

FinancialFocus

Banking on building wealth

How financial institutions hold the key to energizing struggling communities.

With a laser-like focus on the opportunities that exist in the minority communities, Al Pina looks to the banking industry to do its fair share in bringing prosperity to underserved markets, while at the same time building a new clientele. "Why is it that we are putting the responsibility on the banks? *Because the banks have the capital.*" For Pina, his passion, focus and determination stems from the success he saw evolve in California, where the model for community reinvestment has set a national standard. Now, in Florida, Pina wants to put the lagging banking community on notice so that banks can begin to do a better job in building a new wealth base from communities that deserve a chance to prosper. Pina is quick to tell you how much of a capitalist he is. A congressional medal recipient while serving in the United States Air Force, Pina hails from Arizona. He lived in California, where he build a solid foundation of knowledge about CRA success and is now based in Tampa, Florida where he serves as Vice President of Development for TELACU, the country's largest Latino community development corporation. TELACU has more than \$500 million in assets and with nearly 1000 employees. TELACU, over it's 32 year history, has invested over \$1.5

billion in poor minority communities, primarily through real estate projects.

Seeking to build a stronger state and national economy by bringing banks into new and innovative CRA solutions is what's driving Al Pina these days. Through *Access Florida*, the banking community has an opportunity to be an integral part of the economic success of emerging communities. Access Florida is an organization that came to be when the Florida State Hispanic Chamber of Commerce (FSHCC) and the Florida Black Business Investment Board, Inc. (FBBIB) met on March of 2003, and recognized the lack of a mechanism for minority focused community and economic development leaders to access community development resources. They saw two challenges: *1. A lack of adequate community reinvestment by financial institutions regulated by the CRA Act due to lack of capacity within minority community organizations and, 2. A lack of statewide minority focused community economic development mechanism for the minority community to serve as "go to organization".* Understanding these gaps, Florida's two largest minority organizations - FSHCC and FBBIB - decided to unite their efforts and create a five-year joint venture named

Access Florida to identify market-based growth opportunities that will improve the quality of life for all minority communities in Florida. A major objective of Access Florida is to advocate for a minimum of \$5 billion of community reinvestment into the poor minority communities of Florida.

Pina has accumulated the experience and background to provide solid examples for success. He was at the front lines of the war to rebuild some of the most torn communities in the Los Angeles area. Today, that city is probably the most creative when it comes to structuring and financing community development projects. "We needed to create a mechanism by which to increase resources, and to build up capacity of minority community based organizations. The problem is that there is not adequate capacity within these minority organizations to provide the services needed by the community. We have the demand, we just don't have the resources and our communities do not

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have access to those resources." Pina says these problems can run deep, ranging from creating support mechanisms to growing businesses, to affordable housing, the need is strong.

Pina says utilizing positive community development models (especially in California) will help build a successful track record of community development in Florida that could become the "new model" for success, but not without the banking industry. "The biggest challenge is getting the banks and financial institutions to agree that the system is broken," says Pina. "Too many of them (banks) are fighting hard to not provide minority CRA numbers and statistics that reflect progress or the lack thereof, the way they do in California. The banks are the most critical link".

Pina says African Americans and Hispanics are coming together to share one voice in this effort. We're saying "Let's do business with those that will help us create new wealth in our communities" The Community Reinvestment Act of 1978 was created to offset "redlining", an illegal process or practice of refusing to serve particular geographical areas because of the race or income of the area's residents. CRA reviews (by the office of comptroller and currency) show the federal government that they are making efforts to provide capital into the poorer neighborhoods. The Federal Financial Institutions Examination Council (FFIEC) releases data on small business, small farm, and community development lending reported by commercial banks and thrifts. The regulations that implement the Community Reinvestment Act (CRA) generally require the reporting of data on these types of lending by independent commercial banks and savings associations having total assets of \$250 million or more, and by commercial banks and savings associations of any size if owned by a holding company having assets of \$1 billion or more. Analysis of Call Report and Thrift Financial Report data indicates that reporting institutions account for about 88 percent of the

number of small business loans and about 32 percent of the number of small farm loans extended by all commercial banks and savings associations.

Pina says that several more progressive banks in California, like Washington Mutual and Citibank have since learned that by investing in these undeserved communities, they are building their potential consumer base. "The problem here in Florida is that the regional banks like Wachovia, SunTrust and SouthTrust have never had to engage in dialogue in this manner. They should understand that it makes good business sense, but they are slow to get it. We will not be able to achieve success without agreements with the banks. Failure to do so will negatively impact our minority communities."

