

**INSTITUTIONAL COMMUNITY ECONOMIC CAPACITY BUILDING
PROJECT**

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Access to both consumer and commercial credit is limited in the African-American community. Stastics show that the average assets of Black families is ten times less than that of White families (\$3,000 to \$30,000). Analysis of the loans made by banks located in the African-American neighborhoods have historically shown a pattern of disinvestment. The root causes of this practice is mired in the social and economic history of the African-American experience in America.

The purpose of the project was to provide increased access to credit for Black households and businesses through the strengthening or development of alternative financial institutions. Access to credit is often based on underwriting criteria that has an adverse impact on an the Africn American community. Black community households have 90 % less assets than White families, Black workers receive 40% less in income than White workers for the same jobs, The largest Black business is equivalent in size to the 145th White company, and the mean, median and mode of Black businesses relegates them to the status of "small businesses."

Ability to repay a loan, collateral, income generation and history of loan repayment are all factors in traditional underwriting criteria. Many Black households and businesses have limited access to traditional institutional sources of credit because of poor credit histories, lack of collateral and/or other factors. Alternate financial institutions that

were explored as alternatives were credit unions, microloan fund, and business association.

The selection process for identifying the appropriate institutional development objectives was based on the existence of ongoing efforts, perceived financing needs as well as expressed economic development capacity building needs. The host organizations that sponsored the development activities ranged from a fledgling effort to relatively well established efforts. The type of initiatives were: formation of a credit union, development of a microbusiness loan fund, and organizing a microbusiness support association.

CREDIT UNION

The African American Chamber of Commerce had entered into the credit union chartering process over two years prior to my involvement with the organization. The Pan-African Credit Union burst upon the scene in approximately 1988. The promotional materials stated that it was "established to help people of African origin and ancestry to own a financial institution to assist them to achieve economic sufficiency." The Pan-African Credit Union further defined the purpose of the credit union as to "bring together people of African descent for the purpose of saving, investing and borrowing from the collective savings of those members participating. There was a lot of interest

after the initial announcement. A series of meetings were held to begin the organizing process. However, approximately six to nine months after the initial flurry of excitement and anticipation the PACU effort had faded from the forefront of the community's consciousness.

The burden of navigating the credit union formation through the regulatory bureaucracy had stalled the effort. The principal architect of the credit union formation was investigated by the Illinois Department of Financial Institutions, a state credit union regulatory body. The slow pace of the credit union formation caused many of the initial supporters to fall away.

I knew several of the original organizing committee members from other community activities. They responded favorably to my inquiries about the credit union and its history. Most felt that the credit union was a worthwhile effort. They seemed to hold the opinion that the most significant barrier to its success was a lack of manpower. All attested to the sincerity and integrity of the principal organizer of the credit union and president of the Chamber of Commerce. In fact the enthusiastic urgings of my associates and a review of the philosophy and mission of the credit union led me to adopt it as my project.

I initially contacted the credit union by mail. I stated my philosophical agreement with the credit union's purpose and goals and identified our common associates to establish credibility. I followed up this contact with a

phone call to the principal organizer, President of the Chamber of Commerce. He expressed pleasure in my show of interest and invited me out to a Chamber of Commerce general membership meeting.

At the meeting, I met the Chamber president and was introduced to the other active members, the wife of the President, who was also the organization's secretary, and the Chairman of the Board, a long-time organization member. The Board Chairman was introduced as the lead worker for the credit union project. I was instructed to work under his supervision.

In discussions with PACU organizing committee members about how the need for a credit union was arrived at, they stated that an anecdotal analysis of community concerns revealed that near the top of the list is the devastated institutional economic infrastructure. For many residents of poor communities in the Chicago area the main institutions providing financial services are "currency exchanges." These businesses charge higher fees for services provided than commonly charged by banks, savings and loans, credit unions or other traditional financial institutions.

My first inclination was to establish what had been done and what remained to be done. In response to questions about what stage they were at in the chartering process, I was told that they had collected numerous documents. But despite repeated requests, no documents were ever produced.

I also discovered that there had not been any organizing activity for several years. My supervisor used our weekly meetings to discuss issues and activities other than the credit union project. My continuing efforts to "get the ball rolling" began to cause friction in my relationship with my supervisor.

Discussions revealed that the credit union as proposed did not have a defined membership that conformed to regulatory and statutory requirements. My efforts to address this situation were met with resistance. When questioned concerning the criteria used in opting for a state instead of federal charter, they were unable to answer. There also was no apparent interest in exploring this issue. Additionally, my suggestion that an organizing committee be formed that would include formerly active credit union supporters and new members, expanding the committee from my supervisor and myself, was discouraged.

Because of what I perceived as a lack of cooperation and support from my supervisor, I attempted to address my concerns to the organization's President. However, when contacted, the organization President stated that the supervisor had been a faithful member and merited the organization's unconditional support. Additionally, he requested that I detail my concerns in writing and be prepared to discuss them in a meeting.

I submitted a report outlining my activities and my concerns. At the meeting held to address the situation, the

organization's President stated that the organization did not have the capacity at that time and was not willing to pursue the credit union project. I subsequently re-evaluated my participation with the organization and decided to end my participation.

