

Banking in a Global Market

A Financial Institution Guide for Offering International Remittance Services

Supplement: Detailed Profiles of Financial Institution Remittance Programs



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PROFILES OF FINANCIAL INSTITUTION REMITTANCE PROGRAMS

This supplement provides detailed profiles of 11 financial institution remittance programs. The profiles are grouped by the six approaches presented in the report. Each program is categorized and described based on the assessment of those interviewed:

- Solo Remittance Platform: Harris Bank and Wells Fargo (p.2)
- Partnership with a Money Transfer Operator: U.S. Bank (p.11)
- Directo a México: Citizens State Bank and Pinnacle Bank (p.15)
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- Multiple Service Approach: BankCherokee, Latino Community Credit Union, and Mitchell Bank (p.34)

The profiles are based on interviews with key individuals involved in the launching and implementation of the remittance programs and include personal insights into the challenges and benefits of each approach.

Disclaimer: Profiling these financial institutions' programs does not constitute an endorsement by Appleseed of every program feature.

SOLO REMITTANCE PLATFORM

Harris N.A.

Headquarters: Chicago, Illinois

Asset Size: \$42.5 Billion

Envios de Dinero Harris

Background

Headquartered in Chicago, IL, Harris N.A. provides banking to the surrounding Chicago metropolitan area, Northwest Indiana and Central Indiana. It has over 232 branches, with assets of more than \$42.5 billion.

How did the bank develop its approach for providing international remittance services?

Harris offers a traditional wire service worldwide in addition to its stand-alone Envios de Dinero Harris which was launched in September 1999. This service wires money to Mexico for payout or deposit at any of the receiving branches.

Harris discovered the need for an easy and inexpensive way to send money to Mexico in the course of conversations with customers. Relying heavily on input from customers, many of whom had not maintained a banking relationship prior to coming to the United States, Harris evaluated several options and settled on an approach that was popular for being easy to use and understand. Options such as allowing customers to send an ATM card abroad to recipients for withdrawal purposes or sending money from bank account to bank account did not satisfy the customer's criteria for sending monies to relatives or family. Harris was after a solution that was effective, safe and did not require customers to change their behavior.

What are the major characteristics of the current program?

The bank's traditional wire service allows a customer to send money worldwide for a \$45 flat rate. Through Envios de Dinero Harris, money can be wired to Mexico at a flat price of \$10, with occasional reduced priced specials throughout the year. Customers may choose to have funds deposited directly into any of the correspondent bank's branches or designated for in-person pick-up or home delivery, depending on the correspondent location.

The bank created correspondent relationships with its peers in the markets to which their customers needed to wire money. In the process, they found the interface that worked best for their customers, as well as partners, was a branch platform allowing

customers to simply walk up to the teller line and process their request without requiring an account with the bank. Harris then created the internal processes and controls that allowed it to provide the service safely and securely. There are currently over 2,000 correspondent banking locations for customers to pick up their money.

There is no additional “set up” cost for the customer, just the aforementioned fee per transaction. Harris understands that this is an important service for its customers and views it as an important investment in a positive, ongoing relationship with them.

What marketing or community outreach strategies has the bank used to promote the international remittance products?

First, Harris advertised the service using a mixture of newspaper, radio and in-branch promotional support. The mainstream campaign was supplemented with grass roots marketing tactics to catch people’s attention and create excitement around the new service.

Since its founding, Harris has focused on being a community bank. As the bank has grown, Harris has retained its belief that it will not do well in business unless it does a good job for its communities. Harris has strong partnerships with civic organizations and encourages its employees to be active leaders in the communities they serve. For example, last year Harris held four Financial Fairs, bringing together a popular Latino radio talk show host with internal experts in mortgages, personal finance and credit to go into the community and educate customers on how Harris can help them achieve their financial goals.

How many transactions are made per month through the programs?

The average wire size through Envios de Dinero Harris is about \$700. Harris averages over 1000 transactions per month.

Were there any regulatory challenges in implementing the programs?

Just as with any service Harris provides, it ensures proper controls are in place to comply with all the AML/BSA requirements.

Any new service requires education for both bank staff and its customers, especially when working with customers who may be new to or unfamiliar with standard banking procedures. Harris implemented training programs to ensure employees would be able to guide customers easily and comfortably through the remittance process while

explaining why certain steps, such as verification through proper identification, are required.

Does Harris offer other products and services designed to reach immigrant markets?

Harris is able to offer its customers traditional checking and savings accounts in addition to mortgage financing and auto loans. In addition, Harris offers a variety of products for “first-timers,” such as a first time lending program, a secured loan option, expanded ID program to qualify for new accounts and the first time mortgage program. Harris has developed many relationships that have begun with a simple deposit account and later grown to launching and building a business.

Why has the program been a success for your financial institution?

Harris has found that existing customers are switching to Envios de Dinero Harris for their remittance needs. In addition, the bank’s ability to use this service to attract new customers has been very exciting. Customers have rewarded Harris for listening to them and providing them the service they need by turning to Harris for additional banking services.

Wells Fargo

Headquarters: San Francisco, California

Asset Size: \$540 Billion

ExpressSend

Background

Wells Fargo Bank is one of the largest banks in the United States, with \$540 billion in assets and more than 3,200 banking stores in 23 states. It is based in San Francisco, and has a decentralized approach to management, with each community having a local hierarchy of leadership with some autonomy to make decisions to meet the local needs of communities it serves.

Wells Fargo offers international remittance services to seven countries: China, El Salvador, Guatemala, India, Mexico, the Philippines and Vietnam.

How did the bank develop its approach for providing international remittance services?

“It is a major undertaking to set up a service like this. You must invest in people and technology,” says Daniel Ayala, head of Wells Fargo’s Global Remittance Services. “I think four to five years from now there will be no one who can afford not to be in this market.”

Wells Fargo has offered international remittance services since 1994. The first market served was the Philippines, through an ATM remittance account, followed by the development of InterCuenta Express®, an account-to-account remittance service to Mexico. In 2003, a gradual expansion of services began, adding network member banks in Mexico and expanding the number of countries for which services are offered. In 2007, the company launched Wells Fargo ExpressSend, which provides expanded options for sending remittances, including an account-to-cash option, and offers lower pricing.

Wells Fargo’s international remittance business is one part of an overall strategy to be the payment processor for its customers and to meet all customer financial service needs. The goal of the programs is to bring convenience to customers—instead of taking out cash and going to a money transfer location, customers can transfer the money directly from a Wells Fargo banking location. Markets for international remittance programs were selected based on the communities represented in Wells Fargo’s banking states.

The process for implementing an international remittance program is unique to every company. It's important to understand the market, the needs of remitting communities and the locations to ensure that the services are convenient and accessible to the target market. "Identify the corridors that you want to target, who the competition is and what it would take to lure customers from the competition," shared Ayala. "The final step is to develop the necessary technology. It's at least a one year process."

Wells Fargo has developed its own platform for most of its remittance programs. This approach worked because there was a preference for proprietary control over products, and Wells Fargo has the capacity to negotiate the agreements with the banks on the other side of the transaction to ensure convenient and accessible delivery of the funds. The challenges of this approach include the costs of developing the necessary systems and technology in-house, the process of negotiating with banks on the receiving end which function in a different business and cultural context, and ensuring there are sufficient staff resources for on-going program management and promotion.

What are the major characteristics of the current program?

Wells Fargo established its remittance service through relationships with banks in the destination countries: China---Agricultural Bank of China; El Salvador—Banco Agrícola; Guatemala—Banco Industrial and Banrural; India—ICICI Bank; Mexico—BBVA Bancomer, HSBC Mexico, and Banorte; the Philippines—Bank of the Philippine Islands; Vietnam—Incombank. Combined, these banks offer more than 30,000 locations for beneficiaries to receive remitted funds.

