

Agua Florida Community Savings
in Agua Florida, Ixmiquilpan, Hidalgo, Mexico
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Picture of Agua Florida

The picture below shows the range of mountains where Agua Florida is located. Agua Florida, the home town of Agua Florida Community Savings, is located in the front side of the biggest mountain on the far left. This picture was taken from the north, showing the north side of the mountains. Ixmiquilpan, the nearest city, is 25 miles south from Agua Florida



Foto: Richard M. Ramsay, 1972

Executive Summary

Agua Florida Community Savings (AFCS) is a non profit organization based in Agua Florida, Ixmiquilpan, Hidalgo, Mexico. This organization will help residents of Agua Florida who work in the United States to transfer their money to family members in Mexico at reasonable cost than sending money through conventional financial institutions.

AFCS is committed to address the credit needs of the community of Agua Florida by making small and short term loans, helping the community finance small community projects, beginning compensating the community leaders and to start changing the political structure in the long run.

Agua Florida is a small village located in the high mountains of Hidalgo, Mexico. It is 85 miles northeast of Mexico City. The nearest city is Ixmiquilpan, Hidalgo which is about 30 miles away, where every resident of the area goes to shop and to sell their local products. The population of Agua Florida is about 350 residents. The majority of the young people have immigrated to work in the United States. Currently there are about 30 Agua Florida residents working across the United States, 60 percent are men over 18 years old. Residents have immigrated to the United States due to the lack of jobs and resources in the area. Prior to the 80s, the residents supported themselves by farming their land and making hand-made wooden crafts. The population has grown and resources have become scarce. Most residents depend on income from outside, especially from the United States.

Most Agua Florida residents working in the United States use Western Union and MoneyGram to transfer their money to family members in Agua Florida. They spend an average of 15 percent in fees to transfer their money. Western Union charges \$15.00 to transfer \$100.00 and when the money is withdrawn in Mexico, Western Union pays far less than the exchange rate. In other words, to send money through Western Union, the sender pays twice for the service. The aggregate amount of money that is paid for transfer fees is significant and is something that the community can benefit from. Agua Florida residents spend about \$150.00 dollar per month in transfer fees. This amount is one month's income for a resident of Agua Florida working in the community.

The community can use the money which is being paid in fees for community projects, beginning with the creation of a salary for the community selectman. Currently, appointed selectmen work voluntarily for the community for a year. The community selectmen finances community projects by looking for government funds and collecting community taxes.

The Agua Florida Community Savings (AFCS) is an alternative method to transfer money to family members in Agua Florida and the fee for the service is competitive compared to Western Union and MoneyGram. The task of AFCS is to help residents working in the United States to reduce fees when they transfer money and to generate revenue for community projects.

The Agua Florida Community Savings is managed by a group of seven people from Agua Florida. Four members are working in the United States and two live in the community. The seven officers are elected every two years. The government structure of the AFCS allows every community member to participate in decision making.

Agua Florida Community Savings (AFCS) will raise funds from the Agua Florida residents working in the United States. AFCS needs to raise a minimum of \$500.00 to start offering money. Agua Florida Community Savings needs to transfer large amounts of money from one bank account to another bank account in Mexico to significantly reduce transaction fees. Since AFCS would not transfer large amounts of money, it will use a credit card in the beginning. The cost to use a credit card is relatively less than using Western Union. To transfer \$100.00, it cost approximately \$9.00 including annual interest.

The money will transfer in the following steps. Four people are involved in the process. The "sender", the person who sends money to Mexico, will send the money to an AFCS representative in the United States. The AFCS representative in Mexico withdraws money from a Mexican bank in Ixmiquilpan and she or he gives the money to the "receiver." The AFCS representative in the United States will pay the credit card bill at the same day to avoid high interest.

Any profit earned from AFCS will be used for community projects and to start paying community leaders.

AFCS has advanced slowly in meeting its projected goals by the end of 2001. AFCS organizers had projected raising \$1,500.00 in donations and starting to offer the service of transferring money. So far, we have failed to make short term loans or start transferring money. It was difficult to raise enough funds due to instability of the residents working in the United States.

The AFCS organizers regularly looked for alternatives to raising funds among the community members but were unable to succeed. It became more difficult to raise funds when the Enduring Freedom War began. Many community members working in the States returned to Mexico, ending their income source and thus making them unable to contribute to the project.

Despite unexpected events, AFCS organizers are optimistic for success with the project but it will take more time than expected. The organizers expect AFCS to start operating at full steam by the end of April 2001.

COMMUNITY PROFILE

I. Geography of the community

Agua Florida is a small village located in the high mountains of Hidalgo, Mexico. It is about 85 miles northeast of Mexico City. Agua Florida was part of another village, Gundho, but it became independent 24 years ago. The population of this little village is about 350 residents, 100 adults and 250 below the age of 17. The majority of the young people, women and men, are working in the United States. Currently there are about 30 members of the community working the States. The number of Agua Florida residents coming to the United States is increasing every year.

Ixmiquilpan, Hidalgo is the nearest city to Agua Florida; it is thirty miles south of the village. It takes about 80 minutes to travel there by car. Ixmiquilpan has become an important city for Agua Florida and for other villages. It is a place where most people do their shopping and other personal business. Ixmiquilpan is in a big valley known as the Mezquital Valley. This valley was one of the poorest region of Mexico but in the past 20 years the economy has changed positively due to the capital that many immigrants send back home.

II. The Economy of the Community

The community of Agua Florida depends heavily on the outside world. The money that is put into this economy is from Agua Florida residents who work in the United States. Without this income, the community will be a disaster. Many years ago, the residents were able to cultivate their land and live from the forest by making handles for tools, but now the good soil for farming is used and the forest is almost gone. Eight years ago, residents of the community decided to prohibit the cutting of the forest. This new law put an end to the selling of firewood which provided necessary income to many families. Currently, most families have at least one family member in the United States. The income from the United States has contributed to the growth in the standard of living.

III. Political Structure in the Community

The community, like most villages and towns in Mexico, has two leaders “los delegados” and a committee who works closely with the teacher to meet the needs of the elementary students. The two leaders oversee the activities of the village and they represent the community. These two leaders are appointed every year. The appointed leaders are obligated to fulfill the service otherwise they must pay a significant fine. The system of appointing new leaders every year worked for a period of time but according to young community members who are working in the United States, now it seems necessary to change the local laws. Most young citizens of Agua Florida work in the United States and when they are appointed as community leader they find it difficult to return to Agua Florida. There is not employment and the leaders are obligated to serve the community without any compensation and must pay their own travel expenses. The community is now struggling with this political system but it is reluctant to make any changes, especially the elders. Since the community has not made any serious effort to fix the system, the community is struggling to maintain political stability. A few citizens have refused to serve as delegados and others have left the community permanently.

