Banking on Remittances:
Increasing Market Efficiencies for Consumers and Financial Institutions

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1. Introduction

The remittance market is increasing rapidly in volume and international importance. Worldwide in 2004, immigrants sent over $100 billion back to their home countries via formal channels, over $30 billion of which originated from the U.S. to Latin America.[2] Most of these remittances are made without the involvement of banks or credit unions, but rather through money transfer companies.[3] It has been suggested that some remitters avoid financial institutions simply because they are "unbanked," or lack access to a transaction account at a mainstream financial institution.[4] Yet research shows that even those immigrant families with bank accounts do not use banks to send money home. For instance, in a survey of low- to moderate-income households in Los Angeles and New York City, less than one-quarter (21 percent) of those who were banked and who sent money to their families abroad used banks for these transactions.[5] By far, a greater proportion used alternative service providers to send funds to their home country.

At first glance, it appears obvious why financial institutions would be interested in capturing the remittance market. The industry is profitable, with leading money transmitters reporting above-average earnings. In addition, since a high proportion of remitters are unbanked, these emerging markets represent new profit opportunities. Financial institutions can benefit by using basic banking and remittance products to build long-term relationships that could lead to cross-selling other products. For the unbanked immigrant population, banking provides access to many of the ownership and wealth-building mechanisms available through mainstream financial institutions.

2. Objectives

Immigrants have needs for financial services, and these needs can be met either through mainstream financial services (for example, banks) or alternative financial services (for example, check cashers and wire transfer companies).[6] Why do consumers choose one over the other? What can we learn to encourage them to use banks?

On the other side of the coin, banks have multiple incentives to draw these potential customers. Are they trying to do this via offering basic banking accounts and remittance products? If not, why not? If so, are they succeeding? Why or why not?

In this paper, we focused on remittances to Mexico and explored:

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[2] Deen, 2004; Bendixen & Associates, 2004.
[3] Hereafter, generally when we refer to banks, we mean the term to include banks, thrift institutions, and credit unions. According to Orozco (2004), only 3 percent of remittances were made through banks.
[4] Overall, about 9 percent of U.S. households are unbanked. Among all Hispanic households, about 30 percent are unbanked; this compares with 19 percent of blacks, 14 percent of Asians, and 5 percent of whites. Data are from the 2001 Survey of Consumer Finances, sponsored by the Federal Reserve Board.
[5] Data are from the 1998-99 Survey of Financial Activities and Attitudes, sponsored by the Office of the Comptroller of the Currency. See also Suro, 2003.
[6] The term wire transfer is used in this paper to refer to individual transactions to transfer funds. This includes transitional cross-border funds transfers such as SWIFT (Society for Worldwide Interbank Financial Transfers, a company specializing in transmission of payments and other financial transactions) and transactions by money transfer businesses.

- Mexican immigrants' perceptions about remittance products and services
- Mexican immigrants' preferences for various remitting mechanisms and information desired in a remittance transaction
- opportunities to increase marketplace efficiencies by increasing involvement of banks in the remittance arena
- the role that different service delivery mechanisms, such as automated clearing house services (ACH), can play in increasing market efficiencies
- effective models for financial institutions and community educators who work with immigrants who send money home.

Our findings may help financial institutions and community groups that work with immigrants to develop better products, services, and programs for them, as well as aid firms and organizations that want to target their marketing to immigrant households.

3. Background

The Unbanked, the Banked, and a Greater Role for Banks

Conventional wisdom holds that having a bank account is the first step toward building a financial identity, which leads to further access to financial products and services and thence to advances in family well-being, stability, and security, and finally to community security and economic development. Yet despite these potential benefits, in 2001, 9.7 million U.S. households (about 9.1 percent) remained without any bank account and a greater percentage of households, 12.7 percent, had no checking account – considered the basic transaction account for most U.S. families.[7]

Our reason for wanting to understand motivations for being unbanked stems from our desire to design programs, financial service products, and policies to respond to unbanked households in meaningful ways. Because there are a variety of reasons for not having an account, there needs to be a variety of responses if we are to bring people into the financial mainstream. Data from the 2001 Survey of Consumer Finances (SCF) revealed that nearly one-third of Hispanic households were unbanked. When asked why they did not have a checking account, half (50 percent) of Hispanic respondents gave reasons related to account features (i.e., minimum balance or fees were too high or that they did not write enough checks to justify the fees); one-fourth (25 percent) gave reasons related to their motivation for having an account (don't need or want one, don't have enough money to make it worthwhile); nearly one-fifth (19 percent) reported that they "didn't like dealing with banks"; and the remaining respondents indicated some practical or informational considerations (cannot manage or balance an account, not allowed to have an account, or credit problems prevent having an account).[8] Although these data are specific to checking accounts, they may apply to all accounts and provide some insights as to the barriers these households perceive.

[7] Aizcorbe, Kennickell, and Moore 2003.
[8] Hogarth, Anguelov, and Lee, 2004.

Among unbanked Hispanic households in the SCF, 38 percent reported that they previously had a checking account in the U.S.[9] Other data sources, however, reveal an even greater proportion of unbanked immigrant households. For example, data from the Survey of Financial Activities and Attitudes (SFAA) indicate that slightly less than one-half of low- to moderate-income immigrants in Los Angeles and New York City (47 percent and 45 percent, respectively) were unbanked (see Table 1).[10] In comparison, 18 percent and 39 percent of low- to moderate-income nonimmigrants, in LA and NYC respectively, did not have a bank account. Data from the Mexican Migration Project, a survey that provides detailed information on Mexican immigrants, showed that 75 percent of the respondents were unbanked in the U.S.[11] These numbers, which reflect the large proportion (65 percent) of unbanked households in Mexico, suggest that the lack of a banking relationship in the home country can translate into lack of one in the U.S. as well.[12]

Data from the SFAA show that more than one third of unbanked low- to moderate-income immigrants (38 percent) in Los Angeles and New York City indicated that they did not have a bank account for reasons related to account features (minimum balance or fees too high). However, three out of five (59 percent) reported that "none of the reasons" listed by the interviewer were motives for not having a bank account. These reasons may include lack of documentation, prohibition by the bank to open a bank account, and personal discomfort in using a bank. Among the sub-group of unbanked immigrants who did not report a reason for not having a bank account, about one-third (31 percent) previously had a bank account. Overall, 38 percent of all unbanked immigrants had been banked at some point (either in the U.S. or in their home country).

[9] Although the definition for being banked using the SCF data set includes ownership of checking, savings, money market, and call accounts, the SCF includes only information on previous checking account ownership.
[10] The results from the SFAA, conducted in 1998-99, need to be assessed with some caution given that they 1) are representative of two metropolitan cities (and not rural areas), 2) are based on the experiences of low- to moderate-income households, and 3) do not reflect more recent changes in the financial marketplace.
[11] Amuedo-Dorantes and Bansak, 2004.
[12] IADB, 2004b; Osili and Paulson, 2003.

Table 1. Account Ownership and Reasons for Not Having an Account Among Immigrant Households, by City (in percentages)

	Both cities	Los Angeles	New York
Proportion of immigrant households in survey	46.3	45.7	46.9
Proportion of immigrant households that are unbanked	46.3	47.1	45.5
Reasons why unbanked immigrant households did not have an account:			
None of the reasons listed below	58.8	48.2	69.4
Do not have the amount of money banks require to open an account	22.6	26.8	18.3
Bank fees are too high	15.3	17.5	13.2
Not quite sure how to open an account	8.7	14.8	2.5
Banks are not located conveniently	3.1	5.4	0.7
It is not easy to speak with bank staff in a language other than English	2.5	4.4	0.5
Don't know	1.2	0.5	1.9
Banks are not open when need to use them	1.2	1.9	0.5
Banks hold checks too long	0.8	0.9	0.8
Proportion of unbanked immigrant households that previously had a bank account (either in the U.S. or home country)	38.0	37.9	38.0

Source: Survey of Financial Activities and Attitudes

Mechanisms for Remitting

One objective of this paper is to gain a greater understanding of why remitters, especially banked remitters, use alternative service providers, such as wire transfer companies, instead of banks to remit. One reason may be a lack of information regarding the availability of remittance products at banks**.** For example, in one survey of 302 remitters, 57 percent had a bank account. Of this subgroup, less than 25 percent "understood that banks could send remittances."[13] In addition to being unaware that banks offer these products, a MetroEdge survey found that expense and inconvenience were cited as other reasons why respondents were not using banks when sending money abroad.[14] Although the MetroEdge survey found that banked remitters were more likely than unbanked remitters to send money through a bank, low proportions (22 percent of banked and 12 percent of unbanked, respectively) of either group reported using a bank.[15]

Data from the SFAA revealed that the same proportion of immigrants (40 percent) in both cities remitted (Table 2). Looking at bank account ownership, more than one-half of immigrant remitters (54 and 62 percent in LA and NYC, respectively) had bank accounts. Consistent with the MetroEdge study, however, only 21 percent of banked immigrant remitters

[13] Pew Hispanic Center, 2002.
[14] MetroEdge Financial Services Survey, 2004.
[15] Berry, 2004.

used banks to send money abroad and were more likely to use alternative financial services, particularly wire transfers, when remitting. [16]

Table 2. Remittance Behaviors of Immigrant Households by City
(in percentages)

	Both cities	Los Angeles	New York
Proportion of immigrant households in survey	46.3	45.7	46.9
Proportion of immigrant households that remit abroad	40.4	40.4	40.4
Proportion of remitting immigrant households that are banked	57.6	53.6	61.5
Ways in which banked immigrant remitters sent money abroad			
Sent money using a bank:			
By transferring money from your bank account to someone else's bank account	8.1	13.3	3.6
By mailing a personal check	7.0	9.2	5.2
By giving someone a bank card to withdraw money from your bank account	2.9	0.4	5.0
By wire transfer purchased at a bank	2.4	3.2	1.7
By mailing a money order purchased at a bank	0.3	0.6	0.0
Sent money using alternative manner:			
By wire transfer	41.8	29.4	52.2
By mailing a money order	18.9	28.0	11.3
Some other way	8.5	3.3	12.8
By taking it yourself (or giving it to someone to take)	4.5	7.2	2.3
By sending it through a courier	4.5	3.3	5.5
By mailing a traveler's check	1.1	2.0	0.3

