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Stories From the Field

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Wealth for Everyone

A North Carolina Credit Union Serves a Growing Immigrant Population and Creates a More Prosperous, Safer Community

STORY AND PHOTOGRAPHS BY BARRY YEOMAN

Not long after he arrived in Durham, North Carolina in 1996, Marcelino Varela learned a lesson that would prove valuable in his adopted city: Always be ready to sprint.

He was 16, with a sixth-grade education, when he followed his father from Puebla, Mexico to the booming Research Triangle. His father set up banquets at Durham's downtown convention center, and Varela got hired to work alongside him. "My dad had a car, but he had two jobs,"

Varela recalls. "There wasn't a lot of bus service, so I had to walk. During the daytime, it was OK. But sometimes nighttime, it was dangerous. A lot of times I had to run, and people would run behind me. I was 18, 19 years old, so"—he pauses and laughs nervously—"you can run fast."

By dint of his demographics, Varela was an attractive mark. Even though he had a bank account, many of the young Latino men arriving in Durham during the

1990s did not. That meant they carried a lot of cash with them. Some were afraid of the police—either because of their legal statuses or because of the reputation of the police back home—and reluctant to report armed robberies. During those years, you could rarely turn on the TV without hearing terrible news, such as the 1997 murder of Jose Orellana, a Salvadoran immigrant



who was gunned down as he was walking to a convenience store near Duke University.

"I was scared," Varela says. His first instinct was understandable: "Go back to my country, never come back."



John Herrera, who worked at Duke’s Center for International Studies, was all too aware of the crime wave targeting recent immigrants. In 1994, he had founded El Pueblo, a community- and bridge-building organization best known for its annual Latino festival. Bridges were critical, Herrera knew: Even though Durham bulged with newcomers, many of its neighborhoods remained hostile places for those who arrived speaking Spanish and looking for blue-collar jobs.

“People were being robbed and killed because they were walking banks,” says Herrera, who himself had emigrated from Costa Rica. “Criminals knew that the easiest way to make money is you rob a Mexican or Latino immigrant any Friday afternoon on payday and you get cash. And better yet, they don’t even report the crime to the police.” Around the same time, there was a spike of gang activity in Durham. “Some gangs made it a ritual to rob Latinos and rape women in front of the children. The scary part in those days is that the community was losing hope and was arming themselves.”

It wasn’t just that immigrants didn’t trust banks with their money. “Financial institutions didn’t see them as viable customers,” Herrera says. “They thought it was not a good business strategy to target these folks because they were low-balance accounts, poor working-class people. Who wants them, right?”

Those robberies provided the initial spark for what’s become a national model of immigrant self-



Marcelino Varela

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– John Herrera, founder of the community building organization, El Pueblo

empowerment: the Durham-based Latino Community Credit Union (LCCU). Launched 12 years ago as a safe place for Hispanics to deposit their paychecks, it has blossomed into a full-service bilingual operation with 52,000 member-owners, ten branches across North Carolina, and \$105 million in assets. It has a dedicated outreach to those without much wealth or financial sophistication, and has developed an ambitious education program to increase its members’ know-how. As the Latino community has become more established—and readier to buy homes and start businesses—the credit union has kept pace with

those needs.

“We’re really taking people who have been systematically marginalized and helping to incorporate them into the mainstream,” says Erika Bell, LCCU’s vice president for strategy and services. “I love the credit union philosophy and model, but even amongst credit unions we’re unique in that we have such a very pointed mission to incorporate low-income and traditionally unbanked people into the system.”

In pursuing that mission, LCCU has met with a success far greater than its founders envisioned in the thick of the crisis.



The first instinct of Durham’s Latino leaders in the 1990s was to gather together anyone with power: police, city officials, bankers, non-profit leaders, Catholic and Episcopal clergy. They also reached out

to existing credit unions, including the Durham-based Self-Help, which lends to women, people of color, and rural communities. “They asked us: ‘What do you guys need to solve this problem?’” Herrera recalls. “Our response was we need our own financial institution. Plan B, we were ready to settle for a bilingual branch of Self-Help. I thought that would solve the problem. But our parents taught us always to ask for the stars in the sky. If you don’t get that, you get whatever is below that.”

