

**BORINQUEN FEDERAL CREDIT UNION**  
**"AN EXPERIENTIAL VIEW FOR SURVIVAL"**

**By**

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## Preface

This project was chosen because of the need within the Puerto Rican/Latino community to have a strong community based financial institution and our responsibility as part of the board and staff to make that a reality. Since the environment for financial institutions as an industry is becoming very difficult in the 90's and for community based financial institution even more difficult, we considered to be very important the documentation of our experience in struggling to maintain a community based financial institution in our community.

This paper presents an experiential view for survival of a community development credit union. The information provided in this project is a collective of the last four years of operations (1986-1990). It also provides information on the dos and don't when saving and developing a financial institution. This includes relevant background history of the surrounding community, demographics, tips for surpassing liquidation, tips for survival, financial information and mechanisms of reconstruction for growth and development.

The ultimate goal of this document is to provide the reader with a set of tools that raise questions on operation procedures, organizational structure and the development of goals and objectives for the survival and growth of a neighborhood financial institution.

Although the information provided is related to a financial institution (credit union), some of this information is applicable to any community based organization confronting similar difficulties.

## **I. Historical Background**

- A. The influx of Puerto Rican/Latinos in Philadelphia started to be noticeable in the 60's.
- B. There are approximately 150,000 Latinos in Philadelphia of which 85% are Puerto Ricans.
- C. The Puerto Rican community is residentially segregated, the majority is living in just 15 of the Philadelphian's 364 census tracts.
- D. It is a poor community. Forty-eight percent of males and fifty-four percent of females live in poverty.
- E. The housing conditions under which Puerto Ricans live are the oldest and more dilapidated in the city.
- F. There are two dilapidated business district: one in Hunting Park area and one in the 5th Street and Lehigh Avenue area "Golden Block".
- G. The Puerto Rican community lacks mainstream financial institutions within it's boundaries, and in the last 5 years the bank branches near the boundaries have being closing.
- H. Some financial services are provided by cash checking business and some by travel agencies which many times are also loan sharks and/or drug fronts.
- I. As and alternative to combat some of the above problems, BFCU was created in 1974 to service the financial needs of the Puerto Rican/Latino population. The boundaries of the credit union reflects the Latino neighborhoods during the time of the credit union creation. This boundaries are Spring Garden to the south, Roosevelt Blvd. to the north, Front street to the east, and Nine street to the west. This boundaries will be change to accommodate the relocation and influx of new Latinos in the city.

## **II. BFCU**

- A. Was created by a group of Catholic priest, nuns and community leaders who saw the need for an institution that could extent credit within the community; however, only employees and clients of those agencies funded by the Archdioceses of Philadelphia or member of one of the catholic churches in the area, could become a member.
- B. For the first 8 years the credit union operated at a limited scale, with volunteers.
- C. In 1986 it was liquidated by the National Credit Union Administration (NCUA).

## Important details that precipitated the crisis

A. The credit union was created by a small group of individuals, primarily outsiders, who did not involve the community in the process.

B. The founders did not develop a plan for operations, management and bookkeeping.

C. The volunteers were not trained and there was not a monitoring system in place.

D. There was not a functional infrastructure to deal with growth.

E. There was not a consistent and trained group to manage and monitor the operations.

F. The regulatory agency did not enforce their rules and regulations to make the board accountable and better trained.

G. There was not a monitoring system from the sponsor organization (Archdioceses of Philadelphia, parent organization of Casa del Carmen).

H. The information of the crisis was kept unavailable to the members and clients of Casa del Carmen by the executive director of Casa and by the remaining board members.

D. How do you rescue a credit union after liquidation by NCUA.

1. Creation of a committee
2. Develop a plan
3. Develop a political strategy
4. Negotiate with your plan; do not commit out of pressure
5. Follow-up
6. Cultivate relationship with supporters

E. Lessons learned in the process

1. The biggest one was to allow an outside institution to prepare a plan for us to submit to NCUA.
2. Outside technical assistance is as good as you are ready to use it. Do not be afraid to say NO, do not be afraid to use your own resources, skills and ideas.
3. Our second mistake was to rely on verbal communication during follow-up meetings with examiners.

4. There were many positives steps we took during the process which helped us to be successful:

a. We had a cohesive group of about 7 people who worked hard, consistently, and committed during the crisis period.

b. We have developed an ample support base of community organizations, individuals, government institutions, and bankers who have backed us during the good and the bad times. These supporters sent letters of support, met with the regulators, mobilized key politicians such as Congressmen, City councilmembers, the Mayor, the Governor, etc. These individuals also provided technical assistance and financial support.

c. We have been able to secure steady financial support from three funding sources: Fidelity Bank, CoreState Bank (former Philadelphia National Bank), and The Philadelphia Foundation.

d. We were able to overcome the fear of being small and the regulator's threats in a short period of time.

