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# Community Developments

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## What Can Bankers Do to Better Serve the Latino Community?

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Banks need to be able to reach out to the Latino community, and the Latino community needs increased access to mainstream financial services. But cultural as well as economic barriers often discourage Latinos from establishing banking relationships. What can be done to bridge these barriers?

To explore that question, OCC's Southeast District recently held a one-day seminar in Atlanta. The seminar provided an opportunity for Latino leaders and bankers to meet face to face and talk frankly with each other. Here are some of the points that emerged.

### *Beyond stereotypes*

A common stereotype is that Latinos are essentially interchangeable — that they all share common values, religious beliefs, and levels of education, skills, and economic and cultural backgrounds. In fact, Latinos are a complex, multi-dimensional ethnic group encompassing individuals from different races and nationalities. They share only one primary characteristic: their language.

Another stereotype: many if not most Latinos in the United States are non-citizens who are likely to be illegal aliens. Not true. And among those who are recent immigrants, there are growing numbers who are citizens or permanent residents with the right to work and reside here.

For their part, many Latino residents harbor misconceptions about American financial institutions. Because many come from countries where financial institutions are corrupt, insolvent, or interested only in catering to the wealthy, they are reluctant to establish a relationship with a financial institution here. Understanding the U.S. banking system can be a challenge for some Latinos, particularly if they have limited command of the English language.

Financial institutions can address these issues by hiring more Latino or Spanish-speaking employees, providing Spanish classes and diversity training to their employees, and partnering with community and faith-based organizations to provide more sensitive and effective consumer outreach and education.

### *Overcoming barriers*

Financial institutions committed to meeting the banking and financial service needs of the Latino community must be more aware of and sensitive to the complexities of issues such as identification, credit, and marketing — all of which affect access.

Determining what constitutes acceptable identification for opening accounts or applying for loans is an important part of serving the Latino community. Understanding citizenship status and

related documents can assist financial institutions in two important ways: meeting potential customers halfway, and preventing fraud.

Many Latinos — like many other Americans — have no credit history or impaired credit, and may have little understanding about how to correct the situation. Because they are frequently uninformed about consumer financial disclosures, safeguards, and recourse options, low- and moderate-income Latinos can become easy prey for disreputable lenders engaging in predatory lending practices.

To address these issues, banks need to make more widespread use of bilingual ATMs, tellers, and educational materials, along with low-cost wire transfers, currency exchange, and utility payment services. Banks interested in cultivating the emerging Latino market should also explore opportunities to provide needed services such as obtaining tax identification numbers, secured credit cards, life and health insurance, and individual development accounts (IDAs). Some banks are successfully partnering with local nonprofits to provide community-based “financial literacy” counseling focused on topics such as budgeting, saving, managing credit, paying taxes, and becoming a homebuyer.

### ***Small business challenges***

Latino businesses are no different from others in frequently needing working capital and micro-business financing. Some, however, feel that they are required to provide more documentation and more capital of their own in order to qualify for loans, and they believe the terms are likely to be less favorable and more strict than for loans provided to comparable white-owned businesses.

Some seminar participants also felt that financial institutions tend to under-utilize government programs, such as those of the Small Business Administration, which can be helpful in mitigating risk. Banks interested in building bridges to the Latino community could do more to help small businesses that do not qualify for traditional bank credit, for example by referring them to technical assistance providers such as Small Business Development Centers (SBDC) or otherwise helping them with business planning. And banks could do more to help establish mentoring relationships between successful businesses and those that have just secured financing.

### ***Marketing opportunities***

Although it’s clear that many businesses want to market to the Latino community, many participants felt that advertisers tend to see the Latino market as one market. Here again the familiar stereotype — that all Latinos are the same, with the same product and service needs — gets in the way. Participants suggested that advertisers become more sensitive to the complexities of the Latino community, for example by relying more on consumer surveys, focus groups, and test marketing.

Participants noted that sensitive advertising in various media can effectively reach the Latino community, including recent immigrants, who typically have access to Spanish-language periodicals as well as cable television and radio. Participants also suggested that advertisers should make sure to publish product and service documents in Spanish, and that those wanting to demonstrate a genuine interest in building alliances with Latino consumers should sponsor Latino cultural and sporting events and support and serve on the boards of nonprofits serving the Latino community.

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