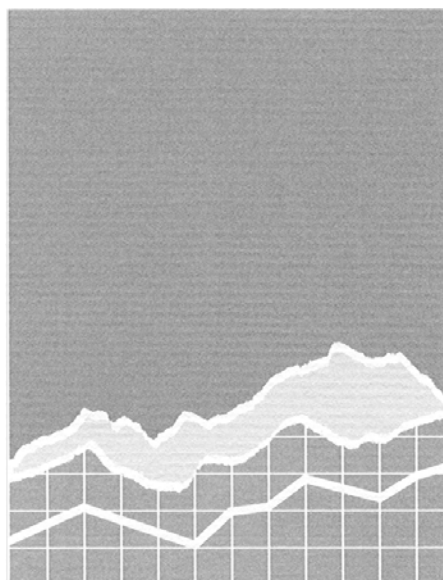


# Access to Banking Services and Money Transfers by Mexican Immigrants

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## **Abstract**

Increased access to the U.S. financial system through banks' recognition of the 'matrícula consular' identification card may encourage Mexican immigrants to save and transfer more money home. Using data from the Mexican Migration Project, we examine whether immigrants with bank accounts in the U.S. between 1970 and 2002 sent more funds to Mexico than their unbanked counterparts. While having a U.S. bank account does not raise monthly remittances by Mexican immigrants, it boosts the amount brought back home by more than \$6000 per trip. These findings suggest that increased usage of banks by immigrants may enhance future flows of funds to Mexico.

**JEL Codes:** F22, G21, J61, O15

## I. Introduction

The recognition of the ‘matrícula consular’ as an acceptable alien identification by financial institutions has received considerable attention in the media.<sup>1</sup> Mexican consulates around the world have issued the matrícula consular since 1871 and its recent acceptance has allowed Mexican nationals to more easily enter the financial mainstream regardless of immigration status.<sup>2</sup> The Mexican government has advocated its approval and the U.S. Treasury currently allows the recognition of the matrícula consular as a means to grant Mexican immigrants access to the U.S. banking system. In addition to providing lower transaction costs, U.S. banks may encourage immigrants to save and there may be an overall increase in the flow of funds to Mexico.<sup>3</sup> In this paper, we test the hypothesis that access to banks with low-cost wiring and money-transfer services helps boost the level of money transfers sent to Mexico by Mexican immigrants in the U.S., whether in the form of periodic remittances or money carried personally by Mexican immigrants when returning home. Specifically, we examine (1) trends in the use of banking services by Mexican immigrants, (2) determinants of the use of banking services, and (3) the implications of access to the U.S. banking system on money transferring practices of Mexican immigrants according to their legal status.

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<sup>1</sup> In July 2002, the U.S. Treasury issued a notice of proposed rulemaking to implement the requirements of section 326 of the PATRIOT Act. The rule requires (among other things) that financial institutions develop a Customer Identification Program (CIP) that implements procedures to collect identifying information about customers opening an account (U.S. Treasury, 2003a, 2003b). This rule allows financial institutions to accept, in particular, the matrícula consular, which is often used by undocumented immigrants to open bank accounts (Porter, Wall Street Journal September 19, 2003). Even prior to the acceptance of the matrícula consular, however, banks did not need a social security number or tax ID for an individual to open a bank account, as long as it was not interest bearing (Handlin et al 2002).

<sup>2</sup> To obtain the card, a Mexican national living abroad needs to supply proof of Mexican citizenship (such as a certified copy of a birth certificate or another official ID issued by any Mexican or U.S. authority) to a Mexican consulate, which will issue a matrícula consular valid for 5 years for approximately \$28 (Dinerstein 2003). As of September 2003, the matrícula consular card was accepted by 280 financial institutions, over 1000 local law enforcement agencies and more than a dozen state motor vehicle agencies (Porter, Wall Street Journal September 19, 2003).

<sup>3</sup> The U.S. Treasury along with the international aid community has been interested in finding ways to channel the sizable remittance funds to promote economic development in Mexico (Dinerstein, January 2003).

Using data from the Mexican Migration Project from 1970 to 2002, we first document trends in the use of U.S. banking services by Mexican immigrants according to their age and decade of last visit. Given the low usage of financial services in Latin American countries, it is not surprising that Mexican immigrants, and in particular undocumented immigrants, have a relatively low level of interaction with U.S. banks.<sup>4</sup> Nonetheless, it is important to document the portion of immigrants who utilize U.S. banking services since increasing access to banking services by Mexican immigrants can potentially affect the volume of money transfers by lowering the cost of sending money and by helping immigrants save.

In the second part of the paper, we look at the linkages between banking, remittances, and lump sums brought back home by Mexican immigrants. According to the U.S. State Department and the Central Bank of Mexico, remittances by Mexican nationals to relatives and friends were approximately \$10 billion in 2002, or roughly 1.7 percent of Mexico's GNP. Mexican immigrants without bank accounts often rely on money-wiring agencies that charge more than 10 percent to transfer funds, while banks charge considerably less.<sup>5</sup> This suggests that, without banks, Mexican families may spend about \$1 billion per year to send their remittances. Hence, through their lower transaction costs, improved access to banking services could potentially increase the amount remitted by Mexican immigrants to their home communities. In addition to reducing transaction costs, U.S. banks may encourage Mexican immigrants to save and, potentially, remit more to Mexico. After addressing the potential endogeneity of being banked (having a U.S. bank account) and the fact that a sizable number of immigrants choose not to send money home, we test whether usage of U.S. banking services is associated with differential levels of transfers to Mexico, with a special focus on immigrant legal status.

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<sup>4</sup> Due in part to a lack of deposit insurance, currency devaluations and bank failures, only about 5-30 percent of households in Latin America holds a basic checking account (Inter-American Development Bank 2002).

Our analysis sheds light on the potential effects of the matrícula and other identification cards in increasing access to banks on immigrants' remittance flows and on the lump sums they take back to their families and communities at the end of their migration spells. In particular, we find that banking among Mexican immigrants in our sample is limited. Overall, only 9 percent of our sample had a bank account while living in the U.S. on his/her latest trip. Undocumented immigrants are significantly less likely to be banked, whereas immigrants who speak English, earn more, stay for longer periods of time in the U.S., and bring their spouses along with them to the U.S. are significantly more likely to be banked. Additionally, institutional and community of origin characteristics seem to play a significant role in the use of banking services by Mexican immigrants, suggesting that the availability of a banking infrastructure back home and immigrants' familiarity with the banking system play an important role in immigrants' decision to be banked while in the U.S.

Finally, access to banking appears to have different consequences on the dollar amount remitted on a periodic basis compared to the lump sum immigrants bring back home at the end of their migration spells, with these results varying by immigrants' legal status. While banking does not appear to significantly raise monthly remittance flows by Mexican migrants eventually returning to Mexico – whether temporarily or permanently, it helps boost the amount they bring back home. Whereas banked legal immigrants brought back about \$2000 more than unbanked legal immigrants, the differential was over \$6000 for banked undocumented immigrants relative to unbanked undocumented immigrants.<sup>6</sup>

Our paper is organized as follows. Section II discusses the importance of immigrant banking and money transfers and briefly reviews the literature on this subject. In Section III, we

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<sup>5</sup> For example, the Latino Community Credit Union in Durham, N.C. charges only \$10 to wire \$1000 (Perez 2003).

describe our dataset derived from the Mexican Migration Project survey. Trends in banking, saving, and remitting among Mexican immigrants are documented in Section IV. The descriptive analysis motivates our theoretical framework, explained in Section V, as well as our empirical methodology in Section VI of the paper. We discuss the results of our money transfer models in Section VII, placing special emphasis on immigrants' money transfer practices according to their legal status. Finally, Section VIII concludes the paper.

## **II. Importance of Banking Access by Immigrants and Review of the Literature**

Given the extent of Mexican migration (legal and undocumented) to the U.S.,<sup>7</sup> learning about the use of banking services by Mexican immigrants and the implications of access to U.S. banks on money transferring practices has become increasingly important for various reasons. First, bringing the 'unbanked' into the U.S. banking system allows for a more efficient regulation of currency in the U.S. and, in the case of undocumented immigrants, lets the government know about the number of undocumented immigrants and their financial activities. Hence, there is a need to first, and foremost, learn about the extent of the 'unbanked' population among legal and undocumented Mexican immigrants.

