

# CREDIT UNIONS

# "NEW FUTURE" THE LATINO MARKET

By the year 2020, one in five U.S. residents will be Latino. Pay attention, we're not just talking about Texas, South Florida or California. Today Nashville, Tenn., Huntsville, Ala. and Bowling Green, Ky. are listed among the top 15 fastest growing Hispanic markets in the country. The U.S. Latino population is literally exploding. In 2003 the Latino population became larger than the African American population for the first time. Today, the U.S. is the second largest Hispanic country in the world with more Hispanics than Spain or Colombia.

The Latino population already has more than \$600 billion in purchasing power, but nearly half of the Hispanic community is largely without financial services. The percentage of Hispanics in the U.S. without financial services is twice that of the population as a whole. Thus Latinos are more likely to use alternative financial services such as check cashing outlets and payday loans.

The Latino population offers credit unions a growing market of financial consumers. With an average household income of \$45,700, they are middle class with significant purchasing power. Latinos represent the largest segment of the money transfer business and are potential consumers for the full range of financial products that credit unions have to offer. Temporary workers send up to 60% of their income back to their home country by wire transfer and resident Latinos send around 15%. Total remittances to Latin America and the Caribbean have quadrupled in the last 10 years and estimates are that more than \$180 billion will be sent there during this decade.

Latinos are the youngest ethnic group in the country with a mean age of 27.9 compared to African Americans at a mean age of 32 and whites at a mean age of

38.6. Their prime income-earning years are ahead of them. Credit unions have a huge opportunity to capture this emerging market of eligible first-time home buyers by adapting the conventional mortgage qualification process. According to the *San Francisco Chronicle*, two out of three Hispanic mortgage applicants are turned away because they can't qualify under traditional criteria. The thousands of Hispanics who have achieved home ownership have done so largely because lenders have lowered their credit standards and raised their debt-to-income ratios. The challenge for credit unions is to figure out how to safely evaluate the less traditional credit habits of Hispanic families.

According to a recent survey conducted by the National Association of Hispanic Real Estate Professionals (NAHREP), "limited" or "no credit" ranked as the first or second

most significant barrier to home ownership. But many Latinos can demonstrate payment history with proof of rental payments, utility payments, payments for child care and jewelry or furniture store layaway payments. Gary Acosta, co-founder of NAHREP says, "Several credit-scoring programs that underwrite immigrant and minority mortgage applicants using non-traditional forms of credit are available. These scoring systems are based on such things as cash income from multiple jobs, cash payments for cell phones, utilities and rent, and cash remittances sent to family members living in other countries. Such profiles are often underwritten manually which is more expensive," Acosta said. "The time is right to take a leap of faith or adopt a change in strategy. Rather than lowering the bar, lenders should be more aggressive and more flexible," he said. Recently a new credit scoring system, called the

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**DADE COUNTY FEDERAL CREDIT UNION**

Miami: 7000 NW 37th Ave. Kendall: 10800 W. Kendall Dr. North Dade: 10152 NW 21st Ave. Miami Gardens: 2601 NW 11th St. Miami Gardens (441): 2601 NW 2nd Ave. North Miami Beach: 1450 NE 1st St. Doral: 175 W. Flagler St. Baywood: 1461 NW 10th Ave. Airport: 3901 NW 76th St. Miami Beach: 775 77th St. South Dade: 11242 SW 21st St.

Anthem Score has been developed by The First American Corporation. According to First American their non-traditional Anthem Score is the industry's first score generated from the same non-traditional credit data that comprises a non-traditional credit report. As such, First American says, it not only represents an accurate reliable score for loan applicants that have previously been "un-scoreable," it exceeds existing lender and investor standards.

Latinos have a large need for financial education to understand how financial services work in this country. The Latino community has a cultural distrust of credit. In a Yankelovich survey, nearly all Latinos who responded said they feel the need to pay cash whenever possible rather than charge or borrow. Most Latin American countries are still cash societies. When Latin American countries are experiencing financial and economic crises, banks there may limit the number of withdrawals account holders are allowed and the amount that can be taken out each time.