IV. Agua Florida Citizens in the United States

The Agua Florida residents who work in the United States are spread across the country. Most of them work in the agriculture and in the construction sectors. They are between the ages of 17 and 40 years old. They travel to Mexico on average every other year to visit their families. After being exposed to a new society, culture, and economy, they return home with new ideas about the politics, economy and social life of the community. Since they are in the community for short period of time, they are unable to work in the community and successfully introduce their ideas. The residents who live and work in the community have not eagerly welcomed new ideas and new visions for the community. As a part of the culture, the elders expect the young citizens to physically live and work in the community before their ideas are considered. They also believed they have the moral obligation to maintain the political power and decide what is best for the community. The young citizens have struggled with that philosophy. They are now continually looking for alternatives to participate in the community directly from the United States. Most of them can not return home for a long period of time and work in the community because they are the ones bringing income to their families.

Background Information of the Issue

Ixmiquilpan is becoming an important city in the region. Many small and big business are opening and sophisticated trades are developing. A few nationally-wide banks like Bancomer, Banamex, and Banco Serfin were the primary financial institutions but more banks have entered to the market. The American financial institution 'Western Union' started doing business in Ixmiquilpan a few years ago. Western Union transfers money electronically from the United States to Mexico. The citizens of Agua Florida, like most citizens of the Mezquital Valley have found Western Union convenient for transferring their money to Mexico for their families, but most of them are not aware of the significant fees they pay for the services.

In the 1980s, the citizens of Agua Florida used to send their money by mail, but currently they use Western Union. When a family member in Agua Florida needs money, the relative who works in the United States uses Western Union or another institution that provides a similar service. She or he does not even consider borrowing money from a bank because of the high interest. In 1995, the average interest rate in Mexico for a small loan reached 28 percent. The service of Western Union has become the common and most effective way to send money, but it is very costly. To send \$500.00 dollar the average cost is \$36.00 (Table I explains in detail the transfer fees) and the exchange rate that Western Union pays in Mexico is below the market rate. Western Unions pays an average 30 cents pesos less than the market exchange rate. For example, when the market exchange rate is 9.60 pesos per one dollar, Western Union pays only 9.30 pesos. The person who claims the money in Mexico, she or he receives about 150.00 pesos less. The 150.00 pesos is about \$15.50 dollars. If the sender pays \$30.00 and the receiver pays another \$15.50, the total transfer fee is \$51.50. The \$51.50 equals \$490.40 Mexican pesos, which is more than a week of income for a resident working in Agua Florida.

As a group, Agua Florida citizens spend about \$150 dollar per month in transfer fees. If this \$150 were the income of the community, the community would have enough capital to finance several projects and work in reforestation. The community will also have enough money to pay partially the leaders "los delegados" for their service to the community.

Problem Statement

The citizens of Agua Florida struggles to maintain political and economic growth in the community. Most young men come to the United States to work and send money home. But, the political structure of the community inhibits many young men and women from staying in the United States to work for a long period of time to accomplish their dreams. Every year the community appoints two people to become the leaders of the community and the people who are appointed are obligated to act as the leaders. Many young citizens have found this local political system difficult and some of them have refused to serve their beloved community. In fact, some citizens have moved from this community for the same reason. The elders have successfully maintained this political system. They believe this system benefits the young people because it gives them the opportunity to learn about leadership. However, because the young people are forced to serve and employment is not available, most residents are not happy to return home and act as a leaders. Therefore, the political system must be changed to encourage young people to serve their community with passion and commitment. The village shall develop a financial institution to bring money into to the community to pay los delegados in part for their service and to finance small projects. If the delegados receive a compensation, the young people will seek for election and will serve the community with strong commitment. The leaders will have enough income to support their families.

Most Agua Florida citizens who work in the United States send their money to Mexico electronically with high transfer fees. The aggregate amount of money that is paid for transfer fees is significant and is something that can be avoided. If the community had a credit union, it can make short term loans so that the relative who works in the United States can send their money via mail which is 80 percent cheaper. If the community does not initiate such a sophisticated credit union, the political turmoil will continue and also the Agua Florida economy will suffer.

Mission Statement

The Agua Florida Community Savings gives the citizens of Agua Florida the opportunity to assist the community financially and at the same time they will save money when they transfer their money to Mexico. The community members will give money to the community instead of the giant financial corporations who transfer money electronically. The loan fund will make small and short term loans to meet the credit needs of the community. The money that will be earned will be used to pay the costs of operating the loan fund, to finance small community projects and to start compensating the delegados (community leaders).

Goal

The short term goals for AFCS are to raise enough money to open a savings account in Ixmiquilpan and start helping Agua Florida residents to transfer their money to Mexico at a minimum cost, and to start to generate revenues to address immediate financial needs of the community, including financing community projects and paying community leaders for their services.

In the long run AFCS hopes to strengthen the community relationship between elders and young residents working in the United States, and to develop an effective revenue generator that will eventually address the financing needs of the community.

Objectives

The Agua Florida Credit Savings has four specific objectives:

- I. To address the credit needs of the community. The Agua Florida Community Savings will make small and short term loans to community members.
- II. To help the community to finance small community projects and start to compensate the community leaders and start to change the political structure in the long run.
- III. To help Agua Florida families working in the United States to reduce their transfer fees when they send money to Mexico.
- IV. To give Agua Florida families working in the United States, and their heirs, the opportunity to help the community financially.

BYLAWS OF AGUA FLORIDA COMMUNITY SAVINGS

Article I. The Official name of this organization is Agua Florida Community Savings (AFCS).

Article II. The address of AFCS is Agua Florida, Ixmiquilpan, Hidalgo 42300, Mexico.

Article III. The Credit Union of Agua Florida is a nonprofit organization with no political or religious affiliations, committed to promoting the economic development of the community through micro-loans. This organization is independent from the political structure of Agua Florida. The Credit Union functions according to its own bylaws, which are legislated and amended by its members.

Article IV. Every member shall collaborate with full dignity and integrity in his or her relations with the Credit Union of Agua Florida.

Article V. Every member must be a citizen or former citizen of Agua Florida. Any potential member who does not meet these requirements shall become a member once the board of directors has approved the petition.

Article VI. Every member has the right to use the credit union's service as long as she or he agrees with the terms and conditions of the Loan Agreement and the Promissory Note. Every time a member makes a loan, she or he shall sign a Loan Agreement and a Promissory Note.

