



Product Migration for the Hispanic Market: Benchmarking the Underbanked Strategies of Community Banks

June 2, 2009

Local Market Research - Basis for Segmentation

We have conducted local market studies with the Hispanic community specific to unbanked and underbanked in 10 different markets across the U.S.

Atlanta, Georgia

Dalton, Georgia

Charleston, SC

Manchester, TN

Charlotte, NC

San Antonio, TX

Forth Worth, TX

Chicago, IL

Omaha, NE

Stockton, CA

We use a proprietary "street research" survey methodology to access local Hispanic consumers and small businesses with a combination of one-on-one interviews, street surveys, ethnography, and mystery shoppers.

Execution experience in the market

- We have partnered with 5 financial institutions to implement branches to serve the unbanked & underbanked Hispanic Market
- Time in market ranges from over 6 years to less than 12 months.
- Common elements include:
 - Financial literacy and Education
 - Check cashing and other transactional services for “non-account holders”
 - Deposit accounts for Hispanic consumers with non-traditional documentation
 - ITIN application services through the IRS acceptance agent program
 - ITIN based lending products with alternative underwriting criteria
 - Lending to Hispanic small businesses

Benchmarking Objectives and Methodology

Objectives:

1. Establish performance benchmarks for each key component of the Underbanked Hispanic Retail Model.
2. Identify best practices that can be transferred to other financial institutions

Methodology:

- Analyze financial and customer metrics
- Employee Interviews
- Customer Interviews & Testimonials

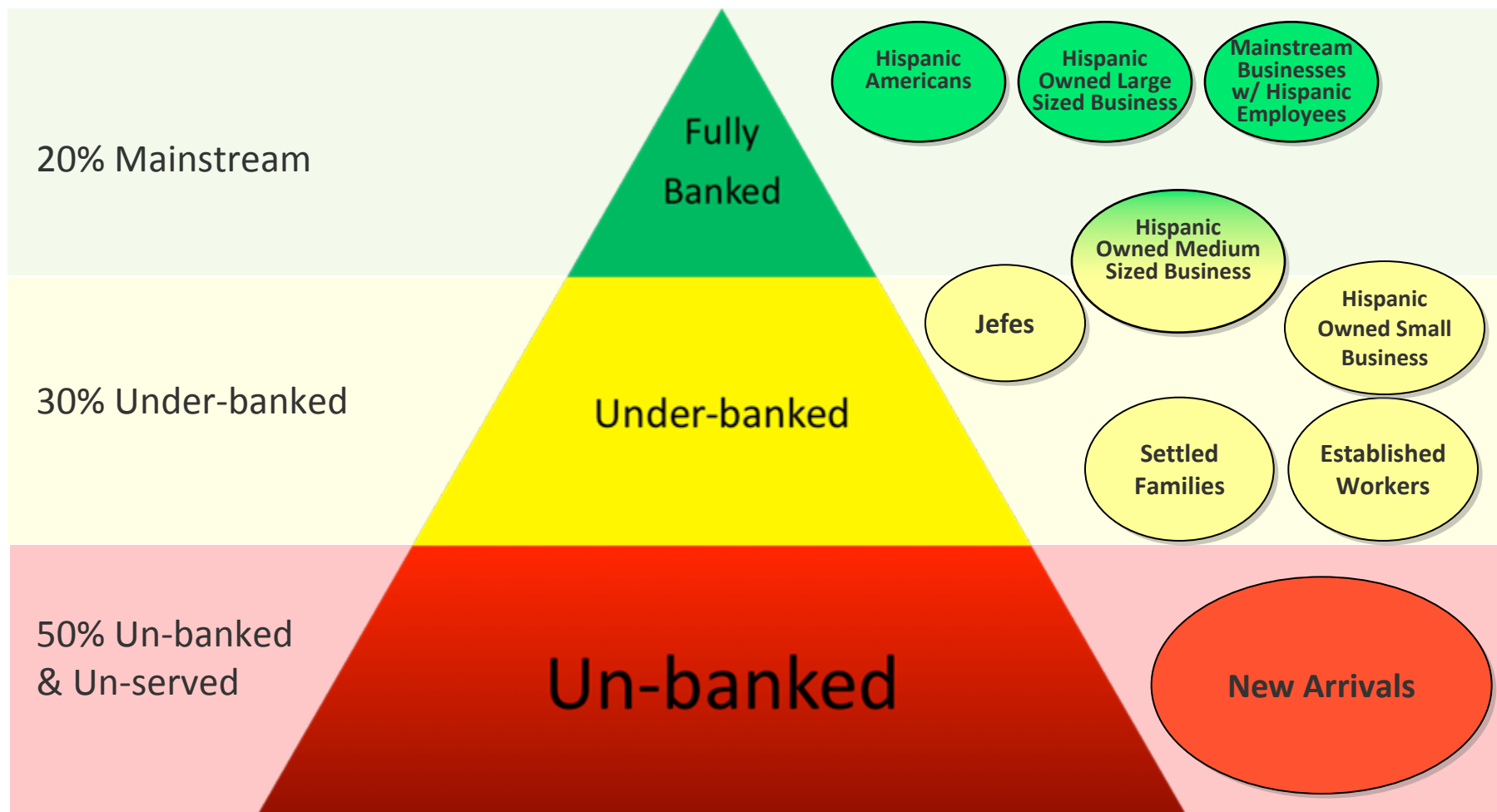
Traditional approach to the Hispanic Market