Source: Survey of Financial Activities and Attitudes

The fact that Hispanics are less likely to own financial products and services than other ethnic groups provides financial institutions with an even greater opportunity to expand their products and services to this underserved market. Estimates by the Research & Advisory Group, for example, project that checking account assets of Hispanics will increase 57 percent from \$17.8 billion in 2002 to \$27.9 billion in 2007. [17] Even more noteworthy are the projected values of investment products (mutual funds, direct securities investment, life insurance cash value, annuities, retirement accounts), which are expected to nearly double from \$606.2 billion in 2002 to \$1,176.2 billion in 2007 among Hispanic households.[18] These numbers have not gone unnoticed by banks. A 2003 survey of 340 banks by the American Bankers Association found that 47 percent of those banks surveyed are either "active in multicultural marketing, or plan to

[16] "Using a bank" was defined as those who have either purchased a wire transfer or money order at a bank, mailed a personal check, given someone a bank card to withdraw money from their bank account, or transferred money from their bank account to someone else's bank account.
[17] Mandaro and Boraks, 2003.
[18] Ibid

market to different ethnic groups."[19] Bank of America has calculated that 80 percent of the growth in its retail markets will be driven by ethnic consumers.[20]

Banks could use remittance products as a way to attract customers and build long-term relationships with immigrants, eventually cross-selling other products to them. In fact, one of the leading depository institutions in the remittance market, Wells Fargo, reported that its remittance product has a cross-sell level above the company's average of 4.2.[21] During the first three years since the inception of its product, Wells has made at least $100 million in revenue per year from this product.[22] Thus, these emerging and rapidly growing markets represent significant profit potential for financial institutions.

4. Research Design

Because quantitative surveys often leave us with unanswered questions, we employed a qualitative approach to focus our understanding of the issues and expand what we know about remitters beyond existing studies. For example, we know that about one-fifth of unbanked Hispanics say their primary reason for not having a checking account is that they "don't like dealing with banks."[23] But we do not know the specific aspects of what they "don't like." For example:

- Is it that no one in the bank speaks Spanish? Are they intimidated by the official looking bank building?
- Are banks in their home countries unreliable and thus they expect the same is true of U.S. banks?
- Are Hispanic consumers worried about having any type of "official" financial transactions in their names?

We focused our research on immigrants from Mexico. We chose this target group for a number of reasons. First, Mexico is the largest recipient of remittances in Latin America and the Caribbean, receiving $16.6 billion in 2004, with 95 percent of remittances originating from the U.S. in 2003.[24] Concentrating on this target group also allows us to analyze the recent growth in financial products and services that target Mexican immigrants in the U.S. as well as their families in Mexico. Finally, the Federal Reserve System's strategic alliance with the Central Bank of Mexico, which provides international ACH services to Mexico, reinforces U.S. banks' ability to serve Mexican immigrants by offering banks an alternative mechanism to send remittances at a low cost.

To flesh out our understanding of immigrants' reluctance to use banks for remittances, the Federal Reserve Board contracted with the Metro Chicago Information Center (MCIC) to conduct focus groups. Three community development organizations working with Mexican

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[19] American Bankers Association, 2003.
[20] Mandaro and Boraks, 2003
[21] Wells Fargo, 2004.
[22] Orozco, 2003.
[23] Hogarth, Anguelov, and Lee, 2004.
[24] Authers, 2005; IADB, 2004a; Bendixen & Associates, 2003.

immigrants and based in the Federal Reserve System's Sixth District (Alabama, Florida, Georgia, and parts of Louisiana, Mississippi, and Tennessee) provided assistance. Focus groups were held during the month of December 2004. Both documented and undocumented participants were included. Two focus groups were held in collaboration with each of the following community-based organizations (see Appendix A for more detailed information regarding these organizations):

- The Georgia Project in Dalton, Georgia
- Conexión Américas in Nashville, Tennessee and
- The Everglades Community Association in Florida City, Florida.

We chose to conduct our focus groups in these locations because of the recent influx of immigrants within the Sixth District and the corresponding volume of remittances sent by these immigrants.[25] With the exception of Florida City, Florida, these cities are considered to be new "ports of entry" for Latino, particularly Mexican, immigrants.[26] While some banks that operate in the traditional "ports of entry" of Los Angeles, New York, and Chicago may have experience working with immigrant communities and in providing products and services specifically tailored to these communities, banks in other areas of the country may have less experience in working with these audiences. Thus, the Federal Reserve's Sixth District provides an opportunity to develop new learning and information about Mexican immigrants' use of banks as well as remittance products.

MCIC developed a screening survey instrument to determine an individual's eligibility to participate in the focus groups (see Appendix B for information on all respondents who answered the screening survey). Only Mexican immigrants who send money back to Mexico at least once per year were included in the study. Focus group participants were then selected from the pool of individuals that had filled out the screening survey. To obtain additional information, participants also answered a survey given on the day of the focus groups. As a qualitative research methodology, focus groups are not a representative sample of all remitters. However, it is possible to select participants that span a range of experiential, socioeconomic, and demographic characteristics.

We follow the methodology used by Jaramillo (2004) in describing the qualitative results from our focus groups. We use "many" and "most" to denote trends that were experienced by the majority of focus group participants. When we observe a result that was not characteristic of most of the focus group participants but which we believe might provide some additional insight

[25] For example, between 1990 and 2000 the foreign-born population in Georgia and Tennessee grew by 233 and 169 percent, respectively (U.S. Census). In Georgia, more than one-half of the foreign-born population is of Latin American origin with the majority of these Latinos being of Mexican heritage. Forty percent of the foreign-born population in Tennessee is from Latin America with Mexicans comprising 28 percent of all the foreign-born. Moreover, a recent study estimated that immigrants residing in Florida and Georgia, who remitted $2,450 million and $947 million, respectively, in 2003, are the fourth and seventh largest states sending remittances to Latin America. See Bendixen & Associates, 2004.

[26] According to the 2000 U.S. Census, of the 27, 912 residents in Dalton, Georgia, 40 percent are Hispanic with over one-third (9,431) of all residents being of Mexican origin. The Hispanic population in Nashville increased by 456 percent between 1990 and 2000; 4.6 percent of the 569,891 residents are Hispanic and 63 percent of this population is of Mexican heritage (2000 U.S. Census).

into why some immigrants are unbanked and may be averse to using banks to send money abroad, we describe that participant's opinion or experience in particular.

Focus Group Discussion Topics

Participants were asked how they conducted their financial transactions, how they chose their financial service providers, and their experience with and opinions about mainstream financial institutions. Their experience with financial institutions in Mexico was also investigated. After obtaining a sense of participants' financial experiences both in the U.S. and in Mexico, participants were queried on the factors they considered when deciding which remittance products they use when sending their money to Mexico. In addition, participants were asked detailed questions regarding their interest in using remittance products and services at financial institutions.

Focus Group Participants

Table 3 provides information on the demographic characteristics of focus group participants by survey site.[27] Some of the differences among the groups may be associated with location. For example, participants in Nashville worked primarily in the services industry, while participants in Dalton and Florida City worked primarily in the manufacturing and agricultural industries, respectively. On average, participants in Nashville earned higher wages and were more likely to have a paid job compared with those from Dalton and Florida City.

Participants in Florida City had spent more years in the U.S. since they were 18 years old, and they arrived in the U.S. at younger ages than participants from the other two cities. Interestingly, most participants indicated they were planning to stay in the U.S. indefinitely (data not shown). However, less than one-half of participants in each of the three locations reported that they were U.S. citizens or had green cards. In addition, only in Florida City did more than half of the participants have a matrícula consular. Participants in this location, however, were much less likely than those from the other locations to be bank account holders or to ever have had a bank account. Banked participants in the three cities were more likely to either be a U.S. citizen, have a green card, or have a matrícula consular. It is interesting to note that while most participants in Florida City were unbanked, more than three-fourths of these participants reported having acceptable forms of identification to open a bank account.

[27] Although these statistics should not be regarded as representative of all Mexican immigrants living in each particular city, the data provide us with additional information that may shed some light on participants' choice of financial service providers. In addition, these focus group participants may represent a different group than the population represented in other national and metropolitan quantitative studies referenced earlier.

Table 3. Selected Characteristics of Focus Group Participants by City
(in numbers except where noted)

	Dalton, Georgia	Nashville, Tennessee	Florida City, Florida
Number of participants	24	23	24
Number of female participants	19	10	13
Currently have a paid job	14	20	22
Live in the US with a spouse or partner	21	15	20
Live in the US with child or children	20	15	21
Have a spouse or child/children in Mexico	5	11	3
Avg number of years in the U.S. since age 18	8.5	6.9	10.6
Documentation reported			
Have a matrícula consular card	11	9	15
U.S. citizen or have a green card	9	2	10
U.S. citizen or have a green card or a matrícula consular	13	10	18
Banking characteristics			
Bank account ownership status (US or Mexico)			
Never had a bank account (US or Mexico)	15	8	21
Have had a bank account (US or Mexico)	9	15	3
Current bank account ownership status			
Never had a bank account in the U.S.	16	13	22
Currently have a bank account in the U.S.	8	10	2
Of those who have *ever* had a bank account (US or Mexico)…			
Currently *do not* have a bank account	1	5	2
Currently have a bank account	8	10	1
Of those who currently *have* a bank account (U.S. or Mexico)			
Number who *are not* a U.S. citizen or *do not* have a green card or a matrícula consular	3	4	..
Number who *are* a U.S. citizen or have a green card or a matrícula consular	5	6	2
Of those who do *not* have a bank account in the U.S....			
Number who *are not* a U.S. citizen or *do not* have a green card or a matrícula consular	8	9	6
Number who *are* a U.S. citizen or have a green card or a matrícula consular	8	4	16

Table 3. Selected Characteristics of Focus Group Participants by City

	Dalton	Nashville	Florida City
Number of participants	24	23	24
Age when first came to the U.S.			
Average	25.9	23.7	22.8
Median	25	21	20
Hours worked for pay each week			
Average	35.5	44.4	42.9
Median	40	40	40
Hourly wage in the job worked the most			
Average	$7.92	$10.83	$6.14
Median	$8	$10	$6
Range	$2 - $12	$6 - $20	$3 - $9
Average number of children under 18 live with	1.5	1.3	2.1
Average number of adults live with	1.9	2.0	1.6
Average number of adults live with who are working for pay outside of the home	1.3	1.3	0.9

Turning to remittance behaviors (Table 4), the principal remittance services that participants used were through a store (for example, a supermarket) or through check cashers or wiring services. Participants in Nashville were more likely to use stores, while participants in Florida City were more likely to use check cashers or wiring services; Dalton participants were evenly split between the two. Compared with those in Dalton and Florida City, participants in Nashville were more likely to send their remittances to urban areas. In addition, participants in Nashville reported that they remitted more frequently than participants in the other two cities. Florida City participants, however, sent a larger amount, on average, each time they remitted.

