

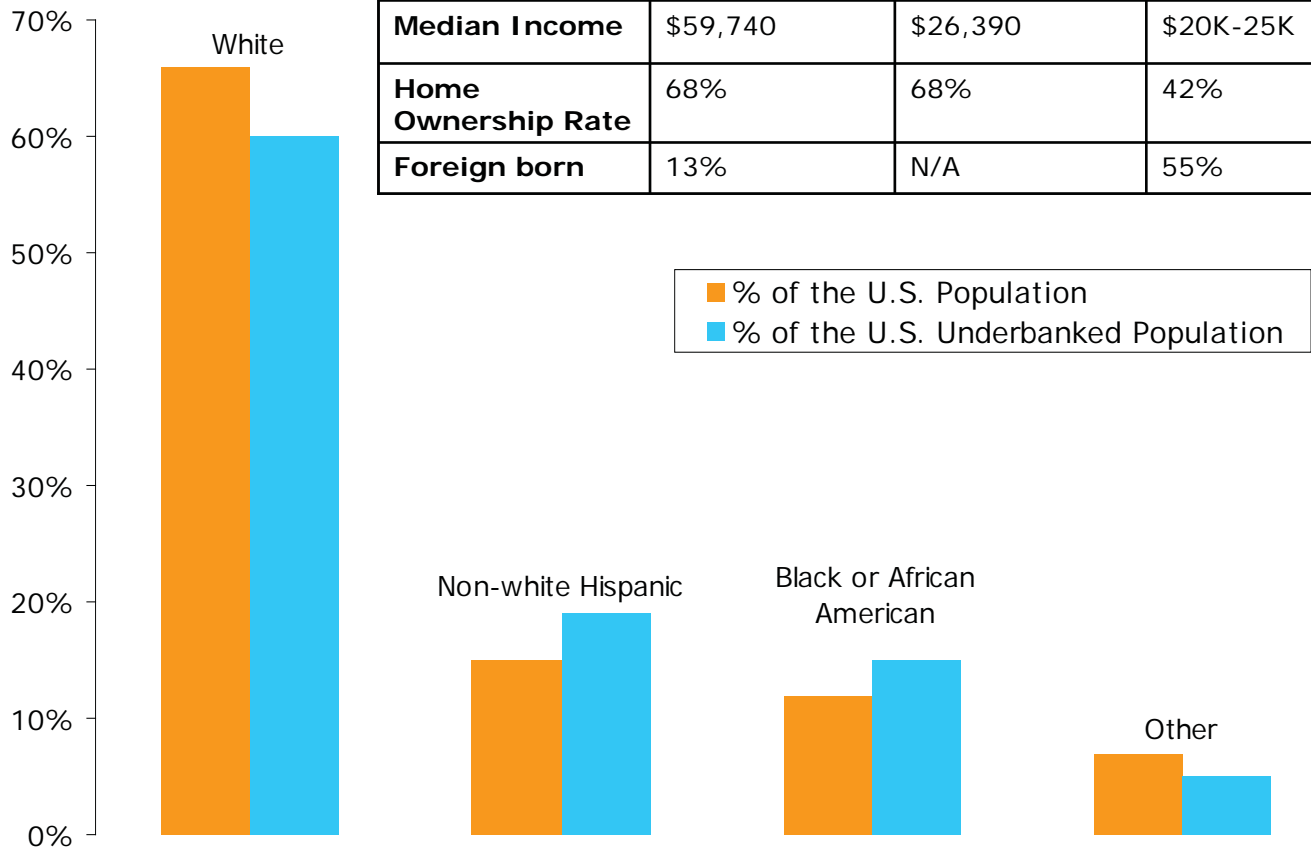
A CFSI inBrief on the Underbanked Consumer Study Characteristics of Latino Un- and Underbanked Consumers

This CFSI inBrief analyses the financial attitudes and behaviors of the 20.6 million Latino underbanked consumers in the U.S. These consumers represent 47% of the 44M Latinos in the U.S. The following information draws from the 2008 CFSI Underbanked Consumer Study, and the U.S. Census Website.

