



What If Black Organizations Were Visionaries

By Byron A. Ellis

Last year, according to a report released by the Federal Financial Institutions Examination Council, an umbrella group for five federal regulatory agencies, blacks were twice as likely as whites to be turned down for a home-mortgage. Asian Americans were least likely of any racial or ethnic group to be rejected.

The report indicated that in 1996, banks, savings institutions, credit unions and mortgage companies turned down 48.8 percent of applications for mortgage loans received from blacks and 24.1 percent from whites -- a 2-1 ratio. That was virtually the same ratio as in 1995 when 40.5 percent of black and 20.6 percent of white applicants were rejected. For Hispanic applicants, the rejection rate in 1996 was 34.4 percent compared with 29.5 percent in 1995. Native American applicants were turned down in 50.2 percent of cases in 1996, up from 41.4 percent in 1995. Poor credit and no credit history were most frequently cited as reasons for denying loan applications.

Visionary civil rights organizations can, if they choose, reverse this trend of home ownership exclusion. What if the vision of civil rights organizations was to equip their constituency with the requisite tools for obtaining a higher standard of living? If that vision existed, How would it be implemented?

The leaders of these institutions would begin, individually or collectively, to develop a concrete and doable plan for uplifting the communities where their constituents reside. Political activities would be de-emphasized and economic and educational goals would take precedent. Thus, the virtues of savings and quality education would be loudly embraced.

These organizations would postulate savings as a necessary condition for investment in education, housing, manufacturing and job creation. Moreover, they would gather black economists, accountants and financial professionals to lead in the establishment of financial intermediaries where blacks and other disenfranchised

Americans can save, borrow and obtain related financial services. Similarly, they would ensure that public schools within the black community adhere to the highest educational standards: curriculums comparable, or superior, to the best suburban public and private schools.

The economic plan of these visionaries would capitalize on the 1934 Federal Credit Union Act, which established the Federal Credit Union System. With this Act, Congress established a further market for securities of the United States, and made available to people of small means, credit for provident purposes through a national system of cooperative credit. As a result, it provided a mean to stabilize the credit structure of the United States. Thus, these visionary institutions, would use the Federal Credit Union Act to stabilize the credit structure in the central cities.

The cooperative movement in financial institutions began in the mid-1800 and has operated successfully since. The first credit union was organized in Belgium in 1848 during a period of severe economic depression. Similar cooperatives were also developed in Germany to provide self-help to shopkeepers, urban workers, and farmers who had been forced to pay usurious rates charged by area money lenders. Credit unions are democratically controlled, member-owned and control, open to voluntary membership, and capital comes from the savings of the members.

In Baltimore City, for instance, the black population was approximately 440,000 in 1994, and income per capital was \$21,000.00. Therefore, in aggregate, blacks earned about nine billion dollars ($\$21,000 \times 440,000$). Assume, however, that only half was earned, or 4.5 billion dollars. If 5 percent of this amount was saved in a black financial institution, such as a federal Credit union associated with a civil rights organization. Funds available to members of the associational common bond federal credit union in that year (1994) would have been \$225,000,000 ($\$4,500,000,000 \times 0.05$), assuming that most blacks will become members of the association.

Clearly, the ability to pool savings in a federal credit union system would be advantageous to blacks. Moreover, passage of the Federal Credit Union Act established an administrative structure within the federal government for the supervision of federal credit unions. This structure was administered by a succession of federal agencies over the years until Public Law 91-206 was enacted in 1970. This law formed the National Credit Union Administration (NCUA) as an independent agency with responsibility for regulating and chartering federal credit unions. Thus, governmental regulatory oversight will ensure that the funds are prudently administered.

In that same year, Congress established the National Credit Union Share Insurance Fund within NCUA to insure the shares of all federal credit unions and participating state credit unions. Thus, the Fund is backed by the full faith and credit of the U.S. Government.

The visionary leaders would proceed to say to their constituency that besides the economic study group, additional groups have been formed: infrastructure, made up of black engineers and trade-persons (carpenters, electricians, plumbers, etc.); educational, made up of black parents, teachers and professors; health, made up of black health care professionals; news and publishing, made up of black media professionals and other study groups will be formed in the future, including a political study group. These groups will develop and execute plans and programs to uplift and add value to the black community.

And, they will go on to say, reconstruction of the community's infrastructure, home ownership and restoration, will be an initial component of the plan. The economic and engineering think tanks have identified 1,200 housing structures for restoration within the next 12 months, or 100 units per month. The identified housing stock will be restored by, and material will be purchased from, qualified members of the association. Thus, a unit of money will circulate more than once through the community.

Also, the economic think tank has identified the need for certain businesses in the restructured community. Members with requisite entrepreneurial skills, and proven qualifications, may apply to the credit union for funding to set up the identified business.

In the construction area, the expectation is to create and sustain approximately 3,000 jobs per year. Furthermore, associated business, such as real estate, grocery stores, Laundromats, restaurants, health care facilities, hardware stores, and others will generate additional jobs.

The vision is clear, practical and workable. We are confident that our plan can, and will provide self-financing for our community. Moreover, in the future we will finance and transfer technology to our brothers and sisters in other parts of the globe. Our aim is to mitigate economic discrimination against blacks everywhere and to improve our collective living standards. For membership in the association and participation in the credit union please call any one of our local branches. Ah . . . , it is only a vision.

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