5 Misconceptions about Hispanics that May Hinder Member Relationships

One of the main tenants of Hispanic outreach is knowledge. Whether it's a local credit union or a national food chain, every organization hoping to increase its reach within the country's large and influential Hispanic market must first understand its target. As with every nationality present in our diverse country, understanding of Hispanic behaviors and values is subject to the influence of preconceptions and stereotypes.

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This paper addresses five of the more common misconceptions held by business leaders today – misconceptions that may be hindering progress for both Hispanics and the businesses, including credit unions, looking to serve them.

Myth #1 – All Hispanics are undocumented.

Many people are surprised to learn that of the country's more than 52 million Hispanics, most are native-born Americans, and nearly three in four are U.S. citizens. As of 2009, more than 62 percent of all Hispanics were native-born Americans. Another 11 percent of Hispanics are naturalized U.S. citizens. Hispanic children under age 18 are also more likely to have been born in the U.S., with 92 percent being native-born Americans and 93 percent being U.S. citizens.[1] Although the second generation does not yet outnumber the first, analysts expect that to change by 2040.

Nearly three fourths of the Hispanic population are U.S. citizens.

Many second-generation Hispanics consider themselves "typical Americans." This is not to say these individuals are interested in denying their heritage. In fact, it's quite the opposite. When asked which term they generally use first to describe themselves, young Hispanics show a strong preference for their family's country of origin over "American" or terms, like "Hispanic" or "Latino." This underscores the need for credit unions to acknowledge a prospective member's culture and to adapt its programs and services to the preferences of target consumers.

It's important to acknowledge the 11 million undocumented immigrants living and working in the U.S. as its own powerful target market. Of this group, about 9 million are Hispanic. Undoubtedly citizenship is a goal for the individuals of this group, and credit unions are in an ideal position to make that dream become a reality. With immigration reform promised by legislators, the industry may soon have an even greater opportunity to develop financial relationships with these goal-oriented immigrant consumers, which include immigrants from all parts of the world. The proposed path to citizenship, which is a major function of planned reform, could mean a virtual opening of the floodgates for new credit union members, particularly from among the fast-growing Hispanic community.

1 "20 FAQs about Hispanics," National Council of La Raza

Whether already a citizen or in pursuit of citizenship, a Hispanic consumer can be an influential addition to a credit union's membership base. As part of the youngest, largest, fastest-growing minority group in America today, he or she can plant the seeds of trust within the larger local community, in essence acting as one of the most important grassroots advocates a credit union can have.

Myth #2 – Hispanic foreign nationals cannot be credit union members.

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Even before immigrants become citizens, however, credit unions can – and should – serve them. It's not nearly as complicated as some may suspect, and there is even regulation in place to support it. Indeed, the Equal Credit Opportunity Act pushes for financial institutions and other organizations to "encourage members of traditionally disadvantaged groups to apply for credit, especially groups that might not normally seek credit from that creditor." Immigrants, who may carry fears about the trustworthiness of financial institutions, certainly fit this bill.

How can credit unions serve individuals without traditional identification, you may wonder. In fact, many financial institutions today – including the competitors of credit unions – accept alternative forms of identity to forge relationships with members of this powerful demographic. And in doing so, they are in full compliance with the Patriot Act and Customer Identification Program (CIP) rules as they are opening the doors to an important new consumer segment. These alternative forms of identity include the matricula consular, cedulas, passports and Individual Taxpayer Identification Numbers (ITINs).

Myth #3 – A massive Spanish translation effort could take years.

Another prevailing misconception among credit union leaders interested in adapting their programs for Hispanic consumers is that they will have to translate into Spanish every piece of communication, including forms and disclosures, in their credit union. Thankfully, this is not the case.
While the state of California and some cities, like San Antonio, have specific legislation stipulating translation requirements for consumer loans and

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leases, this is not true across the nation and doesn't mean that if you translate one document into Spanish you have to translate all.

It's important to understand that a strategic Hispanic growth plan begins by identifying the specific needs of the community and the particular target market a credit union is trying to reach. For example, not all Hispanics prefer to speak Spanish, however first-generation Hispanics are less likely to prefer English. Credit unions that ask Hispanics to adapt to them rather than adapting their own institution to the needs of Hispanics are not nearly as successful in building long-term relationships. Therefore, Spanish-language materials (or better yet bilingual materials) will only be required for those products and services deemed essential to the strategic Hispanic member growth plan.

Often, the overwhelming misconception that an institution-wide translation effort is required right off the bat can prompt credit union leaders to take an easy way out, deciding to target only English-speaking Hispanics. Considering more than half (59 percent) of the adult Hispanic population in the U.S. speaks English proficiently, this can seem like a viable approach. However, as you'll see in our next section, there is a strong interdependence between different segments of the Hispanic community. This makes limiting efforts to only English-speaking Hispanics something of a short-sighted (and potentially even harmful) strategy.