Wells Fargo ExpressSendSM is Wells Fargo's enhanced remittance service with new capabilities and a new brand name. Wells Fargo's remittance service was formerly known under four separate names based on remittance destination—InterCuenta Express[®] (Latin America), the International Remittance Account (Asia), the International ATM Remittance Account to the Philippines and Dinero al Instante[®] (Latin America).

A major feature of the enhanced service is expanded transfer options with four choices—account-to-account, account-to-cash, cash-to-cash, or cash-to-account. Account-to-cash is not available for China and India, but for the other destinations, it opens an important opportunity to serve customers with beneficiaries who do not have a bank account.

Wells Fargo ExpressSend service includes discounted pricing with options for a 50 percent fee reduction or for waiving the transaction fees with certain Wells Fargo checking account packages. To improve convenience, the new system requires that customers submit required transaction information only once for a beneficiary; no additional forms are needed to send money again to the same beneficiary. Consumers can use Wells Fargo ExpressSend at any Wells Fargo banking location or through the

Wells Fargo Phone Bank to send money from their eligible Wells Fargo Checking or Savings account. Funds are available to the beneficiary either the same day or next business day in most cases, depending on the destination and the time of transaction.

Wells Fargo has enhanced the information provided to remitters when they complete a remittance transaction. As part of completing each transaction, remitters are provided a document with details regarding the remitter, the beneficiary, how and where funds are being sent, the fee, the amount of funds that the beneficiary will receive and the foreign exchange rate (if applicable) used for the transaction. The Remittance Transfer Record also clearly shows the amount of the foreign exchange margin for the transaction. The foreign exchange margin represents the estimated revenue that Wells Fargo earns on the conversion of US dollars to a foreign currency for the remittance transaction.

What marketing or community outreach strategies has the bank used to promote the international remittance products?

There are four major categories of marketing outreach: creating external awareness, creating awareness within Wells Fargo banking locations, retaining customers once they begin to use the service and public relations—profiling family benefits and providing support if there are any natural disasters or other major issues in the receiving country.

For creating external awareness, advertising in radio and print and distributing fliers is important. Working through grassroots organizations and local consulates is also key. For example, Wells Fargo announced its new relationship with HSBC in Mexico at the Mexican consulate in Los Angeles and the relationship with Banorte at the consulate in Austin, Texas.

Wells Fargo banking locations create product awareness by ensuring that when a person walks in, it is clear that remittance services are available. Customers are not used to accessing remittance services at banks and so do not expect them to be offered. It is also crucial that the bank staff is trained regarding the details and process for using the services so that customer is comfortable that his/her remittance transactions will be handled efficiently and professionally.

As part of its efforts to provide improved customer awareness and service, Wells Fargo is providing increased access to pricing information through total pricing disclosures, including the foreign exchange margin, on the Remittance Transfer Record. Wells Fargo is also a Fair Exchange member, part of an Appleseed initiative to increase transparency in pricing disclosures for remittance transactions as a strategy for building market share.

Customer retention is also important. Wells Fargo always welcomes new customers and creates a direct mail relationship. If customer behavior changes with regard to sending

fewer transactions or not using the service, there is follow-up to determine if there is a problem and to remind the customer of the services available.

Finally, offering international remittance services can be promoted through public relations efforts, profiling families that have benefited from the services. When there are needs in the receiving country, such as natural disasters, Wells Fargo has attempted to respond to facilitate transfers. For example, when the Tsunami hit or when there were mudslides in Guatemala, Wells Fargo dropped fees and the exchange rate spread in the affected markets.

How many transactions are made per month through the programs?

No specific transaction information is available, but the programs have experienced triple-digit growth over the past five years, since Wells Fargo renewed its efforts to serve remitting customers. Part of the growth has been through expanded use of existing services and part through adding new markets. The international remittance industry as a whole has experienced double-digit growth. Offering international remittance services is a five to 10 year proposition. The first three years are generally for learning about the market and customer outreach.

Were there any regulatory challenges in implementing the programs?

Before entering the remittance business, it is crucial to gain the cooperation of compliance staff and to understand any concerns that need to be addressed. Examining regulatory compliance issues should be the first step of any new program. It is also important to consult with the top regulators and ask about issues that the bank should monitor when offering international remittance services.

There needs to be dedicated staff for compliance tied to international remittance services, and this staff will likely grow as the services and usage expand. There is a lot of work to be done from the perspective of compliance with the Bank Secrecy Act.

“People need to be ready and aware of what they are exposing themselves to and willing to put the controls into place for this service,” commented Ayala. Regulatory expenses are an important part of operation costs for international remittance products. Compliance must be integrated into both the design and implementation, providing a six month to one year lead before launching a new service to ensure that all the right systems are in place.

Does Wells Fargo offer other products and services designed to reach immigrant markets?

Wells Fargo offers most account and informational brochures in-language and has a dedicated toll free, 24-hour Phone Bank with multi-language capabilities. Additionally, Wells Fargo works to have multi-lingual staff in stores that serve immigrant communities. The bank website is available in Spanish and ATM machines have screens in English, Spanish, Hmong, Korean, Chinese, and Vietnamese.

Why has the program been a success for your financial institution?

Wells Fargo has devoted the past five years to setting up the infrastructure and relationships necessary to tap key immigrant markets in its footprint. With much of that infrastructure now in place, the bank is well positioned to reap the benefits of the services. This is a long-term proposition for Wells Fargo, and the systems and services have been approached with that as the leading philosophy.

Significant portions of the customers using the international remittance services are new customers, and so the services have been effective in bringing in customers. Remittance customers also have higher cross-selling rates. The average Wells Fargo remitter to Mexico has 7.7 products with Wells Fargo and has an average transfer of \$700+ per transaction, which is significantly higher than the industry average transfer amount of \$375. Customers who remit to El Salvador, Guatemala, and India generally use between eight and nine additional products. Transfers to India average \$1,500+ per transaction. The average remittance account holder in the Philippines generally has over 10 products with Wells Fargo.

It takes a few years to get a new market started and gaining usage. It is important to maintain the commitment to provide international remittance services despite “bumps” along the way. Short-term obstacles should not detract or take momentum away from the long-term goal of providing a full range of services to new and growing markets.

**PARTNERSHIP WITH A
MONEY TRANSFER OPERATOR**

NOTE: SEE ALSO MULTIPLE SERVICE APPROACH SECTION

U.S. Bank

Headquarters: Minneapolis, Minnesota

Asset Size: \$222 Billion

Offering Remittances through MoneyGram International (To both account and non-account holders)

Background

U.S. Bancorp, the parent company of U.S. Bank, is headquartered in Minneapolis, Minnesota. With \$222 billion in assets, it is the sixth largest commercial bank in the United States. U.S. Bank has 2,498 banking offices located in 24 states, primarily in the Midwest, Southwest and Northwest.

U.S. Bank offers international remittance services through MoneyGram International, Inc. As a result, customers can send remittances from bank branch locations to any of the 170 countries served by the MoneyGram agent network. The primary focus of the U.S. Bank remittance program has been to reach Latin American remittance senders. The program began in August of 2004 and was phased into all branches by November of 2005.

How did the bank develop its approach for providing international remittance services?

U.S. Bank recognized the high-level consumer demand for remittances and also that traditional wires do not work well for the average remittance-sending customer. In finding a way to meet consumer demand for remittances, the bank “wanted to provide a solution that had favorable fees for all consumers, whether they had a U.S. Bank account or not,” noted Kevin Wright, Vice President, Emerging Markets for U.S. Bank.

The bank selected MoneyGram because of competitive pricing, a broad distribution network and strong brand recognition in the United States and internationally. In implementing the program, U.S. Bank needed to ensure that they were meeting compliance and regulatory requirements, that business lines in the bank would support the initiative, and that there would be appropriate retail support at the branch level.

Prior to entering into a contract with MoneyGram, U.S. Bank engaged in a 6-month exploratory process, reaching out to the Office of Comptroller of the Currency to address safety and soundness issues. There was also a process of ascertaining the product was one the bank could stand behind and that it could be integrated into branch locations.