While Latino consumers report some preferences and behaviors in common with all underbanked consumers, there are many instances in which they differ. Some of these differences likely reflect cultural and language issues. In addition, there is significant variation in the attitudes and behavior between foreign-born Latinos and those born in the U.S. Roughly half of Latino underbanked consumers are foreign born, the majority of whom moved to the U.S. in the last 20 years. Relative to the broader underbanked population, differences in the attitudes and behaviors of Foreign Born Latino consumers is more pronounced.

Latinos represent a larger share of the underbanked population than of the total U.S. population.

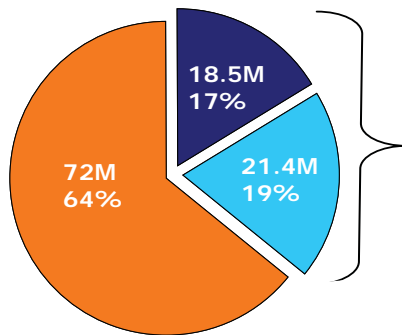
	U.S. Population	Underbanked Population	Latino Underbanked Population
Median Age	36	36.7	25-34
Median Income	\$59,740	\$26,390	\$20K-25K
Home Ownership Rate	68%	68%	42%
Foreign born	13%	N/A	55%



Latino consumers are more likely to be unbanked versus underbanked, especially if they were born outside of the U.S. They are also more likely to prefer cash as their main method of payment.

“Underbanked” consumers are identified as those that have a current checking account and/or current savings account and who have made one or more non-bank financial transactions in the past 30 days. In contrast, “unbanked” consumers are those who have no current checking account and no current savings account. The unbanked are more likely to prefer cash as their main method of payment.

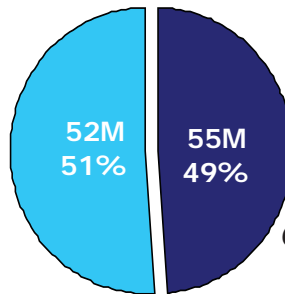
U.S. Households
40M are financially underserved



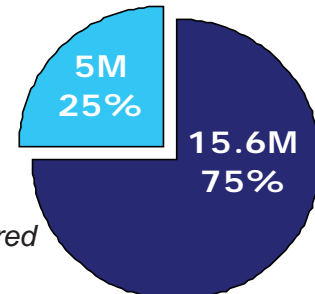
Legend: Underbanked (light blue), Unbanked (dark blue), Banked (orange)

Data on Un- and Underbanked Individuals

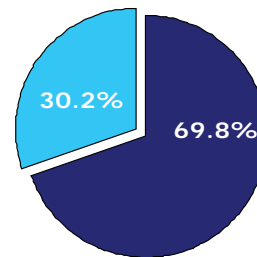
All Un- and Underbanked Individuals



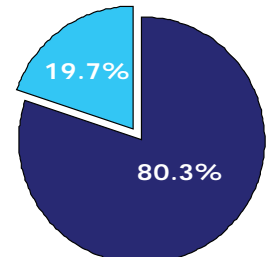
All Un- and Underbanked Latino Individuals, 20.6M



