

Banks should follow fintech's example to bridge the Latino banking divide

Article

The opportunity: As Latinos' wealth rises alongside their presence in the workforce and rate of business ownership, it's crucial that financial institutions (FIs) ensure this community can

access the financial system.

- About 10% of Hispanic households are still unbanked in the US, per the FDIC.
- Less than 50% of Latino immigrants have bank accounts.
- But Hispanic and Latina women report feeling more confident than ever investing their money and may be receptive to outreach and educational efforts.

Locked out of banking: Steep barriers to entry at traditional banks has prevented Latinos from fully participating in the US economy.

- Discrimination has deterred underserved groups like Latinos from opening bank accounts.
- Black and Hispanic consumers pay higher bank fees than white consumers.
- Many Hispanics face language barriers, and surprisingly few FIs have adapted their products and services for Spanish speakers.
- More than 20% of unbanked households can't meet the minimum balance requirements many banks enforce.

Why fintech? Ninety-two percent of Hispanics use fintechs—the highest proportion of any demographic in the US.

- Fintechs often offer Spanish-language apps, which help improve their clientele's financial literacy.
- Lower fees and small-dollar fintech loans appeal to customers building their credit, a common barrier Latinos face.
- And Square has conducted targeted Spanish-language marketing campaigns to make inroads into this demographic.

Exclusion leaves money on the table: Inclusion isn't just a trend—it's a good business decision. Tapping underserved markets presents an opportunity for meaningful expansion.

- 17% of the US population identifies as Latino, but they make up just 13% of banks' loan applicants.
- Hispanic-owned businesses generate more than \$800 billion every year.
- In 2021, Latino purchasing power grew over two times faster than other groups in the US.

Overrepresentation in crypto: Almost one-quarter of cryptocurrency owners identify as Hispanic.

- Many minority investors were attracted to crypto as a path to building wealth after hitting barriers at traditional institutions.
- But crypto skepticism has grown among those investors after crypto scams targeted minorities like Latinos.

Removing the hurdles: While fintechs have more overtly tailored their products and services to Latinos, there's still a lot of room for FIs to build meaningful relationships with this community.

- Financial literacy resources are a pressing need for diverse clients, per an **Edward Jones** study. Ensuring these resources are bilingual will be key to assisting Latinos.
- Latino Community Credit Union is making waves by serving low-income customers, particularly people of color—through impact investing, bilingual services, and flexible lending practices.
- FIs also need to address the Latino community's concerns about data security, and privacy through transparency to rebuild its trust.

Key takeaways: The Latino community's strong presence in fintech and cryptocurrency demonstrates an eagerness to engage in financial services, generate wealth, and contribute economically.

Traditional FIs should learn from successful bilingual marketing efforts, accessible resources, forgiving fee schedules, and tailored products that have fostered connections between fintechs and Latinos. Inclusion isn't just the right thing to do—it's a smart strategy for customer acquisition, retention, and growth.