

Bill Bynum
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Introduction: It now gives me a great deal of pleasure to introduce our speaker for the luncheon. A major part of the African tradition is the _____ or the storyteller. And I will introduce our speaker this afternoon as part of a wonderful story. I'll give you the preface and introduction to Bill Bynum and he will give you the concluding chapter.

In 1992, the Foundation for the Mid-South received its first major investment from a national funder in the sum of \$8.3 million dollars. These funds were to support a major initiative targeted to the Delta portion of Arkansas, Mississippi and Louisiana. An initiative called the Delta Partnership Initiative. This initiative was described as having a three legged stool, work-force development, economic development, and marketing opportunities for Delta goods. A regional citizen was hired to head the work-force development leg. The Board of Directors of the Foundation for the Mid-South decided to follow the philosophy of the Marines, they looked for "a few good men" to consider for leading the development of the other two legs, economic development and creating marketing opportunities. The board looked all over the country and finally set their sights on one good man; from North Carolina, Bill Bynum. The board found a man who is well prepared, experienced, dedicated, educated and creative. However, the funder questioned the wisdom of the decision, because this out-standing gentleman was so young and did not bring many years of service. Because of their recognition of who he is, our foundation leadership said, "We will bring this man to the mid-south region, funders, with or without your support." Bill Bynum, his wife Hope and their then little daughter, Blyth, came to the region as a result of this decision. Bill used the Foundation for the Mid-South as an incubator for moving the concept of the two legs of the stool into a fully developed and functioning organization, The Enterprise Corporation of the Delta.

Since his inception in the mid 1990's, The Enterprise Corporation of the Delta has generated over \$150 million dollars into the region for financing through the Community Development Financial Institution. He then, with a small grant, did something that had not been done in 11 years. He established a faith-based credit union at his church, Anderson United Methodist Church. Today, the two are merged; The Enterprise Corporation of the Delta and the Hope Credit Union are one. I've given you the preface and the introduction to this dynamic story. My professional partner, my friend, my hero, and my brother will give you the next chapter.

Speaker: Whoa...I have been riding in Beverly's wake for ten years, still trying to catch up, but, we're still writing that story and I look forward to continuing it here today. Thank you all, good afternoon, the Mid-South Conference on Black Philanthropy. Just saying that is just amazing. Not long ago, this is something that could not have been conceived though, the Mid-South Conference on Black Philanthropy. I often take my daughter, Blyth with me when I travel as much as I can, because I want to expose her to things. Things that are possible, things that weren't possible when I was growing up or when our parents were growing up. And I really wish that she was here today. I look out across this room and I didn't know that there were this many blacks who were interested in philanthropy quite frankly. I just think this is just an amazing gathering and to see the diversity here. But quite frankly, it just gets me right here to look at this group and think about the Mid-South Conference on Black Philanthropy. So, I wish my daughter was here. I really want here to see things. She has been able to see, to meet Cabinet Secretaries; she had a meeting with the President. She was at dinner Saturday night when he did a retirement celebration _____. And I told her I really hoped that when she retired people would say the kind of things about here that was said about Freddie, and that have been said about so many people I've met in this region over the past ten years. I also take her with me in the Delta. I want her to see how far we have to go. We've done a whole lot but we've got a long way to go.

I want to talk to you today about the story that we've been writing over the years, and just share with you some things that I think are very exciting and I hope that we can work together on. Won't you just think for a moment, when you or a family member or a friend, was trying to get on your financial feet. When you were trying to buy a house or start a business, working to get out of a financial bind, or just trying to open a checking account. You may have been able to ask a friend or a relative for advice or a reference, or back when you helped some business associates. For people in the Delta and people in poor communities around this region may not know the bank's president. They may not have a cousin who has related experience or connections that can advise them and open the right door. So they want the same things that you and I and everybody else want; they want a decent home; they want a good education for their kids; they want a safe neighborhood; a quality education; they want a good quality of life and they're willing to work very hard for it. Often the only difference that separates them from everybody else is opportunity. Time and time again I've seen great things happen when opportunities exist. You might be surprised to hear that low income home buyers, pay as well or better than traditional mortgage recipients. Many because they have more to lose, but they actually perform better than traditional mortgage recipients. Minority business that get venture capital often out perform non-minority business according to a report by the Milton Institution. Fist

hand, I notice that businesses, that enterprise corporations in the Delta have financed over the years, perform better in terms of employment growth, in terms of financial growth, than comparable Delta businesses. It's abundantly clear that when opportunity exists and when assets are available the gap between the have's and the have-not's been close.

I'd like to take a few minutes to talk about the assets and opportunity gaps that exist in America in the mid-south, particularly differences in wealth, accumulation and financial service participation of all thee. Then I'd like to share with you a strategy that I think has a lot of potential for closing this gap. The black/white gap, wealth gap in this country is well documented and has been studied immensely. The recent studies revealed that the median net worth of blacks is 10% of that of whites. Whites have 10 times the median net worth of blacks in this country. Likewise an examination of the financial net asset holding, that net worth minus the equity in a home exposes similar disparities. The median financial net assets of black families is 3000, compared to 33,500 for whites. Even higher income don't offset these stark differences. The top percentile of black and white wealth earners to every dollar of net financial assets held by high income earning white families, similarly high earning black families, hold .19 cents. A dollar verses .19 cents, just incredible disparity. Social science give you a lot of reasons for the magnitude of these gaps, talk about college education, high income, home-ownership, etc., these things are all likely to be more present in white households than in black households. Inheritance patterns help to explain some of the differences in wealth owners between black and whites. A survey of consumer finances found 24% of all white households expected, say that they received an inheritance in 1998 verses 11% of black households that received an inheritance. We're talking about passing on assets today, there was a significant gap there, and also in the amount that is transferred in these inheritances. White households receive an average bequest of \$115,000 compare to an average of \$32,000 for black households in the 11% of black households that did actually receive a bequest.