Once the background issues were worked through, U.S. Bank worked collaboratively with MoneyGram for the product roll-out. MoneyGram provided most of the necessary systems to offer their remittance service and worked with the bank on systems integration. The greatest challenge was in integrating a third party into U.S. Bank.

On-going costs to run the program are limited to staff time in serving customers and periodic system upgrades. In assessing the costs and earnings from the remittance product, revenue generation did not drive U.S. Bank's entrance into this market. Their goal was to ultimately gain long-term customers using other products and services.

What are the major characteristics of the current program?

U.S. Bank offers MoneyGram remittance services with varied pricing depending on country, amount of the transaction and the specific service used. For sending money to Latin America, the cost is \$9.99 for up to \$1,000. Unlike MoneyGram, U.S. Bank requires identification for all transactions. There is a daily transfer limit of \$2,500 per customer. Non-account holders can use the MoneyGram service at all U.S. Bank locations.

What strategies has the bank used to promote the international remittance products?

Marketing is conducted through both grassroots and media outlets. When launching the product, door hangers were distributed in target areas. There were also TV, radio and print advertisements. In addition to advertising, U.S. Bank worked with community organizations and the Mexican Consulate to get the word out and to offer financial education to low-income and unbanked immigrant communities.

The product is also advertised in branches through signage, brochures and other printed materials.

How many transactions are made per month through the programs?

No specific transaction information is available, but the program has experienced consistent growth since its inception and has exceeded volume targets.

Were there any regulatory challenges in implementing the programs?

The greatest regulatory challenge was incorporating the bank systems with those of MoneyGram and ensuring that each part of the process was monitored, with clear responsibilities allocated to each party. The bank had to integrate its front-end system

with MoneyGram's back-end systems and verify proper policies and procedures for every step of the process. Regulatory and bank compliance responsibilities fit within existing systems in the bank for all MoneyGram products.

Does U.S. Bank offer other products and services designed to reach immigrant markets?

The bank offers check cashing and bill pay services at no cost to customers and has worked to build relationships with remittance customers to help people achieve long-term goals, such as saving for education, and buying a home or a car. There are also secured Visa credit cards and loans to help people build credit.

Why has the program been a success for your financial institution?

U.S. Bank has been able to serve a need in their communities at a good price, showing remittance customers how other financial products and services can save money. The bank has been able to reach unbanked and underbanked groups with this product. The remittance program has also fit into a broader bank initiative to reach multicultural communities. Remittance volume continues to grow and to bring in new customers for the bank.

Remittance volumes will continue to increase, but entering the remittance market requires a long-term commitment to the product and to the consumers it attracts.

DIRECTO A MÉXICO

NOTE: SEE ALSO MULTIPLE REMITTANCE SERVICES SECTION

Citizens State Bank

Headquarters: Tyler, Texas

Asset Size: \$180.2 Million

Directo a México

Background

Citizens State Bank, based in Tyler, Texas, is an independently owned bank. It has seven locations serving the East Texas communities in Henderson, Kaufman and Smith counties. The bank has \$180.2 million in assets.

East Texas has experienced significant growth in immigrant communities over the past decade. Citizens State Bank has been working to better reach those communities and in March 2006 began offering Directo a México for customers to send remittances to Mexico.

How did the bank develop its approach for providing international remittance services?

The bank began by offering traditional wires to customers, but the wires were too expensive and not suitable for customers sending relatively small dollar amounts. The bank chose Directo a México because it is inexpensive and broadly available—to any bank account in Mexico—and the money is available to be picked up the next business day. “We looked at other options, but found this to be the best...the convenience, the time and the low cost to the customer,” said Aracely Gonzales, Community Relations Coordinator for Citizens State Bank. Having the money go through a bank also adds reliability to the transaction, “Some of the little companies in Mexico don’t always have the money to pay out.”

Directo a México was easy to implement. The largest cost was staff training and marketing of the new service. It is also important to spend time to educate customers about the program. Many customers are not comfortable using banks and it takes personal attention, walking people through the process, to convince them to use it.

There have been some issues with Mexican banks not understanding the program. In some cases, the Citizens State Bank has had to call the recipient’s bank in Mexico in order to ensure that funds sent through the program were posted to the customer account. Once the bank managers know about the transfer program there are usually no further delays in posting funds. It is helpful to have employees who are familiar with the Mexican banking system.

The bank also offers accounts with two debit cards, but does not actively market these accounts because mailing a debit card can be risky. Directo a México provides independence to the sender and the recipient with each having their own separate account.

What are the major characteristics of the current program?

Citizen State Bank's program, offering the Federal Reserve's Directo a México service, requires both the sender and the recipient to have a bank account. Most senders open a free checking account at the bank in order to use Directo a México. Customers have a strong preference for free accounts. The bank does not require direct deposit for the free account. There is a \$5 fee for each transfer.

Citizens State Bank does not currently open accounts in Mexico at its branches through the BAR program, however, the bank helps customers locate a Bansefi branch near their family in Mexico and provides the information necessary to open an account there. Bansefi and Banco Azteca both offer accounts in Mexico that require the peso equivalent to \$5 to open. Other banks can require approximately \$75 to open an account.

Education is another component of the bank's remittance program approach. "When I first came here, I really wished there was someone who would spend 10 minutes with me and give me their attention and help me to understand things," said Ms. Gonzales. Spending that time with customers makes them more comfortable trying new products and also helps in reaching new customers through positive word of mouth.

What marketing or community outreach strategies has the bank used to promote international remittance products?

Advertisements on the radio and community outreach are the major marketing approaches of the bank. When working with customers, the bank often highlights the competitive fee and exchange rate of Directo a México and compares it to other products on the market. Customers also appreciate the security of the transfer and the convenience.

Every Wednesday, the bank staff visits local businesses to conduct outreach regarding the products and services offered at the bank. Staff also conduct outreach through schools and to parent groups.

How many transactions are made per month through the remittance programs?

Currently, the bank conducts approximately 25 to 50 transactions per month, but that number is growing. Most customers send \$250 to \$500 twice per month.

Were there any regulatory challenges in implementing the programs?

The bank did not face any significant regulatory challenges in implementing the program. Because an account is required to use the remittance service, the bank follows its customer identification program with the accounts and also maintains records of the recipient of the funds transfer.

Does Citizens State Bank offer other products and services designed to reach immigrant markets?

The bank offers free checking accounts, personal loans, car loans, home mortgage loans and small business loans targeting immigrant customers. There is particular demand for home mortgage loans among the bank's immigrant customers.

Why has the program been a success for your financial institution?

The remittance program has been a success because it allows the bank to provide more complete service to its customers. The program is inexpensive to implement and has contributed to the over 800 accounts opened, with \$1,000,000 in deposits, since the bank began its outreach to the local Mexican immigrant community.

Eighty percent of the new accounts opened for the target community are people who have never previously had an account. The other 20 percent have an account but are not happy with the service they are receiving. "They come to the bank because they can find somebody who has the time and the patience to sit with the customer and explain to them. That makes the difference between our bank and the others," concluded Ms. Gonzales.

Pinnacle Bank

Headquarters: Lincoln, Nebraska

Asset Size: \$2 Billion

Directo a México

Background

Pinnacle Bank is a mid-sized bank with \$2 billion in assets and 48 branches in Nebraska, including in Omaha, Lincoln and several small towns with large immigrant populations. (Its parent company, Pinnacle Bankcorp is based in Nebraska and has banks in Texas, Wyoming, Colorado, New Mexico and Iowa, with a total of \$4.3 billion in assets.)

In 2004, Pinnacle Bank set out to develop a comprehensive and forward-thinking Latino banking model, with support from the very top of the bank's management. The initiative began with a thorough community assessment. As one part of its resulting strategy, Pinnacle is currently launching a Directo a México remittance product (as well as a Bancomer product), embedded in a larger Latino market strategy, including many different creative elements.

How did the bank develop its approach for providing international remittance services?