General market segmentation based on Income, Location and Assets.



NMP Hispanic Market Segmentation

We define customer segments based on common challenges, progression, and upward mobility



Key Insights: The Hispanic Immigrant Journey

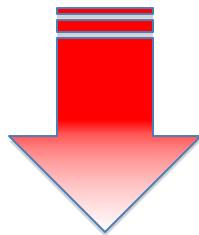
The evolution from a new arrival to a business owner



From our perspective there isn't "one" Hispanic model, or segments based on income or location. We see them more in terms of the specific challenges that come from each stage of the immigrant experience

Migration path from Unbanked to Mainstream

New Market Partners *NewPrime*SM Model



Traditional Bank Model



Benchmarking Measurements

- 1. Financial Literacy and Education**
- 2. Basic transaction access for unbanked consumers**
- 3. Migration from transactions to deposit relationship**
4. Credit-Building loans for people lacking a credit history
5. Non-traditional mortgages as a path to home ownership
6. Small and Medium Sized Business Lending to underserved minority owned businesses

1. Financial Literacy and Education

Performance Benchmarks:

- New customer acquisition for 1st time deposit accounts
- Increase in approval rates for creditworthy consumer and small business loans
- Increase in awareness and “credibility” with the Hispanic community

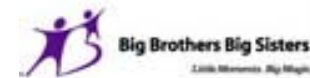


"Dia de la Mujer Latina,"



'La lucha continúa pero no seremos vencidos'

Catholic
Social
Services



- ▶ 386 financial literacy presentations, reaching more than 27,000 people
- ▶ Board members of 3 community organizations
- ▶ Participation in 125 community fairs (health, education and culture)
- ▶ Raised \$300,000.00 for children's organ transplant program
- ▶ Relationships with 40 different community organizations

1. Financial Literacy and Education

“When I came to the United States I didn’t even know what a check was. *The Bank* took me in, and accepted me. They helped me “move” my money, and taught me how to use an ATM. Nowadays I have a bank account, a credit history, and future in the U.S.”

