

Building Economic Power in Immigrant Communities: Lessons from the Field

Editors' note: With a rapidly burgeoning Latino and Hispanic population in new corners of the United States, a host of new challenges has emerged. One such hurdle is how to build economic sustainability within immigrant communities. The following case studies were originally published in *Best Practices in Latino Asset Building* and were written by Analisa Nazareno.¹

Burgeoning Immigrant Communities

by Noel Poyo

THE GROWTH OF THE LATIN/HISPANIC POPULATION in the United States has been much publicized in recent years. Perhaps more striking than the growth in the overall number of Hispanics in the United States is the extent of the dispersion of Latino communities throughout the entire country, including regions that 20 years ago had few Hispanics.

In large part, immigration has driven the dramatic growth of the Hispanic population in states such as North Carolina and Minnesota (which between 2000 and 2006 experienced 54.9 percent growth and 35.3 percent growth, respectively). New immigrants, particularly those that are low income by U.S. standards, always face challenges in a new country and community. While the United States has a long history of community-based organizations that have helped to acclimate immigrants economically and socially, little infrastructure exists to serve and support these “emerging” Latino communities.

The lack of community-based infrastructure leaves new immigrants to discover risks the hard way—unknowingly breaking local regulations by opening a restaurant without a health permit, for example, or by falling prey to predatory market actors such as payday lenders. The National Association for Latino Community Asset Builders (NALCAB) works to support the development and expansion of community-based infrastructure that helps Latinos—and particularly immigrants—build family wealth and community assets.

The following article highlights the Latino Community Credit Union (LCCU) of North Carolina and the Latino Economic Development Center (LEDC) of Minnesota, two of the nation’s most successful and innovative community-based organizations that have provided Latino immigrants with the knowledge and financial tools necessary to build wealth. Their approaches are

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NOEL POYO is the executive director of the National Association for Latino Community Asset Builders. **ANALISA NAZARENO** is a freelance journalist and writer.

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—Luis Pastor, CEO, LCCU

entirely different, reflecting culturally relevant responses to local market conditions and community needs.

Making Financial Services Available: LCCU, North Carolina

By Analisa Nazareno

THE FASTEST-GROWING CREDIT UNION IN THE nation—the Latino Community Credit Union—came to life as a response to the robberies, home invasions, and murders that had wreaked havoc in the immigrant community in Durham, North Carolina. “It’s Friday night, and we work hard. We get paid, and there’s no place for us to deposit our money,” says Luis Pastor, the credit union’s CEO. “There was a criminal element that knew that immigrants kept their money at home, under their mattresses, in coffee cans in the freezer, or in boxes in a closet,” says John Herrera, a Latino activist and the current chairman of LCCU’s board of directors. “And they found that it was very easy to invade their homes and rob them. . . . They knew that immigrants, because they feared the police, did not report these crimes.” In some cases, immigrants were shot, killed, or paralyzed over a few hundred dollars.

But with the advent of LCCU—known by its Spanish-speaking customers as the *Cooperativa Comunitaria Latina de Crédito*—which opened its first branch on June 26, 2000, in Durham. Nine years later, the *Cooperativa* has opened four more branches in Charlotte, Raleigh, Greensboro, and Fayetteville. Today, the credit union has more than 50,000 members with more than \$52 million in deposits. “The word has gotten out that we have 50,000 people who don’t carry cash with them anymore,” Herrera says. Latinos and other immigrants in North Carolina now have access to affordable financial services and tools to help them improve their economic well-being. “Our mission is to build wealth and to promote the culture of savings, not just to provide a safe place to keep your money and to save at a good price,” he says.

To that end, the *Cooperativa*’s bilingual staff offers the standard services of a credit

union—checking, savings, consumer and home loans, credit cards, and money transfers—to all members at one rate and regardless of credit standing. “Instead of different needs or different products, it’s the different approach,” Pastor says. “At the end of the day, the needs and products are the same. All of us need a checking account. All of us need a money market account. We need access to safe money and a mortgage and credit cards. The products are the same. What we do different is the approach.”

Pastor says the approach for North Carolina’s Latino market needs to be different because members’ circumstances and perspectives are different. Some 95 percent of LCCU’s members are immigrants, and 75 percent previously never held a savings account. The average age of members is 28. The average level of education is no greater than seventh grade. Most speak only Spanish. The documentation and minimum deposit requirements are simplified: a minimum \$10 deposit, a \$20 membership fee to its sister organization—the Latino Community Development Center—and a government-issued identity card from any country.

