International Linkages: Immigrant Remittances & Financial Adaptation

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Presentation Roadmap

1. Introduction to WOCCU
2. Financial Access Outside the US
3. Overview of US Credit Union Remittance Activities
4. Overview of Foreign Credit Union Remittance Activities
World Council of Credit Unions

• International trade association and development organization for the global credit union movement

• Represent 40,000 credit unions in 80 countries serving 118 million members

• Implementing 17 long-term credit union development projects around the worldwide

• Reaching out to immigrant communities in the US - Remittances
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Banking Unbanked in Latin America

Mexico
• 15% of economically active pop. in urban areas have accounts. 25-35% of Mexicans nationwide have accounts (World Bank 2003 and IDB 2000)

Central America
• 10% (Nica.) – 20% in Guatemala have accounts (WOCCU estimates 2003)

South America
• World Bank lacks data – unclear info on Brazil & Colombia
Banking the Unbanked – in US

Remittance Senders in U.S. with Bank Accounts

<table>
<thead>
<tr>
<th>Country</th>
<th>Bank Account</th>
</tr>
</thead>
<tbody>
<tr>
<td>Guyana</td>
<td>72 %</td>
</tr>
<tr>
<td>Ecuador</td>
<td>65%</td>
</tr>
<tr>
<td>Dominican Republic</td>
<td>62%</td>
</tr>
<tr>
<td>Cuba</td>
<td>58%</td>
</tr>
<tr>
<td>Nicaragua</td>
<td>51%</td>
</tr>
<tr>
<td>Colombia</td>
<td>47%</td>
</tr>
<tr>
<td>El Salvador</td>
<td>36%</td>
</tr>
<tr>
<td>Guatemala</td>
<td>31%</td>
</tr>
<tr>
<td>Honduras</td>
<td>29%</td>
</tr>
<tr>
<td>Mexico</td>
<td>25%</td>
</tr>
</tbody>
</table>

Why are Latino Immigrants Unbanked?

- Don’t know the benefits (38%)
- Don’t believe they can without a SSN and drivers license (25%)
- The process is too complicated (9%)
- People will trust you if you reach out!

Source: Bendixen 2001
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WOCCU’s Work on Remittances

• Alliances with two commercial wire transfer companies to offer the International Remittance Network (IRnet)

• Sending side, 225+ credit unions with 950+ points of service in 35 US states

• Receiving side, credit unions in 6 countries with 540 rural points of service are distributing remittances
  – Guatemala [8/01]  El Salvador [9/01]
  – Mexico [8/03]  Nicaragua [10/03]
U.S. Remittance Activities

- 68% of Latino immigrants age 18-24 are unbanked and 73% of this group are sending money home
- Providing savings facilities to documented and *undocumented* immigrants in U.S.
- Disclosing and guaranteeing exchange rates
Why do Credit Unions offer IRnet?

- **Relationship builder**
- **Fee Income** - $6/transfer on avg.
- **Comparative advantage**
- **Demographics of the credit union’s FOM have changed**
- **In-line with philosophy:** *service to underserved*
Review of CU Experience

- It is not easy, no instant acceptance
- 65% of volume from 8% of Credit Unions
- Successful CUs are urban & rural, large ($1 billion assets) and small ($1.2 million assets), more community fields of membership than workplace fields of membership
- Average transfer of $550 is larger than industry avg. CUs have sent $8.4 million in last 12 months
- What is working with CUs - Very accepting environments
Other Products Used By Senders

- Serving mainly existing members as opposed to non-members
- Saving with the CU
- Used auto loans
- Inquires into mortgages but not there yet for many
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Why Credit Unions Abroad & Remittances?

- Outreach & presence in rural areas
- Attract non-member remittance receivers—INTEGRATE “unbanked” into formal financial system
- Encourage members to save a portion of remittance received
- Cross-selling of diverse financial services
US$ Value of Remittances Distributed by Credit Unions in Six Countries - in Millions

- Q3 01: $0.1
- Q4 01: $2.5
- Q1 02: $4.6
- Q2 02: $10.5
- Q3 02: $14.3
- Q4 02: $18.0
- Q1 03: $25.2
- Q2 03: $42.7
- Q3 03: $56.4
- Q4 03: $64.0
- Q1 04: $65.0
Number of Remittances Distributed by Credit Unions in Six Countries

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Year</th>
<th>Remittances Distributed</th>
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<tbody>
<tr>
<td>Q1</td>
<td>01</td>
<td>266</td>
</tr>
<tr>
<td>Q2</td>
<td>01</td>
<td>3,014</td>
</tr>
<tr>
<td>Q3</td>
<td>02</td>
<td>9,167</td>
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<tr>
<td>Q4</td>
<td>02</td>
<td>20,930</td>
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<tr>
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<td>30,831</td>
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<tr>
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<td>03</td>
<td>42,351</td>
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<tr>
<td>Q3</td>
<td>03</td>
<td>56,990</td>
</tr>
<tr>
<td>Q4</td>
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<tr>
<td>Q1</td>
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<td>122,438</td>
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<td>146,975</td>
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<td>149,801</td>
</tr>
</tbody>
</table>
Country Example: Guatemala

- 25 credit unions serve 507,885 members through 121 points of service (95% rural)

- Distributed 245,154 remittances in amount of $114.3 million in 2003

- Currently distributing 30,000+ remittances per month
Country Example: Guatemala

- Credit unions offer direct deposit of remittance to savings accounts for members
- 68% of receivers are non-members
- Credit unions market distribution service and cross-sell services to non-member receivers
- Non-member receivers are currently joining at rate of 1% per month (+-300 people)
Country Example: Mexico

- *Caja Popular Mexicana* serves 699,461 members through 326 points of service (60% rural)
- 1,900 individuals (93% women) received 2,977 remittances during first 4 months
- 82.5% of receivers are members
- 5% of funds received by members were deposited
Country Example: Mexico

- 15% of funds received by members paid-off existing loans
- 56% of the non-members have joined
- Developing remittance-linked savings and credit products
QUESTIONS?

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