

YES! Magazine Winter 2007: Go Local!

Financing Hope

by Tracy Fernandez Rysavy and Prianjali Mascarenhas

These credit unions invest in their members and stand by them, even in hard times. And the members, in turn, stand by their communities.

Jerry Moore had always been a hard-working guy. He earned a decent salary working for the local phone company in Louisiana's St. Bernard Parish, but he was always reaching for something better. So he bought a used dump truck and started a hauling business on the side.

But his truck was old and didn't run well, so Moore knew that if he really wanted to make a go of it, he'd need a better vehicle. Unfortunately, he didn't have the credit history he needed to expand his business into a money-making enterprise.

He started working to boost his credit, and he took a six-week course on helping small contractors obtain city contracts, the banking and finance portion of which was taught by Lynette Colin, manager of Hope Community Credit Union's New Orleans branch.

"After my class was over, Jerry approached me and asked about getting a loan," says Colin.

Unlike conventional banks, Hope is a community development financial institution (CDFI), so it puts a priority on serving working-class and low-income people as a means of rebuilding disadvantaged communities. Colin helped Moore get a Hope loan to purchase a new dump truck for Moore & Moore Trucking in the summer of 2005.

A few weeks later, Hurricane Katrina hit. Moore and his wife evacuated in time to avoid the worst of the storm. But as he watched news reports of the devastation, Moore realized he'd lost his home and everything he owned, including his new truck.

Colin also evacuated the city, but she had her computer and files with her. As soon as the storm cleared, she made her way to the temporary office Hope set up in Baton Rouge and started calling her clients. She reached Moore on his cell phone.

"I was just praying he'd gotten his truck out of St. Bernard Parish," she says. "I found out he hadn't, but at least he and his family were safe. My advice then was to contact his insurance agent and get that truck paid off. Then we had to think about the future."

Though Colin urged Moore to apply for a loan for another truck right away, he had bigger plans. Knowing that it would take many hands to clean up his beloved city, he asked Hope to finance three trucks plus trailers for hauling away the debris.

"It was a bold move in uncertain times, especially for someone who had just lost his home," says Colin. "So I said, 'Jerry, don't you think you're being a little aggressive here?' And he said, 'Lynette, there's going to be a lot of work here, and I can do it.' Because I'd gotten to know him up front—we do that with all of our customers—I knew that if he wanted to make this work, he'd make it work." She laughs. "Sure enough, it's working."

While Moore was rebuilding his business, Colin kept an eye on resources that would help him. When she found out about a state bridge loan program, she called him and told him to apply. When the Army Corps of Engineers called a meeting with small developers to discuss subcontracts, she called Moore and other contractor clients and told them to go. Moore was able to secure one of the Corps subcontracts.

"That's part of what CDFIs do," says Colin. "We look out for our clients."

Within a few short weeks, Moore & Moore Trucking was back and bigger than ever, thanks to a loan from Hope that financed one truck and two trailers. With his newly built credit history with Hope, Moore was able to quickly secure additional funding for the remaining two trucks and one trailer through another financial institution. Business boomed.

Today, Moore's company continues to haul debris out of Louisiana neighborhoods and work in other fields, such as highway construction. Moore is so busy that he's hired nine employees, most of whom also suffered losses due to



Jerry Moore lost his home, his truck and his business when Katrina hit. But he didn't lose his connection to Hope -- the financial institution that helped him get started and stuck with him when times got tough. Photo Greg Campbell Photography

Katrina. Some of Moore's employees have applied to Hope for their own loans, to rebuild their homes and otherwise improve their lives and communities.

The Need for Community Investing

For some people, calamity isn't a once-in-a-lifetime storm. It's an on-going fact of life. Consider families trying to survive on minimum wage. A small loan for college or to start a ?micro-business might be just what they need to improve their situation, or perhaps a small loan to help them make it through a bad month. But without a sufficient credit history, few conventional banks will take a risk on those who need it most.