Regardless of credit standing, members pay the same interest rates and earn the same interest rates on loans and deposits, Pastor says, because members decided on this non-discriminatory approach. “This is a great selling point for us: explaining to all our members that it doesn’t matter your level of education, your economic level, or your experience. You are going to be treated as a first-class member,” Pastor emphasizes. “You’re going to pay the best interest: our one interest rate for that type of loan. And we pay the same rate for all of our accounts. It doesn’t matter if you start with \$500 or with \$50,000; it’s the same rate for the money market. And everybody understands these terms.”

All workers at *Cooperativa* must be able to speak English and Spanish and understand the needs of immigrants, Pastor says. “Everybody working here needs to know what it’s like not to be living in your environment,” Pastor says. “If you know what it’s like, it’s easy to understand the fears that people have.” If you live

in daily fear of deportation, he says, “Do you open an account? Or do you put your money in your pockets? They have their money in their pockets, because they want to make sure that if something happens, they’re able to go back to their country immediately. You want to feel this security, even if it means that at any moment you could be robbed.”

In 1996, activists concerned about the high rate of robberies in the Durham immigrant first sought the help of bankers, police officials, and politicians. “Very little progress was made in the sense of coming up with a solution, in translating documents, or in hiring bilingual tellers,” Herrera says. “A lot of bankers did not jump on the wagon because they said, ‘There’s no market. These are low-balance accounts. We’re going to lose money on these folks. They don’t even speak English.’” Finally in May 1999, Latino community leaders met with credit union activists with Self-Help Credit Union, the State Employees Credit Union (SECU), the North Carolina Minority Support Center, and the North Carolina Credit Union Division to discuss the crisis. “We were just trying for a bilingual branch of any kind, just to get something started,” Herrera says. “But they asked us what it was that we needed and wanted. And we said, ‘We want to control our own financial future. We want our own financial institution. That would be the real solution to the problem.’”

Finding these key partners, reaching out to them, and getting technical and financial assistance proved the key steps in developing a solution to the immigrant community’s disenfranchisement. “They said, ‘We don’t know your community and your culture,’ but they offered us the rest,” Herrera says. “They taught us the ropes of managing and developing a financial institution. They said, ‘This is not going to be a hit-and-run relationship but a long-term one.’ And they have been with us every single day until we could do it on our own.” With the help of SECU’s CEO, Jim Blaine, who currently sits on Cooperativa’s board of directors, the credit union’s founders garnered \$5 million in deposits from other credit unions and institutions for initial capital. Many of the deposits were low-interest or zero-interest

loans to build the credit union’s assets during the first few years.

For the first year, the credit union’s board set a goal of 500 members, with a growth rate of 500 members each year. At the end of the first year, the Durham branch exceeded that goal for a total membership of 1,139, with some members driving from as far away as Charlotte to apply for loans and make deposits. “Ever since, we haven’t stopped growing,” Herrera reports. “We realized the need and the untapped market and opportunities there are for economic empowerment and building wealth for our community.” From day one, the credit union has spent no money on advertising and has relied on a network of churches, Latino leaders, and patrons to recruit members. Nevertheless, LCCU has become renowned throughout the state, getting invitations from police departments and civic leaders to open branches in those communities.

LCCU’s board has plans to open five more branches throughout North Carolina. To fund the Cooperativa’s expansion, the credit union received \$1.85 million from the U.S. Treasury through its First Accounts program. It also has received funding allocations from the state legislature through the North Carolina Minority Support Center. “We can say to the state legislature, ‘You are promoting economic development through homeownership, and we will help with that,’” Herrera says. The largest single deposit to help fund the expansion of the Cooperativa throughout the state, though, comes from Durham-based Duke University, which last year announced it would deposit \$5 million over a five-year period. “We targeted Duke University,” Herrera says. “We said, ‘Look, you are employing a lot of immigrants. And one way to support them and help them if you want a stable, loyal labor force is to help them buy their own home. Help them become homeowners so they don’t have to rent. Their kids will do better in school. The more stable people are, the lower the crime rate, the less expensive it is to live in the city.’”

