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Banks aiming at **'unbanked'** households

By William Pack

Even though Mario Gaitan lives near a bank, he never has considered opening an account there because his laborer's salary never stretches much further than the monthly bills and his family's basic needs.

"There's no reason to (open an account)," he said while waiting for his paycheck to be converted to cash at a West Side check-cashing outlet.

Exiting the outlet, Felix Ochoa, a 49-year-old plant nursery employee, said he had no interest in becoming a bank or credit union customer either, even though carrying around a hefty amount of cash can get worrisome.

"You just deal with it," he said.

While they may not know it, Gaitan, Ochoa and millions of other Americans are the target of an effort by financial institutions to get them into the banking mainstream.

"We feel we exist to serve our community," Wachovia Corp. retail bank communications manager Mary Beth Navarro said of the firm's outreach efforts. "It is a business opportunity along with a community service responsibility." Nationwide, about 10 million households are considered

'unbanked.' That is, they manage their finances
**without a checking
account, savings
account or any link to
financial institutions.**

The primary reason given in a 2001 survey by the Federal Reserve Board was that the families did not write enough checks to make banking worthwhile.

The second-largest reason was that respondents did not like dealing with banks. Almost 23 percent of those surveyed listed that as their explanation. James Ballentine, director of community and economic development for the American Bankers Association, said banks and their community partners have worked on a variety of financial literacy and assistance programs to make customers feel more welcome, and the effort has paid off, slowly.

Banks may win accounts through special programs that provide matching funds for low-income depositors or free products like money orders, but Ballentine said keeping the accounts active for a year can be challenging.

"Any time one (**unbanked**) person is taken off those rolls, it's seen as a success," he said.

The benefit for customers, bankers contend, is that they can take advantage of a system that allows their financial assets to grow, building credit for purchases like a home, an education, a small business or even a retirement.

"It's a huge challenge," said Ral Lomel, assistant vice president for Latino relations at Wells Fargo. "To achieve the American dream, financial institutions must play a role." Customers of financial institutions also can avoid what some saw as crippling rates for check-cashing privileges, wire transfers and emergency loans offered by places like check-cashing companies or pawnshops.

But the financial institutions also stand to benefit from what has been an untapped financial market.

Even though the **unbanked** population is primarily lower-income households -- the Federal Reserve study showed almost four out of five earned less than \$ 25,000 -- they do have money to spend and unmet financial needs.

John Caskey, a Swarthmore College economics professor who has studied the

unbanked, said \$ 200 billion is a reasonable estimate of that population's annual income.

Among the financial products being offered to lure both

unbanked and under served banking populations are: An account at Compass Bank that provides free check writing and other traditional checking writing privileges but does not require the customer to be approved by a credit or check acceptance bureau.

A special savings account put together by the city, Frost Bank, Security Service Federal Credit Union, Southside Credit Union and Wells Fargo that adds public funds on a 4-1 basis to qualifying individuals' deposits of up to \$ 1,000. The matched funds must be spent on a first home, higher education or a small business startup.

Special mortgage packages offered to qualifying homebuyers by the Bank One-Chase network, Wachovia, San Antonio Federal Credit Union and other lenders that offer 100 percent financing, higher debt-to-income qualifying ratios and alternative credit rating standards for individuals without a credit history. Those programs recognize the importance of homeownership in an individual's financial success, officials said.

Financial literacy programs are a basic component of the outreach effort and often are offered with the assistance of churches or neighborhood organizations that have become trusted community members. Many of the seminars are offered in Spanish because the Hispanic community is growing so rapidly and because many Hispanics have shied away from traditional lenders.

Local bankers point to studies suggesting that **35 percent**
of the country's
Hispanics have no bank
accounts and 54 percent do not own their own home.

Bank of America and Wells Fargo officials said they have hired more bilingual employees and opened more branches in racially diverse communities to address the growing needs of Hispanics. Wells Fargo and other institutions are reaching out to Mexican immigrants by accepting the ID issued by Mexican consulates -- the matricula consular -- to make opening accounts easier.

In addition, Bank of America has reduced the fees it charges customers to

transfer funds to Mexico. In Chicago, the remittance fees for Bank of America customers have been eliminated totally. Bank officials said they plan to expand the free remittance program later in the year because their customers said it is needed.

East Side activist T.C. Calvert said some lenders are doing a better job than others at addressing the financial needs of inner-city residents. Without more help, said Calvert, the president of the Neighborhood First Alliance, both those residents and the working-class neighborhoods where they live will suffer.