“And these folks”—the other credit unions—“said yes to all these requests,” Herrera continues. “We said: ‘We need you guys to commit to help us, coach us, mentor us. We don’t want this to be a hit-and-run relationship. We want to learn how to bank our community. We want money, we need technology, we need a lot of things.’ And they committed. They even brought the regulators to a meeting to guide us. So to our surprise, not only did we get what we asked for, but we got more.”

The North Carolina State Employees’ Credit Union lent access to its enormous infrastructure; it now provides back-office support such as technology and accounting. It also offered high-level executives as coaches. Self-Help shared its deep expertise—and also

hired Herrera to focus exclusively on building a Latino credit union. (He’s now a senior vice president at Self-Help.) The North Carolina Minority Support Center, a non-profit that partners with community-development credit unions, particularly ones in African-American communities, identified foundations and other resources to finance LCCU’s startup.

Knowing how many Latinos were unbanked, LCCU’s founders wondered whether anyone would show up to deposit their money. “We knew people had been ripped off by banks in their home countries,” Herrera says. “We knew the majority of members had never had a bank account back at home. What would make us believe that they

were going to trust us here in the United States?” Still, the founders set an aggressive goal of adding 500 new members a year. “That number got thrown to the wind in the first month of existence,” he recalls. During opening week in 2000, several clergy members told their congregations about the credit union. “By the next day, we

started seeing the lines of people forming, and it’s been non-stop ever since.” The National Federation of Community Development Credit Unions calls LCCU the fastest-growing community-development credit union in the United States.

“This is one of the most rewarding moments: when people put everything that they own, everything that they’ve been fighting for, under your custody and say, ‘I trust you.’”

– Luis Pastor, president & CEO, Latino Community Credit Union

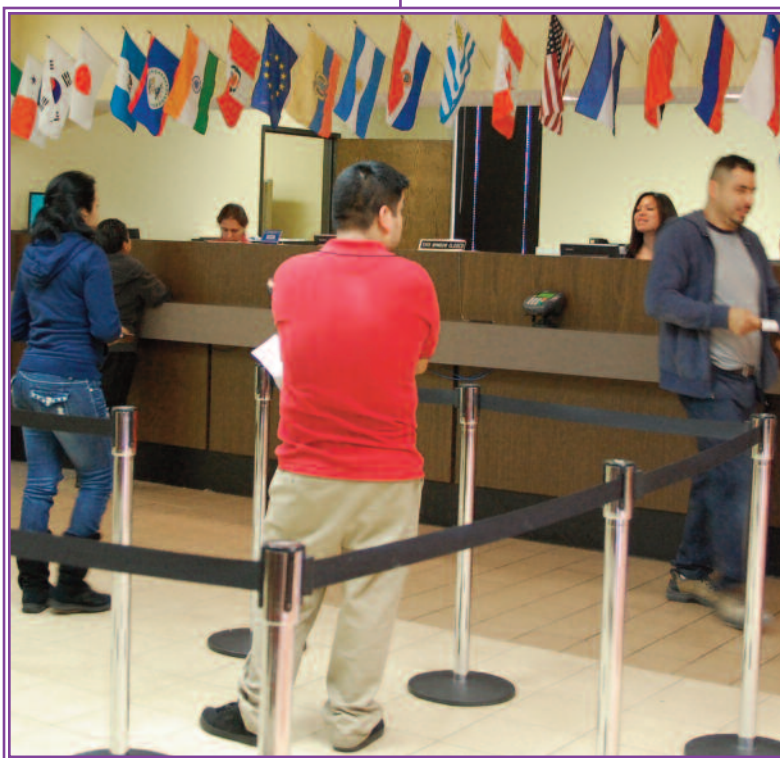




It was going to be a challenge, to put it mildly, to build a credit union whose core membership is accustomed to stashing cash in their mattresses. “You find people that come from rural areas where there are not just no financial institutions: There is no electricity, there is no running water in these communities in Guatemala, or in Honduras, or in some areas of Mexico,” says Luis Pastor, LCCU’s president and CEO. “So what do we expect when they come here, if they never have been exposed to that and they don’t feel especially welcome in institutions here?”