Article VII. The borrower shall pay the loan according to the Loan Agreement and the Promissory Note. If the borrower requires more time to pay the loan, the borrower shall request an extension to pay the loan without penalty. Any borrower who fails to repay the loan loses his or her membership.

Article VIII. AFCS shall use its revenue for the following:

- Pay the administration costs
- Help the community to finance community projects
- Pay the community leaders (los delegados) for their service

Article IX. The board of directors shall make the final decision in all decisions. Each decision shall be approved by the board of directors. However, when there is a big decision to be made, every member shall participate in the decision making and a decision shall require the approval of 65 percent.

Article X. The board of directors shall be elected by the members. This board of directors shall be elected every two years. Any board of director can resign from the board and shall give five month's notice. The board of directors can appoint a new board of director to replace the vacant seat until the end of the term.

Article XI. The Credit Union of Agua Florida shall have eight members on its board of directors and five officers. The members of the board of directors may also work as officers.

Article XII. Responsibilities of the Board of Directors: The Board of Directors shall ensure that operation undertaken by the corporation should at all times be in accordance with the AFCS commitments, goals, mission and objectives.

XIII. The responsibilities of the officers: All officers are responsible, on good faith, to administrate and operate in accordance with the AFCS commitment, goals, mission, and objectives.

President: The president is responsible for overseeing all activities undertaken by the entire staff committee. The president shall maintain regular communication with officers and the Board of Directors. The president shall participate directly in the process of making loans.

Secretary: The secretary is responsible for assisting the president and working closely with the secretary and the two representatives.

Treasure: The treasurer is responsible for booking all the transactions and maintaining all the financial statements up to date. She or he shall send out a financial report to all members quarterly.

Representative I. Representative I shall be residing in Agua Florida, Hidalgo, Mexico. This representative shall work closely with the community in Agua Florida and shall assist the president to make loans.

Representative II. Representative II shall be residing in the United States. This representative shall assist the president in collecting loans.

Loan Agreement

This is a Loan Agreement between Agua Florida Community Savings (Lender)
and _____ (Borrower), whose address is _____
_____.

- On _____, _____ (name of borrower)
borrows \$ _____ from Agua Florida Community Savings.
- _____ (name of cosigner), the cosigned
borrower, agrees to pay the above amount plus a service fee of \$ _____, a total
amount of \$ _____, on _____ (date).

The profit earned from this loan shall be added to Agua Florida Community Savings and
may be used to finance community projects in Agua Florida.

Borrower's Name

Borrower's Signature

Date

Witness Name

Witness Signature

Date

AFCS Representative's Name

AFCS Representative's Signature

Date

Implementation

Currently, there are five members that eager to support the project. The task force has decided to do the following :

1. Invite every community member to became part of this project. The task force will locate every Agua Florida citizens who works in the United States and send them a comprehensive questionnaire.
2. Communicate by phone and have conference calls when necessary.
3. Implement a complete study of how the loan fund will function.
4. Start drafting the by-laws.
5. Invite community members to donate money to start making loans.
6. Open a savings account that will allows the Loan Fund to transfer money to Mexico with minimum cost.
7. Start drafting projects to use the money earned.

Expected Outputs by the end 2001

1. Raise about \$1500 dollar in donation by the end of this year 2001.
2. Have made and collected several loans
3. Have financed a small project in the community
4. Start to help the leaders to pay their travel expenses.

Result of Expected Outputs as December 14, 2001

1. Fund Raising

Members of the task force sent out surveys in June 2001 to Agua Florida Residents working in United States and asked for donations. The response of this survey was relatively low and only a few community residents made small donations. The task force was only able to collect about \$200.00. The majority of the letters sent out were not returned and we could not find a system to make sure that every letter was received by the intended recipient. We discovered that most Agua Florida residents working in the United States have temporal jobs and they travel to different places several times a year. This made it difficult for the AFCS organizers to find them and receive their support.

In addition, the organizers called many community members to request their financial assistance. However, this effort made little progress to raise funds. Many residents of Agua Florida showed interest in the project but did not make any commitment. The attack on the World Trade Center in New York and the Pentagon in Washington on September 11, 2001, affected the progress of our project. As the Enduring Freedom War started, many Agua Florida residents in the United States returned to Mexico. Our goal to raise the \$1,500.00 became more difficult because we were expecting to receive their financial support and expected they would use the service of Agua Florida Community Savings. As a result, there were fewer Agua Florida residents remaining in the United States, 19 residents. This number makes it difficult for our community savings organization to raise the projected funds.

I (Juan Peña, the CED practitioner) traveled to Agua Florida in August 2001 to meet community residents to explain the functionings of AFCS. The trip was coordinated with a family trip. I had sufficient time to speak with Aniceto Peña Trejo, our representative and advocate in the community. We discussed the strengths and weaknesses of the project and we spent time talking about how AFCS will function. It was important to establish a concrete understanding with Aniceto since he will be our main active representative in Agua Florida. We also discussed the possibilities of raising money in the community but Aniceto was reluctant to the idea. He mentioned that most men living in the community were elders and they have always been reluctant to the idea of a community savings. Upon reflection about the trip, I was not able to spend enough time talking to every community resident about the project. However, the trip was productive and I was able to establish a new communication system with our representative Aniceto Peña Trejo. I provided the technical assistance to open an email account which has been our main system of communication.

2. Loans to community members

Unfortunately, since we have not been able to raise a minimum of \$350.00 in donations, we have not been to make loans nor to provide the service to transfer money from the United States to Mexico. We expected to raise about \$350.00 to open a saving account in Mexico by July 2001 and start offering the service of transferring money. It is unlikely that we would be able to make loans and help Agua Florida residents to transfer their money before the end of December 2001. We expected to start providing financing assistance by late April 2002. We only need to raise \$200.00 more. We expect that the first donors will consider donating more money after the end of this year. Two of our donors have expressed interest in donating more to complete the minimum amount to start operating the Community Savings.

3. Financing community projects

The Agua Florida Community Saving has not been able to finance community projects. To be able to provide financial assistance, AFCS must first provide loans and transfer money. Not until AFCS has generated enough revenue will it be able to finance community work.

4. Compensation to community leaders

The need to assist community leaders for their services is vital. The community leaders volunteer their time and use their personal savings to pay for trips to raise funds from the government. The local political structure is long overdue for changes. The community appoints two men over 18 years old every year to serve as selectmen. This political system has created tensions between men who stay in the community year around and those who come to work in the United States. Agua Florida Community Savings sees an opportunity to bridge the gap between these two groups by paying the leaders for their services and slowly changing the political structure from appointing to electing community leaders. Residents living year-round in Agua Florida will get motivated to seek the position as the community leader because they will be partially employed.