Pinnacle Bank's Latino banking initiative was no piecemeal strategy. The bank decided at the outset – with the full support of top management – to develop a comprehensive Latino banking strategy beginning with a thorough strategic planning and community research phase. After completing the research phase assisted by an outside consultant, the bank began its initiative by accepting consular identification to open accounts, becoming an ITIN acceptance agent, developing ITIN home loan products, opening a storefront bank branch with Latino décor and community-appreciation events and developing remittance products.

Within the larger strategy, the bank's decision to offer a remittance option was a simple one, according to Director of Latino Banking, Daniel Padilla. "We had to," he said. "Everybody was looking for it."

In terms of choosing Directo a México, Padilla said that for customers from Mexico it was the best option – with a low charge for the banks and the best exchange rate for the customer. It was also important to Pinnacle to offer another remittance product that reached beyond Mexico to serve their Central American customers. To do this, Pinnacle chose Bancomer because it, too, offered an inexpensive product that allowed Pinnacle to

set the price, with a revenue-sharing structure in which a set amount of what the customer pays to Pinnacle goes to Bancomer.

What are the major characteristics of the current program?

Pinnacle Bank is offering Directo a México for its Mexican customers and a Bancomer product for its Central American customers. The Directo a México product costs the bank only 67 cents per transfer, and for either product, Pinnacle will charge less than \$10 per transaction (for any amount transferred).

What marketing or community outreach strategies has the bank used to promote the international remittance products?

The bank is using banners inside and outside the branch, emphasizing their product's same-day availability and competitive price. The bank is also using radio ads, word-of-mouth publicity, fliers at the soccer fields, sponsoring a soccer team and relationships with the Mexican Consulate and a wide variety of community-based organizations.

How many transactions are made per month through the programs?

This is a new product for the bank. Pilot testing is complete, but the bank is just beginning to offer the products.

Were there any regulatory challenges in implementing the programs?

Even though the Directo a México product is by now very well-known, Padilla said that there were nonetheless regulatory challenges to implementing the program. Despite their familiarity with the products, regulators wanted to know how the programs complied with the Bank Secrecy Act and money laundering concerns. After the approvals, though, Padilla said everything was fine.

Does Pinnacle Bank offer other products and services designed to reach immigrant markets?

Pinnacle Bank has a comprehensive Latino banking strategy including a wide range of products and services for immigrant customers. Pinnacle Bank has also established a very successful consumer lending program for ITIN customers, including second mortgages to help some customers get out of predatory rates and vehicle loans to help

customers avoid “buy here pay here” lots and instead start building a credit history. For customers who do not have an ITIN, Pinnacle Bank opens accounts for them and helps them get an ITIN through their partnership with the IRS.

Why has the program been a success for your financial institution?

Describing the bank’s process of developing its remittance products, Daniel Padilla said, “It’s been easier than we expected. I don’t know why we [the banks] didn’t do this before.”

He added, “If you treat your customers right, they’ll stay with you forever. At the same time, you’re also doing the community a good service.”

DUAL ATM CARD ACCOUNT

NOTE: SEE ALSO MULTIPLE REMITTANCE SERVICES SECTION

First Bank

Headquarters: St. Louis, Missouri

Asset Size: \$10.2 Billion

Quick Cash

Background

First Bank, Inc. (First Bank) offers a vast portfolio of products and services for both individuals and businesses. As a bank in its fourth generation of family ownership, First Bank now serves customers in 190 branch locations and has \$10.2 billion in assets. Headquartered in St. Louis, Missouri, First Bank is a medium size bank with branches in four states: Missouri, Illinois, California and Texas.

How did the bank develop its approach for providing international remittance services?

In 1999, as part of outreach efforts to reach Latino immigrants, First Bank of the Americas began accepting the *matrícula consular*, a form of identification issued by Mexican Consulates to Mexican nationals living outside of Mexico. The Quick Cash product was developed in 2001 in response to the need of the predominantly Latino community where its branches were located. Quick Cash is an ATM-based program where one ATM card is issued to the primary account holder and an extra card provided for an authorized individual who is not an account owner.

The high charges associated with traditional money-transfer products allowed First Bank of the Americas to find a niche in the market at no extra cost and without technology changes. Quick Cash provided international remittance services using technology infrastructure already in place within the bank. Offering a remittance product also seemed to be the next logical step for a bank reaching out to the Latino immigrant population.

First Bank acquired the Quick Cash product with its acquisition of the First Bank of the Americas and initially offered it only at the three original branches on the south side of Chicago. In August 2006, First Bank rolled out the service corporate wide. Although First Bank did not accept the *matrícula* when it acquired First Bank of the Americas, the successful track record of customers who had used the *matrícula*, convinced First Bank to start accepting it in all its branches and to expand the Quick Cash program.

What are the major characteristics of the current program?

The Quick Cash product is a free checking account product that provides the account holder with two ATM cards that can be used at ATMs or with a merchant that accepts PIN transactions. The account holder would typically keep one card and send the other card to an authorized individual abroad as a means to access the Quick Cash account.

The Quick Cash product limits the account to \$300 in cash withdrawals per day. Ninety nine percent of account holders send their second card to Mexico, Columbia, Ecuador or Guatemala. To set up the account, \$100 is needed, but no minimum balance is required afterwards.

Although there is no cost to maintain the account, there is a \$1.50 fee for every non-First Bank ATM withdrawal conducted in the U.S. and a \$3.00 fee for international transactions, regardless of the withdrawal dollar amount.

What marketing or community outreach strategies has the bank used to promote the international remittance product?

When the Quick Cash product was initially offered, First Bank of the Americas held a press conference with the Mexican consulate, congressional elected officials, local businesses and local media outlets including television, radio stations and newspapers. The initial offering to the community of the remittance programs was a huge success, with other local banks taking notice of the market need. Since the acquisition by First Bank, window signage, brochures, website content and marketing campaigns have been developed throughout the organization to promote the product in the bank's four-state service area.

How many transactions are made per month through the programs?

The Quick Cash product can be used for remittance as well as for any customer who needs a way for an authorized individual to access cash. For example, it's the perfect product for parents who want to provide their children access to funds when they leave for college. As a result, the bank doesn't have statistics on how many customers use the account for remittance as compared to another purpose. To date, the bank has approximately 400 Quick Cash accounts in active use.

Were there any regulatory challenges in implementing the programs?

There were no regulatory challenges in developing or launching the Quick Cash program.

Does First Bank offer other products and services designed to reach immigrant markets?

Customers are strongly advised to have a separate checking or savings account for their everyday domestic transactions. This puts the customer in control of transferring the authorized amount of funds to which the secondary party is allowed access. This eliminates concerns that the authorized party will use more money than intended. This advisement has led to more checking and savings accounts being opened. Furthermore, First Bank offers ITIN Mortgage Loans—home loans for individuals who do not have a Social Security Number, but have an Individual Taxpayer Identification Number issued by the IRS.

Why has the program been a success for your financial institution?

For local branches situated in predominantly Latino communities, the Quick Cash product has been very successful. It has brought in customers that would otherwise not have opened an account. We have also opened accounts referred to us by the ITIN Mortgage Loan program. The success of the product has led to its introduction in other markets across First Bank's four-state service area.

United Americas Bank, NA

Headquarters: Atlanta, Georgia

Asset Size: \$189 Million

ATM-based Remittance Transfer

Background

United Americas Bank, N.A. (UAB) is a full service community bank, founded in 1999, which specializes in commercial banking services for small to mid-size businesses. UAB also emphasizes, however, its inclusive marketing efforts and notes that in addition to its business customers, it serves many individual customers who maintain relatively low balances and who are as concerned about their families in their home countries as about building their personal assets in Georgia. Indeed, according to UAB President and CEO Jorge Forment, his customer base usually sends half their paychecks to family outside the United States. UAB has total assets of \$189,020,000. It has four locations in the metro Atlanta area and anticipates opening two more locations in the near future.