Secondly, and as pointed out earlier, immigrants' access to the U.S. banking system may increase the flow of funds remitted to Mexico by helping immigrants save and by lowering the cost of wiring and transferring money back home. Assessing whether this is the case is of interest given the uses of remittances back in Mexico. Remittances are often sent to meet a variety of needs from non-migrating family members back in Mexico, such as food, rent, health and educational expenses (Brown and Ahlburg 1999, Cox Edwards and Ureta 2003). In addition, remittances often serve an economic development purpose by financing the purchase of

productive assets in home communities, such as land and businesses (Durand et al. 1996, Belo 2001, Woodruff and Zenteno 2001). As a result, policymakers have promoted lower cost methods of money transfers given the importance of these remittances for economic development.<sup>8</sup> Despite the increasingly competitive market for money transfer services (Lowell and de la Garza 2002, Handlin et al. 2002), the costs of remittances can vary widely by type of method with banks offering a low cost alternative for money transfers (Orozco 2002). Therefore, integrating the unbanked remitters into the mainstream financial system may have a significant impact on remittances.

Third, immigrants who previously relied heavily on informal remitting methods are now able to access banking services that provide a safer transmission method (Amuedo-Dorantes and Pozo, forthcoming). Bank accounts do not require immigrants to carry large sums of cash (immigrants carrying large sums of cash are often victims of crimes) and guarantee a safe transfer of funds to their families back home, possibly motivating some Mexican immigrants to remit more to their families.

Finally, learning about immigrants' banking use is particularly important given banks' ability to engage in financial intermediation. Through their capacity to take deposits, banks not only raise immigrants' ability to save, but increase the likelihood that immigrants' savings are channeled into productive investments. In addition, banks may be able to alleviate credit constraints through credit cards, mortgages, and other loans. In this respect, the role played by

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<sup>7</sup>As of March 2000, there were an estimated 8.39 million Mexican-born persons living in the U.S., of whom approximately 3.9 million were unauthorized (Bean et al. 2001).

<sup>8</sup>For example, the IADB supports increasing the level of remittances to underdeveloped countries by reducing the cost of transfers given that remittance flows to Latin America are substantially higher than the total of official development assistance to the region (Handlin et al 2002). Specifically, the IADB suggests that costs can be decreased by increasing competition among providers of money transfer services and promoting the use of formal financial systems, thereby decreasing the cost of sending remittances. The latter is analyzed in this paper.



financial intermediation on economic development cannot be overstated and, consequently, it appears beneficial to enhance immigrants' accessibility to the banking system.

Despite the importance of remittances for numerous receiving countries, there has been little research on the transmission mechanism of remittances (Amuedo-Dorantes and Pozo, forthcoming), and, to our knowledge, no one has examined directly the relationship between banks and the level of remittances.<sup>9</sup> The possible lack of research on the effect of banking on the level of remittances may be due to the relatively low use of banks by those who remit.<sup>10</sup> Alternatively, it may be due to the fact that few datasets include detailed information about Mexican immigrants, their legal status, their banking usage, and level of money transfers.

Given the lack of research on banking and remittances, we examine (1) trends in the use of banking services by Mexican immigrants, (2) determinants of their use of banking services, and (3) the implications of access to the U.S. banking system on their money transferring practices according to their legal status.

### **III. Data**

In order to carry out the study, we use data from the Mexican Migration Project (MMP). The MMP database is the result of a multidisciplinary study of Mexican migration to the U.S. Currently, the MMP database includes detailed social, demographic, and economic information

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<sup>9</sup> In their paper, Amuedo-Dorantes and Pozo (forthcoming) explore the choice of transmission mechanism and find that undocumented immigrants are less likely to use banking services. In contrast, more educated and more skilled immigrants are more likely to use U.S. banks for repatriating earnings.

<sup>10</sup> Researchers have identified several difficulties in promoting formal financial systems as a method of remittance transmission. First, the recipients of remittances are often reluctant to deal with banks in Latin America as the banking system is seen as corrupt (Handlin et al 2002). Second, there is confusion over the proper documents needed to open an account. Contrary to widespread belief, banks do not need a social security number or tax ID for an individual to open a bank account, as long as it is not interest bearing (Handlin et al 2002). In addition, more recently Mexican migrants can use the *matrícula consular* as a valid form of identification to open an account at numerous financial institutions.

from approximately 16,000 households in 93 representative communities in 17 Mexican states.<sup>11</sup> The MMP survey has been carried out annually in the winter months of 1982-1983 and 1987-2002.<sup>12</sup> Two to five Mexican communities are surveyed each year and a sample of approximately 200 households is randomly selected in each community. For each household, a complete life history is gathered for the household head which includes detailed information on past migration experiences in the United States. After gathering detailed information on these households, interviewers travel to the destination areas in the U.S. to administer identical questionnaires to households from the same communities in Mexico who have settled in the U.S. and no longer return home. Altogether, the MMP provides reasonably representative data on authorized and unauthorized Mexican immigrants in the U.S. (Massey and Zenteno 2000, Munshi 2003).

The MMP is one of the richest datasets available for studying Mexican migration to the U.S. and contains important information on immigrants banking and remittance behavior in addition to legal status at the time of migration. For the purpose of this study, we use the information collected from approximately 3,000 migrating household heads who are interviewed upon their return to Mexico. We choose this sample due to the fact that a large share of Mexican immigrants, particularly those who remit, return to Mexico (Lowell 1992, Lindstrom 1996, Reyes 1997, Orrenius 1999). In addition, the sample design of the MMP is such that return migrants interviewed in Mexico are intended to be a representative group of such immigrants.<sup>13</sup>

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<sup>11</sup> As of the MMP93, the sample covers communities in the states of Aguascalientes, Baja California Norte, Chihuahua, Colima, Durango, Guanajuato, Guerrero, Hidalgo, Jalisco, Michoacán, Nayarit, Nuevo León, Oaxaca, Puebla, San Luis Potosí, Sinaloa, and Zacatecas.

<sup>12</sup> The MMP interviews were conducted in communities of various size, ethnic composition, and economic development that are typical source regions for US bound migrants. In addition, the sample expands over time to incorporate communities in newer sending states.

<sup>13</sup> For further information regarding the methodology and survey design of the MMP93, see <http://mmp.opr.princeton.edu/databases/studydesign-en.aspx>

Lastly, in an effort to minimize recall bias and ensure greater accuracy of responses, we further restrict our sample to those whose last trip to the U.S. occurred since 1970.<sup>14</sup>

The following three variables constitute the primary focus of our analysis: 1) the funds remitted each month to families back in Mexico, 2) the lump sum taken back home to Mexico, and 3) the ownership of a bank account during an immigrant's most recent trip to the U.S. In addition, we account for a variety of personal and household characteristics affecting remitting behavior, regardless of whether it takes place periodically (monthly remittances) or at the end of their migration experience (a lump sum brought back to Mexico). Some of these characteristics include immigrants' personal characteristics (age and gender), immigrants' ability to save and remit money home (as captured by their educational attainment, ability to speak English, monthly earnings, and time in the U.S.), and the economic needs of family members back home (as captured by whether the presence of a spouse and the percent of household members of non-working age in Mexico).<sup>15</sup>

Finally, we construct variables on immigrants' community of origin and their state of residency while in the U.S. We use this information to assess the role that regional development, the existence of a banking network, and the banking culture, among other factors, might play in their banking, saving, and remitting behavior while in the U.S. A detailed description of the variables used in our analysis, as well as their means and standard deviations, are included in Table A in the appendix.

An average of 76 percent of immigrants remitted approximately \$190 home on a monthly basis. In addition to these monthly remittance payments, about 73 percent of immigrants in our

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<sup>14</sup> Given that the survey has been conducted since 1982, it is not surprising that migrants' most recent trips have largely been taken over the past thirty years. According to the authors' calculations, approximately eighty percent of those in the MMP93 sample who migrated to the U.S. did so between 1970 and 2002.

sample saved and took some money with them back to Mexico at the end of their last U.S. trip. The average amount being brought home equaled \$1129. Immigrants' limited banking use may have affected their overall-remitting behavior. Only 9 percent of our sample had a bank account during their last U.S. trip. This low percentage may be, in part, due to immigrants' undocumented status. Only 32 percent of immigrants in the MMP were documented during their last U.S. trip. Other interesting demographic characteristics include gender, age and human capital. Ninety-five percent of our sample is male. On average, immigrants in the sample were 43 years old when they last migrated to the U.S., and possessed limited human capital. Average educational attainment is 5 years of schooling and only 24 percent of immigrants spoke English during their last U.S. trip. Additionally, the vast majority of our sample (94 percent) worked while in the U.S., with 84 percent leaving their spouses behind with a family comprised of mostly non-working age dependents (65 percent). The average trip duration was 2 years. In what follows, we examine Mexican immigrants' banking trends and remitting patterns.

#### **IV. Banking Trends, Saving, and Remitting Behavior of Mexican Immigrants**

To motivate our analysis, we first provide descriptive evidence of trends in the use of banking services by Mexican immigrants. Subsequently, we examine monthly remittances and lump sum transfers by immigrants' banking status.

