

# SERVING IMMIGRANT COMMUNITIES

## Alternative Outreach Channels

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# WHY DO YOU WANT TO REACH THIS MARKET?

- ◆ Not about CRA or satisfying regulators.
- ◆ Obstacles to overcome are substantial.
- ◆ New problem for small banks-competition.

# DEMOGRAPHICS

- We used to talk about numbers and trends
- No longer necessary. Immigrants, particularly Latinos, are here (documented and undocumented) and they are not all in California and Texas anymore
- Sheer numbers means you need a share of this market.
- Concentration and loyalty of population.

# DEFINING YOUR MARKET

- Do the research-- define and narrow your market
- Where and who are they
- 1990 and 2000 census information
- We used census tract information and CDFI Help Desk program to define investment area--supplement with FFIEC Geocoding System

# DEFINING YOUR MARKET

- New study from Brookings Institute, The Rise of New Immigrant Gateways, Feb. 2004-- 2000 census; 31.1 mm immigrants
- Study is at [www.brookings.edu/urban](http://www.brookings.edu/urban)
- Separates the different immigration patterns for different areas of the country
- Because immigration varies tremendously between areas of the country must study local character of your community

# DEFINING YOUR MARKET

- Geographic patterns are different
- Study confirms that recent arrivals come from Asia and Mexico, are poorer than native born, have low English proficiency and lower rates of citizenship.--
- These are the **issues** you must deal with regardless of location or area of the country

# Mitchell Street Neighborhood/ 1990 and 2000 Census

- Took 12 separate census tracts surrounding Bank and South Division H.S.--reflects all national trends
- 40.37 % were Latino in 1990; Increased to over 64.3% in 2000 census- has continued to increase and undercount

# Mitchell Street Neighborhood

- **2003 numbers show Latino population over 70% in Mitchell Street area; 83% minority**
- **Young population; 36% under 18 yrs old; 1/2 are under 25 yrs old**
- **Concentration: small area; 37,000 in '90 and 43,000 in 2000**



# Economic Development and Housing Hot Zones

- 11 of the 12 census tracts qualify as economic and housing hot zones
  - ◆ Unemployment rate was and remains over 15%.
  - ◆ Persons living below the poverty level in area-37% 1990; 35% 2000
  - ◆ 49.89% of the population does not have H.S. diploma