UAB sees its role in reaching out to low income immigrants who are new to the United States as part of its service to the community. UAB understands that it must educate immigrants about the safety of the U.S. banking system as a way to help these same immigrants enhance their personal safety and avoid becoming the targets of crime. Finally, UAB seeks to reassure immigrants here without legal authorization that if the immigrant bank customer is forced to leave the United States unexpectedly, UAB will send the customer's money as directed by the customer to any location.

UAB sees understanding of the subtle cultural differences among different Latino populations in the metro Atlanta area as its competitive strength. The bilingual staff consists of employees from 12 different Latin American countries who can relate to the many different bank customers to more effectively overcome cultural and trust barriers.

What are the major characteristics of the current ATM Account program?

The ATM-based transfer is UAB's only product that could be characterized as an "international remittance program" for a typical low-income customer. The ATM Account can be opened with a minimum deposit of \$100 and carries a \$10 monthly fee. Customers receive an extra ATM card to send to a relative in the home country, to use to withdraw funds.

The ATM Account's other features include no check-cashing fees, money orders available for bill payment, money transfers available, free online banking and use of any ATM connected to Honor or Cirrus. The ATM Account is intended to be an entry-level account and is designed to attract the new customer who normally operates on a cash basis. This account does not pay interest and is therefore appropriate for customers who have no Social Security Number and no Individual Taxpayer Identification Number.

UAB requires two forms of identification to open the ATM Account, one of which must be a photo ID. UAB has accepted the *matrícula consular* card, a form of identification issued by the Mexican consulate, as one of the two forms of ID to open an account ever since it opened its doors for business back in 1999. UAB was the first Georgia bank to accept the *matrícula* as a part of its Customer Identification Program (CIP) requirements.

The ATM Account was started about three to four years ago, in approximately 2003-04, but it was not originally intended to be a remittance product. The ATM Accounts are typically lower dollar accounts for the entry-level customer, often a recent immigrant. If, in the course of meeting with a new customer, the issue of transferring money to family outside the United States is raised by the customer, then the bank staff will suggest the ATM Account product as the way to accomplish the customer's goal. The banker also warns the customer about the downside to this method of transferring money to relatives/others outside the United States: that the recipient of the second ATM card can legally drain the customer's account by withdrawing 100 percent of the amount deposited in the account. Even with that warning, most customers have only one account and instruct the family member to withdraw only a portion of the whole. This arrangement has worked well to the knowledge of UAB for most of its customers who use this product to remit money to family outside the United States. Other benefits of this product for the customer are that the customer enjoys the same exchange rate as the bank, which is more favorable than would be available to the customer in a traditional individual wire transfer product. Also, the recipient's only cost is the fee, if any, to use the ATM in the receiving country, which is typically \$1-3 per transaction.

From the bank's perspective, this is a low cost product. The only real cost in converting the ATM Account into an international remittance product is the cost of issuing the second ATM card – just cents per card.

Because UAB's target customers are Latino, all UAB staff members are bilingual, speaking both Spanish and English well. UAB is a community bank, which means that it must stay current with the demographics of the communities being served by its branches. As a result, UAB management also is looking to tap into the growing Asian market as well as the established Anglo market.

What marketing or community outreach strategies has the bank used to promote the international remittance product?

UAB does not promote the ATM Account product by name, but rather promotes the benefits of entry-level banking in general, especially through the use of “wrapped buses.” A “wrapped bus” has an elaborate and colorful advertising message that is literally wrapped around the bus. Interestingly, a wrapped bus is less expensive than a billboard. A wrapped bus has maximum visibility as it travels through the community, as opposed to the stationary billboard. UAB focuses on the following benefits of entry-level banking with the following advertising copy:

“Open your accounts with documents from your country.”

“Gratis: Free money to your country

Free check cashing

Free notary services”

How many transactions are made through ATM Accounts?

In the early years of UAB, the ATM Account product represented about 60 percent of all its accounts. Currently, out of more than 3,700 accounts, only 10 percent are ATM Accounts. Statistics show that as ATM Account customers become familiar with this entry-level product, and as their need for higher levels of service develops, these customers migrate to other products or accounts that offer higher levels of service.

Profitability on the ATM Accounts is achieved by working with the customer to move him or her to the next level with a debit account.

Were there any regulatory challenges in implementing the ATM Account product?

Forment, a former OCC examiner, makes sure that UAB is meticulous in its compliance with federal laws and regulations regarding CIP requirements and notes that UAB has enjoyed a good working relationship with the regulators while also serving its market.

Because of the expertise of the staff, the bank has managed to avoid many of the common regulatory challenges. Most challenges experienced by other financial institutions typically arise from misunderstandings of the requirements under the law and the regulations.

Does UAB offer other products and services designed to reach immigrant markets?

The other major UAB product designed to reach the immigrant market is the ITIN home mortgage loan. UAB staff encourages new clients who do not yet have an Individual Taxpayer Identification Number (ITIN) to apply so that they can eventually open an interest bearing savings account. The ITIN is needed to allow the customer holding such an account to report and pay taxes on any interest earned. Eventually, having the ITIN then opens the opportunity to apply for an ITIN loan. UAB holds approximately \$75 million in ITIN loans. The greatest challenge, as recently as two years ago, was that there was no secondary market for such loans. Now the Latino National Mortgage Association and Deutsche Bank are working to open the secondary market.

UAB can also handle traditional wire transfers if a customer so requests. The cost is \$35 per international wire regardless of amount wired. UAB must go through a correspondent bank, which effects the wire transfer on behalf of UAB. This is a service for UAB's customers and is not intended to be a revenue-generating product. The fee essentially covers UAB's costs of carrying out the transaction.

Why has the program been a success for UAB?

Forment attributes UAB's success to the ease with which the customer can access banking services in UAB's branches. The customer can enter any UAB branch and speak with any bank staff in Spanish. Although all banking documents are in English, UAB's staff sit with each customer to go over all documents to make sure that the customer feels comfortable about the transaction about to take place and to answer any questions in Spanish if that is what makes the customer feel more confident.

STORED VALUE CARD

Central Bank of Kansas City

Headquarters: Kansas City, Missouri

Asset Size: \$140.3 Million

Tarjeta Segura

Background

Central Bank of Kansas City (Central Bank) is a small community bank with \$140 million in assets and eight branches in the Kansas City metropolitan area. Two of its branches in particular are located in large Latino immigrant neighborhoods and Central Bank launched its remittance and other immigrant banking products in response to a large, budding Latino market. Central Bank offers its customers a stored value card/prepaid debit card to send money home – a type of remittance product that provides several significant advantages and that the bank believes will become increasingly popular in coming years.

How did the bank develop its approach for providing international remittance services?

Central Bank initially offered its stored value card, Tarjeta Segura, not for remittance-sending but rather for safety purposes as a service to community members who did not have bank accounts. Like many areas around the country, Latino immigrant workers in the Kansas City area were becoming victims to muggings on payday when many would commonly carry large amounts of cash on their person. Central Bank offered the stored value card with a PIN as a safer alternative to cash and as a financial literacy tool to introduce new customers to the bank with the hope of eventually upgrading them to a checking account. Over time, the bank and its customers discovered that the cards could be a useful means of sending money to relatives in other countries. Now a smaller number of Central Bank customers, though still some, use the stored value card solely in the U.S. as an alternative to carrying cash and the majority of customers use it to send remittances home.

Central Bank's Fidel Melgoza, Assistant Branch Manager and Stored Value Card Specialist, described several key advantages to a stored value card remittance product:

1. **Cost.** The card is a very inexpensive way to send money. Central Bank charges a one-time fee of only \$5 to purchase the card and only \$2.50 each time the customer re-loads it.
2. **No overdraft fees.** For those concerned with overdrafts, this PIN-based product is almost impossible to overdraw. "It's like running an account with a safety net against overdrawn," said Melgoza. "If you fall down, you're going to bounce

back up because you're going to end up at zero, rather than owing lots of money in fees." Melgoza pointed out that this can also be helpful for someone who has had an account in the past and had trouble with it or for parents who want to start teaching their kids money management skills without the risk of incurring high fees.

