

You Can't Argue With Numbers: The Mexican Immigrant Population in Texas is a Growing and Untapped Market for Financial Institutions

by Allan Van Fleet and Ann Baddour

A recent article in the *Austin American-Statesman* showed that of Austin's three largest banks, only one gained deposit market share from 1998 to 2002. That bank is also one of the most active and successful in marketing to Mexican immigrants.

Mexican immigrants are important to the financial services industry, as they are to the Texas economy as a whole. The 2000 Census estimates that nearly 2 million Mexican immigrants (individuals born in Mexico) live in Texas – some nine percent of the total Texas population. Their numbers have more than doubled since 1990, and, as the chart below shows, there is significant growth in their presence in major urban areas.

Mexican Immigrant Population in Texas and Major Urban Areas 1990-2000

	1990	2000	Percent Change
TEXAS	907,432	1,879,369	107%
Austin	15,573	61,948	298%
Brownsville	26,380	42,075	59%
Dallas	75,507	208,688	176%
El Paso	103,079	132,271	28%
Fort Worth	26,068	64,469	147%
Houston	132,596	273,567	106%
McAllen	19,534	26,089	34%
San Antonio	63,214	96,674	53%

Source: U.S. Census

Four of the largest Texas urban areas experienced a Mexican immigrant growth rate of more than 100 percent over the last decade. In Austin, the Mexican immigrant population tripled. In Dallas, it nearly doubled and in Fort Worth it increased by nearly one and a half times. Even in cities with historically large Hispanic populations, the Mexican immigrant population experienced a big jump. In Brownsville and San Antonio, the population increased by over 50 percent.

Because these numbers reflect only foreign-born residents, all of the increase is attributable to migration from Mexico to Texas communities. Most are young adults, between 20 and 35 years old, who come to the United States to work.

The financial service needs of Mexican immigrants vary according to how long they have lived in the United States. More recent arrivals need:

- Inexpensive remittance services
- A secure way to save
- A convenient way to pay bills.

As immigrants develop deeper connections with their Texas communities, including marrying and having families, their needs expand. They will want to buy appliances, a car, or even a home. For these families:

- Credit becomes more important
- As they save more, they want better investment options.

Today about half of all Mexican immigrants nationally are unbanked. They do not have basic banking services and they do not have an opportunity to build credit. When they need credit, banks are not in a position to help them. The immigrant may have paid rent and bills consistently over the years and even have some savings, but he will not qualify for credit through usual channels.

This is a lose-lose-lose situation. Individuals lose, because they have to pay high interest rates or forego altogether needs that require credit. Banks lose, because they miss out on deposit and lending opportunities and an opportunity to develop good will within the Hispanic community, which already is a majority in many Texas counties and soon will be a majority throughout Texas. Communities and their merchants lose increased economic activity.

It doesn't have to be this way. The good news is that many banks are already offering products that serve the basic needs of the Mexican immigrant community and provide the groundwork for expanded offerings. The U.S. Department of Treasury recently issued rules for implementing the USA Patriot Act that allow bank accounts to be opened with a *matricula consular* identification card issued by Mexican consulates.

Two major challenges remain: connecting people with available services and developing relationships to expand services to include credit offerings.

Mexican immigrants in Texas are generally perceived to be low-income. They are not traditionally viewed as good banking prospects. But, at one Texas bank, the average balance of accounts opened with *matricula* cards is \$2,000.

How, then, do banks reach out to Mexican immigrants?

Certainly it starts by offering the services they need now. Competitive remittance services with fee and exchange rate disclosures open the door, and provide the opportunity for a longer-term comprehensive banking relationship.

The key is trust. Mexican immigrants are not comfortable with banking institutions. In Mexico, only the wealthy use banking services. Banks also have a shaky reputation because of the failures of the mid-1990's.

Building trust includes both reaching out to the community and connecting the community to education resources that support a successful banking relationship. Reaching out to the community happens inside and outside the bank. Within the bank, it

is important for people to feel comfortable and welcome. Some measures that go a long way are:

- Always have Spanish-speaking customer service staff available
- Ensure that customer service staff know about the *matricula consular* and how it can be used to open an account
- Offer simple, clear product information in Spanish
- Have bank operation hours that are in line with times people are free to go to a bank.

The more accessible a bank is to the community, the more likely people will use its services.

Outside the bank, community outreach efforts are key for gaining trust. Some initiatives that banks can undertake are:

- Participate in and contribute to community events, such as Cinco de Mayo celebrations
- Make presentations to church groups and groups from community organizations
- Develop contacts with local Mexican Consulate staff
- Provide Spanish language radio advertising that highlights relevant bank products and lets people know they are welcome in the bank and could save money using banking services.

These trust building strategies can improve relations not only with Mexican immigrants, but with all Spanish-speaking communities, which comprise an essential customer base for anyone doing business in Texas.

Financial education is another brick in the path to a successful banking relationship. Community financial literacy resources are ever expanding. Financial education is a priority in many county extension offices and an expanding array of community based organizations. By providing volunteers to teach classes in the community and connecting individuals to financial literacy resources, banks can help Mexican immigrants start their banking relationship on the right foot.

Texas Appleseed is a non-profit, non-partisan organization working for a better Texas through systemic change and has a board comprised of attorneys from top Texas law firms. With a team of community development and banking experts, Texas Appleseed has launched a project to help community banks and credit unions reach out to the Mexican immigrant market. For more information, contact:

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