Table 4. Remittance Behaviors for Focus Group Participants by City

	Dalton	Nashville	Florida City
Number of participants	24	23	24
Most frequent way send money to Mexico			
Store, like a supermarket	9	16	3
Check cashers or wiring service	9	6	14
Relatives or acquaintances traveling to Mexico	2	..	1
Bank	1	..	5
Other or unknown	3	1	1
Area where money is most often sent			
Rural area	11	8	13
City	10	15	7
Unknown	3	..	4
Frequency with which money is sent			
Once a week	3	8	2
Two or three times a month	1	13	4
Once a month	13	1	7
Less than once a month	5	..	11
Unknown	2	1	..
Amount sent			
Average amount sent	$159	$255	$300
Median amount sent	$100	$200	$250
Average amount sent by frequency in which money is sent			
Once a week	$200	$200	$75
Two or three times a month	$100	$301	$288
Once a month	$154	$300	$233
Less than once a month	$180	..	$382
Unknown	$100	$50	..

5. Immigrants and Financial Institutions

To gain a better understanding of participants' perceptions of remittance products and services available at mainstream financial institutions, we began each focus group by surveying the participants' general perceptions and experiences with banks. Although many focus group participants viewed U.S. banks as reliable and secure places to keep their funds, many did not have a bank account (see Appendix C for list of banks with which participants were familiar as well as the number of times these banks were mentioned in the focus groups). Many participants indicated that they were reluctant to use a financial institution because of language and cultural barriers, identification requirements, and insufficient information or misperceptions about financial institutions.

Language and Cultural Barriers

Language was a significant factor that several participants gave as a barrier to providing financial services to Latinos. Having Spanish-speaking personnel at financial institutions was the primary determinant in deciding where to conduct their financial transactions for many participants.

> "Sometimes, due to lack of time, we don't look for the best. We just go where they speak Spanish and that's it. Even if they charge us later. We don't know much about interest rates banks have. We really are lacking in information."
>
> "We often choose a bank because they speak Spanish. They will help you in your own language."
>
> "One of the main problems that we have as Hispanics is the language. Sometimes I go pay my bills and decide to come back later until there is someone available who speaks Spanish."
>
> "We first ask if there is someone that speaks Spanish. If not, we go somewhere else."

Language, however, does not solely reflect an individual's ability to explain financial products and services in Spanish; it also reflects comprehension of an individual's cultural and personal situation.

> "[I chose the place where I conduct my financial transactions] because they have Spanish-speaking personnel… even if you speak English you identify yourself with these people."
>
> "We look for the stores where they speak Spanish. Sometimes at JC Penney or at Sears there is someone who speaks Spanish. We look for what is most comfortable. Because sometimes in some stores there are people who look at you funny. So you look for your own."

Other participants who conducted their financial transactions at banks and were able to speak with bilingual staff still felt that they were at a disadvantage for not speaking English.

> "One time that I needed to cash my check and the place I usually go to was closed, I had to go somewhere else. There was a person and this person was really rude to me, started talking to us in English and I know they speak Spanish. I took an English course and learned a little bit and I keep practicing with my boss. That day I cashed my check but when she was done I told her, you shouldn't do this with Mexican people because it is obvious that you are Mexican like us. A guy that got there before I did came with his consular card and she didn't accept it. I also had my consular card but, because I did

speak to her in English, she did accept it. I asked her why if we both had consular cards. Then she decided to cash his check. But I had to intervene for her to cash it just because he didn't speak English."

Identification Requirements

Confirming the findings of other studies, one reason immigrants choose not to use financial institutions is that they either lack the proper documentation or *perceive* that they lack the proper documentation necessary to open an account. A participant from Dalton stated:

> "I think [bank accounts are] only for people who have a Social Security number… but we don't have identification so it's impossible."

Another from Nashville commented:

> "I think that the main problem [in using a bank] is all the requirements to open a bank account."

Many participants expressed their concern over the number of identifications required to open an account and the state laws regarding the issuance of driver's licenses. Even among participants with state licenses, several reported that they did not plan to open an account, since their license would eventually expire and they would not be able to renew it given their immigration status. These participants *incorrectly* believed that they would lose access to the funds in their accounts once their licenses expired.[28]

> "But I have some friends who opened an account before all these problems that we are having now, they were able to use a license. Now that their license expired they cannot touch their money in the bank. And that money is lost. What they put there they cannot get out."

> "I have a bank account right now but I don't like to keep a big amount of money in it because the license I have is about to expire and I am afraid that I won't have access to my money if I don't have any identification. "

Thus, clearly informing prospective clients of the documentation necessary to open an account as well as the implications of using particular documentation may be one way to mitigate these concerns.

Participants were also queried about their knowledge and use of the matrícula consular, an identification document issued by the Mexican government for Mexican nationals. Although many banks accept the matrícula as a means of identification and most of the participants knew of them, several stated that matrículas were very difficult to obtain, since they did not live in or

[28] For example, the law for driver's licenses in Tennessee has changed recently and now requires individuals to have a Social Security number (SSN) to obtain a license. Undocumented immigrants without an SSN can obtain a driver's certificate that allows them to drive but that cannot be used for identification.

near a city with a Mexican consulate.[29] In addition, several participants expressed caution in using the matrícula to open an account because of their perceptions of laws governing the use of these cards as identification.

> "Insecurity is the main problem: they tell you that with this identification you can do many things, but then three years from now things change and they will say that is no longer valid. We are afraid to lose everything."

> "I cannot open a bank account because I don't have a valid ID. I do have the consular card but they tell me 'Yes, you can use it'; 'No, you cannot use it.' So I decided that it is better not to open an account."

Others commented that when they had tried to open an account using the matrícula, the bank employee had misinformed them that they were not permitted to do so even though the bank's policy permitted the acceptance of the matrícula as a form of identification. Thus, all employees — from the teller to the branch manager — need to be aware of the financial institution's policy regarding the documentation required to open an account and may need training on how to recognize a valid matrícula.

Besides Social Security numbers, state driver's licenses, passports, green cards, and matrículas, several financial institutions also use an individual tax identification number (ITIN) as a document for opening an interest- bearing account.[30] Many participants were knowledgeable of ITINs, and several had obtained an ITIN to report taxes and obtain tax refunds and to open interest-bearing accounts. One participant, however, was skeptical of the advantages of having an ITIN.

> "But many people have no confidence in that tax ID. They don't trust it. They don't believe you can have benefit with it."

Another trend found throughout the focus groups was a concern that the funds in their account would be liquidated if they were deported. Thus, a corollary to clearly informing consumers of the proper documentation necessary to open an account is to inform consumers of their rights as bank account holders.

Insufficient Information or Misperceptions about Financial Institutions.

Insufficient or erroneous information regarding financial products and services was another factor affecting immigrants' relationship, or lack thereof, with mainstream financial institutions. One participant who currently owns a bank account commented:

> "There's not enough information on how and where to conduct your transactions. I used to pay my rent with a money order when I could have paid it with a check."

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[29] Data collected in 2003 by MCIC revealed that of the roughly 80,000 banks in the U.S., approximately 30,000 accept the *matrícula* and/or the individual tax identification number.

[30] ITINs are used by the IRS to allow individuals without Social Security numbers to file income tax returns.

In addition, our research found that banks need to use plain, concise language both orally and in writing when describing their products and services, account features, and fees. In fact, several participants felt that they had not been clearly informed of the service fees associated with having a bank account.

> "If you leave your account at the minimum, and if you go below $500, they charge you. I've known of people who have closed their account because without their knowing why they were charged a service fee, or they were charged for checks."

> "Many people say, no I'd better take my money out of there. They don't treat me right. They did not even explain to me that I had to pay for x and now they are charging me."

Misperceptions about Credit Unions

Participants were also asked about their knowledge of and use of credit unions to conduct financial transactions. Only one participant reported having an account at a credit union and knowing what a credit union was.[31] One participant stated it quite clearly:

> "I think we don't have [an account at a credit union] because we don't have enough information about credit unions."

Most participants confused credit unions with the Mexican cajas populares and cajas de ahorro and, given the reputation of these financial institutions as well as personal negative experiences with these services, were skeptical about credit unions. Several participants reported that they had even lost all of the money deposited in their account at the caja.

> "… there is so much distrust with cajas de ahorro, it's very different from an established bank. Banks are more secure. On the other hand, cajas de ahorro might pay a little more for your investments but they can just disappear overnight with your money."

Although several credit unions, including the Latino Community Credit Union (LCCU) in North Carolina, have made significant achievements in providing financial services to Latino communities, our findings suggest that these efforts may be location specific. Compared with credit unions, some of the larger banks may have a comparative advantage in reaching Latino communities given their geographic coverage, significant marketing efforts, and proprietary remittance products. Credit unions, on the other hand, may not have the knowledge base nor the means to conduct marketing efforts like those of the larger banks. Community development credit unions may be appropriate financial institutions for Latino audiences, given their social mission to provide fair and affordable financial services to underserved populations. Organizations such as the NCUA and credit union leagues can be key players in informing immigrant consumers about credit unions and their rights as members of credit unions, particularly regarding the security of their funds.