##### *Trends in the Use of Banking Services*

As mentioned earlier in the paper, the share of Mexican immigrants with bank accounts while living in the U.S. has been limited but is increasing over time. As can be seen in Table 1, only 9 percent of our sample of Mexican migrant household heads had a bank account during

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<sup>15</sup> Most of the variables for the study came from the MMP93 Migration, Community and Household files. These datasets and more information on the Mexican Migration Project can be found at <http://mmp.opr.princeton.edu>

their most recent trip to the U.S. However, the use of banking services has increased steadily during the past several decades from three percent (as a share of immigrants) in the 1970s to 8-1/2 percent in the 1980s, and to almost 10 percent in the 1990s. To address potential cohort effects, Table 1 also details the bank use by age groups within any given arrival decade. Nonetheless, the pattern of increased banking usage can still be observed over time.

#### Remittances and Lump Sum Transfers by Banking Status

To assess the general patterns of transfers by immigrants to their families in Mexico, we present the average remittances and lump sum transfers by banking status. We distinguish between remittances *repatriated while in the U.S.* (which we call “monthly remittances”) and *lump sums brought back to Mexico* (which we call “one-time lump sums brought back home”).

For our sample of Mexican immigrants, average remittances are larger among the banked than the unbanked, but this difference is not statistically significant. When conditioning on remitting (e.g. remittances > 0), banked return migrants remit \$84 more per month than unbanked return migrants. Turning to the lump sums brought back to Mexico, banked return migrants bring back significantly more than their unbanked counterparts. The difference between the banked and unbanked is about \$2400 and over \$4400 when conditioning on the amount brought back to Mexico being nonzero. Thus, there is evidence that, among returnees, banked immigrants transfer more money back to Mexico than unbanked immigrants.

Overall, these figures, while solely differences in means by banking status, motivate the need to consider immigrants’ banking access as a primary determinant in their money transferring patterns.

## V. Theoretical Framework

Our goal is to empirically examine whether access to banking is associated with a higher volume of immigrants' monthly remittances and/or a larger one-time lump sum brought back home by immigrants at the end of the migration spell. To illustrate the various ways in which access to banking may affect immigrants' periodic remittances as well as one time transfers, we use a simple two-period model in which immigrants altruistically care for their families. Specifically, we assume that immigrants' utility depends on their leisure and consumption of a purchased market good, as well as on their families' consumption of goods and leisure.<sup>16</sup> Hence, immigrants' objective function can be described as the sum of their utilities in each period, with  $\delta$  representing their discount rate as follows:

$$(1) \quad \text{Max} \quad V = U(c_i^1, c_f^1; l_i^1, l_f^1) + \delta U(c_i^2, c_f^2; l_i^2, l_f^2)$$

The vectors  $c_i$  and  $l_i$  stand for immigrants' consumption and leisure, whereas  $c_f$  and  $l_f$  represent the consumption and leisure choices of immigrants' families. The utility function has the standard general properties, i.e. increasing in each argument, with negative second partial derivatives. Immigrants maximize this objective function subject to budget and time constraints in each period. In period 1, immigrants choose whether to remit money to their families back home ( $R_i$ ) so as to contribute to their consumption of goods and leisure. For simplicity, we assume that credit constraints prevent immigrants from transferring resources from the second to the first period via borrowing. However, saving ( $s_i$ ) is possible. In period 2, the principal plus its return (i.e.  $(1+r) * s_i$ ) may be used for consumption or, if not utilized, it may be taken back

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<sup>16</sup> This is one of the ways in which altruism can be modeled. That is, migrants may be assumed to care about their families' consumption of goods and services, independently of their families' preferences (Chiuri 2000). This form of altruism is called 'paternalism'. Other models of altruism consider that individuals derive utility from their

home as a lump sum ( $LS_i$ ).<sup>17</sup> Finally, immigrants are endowed with  $T$  units of time in each period that they can use for leisure or work, with  $w$  representing their ongoing market wage. Therefore, normalizing the price of purchased market goods to 1, we can write immigrants' constraints as:

$$(2) \quad c_i^1 + p_r R_i^1 + s_i = w*(T - l_i^1) \text{ in period 1, and}$$

$$(3) \quad c_i^2 + LS_i = w*(T - l_i^2) + (1 + r)*s_i \text{ in period 2,}$$

with:  $r = r(b_i)$  and  $p_r = p_r(b_i)$ .

The price of remitting funds to Mexico, including wiring fees, bank charges, time taken to remit money home, and risk of being a victim of theft if carrying large sums of cash, is captured by  $p_r$ . The price of remitting funds to Mexico ( $p_r$ ) as well as immigrants' savings ( $s_i$ ) are likely to be affected by whether or not immigrants have access to the U.S. banking system ( $b_i$ ). For instance, banking access may: (a) lower the cost of remitting funds to Mexico, and/or (b) provide immigrants with access to a variety of savings and investment instruments that may result in greater wealth accumulation,<sup>18</sup> possibly affecting immigrants' periodic remitting patterns as well as the amounts they take back home at the end of their migration spells.

Specifically, the problem described above suggests the following reduced form expressions for immigrants' periodic and one-time transfers to their families:

$$(4) \quad R_i^* = f(p_r(b_i), r(b_i), \delta, w) \text{ and } LS_i^* = g(p_r(b_i), r(b_i), \delta, w).$$

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families' utilities, even if their consumption of goods and services is not what the individuals might have desired for them. This alternative form of altruism is called 'caring' (Becker 1981).

<sup>17</sup> We assume that migrants only remit during the first period to allow for a higher discounting of the lump sums taken back home by migrants at the end of their migration experience relative to monies sent on a periodic basis to their families.

<sup>18</sup> While neoclassical theory does not predict that an increase in access to an interest-bearing financial instrument will necessarily lead to increased savings, the possibility exists that increases in access, information, and facilitation

In this paper, we are interested in empirically assessing the signs of  $\frac{\partial R_i^*}{\partial b_i}$  and  $\frac{\partial LS_i^*}{\partial b_i}$ ,

both of which are, *a priori*, ambiguous. For instance, focusing on immigrants' periodic remitting patterns, the possibility exists that access to banking lowers the cost of remitting funds to Mexico

(i.e.  $\frac{\partial p_r}{\partial b_i} < 0$ ). In that event, there would be an income effect predicting that immigrants (now

enjoying a larger disposable income) will remit more money to their families. Furthermore,

there would be a substitution effect suggesting a substitution away from consumption towards

remitting due to the lower cost of remitting funds to Mexico; therefore enhancing the

consumption and leisure of immigrants' families. Jointly, both effects would predict that:

$$\frac{\partial R_i^*}{\partial p_r} * \frac{\partial p_r}{\partial b_i} > 0.$$

However, access to banking may not only lower the cost of remitting, but also increase

immigrants' return to their savings (i.e.  $\frac{\partial r}{\partial b_i} > 0$ ). Once more, we would have an income effect

predicting an increase in immigrants' remittances following their augmented disposable incomes.

Nonetheless, the higher return to immigrants' savings would also raise the opportunity cost of

remitting money on a periodic basis, pushing immigrants towards saving and taking back home

the principal plus the accumulated return at the end of the migration spell. This negative

substitution effect may be particularly strong among Mexican immigrants who go back home on

a frequent basis and who, consequently, may be able to wait to bring their accumulated savings

to their families back home with them upon their return. Therefore, it is unclear whether

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increase savings among immigrants as was found in the case of IDAs (individual deposit accounts) for the poor (Sherranden *et al.* 2003).



immigrants' periodic remittances should increase with immigrants' access to banking (that is:

$$\frac{\partial R_i^*}{\partial b_i} > \text{or} < 0 \text{ since: } \frac{\partial R_i^*}{\partial r} * \frac{\partial r}{\partial b_i} > \text{or} < 0).$$

By the same token, without further assumptions, it is unclear whether immigrants' access to banking will raise or reduce the lump sum they bring back home at the end of their migration spells. Given the potential ambiguity in the signs of the effects of banking on immigrants' monthly remittances and one-time lump sum transfers to their families, we empirically assess their signs in the following sections.

## **VI. Empirical Methodology**

Before examining the impact that banking may have on our sample of Mexican immigrants, it is worth noting that our inferences about the effect of banking on money transfers to Mexico are derived from the group Mexican immigrants who return to Mexico at some point in their lives, whether temporarily or permanently. As noted by others in the literature (Gubert 2002), this could be an issue if our intent were to make inferences about the effect of banking on the money transfers of the overall Mexican population. However, to the extent that we are interested in learning about the impact of access to banking on Mexican immigrants, modeling the migration decision is not crucial. Moreover, since returnees are the ones most likely to engage in transferring money back to Mexico and, furthermore, constitute the vast majority of Mexican immigrants to the U.S. due to the proximity between the two countries, focusing on this population should provide us with useful insights about the potential effect of banking on money transfers from Mexican immigrants in the U.S. (Lowell 1992, Lindstrom 1996, Reyes 1997, Orrenius 1999).