Agua Florida Community Savings has not been able to address this issue. AFCS organizers and supporters have periodically dialogued about the possibilities of paying to community leaders regardless of the outcome of AFCS. AFCS organizers and supporters would need to donate about \$5.00 dollar per month to help community leaders pay their travel expenses. AFCS will not be able to address this issue by the end of this year but will start in March 2002.

AFCS organizers have spent considerable time brainstorming the possibility to address this problem. There is enough energy and courage to start helping community leaders even before AFCS starts generating revenues from services.

Method of Monitoring

AFCS organizers have set a variety of monitoring tools to ensure the success of the community savings. The following are the steps and tools of monitoring.

Communication: AFCS will use all the communication systems available to communicate regularly, this include mails, telephone calls, and emails. The president of AFCS will call the officer twice a month to update them and will make sure that all important information will be passed among the officers and to all members when it is necessary.

The president of the AFCS will maintain constant contact with AFCS representatives living in Agua Florida. They will communicate by email and occasionally by phone. The president will assure that every officer is fully informed of the developments in Agua Florida related to the community savings.

Officers Reports: AFCS officers will keep a journal of activities related to community savings and give the report in writing every two months to the presidents of AFCS.

General Report: The president of AFCS, with the help of all officers, will generate a semiannual report to all AFCS participants. The reports will include all the activities undertaken related to AFCS.

Financial Reports: The treasurer will report the financial status to the president regularly and he president will make sure that every officer is informed of the financial status of the organization.

Outsider Watch Dog: AFCS may look for outsiders who will occasionally request records of activities undertaken related to AFCS.

Evaluation

The Board of Directors and officers of Agua Florida Community Savings will meet semianually to discuss the strengths and weaknesses of the organization. They will ask and answer the following questions:

Is the current Currency Flow of the AFCS System working?

Are the community people using AFCS's service?

Is the transfer fee not sufficient or too much?

Is AFCS generating enough revenue to cover its expenses?

Are clients pleased with the service (AFCS shall conduct a survey for this question)?

Are clients able to pay the loan back on time?

What are the major operating expenses of AFCS?

Where does AFCS need to improve?

What type of problems has AFCS encountered?

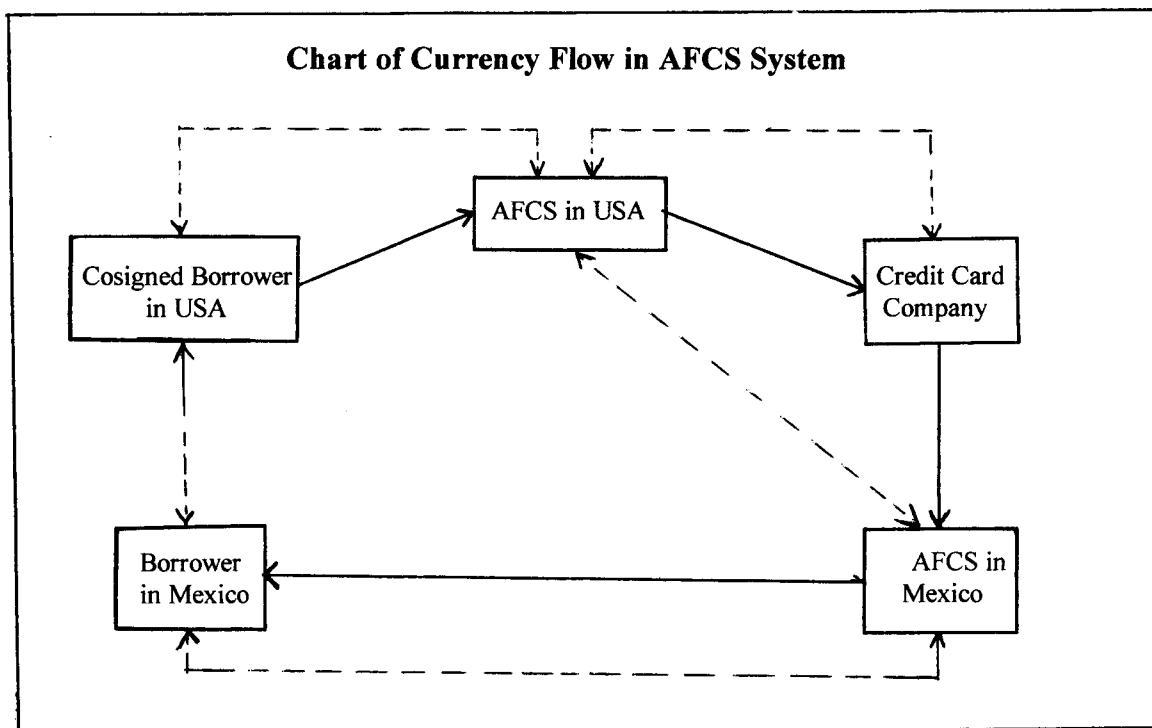
Are the members of the board of directors and the officers fulfilling their responsibilities?

Agua Florida Community Savings System

Agua Florida Community Savings (AFCS) will have a checking account in the United States and a checking account in Mexico. It will transfer its money to Mexico using a credit card and will use checks to make loans.

The person who sends the money to Mexico is called the Cосigned Borrower; she or he is the person who works in the United States and is the person who sends money to Mexico. The cosigned borrower is responsible to pay the loan back to AFCS. The borrower who lives in Agua Florida receives the money. The borrower is responsible to pay the loan if the cosigned borrower defaults in paying the loan.

The money will flow in this order (See Chart of Currency Flow in AFCS System): AFCS in Mexico withdraws the money using a credit card and lends the money to the borrower. The Cосigned Borrower sends the money to AFCS in USA and AFCS in USA pays the credit card bill. The hard arrows show the flow of the money and the dotted arrows show the communication system.



The chart above also shows that a complete communication is happening while the money is transferring. The borrower and the cosigned borrower must communicate first before they use the AFCS system. At the same time, the cosigned contacts with AFCS in US

and the borrower with AFCS in Mexico. Finally, AFCS in Mexico contacts AFCS in the US; this two parties will communicate via email. Once the money has been given to the borrower, AFCS in US will notify the cosigned borrower that the money has been given to the borrower specifying the date, time, and place.

Necessary Strategies to Implement AFCS

The task force believes strongly that to make this project successful, many members of the of the community working in the United States should participate in drafting the bylaws. We want the terms and conditions to represent the interests of everyone.