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[31] In Mexico, credit unions are typically referred to as *cajas populares*. *Cajas de ahorro*, another type of financial institution found in Mexico, may also operate as cooperatives and are typically much smaller in membership size than cajas populares. Most of Latin America, however, refers to credit unions as *cooperativas de ahorro y crédito* (savings and credit cooperatives).

Information Sources

A question that arose from this study was how to inform this target market about the availability of financial products and services, as well as the fees and other costs associated with using these. When queried, participants commented that the media (radio, television, and free newspapers targeted to the Latino community) are important mechanisms for informing the community about financial products and services. Most participants, however, reported that they obtained their financial information through friends and family. In fact, when participants were asked how they choose their financial service providers, one participant from Nashville answered:

> “I do believe that it is word of mouth, like they say ‘the voice of the people.’”

While other participants stated:

> “Usually it is by recommendations, by other people’s referrals.”

> “Sometimes… neighbors talk among themselves and tell you where to go; and because you see that it worked for them you think it might work for you.”

Friends and family may be appropriate sources of financial information when coupled with adequate and timely information. When misinformed, however, friends and family may do more harm than good.

Who Are Banks Competing With?

Language and cultural barriers, confusion and misinformation regarding a financial institution’s identification requirements, and insufficient or erroneous information regarding financial institutions were the principal reasons many focus group participants remained unbanked. Immigrants, however, must also pay their bills. Many participants reported that they conduct their financial transactions using alternative financial services (AFS) such as check cashers and postal money orders. Several participants reported that they felt more comfortable paying their bills in person or paying all of their bills at one location such as a check casher that charged between $1 and $1.25 per bill. Reasons for using AFS include convenience, location, hours of operation, and friendliness of personnel. As stated previously, however, the principal reason for choosing a particular financial service provider was that the personnel spoke Spanish.

6. Perceptions about Remittance Products and Services

Nearly all of the participants reported sending money to their families in Mexico via wire transfer companies, postal money orders, and transportation services. A few participants reported that they sent money with friends and family. Money transmitters included Giromex, Mexican Express, Money Gram, Orlandi Valuta, Vigo, and Western Union (see Appendix D for a complete list of alternative financial services mentioned by participants in the focus groups as well as the number of times mentioned). Many noted they preferred one wire transfer company to another because of lower fees.

> “I use Money Gram because it is cheaper than Western Union.”

> “Western Union charges you one rate if it’s sent the same day and another rate if it is sent the next day. Other companies have the same rates all the time and you don’t need to fill out so many forms. I have used Global and it charges the same as Western Union and my mother in Mexico doesn’t need to fill out forms and gets the money right on the spot.”

> “I use Orlandi Valuta. You make a phone call and they give you a code, you send this code to your family in Mexico and they can get the money in minutes. And they pay the official exchange rate, unlike Western Union who pays whatever they want to pay. When I first came to Nashville I used to use Western Union because I didn’t know of any other agency. I don’t use it any more because I don’t like the cost of the remittance service.”

Local Mechanisms

Some remittance mechanisms were specific to some locations. For example, some participants from Dalton used “vans” or courier services that collect the remittance from the sender and deliver it directly to the recipient.

> “I use “vans.” You tell them how much you are sending and they charge you a certain amount. It is very fast and they distribute the money in dollars. They take the money all the way to your family’s doorstep.”

> “There is a van that leaves every Saturday for different parts of Mexico, like a courier and many of us use it.”

> “I use the “van” because it leaves at noon on Saturday and on Monday morning they deliver there. It’s fast and secure.”

This method provides a more personal touch than other mechanisms, since it allows the remitter to send additional packages, such as letters or pictures, along with the remittance. While one participant was skeptical of using vans because there was no guarantee that the recipient would receive the funds, another participant commented:

> “Sometimes the problem is that these people don’t have a nearby place to go pick up the money and with the “vans” they deliver it all the way to your house.”

Senders and Receivers

In addition, some participants stated that it is their families in Mexico that are accustomed to receiving the funds in a particular manner and perceive one method to be better than another.

> “I changed [companies] because the Western Union charged too much. But my husband did not. Because his mom is used to the way he sends it and does not want to change. She trusts that system. She always goes to the same place to collect.”

Thus, an important question that arises is how to encourage Mexican immigrants and their families to change their financial behaviors.

The process of sending money abroad is a joint decision in which both the remitter and the recipient decide upon the most favorable remittance mechanism for both parties. When participants in one focus group were asked who made the decision of how to send the money, participants said:

> "Both can make that decision. You agree with your family there."
>
> "You can decide over here but you also have to take into consideration what is convenient for them, what is closest."
>
> "I have sent money through Ría Envía and my father would pick up the money at Bancomer, but he would get a lower exchange rate and that was the reason why I switched to Siga."

There are also market conditions that remitters cannot change, such as whether there is a bank in the town where the family resides. Financial institutions need to be aware that preferences and infrastructure for sending money are important not only in the U.S. but also in Mexico. This is a particularly critical point for U.S. banks when choosing their partner institutions in Mexico. In fact, about one-half of participants in Dalton and Florida City reported that they sent their remittance to a rural area.

Old and New Ports of Entry

Dalton and Nashville are considered new "ports of entry," given the recent influx of immigrants to these cities. Banks operating in these emerging gateway cities may have limited experience working with immigrant communities and in providing products and services specifically tailored to these communities. This may create a challenge for immigrants living in these cities who are trying to obtain financial products and services. In fact, one participant who lived in Nashville, and who had previously lived in California, perceived geographic location as a barrier to obtaining low-cost remittance products and services. He stated:

> "We have a disadvantage in this area compared to California; over there they have Bancomer, Banco Vital, Banamex, where you can just go and deposit money and it would be like doing it in Mexico. We don't have that advantage here."

What's Important in Choosing a Remittance Service and Remittance Product Preferences

Each delivery mechanism had its proponents and its opponents. But participants consistently agreed on the key characteristics for choosing a remittance provider:

- Reputation of provider
- Total cost
- Exchange rate
- Security that the recipient will receive the funds
- Speed of service
- Customer service

The weight that participants gave to these factors was a function of personal preferences and the situation of their family in Mexico. One participant answered:

> "Three important factors for me are first making sure the money gets there the same or next day, second the exchange rate, and third making sure they will receive the actual amount I sent."

One characteristic that nearly all participants mentioned as important was the exchange rate. Many participants comparison shopped for the most favorable exchange rate and commented that this information, particularly for Mexican immigrants, is readily available.

> "We know the exchange rate from the news, radio and newspapers."

> "I think that the exchange rate is one thing we are all alert to all the time."

> "On TV, sometimes the first thing you do in the morning is watch the news and they give you an idea of how much the exchange rate is."

In addition, participants reported that they investigated what different banks in Mexico charged and used this information to decide where the money should be sent to.

> "…at the place I go to send my money they tell me the price each bank is paying for dollars, then I decide where to send it, banks such as Banamex or Bancomer."

> "They [the money transmitter company] tell you how much Bancomer and Banamex are paying, because different banks pay [a] different price. A little bit more or a little bit less."

Since the exchange rate charged is determined not only by banks in the U.S. but also by their partner institutions in Mexico, the choice of a financial partner in Mexico becomes particularly important.

Other participants were interested in a remittance product that charged a flat fee, irrespective of the value of the remittance. In addition, a few participants indicated a strong preference for products with no back-end fees for their family members. These findings suggest that when setting up arrangements with financial institutions in the receiving country, U.S. financial institutions need to be aware of their partner institution's exchange rate differential as well as other fees.

Remitting through Banks

Many participants were not aware of banks that provide remittance services. In addition, one participant in Dalton believed that the costs to send money through her bank must be more expensive than what her family currently uses:

> "Yes, but they must charge a lot because my husband has never wanted to use it."

Thus, one challenge for banks that offer remittance services is how to effectively inform both current and prospective clients of the availability of its services as well as the cost.

Of the few who did use remittance services at banks, only Bank of America was singled out as providing this service. In fact, a few unbanked participants (particularly from Dalton and Nashville) knew of this bank's remittance services and were interested in using it. Yet many had reported not using this service because they had grown accustomed to conducting their financial transactions in another way, such as wiring money through a money service business at a local supermarket.

Our research found that the provision of remittance products and services by financial institutions *could* motivate consumers to open an account both in the U.S. and for their families in Mexico. When participants were asked if they would be interested in a remittance service offered through banks, many participants enthusiastically answered yes. Participants were particularly interested in account-to-account remittance products where a remitter deposits money in their bank account in the U.S. and this money is then transferred to the recipient's bank account in Mexico. When participants were probed whether this arrangement would be possible under existing conditions, since many of the participants' families in Mexico do not have bank accounts, one participant from Dalton answered:

"But if there was a possibility of a service like that we'd try to open one"

And another one commented/followed up:

"That would be very good. Safer and more trustworthy."

Safety and trust were two important themes found throughout the focus groups. When queried about their perceptions of Mexican banks, many participants misconstrued solvency with safety. Many participants had either had a personal negative experience with a bank in Mexico or had heard anecdotal reports from others of bank employees working with criminals to steal the money from the bank's clientele as they left the bank. Thus, the participants were not principally concerned with their money in Mexico while it was *in* the bank, but rather when it *left* the bank.[32] In addition, participants reported very positive opinions about U.S. banks and the safety of their funds. Thus, while other studies propose that immigrants mistrust financial institutions in the U.S., our findings do not suggest this. Overall, participants' general perception was that using banks — at both ends of the transaction — would be a safer way to send money to their families.

