Banking the Unbanked

The Wells Fargo Approach

Susan Rico
Senior Vice President
Global Correspondent Banking
Wells Fargo Bank, N.A.
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According to Federal Reserve Statistics, 22% of low income US families are unbanked – about 22 million people.

It is estimated that approximately 60% of Latinos are unbanked.

The unbanked purchase a variety of financial products, but not from banks:

- Check Cashing Services
- Family Remittances
- Money Orders
- Payday Loans
- Bill Payments through Payment Agents
- Consumer Loans (through furniture stores and other outlets)
- Pawn Shops
Wells Fargo’s Approach

- Strategies established by each market based upon the characteristics and needs of the community
- Corporate support through Diverse Growth Segments
- Tailor delivery of products and services in a culturally adequate manner for the community being served (i.e. provide Spanish speaking customer service and product literature in areas with high Latino populations).
- Provide financial literacy programs: Hands On Banking
- Utilize remittance products as a tool to bring the customer into the store
Challenges in Banking the Unbanked

- Lack of proper forms of identification – markets with large undocumented worker populations may face this issue. Wells Fargo and many banks now accept “Matricula Consular” cards as ID.
- Unbanked consumer may feel intimidated about coming into a bank setting
- Lack of Credit History
- Previously banked consumers may have poor account histories preventing them from re-establishing a bank account
Tools for Reaching the Unbanked

- Profiling at the Teller Line
- Membership Banking Rallies
- Financial Literacy Programs: Hands On Banking
- Community Development – Partnerships with local Non-Profit Organizations
Membership Banking

- Program offered to businesses with five or more employees that pay employees through direct deposit
- No cost to business
- Provides package of discounted services to employees of the business
- Used as a tool to bring in new consumer accounts
- In many areas Membership Banking rallies at businesses are combined with financial literacy programs in order to bring the unbanked customer into the bank
- Target customers for Membership Banking range in size from small business such as fast food restaurant franchises to large institutions such as universities and local government entities
Money skills you need for life
Hands on Banking®

Técnicas financieras para toda la vida
El futuro en tus manos®
Hands On Banking

- Financial Literacy Program designed to teach money skills to four age groups: Kids, Teens, Young Adults and Adults. Program in English or Spanish
- Free to the public through CD-ROM or websites:
  - www.handsonbanking.org
  - www.elfuturoentusmanos.org
- Topics include
  - Budgeting
  - The importance of saving
  - Bank accounts and services
  - Borrowing money
  - Establishing Credit
  - Investing
- Provides resources for educators so that they can deliver the program in a classroom or group setting
Products Sold to Unbanked and Underbanked

- Free Checking
- Free Online Banking – low cost bill payment service
- Debit Card
- Savings Account
- Opportunity Checking
- Secured Card
- Community Development Mortgage Program
- Individual Development Account Program
- ExpressSend (Remittance product)
Wells Fargo Opportunity Package

- Designed for customers who have been unable to open a checking account due to their prior credit or banking history.

- Package includes an Opportunity Checking account plus 3 or more qualifying accounts/services which can include Online Banking with Bill Pay, a Check Card, an Opportunity Savings account or the Wells Fargo ExpressSend (remittance service).

- Service Fee: $8.00 per month. No fee will apply if the customer has the complete package and meets one of the following: maintains a minimum daily balance of $1,000 or has Qualifying Direct Deposit (i.e. payroll, pension, SS or other regular monthly income of $100 per month deposited electronically in the account) or has a $25.00 monthly automatic transfer from Opportunity Checking to Opportunity Savings.

- Minimum deposit to open: $100.00
Wells Fargo Secured Card

- Target Market: Persons with no credit history or that have been turned down for credit.
- Cash collateralized credit card product from $300 – $10,000 limit
- Customer establishes a collateral account equal to the amount of the line of credit
- Customer must make monthly payments of P & I as with any other card
- After 12 months, based on the account history, customer may be “graduated” to an unsecured card and get back the amount deposited into the collateral account (note: must have SS# to qualify for graduation).
- Eligibility requirements include not to have declared bankruptcy in the past 12 months and no unsettled liens.
Community Development Programs

- **Community Development Mortgage Program**
  - Program designed to meet the needs of low to moderate income borrowers
  - 15 and 30 year fixed rate mortgages
  - Borrower’s income may not exceed 80% of the median family income for the county or Metropolitan Statistical Area
  - Underwriting is more lenient: expanded debt ratios, lower down payments, higher LTVs, no mortgage insurance required
  - Program includes homebuyer education

- **Individual Development Account Program**
  - Offered through partnerships with Non-Profit Groups
  - Savings program for specific goals (i.e. down payment for home) with matching provided when goal is met
  - Combined with financial literacy program
Wells Fargo customers now have more choices in how they transfer money to Mexico, El Salvador, Guatemala, China, Vietnam, India, and the Philippines.