Many immigrants also fear or distrust the government and any institution they believe is related to the government. Immigrants may also fear being deported by the government. Therefore going to a financial institution that requires one to present identification and other personal information is a terrifying idea. Add to that the fact that many Latinos do not speak English and it makes communication even more difficult. In order to overcome these hurdles, marketing to Latinos is all about building trust. It is a personal, one-on-one process that depends on building long-term relationships, friendships, and trust with members of the community. This is an area where credit unions have always excelled. Credit unions are also experts at educating members and do so by taking time and showing genuine concern. "Our staff spends a great deal of time with members who are newly arrived to the U.S.," said Rosa Gordon, Director of Marketing at FEC FCU in Medley, Fla. "We have to educate these members about financial services in this country and build their trust. They are wonderful members to work with and very appreciative," she said.

Reaching Hispanic consumers has become a sophisticated process. You must get an in-depth picture of your Latino community.

What countries do its members come from? Are they recent immigrants or are they second- and third-generation Latinos who have been in this country for many years? The



Latino community in the U.S. is complex and diverse. Sometimes they are referred to as Latino or sometimes as Hispanic. Latino is the more current terminology and more inclusive as it includes Brazilians who are Latin American but not Hispanic. Latinos/Hispanics can be of any race. The definition of Hispanic or Latino generally relies on three factors:

- People who identify themselves as Hispanic or Latino
- People who are born in or have ancestry from one of 22 Spanish-speaking countries
- Spanish was the first language they learned, or is their primary language or is the language of their ancestry

The new wave of Hispanic marketing aims to capture the culture, traditions and spirit of a diverse group that includes recent immigrants who speak little English to third or fourth generation Hispanics who behave more like long-time American consumers. Kelly McDonald, President of McDonald Marketing in Dallas, TX has trademarked a method for target marketing to Latinos based on their level of acculturation. Acculturation is a term used to describe acquisition of a second culture while retaining one's first culture. Recently arrived Latinos

are described as unacculturated while those born in the U.S. are more acculturated. (See chart on acculturation.) Among Hispanic adults in the U.S., only 9% are acculturated. A whopping 66% are partially acculturated and a substantial 25% are unacculturated.

Target marketing based on a person's level of acculturation offers a unique way to segment the population vs. traditional demographics. It can allow a credit union to target various products, such as wire transfers, Western Union and money orders to new arrivals and credit products to the more acculturated. McDonald referred to a financial institution operating in a Latino market that was largely unacculturated. "They ran a promotion offering a month of free lawn maintenance. New arrivals often find some of their first jobs doing lawn maintenance, so the promotion fell flat," she said. "Understanding and assessing the level of acculturation would have prevented such a mistake."

Long gone are the days when you could simply translate English advertisements into Spanish and win over customers. McDonald talks a lot about transcreation. "The word 'translation' doesn't accurately express what is needed to effectively transition communications from English to Spanish. Straight translations often lack cultural relevance for the intended target. At McDonald Marketing we seek to make a connection with the consumer that is meaningful and relevant, by looking beyond the words on the page and deciphering the communication goal which lies behind them. We call it transcreation. It is more comprehensive and marketing oriented than mere translation. Transcreation takes into account all of the things that typical translations often disregard: emotion, passion, cultural insight, relevance and idiom."

McDonald spoke to Southeast Corporate members at one of the corporate's annual conference's and gave some examples of problems

## CULTIVATE LATINO MEMBERS

**RECRUIT BILINGUAL STAFF MEMBERS** - This will put Spanish dominant and Spanish preferred members at ease and word-of-mouth will spread quickly in the Spanish-speaking community.