Some participants were interested in providing their families in Mexico with ATM cards, while others were concerned about the security of their family members when retrieving the remittance from an ATM machine. One alternative might be to use an account-to-account model with a debit card feature so that the recipient could decide whether to use it at a cash-dispensing machine or at a point-of-sale location. One participant commented that another remittance

[32] The 2003 Bendixen & Associates study of Mexicans who received remittances found that 65 percent had a "good" opinion of the Mexican banking system and 67 percent reported that there was a bank in the area where they lived. In addition, one-third of respondents in this study had a bank account, while 45 percent reported receiving their remittance through a bank (that is, the bank served as a money transmitter).

product that he would be interested in using is a “stored-value remittance card” with the value of the remittance deposited onto the card.

7. Opportunities to Increase Marketplace Efficiencies by Increasing Involvement of Banks in the Remittance Arena

Challenges to Efficiency

In some areas of the world, remittances predominantly flow through informal networks, such as the hawalas of southwest Asia or the hundi or phoei kwan in southeast Asia. One study found that 17 percent of all remitters who sent money from the U.S. to Latin America used informal mechanisms such as “the mail or humans who carry the funds by hand.”[33] In some cases, the alternative service providers or informal networks are the only choice for sending money to certain locales where banks and other mainstream financial institutions are not available.

Several studies have highlighted the recent decrease in fees associated with remittances. One study, however, found that while the average fee for sending money home was about 7.5 percent, fees can run as high as 15 percent of the value of the remittance.[34] Orozco identified several factors that determine this fee, including operating costs, geographic coverage, and exchange rate charged. Operating costs can vary by the type of infrastructure used by the bank or money transmitting company. These costs include “service to the customer through a POS with an agency, use of the electronic interface to transfer the amount, availability of capital to back the money upfront, establishment of a distribution network on the receiving side, and customer service.”[35] Where available, electronic transfers typically cost less to operate because of efficiencies in the infrastructure. These lower costs could be passed on to consumers in the form of lower remittance fees.

The geographic coverage of the bank or money transmitter in the receiving country also affects the fees charged because operating costs vary for different types of institutions. Some money transmitter companies may have higher operating costs than banks, but they cover an extensive geography, including many rural areas. Banks, on the other hand, have lower operating costs, but they tend to be more concentrated in urban areas.

The exchange rate is also a significant determinant of the overall “cost” of remitting in terms of the actual amount of funds delivered to the recipient. Consumers may not be aware that there is a “spread” included in the exchange rates charged by the bank or company that transmitted their money and the prevailing rate. A joint study conducted by Bendixen & Associates and the Multilateral Investment Fund found that only 33 percent of remitters surveyed knew that their family was receiving less than the full amount that they had sent, in part due to the spread in the exchange rate.[36] Similar to our study, however, this joint study found that

[33] Suro, 2003.
[34] Pew Hispanic Center, 2002.
[35] Orozco, 2002
[36] Bendixen & Associates, 2001.

Mexican immigrants tend to be more knowledgeable about exchange rates than other Latin American immigrants.[37]

Inefficiencies in the remittance market may be compounded by the remitter's level of information, and, in particular, *mis*information. Looking specifically at consumers' financial knowledge, studies have found that Hispanics have less financial knowledge than other ethnicities and are less likely than other ethnicities to engage in recommended financial behaviors and to own suggested financial products.[38] Among recently arrived immigrants without prior experience using financial products and services, these numbers may be even lower. A lack of both awareness and information regarding financial matters may translate into immigrants not obtaining remittance products and services that maximize their financial well-being.

Consumers may be uninformed or misinformed about their rights. They may not know whether they are using a state-regulated money transmitter nor about their consumer rights, including how and where to file a complaint. One of the leading sources of information for Mexican remitters is Profeco, the Mexican consumer protection agency. Profeco provides practical advice on how to remit money to Mexico, the costs of remitting, a comparison chart of the price charged by 23 money order transmitters in nine U.S. cities (updated weekly), and a toll-free number in the U.S. to call Profeco in Mexico, and an Internet site with regularly updated remittance information.[39]

Coupled with a lack of information regarding consumers' rights, there are few regulations protecting consumers in these transactions, either here in the U.S. or in their home countries. Federal laws that require money transmitters to register with the Treasury Department generally do not address consumer protection, but instead focus on money laundering.[40] Roughly 28 states and the District of Columbia have regulations that require money transmitters to be licensed by their respective state banking agencies. Some of these states, including California and Texas, have specific consumer laws regarding foreign transmittals. For example, California has a disclosure law that requires that money transmitters to provide consumers with a receipt that includes all fees involved in sending money after the transaction takes place. However, even when these transactions are regulated at the state level, enforcement can be uneven.

Opportunities that Banks Face

While Mexican immigrants in the U.S. represent a largely untapped market of new customers for banks, banks have generally been slow to take advantage of the opportunities presented by this market segment. Until recently, the banking industry has limited its product offerings to Mexican immigrants to check cashing or offering wire services for remittances back to Mexico. There are important structural, business, and cultural factors shaping this approach.

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[37] Ibid
[38] See Kotlikoff and Bernheim, 2001; Hogarth and Hilgert, 2002; Hogarth, Hilgert, and Schuchardt, 2002.
[39] http://www.profeco.gob.mx/html/envio/envio.htm
[40] In February of this year, the bill "International Remittance Consumer Protection Act of 2005" was introduced. See http://www.theorator.com/bills109/hr928.html

The need to meet certain requirements for account opening is one of the structural factors that has handicapped banks in serving the Mexican immigrant customer. Immigrant caution and the inability to provide formal identification such as birth certificates, driver's licenses, or ITINs are slowly diminishing as many banks are now accepting the matrícula as one of the necessary documents for opening an account.

The need to meet several key compliance regulations has been another factor shaping banks' slow response to serving the needs of Mexican immigrants as bank customers. The core principle of "know your customer" is attainable if language barriers can be overcome and identification documents can be provided. Regulations such as the Bank Secrecy Act (BSA), which seeks to prevent money laundering, and those of the Office of Foreign Assets Control (OFAC), which prohibits financial transactions with embargoed nations and individuals who threaten U.S. security goals, affect *all* financial transactions. However, banks often are more apprehensive when applying these compliance measures toward immigrant customers and their cross-border payment needs.

Banks may be unfamiliar with this customer segment and their needs. In some respects, serving Mexican immigrants' needs as bank customers runs counter to other industry trends, such as high minimum balance requirements in exchange for free checking or ATM usage. Mexican immigrants are often low-income individuals and may not be able to maintain higher balances on a regular basis. A frequent question asked by banks is whether the bank can serve immigrants' banking needs while still making a profit.

Another challenge is the bank's ability to reach out to Latino consumers in Spanish. Some banks may not know how to adjust their marketing and delivery mechanisms to accommodate cultural differences with Mexican immigrants. A handful of the larger U.S. banks – for example, Bank of America, Wells Fargo, and Citibank – have already begun to break this barrier. Some banks now market their services with print and radio ads in Spanish. Placing branches (not simply ATMs) with Spanish-speaking tellers in neighborhoods where Mexicans live and shop has also brought in new customers. Decorating the branch in styles and colors that Mexicans find familiar and comfortable is another way the larger banks have successfully attracted Mexican customers into their facilities.

While these extra steps may seem extreme or hard to achieve in today's cost-conscious banking environment, they are consistent with the trend for medium and smaller banks to remain attractive to their traditional customer base. The branch is not disappearing as once predicted. To the contrary, banks are increasing the number of branch locations as well as increasing their opening hours to meet customer needs. Further, it is not uncommon for those branches to offer perks to entice the customer inside. Toasters have been put aside for more attractive amenities and services, such as comfortable couches, newspapers for reading, free coffee and other refreshments, or free shoe shines on pay day. These opportunities to "touch" the customer and to generate loyalty are also supplemented by the placement of ATMs to meet customer needs during nonbusiness hours.

The lack of research on identifying the product needs of the Mexican immigrant as a banking customer is another business limitation for banks. Low-balance checking accounts, ATM access, and low-cost wires may only be initial product offerings as these are effectively the banking industry's version of loss leaders. Mexican immigrant customers may also need credit for personal or business needs. Once customers have proven their creditworthiness, credit cards and small-business loans may be followed by auto or home loans. Other financial savings instruments could also be attractive to the customer segment. In fact, when focus group participants were asked about their interest in financial education and information, they were interested in some higher-end products:

- Home buying and real estate contracts
- Student loans
- Savings accounts
- Buying a car
- Direct deposit
- Microlending and financing business start-ups
- Investment accounts.

8. The Role of ACH as a Payment Channel

For banks, there is a shortage of different products and market infrastructures to deliver payments to Mexico. In offering wire services for remittances to Mexico, banks are often resellers of existing services from Western Union, Money Gram, or one of the newer entrants into the market. Wires are an excellent product for meeting the needs of remittance senders. Indeed, wires are not only the standard in the remittance market they are often preferred by the customer for the speed, upfront certainty, and broad distribution channel they provide. These same characteristics, however, require a network that is costly to create and maintain, tending to make wires an expensive payment option.

Wires are also attractive to Mexican immigrants in the United States because they do not require a bank account to make the transaction. As discussed earlier, there are many reasons why immigrants are wary of opening bank accounts, including concerns about providing the required identification. Thus, wires are considered easier and safer by many immigrants even though identification is also required for sending a remittance from any reputable provider.

Even as wires are likely to continue to have a dominant role in the remittance transfer market to Mexico in the near future, new product and delivery channel options are entering the market. Card-based delivery systems and cross-border ACH (automated clearinghouse) are the two main products. These new bank-based products could help banks gain a larger share of remittance payments over time as well as help introduce banking to the Mexican immigrant community.

Card-Based Products

Card-based products most often feature the ability to deliver a remittance to Mexico via an ATM or debit card network. The debit card transfer option appears to be the most popular in the market so far. Banks can set these products up as sub-accounts from the main banking account, or they can be stand-alone products for the purpose of remitting funds to Mexico. Where card-based remittance products are sub-accounts to the main bank account, banks are likely to offer other features attractive to immigrants, such as lower minimum balances and savings accounts. The user either pays a monthly fee that allows a certain number of money transfers to Mexico or pays each time a remittance is sent.