With Wells Fargo ExpressSend Service, beneficiaries can easily access their money - either deposited into an account at the receiving bank; or designated for cash pick up in the foreign country.

The transfer fee is competitive and with our special offer on some of our checking packages, customers may have such fee discounted or waived.
Wells Fargo ExpressSend Service

- Card To Card
- Account to Card
- Account to Account
- Account to Cash
- Cash to Cash
Key Results - Remittances

- High product cross sell
- High average remittance value
- Increased household acquisition
- Loyalty effect -> Referral & retention
- Long term relationships
- Expansion into other products
Remittances: Key challenges faced by banks

- Limited consumer awareness on bank’s focus on remittances
  - Mass market self-programmed to use non-bank channels for cash based remittances

- Lack of a common bank consumer remittance product offer
  - Card based, account based, and cash based solutions

- Distribution network for banks is primarily limited to bank branches
  - Non-banks have larger and at times more convenient (language, location and operating times) networks

- Remittance recipient in Latin America and Asia is often an unbanked consumer
Remittances: Key bank environment issues

- Bank should be a diversity-focused company

- Bank branches must be focused and aligned (product awareness)
  - Cultural references, language capability, product knowledge, understanding of remittances vs. wires, appropriate sales incentives

- Other key bank channels must be integrated to the product to effectively serve the segment

- Enterprise wide product focus
  - Other key product groups must be integrated, focused and fully engaged in customer segment cross-sell and segment specific product development/product packaging

- Financial Education
## Wells Fargo ExpressSend Service

<table>
<thead>
<tr>
<th>Country</th>
<th>Remittance Network Members</th>
<th>Number of Locations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mexico</td>
<td><strong>BBVA Bancomer</strong>, <strong>Banorte</strong>, <strong>HSBC</strong></td>
<td>1,700+ Branches 4,700+ ATMs 950+ Branches 3,150+ ATMs 1,400+ Branches 5,500+ ATMs</td>
</tr>
<tr>
<td>El Salvador</td>
<td><strong>Banco Agricola</strong></td>
<td>60+ Branches 300+ ATMs</td>
</tr>
<tr>
<td>Guatemala</td>
<td><strong>Banco Industrial</strong>, <strong>Banrural</strong></td>
<td>340 Branches 1,150+ ATMs 400 Branches 1,100+ ATMs</td>
</tr>
<tr>
<td>India</td>
<td><strong>ICICI Bank</strong></td>
<td>650+ Branches 3,000+ ATMs</td>
</tr>
<tr>
<td>Vietnam</td>
<td><strong>Industrial and Commercial Bank of Vietnam</strong></td>
<td>700+ Branches 400+ ATMs</td>
</tr>
<tr>
<td>China</td>
<td><strong>农业银行</strong></td>
<td>25,000+ Branches 15,000+ ATMs</td>
</tr>
<tr>
<td>Philippines</td>
<td><strong>BANK OF THE PHILIPPINE ISLANDS</strong></td>
<td>700 Branches 1,300 ATMs</td>
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Balang Araw, May Doctor, Architect O Teacher Na Ang Pamilya

Ngayong araw
magpadala ng pera sa mga mahal mo sa Pilipinas with the Wells Fargo® ExpressSend™ Service

- Sobrang malawak, convenient at economical
- Kwento sa mga plano flat transaction fee lang
- Maaaring pick-up ng mga beneficiaries ang pera sa cash or account deposit sa kahit na BPI of the Philippines accounts

Ang transaction fee ay discounted or even waived with a Wells Fargo Chedung Package***

Makipag-usap sa iyong Wells Fargo banker ngayong araw!

Someday, A Doctor, An Architect Or A Teacher In The Family

Today use the Wells Fargo® ExpressSend™ Service to send money to your loved ones in the Philippines

- An economical, convenient and desensitizable service
- One low flat transaction fee
- The beneficiaries can pick up cash or have money deposited directly into their bank of the Philippines accounts

Transaction fee is discounted or even waived with a Wells Fargo Checking Package***

Talk to a Wells Fargo banker today!

BANK OF THE PHILIPPINE ISLANDS