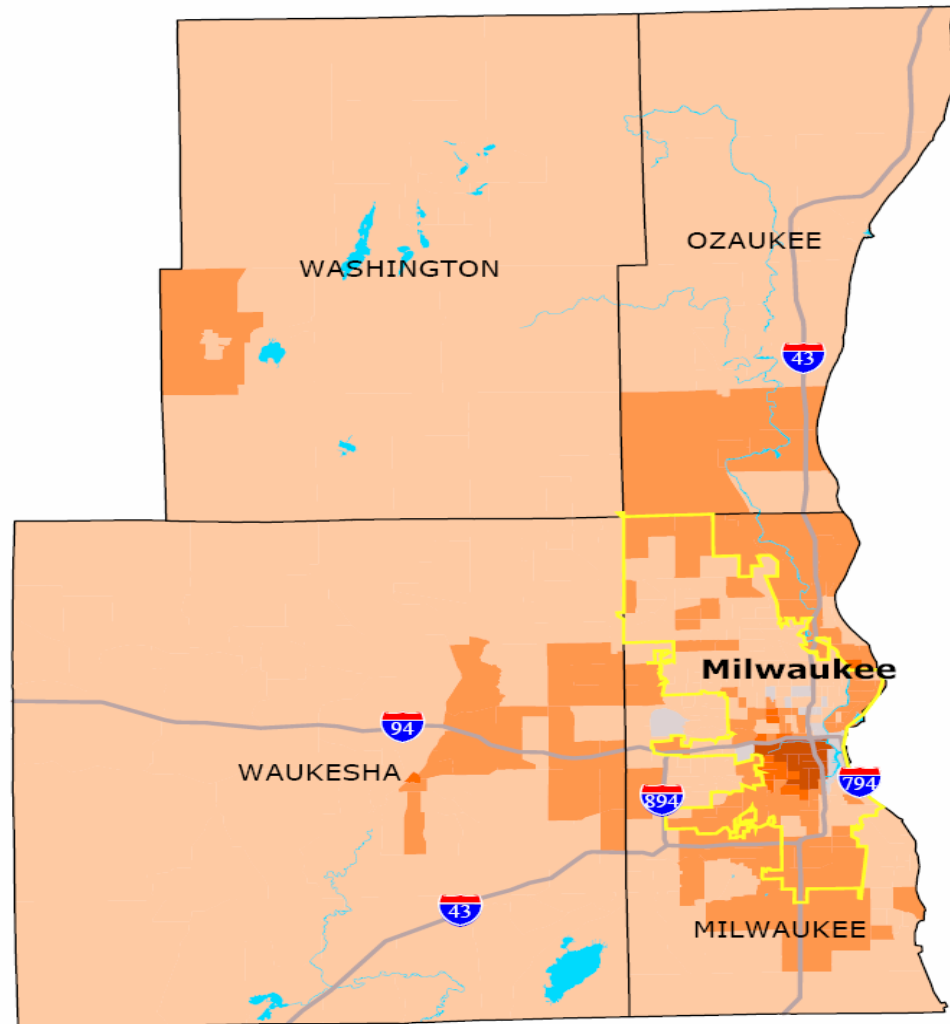
# Home Ownership

- 2000 Homeownership was only 20% to 25% as compared to a state avg. of 66.7%
- Population pays a disproportionate share of income for housing with over 44% paying more than 39% of their income for housing
- We took Tract 0167.00--Tract for the Bank

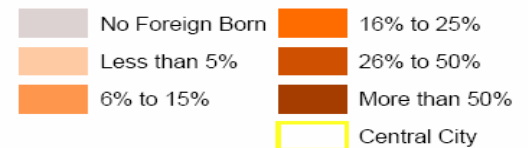
# Home Ownership

- In Census Tract 0167.00: Total of 1143 Housing Units
  - ◆ Only 253 are Owner-Occupied- 22%
  - ◆ 758 are Renter Occupied- 67%
  - ◆ 132 are Vacant- 12%
- Similar statistics in other tracts
- Paying high rent for substandard housing

# Percent of Total Population that is Foreign Born by Census Tract Milwaukee-Waukesha Metropolitan Area, 2000



## Percent Foreign Born



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# HOW TO GET STARTED

- Deal with the distrust of financial institutions
- You are trying to change behavior--**this may require change on your part as well**
- Partnerships with religious, social and civic institutions that are trusted- transfer of trust
- Actively learn and address the problems of the group

# COMMUNITY MEETINGS

- Used to include as an after thought
- After several such meetings, it is the most effective method of reaching your market
- Gets people into your bank (many for the first time) and gives you a captive audience receptive to the message
- Show your sensitivity and bank welcoming environment

# Physical Environment

- Remember distrust of banks
- Importance of “invitation” to Hispanics and Immigrants
- Focus: How get them to walk in the door and how avoid doing something that chases them out?
- School branch overcomes distrust issue
- Be creative-- try new approaches





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17







## SOUTH DIVISION HIGH SCHOOL

- Basic census data can be supplemented by seeking school district data
- Greater concentration of minority populations because of younger segments
- 70% of High School is Hispanic. 1800 total students; only 5% are white. Seeing increasing Black, Asian and Hmong; 75% qualify for subsidized meals

# SOUTH DIVISION HIGH SCHOOL

- School data will show the current trends in real time
- More than 300 undocumented families
- low income minority populations are unbanked- 43% have no bank relationship.
- Led to establishing Bank branch right in the school

# DEMOGRAPHICS OF MITCHELL BANK AND SOUTH DIVISION H.S.

- Young population- **young** adults and families with children--where you will reach most Hispanics.--school
- Unbanked- low income immigrant families
- Undocumented
- In need of bank services/check cashers
- What is not reflected in the statistics...

# Physical Environment

- School branch overcomes distrust issue
- Transfer of trust from the school and teachers to the bank
- Bank has no inherent trust of its own; need to borrow trust from other institutions
- Alternative setting in school: part of the school not the bank building



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24





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26







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# CARDINAL BANK

- ◆ Background of start up
- ◆ Demonstrates importance of partnerships within community
- ◆ Formal branch application to FDIC and State regulators.
- ◆ Full service branch vs. “school” sub accounts
- ◆ Students are our “Ambassadors” to community

## CARDINAL BANK

- Real accounts because we are targeting students and their parents
- Bank presence--officers of bank, not just teachers
- Separate Board of Directors/Officers of bank
- Students market bank to peers/ Classroom presentations



## CARDINAL OPERATIONS

- Operating documents and account opening procedures are included in materials
- Separate “Customer Identification Program”
- Actually are operating as a check casher for the family
- Opportunity to connect with evening events at school-ATM as teaching tool