3. ***Works for recipients who don't have bank accounts.*** Central Bank considered other remittance product options, and it has recently begun offering Directo a México as well. The major obstacle to these alternatives is the requirement that the recipient have a bank account. Too many recipients in Latin America do not have accounts, either because they do not want one, or are unsure how to use one. With the stored value card, neither sender nor recipient has to have an account.
4. ***Reloaded amounts available in minutes.*** After the card is sent to the customer's family member, additional re-load amounts are available later the same day.
5. ***Good transition for those who don't yet trust banks.*** Due to the low fees and the fact that no account is required, the stored value product provides a good transition into the banking system and an opportunity for financial education.

What are the major characteristics of the current program?

Central Bank charges one-time fees of \$5 to purchase the stored value/prepaid debit card. Customers can then load up to \$2,000 onto the card, as much as \$500 at a time, with a \$2.50 charge each time they load the card. Customers are responsible for sending the card to their family member and calling them with the PIN. Neither the sender nor the recipient needs to have a bank account. The PIN protects the security of the card and the card can be replaced if it is lost or stolen. Most customers use the card to send remittances, but a few non-account holders use the card as an alternative to carrying cash in the U.S.

What marketing or community outreach strategies has the bank used to promote the international remittance product?

Central Bank did not actively market its Tarjeta Segura product for several years. Now Branch Manager Fidel Melgoza explains that the bank is revamping the marketing strategies around the card, including blanketing local businesses and other community locations with flyers and informing local radio listeners about the product through a station the bank sponsors. Central Bank views the card as an important financial literacy tool and a means to transition customers to bank services. For this reason, Central Bank is partnering with a large number of local community centers that will include the Tarjeta Segura in their financial literacy trainings. Central Bank has had particular success attracting new customers to the bank through the Tarjeta Segura by partnering

with a local community center that serves many immigrant workers who are day laborers and receive large cash payments on payday.

How many transactions are made per month through the programs?

The bank currently has 40 Tarjeta Segura cardholder customers but does not track the number of withdrawals made on its stored value remittance cards.

Were there any regulatory challenges in implementing the programs?

As with any of the bank's products and services, Central Bank is required to "know their customers" and properly establish their identity through acceptable identification. (Central Bank accepts consular identification and ITINs.) After the necessary "back office" time to connect the bank's electronic systems with that of the card provider, the bank reports no particular regulatory challenges.

Does Central Bank offer other products and services designed to reach immigrant markets?

Central Bank offers a wide range of products designed for Latino immigrant customers. The bank is proud that 100% of its staff at the primary Latino neighborhood branch is bilingual. The bank is one of only a few local banks offering ITIN home loans. Central Bank also offers check cashing for payroll checks (with valid identification) at prices that beat those of local check-cashing outlets.

Why has the program been a success for your financial institution?

"It's a great product," remarks Melgoza. In addition to the low cost, lack of overdraft fees, usability by non-account holders (typically one of the greatest obstacles to getting customers to use bank remittance products) and great potential as a financial education tool and transitional service for those who don't yet have a bank account, Melgoza notes that use of stored-value card remittance products is expected to double or triple in the next few years, in part due to Wal-Mart's entry into the stored value market, boosting the visibility and familiarity of the option.

MULTIPLE SERVICE APPROACH

BankCherokee

Headquarters: St. Paul, Minnesota

Assets: \$275 Million

Multiple Service Approach

Background

BankCherokee is a small community bank with \$275 million in assets located in St. Paul, Minnesota. Of its six branches, one is located in the heart of one of the city's Latino immigrant neighborhoods. To serve the customers in this community, BankCherokee offers more than one remittance product embedded in a larger Latino market strategy, including a storefront bank branch. For a number of years, the bank's remittance products have included an account-to-account option as well as Western Union for non-account holders. Now the bank is preparing to launch Directo a México, which it hopes to offer to those who have accounts as well as those who do not.

How did the bank develop its approach for providing international remittance services?

Because serving the Latino immigrant community is one of BankCherokee's identified goals, offering remittance services was a natural fit for what the bank was trying to accomplish. The bank chose to offer remittances as part of an effort to build relationships and offer an affordable mainstream financial services alternative to some of the fringe financial services the community was utilizing.

Back in 2001, the bank first became a Western Union agent as one of the simplest means at the time of offering a remittance service to neighborhood customers. Soon thereafter, the bank was at the forefront of developing a new bank-offered remittance product, participating in the beta testing of a cutting-edge new account-to-account product called "diMex." Since then the Federal Reserve Bank, together with the Mexican government, has developed its product, "Directo a México," which BankCherokee will soon adopt due to its simplicity and low cost. Both diMex and Directo a México have the disadvantage of requiring the recipient to have an account, somewhat limiting their potential as a first step for drawing new customers. Another limitation of these products is that they serve only Mexico, though this is less of a problem for BankCherokee since 70 percent of its target market is from Mexico.

What are the major characteristics of the current program?

BankCherokee offers two different remittance products in order to serve non-customers as well as account-holders: (1) Western Union and (2) an account-to-account product called diMex that the bank will soon replace with Directo a México.

The major drawback to Western Union for this customer base is its pricing. A drawback of the account-to-account diMex product is that it requires a bank account on both ends of the transaction.

What marketing or community outreach strategies has the bank used to promote the international remittance products?

BankCherokee's most important community outreach strategy is the very successful storefront bank branch it operates in partnership with a local business. Located inside El Mercado, a store popular among Latino immigrant customers, the branch is in the heart of one of the city's largest Latino neighborhoods. Customers can enter the bank either from the street or from inside El Mercado, which provides a friendly entrance to help assuage fears about entering the bank. The storefront bank helps BankCherokee promote not only remittances, but all of its Latino market products.

BankCherokee also accepts the Mexican *matrícula consular* – consular ID card – as identification. “Don’t even think about offering a remittance product if you don’t accept the *matrícula*,” says BankCherokee’s CRA and Compliance Officer, Bill Patient. “You’re either in this or you’re not. It’s the future, and if you want to serve the market you have to do this.” Patient noted that the bank did not aggressively market its original remittance products – aside from these community outreach strategies and window and lobby signs – but that it plans to launch a very proactive marketing campaign for Directo a México because of its competitive pricing.

How many transactions are made per month through the programs?

There are approximately two Western Union transactions per day at BankCherokee, or roughly 50 per month. The diMex program had fairly low volume. Patient noted that due to the account requirement on both ends, the product never really got off the ground. Directo a México, while it requires the recipient to have or open an account, is available through any Mexican bank. In the end, very few customers utilized diMex, although those who did used it fairly actively.

Were there any regulatory challenges in implementing the programs?

Because account-to-account bank remittance products were still relatively new when BankCherokee first offered its diMex product, it was a challenge to navigate all the regulatory issues for the first time. It took quite a bit of meeting time “to get our arms around it...and determine whether it was okay from a compliance standpoint,” said Patient. Banks now have the advantage of learning from those who went before, and the Federal Reserve’s Directo a México product is straightforward and well-tested, requiring only staff training and marketing to launch it. In the realm of account-to-account products, the remaining challenge is to develop products to serve countries beyond Mexico, though Patient believes it is only a matter of time before this happens.

Does BankCherokee offer other products and services designed to reach immigrant markets?

BankCherokee’s remittance products are integrated into a wide range of product offerings and service strategies designed to reach the Latino immigrant market in the neighborhood of their El Mercado branch. In addition to establishing a storefront-style branch with an informal lobby and Latino artwork in the heart of an immigrant neighborhood (many Latino customers are more comfortable entering a location that looks more like a check-cashing outlet rather than the more formal style of a traditional bank branch, which many perceive as cold and intimidating), BankCherokee accepts consular ID cards as identification, sells international mail envelopes and bus passes and offers a bundled checking account/check card product that can be a no-fee option for customers who write fewer than 10 checks per statement (which works well for immigrant customers who rarely write checks).

