

Guidebook helps banks tap into booming immigrant remittance market

Tyche Hendricks, Chronicle Staff Writer
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The millions of immigrants who send money to relatives back home, be it India or El Salvador, are part of a potentially huge new market for banks.

Immigrants who lack bank accounts are both targeted by thieves as "walking ATM machines" for the large amounts of cash they carry and at the mercy of money transfer companies, which often charge usurious fees. But a nonprofit group seeking to level the playing field for "unbanked" immigrants issued a guide today to help banks and other financial institutions tap into the booming remittance market.

The guide, "Banking in a Global Market," released by the Washington-based Applesed Network, helps explain to banks and credit unions the reasons many immigrants don't use banks, compares various models some banks currently employ, including partnering with a money transfer operator and offering dual ATM cards, and offers a step-by-step guide for how to set up a remittance program.

"It benefits immigrant communities to move away from cash-based transactions, both for personal safety and to establish financial security in this country," said Ann Baddour, one of the authors of the guide. "It takes a lot of time to change consumer behavior ... but anyone who isn't serving the remittance market will lose out in the long run."

The remittance market is still dominated by money transfer companies such as Western Union, but banks and credit unions have become increasingly involved over the past few years. The growing competition has lowered money transfer fees substantially, but they still average almost 6 percent, about \$11 on a \$200 transfer. And banks still handle only about 1 in 10 transfers.

Many immigrants don't trust that banks are secure or feel that they are only geared toward wealthier people, said Sylvia Rosales Fike, president of A New America Community Corp., a Bay Area group that teaches financial literacy and wealth building to immigrant families and helps incubate small immigrant-run businesses. In addition, money transfer companies have well-established distribution networks in places like Latin America.

"I just came back from El Salvador, and in these rural towns where there are no roads, I saw Western Union but you don't see any Bank of America or Citibank there," said Fike, who said she'd like to see



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banks do better outreach, because they are ultimately the companies that can offer checking and savings accounts, credit cards, mortgages and business loans.

Wells Fargo Bank was one of the earliest entrants into the remittance field in 1994 and now allows U.S. customers to send money to seven countries: China, Vietnam, India, the Philippines, Mexico, El Salvador and Guatemala. Though it doesn't have outlets in every village, it does offer lower fees and allows recipients in the home country to retrieve cash even if they don't have a bank account.

Daniel Ayala, who heads Wells Fargo's global remittance operation, worked closely with Appleseed on its guide and said he welcomes more competition.

"The more banks are in this business, the more consumers will be willing to let banks serve their remittance needs," he said.

The amount of money that immigrants send to relatives back home has been growing strongly in recent years, both in the United States and globally. In 2006, \$300 billion in remittances moved from migrants to their home countries worldwide, with \$23 billion of that going from the United States to Mexico.

The entrance of banks into the market will help immigrants avoid being gouged and will allow them to establish financial roots in the United States, said to Manuel Orozco, who studies remittances at the Inter-American Dialogue in Washington.

Online resource

The Appleseed Network:

www.appleseednetwork.org

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<http://sfgate.com/cgi-bin/article.cgi?f=/c/a/2008/01/08/MN2EUAPTD.DTL>

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