Project Goals

- define the population intended to be served by the credit union
- analyze credit union management needs
- establish initial capitalization requirements
- preliminary feasibility study for the establishment of a credit union

Methods

- anecdotal information gathered through interviews with individual community organization members, opinion leaders and political officials.
- statistical analysis of credit access information gathered from other credit unions, banks, government and community sources
- contact governmental regulatory and community credit union support organizations

OUTCOMES/CONCLUSIONS/RESULTS

- admission that A.A.C.C. was not prepared to undertake the task of forming a credit union

- identified state and federal statutes and organizations responsible for administering credit unions
- initiated procedure to evaluate A.A.C.C. progress in the chartering process
- identified and attended meetings of a city-wide coalition of existing credit unions from minority communities, Chicago Credit Union Network
- initiated discussion about whether credit union is/was most appropriate vehicle for addressing credit concerns as articulated in the mission statement of proposed A.A.C.C. credit union
- conducted survey of existing credit unions throughout city

LESSONS

- project/activity must have the support and commitment of the sponsoring organization
- the conceptualization of a project is often sexier than the actual development work
- if you are not a member or long-time associate of sponsoring organization, you may be viewed as a threat

MICROBUSINESS LOAN FUND

The UJAMAA Family, an unincorporated association, was founded to promote "co-operative" economic development activities in the African American community of Chicago. Their most successful effort has been an annual "African market" that is targeted toward community "microbusinesses." These businesses represent a significant source of economic activity in many communities. They often are not taken into account when assessing community economic viability.

Mini-economic units, cottage industries, microbusinesses are all terms used to describe the type of businesses that participate in the annual African market. They usually started with an initial capital investment of \$1000 or less. Many are outgrowths of craft activity, many are operated out of the home or are part-time, many are unlicensed.

The smallest businesses in the economy usually receive the least amount of institutional financial support. Within the UJAMAA Family there was the perception that access to credit could provide these businesses the capital needed to expand their inventory, increase their income and stimulate business growth. A survey of businesses that participates in the African market was conducted to substantiate the need for access to credit.

The process for information gathering was to be accomplished through a mail survey that was to be followed by follow-up phone calls. This information was to be used in determining what the needs of the targeted businesses were

and how they might best be served. The UJAMAA Family would then develop a program/s to address the identified needs.

The survey caused the organization to reassess its programmatic thrust and goals. The surveyed businesses felt unable to overcome barriers to credit access. The UJAMAA Family felt it did not possess adequate resources to address the problem (access to credit) in a meaningful way

However, after considerable discussion it was decided that the organization could provide additional opportunities for the businesses by conducting more African market type events.

Project Goals: Evaluate the credit needs of African market business participants.

Methods:

- conduct a survey of approx. 80 micro-businesses to substantiate need for access to credit
- mail surveys, with return envelopes, to targeted businesses
- conduct telephone contacts with businesses that do not respond
- perform statistical analysis of survey data
- draw conclusions for programmatic response to survey

Outcomes/Conclusions/Results

- There is an unmet credit need within the survey target population
- There is a "finance alternative" information gap among the survey target population
- Host organization conducted an organizational reassessment of programmatic activities on analysis of targeted micro-business community
- recognition of the need to educate targeted business community regarding alternatives to conventional finance methods
- decision by host organization to focus resources toward supporting existing program

LESSONS

- Introduction of non-conventional concepts require an educational effort
- successful adoption and completion of a project requires the commitment of the host organization.
- Organizational commitment requires clarity about purpose and understanding of the desired outcome of activity

VENDORS ECONOMIC NETWORK DEVELOPMENT ASSOCIATION

While browsing at an outdoor market that consisted of several microbusinesses, I was warmly greeted by one business owner. I was informed that there had been a group of microbusiness owners that had met regularly on a weekly basis for the past month. He stated that he was aware of my work with the UJAMAA Family and requested that I assist in organizing a microbusiness support group. After attending two to three meetings, I was formally requested to assist in organizing the microbusiness association. To date we have defined our purpose, adopted a decisionmaking process, and a governance structure. We plan to develop cooperative buying arrangements, publish a newsletter and coordinate special events.

PROJECT GOALS: Establish micro-business association

Methods:

- identify interested parties
- establish goals and objectives for organizing
- develop structural mechanism for organizing association (by-laws)

OUTCOMES/CONCLUSIONS/RESULTS

- organization formed steering committee
- steering committee adopted by-laws

- current membership consists of seven individuals and four businesses
- organization is currently engaged in merger discussion with similar organization

LESSONS LEARNED

My experiences over the last sixteen months has provided me with an opportunity to reflect upon and participate in the process called "community economic development." Each project that I have undertaken had its unique aspects while addressing a common theme. Even though the projects defined their goals in terms of dollars and cents, access to capital and capitalizing on the benefit provided by collective activity, they, and others like them, rise and fall on the basis of the enthusiasm of its membership, the personalities involved in the organizing and development activities, as well as the skills and knowledge brought by the principals involved in the process. Issues that influence the effectiveness of a community economic development practitioner include the perceptions of the community and organization that are being assisted. During my work with the credit union project, I began to feel that I was viewed as an outsider. My work with the UJAMAA Family, though I had been along-time member, was initially viewed with some scepticism. Each of these projects were sought out by me and seemed to have been blundered into. In the first

instance, the organization seem to distrust my intentions or
mistrust my judgement because they did not know me. in the
second instance they reacted similarly seemingly because
they did know me.