The key, Pastor and his colleagues realized, would be education, starting at the most rudimentary level. It’s important, he says, that a member “not feel embarrassed because you don’t know what is a checking account.”

LCCU developed a free workshop series to teach its members basic financial management concepts: using debit cards, building credit, shopping for cars, writing household budgets, buying houses. The credit union offers the seven-week series three times a year at each of its branches. LCCU plans to expand the program to include topics like insurance, investing, and running small businesses. For those who can’t attend the workshops, the credit union produced its own educational videos that play at the branches throughout the day.



These formal education programs dovetail with policies designed to improve access. Business is conducted in Spanish and English. Minimum deposits are kept low (\$10 to start a savings account). Interest rates on accounts are the same for all members, so as not to favor wealthier depositors. No one is allowed to walk into a branch for the first time and merely fill out an application; staff members meet with new members for 30 to 45 minutes to assess their needs. “At the very beginning, we saw member-service representatives going with the members hand-by-hand and telling them, ‘This is the way you introduce a card to the ATM. This is the way you key your PIN. It’s secret; don’t keep it in your wallet,’”

says Vicky Garcia, LCCU’s vice president of operations.

What’s more, photo identification from any country is acceptable, as long as it’s accompanied by proof of address in the United States. For example, a new member can provide a foreign passport combined with a local utility bill. “We are not Immigration,” Pastor says. “Financial institutions shouldn’t be checking the status

of people. There are almost 100 different types of visas in this country. Are you providing . . . training to all your employees? Well, then don’t ask for identification because you may get in a place where you get really lost.”

Not only do many banks have more stringent ID requirements, but some have double standards for

different services, says Garcia. “Sometimes [the bank] opens the account, but the moment they need a loan: ‘No, no, no, you don’t qualify.’ They take your money, but they won’t make you a loan.”

As LCCU put down roots in North Carolina, it developed enough credibility to convince immigrants that hiding their money at home was an unnecessary risk. “It was great when you were in the branch and somebody came with a jar that still smells of earth,” says Pastor. “It had been in a ditch for years in the back yard.

And people come with \$10,000; \$20,000; \$30,000 in bills, and this is their life savings. This is one of the most rewarding moments: when people put everything that they own, everything that they’ve been fighting for, under your custody and say, ‘I trust you.’”

When Marcelino Varela first joined the credit union—he and some friends saw the sign outside its Durham branch—he knew nothing about personal finances. “We have a tradition in Mexico,” he says. “When we’re younger, we work and we give our parents the money [to manage]. My dad took care of my money until I was 19.” At LCCU he opened checking and savings accounts, and a staff member explained that he could build credit by taking out small personal loans. The first \$500 loan he banked just to repay, and that eventually qualified him for two car loans. Now, with a girlfriend who has children and a

manager job at a private dining club, “I’m thinking to buy a house,” he says.

Like Varela, many of LCCU’s members have progressed along the financial-sophistication continuum. So have the credit union’s products, which are designed as affordable alternatives to the predatory-lending practices that have forced many low-income Americans into debt spirals. LCCU began with small personal and used-car loans; moved onto larger loans for new cars and SUVs; and then added home loans. One

mortgage product launched in 2004 was aimed at members without credit histories—LCCU has developed non-traditional ways of measuring credit-worthiness. A few years ago, it launched its first small-business loans, which currently max out at \$10,000. “Again, small steps,” Garcia says. “We want to grow it to \$50,000. That is the goal for this year.”



As LCCU grew, it started attracting U.S.-born depositors drawn to its social mission. It also attracted non-Latino immigrants and refugees from countries like Kenya, Myanmar, and Bhutan. Some, like their Latino neighbors, had been excluded from the banking system. Credit union vice presidents Garcia and Bell have both heard stories about banks rejecting unfamiliar documents presented by refugees—even though those papers were issued by the federal government.



