

February 4, 2008

FDIC & OMB Offices

**RE: National Survey on Banks' Efforts to Serve the Unbanked and Underbanked.
OMB Number 3064-NEW**

Potential barriers that affect the ability of institutions to serve the unbanked and underbanked

My comments arise from my experience teaching Spanish-speaking students in the L.A. area on a weekly basis for the past 3 years, and the great obstacles in the Latino community, based in what I know and I have hear all the time, when they are asked: Why they don't have a bank account? Are the following:

1. They don't trust in the bank industry because of their bad experiences in their countries with the banks. We have the case in Guatemala, last year, when BANCAFE closed its business and left all the people without any money and not explanation at all. At this time, a majority of these bank customers have not recuperated a penny.
2. They find easier to carry cash (here in the U.S.A. because is safe) and make all their transactions in cash, instead of having to write checks or have to go to the bank for cash, meaning.... time.
3. They don't know the existence and use of the ATM card and the secret PIN. And, if they know about it....
4. They confuse the ATM card with a credit card!
5. These 4 first obstacles are for people who know how to read and write. If not, they are not interested at all in having a bank account, no matter how much effort; the local banks make to have them as customers.
6. Another issue is that in their countries of origin, when you have a simple saving account, your money earns monthly interest of 2 to 3%, no matter what amount you have in the account. There is no-minimum balance requirement, so they don't loose money.
7. Immigrants often don't know exactly how credit works. Some of them never have had a credit card. The ones that had one, got into very bad debt because they didn't understand how the finance charges and interest to the balance were added.
8. The big problem with "illegals" is the I.D. documents they have to submit to the bank in order to open an account or when they apply for a loan. If they go to a non-bank financial provider (check casher, etc.) they don't have to submit documents. They just pay the "fee" (even though this fee is high) and they get their money in cash. If they go to the bank, they think the bank has a link with the immigration service and they don't want to run the risk. The same fear keeps them from applying for a tax I.D. number.
9. Unfortunately for the banks, non-residents aliens, who overstay their permits or otherwise illegal residents, constitute the great majority of these who send money abroad. They use non-bank financial institutions because that means safety for them. It is a way to continue to live here in the U.S.A.

I think banks are doing a lot of good job and effort to keep inform people about their services and benefits to be a bank customer; and get people into the financial stream, a very important issue in the U.S.A., but first we need to find out a way to let them be customers without the fear of documentation or legal I.D. submission. I don't know exactly how this work in base on regulations and law for the banks, but one way, may be, it would be as quite simply to offer them the same service provided for these non-financial institutions, even though this sound ridiculous.