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US Federal Reserve gives banks the remittance program for Mexican market;
U.S. Fed gives banks a shot at Mexico market

ATLANTA - Enrique Frias went straight to the money agent at Plaza Fiesta mall in Atlanta and sent US150 to his son in Mexico.

Within 15 minutes, the money arrived in the rural town where the boy and his grandmother live.

"They're throwing a party," Frias explained.

Frias paid Western Union US15, or 10 percent, for the convenience. He got a so-so exchange rate.

Sending money from the United States to Mexico is big business. Mexicans living in the United States sent about US16.6 billion last year back to their homeland. That figure is expected to climb to US20 billion this year and an estimated US40 billion by 2010.

But transaction charges, such as the US15 fee Frias paid to send funds to his son, can be steep.

Mainstream banks, meanwhile, which only have an estimated 3 to 4 percent of the remittance business, are eager to capture more of it.

That partially explains why officials from the U.S. Federal Reserve Bank are touring several cities around the United States, touting their fledgling "Directo a Mexico" program, which aims to turn the process into a cheap commodity.

U.S. banks could charge customers as little as US4 per transaction and still make a profit, the Fed says, since it only costs the U.S. Federal Reserve 67 cents to send the money electronically to nation's central bank. The "Directo a Mexico" exchange rate also is very favorable.

Bankers see this as key to getting to their ultimate aim to sign up more Mexican immigrants as long-term and more profitable customers.

More than 20 U.S. banks have already signed up for the program as interest increases, said Fed officials, who, along with representatives of Banco de Mexico, were in Atlanta last Thursday to discuss it.

Still, they cautioned, there are hurdles to overcome. Regulatory issues, such as

complying with the USA Patriot Act, present one obstacle to bringing more immigrants into the banking system, said Juan Sanchez, the Fed's Atlanta community affairs officer.

That could affect each bank's policies regarding what kinds of identification they're willing to accept before allowing a customer to open an account, he told the small gathering of bank executives who assembled at a downtown hotel Thursday.

In most cases, banks will ask for a picture ID, such as a government-issued passport or driver's license. The Mexican government, through its consulates, also issues what's known as the "matricula consular" ID card.

And while a few hundred U.S. banks nationwide accept them, immigrants can still run into snags because most financial institutions require a U.S. Social Security number from a would be customer to check that person's credit history.

There also are fears on the part of some immigrants that they might be deported, mistrust of the banking system, cultural and language barriers, Sanchez said.

However, the Fed is forging ahead with its "Directo a Mexico" program. The program is a result of the 2001 "Partnership for Prosperity" agreement between U.S. President George W. Bush and President Vicente Fox.

The two countries agreed to establish an efficient system for electronic payments between U.S. and Mexican banks.

"The Latino population is constantly growing," said L. Leighton Alston, chief executive of West Georgia National Bank. He was among the executives who attended Thursday's meeting. "It's a market that's very under-served in the state of Georgia."

West Georgia National Bank hired bilingual employees and has made a priority catering to Spanish-speaking customers.

"We have people driving 40 to 50 miles to bank with us because we can communicate with them," Alston said.

Last year workers in the United States sent US\$32 billion home to Latin America, according to the Inter-American Development Bank.

The remittance market is made up of small wired amounts, usually ranging from US\$100 to US\$500.

The average remittance to Mexico was US\$365, according to 2003 figures from the Pew Hispanic Trust. The average cost to send that money was US\$16.

