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

- Study is at 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
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
April 14, 2004
Financial Access for Immigrants
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
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
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