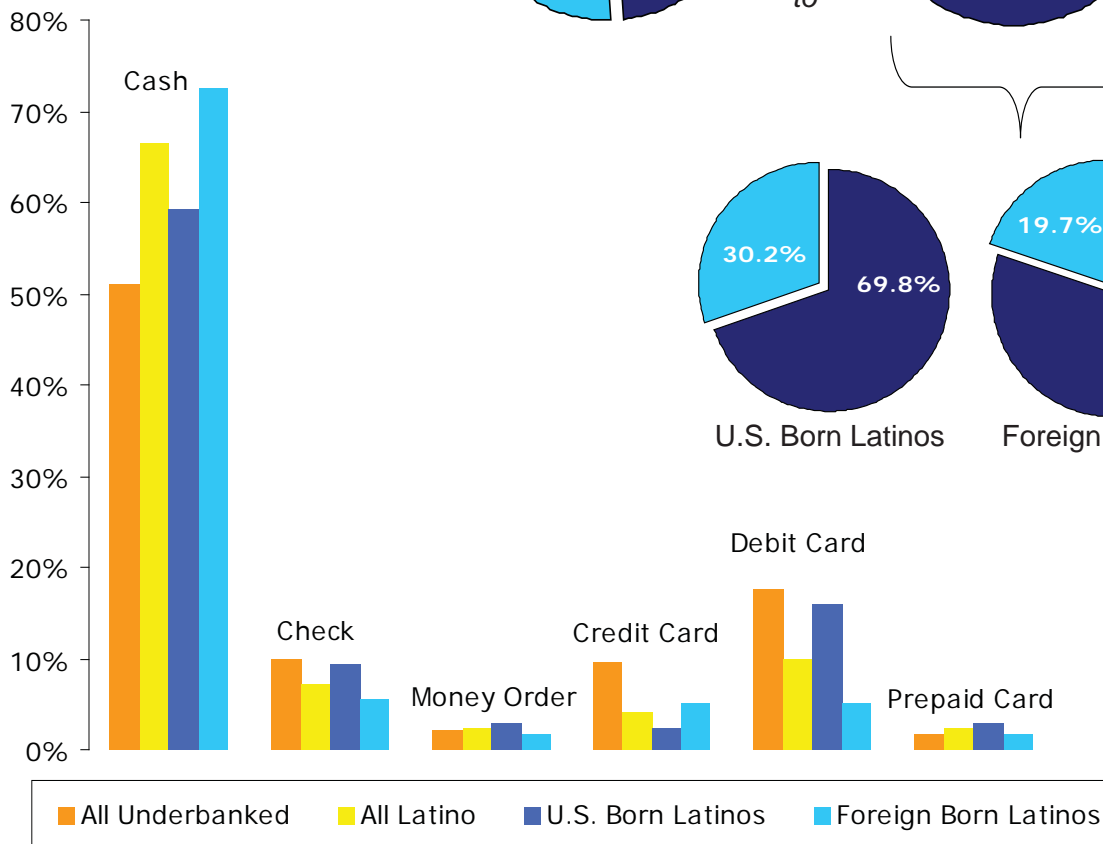
Compared to



U.S. Born Latinos

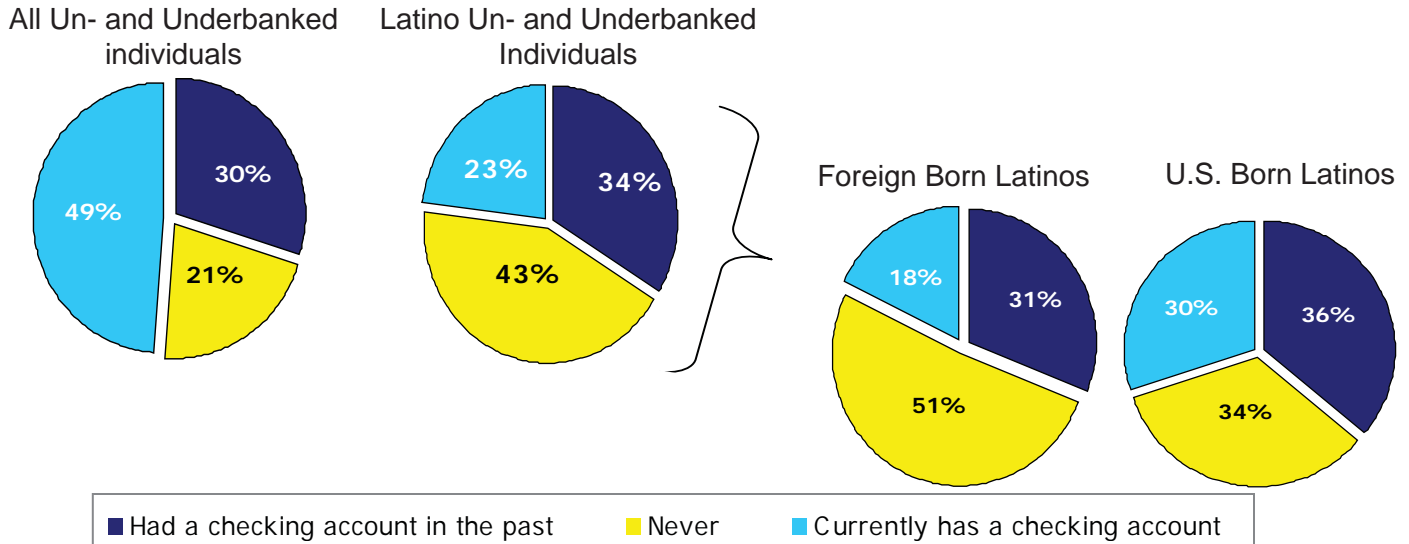


Foreign Born Latinos

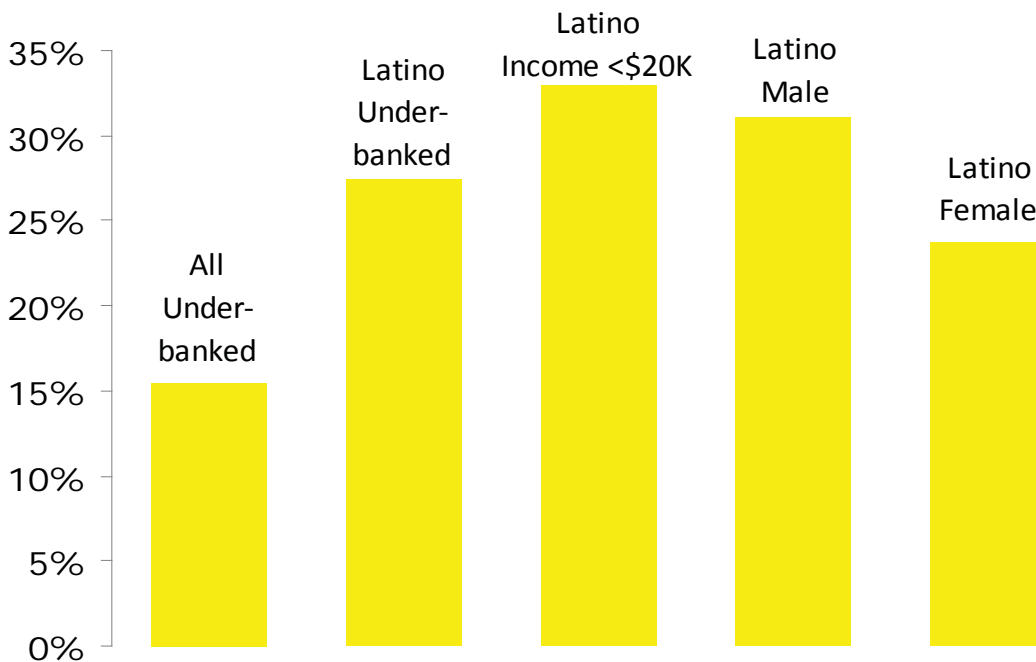


Latino consumers are less likely to have ever had a checking account or visited a bank branch.

A greater percentage of Latino consumers are unbanked, have never had an account or never visited a bank or credit union compared to the larger underbanked population. However, two thirds of Latino consumers who have visited a bank or credit union in the past rated it as a “pleasant” or “very pleasant” experience. This indicates that there may be opportunities for banks or credit unions to increase usage of their services if they can successfully invite Latinos into the branch.