Given that a large share of immigrants in our sample (approximately 25 percent) do not send money home, we propose the following Tobit model for estimating the effects of banking ( $b$ ) on Mexican immigrants' money transfers to their families (denoted by  $T$ ) – whether these refer to monthly payments ( $R$ ) or to the lump sum brought back home at the end of the migratory experience ( $LS$ ):

$$(5) \quad T_{ifc}^* = \beta b_{ifc} + X'_{ifc} \phi + \varepsilon_{ifc}, \text{ with:}$$

$$T_{ifc} = 0 \text{ if } T_{ifc}^* \leq 0,$$

$$T_{ifc} = T_{ifc}^* \text{ if } T_{ifc}^* > 0,$$

and where:  $\varepsilon_{ifc} \sim N(0, \sigma^2)$ ,  $i$ =migrating household head,  $f$ =family in Mexico, and  $c$ =community in Mexico. In addition to immigrants' access to banking ( $b_{ifc}$ ), the model in equation (5) accounts for a variety of immigrants' personal, family, and community of origin characteristics (included in vector  $X_{ifc}$  and discussed below) possibly affecting their remittances as well as lump sum payments taken back home at the end of their migration spells.

However, a couple of issues regarding the model in equation (5) are worth noting at this point in the paper. First, as noted in equation (5), some of the values for our dependent variable are observed (i.e. those cases in which Mexican immigrants remitted or took money back home), whereas the remaining values (i.e. those instances in which Mexican immigrants do not remit nor take money back home) are censored or unobserved. When some of the data are censored, the distribution that applies to the sample data is a mixture of discrete and continuous distributions, rendering the use of OLS inappropriate.

Two general types of estimation methods are typically used under such circumstances. One of them is a two-part selection model, where the likelihood to remit or bring money back

home is first modeled using a probit model and the second stage is estimated by OLS and uses the predicted values from the first stage probit to correct for the ongoing selection. The advantage of the two-part selection model is that it allows for the regressors to have a different effect on the likelihood of transferring money versus on the dollar amount finally remitted or brought back home. The major disadvantage is that the results tend to be quite sensitive to the identification exclusions, which are often disputable given the difficulty of finding factors that affect the decision to remit or bring money back home, but do not influence the dollar amount transferred home by the immigrant.

An alternative often used when modeling immigrants' money transferring practices is the Tobit model (Brown 1997, Ravallion and Dearden 1998, Schrieder and Knerr 2000). The Tobit takes into account the diverse nature of the distribution of immigrants' money transfers by modeling the likelihood of remitting or bringing money back home and the dollar amount finally transferred as a function of the same covariates. A potential disadvantage of the Tobit model is that a change in any regressor will have the same effect (same sign) on both the probability of remitting or bringing money back home and on the dollar amount finally transferred home.<sup>19</sup> Nonetheless, recognizing: (a) the difficulty of conceiving appropriate identifiers that affect the decision to remit or bring money back home without influencing the dollar amount transferred home by the immigrant, and (b) the sensitivity of the findings to the choice of identifiers, we estimate equation (5) using a Tobit model.

Second, the possibility exists that immigrants' banking status in equation (5) is endogenous to their money transferring behavior. The endogeneity of immigrants' banking

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<sup>19</sup> A second potential disadvantage of the Tobit and two-part selection models is their reliance on normality and homoscedasticity in the latent variables. However, as noted by Wooldridge (2003), neither conditional normality nor heteroskedasticity affect the unbiasedness or consistency of the OLS estimates and, as a result, for reasonable deviations from these assumptions, the Tobit model still provides good estimates.

status may be originating from various sources. First, omitted variables affecting Mexican immigrants' money transferring practices, such as precise information on their wealth, may be correlated with immigrants' banking status in the U.S. As a result, our estimates of the effect of banking on immigrants' money transferring practices are likely to be biased. A second source of endogeneity of banking is its potential simultaneity of banking with remitting as well as with saving (to bring money back home). Mexican immigrants planning to remit or bring money back home may choose to become banked during their stay in the U.S. given the advantages of remitting through banks, such as greater safety and lower transferring costs, and the saving and wealth accumulation process often facilitated through banking.

To take into account the potential endogeneity of immigrants' banking status, we rely on the method of instrumental variables and estimate the predicted probability of being banked using the following probit model:

$$(6) \quad P(b_{ifc} = 1 | Z_{ifc}) = \Phi(Z_{ifc}' \gamma) + u_{ifc}, \text{ where: } u_{ifc} / Z_{ifc} \sim N(0,1) \text{ and}$$

where the vector  $Z_{ifc}$  includes immigrants' personal, family, and community of origin characteristics in vector  $X_{ifc}$ . Additionally, the vector  $Z_{ifc}$  includes information on other factors possibly affecting immigrants' accessibility to banks, such as whether immigrants had a bank in their hometown before migrating to the U.S., as well as two sets of dummy variables indicating their states of origin in Mexico as well as of the state in the U.S. where they resided during their last U.S. trip. These dummy variables are chosen to account for differences in the institutional and economic environment in which immigrants operate, both at home in Mexico as well as in the U.S., as typified by the banks' outreach efforts to the unbanked, banking fees, and any bank related use taxes, among many others.

To help identify equation (6), information on whether there was a bank in immigrants' communities before they migrated and the two sets of dummies indicative of immigrants' state of origin and state of residence while in the U.S. is excluded from equation (5). These variables are chosen as factors that likely affect immigrants' money transfers only through their effect on the probability of having a bank account in the U.S., which we account for when modeling migrants' money transfer practices through their predicted probability of being banked. The intuition behind our choice of our instruments is as follows. Having a bank in the home community before migrating to the U.S. raises the migrant's familiarity with the banking system and increases the likelihood of opening a bank account in the U.S. Having a bank account in the U.S. will then increase both the probability of accumulating more wealth and the likelihood that immigrants will use banks to remit money back home. In addition, being banked may also raise the dollar amount sent back or brought back to Mexico given the lower cost of remitting money through banks and the ongoing accumulation of savings in U.S. banks.

Something similar can be said with respect to the use of dummies indicative of immigrants' state of origin as instruments. However, these may also be indicative of potential regional differences in income, wealth, and other characteristics possibly influencing immigrants' money transferring practices (as well as their likelihood of being banked). Therefore, we exclude them from our final model of migrants' money transfer practices, which, instead, includes measures of the standard of living (a proxy for the economic development) of immigrants' states of origin in Mexico in order to address these possible regional differences.<sup>20</sup>

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<sup>20</sup> As further justification for their exclusion in equation (6), the variables chosen as instruments proved to be statistically non-significant in the Tobit analyses. Nonetheless, given the potential sensitivity of instrumental variable regression analysis to the variables chosen as instruments of the endogenous regressors, we carry out the analysis with and without instrumenting for migrants' banking use while in the U.S. to assess the robustness of our results to the various specifications.

After estimating the probit model specified in equation (6), we then estimate the following Tobit model:

$$(7) \quad T_{ifc}^* = \beta P_{Banked} + X'_{ifc} \phi + \varepsilon_{ifc}, \text{ with } T_{ifc} = \max(0, T_{ifc}^*) \text{ and } \varepsilon_{ifc} / P_{Banked}, X_{ifc} \sim N(0, \sigma^2)$$

where  $P_{Banked}$  represents immigrants' predicted probability of having a bank account during their last trip to the U.S.<sup>21</sup> As noted earlier, the goal of our empirical work is to estimate the effect of *banking* on the amount transferred back home. The overall banking effect results from both banks being able to offer lower price remitting services ( $p_r(b)$ ) and through banks role in the facilitation of the accumulation of savings ( $s(b)$ ). Under such circumstances, the use of banking services may affect both periodic remitting patterns and the accumulated savings brought back home by immigrants upon their return to their origin communities.

What other factors may affect immigrants' remittances and their one-time transfers at the close of their migration experiences? We consider a variety of immigrants' personal, family, and community of origin characteristics contained in the vector  $X_{ifc}$ . For instance, immigrants' money transfers are likely to depend on their *income and ability to send* funds abroad –as proxied by  $w$  in our reduced form expressions (equation (4)). As a proxy for income, we include monthly earnings while in the U.S., educational attainment, and ability to speak English. To capture immigrants' ability to send money to their families, we include information on their legal status while in the U.S. Undocumented immigrants might encounter greater difficulties in finding employment than their legal counterparts and, even when employed, they are subject to a greater economic uncertainty than legal immigrants. Hence, they might experience greater difficulty in remitting or taking a lump sum back home than their documented counterparts.

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<sup>21</sup> Standard errors of the estimates are computed using the bootstrap procedure suggested by Hall and Wilson (1991).

Immigrants' remitting patterns and their decision to take money back home is also likely to be affected by their families' income back home. We use two variables to capture economic need as a proxy for *immigrants' family income* back in Mexico. First, we introduce a dichotomous variable indicative of whether an immigrant's spouse stayed back in Mexico. Secondly, we control for the percent of non-working age family members left back home as a measure of economic dependence. For both variables, we expect to find a positive relationship with the likelihood and the dollar amount remitted or taken back home by the migrant in the U.S.

