’t have a relationship with a traditional financial institution.

The force of the Hispanic market is readily apparent. But how are credit unions tapping into this market? As some credit unions struggle to grow due to aging memberships, increased regulatory burden, and competition from fringe financial service providers, others succeed by carrying out their mission of “people helping people” and serving this largely unbanked and underserved population.

Overcome objections

While credit unions may understand the challenges they face as an industry and the growth opportunity Hispanics present, fear of the unknown and doubt immobilize many of them into “paralysis by analysis” when deciding whether to tap a new market. Objections to and misinformation about a new market can add to this immobilization. It’s not uncommon to hear the following objections to Hispanic outreach:

- ▶ **“We’ve translated** our materials into Spanish—that should be enough to attract Hispanics.”
- ▶ **“Members think** our products are great. Hispanics must not need them if they’re not using them.”
- ▶ **“We know** we don’t serve Hispanics well, but we won’t target them specifically because we don’t do that for our current members.”
- ▶ **“We don’t** do community outreach because we need everyone working in our branches.”
- ▶ **“We only provide** deposits, loans, and investments—not those other products Hispanics use when they’re at a check casher.”

These are all valid concerns that, if not addressed, will halt the pursuit of a Hispanic growth strategy. When addressing such objections, it’s important to remember it took credit unions decades to understand and tailor services to their current members. Thus, as an industry, we have largely excluded Hispanics from service by not taking the time to better understand their unique needs.

Half the battle is developing the right mindset within the credit union to reach out to new markets. It’s not sufficient to *want* to serve a new market—the credit union must realize it *needs* to serve this market to grow and remain financially viable. Only when these common objections are addressed will a credit union be ready to reach and serve a new market.

▶ PARTNERSHIP PROVIDES ENTRÉE INTO MARKET

CUNA recently created a strategic partnership with Des Moines, Iowa-based Coopera Consulting, a subsidiary of the Iowa Credit Union League, to help credit unions nationwide serve the Hispanic market. Through this partnership, credit unions have access to products and services including assessments, training, consulting, translations, and Hispanic consumer products.

Other resources Coopera offers credit unions:

▶ **Exploring the Hispanic Culture Introductory Course.**

Understand the changing needs of your credit union’s Hispanic immigrant members through this self-paced introductory course for staff. Explore why you should reach out to the Hispanic market and how cultural differences affect your role and interaction with current and potential members.

▶ **Basic Money Management Member Seminar in**

Spanish. This seminar introduces a Spanish-speaking audience to credit unions and to basic money management concepts and tools. It includes a customizable PowerPoint presentation with speaker notes, participant handouts, interactive activities, and presenter-supporting materials. This toolkit provides a turnkey presentation that will build loyalty and improve Hispanic members’ money management skills.

▶ **El Poder es Tuyo ~ The Power is Yours.** This forthcoming bilingual personal finance Web site is designed to reach first- and second-generation Hispanics with money management information for their home, family, and future. It includes articles, worksheets, videos, and more—with a link to your credit union’s Web site.

Contact info@cooperaconsulting.com to order these resources.

Build the right mindset

How does a credit union build the right mindset? It starts by establishing a foundation: assessing the credit union's willingness to embrace outreach; engaging staff, management, and the board; and building a business case to serve this market.

Doing so takes ongoing effort, says Jill Nowacki, vice president of development for \$350 million asset MaPS Credit Union, Salem, Ore. "What resonates with our staff is that we're a community-based credit union, and we're here to serve our community regardless of race, religion, or other factors. If something matters to our community, it matters to us."

MaPS has relationships with businesses and organizations serving the Hispanic community, Nowacki says, ranging from Hispanic radio stations and newspapers to a farm worker union. "None of us on staff are experts in serving the Hispanic community. But many of us are experts at serving the community where we're located. So we use the same factors that historically have made us successful in targeting Hispanics and other underserved communities."

Scott Sullivan, president of the Nebraska Credit Union League & Affiliates, applauds that approach. "The 'if you build it they will come' approach doesn't work with this community. It's more about building relationships and trust. There must be an education process—we need to gain their trust."

The league launched an outreach initiative to help credit unions reach the state's 134,000 Hispanic consumers—about 8% of the population. That's up from 5% of the population in 2000, according to Census Bureau data. The league works with Coopera Consulting, Des Moines, Iowa, to help credit unions with staff training and outreach strategies.

"We believe credit unions can serve this population out of a true willingness to partner with them, not with the intention of preying upon this population as others do," Sullivan says.

And given Nebraska credit unions' slow membership growth (1.3%), it's a market worth targeting. "Financial services have become so commoditized that people are just looking for the best price," Sullivan says. "A lot of members are recycled from one financial institution to another. The Hispanic population is largely underserved in Nebraska. This is a new source of members who aren't just being passed along from one financial institution to another."

The league may link with Mexican credit unions for joint marketing and product development, namely remittances and shared branching. A market assessment Coopera conducted revealed that a

large number of immigrants in Nebraska have ties to a handful of states in Mexico.

Coopera, CUNA's Hispanic consulting partner, helps credit unions develop strategies to approach this market, says Winona Nava, president/CEO of \$94 million asset Guadalupe Credit Union, Santa Fe, N.M., and chair of CUNA's Hispanic Outreach Advisory Group. Coopera and CUNA are revamping CUNA's online Hispanic Resource Center. In the meantime, the center provides access to research, resource links, products and services, and a popular "Quick Start" kit to get the ball rolling.

