

Small Dollar Loans and Remittances as Entry Points for Reaching Underserved Markets

James P. Maloney
Chairman, Mitchell Bank

Small Dollar Loan Pilot

- Nature of FDIC Pilot
- FDIC Guidelines-- everything you need to know
- Why encouraged by FDIC?
- Why do you want to do it?
- Profitability?? Risk/Reward

Standard Terms of Small Dollar Loans

- Closed End Term Loans
- Breaking the Cycle of Multiple Renewals and Rollovers
- Traditional Credit Scoring vs. Payday Lender Data
- No credit score
- Savings Component
- Financial Education i.e. budgeting and “suitability”

Regulatory Issues and CRA

- State Consumer Protection Laws
- Subprime Interagency Guidance/FDIC
- CRA consideration and promise

New Americans Loan

- Entry point for small dollar loan product
- Collateral is “citizenship desire”
- Fees increased in July 2007
- Next step- fines, back taxes, visa applications; touch back expenses

REMITTANCES

- Banks are not thought of by immigrants as providers of remittance services—creative marketing required
- 8 out of every 10 Mexican migrants regularly remit
- Appleseed Guide- a comprehensive hand-on approach to setting up remittance services

1st Question: What's in it for me?

- Why offer remittance services
- Existing customers—trust; loyalty; get all their business
- Non-customers—how get them to walk in?
- Profitable or lost leader?
- Does it work as leverage

CUSTOMER vs. NONCUSTOMER

- Have to target non customers in non-threatening way
- ID—mimic current providers
- No full CIP until account opening but enough for meaningful OFAC check
- Cross border transfers are not “accounts” w/in Patriot Act-flexibility
- Incent them to become customers

UNDOCUMENTED ISSUE

- Immigration status is not relevant to providing remittance services
- Social Security number is not required
- Can accept foreign government issued IDs
- Recent arrivals are most likely to remit
- Don't get caught up in the politics

PRE-TRANSACTION TRANSPARENCY

- Foreign exchange rates; currency conversion fees
- Up front fees for service
- Back end or pick up charges
- Comparison shopping
- Financially literate and knowledgeable

MITCHELL BANK

Exchange rates are current as of April 23, 2007 at 9:00a.m..

Description					\$100 Transfer Transfer fee included	\$300 Transfer Transfer fee included	\$500 Transfer Transfer fee included	\$1000 Transfer Transfer fee included
Type of service	Transfer fee \$25-\$2500	Exchange rate (pesos)	Available for pick-up	Pick-up fee	Pesos to be received	Pesos to be received	Pesos to be received	Pesos to be received
Directo a Mexico	\$2.50 *	10.95	Next business day	0	1067.63	3257.63	5447.63	10922.63
Envios Mi Gente	\$6 *	10.85	Same day	0	1019.90	3189.90	5359.90	10784.90
Viamericas	\$10 **	10.81	One hour	0	972.90	3134.90	5296.90	10701.90

* The transfer fee mentioned applies to Mitchell Bank customers.

Persons who are not Mitchell Bank customers will be subject to a different transfer fee. For the Directo A México service, the exchange rate listed is today's rate, the actual rate will be set the next business day by the Banco de México. It is guaranteed to be .21 over the Banco de México foreign exchange rate.

** The Viamericas transfer fee may be slightly higher based on the receiving network and the fee may be higher for remittances over \$1000.

The above disclosure is given as an illustration only and solely for purposes of comparing probable costs. It is not a guaranty that the recipient will receive the pesos listed. For more information please contact a Customer Service Representative at (414) 645-0600.

5 REMITTANCE PRODUCTS

- International Transfer Account/
Dual ATM/Debit card account;
- Prepaid Cards;
- Directo á México, ---FedACH
International Service;
- Sales Orbit/ ---Envios Mi Gente
- Viamericas.

Directo a Mexico—FedACH i.e. “Mas Pesos”