Finally, we include a variety of *demographic, migratory and community characteristics* possibly affecting immigrants' money transferring behavior. Gender and age are important demographic controls since men of working age are still more likely to be the main breadwinners in immigrants' families, making them more likely to remit and remit larger sums of money back home than, for example, female immigrants of non-working age. Additionally, we account for the duration of immigrants' trip to the U.S. to address the potential remittance decay that takes place as immigrants become more assimilated to and settled in the host country. Lastly, a variety of community characteristics likely to affect immigrants' money transfers to their families are also included in the analysis. These characteristics include the number of factories in immigrants' communities of origin as well as two dichotomous variables indicative of the standard of living in immigrants' state of origin. The number of factories captures the rural versus urban nature of immigrants' origin communities. In turn, the dummy variables indicative of the standard of living in immigrants' state of origin allow us to control for unobserved income, wealth, and other macroeconomic characteristics immigrants' origin communities, which may be influencing immigrants' money transferring practices.

## **VII. Mexican Immigrant's Remitting Behavior**

Tables 3 and 4 display the results from estimating Tobit models of the dollar amount repatriated by Mexican immigrants, whether monthly or as a lump-sum payment at the end of their last U.S. migration. The models are estimated both with and without instrumenting for immigrants' banked status while in the U.S. The instrumental variable results make use of the predicted probability of being banked derived from a probit model estimating the likelihood of having a bank account during their last U.S. trip. According to the probit estimates in Appendix Table B, undocumented immigrants are approximately 7.6 percentage points less likely to be banked than their legal counterparts. Similarly, Mexican immigrants who migrate leaving their spouses behind appear to be 3 percentage points less likely to be banked than those who did not (e.g. their single counterparts and their married counterparts who bring their spouses to the U.S.). This result may be simply signaling these immigrants' intent to return back to Mexico in the near future and their lack of interest in familiarizing themselves with the U.S. banking system. In contrast, Mexican immigrants who speak English, enjoy higher monthly earnings, and stay longer periods of time in the U.S. are significantly more likely to be banked.

Additionally, institutional and community of origin characteristics seem to play a significant role on the use of banking by Mexican immigrants. In particular, the likelihood of being banked is 3 percentage points lower among Mexican immigrants originating in some of the Mexican states with the poorer standards of living. In our sample, these are the states of Campeche, Tabasco, Veracruz, Puebla, Hidalgo, and San Luis de Potosí. Furthermore, as indicated by one of our instrumental variables, Mexican immigrants originating from communities with a bank in operation before they migrated to the U.S. are 2 percentage points more likely to be banked in the U.S. These results shed light on the important role played by the



availability of a banking infrastructure back home and, hence, immigrants' familiarity with the banking system, in immigrants' decision to be banked while in the U.S. Finally, the two sets of dummy variables indicative of immigrants' state of origin as well as of their state of residence in the U.S. further demonstrate the importance of other unobserved regional characteristics influencing immigrants' decision to open a bank account during their last U.S. trip. Overall, the probit models for immigrants' likelihood of being banked during their last U.S. stay are identified through: (a) their distinct functional forms (with respect to the Tobit models in Table 3 and Table 4), and (b) the use of statistically different from zero information on the existence of a bank in their communities of origin before migrating to the U.S., as well as on other information characteristic of their communities of origin and their U.S. states of residence.

#### *Mexican Immigrants' Monthly Remitting Patterns*

Table 3 shows the results from estimating a Tobit model examining the determinants of Mexican immigrants' monthly remittance volume with and without instrumenting for immigrants' bank use while in the U.S. Note that the coefficients in the Tobit model measure the partial effects of changes in our regressors on the expected value of the latent variable ( $T_{ifc}^*$ ). However, the variable we wish to understand better is the observed income transfers ( $T_{ifc}$ ). Therefore, in addition to the estimated coefficient and the standard errors, Table 3 includes information on the effect of our independent variables on the probability of remitting on a periodic basis, as well as information on the sensitivity of monthly remittances to changes in the regressors.

Some of the general factors positively linked to immigrants' periodic remitting patterns are worth noting. For instance, regardless of whether we carry out the analysis with or without instrumenting for immigrants' banking use while in the U.S., male immigrants and immigrants

leaving spouses behind are about 30 and 16 percentage points more likely to remit monthly to their families back in Mexico, respectively, than female immigrants and immigrants who do not leave their spouses behind. In particular, male immigrants and immigrants leaving spouses in Mexico remit an average of \$91-\$95 and \$57-\$58 more on a monthly basis than their female and either single or married counterparts migrating jointly with their spouses. Similarly, immigrants' earnings possibilities in the U.S., as proxied by their ability to speak English and reflected by their monthly earnings, also raise their monthly remittances. Nonetheless, immigrants' monthly earnings do not significantly affect their remittance patterns once we instrument for their banking use in the U.S. Finally, in consonance with the earlier literature on remittances (Kraul 2001), we observe lower remittances being sent to family members in urban areas in Mexico (as proxied by the number of factories in community of origin), although the magnitude of this effect appears economically small.

Turning our attention to the effect of banking, Table 5 displays the effect that immigrants' banking and legal status may have on their likelihood to transfer money to their families and, in that event, on the amount finally sent home with and without instrumenting for immigrants' banking use during their last U.S. trip (model (1) and model (2), respectively). Specifically, the figures in Panel(s) A refer to immigrants' periodic remittances, whereas those in Panel(s) B describe the differential effect of banking and legal status on the amount taken back home by immigrants at the end of their migration spells. These effects are computed using the coefficients, as well as the effects of immigrants' banking and legal status on their probabilities of transferring money back home and on the dollar amount finally transferred in Table 3. Additionally, Table 5 displays the corresponding joint significance tests. Overall, the results in Table 5 show the lack of statistical significance of Mexican immigrants' banking and legal status

on their monthly remitting practices, whether we instrument for their banking usage or not. In particular, according to the figures in rows 3 and 4, Panel A, Mexican immigrants with access to banking in our sample do not appear to be more likely to remit nor do they seem to remit a greater amount than their unbanked counterparts. In what follows, we examine the possibility that access to banking instead results in an increase in the dollar amount saved and brought back home by immigrants at the end of their migration spells.

*Lump Sums Brought Back by Mexican Immigrants at the End of their U.S. Migration*

Focusing on a second type of income repatriation, Table 4 displays the results from examining the determinants of the level of funds taken back home by Mexican immigrants at the end of their migration experiences. Some of the determinants of the dollar amount brought back home by immigrants at the end of their migration spell, whether or not we address the endogeneity of their banking status, include their age, whether or not they left a spouse behind and the number of factories in their states of origin. In particular, older Mexican immigrants, immigrants who leave their spouse in Mexico, and those coming from relatively more urban areas (as captured by the number of factories in the origin) are significantly less likely to bring money back home than their younger counterparts, Mexican immigrants who do not leave spouses behind, and Mexican immigrants from more rural communities, respectively. The magnitude of these effects on the dollar amount brought back home is relatively large in the case of Mexican immigrants who leave spouses behind, who bring back an average of \$335 less (or \$480 if we do not address the endogeneity of their banking status) than those who do not leave their spouses in Mexico. As indicated by the figures in Table 3, return migrants leaving spouses behind appear to, instead, remit on a periodic basis. Additionally, the possibility exists that immigrants with spouses left back in Mexico may be more likely to cross back and forth between

Mexico and the U.S. with a greater frequency than those who are single or migrate with their spouses to the U.S. As a result, they may have accumulated less money and, hence, may bring less money back home. Likewise, as in Table 3, return migrants continue to be more likely to take money back home when their communities are less industrialized (as captured by the number of factories) or more rural.

Other determinants of the dollar amount brought back home by Mexican immigrants at the end of their migration spells lose their statistical significance as we address the endogeneity of immigrants' banking status while in the U.S. This is the case with Mexican immigrants' undocumented status as well as with the duration of their last U.S. stay, both of which appear to raise the dollar amount brought back home by approximately \$183 if undocumented and by \$7 per additional month in the U.S. in the model without IVs. When we instrument for immigrants' banking use, legal status and duration are not significant in the Tobit model. This implies that their effects on lump sum transfers are solely through their effect on the probability of banking, which is captured in the first stage probit.