Myth #4 – Only second-generation Hispanics are open to a traditional banking relationship.

Targeting second-generation or children of Hispanic immigrants is an attractive strategy for credit union leaders who want to introduce their cooperative to the next generation of financial-service consumers. Beyond this target market's youth, older second-generation Hispanics will have higher incomes, more degrees and own more homes than their parents, making them attractive financial clients. However, they are still a very young market overall as compared to their parents, who are largely the ones earning income today.

An even more powerful draw to younger Hispanics is the idea that they may have less of their parents' fear and mistrust in financial institutions. There is a perception that this fear and mistrust is insurmountable. This can serve as a major roadblock for credit union leaders looking for buy-in from senior management to develop a growth plan.

What these leaders can learn, however, is that often the best way into the favor of young Hispanics is through their parents. Children of all ethnicities learn their financial behaviors from their moms and dads. With Hispanics, especially, family and community ties are strong, creating a desire to do business with the same organizations that treat friends and relatives well. Therefore, it follows that high-value young Hispanics will come through the credit union door much more readily if their parents have already passed through it.

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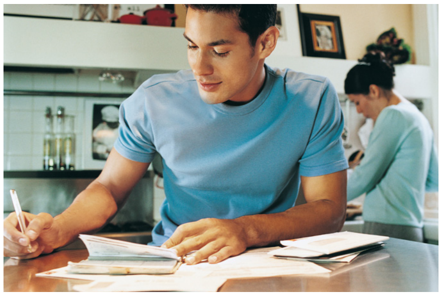
Understanding the interdependence between the generations is key to a credit union's communications and outreach plans. Whereas earning the loyalty of parents may result in the business of children, the reverse may also prove effective for some credit unions. Some Hispanic parents rely on their U.S.-born children for information and even advice where financial matters are concerned, especially as they get older. As an extreme example of this dependence, one credit union client of Coopera's tells a story about a Hispanic couple who came in to inquire about membership and brought their 7-year-old daughter along to interpret. As a young person, I had to do this many times, helping my parents fill out forms and make appointments. Keeping anecdotes like these in mind as you craft a marketing plan can help avoid any tendency to target one generation because it might seem like a simpler strategy to do so based on language preference.

Myth #5 – Hispanics only want transaction-based products.

Something we hear a lot while on the road talking with credit unions about the importance of investing in Hispanic membership growth is this: Hispanics are only interested in cashing checks and remittance transfers, which doesn't allow us to build long-term relationships.



Hispanic members were as likely or more likely to have checking accounts and loans than non-Hispanic members.

We love to hear this because it provides us the perfect opportunity to demonstrate – with data accumulated over many years of consultation with credit unions – that, in fact, long-term relationships are being built.

In 2013, Coopera's credit union clients' Hispanic members were as likely or more likely to have checking accounts and loans than non-Hispanic members. This debunks the myth that Hispanic members only use transaction-based products. Among Coopera clients, the median Hispanic checking penetration rate is 51.3 percent, which is slightly higher than the 49.9 percent median for non-Hispanics. In addition, median Hispanic loan penetration in 2013 was 34.7 percent for Hispanics versus 34.1 percent for non-Hispanics.

These rates not only indicate that Hispanic members are using checking accounts and taking out loans, they also show that the number of services per member is about the same. Number of services is generally defined as the number of loan accounts plus the number of deposit accounts. Among Coopera's credit unions, the median services per member for Hispanics is 2.2 compared with a median of 2.4 for non-Hispanic members.

Our research indicates that product penetration is increasing at a faster rate among Hispanic members as compared to non-Hispanic members. An analysis of the median annualized product and service growth rates of Hispanic and non-Hispanic members for a group of Coopera credit union clients revealed:[2]

> **Checking penetration:** The median Hispanic growth rate (5.5%) was more than three times the median growth rate (1.7%) for non-Hispanics.

> **Loan penetration:** The median growth rate for Hispanics was 4 percent, higher than the median growth rate for non-Hispanics of 3.4 percent.

> **Services per member:** The median growth rate was 1.5 percent for the Hispanic segment. This is almost twice the median growth rate (0.8%) of the non-Hispanic segment.

2 2013 Coopera Research. *Note: Growth rates were calculated for credit unions from the time their first Coopera assessment was completed until their most recent assessment. The product and service growth rates represent median annualized growth rates.*

To grow, both organically and within new consumer segments, credit unions must make a strategic effort to overcome misconceptions.

In Conclusion...

Credit unions know their members arguably better than any other financial institution competing for lifelong relationships with today's consumers. Yet, the consumer profile is in constant flux, and right now, the influence of Hispanic culture is having a real impact on traditional marketing methods. To grow, both organically and within new consumer segments, credit unions must make a strategic effort to overcome misconceptions, dig deep into the data and understand how a relationship with their local Hispanic communities can create a bona fide win-win.