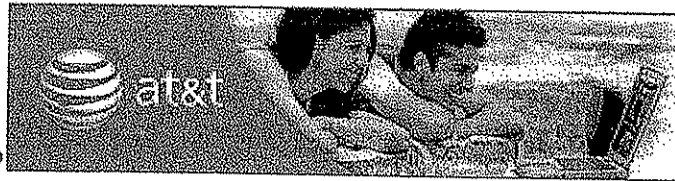


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From the Los Angeles Times

Latino-Owned Banks Seek to Fill Void in L.A.

Start-ups, including one backed by Oscar De La Hoya, say they will offer businesses the flexibility and familiarity that major institutions lack.

By E. Scott Reckard
Times Staff Writer

July 23, 2006

Transforming himself from boxer to businessman, Oscar De La Hoya has promoted fights, invested in Spanish-language newspapers and even bought and sold the Madison Avenue building in Manhattan that houses Barneys New York. He and the deep-pocketed backers of his Golden Boy Enterprises are considering a tequila-bottling project as well.

But first, the son of Mexican immigrants plans to take another stride into the economic mainstream by opening a business bank for Latinos in Greater Los Angeles.

Dozens of Asian American banks have sprung up in Southern California, and 14 Latino-owned banks serve Florida's large ethnic Cuban population. But for decades the Los Angeles area has had only one bank owned by local Latino investors.

"It's mind-boggling that there is just one bank," said De La Hoya, who defeated Ricardo Mayorga in May to win the World Boxing Council super-welterweight title. "The fact is that there are over 80,000 Hispanic-owned businesses in Los Angeles. We feel it is a tremendous opportunity."

Others share the sentiment, including three groups that recently asked for the Federal Deposit Insurance Corp.'s blessing to open Latino-owned banks in the region — Fortis Business Bank in Santa Ana, Americas United Bank in Glendale and Promerica Bank in downtown Los Angeles. Several other Latino banking ventures also are in the works, industry consultants say.

The flurry of start-ups underlines the fact that for generations, Latinos in Southern California have had few homegrown financial institutions. Industry analysts and Latino entrepreneurs cite several reasons, including the small size of many Latino businesses, their wide dispersal, and widespread distrust of banks by immigrants from Mexico and Central America.

Organizers of the Latino banks say that they intend to be more flexible than large banks in making loans, and that a shared culture will help them better understand customers. They say misunderstandings, rigid lending policies and plain intimidation at big banks have resulted at times in Latinos being denied credit unfairly. Some turned to higher-cost finance companies for loans because they seem friendlier and more personalized.

"The big banks do scare Latinos," said Carmen Saenz Murray, who owns a City of Commerce-based company that manufactures custom carpets, mostly for corporate offices. The attitude of the large banks "is almost degrading —

they're wearing their suits and you're almost intimidated about going in and asking for a loan or a line of credit."

Saenz Murray, whose mother was a Mexican citizen, said her sales slumped after the Sept. 11, 2001, attacks because corporations reined in spending. The American banks she dealt with, she said, weren't sympathetic to her plight.

Now, however, big U.S. banks are wooing Latino customers like never before. Bank of America Corp. offers free money transfers to Mexico for immigrants who open accounts. It also provides live music and free refreshments at its Fiesta Fridays in L.A.'s MacArthur Park, the center of a heavily Latino neighborhood.

The Charlotte, N.C.-based bank also has loosened some small-business lending rules, including a requirement that companies must have been in business for two years to get a loan.

"The dynamics of small business are changing rapidly," said Brad Dinsmore, Bank of America's consumer banking executive for the West. "It's not uncommon for a Latino to start a business, then sell it, then convert to doing something else — all in the space of 18 months."

Wells Fargo & Co. of San Francisco has opened more than 750,000 accounts for Latin American immigrants over the last five years using identification cards issued by their countries' U.S. consulates. Branches in heavily Latino areas have been decorated in bright reds, yellows and earth tones to reflect the local culture, with murals of labor leader Cesar Chavez and other Latino heroes, bank spokeswoman Dolores L. Arredondo said.

There also is a smattering of banks and finance companies based in Latin America that target Spanish-speaking customers here. Puerto Rico's Banco Popular, for example, has 48 branches in Southern California. And BBVA Bancomer, a giant Mexican bank, is converting Bancomer money-transfer shops into bank branches after acquiring Valley Bank in Moreno Valley in 2004.

Citigroup Inc. of New York shouldered its way into the sector in 2001 by buying Banco Nacional de Mexico, or Banamex, which had a California subsidiary bank.

All that competition has made it tough for locally owned start-ups to get in the game. But cultural and economic factors also have held back the formation of Latino banks, bankers and consultants say.

Latinos, including small-business owners who are community banks' main customers, have long been dispersed throughout Southern California, making it hard for smaller institutions to reach them.

By comparison, booming Asian American banks such as East West Bancorp, Cathay General Bancorp, Hanmi Financial and Nara Bancorp opened in Chinatown and Koreatown, then followed their increasingly affluent customers to the suburbs while amassing assets well into the billions of dollars.

