

March 16, 2006  
Entrepreneurial Edge

## Exploding Latino Market Becomes Attractive to Banks

By JAMES FLANIGAN

FOR decades, the words Latino market conjured up images of mom-and-pop groceries selling fresh tortillas and specialty spices. But today, those words translate to El Dorado for increasing numbers of businesses in the Los Angeles area and elsewhere.

Hector Orcí, owner of a Spanish-language advertising agency, says there is \$250 billion of "Latino income" in the Southern California market, one-fourth of the estimated \$1 trillion in annual income nationally of Americans who immigrated or descended from people who came from Spanish and Portuguese-speaking countries to the south.

A Los Angeles banker, Russell Goldsmith, chairman of City National Bank, has ambitions to expand in that market. He estimates that there are 340,000 Latino-owned small- to medium-size companies in California, including 25,000 that take in more than \$1 million in annual revenue. "That's a very attractive market," Mr. Goldsmith said.

No surprise then that aspirants to serve that market are multiplying. Two financial groups are each raising \$20 million to \$30 million to start banks in Los Angeles aimed specifically at Latino consumers and small companies. One of the two is attracting investment from Mexico, while the other has the backing of 30 successful Latino-American families.

And a third group, representing the Banco Industrial of Guatemala, wants to open a Los Angeles bank catering to the Guatemalan community of Southern California, which is at least half a million strong.

Among backers of these efforts there is a powerful sense that a new time has come, that Latino education and economic attainment is greater than in former times and that political success is rising — Mayor Antonio R. Villaraigosa of Los Angeles is only one prominent example.

But there is also a conviction that the market is underserved by banks and financial institutions and that it lacks the access to capital it needs for business loans and mortgages.

"I look at this market in terms of opportunity," said Emilio Sanchez-Santiago, who is leading one banking group.

A longtime Citicorp banker on three continents, Mr. Sanchez-Santiago expects to receive approval from the California Department of Financial Institutions this year to start a bank. The bank intends to offer capital to entrepreneurs like Maria de Lourdes Sobrino, founder of Lulu's Dessert, and Yolanda Aguilar, founder of Yolanda Aguilar Beauty Institute and Spa.

"By bringing Mexican understanding to the products and how people respond," said Mr. Sanchez-Santiago, "we think we have a niche. We are a Mexico-California bank."

Ten or more investors from Mexico City and Central America are putting up about \$20 million in capital for the bank because they see it creating business on both sides of the border.

"Mexican immigrants in Los Angeles with credit cards can obtain credit status for Mexican people to buy appliances," said José Aklé, a telecommunications company owner in Mexico City. In the long term, said Mr. Aklé (pronounced Ah-KLAY), credit status for a business in the United States "could help small business people in Mexico" where entrepreneurs currently have little hope of financing. "We see this as a first step," he said.

The other new bank is being organized by Maria Contreras-Sweet, former secretary of business, transportation and housing for the State of California and now president of Fortius Holdings, a private equity financing firm. The focus of her bank will be on family companies.

"In the Latino community, people want to build a business for the generations," Ms. Contreras-Sweet said. "A business owner will say to me, 'I want this for my two sons and my daughter; I want to fix it so they don't have to sell it.' "

Accordingly, Ms. Contreras-Sweet sees her bank's mission as helping to integrate Latino Americans into what she calls the mainstream. "The bank will be called One America, and we can teach how to manage cash flow and how to build a market plan," said Ms. Contreras-Sweet, who came with her parents to Los Angeles from Guadalajara, Mexico, when she was 5.

One America will be backed by successful Latino entrepreneurs and professionals, including Hector and Norma Orcí, a couple who were transferred to Los Angeles from Mexico City 24 years ago by McCann Erickson, the advertising agency, to start a Spanish-language service. The Orcís went on their own in 1986 with La Agencia de Orcí and Asociados, which today does more than \$100 million a year in billings for clients like American Honda Motor, [Allstate Insurance](#) and [Verizon Communications](#).

"When we started out we didn't know what a bank could do for us," Mr. Orcí said. "As our deposits grew, our bank came round but still they didn't seem to know how to help us."

By contrast, "a Latino bank can give understanding and help to small business," he said, "and a Latino bank can invest its money back into the community."

Still, most loans to small business are made by the giants [Bank of America](#) and Wells Fargo, which use a sophisticated financial matrix to measure creditworthiness of loan applicants.

And in highly entrepreneurial California, a bank like [City National](#), with almost \$15 billion in assets, sees small companies as its specialty and has no intention of ceding business to Latino start-ups.

"We have the capital and personnel and ability to offer family companies many services that start-ups will have difficulty equaling," said its chief executive, Mr. Goldsmith. To underline that point, City National Bank is appointing an advisory board of Latino business people and professionals to bolster its access to the market.

Such competition does not faze Eloy Ortega, who is leaving the small business bank he founded in Santa Barbara, Calif., to take the top job at One America.

To Mr. Ortega the need for specialized service is vast. "I know Latino-led companies with \$20 million in annual revenue who don't even have a banking relationship," Mr. Ortega said.

The truth is that the market has become larger and more complex than many believe, said Don M. Griffith, chief executive of a community bank in the Los Angeles area who started his career working in Mexico City with Mr. Sanchez-Santiago and now will be nonexecutive chairman of the Mexico-California bank, which is not yet named.

"Many things are changing," Mr. Griffith said. "Latino families are sending sons and daughters to [Harvard](#) and [Yale](#), more young Latinos are running for political office, there's a vibrancy in the Latino economy."

Such developments have not occurred without a push. "Six years ago we founded the New America Alliance," said Norma Orcí, "to bring pressure on Wall Street to increase capital access for Latinos and to hire Latino M.B.A.'s in their financial companies. We have had some success."

The organization is led by Latino businessmen and women from all parts of the United States, including Ms. Contreras-Sweet, who is a director of New America, along with Ms. Orcí and 26 others. And now Ms. Orcí is signing on as a director of Ms. Contreras-Sweet's One America bank to further increase capital access and Latino success. El Dorado, indeed.

This column about small-business trends in California and the West appears on the third Thursday of every month. E-mail: [jamesflanigan@nytimes.com](mailto:jamesflanigan@nytimes.com)



*Jamie Rector for The New York Times*

**Maria Contreras-Sweet, president of Fortius Holdings, with an employee, Jame Alva. Her firm is helping to organize a new bank for Latinos.**