



Serving Hispanic Market Presents Opportunities for Credit Unions

by **Rufino Carbajal**

El Paso is at the far western tip of Texas, where New Mexico and the Mexican state of Chihuahua meet. It borders one of Mexico's largest cities, Cd. Juárez, with a population of more than 1.2 million people. However, there are no "real" borders here because most families have members on both sides. The cities are linked by economy, culture, history, and blood relations.

El Paso has an exceptionally high concentration of Hispanics and new Americans—immigrants in the community. More than 78% of El Paso's population is Hispanic; about one-fourth was born outside the U.S. According to the Census 2000 Supplementary Survey, more than one-third of El Pasoans have little or no English skills. Nearly four of 10 El Paso County residents surveyed say Spanish is their dominant language, and many families have been here since before the area be-

came part of the U.S. You can live in El Paso an entire lifetime without ever needing to speak English.

Unfortunately, nearly half of Hispanics in Texas are unbanked. Experts agree that as long as these individuals continue to use nontraditional financial service providers, they will be less likely to achieve their financial goals. Financial literacy has special significance for these consumers.

Building trust and partnerships

Many foreign-born Hispanics are inexperienced with the banking system in their homeland and those who have had any banking experiences, for the most part, have had unpleasant ones. They don't trust the banking system and, as a result, spend billions of dollars at nontraditional financial institutions such as check cashers and payday lenders. By making them aware that credit unions are different from other financial institutions, helping them become member/owners, and showing them that your primary goal is to serve them, you can gain their trust.

To improve housing and economic development in the commu-

nity, credit unions must partner with agencies, businesses, and non-profit organizations. Consider forming CUSOs (credit union service organizations) to offer affordable financial services that improve the social well-being and quality of life in the community by promoting financial literacy, savings, credit-worthiness, and by providing access to capital.

Language and cultural differences are the greatest barriers to overcome. Having a bilingual staff and offering services such as newsletters, loan applications, and voice response in Spanish is a good start.

Aside from understanding and speaking the language, it's important that credit union volunteers and professionals also try to *understand* the Hispanic culture. Hiring staff that not only speak the language, but who know about or were raised in that cultural environment can help.

We must make sure that we understand the difference in marketing to the Hispanic Community and provide products and services beneficial to these members. Get involved in the community and de-

According to the U.S. Census Bureau, 39 million people of Hispanic origin reside in this country. By 2007, the number is expected to reach 50 million.

velop marketing materials in Spanish. Remember that family ties are very important in the Hispanic culture.

Credit unions must recognize the influence of the Hispanic community and make strides to serve this largely modest income segment of the population. The purchasing power of U.S. Hispanics is expected to exceed \$900 billion by 2007. Provide outreach to the community. Learn and get connected to the services this community might need.

It's important to understand the special needs of Hispanics. Participate in Hispanic community events (sponsorship) and create an inviting environment for Hispanic members to ensure that they feel welcomed.

Educating and marketing

Educate, educate, and educate. Credit unions need to focus on providing financial counseling and promoting financial literacy to Hispanics. Educate and teach them the difference between credit unions and payday lenders and other non-traditional lenders, which can be found on every corner in modest income communities.

Many Hispanics go to payday lenders and check-cashing outlets, but pay astronomical fees for services. You can help this group by offering services such as check cashing, signature loans, wire transfers, money orders, free notary public, counseling, and by teaching financial literacy. Encourage savings but be aware that any savings that lower-income families achieve runs the risk of disqualifying them from eligibility to government assistance such as Supplemental Security Income, food stamps, Medicaid, and so forth.

According to the Texas Credit Union League, it's estimated that U.S. borrowers lose as much as \$9 billion annually due to predatory

lending practices. Unfortunately, lower-income families and Hispanics tend to be prime targets of these lenders. Predatory lending clearly is an issue in Texas—the Lone Star state ranks among the top 10 states in the U.S. for having the highest incidence of predatory lending.

Hispanics quickly are becoming targets of predatory lenders. Credit unions can play a vital role in combating this destabilizing problem in our communities. Credit unions' success, however, is dependent upon educating consumers that they do have choices in conducting financial business.

Making risk-based loans

The purpose of risk-based loans is to help as many members as possible while recognizing that certain members represent more risk than others. Reward members who have spent within their means, have demonstrated the ability to save, and have paid their credit as agreed with better rates on loans. Offer

members just starting out, starting over, or who may have “fallen down,” higher rates, but ones below those they would pay at other financial institutions. Though these members pose a higher risk and are more labor-intensive for the credit union, they also present tremendous opportunity.

Offer small lines of credit and allow members the access to funds at their convenience. Open-ended loans will keep them away from payday lenders and, most important, minimize the workload for processors—the risk is basically the same.

Credit unions must strive to offer financial literacy education and services designed to improve the economic and social well-being of *all* members from *all* socioeconomic backgrounds. Credit unions that wish to grow and thrive should not hesitate to look into the Hispanic market.

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Resources

Credit Union National Association

- Hispanic National Resource Guide, “Credit Unions Serving Hispanics: A National Perspective,” is designed for the credit union interested in meeting the needs of the Hispanic market. This 100-page resource guide is free to you by PDF file download. (Right-click a PDF link and select “save target as.”) <http://www.cuna.org/initiatives/hispanic/index.html>.
- “Las Cooperativas de Ahorro y Credito” (Credit Unions: Very Different—Very Useful) statement stuffer explains the benefits of credit union membership (Stock No. 21807-SUP; 800-356-8010, ext. 4157).
- “Programa de Acción para su Presupuesto: Disene su Propio Plan de Gastos” (Your Budget Blueprint) statement stuffer helps members establish a budget. Extended table covers categories from shelter to installment payments and tips motivate members to start and stick to a budget (Stock No. 25587-SUP; 800-356-8010, ext. 4157).
- “Cómo Manejar su Cuenta de Cheques” (How to Manage Your Checking Account) statement stuffer covers how to write a check, how to deposit a check, and how to reconcile your account (Stock No. 25589-SUP; 800-356-8010, ext. 4157).
- Hispanic money and checkbook reference cards (Stock No. 26223-SUP and No. 26222-SUP).