Though bankers in North Carolina initially balked at the idea of providing services specific to immigrants, large banks such as Wachovia

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LEDC**

and Bank of America now have deposits with the Cooperativa. "Why? Because they see what we see, which is that we are the first point of entry for consumers into the banking system," Herrera says. "Our future will be that we will have to compete someday." Bankers are just now learning through the Cooperativa what the credit union's founders have always known, which is that immigrants make their loan payments on time and consistently because they are motivated and hungry to achieve financial stability. The average home loan for the credit union is \$95,000, and the default rate is nearly zero percent. The overall loan portfolio default rate is 0.7 percent. "Banks salivate over this," Herrera says. "But how you do it is the tricky part. You have to be competent, bilingual, bicultural. You need a multilingual staff. It's very expensive, and that's why not everybody is doing it."

For now, Pastor says, there is little competition in North Carolina. "There is a huge need," he notes. "And if you want to focus on a community that nobody wants to serve, it's very easy. You're going to find thousands."

From Organizing to Economic Development: LEDC, Minnesota

By Analisa Nazareno

NOT LONG AGO, THE LATINO IMMIGRANTS of South Minneapolis toiled silently, barely noticed, rarely heard, and often abused by their employers. When crime hit their corners and social injustices occurred, few spoke out. But during the 1990s, that began to change, when dozens of members of the Sagrado Corazón de Jesús congregation met periodically in the church basement to talk about social justice. Soon after, the congregation formed an economic development committee. "I knew the power of businesses and how they can be used for the benefit of the community," says Ramón León, one of the few business owners at the time. "So I decided to join the group and to use it to fight social injustices." It was a strategy that eventually transformed the lives of thousands, revitalized a blighted neighborhood commercial corridor, earned Latinos the respect and admiration of city

leaders, and inspired other immigrant groups in the community to follow their lead.

With the help of organizers from Interfaith Action and community development specialists from the Neighborhood Development Center, the Whittier Community Development Corporation, and Project for Pride in Living, members of this congregation renovated a dilapidated shopping center and created a business incubator cooperative called the Cooperativa Mercado Central. "There were several items in place that helped make this happen," says León, who is now the executive director of the Latino Economic Development Center. "The Mercado Central is in reality many things. It is economic development. It is community organizing. It is housing development. It is leadership. It is all of these combined." In 1999 the Mercado opened with 47 businesses. Soon, many of the startups in that incubator—such as Tortilleria La Perla, Taqueria La Hacienda, and Cafeteria La Loma—became million-dollar revenue generators. By 2002, Latinos in Minneapolis owned 602 businesses that took in more than \$85 million in annual sales, according to the 2002 Economic Census.

In 2002 the leaders of the cooperative also incorporated the Latino Economic Development Center to meet the growing demand for business development education, consultation, and incubation among Latinos in the region. "Minneapolis did not have a Latino business community before 1995," says John Flory, the special projects director at LEDC. "In 1992, there were just four Latino businesses. And so, in a relatively short period of time, there was an explosion of small-business development. The Mercado Central was the catalyst for that business development."

Today, LEDC has 225 members whose businesses span a range of goods and services, from crafts to cakes, from taxi driving to tax preparation. And leaders of the organization juggle various projects throughout the state, seeking to replicate the success of the Mercado. In St. Paul, LEDC's leaders started the community-organizing activities that led to the creation of Plaza Latina, a smaller Mercado on that city's east side. Currently, LEDC is training four business development specialists to work with

Socially Responsible Economic Development: The Mercado Central

The leaders of the Latino Economic Development Center (LEDC) embrace the asset-based community development principles espoused by Northwestern University professor of education and social policy John McKnight. Initially, they relied on the curriculum to organize the members of the Sagrado Corazón de Jesús congregation and to devise the cooperative model for the Cooperativa Mercado Central. They also used the curriculum to train business development specialists and the concepts to guide prospective entrepreneurs in practicing socially responsible business development. The key concept in asset-based community development that has proved most useful for LEDC organizers is the idea of focusing on a community's strengths rather than its weaknesses. "We did capacity and talent inventories [in the community]," says Ramón León, the executive director of LEDC. "And we learned that we had a lot of talent that we weren't taking advantage of because there were so many barriers that we didn't know how to overcome. Some of those barriers were language, not knowing the system, and not knowing where the resources were. But after doing the capacity and talent inventories, we said, 'OK, let's stop complaining and let's get to work. Let's show what our strengths are.'"

