

Banking in a Global Market

A Financial Institution Guide for Offering International Remittance Services



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Appleseed, a nonprofit network of 16 public interest justice centers in the United States and Mexico, uncovers and corrects social injustices through legal, legislative and market-based structural reform. Appleseed and Appleseed Centers bring together volunteers from the law, business and academic professions to devise long-term solutions to problems affecting the underprivileged and underrepresented in such areas as education and financial access. For more information, visit: www.appleseednetwork.org.

Foreword



Appleseed is entering the fifth year of a project that builds wealth in Latin American immigrant communities by increasing positive financial service opportunities, advocating for improved remittance products and educating recent immigrant communities about the money-saving options available to them.

Our multifaceted strategy has included working with financial institutions to develop products and services that meet the needs of Latino immigrant consumers; providing financial education brochures to migrant groups to help them understand and trust financial services; and examining the transparency of remittance pricing to ensure that consumers are getting a fair deal. In short, we are creating tools and programs that make the market work for Latino immigrants, so that they can save, build credit and move up the economic ladder. Our end-goal is to enable low-income and immigrant communities to build assets within this country's financial mainstream and reap the benefits of economic inclusion – key to a united and productive society.

Through this market-based, policy research and consumer education approach, Appleseed expands options to build assets, develop communities, and support the economic integration of low-income communities here in the United States and in Mexico. The Financial Access Project is coordinated by the national office of Appleseed, but Appleseed Centers in Alabama, Chicago, Connecticut, Georgia, Louisiana, Massachusetts, Mexico, New Jersey, Nebraska, New Mexico, New York, South Carolina, Texas and Washington have all been integral to the program's success.

Betsy Cavendish
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EXECUTIVE SUMMARY

One in ten U.S. residents is an immigrant. Over half of those immigrants are from Latin America. Financial institutions have an opportunity to reach these new Americans by offering competitive and convenient remittance options. Forty states and the District of Columbia each sent over \$100 million dollars in remittances to Latin America in 2006, demonstrating that there is an existing market opportunity throughout the United States. More than 60 percent of Latin American immigrants living in the U.S. today remit money on a regular basis and, though bank participation varies from community to community, on average, 63 percent of Latin American immigrants do not have bank accounts. Since immigrants remit 13 times per year on average, remittance products offer a tool for attracting and retaining Latin American and other immigrant customers.

Financial institutions can use this guide to evaluate remittance program options. The 11 financial institutions surveyed asserted that offering remittance services is an important step towards establishing long-term relationships with immigrant customers. The most successful programs embrace serving immigrant markets and offering remittances from top management down. The guide provides an assessment of the U.S.-Latin America remittance market and offers essential information to implement a remittance program:

- 1) A step-by-step guide for implementing a remittance transfer program;
- 2) An overview of six remittance product approaches; and
- 3) Recommendations for an effective marketing program for remittance products.

Approximately 100 banks and credit unions in the United States currently offer and actively market consumer remittance products – a fraction of the number that could be providing remittance services to growing immigrant communities. Among Latin American immigrants, 70 percent of remittance senders use cash-to-cash transfer services through money transfer operators such as Western Union and MoneyGram; estimates of remittances sent through banks vary from five to 19 percent of transfers.

Appleseed has worked over the past four years to educate immigrant consumers about the U.S. financial services system and to educate financial institutions about the needs of immigrant communities. When new immigrants use financial institutions, they have a safe place to keep savings; they can benefit from reduced transaction fees, and they have opportunities to build credit. Using banks and credit unions for remittance transactions may also have the added benefit of connecting remittance recipients to formal financial services, increasing the economic development impact of remittances in remittance receiving countries.

This guide will help open up a new customer base for banks and credit unions that have not historically participated in the consumer remittance market. It will assist banks in becoming key players in this dynamic and growing area.

**Financial Institutions Offering International Remittance Programs:
Summary of Program Profiles**

Name	Assets	Product Description	Cost of Transfer	Monthly Volume	Target Customers
Solo Remittance Platform					
Harris, N.A.	\$42.5 Billion	Account-to-account; in-person pick up or home delivery of funds	\$10	Over 1000	Mexican immigrants
Well Fargo	\$540 Billion	Account-to-account, account-to-cash, or cash-to-cash. Options vary by destination	Most from \$5 to \$8	Business growing at triple digit rates	Remitters to China, El Salvador, Guatemala, India, Mexico, the Philippines, and Vietnam
Partnership with Money Transfer Operator					
U.S. Bank	\$222 Billion	MoneyGram International	\$9.99 for most transfers.	N/A	Primarily remitters to Latin America; service available for 170 countries.
Directo a México					
Citizens State Bank	\$180.2 Million	Account-to-account transfer to Mexico	\$5	25-50	Mexican immigrants
Pinnacle Bank	\$2 Billion	Account-to-account transfer to Mexico	Under \$10	N/A	Mexican immigrants
Dual ATM Card Account					
First Bank	\$10.2 Billion	Free checking account with two ATM cards	\$3 per withdrawal	400 Accounts	Latin American immigrants
United Americas Bank	\$189 Million	ATM account, free check cashing, money orders and online banking	\$10 monthly fee. \$1-\$3 per withdrawal	N/A	Latin American immigrants
Stored Value Card					
Central Bank of Kansas	\$140.3 Million	Customer mails stored value card to family	\$5 for card; \$2.50 to load	40 cards	Latin American immigrants
Multiple Remittance Service Approach					
BankCherokee	\$275 Million	Account-to-Account and Western Union	\$12 for account-account ; Western Union fees vary	Over 50 per month	Mexican immigrants
Latino Community Credit Union	\$52 Million	Directo a México and Vigo	\$3 for Directo a México; Vigo-\$10	520	Latin American immigrants
Mitchell Bank	\$81.8 Million	Directo a México; also dual ATM, money transfer operator partnerships, and stored value card	Directo a México-\$2.50; prices vary for other products.	400-500	Latin American immigrants