Customer Profile:

- No previous banking experience
- Participated in financial education presentation
- Started out with a check cashing membership
- Applied for an ITIN and opened a savings account
- Approved for Credit Builder loan based on check cashing, prepaid card and savings transaction history

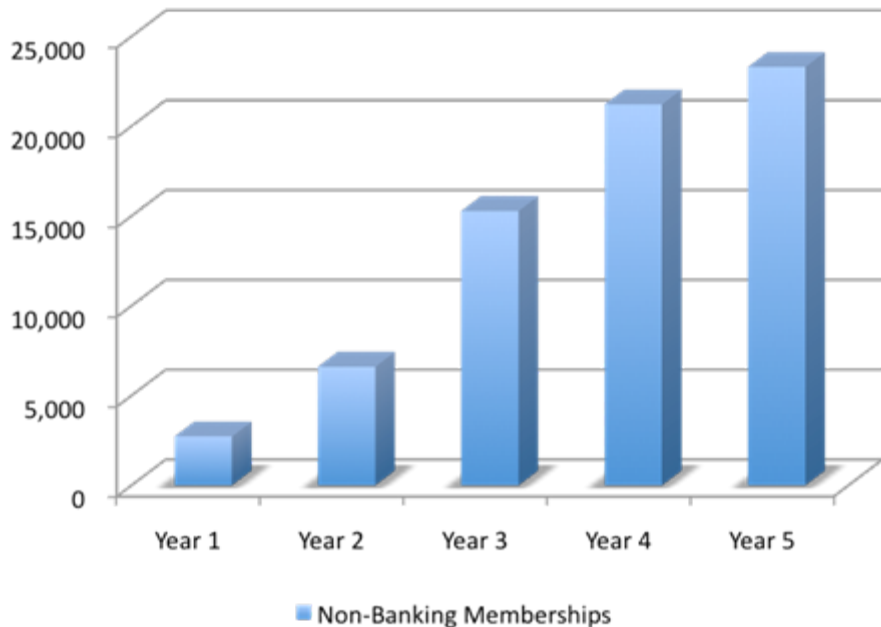


2. Transaction Access for the unbanked

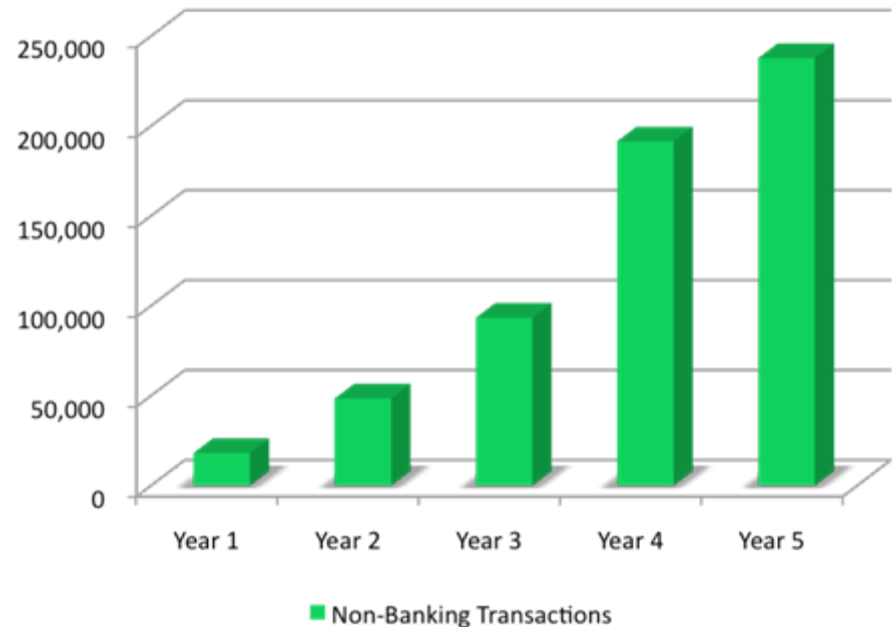
Performance Benchmarks:

- 95% of unbanked customers start with a “non-banking” memberships
- Non-banking transactions are successfully sold in the bank branch
- \$12,000 avg. per month in non-banking fee income per branch (in addition to deposit fee income)

Non-Banking Memberships



Non-Banking Transactions



2. Transaction Access for the unbanked

“At *The Bank* I feel at home. They make me feel accepted. I can cash my checks and send money to my family in Mexico using the IDs that I have, and save some money too.”