Percentage reporting never visited a bank or credit union

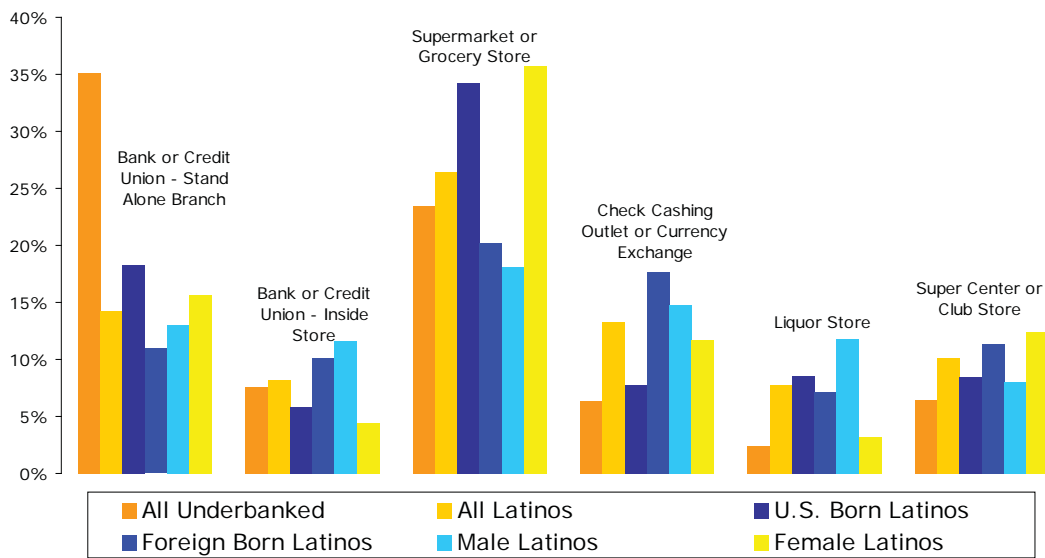


Latino consumers choose different locations and methods of conducting their financial transactions than the general underbanked population.

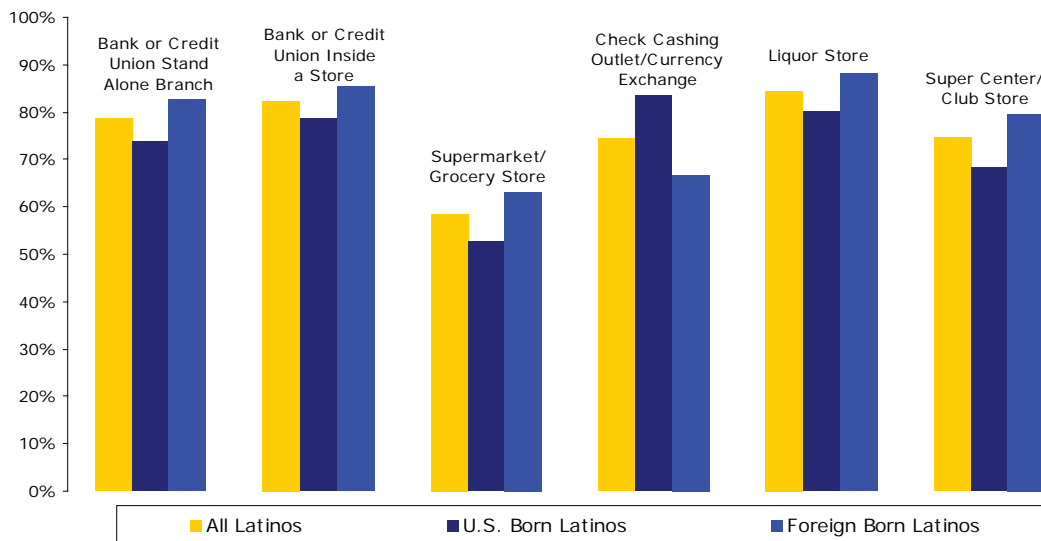
Grocery stores and supermarkets rated highest as the preferred place to conduct financial transactions by underbanked Latino consumers.

42% of Latino consumers had used the grocery store for a financial transaction at least once in the last 30 days, as compared to about 15% - 25% for the remaining categories, including superstores/club centers and a bank branch in a store. Therefore, partnerships with grocery stores and supermarkets in Latino communities may be an opportunity for banks and credit unions looking to penetrate this market.