As a first step to accomplish the participation of everyone, the task force will develop a comprehensive questionnaire to understand how every member can participate. After the questionnaire has been carried forward and received back, we will summarize the responses and make a report available to every community member.

The task force will work collectively to develop a model of how the money can be transferred to Mexico at a minimum cost.

Short Term Tasks

Locate every community member who are in the United States

Write the questionnaire

Develop a business plan

Send out the questionnaire

Study different models of lending programs in the United States and Mexico

Below is the budget to start Agua Florida Community Savings. The reserved investment is the capital that AFCS needs to raise to open a saving account in Mexico.

AFCS Budget

Expenses

Telephone expenses	\$100.00	
Printing	\$60.00	
Postage	\$65.00	
Labor(75hrs X \$10)	\$750.00	
Travel	\$200.00	
Internet Service in Mexico	\$90.00	(15 Mexican pesos/hr)
Others	\$20.00	

Subtotal Expenses: **\$1,285.00**

Reserved Investment \$350.00

Total Expenses & Investment \$1,635.00

Strengths& Weakness

Strengths

AFCS is very promising because most of the members are natives of this community. They have the passion and commitment to help develop the community. The community members who work in the United States have, for many years, wanted to start an organization that would strengthen the political, economic and social life in the community. The development of AFCS is appropriate for the community and comes at the appropriate time.

Weaknesses

It is too early to identify many weaknesses of AFCS. One is that the members of AFCS live far apart which makes it difficult to communicate regularly. The task force will communicate by mail, email and telephone.

Opportunities

There are many members of the community working in the United States, so it will be easy to raise \$500.00 to start making loans. Some community members have already talked among themselves that every community member working in the United States should pay \$20.00 monthly to support the community. Therefore, the idea of raising capital for the community existed prior to the proposal to start at community savings.

Threats

There are no threats at this point. However, the attack on September 11, 2001 World trade Center in New York City and the Pentagon may make hard for community residents to return to United States in the near future. Many community residents travel to Mexico when the attack occurred and they don't have legal documents to come back. If community residents don't return to US, the probability for AFCS to succeeds decreases.

The 4Ws

What type of project does the community need?

The community needs a community savings to address the credit needs of the community. The community savings of Agua Florida will make short term and micro loans to the community.

Where will the community savings be established?

The community savings will be established in the community of Agua Florida, located in the high mountains in the state of Hidalgo, Mexico. The community of Agua Florida is located in the heart of Mexico, 80 miles north of Mexico City. A savings account will be established in the United States to transfer the money to Mexico with using the most efficient system.

Why start a community savings in Agua Florida?

Currently, the community of Agua Florida does not have self sustaining income. When the community has a project or an event, the citizens of the community pay an equal amount. When there is a major project, the community goes to the county to ask for financial assistance. At the same time, Agua Florida residents who work in the United States pay a lot in transfer fees to send money to their relatives in Mexico. The money that is paid in transfer fees is significant. If this money is given to the community, the community will have enough money to finance most of its small projects. Therefore, it is necessary and time for the community to address this problem. The community must develop a community savings to help residents of the community to transfer their money at a reasonable cost and the community should generate enough income.

Who will start this community savings?

The community savings will be started by the community members who work in the United States. Most members living in the States are eagerly looking for a way to help the community while maintaining their residence in the United States. The community savings for the community is an appropriate project to address the credit need of the community. At the same time, the community members who work in the United States will be proud that they are directly supporting the community back home

TIME LINE FOR THE CREDIT UNION OF AGUA FLORIDA

YEAR 2001												
Months	March	April	May	June	July	Aug.	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.
Activities												
Translate documents												
Community Assessment												
Research the best method to Transfer money to Mexico												
Draft Bylaws												
Locate every Agua Florida resident in the USA												
Elect Officers												
Reveal project to the Agua Florida community												
Raise capital												
Write loan agreement model												
Evaluate the project												
Open a Savings Account in USA												
Start to make loans												
Draft Community Projects												
Begin to compensate community leaders												

See next page for details for every activity.

Time Line for the AFCS

ACTIVITIES

Translate document

The majority of the members of the community saving project cannot speak English. Therefore it is necessary to translate all documents into Spanish.

Community Assessment

The task force believes that it is necessary to do a comprehensive survey to understand exactly how to successfully start this project.

Locate every Agua Florida resident in the United States.

Currently, we do not have the address of every Agua Florida resident who is in the United States. We need to find where everyone is working or living.

Research the best alternative to transfer money to Mexico

The community savings will operate between the United States and Mexico. The organization shall find the best alternative to transfer the money from and to Mexico.

Draft bylaws

The task force has decided to draft the bylaws after we have communicated with all of the Agua Florida residents who want to participate in the project. We believe that it is important to include several members of the community in the bylaws so the terms and conditions represents the best interest of the community.

Elect officers

The task force prefers to elect the officers after more members of the community have joined in. The task force should include about ten members before it elects its officers.

Reveal project to Agua Florida community

The community savings will be started mostly by community members who work in the United States. The task force wants to assure that the project is well established before it presents the project formally to the entire community.

Raise capital

To start the community savings, the organization will encourage every member working in the United States to donate some capital. The organization plans to raise at least \$1,500 before the loan fund becomes self-financing.

Write loan agreement model

The organization must have a loan agreement for every loan it makes. The terms and conditions will vary very little for every loan, so the organization needs to write a loan agreement as a model.

Evaluate the project

The task force plans to evaluate the project every three months in the first year and in years that follow, every four months.

Open a saving account in the United States and in Mexico

The community savings must have a savings account in the United States and in Mexico to deposit its retained earnings and donations when they are not in use. A savings account will help the organization to mobilize its capital.

Start to make loans

Once the organization has collected \$300.00 there will be enough capital to start making micro-loans.

Finance small community projects

The officers of the organization and all the members will consider financing small projects. For example, we may start a nursery to grow native trees to plant in the community.

Begin to compensate community leaders

The organization expects to have enough capital to start to compensate the community leaders. It may start to pay partially

Agua Florida Community Service Conducts a Survey

The task force of AFCS wanted to send surveys to every Agua Florida resident in Mexico and the United States (See survey in the appendix). The survey expected to help the AFCS task force to know to what degree the community residents support the project. Thirteen of the 30 surveys distributed in the United States were completed and returned to the task force. This number is relatively low as was expected. The surveys that were returned favored the development of AFCS, and half of the participants agreed to donate an average of \$50.00 to start AFCS.