F. Tips for Survival

1. Re-structure internal operations
2. Review accounting and reporting systems
3. Re-structure office procedures and policies
4. Develop a good procedure for monitoring and evaluation
5. Political Strategy

G. Re-structuring for growth and development

1. Review your mission, goals, and objectives
2. Re-assess your internal structure
  - a. Make sure that your board is ready for changes and challenges
  - b. Conduct a series of training sessions for brainstorming
  - c. Re-assess your office operation system
  - d. Make a comprehensive review of your financial management system

e. Develop a plan for self-sufficient

1. Develop a business plan
2. Financing tools
3. Marketing plan
4. Follow-up with financial supporters

### III. Project Outputs

**Goal 1: To become an alternative banking system for the poor and moderate income Puerto Rican/Latinos, who traditionally banking institutions have not been able to serve.**

**A. Re-organize the board of directors and committees based on our plans for development (credit and supervisory committees). Conduct training sessions for the board and staff.**

**ACCOMPLISHED, ALTHOUGH BOARD NEEDS MORE TRAINING**

**B. Develop and implement a fundraising campaign to subsidize the operations of the credit union for the next three years while implementing a plan for self-sufficiency.**

**ACCOMPLISHED**

**C. Develop a plan to increase the income produce by the credit union to be able to decrease the dependency on grants.**

**ACCOMPLISHED**

**D. Develop a plan to computerize the operations of the credit union.**

**ACCOMPLISHED, ALTHOUGH COMPUTERS WILL NOT BE INSTALLED UNTIL SPRING OF 1991**

**E. Develop and implement new services to be provided to the members (ie...other saving alternatives, mortgage services, etc.).**

**NO NEW SERVICES WILL CONSIDER UNTIL COMPUTERS ARE FULLY OPERATIONAL**

**Goal 2. To serve as a mechanism to educate the community on financial aspects such as the importance of credit, saving and investment in a cooperative manner to be able to improve their individual and collective (community) socio-economic conditions.**

**A. Create an ad-hoc committee for education and promotion**

**PARTIALLY ACCOMPLISHED**

**Goal 3. Promote and/or coordinate economic development ventures with other community development organizations. Serve as a link to other financial institutions and resources outside the community that can finance and/or support larger projects.**

**PARTIALLY ACCOMPLISHED, PROCESS IN PROGRESS**

**IV. Additional Outputs**

Beside the activities outlined under the proposed objectives, we were able to complete four major projects for the credit union: a personnel/board manual, a three year business plan, a comprehensive marketing plan, and a micro-enterprise plan. (Refer to appendices F, H, K, & Q.)

**V. Conclusion**

The process of survival after a financial institution has been liquidated is very difficult. Nevertheless, if your community needs that institution because there is a lack of financial institutions in the area and/or if your community does not have access to them, you must try your best to save the one you have. The information provided above is a summary of the process we went through while struggling for survival. Our experience must have been unique because we were the first credit union in the nation to re-gain its charter after liquidation. Many of the problems we confronted were because we lacked the information to refer to. Our supporters lacked prior experience in an specific case like this one and NCUA was experimenting.

The information we have provided in this project is an experiential view of our process and progress (Refer to appendices D, E, & J). The purpose is to serve as a guide or as reference information, but recognizing that each institution and each community will probably face a different complex reality. Our experience has been that you can make it a reality if you believe in what ever you are doing, if you are able to develop a strong support base and if you are out there to build a community institution, not to serve your individual needs.

Our main recommendation to you or anybody who happens to be in our situation is the following:

- BE HONEST with yourself, the members, the community, your financial supporters, the regulators...your entire networking system.
- PLAN each of your steps, even within the worst circumstances and your limited time to react and/or act.
- DO NOT RUSH, you will regretted later.
- BE CONSISTENT in your plans and actions. Do not jump from one side to another, develop a pattern of processes that will lead to a coordinated action.

- DEVELOP CREDIBILITY during the entire process. Even while you are in the worst situation, you will receive support, if others trust you and have confidence in your actions.

- DO NOT REST IN YOUR LAURELS, there will always be a threat to your survival as an institution. The economy is to unstable, the competition is strong, your community is unstable, and your networking system has its ups and downs...work hard to keep what you gained...There will be only one opportunity.

In our opinion our work will not be completed until the credit union is stable and able to serve the real needs of our community. Our energies until now have been concentrated in surpassing the crisis and be able to survive. Now it comes the real struggle and the real challenge.

After we have worked in developing the infrastructure, developing the support base, and improving the rating and relationship with the regulators, now we must work on achieving the main objectives of:

- Becoming an alternative banking system for the poor and moderate income Puerto Rican/Latinos who traditionally banking institutions have not been able to serve.

- Serve as a mechanism to educate the community on financial aspects such as the importance of credit, saving and investment in a cooperative manner, to be able to improve individual and collective (community) socio-economic conditions.

- Promote and/or coordinate economic development ventures with other community development organizations. Serve as a link to other financial institutions and resources outside the community that can finance and/or support projects.

The work is ahead, the success is achievable...it all depends in our commitment and our ability to expand the support base at all levels in our community and the community at large.