Latino businesses, though numerous, tend to be small operations. Los Angeles County boasts 188,472 Latino-owned businesses (about 85,000 of them in the city of Los Angeles), according to the U.S. Census Bureau. But 91% of them have no employees, just an owner, and they are heavily concentrated in maintenance, repair and other service jobs, census data show.

Such factors created something of a struggle for earlier Latino banks in Southern California. Hacienda Federal Savings & Loan, which opened in Oxnard in 1973, was acquired by a larger S&L in 1986. Santa Ana's Banco del Pueblo, opened in 1971, became a branch of East Los Angeles' Pan American Bank, which is the only Latino bank in the area owned by private investors.

Pan American, founded in 1964, has survived but not grown, with three offices and \$43 million in assets that are primarily mortgages, not business loans.

By contrast, Florida has proved fertile soil for founders of Cuban American institutions, said Citibank West President Cali Garcia-Velez, head of the bank's operations in California and Nevada. The Florida banks were founded by bankers and businesspeople who fled the Castro regime, said Garcia-Velez, whose father was a Cuban exile who worked his way up from teller to bank president.

In California, Latino immigrants at the lower end of the economic ladder have been likely to regard banks with suspicion, because financial institutions in their native countries had tended to serve only rich people and large corporations, said Xavier E. Aguilera, a former Security Pacific National Bank executive whose parents came from Mexico.

"Banks were not generally favorable to the masses," said Aguilera, 57, of Granada Hills.

De La Hoya and others backing the new start-ups say that despite the problems of the past, the time is right to capitalize on the growing economic clout of Latinos. With more than a third of Southern Californians identifying themselves as Hispanic, including 45% of Los Angeles County residents, the market is huge.

Maria Contreras-Sweet, the lead organizer of Promerica Bank in Los Angeles, said the prospective customers "have acculturated and integrated, and now these families are ready to be part of the mainstream."

Promerica intends to work with Latino, family-owned businesses that generate \$1 million to \$20 million in annual sales. The bank will be less formulaic than major institutions in assessing its customers' needs and credit-worthiness, said Contreras-Sweet, who served as California secretary of Business, Transportation and Housing under former Gov. Gray Davis.

As the customer base has grown, so has the number of potential investors.

De La Hoya already has commitments for \$20 million to \$25 million in start-up capital. His yet-to-be-named bank is to be more than 51% owned by Latinos, but significant funds will come from non-Latinos, including real estate investor John Long, said Richard Schaefer, chief executive of De La Hoya's Golden Boy Enterprises.

Promerica's backer list also includes non-Latino investors such as developer Ed Roski Jr., who built Staples Center and was a partner with Contreras-Sweet in a private equity firm. But Promerica, which hopes to raise more than \$20 million, will be backed mostly by prominent Latinos, including telecom executive Solomon D. Trujillo, former CEO of US West Communications Inc.; Norma Orci, co-founder of Los Angeles-based advertising agency La Agencia de Orci; and former U.S. secretary of Housing and Urban Development Henry G. Cisneros.

Mona Banuelos, chief financial officer of Pan American Bank, regards the rush to serve Latinos with a degree of skepticism, questioning whether the newcomers will emphasize the needs of the community as much as their own financial returns.

Banuelos said at least five groups had proposed acquiring Pan American in the last two years, but the bank's 81-year-old chairwoman and CEO — her mother, former U.S. Treasurer Romana A. Banuelos — "wasn't about to sell," leaving the investors only the option of starting their own banks.

But David C. Lizarraga, president of the East Los Angeles Community Union, a nonprofit economic development organization, said he was heartened to see prominent Latinos target a market once served mainly by a few credit unions and nonprofits such as his group, which opened a real estate lender called Community Commerce Bank in 1976.

"They have done their due diligence, and they see this is a huge, huge underserved market," Lizarraga said. "And

they're thinking that they can be responsive in ways that other banks have not."

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(INFOBOX BELOW)

Niche markets

Many commercial banks based in Los Angeles County have ethnic customer bases. The largest in some of these niches, with assets as of March 31:

Banks by ethnicity, headquarters and assets

Chinese

East West Bancorp, Pasadena: \$9.3 billion

Korean

Hanmi Financial, Koreatown: \$3.5 billion

Latino

Pan American Bank, East Los Angeles: \$43 million

General banks

City National, Beverly Hills: \$14.6 billion

Farmers & Merchants Bank, Long Beach: \$3.1 billion

Source: Federal Deposit Insurance Corp

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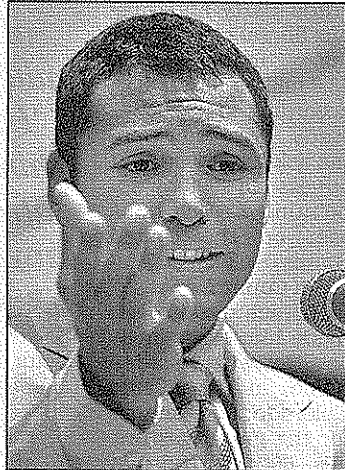
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GARY FRIEDMAN *Los Angeles Times*

TARGET GROUP: *Maria Contreras-Sweet of Promerica Bank says it intends to work with Latino businesses.*



NICK UT *Associated Press*

INVESTOR: *Boxer Oscar De La Hoya's planned business bank is to be more than 51% owned by Latinos.*