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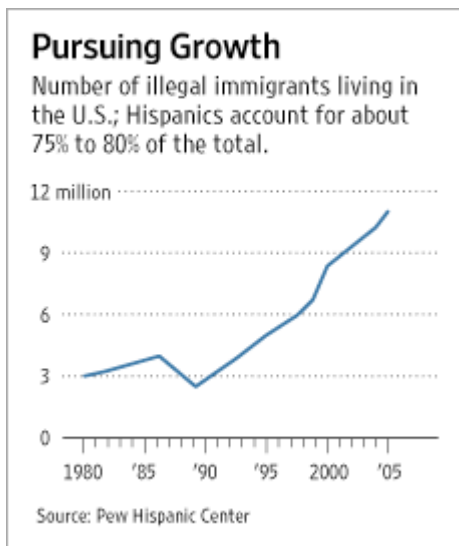
Bank of America Casts Wider Net For Hispanics

Lender Risks Controversy Aiming New Credit Card At Illegal Immigrants

By MIRIAM JORDAN and VALERIE BAUERLEIN
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LOS ANGELES -- In the latest sign of the U.S. banking industry's aggressive pursuit of the Hispanic market, **Bank of America** Corp. has quietly begun offering credit cards to customers without Social Security numbers -- typically illegal immigrants.

In recent years, banks across the country have begun offering checking accounts and, in some cases, mortgages to the nation's fast-growing ranks of undocumented immigrants, most of whom are Hispanic. But these immigrants generally haven't been able to get major credit cards, making it hard for them to develop a credit history and expand their purchasing power.



The new Bank of America program is open to people who lack both a Social Security number and a credit history, as long as they have held a checking account with the bank for three months without an overdraft. Most adults in the U.S. who don't have a Social Security number are undocumented immigrants.

The Charlotte, N.C., banking giant tested the program last year at five branches in Los Angeles, and last week expanded it to 51 branches in Los Angeles County, home to the largest concentration of illegal immigrants in the U.S. The bank hopes to roll out the program nationally later this year.

"We are willing to grant credit to someone with little or no credit history," says Lance Weaver, Bank of America's head of international card services, whose team designed the program based in part on the bank's experience in markets like Spain, which lack conventional credit bureaus to rate a client's credit-worthiness.

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The credit cards involved aren't cheap. They come with a high interest rate and an upfront fee. And the idea of catering to illegal immigrants is controversial.

Bank of America defends the program, saying it complies with U.S. banking and antiterrorism laws. Company executives say that the initiative isn't about politics, but rather about meeting the needs of an untapped group of potential customers.

"These people are coming here for quality of life, and they deserve somebody to give them a chance to achieve that quality of life," says Brian Tuite, the bank's director of Latin America card operations and one of the architects of the program.

Critics say Bank of America is knowingly making a product available to people who are violating U.S. immigration law. "They are clearly crossing the line; they are actually aiding and abetting people who broke the law," says Ira Mehlman, a spokesman for the Federation for American Immigration Reform, a group that advocates a crackdown on illegal immigration.

Typical of the new card's customers is Antonio Sanchez, a Mexican immigrant whose only major asset is a white 1996 Ford Thunderbird, which he drives to the two restaurants where he works each day on opposite sides of Los Angeles. Mr. Sanchez, who says he sneaked across the border a decade ago, has been a customer of Bank of America's East Hollywood branch for nine years. He has no borrowing history and no Social Security number.

Paying Balances

To obtain a Bank of America Visa card with a \$500 line of credit, Mr. Sanchez had to put down \$99. If he stays within his \$500 limit and pays his balances in a timely fashion, he will receive his \$99 security payment back in three to six months, and his credit limit might be increased.

"I always wanted to start building credit to buy a home, but I couldn't," says Mr. Sanchez, a father of three, who earns about \$25,000 a year from his two jobs. "When a señorita at the bank told me about this card, I couldn't miss the opportunity to get it. You need credit to succeed in this country."

The variable annual percentage rate charged on Mr. Sanchez's card is 21.24%, higher than the average interest rate of 18.1% card issuers nationwide charge on unpaid balances, according to the Nilson Report, an industry newsletter based in Carpinteria, Calif.