## CARDINAL BANK

- Financial seminars and education sponsored by school and Bank in partnership
- Students as the teachers of their parents
- On site training at Main bank on Mitchell Street.
- Use of FDIC “Money Smart” Program
- ATM in school





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34

# SUCCESS OF CARDINAL BANK

- In the middle of our 4th year
- 554 new accounts, including remittance accts, as of 2/29/04- 90% were “unbanked” students and families
- Average 300 to 320 face to face transactions per month, despite limited hours

# SUCCESS OF CARDINAL BANK

- Deposits as of 2/29/04: \$849,000.00;
- Loans: Over \$200,000.00; mortgages to parents and installment loans to school staff.
- ATM generates revenue from school events
- School as source for needed bilingual employees

## EFFECT OF CARDINAL ON MAIN BANK

- Activity and deposits at main bank increased
- We have had to extend hours; more seating and added CSRs
- Increase of 10,000 to 11,000 in main bank transactions per month in the 3 years of Cardinal
- 75% to 85% of new accounts at main are Hispanic

# EFFECT OF CARDINAL

- Estimate that 70% of new accounts at Main Bank are with formally “Unbanked”
- Demonstrated by the number of ITIN applications
- ATM is a source of revenue used by non-bank customers
- Favorable press coverage--news story--media loves it

# LANGUAGE AND CULTURAL SENSITIVITY TO SERVICE DELIVERY

- Develop capacity to provide information, basic services and signage in the dominant language
- Use community organizations to provide local knowledge concerning cultural issues and sensitivity
- Use them to disseminate your information to their groups



# LATINO EMPLOYEES

- Should be bilingual--preferably Latino or member of Immigrant group
- Even if they know English, Latinos are sometimes more “comfortable” with Spanish
- Latino or bilingual tellers are not enough
- Latinos in supervisory and positions of authority



# ADVERTISING

- Find out what media is used by Latinos in your area
- Our experience is that Spanish T.V. is most effective
- Advertise in Spanish only
- Use your own Latino employees and **CUSTOMERS** in ads
- School branch advertising to parents

# IDENTIFICATION ISSUES

- Major problem which must be addressed
- Must be sensitive and knowledgeable, particularly with the USA Patriot Act foreign issued IDs
- At Mitchell, we know is not “their problem” and we need to be proactive in overcoming the barrier

# IDENTIFICATION ISSUES/NO SS #

- Mitchell Bank became a CERTIFYING Acceptance agent for the IRS in November 2002
- No charge to process.
- Advertising availability to bring people into bank; Posters in all locations
- Recent changes to W-7 and solutions

# ITIN PROCESSING

- To date we have processed over 543 ITIN applications and opened accounts for 85% to 90% previously “unbanked”
- Use of ITIN to make home mortgages to the undocumented
- Created ITIN Program Brochure in English and Spanish. See materials

# IDENTIFICATION ISSUES/STATE IDs

- Help obtain State ID's and Driver's licenses with out SS #- Proactively help fix problem-- don't be the barrier
- We have and provide all the official documents
- Privilege not available in many states; need to take advantage now before it is gone.
- SS# number is not required; law change

# STATE IDs and LICENSES

- We prepare and complete DWD affidavit of no Social Security #.
- Provide letter from Administrator of non-harassment of undocumented.
- Created a Driver's License and State ID Program Brochure in English and Spanish.  
See materials

# MATRICULA CONSULAR CARD

- Accepted by Mitchell since early 2000
- Mitchell advertises and is knowledgeable as to how to obtain the card
- Hand outs and posters advise of availability and requirements
- “Acceptance” of Matricula is not enough

# PRODUCTS

## ■ **International Remittance accounts**

- ◆ 2 debit card-- you must have; descriptive brochure in materials- English and Spanish

## ■ **Low balance requirements**

- ◆ eliminate as many fees as possible
- ◆ flexible in opening accts for minors
- ◆ consider low cost money orders as checking alternative



# PRODUCTS

- **Compete with the check cashing outlets**
  - ◆ money orders
  - ◆ stamped envelopes
  - ◆ car title registrations
  - ◆ utility payments
  - ◆ bill payments through account
- **Object: transition to regular bank products**

# COMMUNITY MORTGAGE PROGRAM

- 3 to 5 year Portfolio loans to undocumented using ITIN
- Description of program is included
- No PMI/ 95% LTV
- Alternative credit scores
- Pooling of resources
- PMI and secondary market will be coming

# COMMUNITY MORTGAGE EXPERIENCE

- No defaults; no late pays
- No immigration issues
- No regulatory issues raised by examiners
- Down payment is not an issue with many of the undocumented
- Income issues and dual identity