Turning to the impact of banking on immigrants' likelihood to bring part of their savings back home as well as on the dollar amount finally repatriated, the figures in Table 5, panel(s) B show the generally robust significance of banking on immigrants' money transfer practices, whether we use an instrumental variable approach or not. Access to banking increases the lump sum brought back home by undocumented (relative to legal) immigrants at the end of their migration spells. According to the figures from model (1), panel B, the undocumented appear to bring back home approximately \$183 more than their legal counterparts when both are unbanked (row 1). This sum rises to a statistically different from zero sum of \$784 when we compare banked and undocumented return migrants to banked and legal return migrants (row 2). The

aforementioned differences between the lump sum transfers of undocumented and legal immigrants are further accentuated as we instrument for immigrants' banking use (model 2, panel B, row 2). In that case, whereas undocumented and legal immigrants do not appear to bring back home different sums when unbanked, their money transferring practices significantly differ if they are both banked, with the undocumented bringing back home, on average, \$4155 more than their legal counterparts.

The importance of access to banking among the undocumented is once more highlighted when comparing the lump sums brought back home by banked versus unbanked undocumented return migrants (rows 3). For instance, when we instrument for immigrants' banking use, banked and undocumented immigrants are not only twice as likely to save and take back home some of their savings relative to their unbanked counterparts, but also they repatriate an average of \$6273 more than their unbanked equivalents (model 2, panel B, row 3). A similar effect is found among legal immigrants, who increase their likelihood of bringing money back home at the end of their migration spell when banked relative to when they are unbanked by up to 44 percentage points (model 2, panel B, row 4). Correspondingly, banked and legal immigrants appear to bring back home up to \$2182 more than their unbanked and legal counterparts. In sum, while undocumented return migrants with access to banking do not appear to remit more on a periodic basis than their unbanked counterparts, they do seem to bring back home a larger dollar sum at the end of their migration experiences than unbanked and undocumented return migrants. Hence, the possibility exists that undocumented return migrants with access to banking forgo their periodic remittances and, instead, choose to save and bring back a lump sum upon their return home.

## **VIII. Conclusions**

The recognition of the ‘matrícula consular’ as an acceptable alien identification by financial institutions has been surrounded by substantial debate. If accepted widely, the matrícula may reduce the difficulties of living in the U.S. for undocumented Mexican immigrants to a large degree by facilitating access to the U.S. banking system. Once banked, undocumented immigrants may be more likely to save as well as remit part of their savings home, whether on a monthly basis through access to the low-cost wiring and money-transfer services offered by banks, or as a lump-sum payment taken back home in person upon return to Mexico. The proponents of the card’s acceptance seek to boost the remittances sent home by helping immigrants save and by providing them with a safer transmission mechanism. However, the possibility also exists that undocumented immigrants redirect their savings and increase their accumulated savings brought back home or to boost their consumption while in the U.S.

In this paper, we use data on approximately 3,000 migrating household heads interviewed upon their return to Mexico from the Mexican Migration Project (MMP). We choose this sample due to the fact that a large share of Mexican immigrants, particularly those who remit, return to Mexico, whether temporarily or permanently at some point in their lives (Lowell 1992, Lindstrom 1996, Reyes 1997, Orrenius 1999). Furthermore, the sample design of the MMP is such that return migrants interviewed in Mexico are intended to be a representative group of such immigrants. Focusing on this group of Mexican immigrants, we examine the hypothesis that access to banking services increases the level of funds sent back home by Mexican immigrants while in the U.S.

We find that despite a steady increase over the past 30 years, bank usage by Mexican immigrants during their U.S. stay remains fairly low, particularly among those who return to Mexico within a short period of time. Low banking use by Mexican immigrants may be due to

their undocumented status, low earnings, and/or distrust towards the financial system. In particular, we find that undocumented immigrants are less likely, by almost eight percentage points, to be banked than documented Mexican immigrants in our sample. Therefore, the acceptance of the ‘matrícula consular’ by financial institutions may potentially bring in a large number of unbanked (the undocumented) into the U.S. banking system and this development may have large effects on immigrants’ money repatriating practices.

Finally, access to banking has very different consequences on the dollar amount remitted home on a periodic basis and on the lump sum brought back home at the end of the migration spell by immigrants depending on their legal status. Specifically, while banking use does not seem to significantly raise monthly remittance flows regardless of immigration status, it boosts undocumented and legal immigrants’ savings and the dollar amount brought back home upon their return by over \$6000 and \$2000, respectively. That is, immigrants appear to forgo their periodic remittances and, instead, significantly increase their savings and the lump sum repatriated at the end of their migration spells.

In sum, the findings suggest that facilitating undocumented immigrants’ access and use of the banking system may increase the future flow of funds brought back by immigrants to their communities at the end of their migration spells. Given the potentially important role played by remittances in financing productive investments in immigrants’ origin communities, marketing and financial literacy efforts targeted at income-repatriating immigrants may result in greater comfort with and usage of low-cost financial services in the U.S. and in Latin America. These efforts may prove valuable in fostering economic growth in Mexico.

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*Table 1: Trends in the Use of Banking Services by Immigrants*

	<b>Mean</b>	<b>Standard Deviation</b>
<i>Overall Banked</i>	<b>0.087</b>	0.282
<i>Decade Last Visited U.S.</i>		
1970s	<b>0.030</b>	0.171
Younger than 20	0.029	0.170
20s	0.031	0.173
30s	0.043	0.203
40s	0.017	0.130
50s and older	0.016	0.125
1980s	<b>0.085</b>	0.279
Younger than 20	0.085	0.280
20s	0.110	0.313
30s	0.068	0.252
40s	0.075	0.264
50s and older	0.079	0.271
1990s	<b>0.099</b>	0.298
Younger than 20	0.181	0.387
20s	0.083	0.277
30s	0.106	0.308
40s	0.114	0.318
50s and older	0.078	0.268
2000-2002	<b>0.190</b>	0.395
Younger than 20	0.500	0.577
20s	0.135	0.347
30s	0.200	0.406
40s	0.263	0.452
50s and older	0.100	0.316

**Notes:** Authors' tabulations using the MMP93.

*Table 2: Remittances and Lump Sum Transfers of Migrants by Banking Status*

Migrant Characteristics	Unconditional			Conditional on Remitting (Remittances > 0)		
	Mean	Diff.	t-stat	Mean	Diff.	t-stat
<b>All Migrants</b>						
<i>Remittances</i>						
Unbanked	189.18			244.96		
Banked	205.93	-16.75	-1.01	329.05	-84.10	-3.88***
<i>Savings Returned to Mexico</i>						
Unbanked	922.92			1265.09		
Banked	3326.17	-2403.25	-4.33***	4434.90	-3169.81	-4.37***

**Notes:** Authors' tabulations using the MMP93.

*Table 3: Tobit Model for the Dollar Amount Remitted Monthly*

Variables	Model (1) – Without IVs				Model (2) – With IVs			
	Coefficient	S.E.	Partial Effect on the Probability of Being Uncensored	Partial Effect on the Conditional Expectation	Coefficient	Bootstrap S.E.	Partial Effect on the Probability of Being Uncensored	Partial Effect on the Conditional Expectation
<b>Dollar Amount Remitted Monthly</b>								
Banked	-15.0392	29.0363	-0.0180	-7.2230	-33.3002	111.6647	-0.0394	-16.0986
Undocumented	7.6270	15.7862	0.0090	3.6953	-3.6739	20.0669	-0.0043	-1.7783
Banked*Undocumented	39.1699	45.8645	0.0448	19.6908	113.7300	170.6503	0.1347	54.9815
Male	226.6835***	32.5625	0.2931	90.8198	239.8663***	31.5660	0.3096	94.6726
Age	0.6862	0.6236	0.0008	0.3333	0.6718	0.5902	0.0008	0.3248
Years of Education	-3.0785	1.8973	-0.0036	-1.4954	-3.0450	2.0461	-0.0036	-1.4721
Speaks English	39.8921***	16.2696	0.0462	19.7943	35.7750**	20.5060	0.0416	17.6261
Monthly Earnings in the U.S.	0.0065***	0.0024	7.72E-06	0.0032	0.0063	0.0135	7.50E-06	0.0031
Duration of Last Trip	-0.4979	0.3165	-0.0006	-0.2419	-0.6765	0.4172	-0.0008	-0.3271
Duration of Last Trip Squared	0.0009	0.0010	1.03E-06	0.0004	0.0015	0.0012	1.73E-06	0.0007
Left Spouse in Mexico	125.7371***	17.3580	0.1564	56.7962	129.5341***	20.1643	0.1612	58.1516
Dependents in Mexico	17.7037	29.1212	0.0209	8.6000	13.0053	33.7458	0.0154	6.2873
Number of Factories in Origin	-0.0058**	0.0029	-6.84E-06	-0.0028	-0.0108***	0.0040	-1.28E-05	-0.0052
Lowest Living Standard in Origin	-18.7175	35.9094	-0.0224	-8.9440	-23.4817	29.9195	-0.0283	-11.1178
Second Lowest Living Standard in Origin	-15.6928	18.2902	-0.0187	-7.5411	-20.9516	17.1536	-0.0251	-9.9783
<b>Regression Fit Statistics</b>								
Number of Observations		2564				2456		
(Left) Censored Observations		617				596		
LR Chi2 (15)		138.29				150.74		
Prob>Chi2		0.0000				0.0000		
Log Likelihood		-14369.664				-13732.624		

**Notes:** We refer to the ‘conditional’ expectation as the expectation conditional on both remitting back home and other regressors. \*\*\* Signifies statistically different from zero at the 1 percent level or better, \*\* at the 5 percent level or better and \* at the 10 percent level or better. The regressions include a constant.