David Robertson, publisher of the report, says a rate of 21.24% is "unquestionably high." "If that's the rate you're offered, it's a pretty safe bet you're in a high-risk group," he said.

To assess an applicant, the bank employs "judgmental lending," a concept pioneered by MBNA Corp., the credit-card company that Bank of America acquired in January 2006. In essence, the bank bases its evaluation of a potential client's credit-worthiness on a subjective review by its employees, rather than on standardized financial data crunched by a computer.

Unorthodox initiatives like the new credit-card program may be crucial to Bank of America's

long-term success. In the past the bank, which operates in 31 states and the District of Columbia, grew mostly by buying up other banks. Now, however, it is bumping up against a regulatory cap that bars any U.S. bank from an acquisition that would give it more than 10% of the nation's total bank deposits. That means Bank of America's only way to grow domestically is to sell more products to existing customers and to attract new ones.

Opening Accounts

Bank of America, the second-largest U.S. bank after Citigroup Inc. in terms of market capitalization, estimates that there are 28 million Hispanics in its operating area and that most of them, regardless of their immigration status, don't have a bank. It hopes the allure of a credit card will persuade hundreds of thousands more Latinos to open accounts.

"If we don't disproportionately grow in the Hispanic [market]...we aren't going to grow" as a bank, says Liam McGee, Bank of America's consumer and small-business banking chief.

Illegal immigrants have typically relied on loan sharks and neighborhood finance shops for credit. But that has begun to change. A few years ago, a handful of community banks in the U.S. began offering mortgages to illegal immigrants, as long as they could prove they had stable employment and paid U.S. taxes with an individual tax identification number, or ITIN.

In December 2005, **Wells Fargo & Co.** began extending mortgages to consumers with an ITIN. The bank is currently evaluating a pilot program in Los Angeles and Orange counties before deciding whether to expand it.

Department of Homeland Security spokesman Russ Knocke said banking products aimed at illegal immigrants "reinforce the need for a temporary worker program" that the Bush administration has been promoting. That program would screen, tax and otherwise regulate immigrant workers and, the administration contends, would squeeze out illegal workers who now use forged or stolen documents to get jobs, driver's licenses and occasionally credit.

Anti-money-laundering regulations passed in the wake of the Sept. 11, 2001, terror attacks put more pressure on banks to verify customers' identity and watch for suspicious transactions, but they don't require banks to ascertain whether account holders are in the U.S. legally. Most banks require a Social Security number or ITIN to open an account, but regulations also allow them to accept other government-issued forms of identification in some instances, including passport numbers, alien identification numbers or any government-issued document with photo showing nationality or place of residence.

A handful of retailers, such as Los Angeles's closely held La Curacao department store chain, have boosted their business by cultivating illegal immigrants with store credit cards. "Once you capture them, they become very loyal," says Ron Azarkman, chief executive of La Curacao, which has developed its own in-house credit-ratings system. "This is a promising market, as long as it is carefully managed," he says, adding that the average APR charged by his company is 22.9%.

Word of Mouth

Bank of America hasn't launched an ad campaign for the new card. For the time being, it is counting on word of mouth that starts with its employees at each banking center. Many of the Spanish-speaking account holders who come to teller Luz Quintanilla's window at Bank of America's East Hollywood branch, already have a Social Security number and regular credit card with the bank. But she suggests in Spanish that "maybe you have family or friends who don't have a Social Security number, but wish to build their credit."

In selling the card, a major challenge is to persuade immigrants who are sometimes wary of plastic that holding a credit card is an important step on the way to obtaining loans for big-ticket items, such as a car or even a home. Pictures of a check book, credit card, car and house in ascending order illustrate this concept in one pamphlet in Spanish and English titled "How to Build Your Credit, Step by Step."

--Ann Carrns contributed to this article.

Write to Miriam Jordan at miriam.jordan@wsj.com¹ and Valerie Bauerlein at valerie.bauerlein@wsj.com²

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(1) <mailto:miriam.jordan@wsj.com>

(2) <mailto:valerie.bauerlein@wsj.com>

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