The surveys that were distributed in Agua Florida in Mexico also had positive result. Most young residents fully support the development of the project. The elders were a little reluctant towards the development of the project. Nevertheless, they express support and they may use the service if it works. The task force thinks that the elders are reluctant because they don't understand exactly how the AFCS will transfer the money. Most of the elders don't know or understand how a credit card works. The AFCS task force believes that the elders will use the service when young residents have tested the service.

Banks in Mexico

Initiation of AFCS required a study of many banks in Mexico. It was necessary to study the services that Mexican banks offer. We looked at which bank will be appropriate for AFCS to work it. The following is the result of the study:

Mexico has several private national banks: Bancomer, Banamex, Banco Serfin, and Banco Bital. In Mexico it is unusual to find regional or state-wide banks. Most banks are national and monopoly banks. Most of these banks have similar services. Their interest to deposits is relative the same. All of these banks offer credit cards but applicants must have a good credit history and must have dependable income and savings, which most Mexican can meet the requirements.

Bancomer and Banamex are the largest banks in Mexico. Banamex was recently purchased by a US financial institution, Citicorp Inc. The purchase of Banamex will eventually make it easy for deposits to flow from the United States to Mexico at a low costs. However, in the mean time, the services provided and costs charged by these banks remain almost the same. Most of these banks require a minimum of \$300.00 Mexican pesos to open a saving or checking account; this is about \$350 US dollars. Therefore, AFCS must raise at least \$350.00 to open a checking account.

The study of the Bank regulation in Mexico.

The AFCS task force had to consider the banking system in Mexico but now thinks that this is irrelevant for the project. AFCS will not function like a bank or credit union. It will not accept deposits or make long term loans. It will only help Agua Florida residents to transfer their money from the United States to Mexico at a reasonable fee. Any revenue earned will be use for community projects. This project is best characterized as a saving and checking account for the entire community. AFCS is subject to the regulations and restrictions that banks have because of its structure and the service it provides.

Industry Analysis

AFCS researched how much other companies charge to send money to Mexico electronically. AFCS also investigated other alternative methods to send money to Mexico, including sending through the mail. The table below shows the transfer fees from four different parties. The table also shows how much the AFCS will charge for its service. The table shows that Western Union is the company that charges the highest fees, followed by MoneyGram. Using the credit card to withdraw money in Mexico involves the lowest fees. Based on the studies, it costs more to buy a money order for \$100.00 and mail it to Mexico than using MoneyGram or a credit card (It cost \$.90 to buy a money order and it costs \$7.85 to mail a registered letter). This cost does not take into account the risk of the money getting lost mor the 20 days average that it takes. AFCS had originally planned to use money orders and the post office to transfer money. This alternative has been ruled out.

Finally, the table shows that AFCS will charge less than Western Union and Money Gram, but will charge higher than credit card. Since AFCS plans to use a credit card to transfer it funds, its fees must be high enough to cover all expenses and generate profit for community projects (See chart of Fee Comparative Analysis).

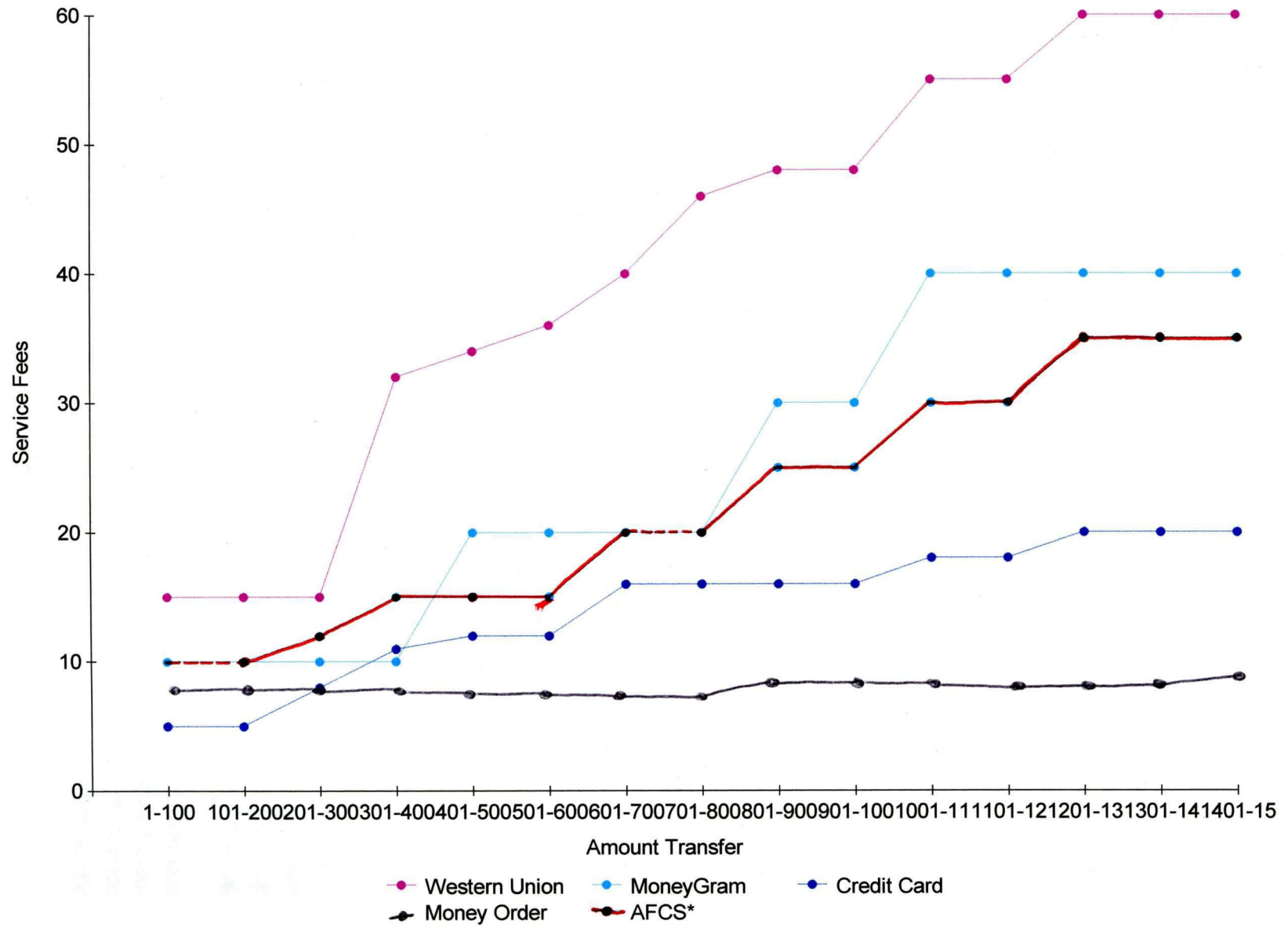
Competitive Analysis

The table below shows how much financial institutions charge for their services to transfer money to Mexico. The fees illustrated here are not the total amount of fees per transaction. This only represents how the sender pays for the service. The receiver withdraws the money in Mexican pesos and usually the exchange rate she or he receives is below the market rate. To send money to Mexico through WesternUnion, MoneyGram or others, the sender pays on both ends. On the other hand, the Agua Florida Community Savings will charge only once and the fees will be minimal. This organization provides competition to other financial institutions and gives Agua Florida residents the opportunity help the community financially.