Pina believes that Access Florida is one of the key factors in bringing out solutions to community development. "Access Florida utilizes a united effort to create solutions and partnerships to re-shift the paradigm on how we approach community development. There must be viable concrete partnerships between public and private

sector, especially amongst the financial institutions. That is critical. The banks are struggling with it. The model bank in the United States is Washington Mutual. They created the largest, most succinct community reinvestment agreement ever with the minority community in California \$120 billion dollars of earmark capital; loans, housing, access to capital, grants, and procurement for small business."

Pina says that Florida is moving much faster than California did. "We have achieved in one year what it took 7 years in California, just to get the minority community to come together. We understood that real estate development and community development are at a critical juncture and has critical needs. Now, in Florida, we are going to be bringing in the officials from around the country that have best addressed minority real estate community development, affordable housing and industrial commercial development within a minority community. We have to understand how these cities create jobs and allow the minority community CDC's to take ownership.

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JOINING FORCES: Ai Pina, of TELACU, Hilmon Sorey, of the Florida Black Business Investment Board, and Julio Fuentes of the Florida Hispanic Chamber of Commerce are on track for creating a new economic development engine

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At the end of the day, what all of this means is job-creation. We're simply talking about creating jobs." When we

"They have to work just as hard to provide for the minority communities as they do with other important state issues like the everglades, tourism and so forth," adds Pina

start negotiating these agreements, we will create new work in the minority community, with lots more dollars to spread around. The corporate community will need to access that segment as well.

Pina says "the challenge is overcoming self-interest. It's important that all the various community development leaders understand that the needs of the many overshadow the needs of one. We also have to come together on how to do it. When the public and private sectors see us united, they see us in a different light when it comes to addressing viable solutions. That really makes sense: because right now, African Americans and Hispanics easily make up at least 30% of the population in Florida. This is a powerful growth market segment. Most experts on CRA success agree that the key element in rating a bank relates to leadership, which begins at the top. One indicator sign of CEO leadership is

whether the CEO regularly meets with community groups. Other leading indicators relate to standard business practices geared at minority and low-income communities.

It makes good economic sense

With a rapidly expanding minority economic base, infusion of capital and resources will build new tiers of wealth. But the stifling effect of Redlining kept growth to a minimum. Redlining was a process that precluded minority communities from fairly accessing wealth-building opportunities. Today, the Greenlining Institute is fighting to change the trend of Redlining.

The Greenlining Institute

The Greenlining Institute is an organization dedicated towards improving the quality of life for low-income and minority communities. Understanding that our communities are often unheard in major policy debates, The Greenlining Institute works to ensure that the needs of these communities are addressed proactively and positively in major policy discussions. Together with our diverse coalition, we actively represent these interests with major corporations, educational institutions, special interest associations, and government officials.

The Institute's strategy revolves around six central programs and projects:

1. Leadership Development & Education;
2. Community Reinvestment;
3. Sustainable Development;
4. Campaign Finance Reform;
5. Health; and
6. Consumer Protection.

Greenlining's view of advocacy and public policy is that the above programs are all interrelated and should be dealt with through a comprehensive approach. Among the tools that Greenlining uses to achieve its mission are leadership development, community organizing, research, policy-analysis, litigation, negotiation, media relations, and traditional civil-rights tactics. In essence, Greenlining is an advocacy oriented think-tank that organizes, educates and encourages equitable public policies for





Pina believes that banking leadership will drive the success of the Access Florida initiative. The CEO's have to take charge and participate

low-income and minority communities. The ultimate goal of the institute is to increase low-income and minority participation in policy-making that results in equitable policies that will improve the quality of life for all communities in California and nationwide.

Overview of Bank Leadership Performance

Washington Mutual - "WAMU has the largest CRA commitment in the nation: \$375 billion over ten years. It has easily met its goals every year and is a leader in philanthropy to the underserved."



Bank of America - "Bank of America has a \$350 billion ten-year CRA commitment. It has met and exceeded all of its annual goals since it made the commitment in 1998. It is first in California in SBA lending especially to African Americans and Latinos. It is also first in California in percentage and number of home purchase loans to underserved minorities (Latinos and African Americans)."

Citigroup - "In 2002 Citigroup made a \$120 billion ten-year CRA commitment for California and Nevada. Its philanthropy goal appears to be the largest of any bank operating in California. It is too early to tell whether Citigroup will meet or exceed its goals or whether it will use its financial might, as the largest bank in the world, to become the leader among underserved communities and minority-owned businesses."



"Without a doubt, we have to focus on the creation of new wealth" says Pina. Capitalism is consumption. When people can earn more, they can buy more. That's great for big business, that's great for Chrysler, and the homebuilders and that's great for the national economy. Multi-

millionaires have been created in California through this process, and it can happen in Florida, and elsewhere." *

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