These card-based products are an exciting opportunity for banks to bring in new customers by offering them an affordable remittance service and also introducing the remitter to banks. These products can be relatively easy to set up as they make use of a well-known and established delivery channel that can be accessed wherever an ATM is located.

There are clearly benefits to the card-based products, but there are also significant challenges to achieving widespread acceptance and implementation of this delivery mechanism. For the receiver, the delivery system is limited because ATMs are not as densely distributed in Mexico as they are in the U.S. As a result, the receiver may have to pay additional fees to use ATMs that are outside the card network or operated by a different bank than the card issuer.

Most banks also face hurdles in offering a card-based product because the economies of this product lie in having a contractual bank partner in Mexico. Although several well-known U.S. banks have purchased Mexican banks over the last decade, this is not an option for the vast majority of U.S. banks. Similarly, it is not feasible for most banks in the U.S. to negotiate a contractual partnership with a bank in Mexico to serve as the delivery channel for remittances that are accessed at the bank window or via an ATM network. Doing so would involve an experienced international department to design and market the product, identify foreign partners, and negotiate contacts – luxuries that most banks, particularly smaller and mid-sized banks interested in serving the Hispanic market, do not have.

International ACH

Cross-border or international ACH to Mexico is another option that almost every depository financial institution in the United States can access through the U.S. Federal Reserve.[41] The ACH connection built by the Federal Reserve and the Banco de México (as part of the Partnership for Prosperity) allows any U.S. depository institution to originate an ACH payment to Mexico. There are inherent efficiencies to this transfer system in addition to the fact that almost all banks have a direct or indirect connection to the Federal Reserve. ACH is the standard in the United States for bulk payments such as payroll and regularly occurring debit payments such as mortgages and utilities. ACH also allows banks to originate remittances using familiar ACH formats, transmit them in batches alongside other "domestic" payments and be guaranteed a wholesale exchange rate (no matter the U.S. dollar amount of the payment), and be certain of payment timing and delivery and that there will be no deductions from the principal amount.

There are many economies of cross-border ACH to Mexico for banks. A bank can originate payment instructions in its back room and send them to the Fed for processing along with its regular credit (e.g., payrolls and invoices) and debit (e.g., mortgage or car loan payments deducted from a personal account) payments each day. Both domestic and cross-border items use the same rules, formats, processing channel, and time frames. After the Fed delivers the payment instruction and funds to Mexico, the Banco de México translates the payments into the local

[41] For more information on international ACH, see http://www.frbservices.org/Retail/intfedach.html.

format and converts the U.S. dollars into Mexican pesos so that they can be processed through the Mexican payments system as if they were a domestic payment. Using this channel, the U.S. bank taps into an existing gateway operator relationship and does not have to identify or build its own linkage to distribution channels throughout Mexico. The foreign exchange conversion is included in the payment processing, which means that the U.S. banks do not have to make foreign exchange trades. In terms of timing, remittances are processed in one day.[42]

Commercial banks in general and small banks in particular have yet to find a way to overcome some of the obstacles and take advantage of this delivery channel. For example, one challenge is the difficulty of making one-off payments by ACH. Unlike Europe and many other areas in the world, the U.S. does not have a tradition of making person-to-person payments via bank or other electronic channels. Checks have always served that purpose for individuals and businesses, with wires available for larger sums or immediate delivery needs. Although online services by individual banks and providers like PayPal are beginning to make it possible for individuals to transfer funds to another person's bank account, banks have yet to figure out an efficient way for an individual to visit a branch or ATM and originate a person-to-person payment.

Also, for the majority of banks, access to a favorable exchange rate for their customers (the Mexican daily FIX rate, the reference rate used in most all international legal contracts in Mexico, plus a spread of 0.21 percent) is a positive attribute of this payment channel. The Federal Reserve makes available daily and historical foreign exchange rates on the Internet for the purpose of consumer awareness and comparison. However, for the handful of very large U.S. banks that tend to have more payments to Mexico, this is a disadvantage because they prefer to make the foreign exchange trade themselves and be able to resell the foreign exchange to their customers.

International ACH for remittances to Mexico also faces other challenges. One such challenge is the fact that the foreign exchange rate to be applied to a payment is not known at the time the payment is originated. The payment made on Monday in U.S. dollars is converted into pesos on Tuesday before being transferred to the receiving bank in Mexico. Applying the foreign exchange at that point means that the foreign exchange does not have to be hedged against potential shifts in the rate between the time the pesos were purchased and the time the payment is converted. One advantage for the customer is that the recipient receives more pesos in this type of transaction. U.S. banks must understand this distinction and educate their customers that the ACH option offers certainty, security, and an attractive foreign exchange rate and it costs less.

Another challenge for ACH as a remittance device is the low density of bank accounts among Mexicans. It is generally estimated that no more than 30 percent of Mexicans have bank accounts. An upcoming program by Bansefi, the government-owned bank, promoting savings, the use of the formal financial system, and banking the unbanked could help change this situation. This innovative program will feature an Internet site where U.S. banks can register a bank account at a credit union that is a member of L@Red de la Gente in Mexico, thus linking remittance senders and receivers through a banked channel. Considering that this network

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[42] The one-day service began in July 2005. See www.frbservices.org/Retail/pdf/PR2005-FRBancoMexicoACHFunds.pdf.

currently includes nearly a thousand branches, many of them in rural areas, this new option represents a powerful opportunity to expand the use of banking services throughout Mexico.

As of this writing, cross-border ACH to Mexico has been available for just over one year. While it is a proven payments channel, commercial banks in general have yet to fully tap into its advantages and processing economies. The channel does serve the payments needs of the U.S. Social Security Administration, which sends more than 23,000 benefit payments to Mexico electronically each month. These payments previously were delivered by mail – a situation that was expensive and frequently made the checks a target for theft.[43]

Immigrants' willingness to send remittances via banks and the ACH should improve as banks become more familiar with this audience and are able to break the barriers that impede many immigrants from using mainstream financial institutions. Banks have a tremendous opportunity to win generations of new customers by developing innovative new products and adopting nontraditional approaches, such as valuing a history of remittances as evidence of good money habits and credit history, and by providing Mexican immigrants with the financial education resources to understand formal financial institutions and their products and services.

9. Effective and Innovative Remittance Models

Larger money center banks (for example, Bank of America, Wells Fargo, Citibank, U.S. Bank) are relatively recent entrants to the money transfer market compared with the traditional money service companies. This group of banks provides remittance services to Mexico as well as other regions, notably Asia. Instead of establishing an agent network model similar to the ones employed by money transfer companies, these banks have adopted various business models based on establishing relationships with local banks in Mexico to offer remittance services via the ATM network and account-to-account transfers.

One model requires a remitter in the U.S. to open a designated "remittance-type" account. Following the account set-up, the remitter is given an ATM or debit card, which is sent to the remittance receiver in the home country. The receiver is not required to open an account at a Mexican bank but draws funds exclusively via ATMs from the remitter's account in the U.S.

Another bank model offers a similar situation for the remitter but requires the receiver to open an account with a partnered Mexican bank. The receiver, in this model, has the option of either visiting the Mexican branch office to collect the funds or withdrawing the funds directly through the ATM network. Some of these remittance ATM cards also have a point of sale (POS) feature so that funds can be directly debited from the account. Among the few focus group participants whose family members had bank accounts in Mexico, most used account-to-account transfers or had sent their family members an ATM/debit card which they had access to.

[43] Indeed, the voluntary conversion of Social Security beneficiaries in Mexico, most of whom were Mexican nationals, from receiving checks to those receiving ACH (direct deposit) delivery was perhaps the most successful international benefit payments conversion ever, suggesting that Mexicans are becoming more open to using bank accounts.

> “Bank of America gives a lot of benefits. They have an account here and their mother withdraws money from that account with a card in Mexico.”

> “There are cards like a debit card that they give you so your family can get the money there.”

Whereas these two models require remitters to open a bank account in the U.S., other models do not require an account. Remitters simply visit the designated branch office in the U.S. offering this service and remit to a partnered Mexican branch, where the receiver collects the funds. This model, if competitively priced, could be the first step in bringing unbanked consumers physically into a financial institution and allow them to experience the financial institution with minimal obligations.

Rather than create a partnership with Mexican banks, other banks wanting to provide remittance services have created partnerships with money transfer companies. For example, in 2004, Union Bank of California began offering MoneyGrams’ money transfer and bill payment services at all Union Bank branches in California. Credit unions, through the World Council of Credit Unions, have established their own electronic funds transfer service, International Remittance Network (IRNet), creating it in alliance with two commercial wire services. This service allows credit unions to send remittances to over 40 countries around the world. Depending on state regulations (and provided that the credit unions actively solicit nonmembers to become members of the credit union), credit unions are able to provide remittance services to members as well as nonmembers. On the receiving side, remittances are distributed through national credit union organizations using IRNet in El Salvador, Guatemala, Honduras, Jamaica, Mexico, and Nicaragua, for example. However, given our findings of the misperceptions about credit unions, expanding their role will require more education.

Another remittance model makes use of payroll cards. Marketed principally to the unbanked, payroll cards allow employers to send payroll deposits to a financial institution that maintains the funds on behalf of the payroll card holder, without the card holder becoming an account holder at the financial institution. Some variations of these accounts offer additional cards for family members, which then become de facto remittance cards. Several of these cards carry the Visa or MasterCard logo and can be used at ATMs as well as at points of sale.

In addition to these functional models, remittance providers are experimenting with various pricing models. In January 2005, Bank of America announced that by the end of 2005, all of their account holders will be able to send money to family and friends in Mexico free of charge, through Bank of America’s remittance product. Remitters will have to establish some type of account with Bank of America if they do not already have one. It is unclear how the remittance market will react to this recently announced pricing model.[44] According to a report by Celent Communications, however, many financial institutions will begin to offer free money transfers.[45]

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[44] At least 60 financial institutions offer remittance services in the U.S. (Orozco, 2004).
[45] Schatt, 2005.

