

Banking on the unbanked

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San Antonio National Bank President David Moreno Jr. is one generation removed from being "unbanked."

"When my grandparents died, we found \$70,000 in cash in their house," he said. "The house could have burned down. There could have been a home invasion. All of that would have been lost."

The unbanked are people who don't use traditional banks for their financial business. They don't have savings accounts, checking accounts or loans with banks, thrifts or credit unions.

"We think a lot of the reason why is education," Moreno said. "They don't understand the importance of good credit."

Despite all the negative news surrounding the financial sector lately, the average bank customer should not be alarmed by the recent turmoil, including the sale of Bear Stearns. The funds deposited in commercial banks by common folks are insured by the federal government and are considered safe.

Still, the Federal Deposit Insurance Corp. estimates there are 73 million people in the United States who count as unbanked or underbanked. These are people using payday loans, check-cashing businesses and pawnshops in place of traditional banks.

Moreno estimates that as much as \$11 billion worth of transactions is going on outside the walls of traditional financial institutions. Now the banks, thrifts and credit unions want in.

"It's not totally altruistic," said Steve Scurlock, executive vice president of the Independent Bankers Association of Texas. "It's a long-term process and some of the anecdotal discussions that we've had show that a number of folks, for whatever reason, are not comfortable with a bank. They're fine with a check casher, fine with a payday loan, fine with a pawnshop or fine with Uncle Fred."

Local institutions have been working their way into Hispanic communities — home to most of the unbanked in South Texas — to build some good will, offer some financial education and get some new customers.

"We're in their comfort zone," said Jackie Oliva, director of retail sales for generations federal credit union, which doesn't capitalize its name. "We're becoming their friends."

The credit union recently changed its name from San Antonio City Employees Federal Credit Union with the goal of expanding its membership and reaching out to the unbanked and underserved. One way it's doing that is by opening branches in Goodwill stores around San Antonio.

Eve Hernandez, vice president of marketing with generations, said Goodwill officials looked at the services they were providing and noticed a number of clients and customers were relying on

payday loans and check cashers. So it partnered with generations.

"We have 30 accounts within the first few days (of operation) and that's already well toward our goal of 2008, not only in terms of new membership but for all the other metrics that we're looking to attain through these retail outlets," Hernandez said. She declined to quantify the goal.

While generations is going after the unbanked through Goodwill stores, San Antonio National Bank has made the unbanked the cornerstone of its charter. A group of investors bought First National Bank of Refugio in April 2007 and started San Antonio National Bank.

When the bank announced its first retail banking location in January — on San Antonio's South Side — officials said they were targeting the unbanked.

"We think things are changing in South Texas," Moreno said. "We're offering mainstream banking products and we're not in the business of gouging people."

Moreno said his bank, like generations, does a lot of customer education. But it also offers products such as second-chance checking accounts for people who may have a history of bounced checks. He said they try to review each loan application and try not to rely on computer models. They even have loans on the books for as little as \$100.

"What happened in the past isn't always an indicator of what's going to happen in the future," Moreno said. "We want to establish relationships. The money and the profits will come."

Mexicans have had a tumultuous history with their banks, say officials with both institutions. People's deposits in Mexico didn't always hold their value. There was no government-sponsored insurance on deposits. They also had to deal with corruption in the system.

"What we would do with the money is just try to have it for the whole year," said Homer Balderas, a teller for San Antonio National Bank. He grew up as a migrant worker traveling to Minnesota each year to pick green beans.

"We would just have it on hand in case something would happen," Balderas said. "We didn't know when we would need it." For their own peace of mind, he said, they would keep their money in their own possession.

Sometimes it's a matter of privacy that keeps people from going to a traditional bank.

"You have families that don't want to go into their personal business and personal lives," said Bonnie Contreras, director of business development for generations. "It's easier to get into these high-interest loans."

By teaching people there is another way and working to take away some of the intimidation of banking, companies hope to whittle away at those unbanked numbers.

"Traditional banks, they have \$20,000 paintings on the walls," Moreno said. "Our (branches) are very colorful and very inviting. We don't wear a suit and a tie. We want to be part of the community."