

Community Banker of the Year: The Advocate

El Banco Finds Its Niche Serving Ga.'s Immigrants

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By Rob Garver*



In banking, as in most services, the competition for customers is largely a zero-sum game, so it's rare for the growth of a new bank to come at relatively little cost to its rivals.

But in and around Atlanta, that's exactly what is happening as the 12-branch El Banco de Nuestra Comunidad expands in the city's community of Latino immigrants by targeting the unbanked.

"We don't take our customers from other banks; we take them from the nonbank financial institutions," said Luz Urrutia, the president and chief operating officer of El Banco, which has been in business since

2003. "Our purpose is to get them away from the predators and the check cashers, and migrate them from nontraditional banking to traditional banking products and services."

For her efforts to bring immigrants into the banking system, American Banker has named Ms. Urrutia one of its three Community Bankers of the Year for 2006.

El Banco's path has been far from conventional - or even smooth - but its vision is compelling.

After several years of operating under a lease and marketing agreement with SunTrust Banks Inc., El Banco is looking to go it alone.

It announced plans earlier this year to buy a one-branch bank, National Bank of Gainesville in Georgia, largely to gain the seller's national bank charter, but the two companies called the deal off in late October due to regulatory delays.

El Banco's chairman and chief executive, Drew Edwards, said the company is now considering applying for its own banking charter. Also, its holding company, El Banco Financial Corp., announced plans earlier this year to go public, and Mr. Edwards said that the deal's collapse would not derail those plans.

Ms. Urrutia said the bank does not intend to expand beyond its current service area but does plan to use some of the money raised in its parent's IPO to widen its offerings to include services for small companies that employ members of the Latino community, do

business there, or are owned by Latinos.

Ms. Urrutia moved from her native Venezuela to the United States 24 years ago to complete college. The former Wachovia executive has lost her Spanish accent - there's more Georgia than her native tongue in her voice - but not her affinity for fellow immigrants trying to start a new life.

"In this community, they are not very familiar with banks," she said. "We had to bring this consumer into the bank - meet them where they were, which was buying all the services that they buy today at check cashers and liquor stores, and transitioning them to a bank account and helping them build a relationship and credit history with a bank."

In marketing financial services to a community that "is not really accepted" at other financial institutions, Ms. Urrutia said, the bank's bilingual staff is given a clear mission.

"We will treat our customers and each other with dignity and respect, we will offer this consumer a unique set of products and services, we will gain their loyalty and their trust, and we will educate them on the importance of establishing a relationship with a mainstream financial institution," she said.

"By accomplishing all this, we have been able to help our customers fulfill the dreams and goals that they brought to this country, and at the same time we are building shareholder value every day."

The bank has an extensive community outreach program, using branch employees to spread the word and recruit customers.

"Serving this community goes beyond banks' printing brochures in Spanish and hiring bilingual staff and trying to sell the same products and services they sell the mainstream consumer," Ms. Urrutia said.

Since the average unbanked Latino immigrant has little or no experience with mainstream financial services, she said, advertising great rates on CDs and mortgages will not pull them in. What El Banco does instead is offer them the same nontraditional financial services as check cashers and money transmitters.

Ms. Urrutia estimates that 95% of El Banco's customers first walk through the door looking for the sort of services most mainstream banks would not provide them.

Near week's end, she said, many immigrants cash their paychecks, buy money orders to pay bills, send money to relatives in their home countries, buy phone cards, and reload their cell phones. When they do those things through storefront check cashers and liquor stores, she said, they pay fees of \$80 to \$100.

El Banco's strategy is to offer these services for less and use them as a stepping-stone to a more traditional banking relationship.

"When they come to El Banco, we are the low-cost provider, so our check cashing fees are the lowest in the industry, and we tell the consumer that if they open a bank account with us, we will cash any check drawn on any bank up to \$500 for free. We give them money orders for free," Ms. Urrutia said.

In addition, the bank offers formal financial literacy courses that introduce customers to the U.S. financial system, explaining traditional products and basic money management.

Since its founding, El Banco has served about 40,000 customers, and Ms. Urrutia said it now has about 23,000 active nontraditional customers and an additional 10,000 who have graduated to actual bank accounts.

This demographic requires more than just a different mix of services - it demands a whole different way of measuring a bank's profitability.

"When you look at a traditional bank their profit model is around net interest margin - loans and deposits," Ms. Urrutia said. "With this consumer if you go at it that way you are not going to be successful. They don't keep enough balance in the account initially and they are not generally credit customers initially."

About 52% of El Banco's revenue comes from fees for such services as cashing checks and providing money orders for people who are not account holders. Net interest income brings in one-third of its revenue, and the balance is from depository and savings account fees.

Ms. Urrutia said that as the customer base matures and becomes more comfortable with traditional banking services, El Banco expects interest income will increase to about 50% of revenue.

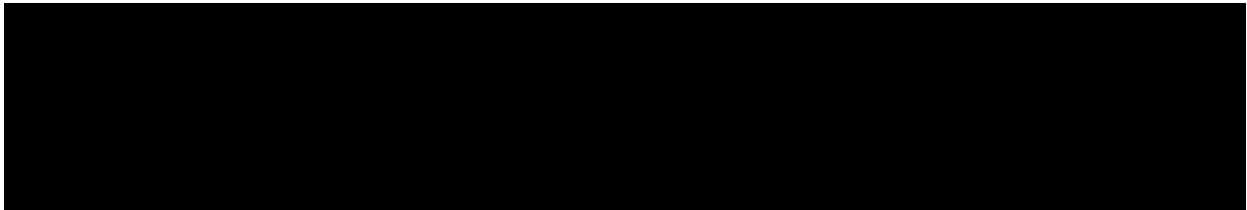
The El Banco model may find a home in other cities with large Latino communities.

A subsidiary of the holding company, El Banco Services and Consulting, has helped banks in Tennessee and North Carolina open branches patterned after El Banco de Nuestra Comunidad. A second subsidiary, Conexion El Banco, offers a check-clearing platform and other point-of-sale services to other banks.

Ms. Urrutia has been invited to speak on the topic of safely banking the Latino immigrant community at conferences sponsored by the Office of the Comptroller of the Currency and by several Federal Reserve banks.

Mr. Garver, an American Banker reporter from 1999 to 2003, is a freelance writer in Springfield, Va.

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