

# Banks woo Hispanic market

Faced with challenges ahead, banks find growth opportunities within the Hispanic community.

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By Shaheen Pasha, CNN/Money staff writer

NEW YORK ([CNNMoney.com](http://CNNMoney.com)) - Banks are in a love affair with the Hispanic community.



Faced with higher interest rates and a challenging 2006, financial institutions are actively wooing the Hispanic market with specialized products and services, as well as bilingual financial education.

It may not be flowers and candy, but these targeted services -- which include remittance products and mortgages based on individual taxpayer identification numbers, rather than social security numbers -- can prove to be invaluable in developing relationships with the over 50 percent of Hispanics that are unbanked in the United States.

And for banks, worried about squeezed profit margins and dwindling mortgage refinancing businesses, the Hispanic community represents the best way to achieve organic growth.

According to the 2000 Census Bureau report, Hispanics comprise 12 to 13 percent of the total U.S. population. By 2050, the Hispanic population is expected to be about 25 percent of the total population, said Virginia Garcia, research director of research and consulting firm TowerGroup.

## Banks target organic growth

"Only a few mergers have actually had the numbers to show that they were successful and banks are continuously looking for efficiencies and ways to expand," Garcia said. "Organic growth is important but difficult for many banks to accomplish."

But banks that woo the Hispanic community could see 50 to 75 percent of organic growth in the next few years, she added.

San Francisco-based [Wells Fargo \(Research\)](#) pioneered the marketing effort toward Hispanics as far back as the 19th century, Garcia said, and continues to be a leader in this market.

But [Bank of America \(Research\)](#) has become one of the most active pursuers of the Hispanic segment. The company launched SafeSend, a remittance service provided to clients that open a checking account, which allows Hispanics to send money to Mexico without transfer fees.

The company also offers a bilingual cash-back credit card called Efectiva and a Mexicana Airlines Visa card that allows users to build points toward airline tickets to Mexico and other destinations.

"The most important thing is to offer services that are relevant to the Hispanic community," said Marcos Rosenberg, senior vice president of multicultural segment at Bank of America. "The Hispanic segment is a good opportunity for growth because it's accumulating wealth at rates that are higher than the general market."

## Targeted products, more investment

Rosenberg said the Hispanic segment is estimated to have a purchasing power of \$700 billion. Given that Bank of America's footprint covers 93 percent of the Hispanic market in the U.S., he added that the company is expecting to see solid growth from reaching out to the community.

[HSBC \(Research\)](#), likewise, is planning to double the number of HSBC credit center branches that currently serve the Hispanic community with lending products and electronic money transfers and will

increase the number of bilingual certified branches that provide services to the community next year, said Tom Detelich, president of HSBC U.S. consumer lending.

Detelich said the company also expects to double its investment in growing this target market in 2006. While he didn't provide specific figures, he said the company's current investment is "tens of millions of dollars."

HSBC is also launching a new cross-border mortgage product, in conjunction with HSBC Mexico, that will help Hispanics who work in the U.S. but reside in Mexico to qualify for mortgages with their U.S. income. The cross-border product will also help Hispanic immigrants living in the U.S. to obtain mortgages to buy homes in Mexico, he said.

### **Remittances rule**

But of all the products available, financial institutions and analysts are particularly enthusiastic about the remittance business.

According to the Pews Hispanic Center, half of all United States Hispanic immigrants send money regularly to their home country. Bank of America's Rosenberg, citing data from Mexico's Central Bank, said Hispanic immigrants are expected to send almost \$20 billion to Mexico from the U.S.

But traditionally remittances for the Hispanic community have been handled by money transfer agencies rather than financial institutions. Money transfer agents were able to generate nearly \$2 billion in fees a year from this business, said TowerGroup's Garcia.

Retailers, such as Wal-Mart and 7-11 stores, have also jumped in on the action by offering money transfer services in their stores.

"You've got a lot of people in the Hispanic community that are used to going to places other than banks to transfer funds," said Madhavi Mantha, senior analyst at Celent. "It's a lost opportunity for banks if they don't do a better job going after these customers."

She added that the money transfer business is also less risky than other lending products, as banks have to walk a fine line with appropriately pricing loans in a way that matches risk for members of the market that may not be documented without becoming predatory in nature.

But HSBC's Detelich said the company, which provides unsecured loans, has found that the Hispanic market, whether documented or undocumented, is actually at lower risk of defaulting because the "segment has a cultural bias towards working hard and making their payments."

And given the growth and profitability expectations, it's inevitable that more and more banks will jump on the bandwagon.

"Hispanic advertising budgets are growing faster than anything else," said Kelly McDonald, president of McDonald Marketing, a multicultural marketing firm, specializing in Hispanic marketing. "If you're the competition and everyone is going after this market, you're going to get left far behind if you don't."

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