Percentage reporting location preference for financial transactions



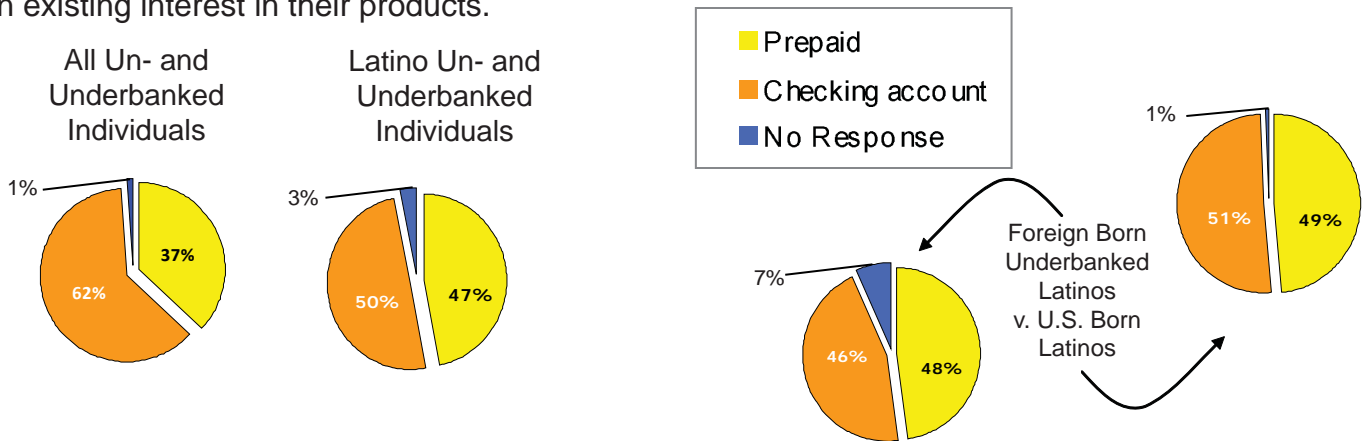
Percentage reporting zero financial transactions by location type



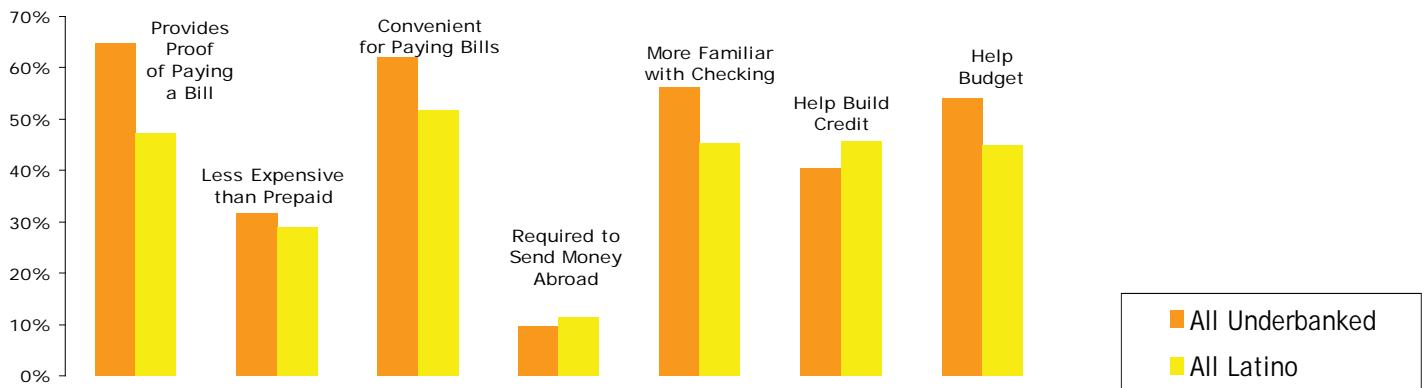
* Represent the six most popular locations.