There are other remittance models currently available. While our goal is not to enumerate all of these models, it is important to note that increasing competition from new players – including nonbanks – may change the current market structure. Wal-Mart, for example, has partnered with MoneyGram to provide remittance services at all of its stores throughout the nation, and No Borders is partnering with BankFirst Corp. to offer a stored-value remittance product carrying a Visa or MasterCard logo.

Innovative Models

Focus group participants were asked about their interest in remittance products with innovative features. To our knowledge, some of these features have not yet been developed or offered by banks. Many participants, for instance, indicated that they would be interested in using a remittance product that included a feature to help accumulate funds for remitting. Financial institutions could offer "remittance accounts"; customers could transfer funds from their checking account into this account. Once it reached the goal amount set by the customer, the funds would be sent abroad using the bank's remittance services. In lieu of paying interest, however, the financial institution would charge a low or no wire transfer fee. Regarding this proposed product, several participants commented:

> "It would be like an agreement, and money would automatically come from your paycheck."
>
> "That would be great."
>
> "You wouldn't have to spend the money you use to pay other remittance services."
>
> "From bank to bank would be more secure."

Participants also expressed interest in a product that offered them the opportunity to pay their family's' bills, such as electricity and gas, directly. According to several participants, Mexican consumers can now pay electric bills at certain ATMs in Mexico. In addition, when asked how they conducted their financial transactions, a few participants commented that they used the phone features available through their bank account, while others used Internet banking. Although participants were not asked directly, a remittance product where transfers can be made by phone or Internet might also be appealing to certain customers.

Several focus group participants who have bank accounts mentioned that their bank had contacted them directly and had asked them for referrals to their relatives and friends. Building on this word-of-mouth marketing strategy, banks that are trying to promote their services could also award existing customers with free remittance services for a selected number of new referrals that open accounts. Similarly, new clients could also receive a free wire transfer as a bonus or incentive for opening an account. Banks could also reward existing customers who use their remittance services with a free transfer after completing a specified number of remittances during the year.

Participants were also asked to imagine a law that would require the institution or the company where they remit their money to disclose information regarding the transaction before it takes place. Not surprisingly, many of the factors that participants use in the remittance decision-making process were the same ones they wished were disclosed. These included:

- Explicit exchange rate information
- The total amount they pay in the U.S.
- The exact amount the recipient will receive in Mexico
- The time it will take for funds to become available
- The fees receivers will have to pay, if any.

In addition, one participant argued that if there was a law to protect consumers conducting remittance transactions, it should include the security of their money. While some states, such as New York, already have such a law for consumers who remit using money service businesses, money service businesses are regulated at the state level and thus these protections depend on each particular state.

10. Community Education Models

An efficient free market depends on the flow of adequate information with which to make decisions. Focus group participants expressed frustration in accessing accurate and relevant information regarding financial transactions. For immigrants, obtaining information when choosing financial products and service providers can be challenging for a variety of reasons.[46]

Several participants stated that they did not have access to banking in Mexico and had not developed the habit of using banks to manage household finances. Rather, they were accustomed to a variety of alternative methods for cashing checks, making payments, and obtaining credit. While they acknowledged the advantages and benefits associated with mainstream banking and financial products, they also identified a variety of barriers that impede them from accessing bank accounts both in the U.S. and in Mexico.

The community-based organizations that facilitated the six focus group meetings have outreach programs to improve communication and information-sharing to help immigrants adapt to their new communities. Each organization provides its immigrant clients with financial information and education and simultaneously helps local financial institutions understand the perceptions, concerns, and challenges that immigrants face in moving into the financial mainstream. The role of community-based intermediaries in bringing banks and the unbanked together is especially important in immigrant market segments.

The Georgia Project seeks to bridge cultural barriers by employing Mexican teachers to help children of Mexican origin and their immigrant parents learn to work better in their new community. Communication with students' families allows the project teachers to identify a variety of needs within the immigrant community. In many cases, the teachers are the primary source of information for solving everyday problems faced by these families at school, at work, and at home. This insight into immigrant concerns has helped the project develop a model for facilitating community interaction between business, government, and residents, fostering a collaborative approach to developing a stronger community.

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[46] For more information on financial education resources for Latino audiences, see La Raza (2004).

The Georgia Project is now working on developing employer-based outreach and education programs toward wealth building and economic stability for immigrant workers throughout the region. Local government and financial institutions have the potential to contribute information and resources to this initiative and, through their participation, will learn how to better meet the particular needs of the immigrant community.

Conexión Américas shares the mission of promoting the integration of Hispanic families into its local community. Conexión services the middle-Tennessee area with social, economic, and civic integration programs. Their wealth- and asset-building initiatives include financial education, homeownership counseling, and technical assistance to micro-entrepreneurs. Conexión Américas also works closely with lenders and developers to address the housing, credit, and banking needs of the Latino market segment. One goal of the organization is to further the availability of ITIN mortgages to area Hispanic families.

Everglades Community Association, located in Florida City in southern Miami-Dade County, seeks to improve the living conditions for immigrant farmworkers and provide opportunity for economic stability and personal growth for future generations of the families that live and work in that community. The organization works as an intermediary for a variety of services and funding targeted to the immigrant population.

The Everglades Community Association provides access to health and family services as well as guidance on job-training, education, and other life skills. The Everglades Community Association also functions as a housing and community developer, having replaced mobile homes and trailers with a planned community that includes rental and single-family housing, schools and daycare services, parks and common areas, and a community credit union branch.

Some banks are also taking leadership in reaching out to immigrant communities through community-based organizations, innovative partnerships with schools and school branches, and community meetings to connect with immigrant audiences. One partnership between banks, community groups, and other organizations (including the Federal Reserve Bank of Chicago) is the New Alliance Task Force (NATF).[47] Established in May 2003 by the General Consulate of Mexico and the Federal Deposit Insurance Corporation (as part of the Partnership for Prosperity), the NATF's mission is to provide immigrants with "the necessary financial education and support services to improve their access to the U.S. banking system and develop asset-building strategies to successfully achieve the American dream."[48] One of NATF's major initiatives is to lower the costs of sending money to Mexico, as outlined in the objectives of the Partnership for Prosperity. Of the 39 banks that are members of the NATF, more than one-third offer remittance products, and four of these banks are using the Fed ACH system in a pilot program to send money to Mexico.

While the NATF focuses on reducing the cost of sending money to Mexico, other organizations have been working on how to leverage the remittance in the immigrants' home

[47] See Frias (2004) for more information on the NATF. Since its establishment, more than 50,000 new accounts with deposits totaling more than $100 million have been opened at NATF member banks.
[48] New Alliance Task Force, 2003.

country. One of these organizations is ACCION International, a microfinance lending organization that partners with microfinance organizations throughout Latin America, the U.S., and sub-Saharan Africa to provide small-business loans to low-income individuals. During 2004, ACCION conducted focus groups to understand how to help their clients use the remittance funds to achieve their investment goals (Jaramillo, 2004). While some participants reported that they sent remittances to help pay for their family's household expenditures back home, others reported that they sent remittances to save for specific goals in their country of origin, such as buying real estate, starting a business, or using the funds to pay off a mortgage, investment, or loan payment. The findings from this report will be used to explore how enhancements in financial products can help both senders and recipients achieve their savings goals.

Perhaps the pioneer in disseminating information on remittances is the Multilateral Investment Fund (MIF), an organization administered by the Inter-American Development Bank that provides technical assistance to private-sector development in Latin America and the Caribbean. During the past four years, MIF has commissioned studies, organized conferences, and financed projects that have highlighted the importance of these flows, encouraged competition in the remittance marketplace, and examined how to maximize the economic impact of remittances in the home country.[49] In addition, MIF has been financing projects that support private-public partnerships as they relate to remittances as well as between migrant associations in their host countries and their communities in their countries of origin. Although this list is by no means comprehensive, other institutions that have been actively involved in research regarding remittances include the Brookings Institution, the Inter-American Dialogue, Georgetown University's Institute for the Study of International Migration, the Pew Hispanic Center, and the World Bank. In addition, the Federal Reserve Bank of Chicago is home to the Center for the Study of Financial Access for Immigrants, which encourages and disseminates research on issues related to immigrant communities.[50]

11. Conclusions

Immigrants in the U.S. represent a large and growing market for financial institutions. This market is not only in the traditional gateway cities such as Los Angeles, New York, and Chicago but also in the newly emerging gateway cities across the U.S. More banks across the country have the potential to tap into this market segment by offering both new and traditional financial products and services. That is the opportunity.

The challenge is to turn this opportunity into reality. Banks need to decide if services for immigrants are part of their business model. If so, building awareness of mainstream banking services will rely on more than just offering remittance services, although these services can be an avenue for forming initial relationships with the immigrant market. Focus group participants indicated that choosing a remittance service provider can be very technical, based on cost, exchange rate, speed of transmission, and delivery mechanisms in their home country.

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[49] For more information on the MIF's work on remittances, see http://www.iadb.org/mif/v2/remittances.html

[50] The address is: www.chicagofed.org/community_development/center_for_the_study_of_financial_access_for_immigrants.cfm

Banks in cities like Los Angeles, Chicago, and New York have had decades to adjust to immigrant customers, but banks in Dalton and Nashville have only recently become familiar with this audience. Bi-lingual staff are a necessary, but not sufficient, part of the picture. Banks need to implement a staffing model that incorporates Hispanics into all levels—from tellers to management. Corporate bank policies that embrace immigrants as an important part of their long-term business plans need to be communicated to staff in the local branches. Banks may need to adjust their products, services, policies, and culture to compete with alternative service providers — not just on price but also on the quality of service and accessibility — if they want to effectively pursue the immigrant market. Creative approaches may use community organizations or mentors to help bridge the language and cultural gaps.

