



Opening Your Branches to Latinos: Understanding How to Earn Trust and Gain Acceptance

An IBT White Paper



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The underbanked Latino community is a hugely untapped market segment, with 56% currently without any bank relationship. Latinos are now the largest minority group in the US and are also the fastest growing segment of the population. The purchasing power of Latinos is expected to exceed \$1 trillion by 2009. For business of all kinds, this market segment will be a critical one to capture as it increases in size and influence.

As financial institutions in particular develop plans to attract and service this market, there are several unique attributes and behavioral characteristics that need to be understood in order to gain acceptance by the Latino community.

Latinos have a historical and an inherent distrust of traditional financial institutions.

More often than not, the traditional financial institutions operating in their country of origin are not subject to the same government oversight or regulatory governance that is mandatory in the United States. Although, these perceptions are not reflective of how traditional US financial institutions provide products and services, low-income Latinos will continue to believe in them until a financial institution reaches out to them, on a one-to-one basis, and takes the time to educate them on deposits being insured, loans having specific interest rates and the general rules and regulations that protect consumers in the US.

Latinos are unaware of the benefits that a consumer can receive from a traditional banking relationship, especially from a credit union.

Many Latinos see a traditional banking relationship as a one-sided proposition and need to be informed of the benefits that they can receive from a checking account, a savings account, a micro-loan or even the value that comes with a debit card. The US has the most advanced and the most user-friendly financial services system in the world, however most Latinos still operate in a cash-intensive environment because they don't receive education from trained financial service experts who can help allay their concerns about entering into a traditional banking relationship.

Latinos believe they lack the requisite amount of money to open an account.

Many low income Latinos are daunted by what they perceive to be requirements for opening a bank account. This misconception is based purely on "street advice" and is not reflective of most financial institutional policies. The vast majority of checking and saving accounts require modest opening balances and, if the initial requirements are a little higher, they can normally be waived or reduced with a direct deposit commitment.

Latinos are concerned about large penalties and fees that exist when an account is overdrawn.

Again, this concern is borne out of a lack of understanding pertaining to traditional banking requirements. Taking the time to teach them how to manage an account and explaining what is expected from them and what benefits they will get in return is the key to overcoming their hesitation. Many credit unions continue to take the lead in promoting financial literacy by offering and facilitating community-based financial services classes.

Latinos cannot find traditional banking institutions that offer the conveniences that their lifestyles require.

A high percentage of first and second-generation Latinos hold jobs that do not provide an opportunity to conduct their banking needs during traditional branching hours. This challenge makes them more susceptible to predatory lending practices, and prevents them from receiving the benefits that a credit union relationship can bring to them on a recurring basis. Because of the frequency of transactions, accessibility in terms of locations and hours is critical to building a long-term relationship.

Many Latinos believe that they will not qualify for traditional credit opportunities because of insufficient credit history.

Although, this can sometimes be the case, many financial institutions are implementing products and programs that factor in less-than-stellar credit histories or no credit history whatsoever. Ensuring that they know about these types of opportunities and that they qualify for many of them without judgment is the key to building a mutually rewarding relationship. It is also important to remember that because they have lived in largely a cash economy, this segment is more often in a position of having *no credit*, versus *bad credit*. Targeted educational campaigns will help the credit union reach out to Latinos and will also lay the groundwork for a greater understanding of the differences between credit unions and banks.

Latinos fear that their financial matters will be disclosed to creditors.

This perception is common among many first and second-generation Latinos and can easily be neutralized by taking the time to educate them on the practices and operational requirements that US financial institutions must follow. Most individuals, Latinos included, do not want their private financial matters to become public knowledge. This perception also prohibits most Latinos from applying for credit because they fear that their community will know about their possible denial.

Latinos have shown a strong propensity for a convenient bill-paying service and for micro-loans ranging from \$200 to \$500.

Few traditional financial institutions offer either of these services and products, and as long as they continue to not offer them, Latinos will continue to be prey for predatory and price-gouging providers. The credit union senior management team that seeks to provide these products and services will garner a massive amount of new relationship opportunities, and ultimately, will see their membership grow and their community reputation enhanced.

Latinos fear that their deposit accounts will be subject to lien by creditors.

Once again, education is the missing link. Teaching them about the financial institution's commitment to the depositor and what types of actions can be levied against their accounts will empower Latinos to participate in our traditional financial services system.

Latinos do not have the proper documentation or classification to open an interest-bearing account.

Federal, state and local guidelines vary on this requirement. There are providers who can assist credit unions who want to play a significant role in allowing Latinos the opportunity to obtain an Individual Tax Identification Number (ITIN), which is required for an interest bearing account. This credit union commitment can help Latinos access all financial products and services, while ensuring that compliance and regulatory requirements are satisfied.

The commitment must be genuine.

In order to earn the trust of this community, the commitment must be genuine at both the individual and group level. In contrast to other cultures, Latinos generally have positive feelings and respect for tradition, age and life experience and the Latino youth does not perceive itself to be divorced from its ancestry and history. Respect this reverence for tradition and family in your marketing and outreach efforts. Seek to build relationships with influencers in the community. Invest in bi-lingual staff and support materials. Translating brochures is not enough - develop culturally relevant product literature, applications and forms, community resources and regulatory documents.

The return on the investment will far exceed the expenditure by cultivating an intensely loyal and high reference membership base.

About IBT Enterprises

IBT is a leading source of forward-thinking designs and ideas in the arena of financial services and specialty retail. Over its 22-year history, the company has consulted to more than 175 retail and 550 financial services clients on the development of thousands of workspaces. IBT offers a comprehensive range of integrated services, including retail distribution strategy, market research, space planning, design and construction, performance training and coaching.

IBT's Latino Retail Branching Solution, in partnership with Banuestra Financial Corporation, enables financial institutions to reach out to the Latino market by offering the products and services they need in a culturally sensitive and welcoming branch environment.

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