A greater proportion of Latino consumers express a preference for prepaid cards versus checking accounts, relative to all underbanked consumers.

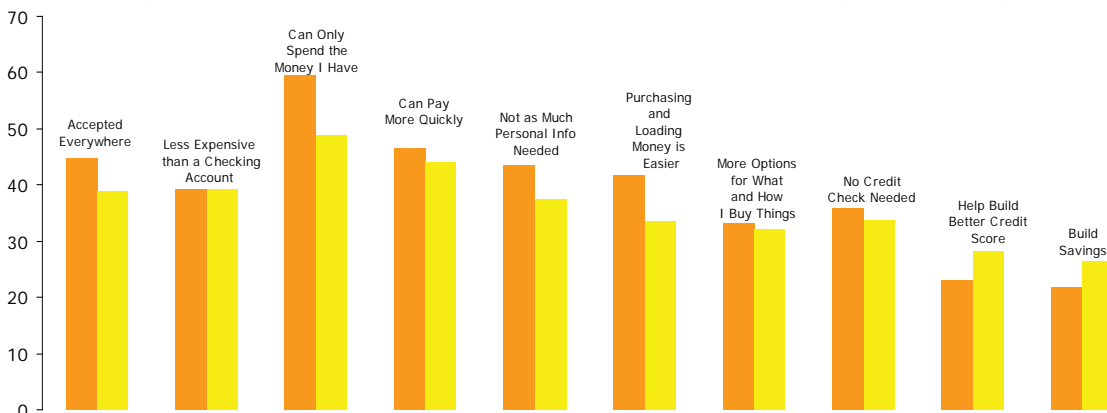
Although rates of use are not significantly higher than those among the general population, a greater percentage of Latinos indicated a preference for a prepaid card to a checking account if the cost of these alternatives were equal. As such, the Latino community may represent an opportunity to expand prepaid usage. Latino-focused marketing, in conjunction with education about the costs of using prepaid cards and other low-fee card products, could help prepaid card providers to capitalize on existing interest in their products.



Percentage reporting reason they would prefer using a checking account to using a prepaid card



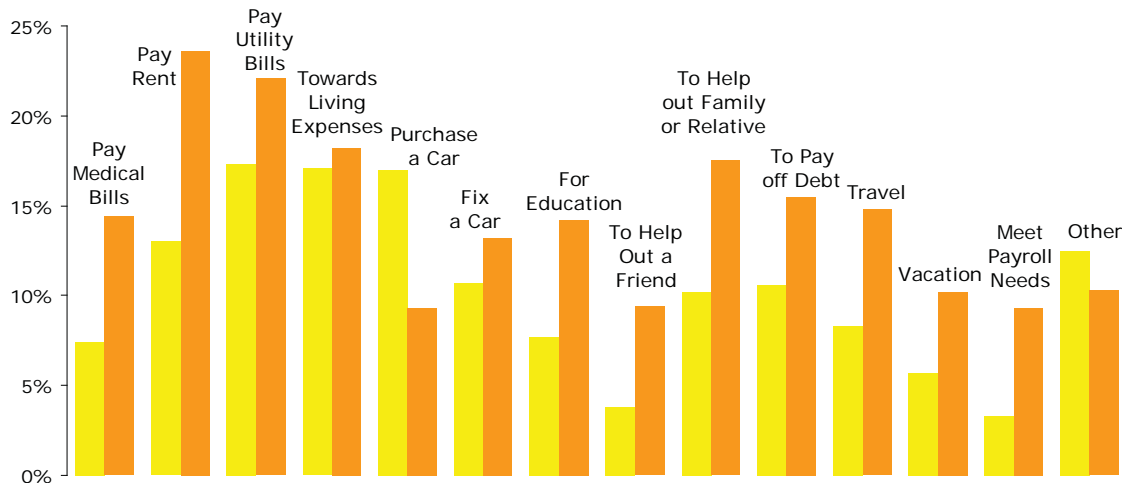
Percentage reporting reason they would prefer a prepaid card to using a checking account



While Latino underbanked consumers borrow at similar rates to all underbanked consumers, they borrow for different purposes and from different sources.