Some of those non-Latino immigrants were also drawn by the credit union’s flexible view of credit-worthiness. (This view has paid off, by the way; LCCU’s loan default rate is one-fourth the national average for credit unions.) Lima Marchan, who came to the United States from Trinidad in 1989, was working at a Durham hotel when she ran into financial difficulties and had to file for bankruptcy protection. She was also suffering from health problems: The fast pace of hotel work left her without time to control her diabetes. At a friend’s suggestion, she started her own business cleaning homes—and within three years had enough clients to hire her first employee. What Marchan didn’t have was the capital to upgrade her equipment; she was using the same vacuum cleaner with which she cleaned her own home. It was no way to run a business.

Marchan went to her bank. It had been five years since the bankruptcy filing, and a loan officer told her she’d be creditworthy in two more. “I said ‘Alright, I have patience,’” she recalls. She waited and applied again. “They told me no,” she says. “They cannot give it to me because my business is too small and it’s not stable.”

In confidence, a bank employee advised Marchan to join the Latino Community Credit Union and apply for a business loan there. “I’m not Hispanic,” she recalls telling him. “How am I going to get in there?”

“It’s not only for Hispanics,” he replied. “It’s for everybody.”

So she opened an account. A loan officer asked, “What do you want?”

“I need a loan,” Marchan said, but she was only joking, she says.

“How much?” he replied.

With the \$5,000 she borrowed,

Marchan bought vacuum cleaners, dusters, polishers, and cleaning fluids. She expects to qualify for a larger loan, which will help her buy a truck and expand her business to include trash removal, lawn care, and pressure washing.

She also attended the credit union’s classes, which she says helped her avoid repeating the mistakes of her past. “They make me focus on the value of the dollar [and how] not to abuse credit cards,” Marchan says. “I got to learn how to build my credit.” During those

few weeks, “I learned more about managing my money than in the 20 years that I’m living here in the States.”

“They’re like a home where you walk into, and they may not offer you food, but they offer you good services with the biggest smile. It’s like a nice big house.”

– Lima Marchan, small business owner & immigrant from Trinidad



More than anything, Marchan feels a sense of belonging at LCCU. With mainstream banks, “you go there, you put your money in, ‘Hello, bye, see you next week,’” she says. “This one is not like that. You come in there, and from the back you will hear Geraldo or Manuel: ‘Hey, Lima, Doña Lima, ¿cómo estás?’ They’re not only employees. They’re like a home where you walk into, and they may not offer you food, but they offer you good services with the biggest smile. It’s like a nice big house.”



There’s no precise way to measure the credit union’s impact on crime, though the frenzy of robberies of Latinos has clearly subsided. It’s hard to separate out all the reasons for this decline. But a study by the University of Virginia Darden School of Business cites LCCU’s presence as a key factor.

The study found a 14-percent drop in robberies of Durham County’s Latinos from 1999 (just before LCCU’s opening) to 2002. During that same period, North Carolina’s other counties averaged a slight rise. The researchers repeated the study in four other counties with LCCU branches and found similar results in three. Other factors—the size of the Latino population and the number of cops on the street—did not diminish the strength of their findings. The drop in crime also triggered a rise in property values, the analysts concluded: “By 2008, LCCU establishments had apparently contributed to the appreciation of \$9.8 billion in taxable real-estate value.”

“We’re saving lives,” says Pastor, the CEO. But it’s not just about crime anymore, and not just about Latinos. By reducing robberies, creating entrepreneurs, and even stimulating property-value increases, the Latino Community Credit Union is creating wealth for everyone who lives in its midst.

Barry Yeoman is a freelance print and radio journalist based in Durham, North Carolina. He has written about Southern chicken farmers, brain-injured athletes, earnest Promise Keepers, an American strategist for the Iraqi resistance, controversial sex researchers, Spanish Carnival musicians, Jews for Jesus, and the women whose lives are caught up in the debate over “partial birth” abortion. Barry’s work has appeared in *O, The Oprah Magazine*; *OnEarth*; *Discover*; *The New York Times*; *AARP The Magazine*; *Mother Jones*; *Audubon*; *Rolling Stone*; *Reader’s Digest*; *Archaeology*; *Psychology Today*; *Glamour*; *salon.com*; *The Boston Globe*; *Ladies’ Home Journal* and many other publications. To learn more about Barry, visit: <http://barryyeoman.com/>



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