Service Providers

Amount	Western Union	MoneyGram	Credit Card	Money Order	AFCS*
1-100	\$15.00	\$10.00	\$5.00	\$8.75	\$10.00
101-200	\$15.00	\$10.00	\$5.00	\$8.75	\$10.00
201-300	\$15.00	\$10.00	\$8.00	\$8.75	\$12.00
301-400	\$32.00	\$10.00	\$11.00	\$8.75	\$15.00
401-500	\$34.00	\$20.00	\$12.00	\$8.75	\$15.00
501-600	\$36.00	\$20.00	\$12.00	\$8.75	\$15.00
601-700	\$40.00	\$20.00	\$16.00	\$8.75	\$20.00
701-800	\$46.00	\$20.00	\$16.00	\$9.65	\$20.00
801-900	\$48.00	\$30.00	\$16.00	\$9.65	\$25.00
901-1000	\$48.00	\$30.00	\$16.00	\$9.65	\$25.00
1001-1100	\$55.00	\$40.00	\$18.00	\$9.65	\$30.00
1101-1200	\$55.00	\$40.00	\$18.00	\$9.65	\$30.00
1201-1300	\$60.00	\$40.00	\$20.00	\$9.65	\$35.00
1301-1400	\$60.00	\$40.00	\$20.00	\$9.65	\$35.00
1401-1500	\$60.00	\$40.00	\$20.00	\$10.50	\$35.00

Chart of Competitive Analysis

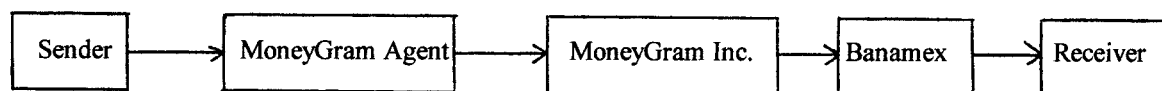


The MoneyGram System

AFCS studied how other companies transfer money to Mexico. It was necessary to conduct this study to help AFCS develop ideas about how it can make its transfer fees more competitive. Below is the MoneyGram system, involving electronic transfer, according to an interview with a MoneyGram agent.

When a person wants to send money to Mexico through MoneyGram, the sender must find a MoneyGram agent, which can be found in most groceries stores. The MoneyGram agent takes the money and sends it to MoneyGram Inc. head quarters. MoneyGram Inc. transfers the money to Banamex, the second largest bank in Mexico. The person who receives the money goes to any Banamex branch to withdraw the money. The chart below shows how it works.

Chart of Currency Flow in MoneyGram System



When a person sends \$700.00 to Mexico, the sender gives the \$700.00 plus a \$20.00 fee to the MoneyGram Agent. MoneyGram Inc. withdraws \$715.00 from the MoneyGram Agent's bank account. The MoneyGram agent earns \$5.00 for his/her service. MoneyGram Inc. deposits \$705.00 to an account in Banamex and the money will be available for the receiver. Banamex earns \$5.00 from the transaction service plus it earns more from the exchange rate. Banamex provides the money to the receiver in pesos at a rate below the market rate. For example, Banamex pays \$8.68 pesos per dollar when the exchange market rate is \$9.00 pesos. As a result of this, Banamex earns an additional \$224.00 Mexican pesos, which is approximately \$25.00 US dollars. The sender and the receiver are not aware of the additional \$25.00 dollars that Banamex charges for its service.

Conclusion

The development of Agua Florida Community Savings progressed slowly during the course of the CED academic year. AFCS organizers used a variety of tools to accelerate its establishment but were unable to accomplish any projected objective. We could not raise enough money to start transferring money to Mexico and start generating revenues for community projects. However, AFCS organizers were able to initiate a spirit of cooperation among community members and encourage them to think seriously when looking for alternatives to address the financial needs of the community. AFCS gained momentum to carry it to success in the near future. The organizers are committed to take the time needed to make the project work. The AFCS organizers spent a lot of time in the community organizing and structuring the project. The remaining work that lays ahead is to patiently continue raise funds and offering financial services by end of April 2001.

The development of AFCS gave the opportunity to every participant to build their leadership. Every AFCS organizer was able to contribute in the decision making and all were challenged to look for different ways to work with rest of community members. Every participant helped to locate Agua Florida residents working in the United States. All together decided the appropriate amount to ask from community members and all together contributed and approved the bylaws.

I, as a CED practitioner, experienced first-hand the large amount of time it takes in community organizing. More importantly, the project allowed me to develop my knowledge about the community and its people. It helped me to develop new methodologies to work with community residents, with residents who have limited formal education. Working with this particular community group was relatively easy in some ways and challenging in others. It was easy because most participants did not challenge me in any form in the process of structuring the project; they read and approved most of my writings with minimum comments and changes. They were confident about my work. On the other hand, it was challenging to work with this group because I was the only person who had to come up with the ideas and could not fully elaborate them. If we had participants who could examine the ideas and ask questions, I could perhaps come up with better ideas. Nevertheless, with their support we were able accomplish something.

We contacted many community members working in the States by mail and phone calls. After we had located the majority, we wrote a survey and sent it out to everyone to understand our commonalties for Agua Florida. The result of the survey was to strengthen our ability to draft our project appropriately for our community. It helped us prioritize our goals and objectives. Every survey that was returned supported the AFCS mission, but very few provided financial support. Only a few residents donated an average of \$30.00 dollar. We were able to collect approximately \$160.00. This amount was not enough to open a saving account in Ixmiquilpan, Hidalgo, Mexico to start operating AFCS. To open a saving account it is necessary to have on hand \$350.00. We, the AFCS organizers, hope to raise more funds from residents who have contributed. However, after the attack in September 11, 2001, the begging of Enduring Freedom War, most

residents who had received their financial assistance returned to Mexico. This made it difficult for our community savings to raise more funds and we were left with few people who could likely use the service. After this incident, AFCS savings reviewed our strategies to advance the project. Every AFCS organizer unanimously agreed to donate more money to match the amount needed to open a savings account. We all believe that once the project starts to provide service and generate revenue for the community, every community will participate in one form or another. It is expected that AFCS will officially start operating in the end of April.