*Table 4: Tobit Model for the Dollar Amount Saved and Brought Back Home*

Variables	Model (1) – Without IVs				Model (2) – With IVs			
	Coefficient	S.E.	Partial Effect on the Probability of Being Uncensored	Partial Effect on the Conditional Expectation	Coefficient	Bootstrap S.E.	Partial Effect on the Probability of Being Uncensored	Partial Effect on the Conditional Expectation
<b>Dollar Amount Saved and Brought Back Home</b>								
Banked	1981.3960***	505.3575	0.1498	825.1785	5791.6580***	2566.2030	0.4405	2182.2345
Undocumented	488.4433**	280.9063	0.0381	183.1094	172.0029	439.7930	0.0131	64.5837
Banked*Undocumented	1463.1240**	814.8925	0.1115	600.9346	10855.7200	6762.6220	0.8257	4090.3205
Male	591.9933	555.0876	0.0462	217.3235	487.3718	821.3026	0.0371	179.0862
Age	-19.8228*	11.2109	-0.0015	-7.5081	-24.0421***	10.7968	-0.0018	-9.0588
Years of Education	-26.1260	33.0352	-0.0020	-9.8955	-41.1662	36.2030	-0.0031	-15.5110
Speaks English	425.8004	288.4444	0.0331	163.5912	-370.6014	522.2471	-0.0282	-137.9773
Monthly Earnings in the U.S.	0.0507	0.0422	3.94E-06	0.0192	-0.0141	0.1572	-1.08E-06	-0.0053
Duration of Last Trip	19.2070***	5.3840	0.0015	7.2749	-0.1223	7.7056	-9.30E-06	-0.0461
Duration of Last Trip Squared	-0.0471***	0.0158	-3.66E-06	-0.0178	-0.0181	0.0245	-1.38E-06	-0.0068
Left Spouse in Mexico	-1211.7860***	302.6418	-0.0934	-480.2420	-861.0167***	405.3844	-0.0651	-334.6875
Dependents in Mexico	160.3699	513.0315	0.0125	60.7419	-56.5095	444.0580	-0.0043	-21.2922
Number of Factories in Origin	-0.1213**	0.0532	-9.45E-06	-0.0460	-0.1882***	0.0758	-1.43E-05	-0.0709
Lowest Living Standard in Origin	264.9862	619.1772	0.0206	101.8345	237.7735	276.3684	0.0181	90.7487
Second Lowest Living Standard in Origin	-12.6727	320.4140	-0.0010	-4.7973	206.3862	296.0775	0.0157	78.4629
<b>Regression Fit Statistics</b>								
Number of Observations		2390				2283		
(Left) Censored Observations		544				534		
LR Chi2 (15)		126.42				126.71		
Prob>Chi2		0.0000				0.0000		
Log Likelihood		-18772.982				-17840.322		

**Notes:** We refer to the ‘conditional’ expectation as the expectation conditional on both remitting back home and other regressors. \*\*\* Signifies statistically different from zero at the 1 percent level or better, \*\* at the 5 percent level or better and \* at the 10 percent level or better. The regressions include a constant.

**Table 5: The Effects of Being Banked by Legal Status without IVs**

(Note:  $T = \beta_1 \text{Banked} + \beta_2 \text{Undocumented} + \beta_3 \text{Banked} * \text{Undocumented} + X' \phi + \varepsilon$ )

Group	Computation	Coefficient	Joint Significance (Chi-square Statistic)	Partial Effect on the Probability of Being Uncensored	Partial Effect on the Conditional Expectation
<b>Model (1) – Without IVs</b>					
<b>Panel A – Effects of Being Banked on the Dollar Amount Remitted Monthly by Migrant Legal Status</b>					
1 Unbanked: Undocumented vs. Legal	$\beta_2$	7.6270	0.23	0.0090	3.6953
2 Banked: Undocumented vs. Legal	$(\beta_2 + \beta_3)$	46.7969	0.67	0.0538	23.3861
3 Undocumented: Banked vs. Unbanked	$(\beta_1 + \beta_3)$	24.1307	0.36	0.0268	12.4678
4 Legal: Banked vs. Unbanked	$\beta_1$	-15.0392	0.27	-0.0180	-7.2230
<b>Panel B – Effects of Being Banked on the Dollar Amount Saved and Brought Back Home by Migrant Legal Status</b>					
1 Unbanked: Undocumented vs. Legal	$\beta_2$	488.4433*	3.02	0.0381	183.1094
2 Banked: Undocumented vs. Legal	$(\beta_2 + \beta_3)$	1951.5673***	4.51	0.1496	784.0440
3 Undocumented: Banked vs. Unbanked	$(\beta_1 + \beta_3)$	3444.5200***	19.45	0.2613	1426.1131
4 Legal: Banked vs. Unbanked	$\beta_1$	1981.3960***	15.37	0.1498	825.1785
<b>Model (2) – With IVs</b>					
<b>Panel A – Effects of Being Banked on the Dollar Amount Remitted Monthly by Migrant Legal Status</b>					
1 Unbanked: Undocumented vs. Legal	$\beta_2$	-3.6739	0.03	-0.0044	-1.7783
2 Banked: Undocumented vs. Legal	$(\beta_2 + \beta_3)$	110.0561	0.45	0.1304	53.2032
3 Undocumented: Banked vs. Unbanked	$(\beta_1 + \beta_3)$	80.4297	0.46	0.0953	38.8829
4 Legal: Banked vs. Unbanked	$\beta_1$	-33.3002	0.12	-0.0394	-16.0986
<b>Panel B – Effects of Being Banked on the Dollar Amount Saved and Brought Back Home by Migrant Legal Status</b>					
1 Unbanked: Undocumented vs. Legal	$\beta_2$	172.0029	0.23	0.0131	64.5837
2 Banked: Undocumented vs. Legal	$(\beta_2 + \beta_3)$	11027.7279***	16.77	0.8388	4154.9042
3 Undocumented: Banked vs. Unbanked	$(\beta_1 + \beta_3)$	16647.3829***	18.79	1.2662	6272.5550
4 Legal: Banked vs. Unbanked	$\beta_1$	5791.6579***	11.15	0.4405	2182.2345

**Notes:** We refer to the ‘conditional’ expectation as the expectation conditional on both remitting back home and other regressors. \*\*\* Signifies statistically different from zero at the 1 percent level or better, \*\* at the 5 percent level or better and \* at the 10 percent level or better.

*APPENDIX*

*Table A: Description of Variables Used in the Analysis*

Variables	Definition	Mean	S.D.
<b>Dependent variables:</b>			
Likelihood of Remitting on a Monthly Basis	Likelihood of remitting money to Mexico on a monthly basis during their last U.S. trip	0.7605	0.4269
Dollar Amount Remitted Monthly	The real dollar amount remitted on a monthly basis to Mexico during their last U.S. trip (includes non-remitters)	190.4298	242.4522
Likelihood of Saving and Bringing Money Back Home	Likelihood of saving and bringing money to Mexico at the end of their last U.S. trip	0.7294	0.4444
Dollar Amount Saved and Brought Back Home	The real dollar amount saved and brought back to Mexico at the end of their last U.S. trip (includes those who do not bring back savings)	1128.527	4027.409
<b>Independent variables:</b>			
Banked	Dummy equal to 1 if migrant had a bank account during the last U.S. trip	0.0872	0.2822
Undocumented	Dummy equal to 1 if migrant lacked proper documentation at time of last entry	0.6762	0.4680
Male	Gender dummy	0.9466	0.2248
Age	Age at time of last migration to the U.S.	35.0545	12.4591
Years of Education	Years of educational attainment	5.2800	3.9271
Speaks English	Dummy equal to 1 if migrant spoke English during last U.S. trip	0.2448	0.4300
Monthly Earnings in the U.S.	Monthly earnings during their last U.S. trip in real dollars (adjusted for inflation using CPI-U(82-84))	895.3924	2288.572
Duration of Last Trip to the U.S.	Duration of last U.S. trip in months	25.4508	54.4556
Left Spouse in Mexico	Dummy variable for leaving a spouse in Mexico	0.8391	0.3675
Dependents in Mexico	Percent of HH members of non-working age back in Mexico	0.6494	0.2165
Number of Factories in Origin	Number of factories in migrant's origin community	466.2246	2121.224
Lowest Standard of Living in Origin	Standard of Living dummy created using the classification presented by INEGI at <a href="http://www.inegi.gob.mx/prod_serv/contenidos/espanol/niveles/">http://www.inegi.gob.mx/prod_serv/contenidos/espanol/niveles/</a> The lowest level includes the states of: Guerrero and Oaxaca.	0.0394	0.1945
Second Lowest Standard of Living in Origin	Standard of Living dummy for the states of: Hidalgo, Puebla, and San Luis de Potosí	0.1353	0.3421
Third (Middle) Standard of Living in Origin	Standard of Living dummy for the states of: Guanajuato, Michoacán, and Zacatecas	0.4371	0.4961
Fourth Level of Standard of Living in Origin	Standard of Living dummy for the states of: Colima, Durango, Jalisco, Nayarit, and Sinaloa	0.2581	0.4376
Fifth Level of Standard of Living in Origin	Standard of Living dummy for the states of: Aguascalientes, Baja California Norte, Chihuahua, and Nuevo León.	0.1301	0.3365
Bank in Origin Before Migration	Dummy equal to 1 if there was a bank in the community of origin before migrating to the U.S.	0.6930	0.4613



