

## The Benefits of a Caribbean Federal Credit Union

Byron A. Ellis – September 12, 2019



*Often private banks are unwilling to provide credit or offer higher interest rates on loans to certain borrowers. When private banks shut off credits to Caribbeans, they negatively affect the community infrastructure, such as housing and sidewalks upgrading, as well as Caribbean well-being.*

With the 1934 Federal Credit Union Act, Congress established a market for securities of the United States, making them available to people of small means of credit for provident purposes. The Act established an administrative structure within the federal government for the supervision of credit unions. The National Credit Union Administration (NCUA) is an independent agency with the responsibility for regulating and chartering federal credit unions. Thus, government regulatory oversight ensures that the funds are properly administered.

A credit union is a member-owned, member-controlled, not-for-profit cooperative financial institution formed to permit groups of persons to save, borrow, and obtain related financial services, as well as to participate in its management. Credit Union capital comes from the savings and interest on loans to members; it would provide loans for the upkeep of infrastructure, automobiles, and other credit necessities. A credit union would provide New York City (NYC), Caribbean residents, with a viable source for savings and borrowing.

According to the [New York City Comptroller's website](#), the number of foreign-born from the Caribbean living in NYC is slightly over one (1) million residents, with the Dominican Republic (453,176), Jamaica (185,681), Guyana (140,340), Haiti (91,048) and Trinidad & Tobago (89,302) leading the way. When we include first and second generations of Caribbeans born in the United States, the potential credit union membership increases significantly.

[Baruch College Zicklin School of Business \(2017\)](#) estimated foreign-born Caribbean residents as 301,328 living in the Bronx, 276,733 in Brooklyn, 131,213 in Manhattan, 175,723 in Queens, and 8,708 in Staten Island.

[The NYC Planning](#) indicated that median household income for Dominicans is \$29,300, for Jamaicans \$51,900, for Haitians \$60,000, for Guyanese \$60,000, and Trinidadians \$51,000. The median divides the household income distribution into two equal parts, one-half of the cases falling below the median and one-half above the median income ([U.S. Census Bureau](#)). Foreign-born Caribbean reside in all NYC boroughs.

Caribbean residents in NYC would benefit from establishing a Caribbean Federal Credit Union (CFCU). If 10 percent of one million foreign-born Caribbean immigrants in NYC or 100,000 became members of CFCU and each saved an average of \$1,200 per year or \$100 per month; at the end of the first year the credit union assets would grow to \$120,000,000 which would be loaned out to members at low-interest rates. Loaned out funds accrue interest, which after accounting for operating expenses becomes membership dividends. If the interest rate charged on loans is 4 percent per year, yearly accrue interest on \$100,000,000 loaned out funds would be, at a minimum, \$4,000,000.

Increasing membership and levels of savings and borrowing would increase CFCU assets. Furthermore, even without membership or savings increases, at the end of the second year, CFCU's financial assets

would double. Members that are merchants could develop a discount app to establish mutually beneficial relationships with CFCU members.

The ability of foreign-born Caribbean immigrants and their offspring to pool savings in a Federal Credit Union would be advantageous for them and the Caribbean community in New York City and elsewhere. It would provide a means to stabilize the credit structure in the Caribbean community.

For help on establishing a Federal Credit Union contact [The Jethro Project Consulting Group](#).

***Copyright of TJP is the property of The Jethro Project and its contents may not be copied or emailed to multiple sites or posted to a listserver without the copyright holder's express written permission. Users, however, may print, download, or email articles for individual use.***