Why has the program been a success for your financial institution?

While Western Union has not drawn a large number of new customers, it’s an option to offer for those who don’t have or don’t want an account or who need to send funds to someone who doesn’t have an account (which is common). As Patient put it, it helps surmount the “I’m not going in there” fear of banks that many new immigrants have, as well as initial fears of opening an account. Until those fears are overcome, many people at first think, “I don’t care what it costs, I’m not getting a bank account. I’d rather pay extra to send my money.”

The bank’s account-to-account product diMex didn’t open a high volume of accounts, but the bank did see recurring usage in those who utilized it. BankCherokee feels strongly that remittances are an important part of the range of products they need to offer to fully serve Latino immigrant customers in their area and to build and maintain

their reputation in that community. For this reason, they invested early in testing a new remittance product, although they will soon replace it with Directo a México, which offers competitive pricing and a wider range of recipient locations, even if it doesn't fully surmount the bank account obstacle. In serving a community where so many come from families who never had a bank account and where banking was perceived as something for the wealthy, BankCherokee sees remittance products as one means of helping to invite community members into the financial mainstream and away from predatory alternatives.

Latino Community Credit Union

Headquarters: Durham, North Carolina

Asset Size: \$52 million

Remittances through Vigo and Directo a México

Background

The Latino Community Credit Union (LCCU) opened in 2000, and was established to serve Latin American immigrants in Durham, North Carolina. The community united to create the credit union after a series of violent robberies targeted local immigrant communities because people were known to carry and keep large amounts of cash. Ninety-five percent of the members are Spanish speakers, though recently membership has grown from other communities, including immigrants from Kenya. The credit union is headquartered in Durham, North Carolina and serves the cities of Fayetteville, Greensboro, Charlotte, Durham and Raleigh. It has five branches and \$52 million in assets.

The Latino Community Credit Union began offering remittance services in 2002, using Vigo Money Transfer services through the IRnet program created by the World Council of Credit Unions. The program offers remittance services to credit unions through partnerships with MoneyGram, Travelex and Vigo Remittance Corporation. In 2006, the credit union began offering Directo a México to its customers.

How did the credit union develop its approach for providing international remittance services?

Members requested that the credit union offer remittance services. “We evaluated several options and chose the ones that had the most developed relationships with credit unions, that had a fair price and the most extensive distribution network,” said Vicky Garcia, Director of Operations for the Latino Community Credit Union.

Vigo, through the World Council of Credit Unions’ IRnet program, was selected. The program allows members to send remittances to credit unions in the receiving country or to a large number of additional locations in the partner networks.

LCCU then added Directo a México because of the low cost for transfers to Mexico and the new program capacity to open bank accounts in Mexico, through the Bansefi network, from a credit union or bank branch in the U.S. Directo a México was launched through a partnership with the Federal Reserve and First Carolina Corporate Credit Union. Internal procedures were developed to process the transfers.

There was little initial cost to launching either of these remittance programs, as both systems are primarily web-based. The main cost was in training staff and in creating the procedures and processes for the remittance services. On-going costs for IRnet include a \$1 per transaction fee paid to the World Council of Credit Unions and a fee, based on a percentage of the transfer amount, paid to the remittance service provider—primarily Vigo.

For Directo a México transactions, in addition to the \$0.67 fee paid to the Federal Reserve per transaction, a fee based on volume is paid to First Carolina Corporate Credit Union for use of their software systems. The primary cost for serving members is in staff time, taking seven to ten minutes for the first transaction to set up the destination information. Once a transfer is in their system, it only takes a few minutes to process subsequent transactions and can be done over the phone for the convenience of the member.

What are the major characteristics of the current program?

The credit union strives to provide low-cost and flexible remittance options. The current program is designed to address multiple community needs for sending remittances.

The service offered through Vigo offers special rates for certain Latin American countries, including El Salvador, Honduras and Guatemala, at \$10 for a transfer of up to \$1,500. Because of special arrangements through the World Council of Credit Unions' IRnet program, the transferred funds can be picked up at credit unions in addition to many agent locations in the recipient countries.

For Directo a México, which offers account-to-account transfers to any bank in Mexico, there is a flat \$3 fee per transfer. Members in the U.S. can pre-open an account in Mexico in order to allow unbanked family members to receive the funds. This service is available through Bansefi, a Mexican government-development bank with a network of affiliated branches in Mexico.

What marketing or community outreach strategies has the credit union used to promote international remittance products?

The credit union is unique in that it was created by the local Latin American immigrant community. It has strong ties with local community organizations and is an active part of the immigrant communities in the geographies it serves. Most marketing is done in branches, through community newspapers or through brochures. Strong community relationships also help in marketing remittance and other products and services offered

by the credit union. “We think we are successful because we offer not only the remittances, but also other financial products that the specific population needs,” noted Vicky Garcia.

How many transactions are made per month through the programs?

In 2005, 5987 transactions, totaling \$3,727,499 were made. This volume reflects an average of 498 transactions per month of \$620 each. In 2006, volume increased to 6239 transactions, averaging \$695 per transaction. The average monthly transaction total in 2006 was 512. Mexico is the most common destination for remittance transfers from the credit union, and volume continues to grow.

Were there any regulatory challenges in implementing the programs?

There were no significant regulatory challenges for the credit union. Most of the regulatory systems were already in place. All remittance service users must be members of the credit union. Accessing the Office of Foreign Assets Control (OFAC) lists tied to remittance transactions adds a small cost to the credit union regulatory compliance system.

Does the Latino Community Credit Union offer other products and services designed to reach immigrant markets?

The credit union was established to meet the full range of financial needs of the Latin American immigrant community, and so all of their products and services are designed for that market. The credit union offers basic accounts, credit building loans, personal loans, car loans, home mortgage loans, as well as free financial education workshops all suited to meet the needs of immigrants who previously had no contact with the banking system.

Why has the program been a success for your credit union?

The program has been a success simply because it meets an important need for immigrant communities, which comprise the target market for the credit union. Remittance volume continues to grow and both new and existing customers use the service. “The population that we serve was previously unbanked and just the fact that they open a savings account is a success for us,” commented Garcia.

Mitchell Bank

Headquarters: Milwaukee, Wisconsin

Asset Size: \$81.8 Million

Multiple Service Approach

Background

Mitchell Bank is an independently owned community bank, with \$81.8 million in assets. It has 12 banking locations in the Milwaukee, Wisconsin area, including two branch locations, a loan center, a high school branch and eight locations in retirement communities.

As the community around Mitchell Bank's main branch evolved to become a large Latin American immigrant community, the bank began to offer products and services designed to meet the needs of those customers. Having low-cost remittance options was important for community members.

The bank began by offering dual ATM cards in 2001, allowing customers to send an ATM card to family members in Latin America so that they could withdraw funds internationally with the card. Its remittance approach evolved and now includes five different product offerings, with the goal of accommodating the needs of most people in the community.

How did the bank develop its approach for providing international remittance services?

The bank began working to develop its remittance approach in 2000. They invited 30 community groups to come into the bank and discuss their needs. The second priority for the group was addressing the high cost of sending money to Latin America. As a practical matter for the bank in attracting new immigrant customers, "[A remittance service] is the first product they want to have. Otherwise, we can't get them in the door," noted James Maloney, Chairman of the Board of Mitchell Bank.

As a first effort, the bank tried to subsidize wires, but that was neither cost-effective nor attractive to consumers. As a second attempt, the bank introduced international ATM accounts with dual ATM cards so that family members abroad could withdraw money from a separate sub-remittance account set aside by the originator. Over two years, 200 international ATM accounts were opened and approximately 150 transactions continue to be made through those accounts per month.

The Federal Reserve's FedACH International Mexico service, marketed as Directo a México, became available in 2002 and offered a new opportunity for the bank to provide a new remittance option to the predominantly Mexican immigrant community in its service area. Directo a México costs the bank \$.67 per transaction with a guaranteed 0.21 percent exchange rate spread and requires the recipient to have a bank account. Funds are available the next business day.