We encountered a few challenges in the development of the project, partly due to the instability of most Agua Florida residents in the United States. Most of them did not have stable employment and they travel to different places. This made difficult for us to maintain an effective communication with everyone. For the same reason it was difficult to receive their financial assistance. In other words, it was difficult to work effectively with everyone at a long distance. The biggest obstacle that we encountered was that many community residents were not confident of the project. Many of them, especially the elders, understood little of the financial and technical information.

If I were to start over with the project, I would take the same steps with the exception that I would expand the scope of the fund-raising. I would invite non-community members to donate to the project. This would increase our ability to raise enough funds for the saving account in Mexico. Secondly, we would not wait for a long time to reveal this project to the entire community. We made the mistake of waiting to reveal the project to the community of Agua Florida because we had hoped to gain enough support and momentum from residents working in the United States.

Despite the minimum success of the project, the organizers are strongly committed to putting AFCS to work. Everyone agreed that we will take the time necessary to raise the funds and start providing the intended service. Every AFCS organizer and supporter recognizes the importance of looking for alternatives to address the financial need of the community. We all have agreed that addressing the financial need would bridge the gap between the elders and young residents. It will strengthen the community and community empowerment will be accomplished in the long run, which is the most important goal for humanity and the community economic development movement.

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Weiner, Tim (2001, March 3). Mexico lower fees on funds sent from U.S. The New York Times, pp. A1. (read article in the Appendix)

Western Union Holdings, Inc. Mexico Fee Schedule All Markets Excluding CA/NY/ NJ. 1999.

URL: <http://www.banamex.com.mx>

URL: <http://www.bancomer.com.mx>

URL: <http://www.rivercu.com>

URL: <http://www.moneygram.com>

URL: <http://www.westernunion.com/>

Annotated Bibliography

Alberto Cornejo, J. (2001, November 12). Ya pueden migrantes abrir cuentas bancarias en EU. Corresponsal.

This article reports that the Secretary of Foreign Affairs of Mexico and Well Fargo, a US financial institution, have agreed that the Mexican ID “matricula”, issued by the Mexican federal government, will be valid identification for illegal immigrants to open saving or checking account in Wells Fargo. Illegal immigrants could not open financial accounts because banks asked for a social security number and most illegal immigrants did not have one. This agreement will allow illegal immigrants to save their incomes and be able to send money to Mexico at a reasonable transaction fee. This agreement was an effort to help illegal immigrants who are greatly taken advantage of by Western Union and other corporations that provide the same service.

Instituto de Investigaciones Antropologicas UNAM (2000). Estudios de Cultura Otopames. UNAM, Mexico.

This book is a collection of writings about the Otomi ethnic group in Mexico. It has many relevant articles about the Otomi history and culture. The Agua Florida residents are Otomies so it was necessary to understand the culture of the people to find the appropriate tools to work for and with this group.

Isbister John. The Community Development Credit Union in the United States. University of California, California. 1994.

This book explains in detail the development of credit unions in the United States. It starts with the philosophy of credit unions and then emphasizes the strengths and weaknesses of credit unions. The books also explains the types of credit unions. There are three basic types of credit unions in the United States: 1) A community based credit union that accepts members from a specific geographical area, 2) an occupational based credit union that accepts members with a similar occupation, and 3) and an organizational credit union that accepts members from an organization only. This book helps to project the challenges and opportunities as UCAF progresses.

National Credit Union Administration. Federal Credit Union Bylaws. Revised 1987.

This reading explains in detail the basic and general legal structure of a credit union. The article is published by the National Federal Credit Union (NCUA).

Ramsay, Richard M. Gundho: An Ethnographic Study of an Otomi community.

Unpublished doctoral dissertation, University of North Carolina, Chapel Hill. 1974. This is a complete study about the community of Agua Florida and other communities in the region. This book, perhaps, is the only academic study that has been done in the region. This dissertation gives the history of the region and the individual and collective life of its people.

Secretaria de Desarrollo Social. Instituto Nacional Indigenista 1989-1994. Impresion:
Artes Graficas Panorama, Mexico. 1994

This book is published by the federal government of Mexico. The Mexican government has established a federal office, Instituto Nacional Indigenista, to help undeveloped towns, communities and villages. This text is a report of many economic communities. The report gives a general concept of how Mexican communities work to address their economic, social and political problems.

Western Union Holdings, Inc. Mexico Fee Schedule All Markets Excluding CA/NY/ NJ.
1999.

This booklet copyrighted by Western Union shows the fees Western Union Holdings, Inc. charges to transfer money to Mexico.

URL: <http://www.banamex.com.mx>

This is the web site of Banamex, the second largest financial institution in Mexico. Banamex's web site provides a range of information about its financial services.

URL: <http://www.bancomer.com.mx>

This is the web site of Bancomer, the largest bank in Mexico. In the web site, one can access information about the services and products the bank offers. Customers can access their account balances. The web site also provides transaction fees and interest rates for deposits and loans. The web site is very informative and provides sufficient information about its services.

URL: <http://www.rivercu.com>

It was necessary to read the organizational structure of a credit union to understand more how credit unions work. River Valley Credit Union is a cooperatively owned financial institution that provides financial services in the southeast corner of the Green Mountain state and the southwestern edge of New Hampshire. It offers a series of financial services to its members. It is a non-profit organization and all profits earned are returned to the members in some fashion. This may be in the form of an interest rebate on loan interest paid, an extra dividend paid to saving accounts, lower loan rates, fee reductions. All deposits in River Valley Credit Union are federally insured up to \$100,000 by the National Credit Union Insurance Fund (NCUIF), which is managed by the National Federal Credit Union (NCUA). River Valley Credit Union has about eleven thousand members and administers close to 30 million dollars.

URL: <http://www.moneygram.com>

This is the web site of MoneyGram Payment Systems, Inc. This corporation transfers money around the globe. The web site provides sufficient information about the financial services the corporation provides and their fees. It also explains how one can become an agent of MoneyGram.

URL: <http://www.westernunion.com/>

This is the web site of Western Union, Inc., a financial institution that provides financial services internationally. In its page, one can access the fees they charge for their services and various services they provide.