



Are Hispanics Mistrustful of Financial Institutions?

According to Dr. Edward Rincón, President of Rincón and Associates, a market research firm in Dallas, Texas, about 40% of Hispanics are mistrustful of financial institutions. Dr. Rincón maintains that banks are still not doing enough to address minority needs and concerns.

"Lenders have an image problem. They also need to work on basic things related to the characteristics of the lending institutions," said Dr. Rincón. "For example, staffing. Over 90% of all bank staffs are monolingual, white, and have little to do with the community in which they are located. That is the banking industry in general. This conveys a message that people of color are not to be trusted with money, only people that are white. It sends the wrong signal."

Although banks are investing substantial amounts of money in an effort to attract the Hispanic community's business, banks are not dealing with the root of the problem. Dr. Rincón claims that much of the image problem banks must deal with is based on the personal negative experiences that members of the minority community have endured.

"There is already research that shows that compared to whites at similar income levels, Hispanics and Blacks are denied loans more often than whites, even at incomes of over \$100,000," said Dr. Rincón. "Part of the problem is that banks are not making loans to our people in our communities and I am referring only to mortgage loans. This does not even address business loans and there is reason to believe that case rejection rates are even higher be-

cause the requirements for financial statements are usually tougher."

Dr. Rincón asserts, "It is not enough to put an ad in the newspaper or on television with smiling faces saying to come in and fill out a loan application. Our community needs to monitor that bank, to

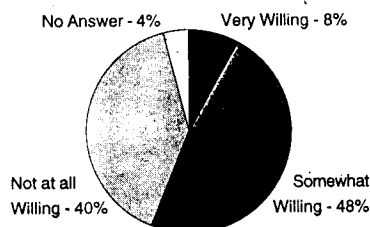
setting good examples and making a conscience effort to serve minorities and minority communities. And many banks are taking the appropriate steps to gain the minority customers' trust.

"Many banks in South Texas are beginning to exploit the fact that Hispanics are not receiving loans or otherwise have access to capital. They have begun to set-up offices in the area and are advertising in a lot of the Spanish media. They recognize that the traditional lenders have not opened their doors all the way to Hispanics and this represents a tremendous opportunity for Hispanic-operated lenders and banks to make a lot of money. They are not going to make a lot of money, however, using the same credit ranking system and the same bank-

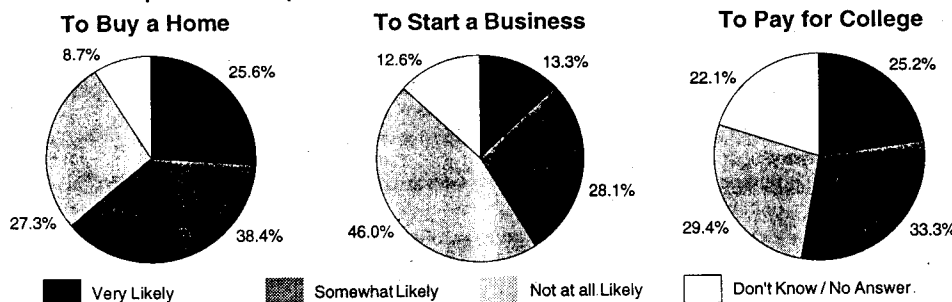


Dr. Edward Rincón

Hispanic Willingness to Trust Financial Professionals



Hispanics Perceptions About the Likelihood of Getting a Bank Loan



see how many applications were actually received for loans from Hispanics, how the credit formulas played a role, and the outcomes of that credit process. How many loans were made? How many loans were denied? Why were they denied? How much money was actually lent out?"

Certainly, there are banks that are

ing procedures as traditional lenders have used in the past. They are using a different cultural model in order to encourage Hispanics to develop trust and bring them their money."

Dr. Rincón's study sheds light on many of the issues concerning Hispanics and the financial services community and reveals a market that remains virtu-

ally untapped for financial services. Perhaps Dr. Rincón's study can serve to enlighten those banks interested in tapping into this Hispanic market share and help them to understand that Hispanics are used to working in a cash economy.

Because Hispanics still tend to pay cash-in-full for even major purchases, it has been more difficult for them to establish credit. In many cases, a lack of credit history simply reflects Hispanic misgivings about debt. When Hispanics finally seek a loan to start a business or buy a house, they may not have credit histories but they probably represent a lower default risk to banks than many people with a long credit history.

For more information or to order a copy of Dr. Rincón's Consumer Survey, call Rincón & Associates at (214) 750-0102.