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Banks Likely to Expand Services for Immigrants Whether They're Documented or Not

By Brian Orsak

Financial institutions will likely expand their services for immigrants--regardless of their legal status—despite backlash from anti-immigrant groups and lawmakers, banking professionals say.

Bank of America said in February that it is issuing credit cards to immigrants in Los Angeles who may not have Social Security numbers as long as they can provide other identification, such as documentation issued by the Mexican consulate. In response, anti-immigrant groups called for a boycott of the bank and lawmakers, noting the possibility for money laundering and terrorist financing, proposed a measure requiring that individuals present a photo identification card for banking services.

Banks are unlikely to give up a market that is potentially lucrative. Remittances to Latin America and other countries from immigrants working in the U.S. totaled about \$34 billion in 2003, according to a report by the Brookings Institution and the Federal Reserve Bank of Chicago.

“For many of the largest banks, this is a big part of their plan to gain market share,” said Anna Paulson, senior financial economist at the Federal Reserve Bank of Chicago

Banks will “navigate the politics” to reach the immigrant market, Oliver Ireland, a partner at San Francisco, Calif. law firm Morrison & Foerster. Ireland, who handles banking compliance and other Patriot Act-related issues, said that getting immigrants to use formal financial channels has been “a priority of the Treasury for years.”

Legal form of ID

Under the U.S. Patriot Act, financial institutions can offer banking services to individuals who present matricula consular cards, issued by the Mexican government, in lieu of other forms of identification. More than 4 million Mexicans in the U.S. carry the cards, according to the May 2006 report by the Brookings Institution and the Fed. Of those, some 2.2 million carry a high-security version of the card that provides an ID number for bank customer identification programs, according to the report.

Many banks accept matricula cards only when used in tandem with individual taxpayer identification numbers, called ITINs, which are issued for tax purposes by the Internal Revenue Service in place of social security cards.

Although the banks accepting matricula cards are a fraction of the total number of banks operating in the U.S., they represent about 80 percent of the national deposit base, the report found. Most large domestic banks, including Citibank, Wells Fargo and Washington Mutual, offer some type of financial service to immigrants with matricula cards, said Paulson.

As of March 2006, about 37 million immigrants were residing in the U.S. 11.5 million to 12 million of whom were unauthorized, according to the Pew Hispanic Center.

Because of the public criticism aimed at Bank of America's program, smaller institutions may wait before openly pursuing business within the immigrant community, said Paul Stock, executive vice president of the North Carolina Bankers Association.

"Bank of America tried to do the right thing in the right way," said Stock. "It's proof that no good deed goes unpunished, and they have received a lot of loud punishment."

U.S. identification

Some lawmakers oppose the availability of banking services to individuals presenting matricula cards as identification. Earlier this month, U.S. Representative Marsha Blackburn introduced a bill that would forbid financial institutions from accepting any forms of customer identification other than Social Security cards and U.S.-issued photo identification cards, such as a U.S. driver's license.

The legislation would close a loophole that allows banks to circumvent the letter of the law to gain profits, Blackburn, a Republican from Tennessee, said in a statement.

Although the photo ID bill is intended, in part, to curb fraud associated with illegal immigration, banking compliance consultant **David Caruso** said it would likely have the opposite effect, prompting undocumented workers to send money out of the country through illegal means.

The measure would create an "explosion of forged documentation," said **Caruso**, chief executive officer of the Centreville, Virginia-based **Dominion Advisory Group**, an anti-money-laundering consulting firm. "It would mean a cottage industry producing fake driver's licenses and fake social security cards."

Going underground

Without access to formal banking services, undocumented immigrants would have two options to send money home, according to Gregory Baldwin, a banking compliance lawyer at Holland & Knight in Miami. Either they would inundate check cashing

companies with fake IDs or they would utilize underground banking systems, called hawalas, which Baldwin said are almost impossible to control.

A hawala is a remittance system, developed in India, that allows users to transfer money outside of traditional financial channels via a network of dealers. Although an Arabic word, the term refers to such systems internationally and can be used to refer to both legal and illegal transactions.

“[The Photo ID bill] is not only the ‘Phony ID Sellers Relief Act,’ it’s the ‘Hawala Relief Act,’” said Baldwin, adding that “whether [transactions] are legal or illegal, it’s better to have them in legal institutions in a legal manner” that is more easily traceable.

Calls made to Representatives Blackburn and Boozman, a Republican from Arkansas and supporter of the bill, were not returned by press time.

Virtually all public comments on final regulations for customer identification programs issued by the Treasury Department in 2003 addressed whether foreign identification cards should be acceptable. About 83 percent of some 24,000 comments favored their use.

Law enforcement agencies are less supportive of institutions accepting consular cards, however. The U.S. Immigration and Customs Enforcement agency consider Bank of America’s program problematic, and could “facilitate money laundering and fraud,” according to spokesperson Pat Reilly.