**CONSIDER MARKETING IN SPANISH** - (*only if you have bilingual staff*). If you do not have bilingual staff, advertising in Spanish will be misleading; it implies Spanish speaking staff.

**HAVE FLEXIBLE BUSINESS HOURS** - Many Latinos have more than one job or work odd shifts, making it difficult to get to a credit union.

**OFFER SERVICES THE LATINOS USE MOST** - Offer check-cashing and money transfer services...and offer them at a low cost. This will earn trust and future business.

**CAPTURE EMERGING MARKET OF ELIGIBLE FIRST-TIME HOME BUYERS** - Consider adapting the conventional qualification process.

**PARTICIPATE IN THE LATINO COMMUNITY** - The Latino community values the human connection over institutional size so building relationships is key. This demonstrates the Latino consumer's value. Consider festivals, education and family venues and teach financial literacy and responsibility.

**CREATE PRODUCTS FOR THE LATINO MARKET** - Examples are a combo account that encourages saving...\$10 deposit in a savings account plus \$10 monthly deposits receives 6 free money orders per month. Offer free wire transfers or money orders for Mother's Day.

**BE LATINO FRIENDLY** - Friendliness is universal and it costs nothing.

that have arisen due to straight translation. "Got Milk translates to Tiene leche, which means 'are you lactating?'" The better translation is Más Leche, 'More Milk,' she said. Another example McDonald shared was from a popular fast food establishment that sells chicken. "Point of sale materials were being printed and Hispanics working on the printing press started saying huh and moaning and groaning," explained McDonald. "The fast food company had used a translation company to translate text that accompanied a plate of chicken with a drumstick on top. The English headline had been, 'We've got a leg up on the competition.' The translation meant 'we're spreading our legs for the competition.' The presses were stopped. The leg-up expression literally means nothing in Spanish. What they ended up saying later was 'Chicken Beyond Compare.' Many English words have no meaning in Spanish, or there is no expression for that in Spanish.

You have to find a way to say the same sort of thing in a meaningful way." Values also are different based on culture. McDonald explained that while the typical number one American dream is to own a home, the Latino number one dream is sending their children to college.



*Kelly McDonald*

Some people describe the Latino market as a marketer's dream because the group is large, lucrative and loyal. But credit unions in South Florida are already finding they don't have a choice when it comes to marketing to Latinos. Today these credit unions need to SERVE their member base which has quickly transitioned to being highly Latino. Because of the nature of their field of membership, Eastern Financial Florida CU which serves members in nine of the most densely populated Florida counties, including Miami-Dade, Broward and Hillsborough, was already serving the Latino market. For several years the credit union has taken extra steps to better serve its growing Latino membership base. "Down here in South Florida the community is so diverse and a large portion of our members are Hispanic of non-U.S. descent," said

Mark Holmes, Marketing Director at Eastern Financial. "It makes sense to communicate with our members in the language they prefer. We have translated most of our marketing material into Spanish and also have translated materials into Creole and Portuguese. We needed materials in Creole for the Haitian community, that in Miami numbers in excess of 800,000."

Two years ago Eastern Financial hired a Latin Community Development Officer, Mercedes Hanabergh. Today that position has evolved to Multi-Cultural Community Development. "Our employees come from the diverse community we are in, so that has helped us to avoid cultural problems in our communications and marketing," said Holmes. We do use translation companies but then Mercedes has to give her blessing. For Haitian publications we have a team of 8-10 employees who read and speak Creole and they review those materials," he explained.

Eastern Financial set a target of reaching out to the Hispanic and Haitian community. "Since our membership is largely Hispanic our products and services and the staff that serve them mirror their needs," Holmes explained. Most of our staff is bilingual or trilingual and in total speak 23 different languages. In many of our branches there is very little English spoken," said Holmes. All of Eastern Financial's direct mail is bilingual and they are starting Spanish radio this fall. They have done some newspaper ads in Creole. An interesting twist is that the credit union's outdoor media is strictly in Spanish or English only depending on location, whether it is billboards or bus shelters. "The attention time with outdoor media is short," said Holmes, "So it did not make sense to make it bilingual."