*Table A – Continued*

<b>Variables</b>	<b>Definition</b>	<b>Mean</b>	<b>S.D.</b>
Aguascalientes	Mexican State dummy	0.0280	0.1649
Baja California del Norte	Mexican State dummy	0.0362	0.1867
Colima	Mexican State dummy	0.0277	0.1641
Chihuahua	Mexican State dummy	0.0516	0.2211
Durango	Mexican State dummy	0.0531	0.2242
Guanajuato	Mexican State dummy	0.1736	0.3788
Guerrero	Mexican State dummy	0.0210	0.1435
Hidalgo	Mexican State dummy	0.0149	0.1211
Jalisco	Mexican State dummy	0.1280	0.3341
Michoacán	Mexican State dummy	0.1159	0.3202
Nayarit	Mexican State dummy	0.0313	0.1741
Nuevo León	Mexican State dummy	0.0149	0.1211
Oaxaca	Mexican State dummy	0.0190	0.1365
Puebla	Mexican State dummy	0.0215	0.14528
San Luis Potosi	Mexican State dummy	0.1016	0.3021
Sinaloa	Mexican State dummy	0.0182	0.1337
Zacatecas	Mexican State dummy	0.1436	0.3508
Arizona	U.S. state dummy	0.0216	0.1455
Arkansas	U.S. state dummy	0.0010	0.0321
California	U.S. state dummy	0.5389	0.4986
Colorado	U.S. state dummy	0.0134	0.1149
Connecticut	U.S. state dummy	0.0003	0.0160
Delaware	U.S. state dummy	0.0003	0.0160
District of Columbia	U.S. state dummy	0.0018	0.04242
Florida	U.S. state dummy	0.0273	0.1626
Georgia	U.S. state dummy	0.0111	0.1046
Idaho	U.S. state dummy	0.0180	0.1331
Illinois	U.S. state dummy	0.0690	0.2539
Indiana	U.S. state dummy	0.0026	0.0507
Iowa	U.S. state dummy	0.0003	0.0160
Kansas	U.S. state dummy	0.0093	0.0958
Kentucky	U.S. state dummy	0.0013	0.0359
Louisiana	U.S. state dummy	0.0006	0.0227
Maryland	U.S. state dummy	0.0005	0.0227
Massachusetts	U.S. state dummy	0.0005	0.0227
Michigan	U.S. state dummy	0.0028	0.0531
Minnesota	U.S. state dummy	0.0008	0.0278
Mississippi	U.S. state dummy	0.0002	0.0160
Missouri	U.S. state dummy	0.0023	0.0481
Nebraska	U.S. state dummy	0.0015	0.0393
Nevada	U.S. state dummy	0.0175	0.1312
New Jersey	U.S. state dummy	0.0023	0.0481
New Mexico	U.S. state dummy	0.0090	0.0945
New York	U.S. state dummy	0.0170	0.1293
North Carolina	U.S. state dummy	0.0103	0.1010
Ohio	U.S. state dummy	0.0015	0.0393

*Table A – Continued*

<b>Variables</b>	<b>Definition</b>	<b>Mean</b>	<b>S.D.</b>
Oklahoma	U.S. state dummy	0.0100	0.0997
Oregon	U.S. state dummy	0.0100	0.0997
Pennsylvania	U.S. state dummy	0.0126	0.1116
South Carolina	U.S. state dummy	0.0039	0.0620
Tennessee	U.S. state dummy	0.0021	0.0453
Texas	U.S. state dummy	0.1601	0.3668
Utah	U.S. state dummy	0.0036	0.0599
Virginia	U.S. state dummy	0.0018	0.0424
Washington	U.S. state dummy	0.0090	0.0945
Wisconsin	U.S. state dummy	0.0010	0.0321
Puerto Rico	U.S. state dummy	0.0005	0.0227
US, state unknown	U.S. state dummy	0.0023	0.0481

**Source:** Mexican Migration Project (MMP93).

*Table B: Probit Model for the Likelihood of Being Banked*

<b>Variables</b>	<b>Coefficient</b>	<b>S.E.</b>	<b>Marginal Effect</b>
Undocumented	-0.6101***	0.0927	-0.0758
Male	0.1521	0.2020	0.0140
Age	0.0013	0.0039	0.0001
Years of Education	0.0123	0.0117	0.0013
Speaks English	0.6215***	0.0893	0.0857
Monthly Earnings in the U.S.	2.72E-05***	1.11E-05	2.79E-06
Duration of Last Trip	0.0117***	0.0014	0.0012
Duration of Last Trip Squared	-1.68E-05***	3.79E-06	-1.73E-06
Left Spouse in Mexico	-0.2684***	0.0951	-0.0316
Dependents in Mexico	0.1376	0.1865	0.0141
Number of Factories in Origin	3.69E-05	2.62E-05	3.79E-06
Lowest Level Standard of Living in Origin	-0.1666	0.3129	-0.0150
Second Lowest Level Standard of Living in Origin	-0.3261**	0.1738	-0.0273
Bank in Origin Before Migration	0.1876*	0.1272	0.0178
Aguascalientes	-0.3304	0.3527	-0.0262
Baja California del Norte	-0.2682*	0.1911	-0.0225
Colima	-0.3694*	0.2647	-0.0285
Chihuahua	-0.8486**	0.3804	-0.0458
Durango	-0.7857***	0.3008	-0.0450
Guanajuato	-0.3992***	0.1588	-0.0325
Jalisco	-0.0722	0.1486	-0.0071
Michoacán	0.0600	0.1440	0.0064
Nayarit	0.0711	0.2176	0.0077
Nuevo León	-0.9009**	0.4747	-0.0451
Puebla	-0.3666	0.9505	-0.0278
Sinaloa	0.1814	0.2856	0.0214
Arizona	-0.4160	0.4050	-0.0306
Colorado	0.1555	0.3871	0.0180
Florida	-0.8126***	0.3256	-0.0446
Georgia	-0.0287	0.6077	-0.0029
Idaho	-0.0601	0.2332	-0.0059
Illinois	0.2560*	0.1661	0.0314
Indiana	0.3893	1.0711	0.0543
Kansas	1.0525***	0.4364	0.2238
Michigan	0.6255	0.7390	0.1035
Missouri	0.4537	0.8351	0.0664
Nebraska	1.3339**	0.6967	0.3264
Nevada	-0.3320	0.3260	-0.0261
New Jersey	1.0766**	0.6570	0.2338
North Carolina	-0.1583	0.4223	-0.0143
Ohio	0.9707*	0.6196	0.1990
Oklahoma	0.3775	0.4845	0.0520
Oregon	-0.0276	0.3972	-0.0028
South Carolina	0.3672	0.4880	0.0503

*Table B – Continued*

<b>Variables</b>	<b>Coefficient</b>	<b>S.E.</b>	<b>Marginal Effect</b>
Texas	-0.1719	0.1550	-0.0160
Virginia	0.8910	0.7624	0.1746
Washington	-0.2887	0.4724	-0.0234
Wisconsin	1.4812**	0.8126	0.3836
<b>Regression Fit Statistics</b>			
Number of Observations		2624	
LR Chi2 (48)		481.09	
Prob>Chi2		0.0000	
Log Likelihood		-598.3209	
Percent Banked		0.1380	
Predicted Probability of Being Banked		0.1426	

**Notes:** \*\*\* Signifies statistically different from zero at the 1 percent level or better, \*\*signifies statistically different from zero at the 5 percent level or better and \*signifies statistically different from zero at the 10 percent level or better. The regressions include a constant. The reference categories for the standard of living dummies are Mexican states with standards of livings included in the third, fourth or fifth category of living standards as specified in Table A. The reference categories for the state of interview in Mexico is Zacatecas and for the U.S. state where they lived during their last trip to the U.S. is California.