To achieve their goals of creating economic power in the Latino community, organizers turned to partners for technical and financial assistance. First, they sought training to learn about the nuts and bolts of business creation. For that, they approached the Neighborhood Development Center, which offered its first Spanish-language entrepreneurship classes in 1996. Classes were held at facilities owned by the Whittier Community Development Corporation, another key partner. Later, as they envisioned the Mercado, they turned to Neighborhood Development Corporation (NDC) and the Whittier CDC for assistance. Together, they sought out a developer.

A local housing organization, Project for Pride in Living, stepped up to lead the \$2.5 million renovation project. "If you are a group of immigrant businesspeople or prospective businesspeople, and you want to create a market that costs \$3 million to develop, you can't do it on your own," says John Flory, who until 2002 was a Whittier CDC business development specialist. "You have to have partners."

In creating the cooperative, Mercado leaders set membership criteria that would promote viable and socially responsible business development. "First of all, to be admitted into the Cooperativa and to have a business in the Mercado Central, you need to become a member and you have to buy shares," León says. "You have to go to micro-entrepreneur class, and you need some money. You need some expertise in the business you want to run and you have to have some knowledge of how to run a business. And you have to at the very least acknowledge the vision of the Mercado Central, which is a social-justice mission."

Initially, cooperative members relied on NDC for its entrepreneur training. Since 1996, León estimates that 2,000 Latinos have taken business-education classes either through NDC or LEDC. The group offers business development consultation, as well as loan package preparation services for members, acting as middlemen for NDC and the Minnesota Consortium for Community Developers, which offer business loan funds.

In addition to paying dues, LEDC members are asked to contribute to a fund, which awards \$3,000 scholarships to immigrant college students who may not have access to government funds for assistance. "We are focused on building a socially responsible business community," León says. "Some people have said, 'OK, you are helping people to get rich and that's it.' No. We are trying to prevent the abuses we were subject to in our home countries by educating [immigrants] on how to become good business owners."

Latinos in rural communities surrounding Minneapolis and St. Paul. One of these trainees collaborates with Latinos and other immigrants in the nearby Willmar community to develop a project called the Willmar Area Multicultural Marketplace.

Perhaps the greatest monument to the young organization's activism is the 2006 opening of the Midtown Global Market, an international, food-oriented shopping center with about 60 businesses in the renovated former Sears Tower, which is located eight blocks from the Mercado Central. LEDC is one of four partners—along with the African Development Center, the Neighborhood

Development Center (NDC), and the Powderhorn/Phillips Cultural Wellness Center—with a 25 percent ownership stake in the 65,000-square-foot, \$18 million Midtown Global Market.

The story of the Midtown Global Market began with Latino immigrants organizing to protect the economic power that they had achieved through the Mercado Central.

In 2003, LEDC organizers learned that a national retailer seeking to open a Latino-goods grocery store in Minneapolis had plans to renovate the vacant Sears building using government tax credits. By that time, partly because of Mercado merchants' and LEDC's efforts,

“The city of Minneapolis
has recognized the
Latino community
as an asset.”
—Ramón León

Latinos in Minneapolis had an estimated buying power of more than \$300 million, according to Bruce P. Corrie, an economics professor at Concordia University in St. Paul. “We organized the Latino businesses and we told them what was happening,” León says. “And they said, ‘Well, wait. We revitalized this corridor, and now this giant comes along and wants to take our customer base. That’s not fair.’” So LEDC embarked on a yearlong campaign to educate the community about the success of Latinos in revitalizing Lake Street and to convince city council members to reconsider their plans. Barely a year into its incorporation as a non-profit organization, LEDC reached out to old and new friends to devise a viable development plan for the property. “When I went to these community organization meetings, they asked us, ‘Why should we support more Latino businesses? You have enough,’” León recalls. “And I said, ‘We should protect what we have right now, because if a giant comes through, those businesses are going to be killed, and we will go back 10 years.’”

LEDC succeeded in swaying city leaders to create a venue for locally owned independent businesses.

“The city of Minneapolis has recognized the Latino community as an asset of the community rather than as a burden because of our economic development efforts,” León says. “So they passed an ordinance to protect immigrant families and to separate the police from federal immigration officers, even going against the governor on this issue. And that’s because of economic development. They thank us for being here to revitalize the Lake Street Corridor. And while that is a success that can’t be seen, it can be felt.”

ENDNOTES

1. NALCAB, *Best Practices in Latino Asset Building* (www.nalcab.org/webdocs/Best-Practices-in-Latino-Asset-Building.pdf).

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