In order to meet the needs of all customers, Mitchell Bank expanded its remittance product offerings to include cash-to-cash money transfer products and a stored value card that can be used for remittances, as well as other card-based transactions. The cash-to-cash transfer products include a product branded by the bank as Envios Mi Gente, using the Sales Orbit platform, and Viamericas, a money transfer operation. Both of those services offer one-hour availability of funds. Sales Orbit serves Mexico and Colombia, while Viamericas has a network of agents throughout Latin America. This variety of products allows the bank to meet the needs of all customers.

Sales Orbit, Viamericas and the Federal Reserve (for Directo a México) provide the technology needed to offer the remittance services. They supply the software, install it, train the bank to use the system and provide access codes. The only costs the bank bears are training their employees and establishing policies and procedures for the products.

In addition to the multiple products, Mitchell Bank has established a remittance center in its main branch that focuses only on remittance transactions. This set up allows for quicker customer processing and increases the interaction of new customers with the bank. In addition, it increases efficiency for customers and provides a more comfortable environment for those not accustomed to using a bank to send remittances. There is no confusion about where customers should go if they are interested in more information about remittances. Mitchell has also developed procedures for authorization of automatic transfers from accounts and recurring remittances, as well as procedures for the originating of remittances by telephone and/or fax so as to make bank remittances more convenient and available.

What are the major characteristics of the current program?

Mitchell Bank offers five remittance options for customers to accommodate different needs. Products are priced differently for customers as compared to non-customers in an effort to encourage remittance customers to open accounts at the bank.

Directo a México, which offers next business day delivery of funds, is the lowest cost option and has the most transaction volume. There is a \$2.50 charge for customers and \$4.00 for non-customers. Because the program requires the recipient to have a bank account in order to receive funds, Mitchell Bank participates in an initiative to allow

people to pre-open an account in Mexico. Bansefi, a Mexican government development bank designed to serve low-income communities, will allow U.S. banks that use Directo a México to pre-open an account for the remittance recipient at one of their network of branches in Mexico. The program is relatively new and has been used to open approximately 65 accounts in Mexico since August of 2006. Bansefi continues to expand its available locations for pre-opening of accounts and has recently added many of the large credit unions in Mexico to its network of branches, which are part of L@Red de la Gente network.

The bank also serves as an agent location for two money transfer operators, Viamerica and Sales Orbit. Viamerica offers cash-to-cash transfers to customers for \$6 and to non-customers for \$10. The transfers are available for pick up in one hour. Sales Orbit, branded as Envios Mi Gente, costs \$6 for customers and \$10 for non-customers.

Mitchell Bank also offers an international ATM account and a stored value card, which can be used for remittances or other purposes. The international ATM account charges a \$2 fee per withdrawal via foreign ATM, in addition to any local ATM charges. The stored value card, to date, has not paid for itself. There has been insufficient demand for the card to cover the program set up costs. There is an in-branch charge of \$3 to purchase a stored value card and a \$3 fee to reload the card. There are also fees for transactions. Cards can be purchased online for an additional cost, depending on the amount of the card.

“The idea behind the development of these products is that we wanted to meet all the needs in the community,” said James Maloney.

What marketing or community outreach strategies has the bank used to promote international remittance products?

Mitchell Bank utilizes a variety of marketing outlets. Spanish language radio and television have been effective marketing for remittance products. The bank primarily markets Directo a México. In marketing the new program through Bansefi, it was also important to educate people about Bansefi to instill confidence in the program.

Other advertising includes outreach to community-based organizations and placards outside the bank branch advertising the daily exchange rate. Mitchell Bank is a Fair Exchange partner, part of an Appleseed initiative to increase transparency in pricing disclosures for remittance transactions. The bank posts fee, exchange rate and other service information with daily updates at three locations in its main branch lobby. Pricing and transaction transparency has also been an emphasis of the bank’s advertising, as a way to distinguish its service from that of its competitors.

How many transactions are made per month through the programs?

Directo a México is the most popular service, with 240 to 260 transactions per month, at a value of more than \$200,000. The majority of transfers are generally in the \$300 to \$400 range. There here are many larger monthly transactions. Few people send money more than once per month. This program continues to grow at a high monthly rate.

Approximately 150 transactions are made per month using the international ATM account, and about 160 to 170 per month using Envios Mi Gente. The average remittance using Envios Mi Gente is \$450 to \$500. The Viamericas product is relatively new and no transaction information is currently available.

Were there any regulatory challenges in implementing the programs?

Establishing regulatory procedures for the remittance program was the most costly and time-consuming aspect of offering remittance services. The bank had to establish procedures to cross check sender and recipient information for the various remittance products offered in order to ensure customers do not exceed maximum remittance limits. The bank also had to establish procedures to verify receiving account numbers for Directo a México transfers, authorization forms for transfers and procedures for when transmitted money is returned to the bank. The greatest cost is associated with first-time transactions, where the CIP must be followed and OFAC checks conducted. Subsequent transactions are much simpler.

Does Mitchell Bank offer other products and services designed to reach immigrant markets?

Mitchell Bank offers a variety of products marketed to immigrant consumers, including consumer, auto, and home mortgage loans and accounts. The bank accepts foreign government and consulate-issued identification, such as the *matrícula consular*, and continually assesses its product and service offerings to meet the needs of the communities it serves.

The bank has one branch location in a high school in Milwaukee, which has a large number of students from immigrant families. The high school branch has increased the capacity of the bank to build trust in the community while contributing to the job training and education of local students.

Why has the program been a success for your bank?

“We’re not putting all of our eggs in one basket. We offer all sorts of products so that we can serve anyone who comes into the bank,” commented James Maloney. Offering remittances meets an important need of the immigrant communities that Mitchell Bank serves and makes good business sense, bringing in new customers and allowing the bank to better serve existing customers.

INTERVIEWS*

Daniel Ayala, Senior Vice President, Global Remittance Services and Lisa Westerman,
Assistant Vice President, Public Relations, Card Services, Wells Fargo
December 18, 2006
California

Vicky Garcia, Director of Operations, Latino Community Credit Union
March 1, 2007
Durham, North Carolina

Aracely Gonzales, Community Relations Coordinator, Citizens State Bank
February 2, 2007
Tyler, Texas

Jorge Forment, President and CEO, United Americas Bank
March 23, 2007
Atlanta, Georgia

David Kroonblawd, Multicultural Banking and Stephanie Miller, Manager of
Multicultural Activities, U.S. Bank
April 18, 2007
St. Paul, Minnesota

James Maloney, President and Chief Executive Officer, Mitchell Bank
January 15, 2007
Milwaukee, Wisconsin

Luis A. Martinez, Senior Branch Manger, First Bank
February 2007
Chicago, Illinois

Fidel Melgoza, Assistant Branch Manager and Stored Value Card Specialist,
Central Bank of Kansas City
July 25, 2007
Kansas City, Missouri

* Interviews were conducted by: Ann Baddour, Senior Policy Analyst, Texas Appleseed; Sharon Hill, Executive Director, Georgia Appleseed; José W. Meléndez, Policy & Research Associate, Chicago Appleseed Fund for Justice; and Darcy Tromanhauser, Director, Immigrant Integration and Civic Participation Program, Nebraska Appleseed.

Daniel Padilla, Director of Latino Banking, Pinnacle Bank
June 22, 2007
Lincoln, Nebraska

Frank Pulido, Product Manager, Harris Bank
March 2007
Chicago, Illinois

Cilla Shaw, Vice President, ATM/Debit Card Director, Synovus Bank
January 31, 2007
Atlanta, Georgia

Guillermo Zúñiga-Ordoñez, Director of Regulations and Community Relations,
Banuestra
April 2007
Roswell, Georgia

Bill Patient, CRA and Compliance Officer, BankCherokee
June 14, 2007
St. Paul, Minnesota



727 15th Street, NW
11th Floor
Washington, DC 20005
202.347.7960

www.appleseednetwork.org

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