"As a credit union CEO, it's difficult to devote a lot of time and effort to the research and development phase of any program," says Laida Garcia, CEO of \$272 million asset floridacentral Credit Union, Tampa, Fla. "With Coopera, we hope to make this a turnkey process and eliminate the research and development phase from the process. Instead of going to multiple Web sites to gather information—whether it's census data or marketing information—this site will be a one-stop shop."

Due to economic factors, credit unions' focus has



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Jill Nowacki

shifted from targeting new markets, such as Hispanics, to improving the bottom line, adds Garcia, Hispanic Outreach Advisory Group vice chair. "We need to focus the attention back on this important group because it's the fastest-growing demographic and can't be ignored. The new Coopera/CUNA Web site will help facilitate this process."

CUNA will expand the center to provide access to fee-based services, such as translations, marketing materials, market assessments, training, and consulting from Coopera. One of the advisory group's board members, Carlos Calderon, also serves as secretary of the Network of Latino Credit Unions and Professionals, Durham, N.C. ("Motivated to make a difference," p. 16). He's CEO of \$141 million asset OAS Staff Federal Credit Union, Washington, D.C.

Adapt your CU

The other half of the battle is adapting to the new market instead of waiting for it to adapt to your credit union. Doing so involves four key areas:

The Hispanic Opportunity

Consider these statistics and projections about the Hispanic market:

- ▶ Nearly 70% of Hispanic nonmembers are in their prime borrowing years (age 25 to 44) vs. 46% of all adult credit union members.
- ▶ Hispanics will make up almost one-third of the U.S. population by 2050.
- ▶ By 2020, second-generation U.S. Hispanics will outnumber their parents.
- ▶ Almost one of five children under age 18 is Hispanic.
- ▶ An estimated 40% to 55% of Hispanic immigrants are unbanked.
- ▶ Hispanics will account for more than half of U.S. retail banking growth in the coming decade.
- ▶ In the next two years, Hispanic households with checking accounts will increase by 57%; those with savings accounts by 76%.
- ▶ Hispanic purchasing power will reach \$1 trillion by 2010.

Sources: CUNA's 2009-2010 Survey of Potential Members Report, Census Bureau, PEW Hispanic Center, and Federal Deposit Insurance Corp.

1. Personnel. Staff should reflect their communities in terms of language and culture. In most markets, recruiting Spanish bilingual and bicultural staff is essential. Train staff, managers, and board members about this market's cultural nuances, and the benefits of serving the Hispanic community.

2. Products. Credit unions have products relevant to Hispanics, but they may not package these products in ways that are clear or useful to this market.

Garcia's credit union starts with affordable transactions, then steers Hispanic members toward loans and deposits. "We gain their trust by cashing checks and giving sound financial information," she says. "Then we steer them to loan and deposit accounts. Many Hispanics are uncomfortable with financial institutions. We gain their trust, then make them a more participatory part of our membership."

Services and activities that have become more prevalent in serving the Hispanic market, according to CUNA's 2009-2010 Survey of Potential Members, include risk-based lending, acceptance of taxpayer identification numbers, Spanish-language materials, low-cost international remittance services, ads/articles in the Spanish-language media, nonmember check cashing services, and Spanish-speaking staff.

3. Processes. Some processes (i.e., credit analysis and identification) were established without sufficient understanding of Hispanics' unique circumstances, especially those of immigrants. Credit unions must adjust these processes to serve this market.

The same goes for lending policies, Nava adds. "You can't use the same policies for this group as with a white-collar field of membership. If you do only A and B lending, you'll have a tough time."

4. Promotion. Traditional advertising and marketing might be relevant so long as the local Hispanic market has been segmented and their needs and values are understood. But the most effective strategy for reaching most Hispanics is to activate grassroots

social networks, use word-of-mouth advertising, provide financial literacy, and partner with key messengers within the Hispanic community.

MaPS continues to adapt its outreach approach, Nowacki says, starting with staff education. "We don't educate staff in how to serve the Hispanic market, but how to serve the member who's in front of them. So if some members are more comfortable with staff explaining disclosures rather than reading the small print, staff should act accordingly."

Plus, credit unions can overcome language barriers without having a huge bilingual staff, she adds. "We have a number of bilingual employees, but it's certainly possible for someone who speaks only English to be welcoming and to make members comfortable."

Go for the long haul

Reaching out to a new market takes commitment and dedication to demonstrate you truly want to serve its needs. It's not enough to simply translate marketing materials into Spanish or hire bilingual personnel. Success requires deliberate, comprehensive steps resulting in a true partnership with the Hispanic community—where your credit union is a trusted financial service provider, an employer of choice, and a caring neighbor.

Due to Jose and Martha's involvement in Village Credit Union, their daughter Nayeli now understands the importance of wise financial choices. "At first I didn't think it was important to have a credit union account," she says, "but my parents helped me understand. Now I know it's for my future."◎

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RESOURCES

- ▶ Coopera Consulting, Des Moines, Iowa: 866-518-0214 or www.cooperaconsulting.com.
- ▶ CUNA:
 1. 2009-2010 Survey of Potential Members Report: buy.cuna.org, enter 28533 in the product finder.
 2. Hispanic Resource Center: cuna.org, under "CUNA initiatives."
- ▶ Network of Latino Credit Unions and Professionals, Durham, N.C.: 915-838-9608 or nlcup.org.