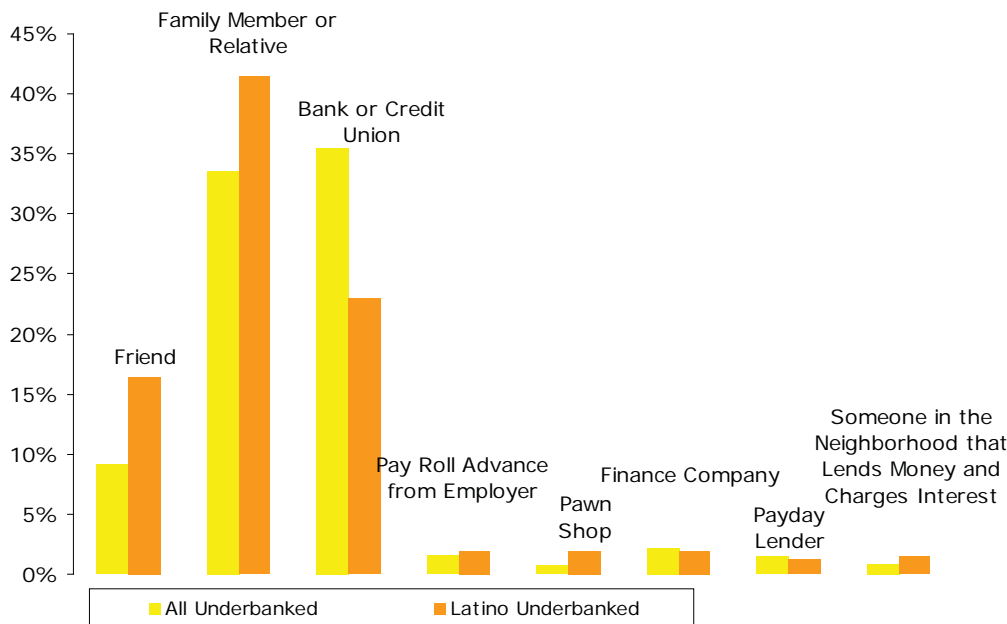
Rates of credit use were no different from the total underbanked population: about 25% of Latino underbanked consumers reported that they had borrowed in the last 12 months. However, Latinos frequently cited family and friends as either the reason for borrowing or the source of the loan, and banks were used by much lower rates in comparison to the overall underbanked population. Further, payday loans held very little appeal for Latino borrowers. Person-to-person lenders could consider ways to help Latinos translate their existing behavior into credit building practices.

Reason for borrowing in the last 12 months



Not included – limited difference between All Underbanked and Latino Underbanked: For furniture purchase (4%), For home repairs (10%), To invest in a new/existing business (6%), To avoid bankruptcy (1%).

Source for funds borrowed in the last 12 months



Methodology:

A national study of 2,799 underbanked adults 18+ by phone and mail

- Non-Hispanic/Hispanic
- A broad age sample

Weighted back to U.S. population proportionally

- All US Households: 112 million
- Underbanked US Households: 21.6 million
- Unbanked US Households: 18.5 million

Segments were identified, including:

- Market segment size
- Propensity for financial products
- Desired marketing and communication approaches

About CFSI

The Center for Financial Services Innovation (CFSI), a nonprofit affiliate of ShoreBank Corporation, facilitates financial services industry efforts to serve underbanked consumers across the economic, geographic, and cultural spectrum. It provides funding and resources, enables partnerships, and identifies, develops, and distributes authoritative information on how to respond to the needs of the underbanked profitably and responsibly. CFSI works with banks, credit unions, technology vendors, alternative service providers, consumer advocates, and policy makers to forge pioneering relationships, products, and strategies that will transform industry practice and the lives of underbanked consumers. For more on CFSI, go to www.cfsinnovation.com.

ShoreBank is America's first and leading community development and environmental banking corporation. For more on ShoreBank, go to www.shorebankcorp.com.

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