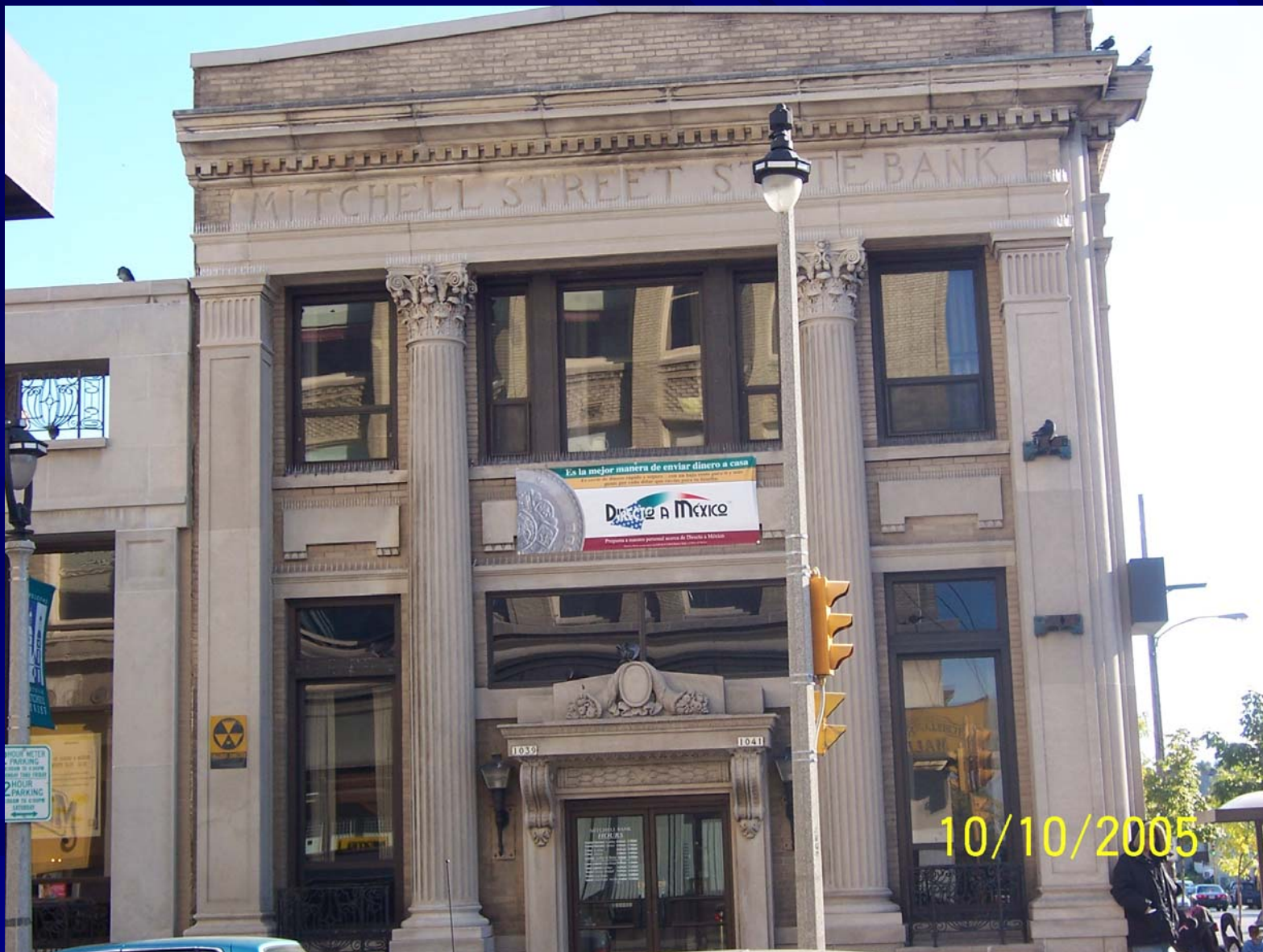
- Very best in terms of cost and transparency
- Fixed cost on sender side--\$2.50 regardless of amount sent. First 2 are free. FX rate on internet
- No cost or fees on receiving end.
- Next day delivery
- Best fx rate: the best interbank rate less .21%—posted in lobby vs. other daily rates

Directo a Mexico

- Only to Mexico; Available to non customer
- Need a bank account on receiving end.
- Bansefi web site -- the BAR and pre-opening of accounts
- Funds returned if account opening not completed
- Can open an account in Mexico and send remittance all at the same time –fast and reliable

Marketing ---Remittance Center

- Dedicated area in bank lobby for remitting
- Multiple product availability-something for everyone
- Overcome perception that banks are not remitters
- Banners on outside of building
- Posters through out the bank
- Post exchange rates in the bank



March 31, 2008

2008 National Interagency CRA
Conference





March 31, 2008

2008 National Interagency CRA
Conference

18



OTROS SEVICIOS DE
ENVÍO

Tipo De Cambio

\$10.98

\$10.76

Pesos Mexicanos Por Cada Dólar Americano

El 24 de Abril del 2007

A partir de

2:30 p.m.

Penalty may be imposed for early withdrawals.

Please see Customer Service for further details.

Member FDIC

01/01/2004

March 31, 2008

Se un buen hijo,
envia dinero a Mamá



DIRECTO A MÉXICO

Es la mejor manera de
enviar dinero a casa.



Directo a Mexico es una marca registrada del Federal Reserve Bank y el Banco de Mexico
Miembro FDIC