Customer Profile:

- No previous banking experience
- Less than 3 years in US
- Family in home country
- 2 ID's, including Matricula Consular
- Only uses transaction products

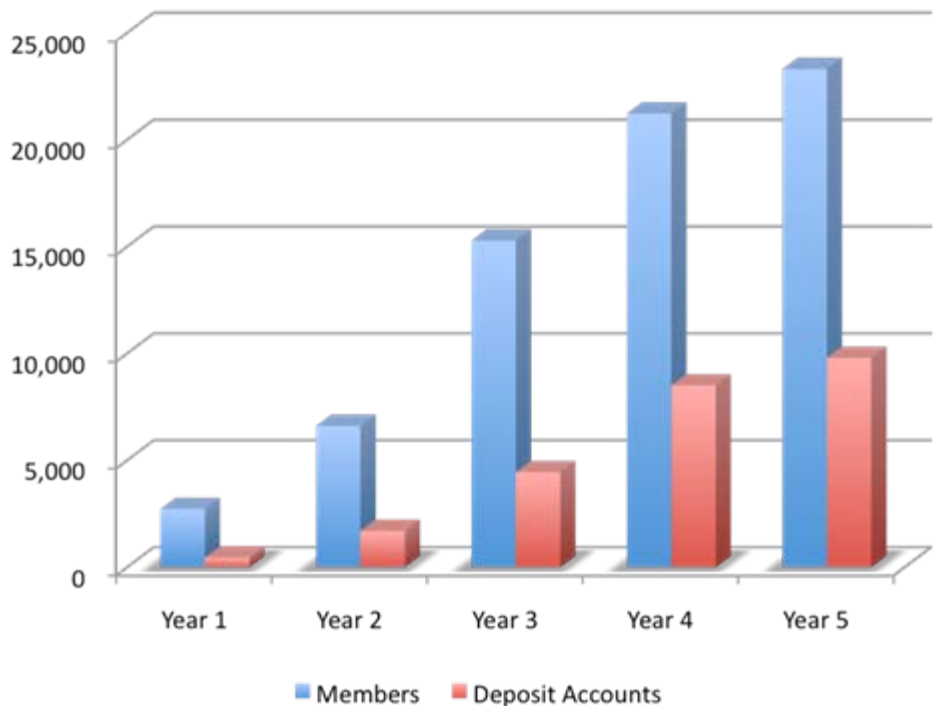


3. Migration to Deposit Accounts

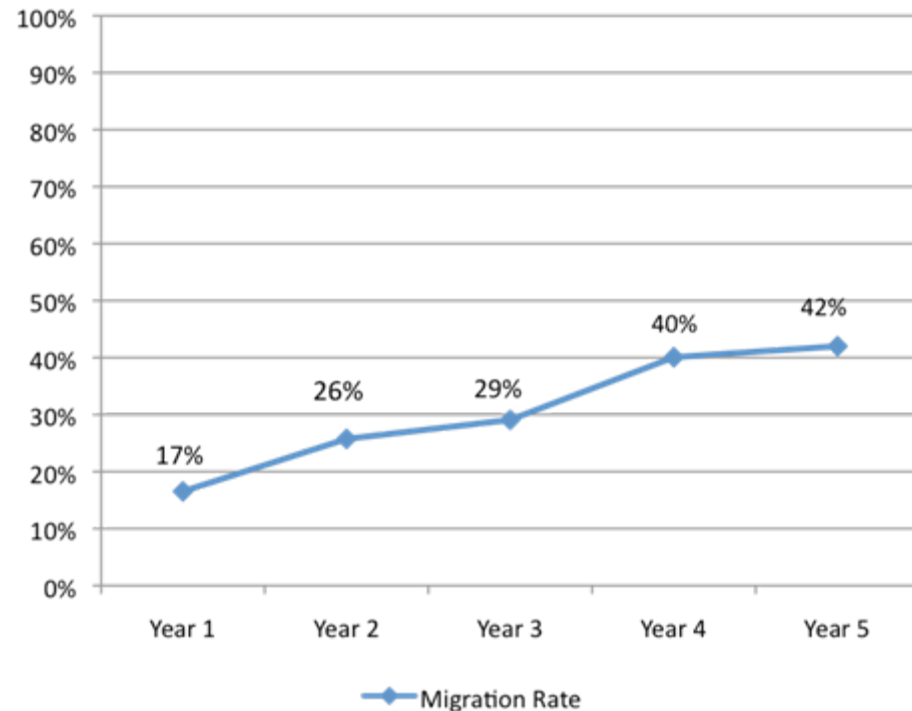
Performance Benchmarks:

- Percentage of non-banking members who migrate to a deposit account
- 42% migration rate over 5 year period
- \$16 avg. deposit fee income per month per customer (in addition to value of free deposit balances)

Members vs. Deposit Accounts



Migration Rate



4. Credit-Building lending for consumers without a credit history

“The big banks just want my money. *The Bank* helped me more with my accounts and gave me a credit card. Nobody else had given me a credit card before!...”

Customer Profile:

- 8 years in the US
- Employment and residence stability (> 6 mths)
- Previous Banking Experience
- ITIN, No SSN
- No Credit History in the US
- Family may be in US or in home country
- Uses transaction products

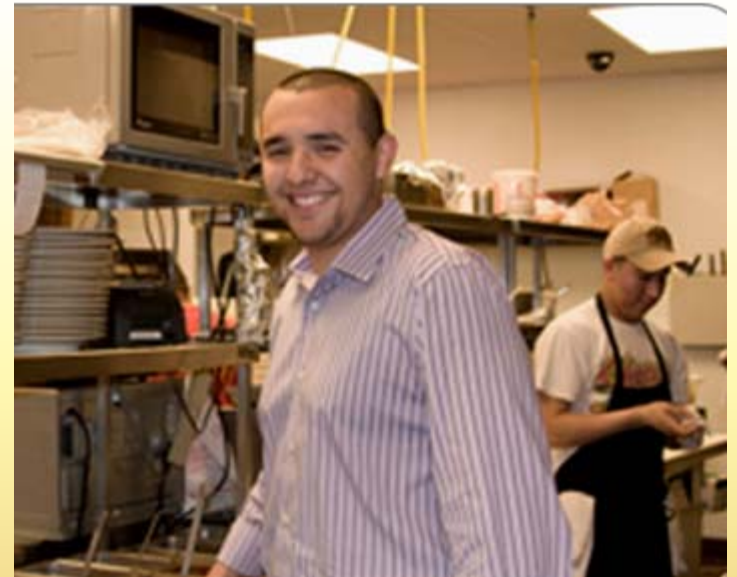


6. Small Business Lending - Retail

***“The Bank* helped us understand how to organize our business and put everything together to apply for a \$10,000 commercial loan. They guided my father and I through the process, and advised us on how to get incorporated and work with a CPA. The Bank helped us to turn our dream into a successful business.”**

Customer Profile:

- Opened bakery with one location
- Family owned and operated
- Mother and daughter work in the business
- Father was a baker in Mexico
- Immigrated to U.S. 12 years ago
- No previous commercial banking experience
- All family members have ITIN's



Key Learnings and Recommendations

1. Migration is the key to serving unbanked and underbanked Hispanic consumers and small businesses
2. Both unbanked and underbanked consumers will purchase non-banking transactions in a bank branch environment
3. Offering check cashing and other non-banking transactions can be an effective migration strategy to deposit accounts and access to credit
4. Credit access for Hispanic consumers and small businesses is an untapped market opportunity
5. Banking unbanked and underbanked Hispanic consumers and small businesses can be a profitable model

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