About three years ago Eastern Financial launched their Latino website which includes online banking. According to Holmes the Latino website has upwards of 5000 members using it each month. "We were fortunate that our home banking vendor, Digital Insight, provided access to a home banking site in Spanish," he said. "Financial institution adoption of online banking foreign language capabilities is still in an early-adopter phase," said Digital Insight's Corporate Communications Manager, Tobin Lee. "It is definitely growing as financial institutions begin to realize the vast opportunity to serve new members and to better serve existing ones. Approximately five

percent of our client financial institutions currently offer online banking in a foreign language and nearly 90% of those institutions are serving customers and members in Spanish," said Lee. Digital Insight, an Intuit company, is the leading outsourced online banking provider in the United States and has been offering foreign language capabilities in online banking for about five years.

Kelly McDonald stressed that it is important to remember that if you market in Spanish you must have staff that speak Spanish. Dade County FCU in Miami, Fla. is beginning to move its web site to Spanish. "Operating in the heart of a Latino market adds a layer of challenge," said Dade County's SVP of Member Services and Operations, John Holt. "We have been building our Spanish language capabilities for some time. Our call center staff is fully bilingual and we provide point of sale materials and signage in Spanish. We now regularly advertise in Spanish via radio and newspapers. Over 40% of our employees are Latino; some of them have been with us for a very long time. These employees contribute immeasurably to our understanding of the Latino market," Holt said.

Between 1990 and 2000 we experienced the largest wave of immigration in U.S. history. A Latinization of America is occurring. The Latino term telenovela (Latin-American soap opera) is one of the 100 new words Merriam Webster just added to the dictionary. The flavor dulce de leche is everywhere. Oreo's, the best selling cookie in the world now has a Dulce de Leche filling and it is Häagen Dazs' fourth best selling flavor. Nickelodeon's Dora the Explorer is the number one pre-school show on TV. And Anglo as well as Latino children sleep on Dora sheets that say Buenas Noches. Hallmark's fastest-growing line of greeting cards is in Spanish and Mattel now makes a Latino Barbie, Quinceañera Barbie. Not to be outdone, the Girl Scouts introduced a new Mexican-style cookie called Olé Olé.

With a culture rooted in family, faith, and community Latinos have become good next door neighbors. They are self-reliant and believe you are obligated to take care of yourself. They are loyal and have low divorce rates. As they help to bring back the importance of the human touch in contrast to our current American values of speed and efficiency they are changing our coun-

try in positive ways. Hispanics are rooted in the human connection and believe in taking time. For them, taking time is the ultimate form of respect. They are a culture that places a high value on belonging. They don't value large institutions, they don't trust them. It would appear that credit unions with our cooperative spirit, caring nature and importance placed on each and every member are the perfect match for these new neighbors.

So whether credit unions seek to grow business by putting the welcome mat out for Latinos or are dealing with serving the needs of existing members who are Latino, "el futuro is the Latino market." For more information about the Latino consumer, marketing and trends, contact Kelly McDonald at 214-880-1717 or Kelly@mcdonald-marketing.com.

Member Vision August 2007

# Latino Acculturation Stratification™

## UNACCULTURATED

## ACCULTURATED

### CULTURAL LOYALIST™



Foreign Born  
Recent Arrival  
Spanish Dependent  
Traditional Values

### CULTURAL EMBRACER™



Foreign Born  
U.S. is home now  
Spanish Preferred  
Aspirational

### CROSS CULTURER™



U.S. Born  
First Generation  
Bilingual & Bicultural  
Professional  
In touch with roots

### CULTURAL INTEGRATOR™



U.S. Born  
2nd, 3rd Generation  
English Preferred  
Retro-acculturation  
Influential