To get a loan, low-income people are often forced to turn to unscrupulous lenders, such as pawn shops and payday lenders, which perpetuate the cycle of poverty by charging ridiculously high interest rates.

That's where CDFIs like Hope come in. These banks, credit unions, and loan funds serve low- and middle-income people by providing alternatives to high-cost lenders that prey on the financially vulnerable. By offering low-interest, small loans and low-minimum accounts, CDFIs help people lift themselves up economically and, in so doing, improve their communities. They help struggling farmers hold on to land their families have been farming for generations. They provide loans for single mothers to start small businesses. They supply capital for much-needed community services, such as child care, affordable housing, and health care.

In addition, most provide mentoring, education, and technical support to help borrowers succeed, from holding financial literacy workshops to sitting down with borrowers and drawing up a business plan.

"When a conventional bank looks at someone like Jerry Moore, it sees an unbankable financial risk," says Colin. "When I looked at Jerry, I saw a resourceful, hardworking man with the drive to make his business succeed."

Though many people (and conventional banks) assume that the nation's poorest people will often default on loans, studies show that middle-? and low-income borrowers have high payback rates. A survey of 517 U.S.-based community development banks, credit unions, and loan funds, showed payback rates of over 97 percent, according to the CDFI Data Project.

Serving Diverse Populations

While most CDFIs share a general mission to put capital toward lifting up economically disadvantaged neighborhoods in the regions they serve, some have even more targeted missions.

ShoreBank Pacific in Ilwaco, Washington, provides loans that benefit low- and middle-income people and the planet, for example, believing that long-term economic prosperity goes hand-in-hand with a healthy environment. In 2004, this CDFI helped Portland residents save a beloved seven-acre farm surrounded by public parklands from housing developers.

The Try/on Life Community Farm (TLC Farm) nearly met its end in 2004, when the renters who ran this nonprofit sustainability and education center received an eviction notice. The landowners had decided to sell the property to a developer, who planned to build 23 luxury homes on the land.

The farm residents approached the developer, who agreed to sell them the option agreement for \$150,000, giving the TLC Farm nine months to raise \$1.4 million to purchase the property. Since none of the farm volunteers had that kind of cash, they approached ShoreBank Pacific for a loan.

"At the time, they didn't yet have the resources pulled together to be considered bankable, even by a community development lender," says ShoreBank's Lucy Brehm. "But our loan officer believed in their mission and stuck with them over a long period as they raised funds, helping them think through creative ways of making this a bankable loan."

With the possibility of funding at hand, the 15 residents ramped up their educational workshop schedule and hosted picnics and barbeques to get to know their neighbors better and engage them in their mission.

Eventually, they secured \$400,000 in government funding, \$600,000 in a ShoreBank loan, and the remainder in private donations to complete the purchase—just as the option was about to expire. Today, the land is held in trust by the Oregon Sustainable Agricultural Land Trust, which leases it back to TLC Farm. The farm continues to host educational workshops on natural building, permaculture farming, herbal medicine, and social activism.

Since opening in 1997, ShoreBank Pacific has supported other sustainable projects from San Francisco to British Columbia. Its borrowers have used their loans to establish an environmentally focused alternative school, create a green office building, expand an organic dairy, and more.

Finance in Indian Country

Sometimes, a particular population will create a CDFI to serve its members. The Lakota Fund was created to help low-income Lakota Sioux on the Pine Ridge reservation gain access to development capital and credit to buy homes,

start small businesses, or pay for college.

When the Lakota Fund started in 1986, the majority of its borrowers had never had a loan or even a checking account, and 95 percent had never owned a business. In 2003, the South Dakota Business Review noted that real per capita personal income in Shannon County, which encompasses the Pine Ridge Reservation, had grown by 80 percent since 1985—in contrast to just 44 percent for South Dakota as a whole. It attributed much of that growth to the Lakota Fund.

Community investing is at the heart of building thriving local communities, giving a hand up, not a hand out, to those who need it most.

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