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## U.S. Banks Woo Migrants, Legal Or Otherwise

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As U.S. leaders craft policies to curb illegal immigration from Mexico, the U.S. Federal Reserve is devising programs to extend banking services to undocumented immigrants. A new remittance program aims to bring Mexican migrants who send money home into the mainstream U.S. financial system, regardless of their immigration status.

Dubbed "Directo a Mexico," the remittance program enables U.S. commercial banks to make money transfers for Mexican workers through the Federal Reserve's own automated clearinghouse, which is linked to Banco de Mexico, the Mexican central bank.


To use the service, a Mexican need only possess a *matricula consular*, an I.D. issued by the Mexican consulate in most major U.S. cities to those with proof of Mexican birth or citizenship, or a picture I.D. card issued by the U.S. or another foreign government. The idea is to make it cheaper and safer for Mexican workers to send funds to their relatives.

"We offer an extremely competitive exchange rate," says Elizabeth McQuerry, an Atlanta-based assistant vice president for the Federal Reserve Bank's retail payments office. "We cost a third of other providers."

The majority of immigrants currently make transfers, which average \$350 each, through companies like Western Union or a hodgepodge of wire-transfer firms, couriers and others that operate out of storefronts in Hispanic enclaves. Family members then collect the wired cash at a shop in their town or village.

The Federal Reserve Bank and Banco de Mexico launched a cross-country road show over the summer to promote the new funds-transfer program to commercial banks. Banks that offer the service hope to attract new customers. Indeed, one of the Federal Reserve Bank's goals is to use the program as a springboard for drawing hundreds of thousands of immigrants into the formal U.S. banking system since commercial banks require that those wanting the service first open a savings

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### BORDER LINES



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account.

"People who didn't have bank accounts establish a relationship with us," says James Maloney, chairman of Mitchell Bank in Milwaukee, one of the first banks to offer the Federal Reserve Bank's remittance plan. "It's great for our business."

Acknowledging that many Mexicans sending money home are illegal immigrants, the Federal Reserve's brochure poses the following frequently asked question: "If I return to Mexico or am deported, will I lose the money in my bank account?" The answer: "No. The money still belongs to you and can be easily accessed at an ATM in Mexico using your debit card."

A team at the Federal Reserve Bank in Atlanta joined forces with a team at the Mexican central bank to design the Directo a Mexico program in response to a mandate by President Bush, following the U.S.-Mexico Partnership for Prosperity struck by Mr. Bush and Mexican President Vicente Fox in 2001. One of the stated objectives was to lower the cost paid by Mexican workers to send money to their native country.

The Federal Reserve Bank's brochure touts the favorable foreign-exchange rate, based on the official rate, and a low transfer fee. "In addition, your money is safer in the bank than in your pockets or underneath the mattress," the brochure says.

Retail banks that participate in the program charge as little as \$2.50 a transfer compared with \$40 charged by some transfer services. Retail banks in the program pay the Federal Reserve 67 cents per transfer.

Most immigrants operate in a cash economy outside the formal banking system, where they have neither credit nor identity. In a post 9/11 era, bringing immigrants into the banking system -- and tracking their remittances -- is vital to security, supporters say.

Critics, however, say the Federal Reserve Bank is coddling illegal immigrants and helping them engage in capital flight. "Anything that makes it easier for people to live in this country illegally is an inducement for illegal immigration," says Ira Mehlman, a spokesman for the Federation for American Immigration Reform, an immigration-restrictionist group. "On top of that, it is draining money out of our economy."

Latin American migrants in the U.S. transferred \$53 billion to \$55 billion to their native countries last year, according to the Inter-American Development Bank. About \$20 billion went to Mexico, \$12 billion to Central America and the Dominican Republic and the rest to South American countries.

Remittances sent by Mexicans topped \$15.5 billion in the first eight months of this year, 20% higher than the amount sent during the same period in 2005, according to Mexico's central bank, and this year's annual figure is expected to hit a new record. Savings scraped together by nannies, painters and others working abroad are now Mexico's second-largest source of foreign revenue, after oil exports and ahead of tourism.

Since the Federal Reserve launched the program last year, about 150 U.S. financial institutions have enrolled. While most Mexicans continue to avoid banks, consumers using the program seem happy with it. Julian Gimenez, who works for a landscaping company in Milwaukee, for years had sent money to his wife, Catalina, in Jalisco, Mexico, through a wire-transfer company in his Latino neighborhood. Now, Mr. Gimenez uses Mitchell Bank. "It's cheaper to send the money and it arrives faster than any other place," he says.

Last month, the program was expanded to enable migrants in the U.S. to open an account for relatives to whom they plan to send money. A bank teller in the U.S. can open the account remotely on a Web site set up by Mexico's Banco del Ahorro Nacional y Servicios Financieros, the development bank known as Bansefi, which has a vast network of branches in urban and rural areas.

The beauty of the program, says Bansefi's chief executive Javier Gavito, is that the "unbanked population" on both sides of the border gets into the formal banking system. In Mexico, only half of all adults hold a bank account.

Directo a Mexico "revolutionizes the remittance market," says John Herrera, co-founder of Latino Community Credit Union, which has five branches in North Carolina and participates in the remittance program.

"U.S. banks have realized that these working-class folks are sending real money back home," says Mr. Herrera.

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