Another reason for the variation in the wealth gap can be tied to lower levels of participation in the financial service section. In 1994, 80% of all households had a banking account, while only 45% of black households had a transaction account. Adding insult to injury, findings suggested on average, low-income black families pay more for financial services than white families with the same economic status. In the absence of these banking accounts, transaction accounts, what do we turn to? We turn to payday lender, check cashing sharks, cash for title operations, that sub-prime lenders that charge enormous fees and interest rates. These payday lenders and rent-to-own centers and sub-prime home mortgage lenders earn most of their revenue through interest and fees collected in predominantly low income communities. I recently told about an eighty-

year-old grandmother. Put yourself in the place of this eighty-year-old grandmother who was told that she could skip her December mortgage payment and use the \$600 to buy Christmas presents for her family. It sounds very promising especially if you don't have a lot of financial experience. Unfortunately she didn't understand the fine print that financed over \$20,000 in upfront fees and effectively transferred equity in her home, that she was planning to pass on to her family, to this predatory lender. That's the kind of situation that people we are talking about are faced with. HUD research showed that only 9% of mortgages in white neighborhoods were sub-prime, more than half of the homes financed in black communities were financed by sub-prime lenders. _____ on alternative financial services, the fees and interest that we pay to these alternative financial services, payday lenders and check cashing places could significantly increase the asset holdings of those who use these services, yesterday were financing only moderate gross vehicles, the things that our folks, by and large, don't have a lot of information about. The lower levels of participation in the market place is tied very much with low financial literacy. Again the thing I've heard talked about quite a bit during this conference.

Survey's of unbanked households indicate that many people without bank accounts choose not to open accounts because of the high fees and costs associated with opening these accounts. On the other hand, they choose to pay the high fees or payday lenders and check cashing operations. They just aren't educated about the options and the costs of the decisions that they make. A Freddie Mack study showed that one out of every five households with good credit stated that they had a bad credit history, they had good credit but they thought they had bad credit. Due to historical patterns of discrimination by banks and in anticipation of being rejected, these black households may incorrectly perceive that their credit is below bank standards and choose not to pursue a home mortgage or go to mainstream financial services. The national literacy deficit and historical problems with mainstream institutions often leads to results in people with perceived bad credit and sends them to predatory of high cost lenders. It's been driven in to our collective psyche, in the African American community. It's something that we have to work through and, what does Billy Holiday say, "God bless the child who has it's own." So by and large, African American do not have their own when it comes to financial services. So what do we do?

Given the data and the impact that these disparities have on people of color, it would be very easy for me to just be an angry black man quite frankly. But the truth is there's a lot of blame to go around. Sure, there's discrimination, there's systematic discrimination, there's things that have been there before we were born and will be there forever, but a lot of the blame is in our own communities and it's right there when we look in the

mirror. And so our anger would be very understandable, but it's just not very productive and so we look for solutions. During the 22 years that I've been working in the community development area, I've always taken a pretty broad view of economic development. It's not just smokestack chasing; it's not as simple as old formal land, labor and capital. These are important but without community infrastructure, without strong education, without housing, without health care, without childcare, and other amenities that are necessary for business to locate and expand, these communities are not going to survive. Another important part of community infrastructure is access to affordable quality financial services. These services and other development needs that faces stressed communities, cannot be solved if we work in a silo, they can't be solved by any one sector. The public, private, philanthropic and church sectors can't take these on by themselves. We have to work together. This notion of working together has always been something that I seem to have found myself involved with, I've always had the good fortune of working with organization that try to pull people together across the barriers of our conspirators, and it's fueled my passion for a strategy that I think very effective in other parts of the country, in North Carolina, and I think has a great deal of potential here in the mid-south. I'm talking about credit unions:

We're at a philanthropy conference. Webster defines philanthropy as "good will to our fellow men, especially active efforts to promote human welfare". Now, a credit union is a cooperative financial institution that is owned and operated by its members who pulled their funds together to make loans to one another. That sounds a lot like philanthropy to me. Of course credit unions were organized in Germany in the late 1800's in response to a famine to help farmers purchase livestock and equipment and seed. In the 1900's they came across the Atlantic to Quebec where a court reporter became aware of the outrageous interest rates that were being charged by loans sharks and organized a credit union to provide relief to working class citizens. In 1909 a group of Catholics in New Hampshire, this same court reporter came down to New Hampshire and organized the St. Mary's Credit Cooperative as the first credit union in the United states. So it came out of roots and helping people help each other and the United States is actually growing out of save-face roots. Today there are over twelve thousand credit unions in the United States to serve eighty million people. But not all credit unions are the same. Some of them have moved beyond this notion of self-help and operate no different than a mainstream bank. You know, and that's fine, there's a perfect role for mainstream banks, but all credit unions aren't community credit unions. So these aren't the ones I'm advocating. I'm advocating, I'm talking about community development credit unions and low-end credit unions that serve predominantly low income residents in financially underserved areas. These credit unions do their best to ensure that low