There are some obstacles that banks may not be in a position to do anything about. For example, among our focus group participants, obtaining a matrícula meant either a trip to the consulate or waiting for the mobile consulate to come to town – banks probably cannot change that. But banks can focus on the things they can do something about. For example, banks can become accepting agents for ITIN applications and provide information on other acceptable identification formats, consistent with the Customer Identification Program guidelines under the Bank Secrecy Act. Our findings suggest that some immigrants who have acceptable forms of identification chose not to open bank accounts because they *incorrectly* believed they would lose access to their funds once their ID expired. One way to mitigate these concerns is to clearly inform immigrants that they will not lose the funds in their accounts if their license (or another document they used to open an account) expires. Banks can also make sure they communicate information on account-opening procedures and requirements throughout their organizations, so that the front-line staff, usually tellers, are clear about acceptable identification documents.

Similarly, banks cannot control the financial services infrastructure in the receiving countries, which is often a driving force in the choice of remittance provider. They can, however, use the FedACH system to transfer money to Mexico. Where possible, banks can also partner with appropriate financial institutions in Mexico to offer complementary products and services for both U.S.-based immigrants and their family members in their home country. Conventional wisdom holds that immigrants distrust U.S. banks because they distrust banks in their home countries. To the contrary, however, our focus group participants indicated a high level of trust in U.S. banks. Furthermore, they implied that they may trust banks in Mexico that partner with U.S. banks – in essence, the trust is transferred from the U.S. bank to the Mexican-partner bank.

Among our focus group participants, having Spanish-speaking staff was the most important condition for getting their business. But interestingly, service was as important to them as cost, including front-end fees, exchange rate, and back-end fees. Thus, banks need to compete not only on price but also on service to attract immigrant customers. Marketing to immigrants also appears to be a weak spot in serving immigrant audiences. It appears that there are banking products available, but that these were not well marketed to the immigrant communities in our study nor were they well known among the community-based organizations working with these families. Banks may need to spend more time explaining their products and services and the fees associated with using these.

Community groups have new opportunities to help immigrant households in the same way they have helped other low- to moderate-income families build assets and become part of the community. They face challenges similar to those of the banks in terms of language and culture. And, similar to banks, there are obstacles over which they have no control. But community groups can also focus on the things they can do something about: working to educate both community members and immigrants about each other and providing information and education about the U.S. banking system and financial institutions.

Immigrants can also benefit from financial education. Community educators can help promote more efficiency in the financial decision-making process by providing information that can be shared within the immigrant community. Since word-of-mouth was an important communication device for focus group participants, one strategy would be to work with key leaders in the immigrant community to provide information. While most of the focus group participants appeared to be adept at bill paying and living within their means, education on budgeting, safe-keeping, saving, and credit can help establish and improve sound money management habits, including making use of banking services. And by being part of the financial mainstream, immigrants will have access to other asset- and wealth-building mechanisms that can help them achieve economic stability in the United States.

Finally, we close with the voice of one of our focus group participants who, when asked what she would like to convey to financial institutions, responded:

"We do want to save and prosper, but they need to make things easier for us."

Appendix A

The Georgia Project in Dalton GA

The Georgia Project is a community-based, nonprofit organization that seeks to support the academic and social needs of Latino students, their families, and the citizens of Dalton, Whitfield County, and Northwest Georgia. This project was a response to the rapidly growing Latino student population in Dalton City schools. The project aims to make cultural transition less difficult and more productive for the entire community. The project collaborates with the University of Monterrey; the university provides bilingual teachers to the city of Dalton to assist with the academic and social needs of Latino students and their families. The Georgia Project provides scholarships to bilingual high-school students who attend Dalton State College in hopes that they will be future bilingual teachers. The Georgia Project also provides professional development opportunities for existing teachers in the Dalton-Whitfield County school systems, including Spanish-language skills. Additionally, the Georgia Project provides ESL training to Latino parents in Dalton.

The Everglades Community Association in Florida City, FL

When Hurricane Andrew churned through Florida in 1992, it destroyed a dilapidated mobile home park near Homestead that had been used for 20 years as a "temporary" labor camp for migrant and seasonal farm workers in Dade County. The Everglades Community Association (ECA) is replacing the destroyed housing with a 108-acre development called Everglades Farmworker Villages. By adding an adjacent tract to the original site, the association has undertaken the largest project ever financed through the U.S. Department of Agriculture (U.S.D.A) Farm Labor Program. The ambitious planned community will be a self-sufficient town with 436 single-family detached houses and townhouses for rent to farmworker families, two child-development centers, a neighborhood health center, recreational spaces, and retail services. So far, 239 houses have been built — 108 of which are already occupied — and the health center and community center have been completed.

Conexión Américas in Nashville TN

Conexión Américas focuses on integration as a two-way learning process that requires understanding and respect from both the newcomers to a community and the host communities in Middle Tennessee in a comprehensive way. The organization is fully staffed with bilingual/bi-cultural Latin American professionals. The mission of Conexión Americas is to help Hispanic families realize their aspirations for social and economic advancement by promoting their social, economic, and civic integration into the community. Conexión Americas offers services for Hispanic families, including financial literacy education, Puertas Abiertas/Open Doors Homeownership Program, technical assistance for micro-entrepreneurs, taxpayer education and assistance, an information and referral help line, English classes, counseling, and assistance with immigration and other legal issues, and advocacy on immigrants’ rights. Conexión Américas also provides services for organizations and individuals serving the Hispanic market. These services include Latino cultural competency training and technical assistance, practical Spanish classes, English/Spanish translations, and support for applied research related to the Hispanic community.

Appendix B

Selected Characteristics of Mexican Immigrant Remitters Who Responded to Screening Survey by City (in numbers except where noted)

	Dalton	Nashville	Florida City
Number of respondents	71	200	88
Currently have a paid job	49	176	78
Live in the U.S. with a spouse or partner	57	95	69
Live in the U.S. with child or children	54	94	71
Have a spouse or child/children in Mexico	10	51	15
Avg. num. of years in the U.S. since age 18	7.8	5.7	9.7
Have a matrícula consular card	37	69	53
U.S. citizen or have a green card	24	22	25
U.S. citizen or have a green card or a matrícula consular card	43	77	61
Banking Characteristics			
Bank account ownership status (U.S. or Mexico)			
Never had a bank account (U.S. or Mexico)	35	93	72
Have had a bank account (U.S. or Mexico)	36	107	16
Current bank account ownership status			
Never had a bank account in the U.S.	43	121	79
Currently have a bank account in the U.S.	28	79	9
Of those who have *ever* had a bank account (U.S. or Mexico)…			
Currently *do not* have a bank account	8	29	8
Currently have a bank account	28	78	8
Of those who currently *have* a bank account in the U.S....			
Number who *are not* a U.S. citizen or do not have a green card or a matrícula consular	8	34	..
Number who *are* a U.S. citizen or do not have a green card or a matrícula consular	20	45	9
Of those who currently do *not* have a bank account in the U.S....			
Number who *are not* a U.S. citizen or have a green card or a matrícula consular	20	89	27
Number who *are* a U.S. citizen or have a green card or a matrícula consular	23	32	52

Information on Remittance Transactions for Mexican Immigrant Remitters Who Responded to Screening Survey by Focus Group Location (in numbers except where noted)

	Dalton	Nashville	Florida City
Number of respondents	71	200	88
Most frequent way send money to Mexico			
Check casher or wiring service	28	83	48
Store, like a supermarket	26	80	8
Bank	6	28	25
Relatives or acquaintances traveling to Mexico	5	5	3
Other or unknown	6	4	4
Area where money is most often sent			
City	37	92	24
Rural area	31	102	54
Unknown	3	6	10
Frequency with which money is sent			
Once a week	4	40	3
Two or three times a month	9	83	10
Once a month	39	27	27
Less than once a month	18	38	46
Unknown	1	12	2
Amount sent			
Average amount sent	$260	$316	$398
Median amount sent	$200	$430	$125
Average amount sent by frequency with which money is sent			
Once a week	$156	$293	$75
Two or three times a month	$211	$306	$295
Once a month	$273	$344	$500
Less than once a month	$291	$368	$398
Unknown	$100	$220	$75

Appendix C

Number of Times Financial Institutions Were Mentioned in the Focus Groups, by Location

Financial Institution	Dalton	Nashville	Florida City	Total
United States				
Alliance National Bank	3	..	..	3
AmSouth Bank	..	2	..	2
Bank of America	7	5	..	12
BB&T	2	..	..	2
Capital Bank	..	1	..	1
Community Bank of Florida	..	..	2	2
Educators Credit Union	..	1	..	1
National Bank of Commerce	..	1	..	1
Primer Banco Seguro[1]	1	..	..	1
Regions Bank	2	..	..	2
SunTrust Bank	..	2	..	2
Wachovia Bank	4	..	1	5
Mexico				
Banorte	..	..	1	1
Banamex	4	1	1	6
Banco Bital - HSBC	1	1	..	2
Bancomer	5	2	4	11
BanCrecer[2]	..	..	2	2
La Caja Popular[3]	2	1	..	3

[1] Established and operated by FSGBank, N.A., Chattanooga, Tennessee

[2] Currently owned by Banorte

[3] La Caja Popular, also known as La Caja Popular Mexicana, is the largest credit union in Mexico

Appendix D

Number of Times Alternative Financial Services Were Mentioned in the Focus Groups, by City

	Dalton	Nashville	Florida City	Total
Money transmitter companies				
DolEx	..	..	3	3
El Rodeo	..	1	..	1
Electra	..	2	..	2
Giromex	..	..	6	6
Global	1	..	..	1
Mandamex	..	1	..	1
Mexico Express	..	..	2	2
Moctezuma	..	..	1	1
MoneyGram	1	3	1	5
Order Express	..	..	1	1
Orlandi Valuta[1]	2	1	1	4
Ria Envia	..	1	..	1
Servimex	..	2	..	2
SIGUE	1	1	2	4
Telecom	..	1	..	1
Vigo	1	..	..	1
Western Union	12	14	5	31
Other				
Money Order	8	2	1	11
Vans (Courier Service)	11	1	..	12

[1] Subsidiary of Western Union

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