

Black-owned Banks Struggling to Keep Doors Open

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WASHINGTON (NNPA) - Independence Federal Savings Bank, one of the nation's oldest Black-owned financial institutions, based in Washington, D.C., was taken over in an aggressive buyout by a White developer last week, sending a chilling message to the already diminishing Black financial industry.

"This was quite a loss and unfortunately when one Black bank closes there is a big sore, but when one bank from a majority-own closes it is not as devastating," said Norma Hart, President of the National Banker's Association.

Less than two decades ago there were nearly 50 Black-owned banks. But, according to the Federal Reserve there were only 31 certified operations in 2006.

That number decreased when the takeover of Independence Federal Savings in Washington, DC, by developer Morton A. Bender, was finalized. After a ruthless five year battle during which Bender held up the bank in multibillion-dollar lawsuits, federal regulators allowed him to acquire 51 percent of the company's stock which gave him control of the bank's executive board.

"That's really a sad day; especially since the owner believed in the community and had he still been alive I believe that would not have happened," said Hart.

Black-owned banking institutions have opened doors of financial opportunities to African Americans since the Jim Crow era when White-owned banks denied service. Whether it was helping a small business get off the ground or a family move into their first home, these institutions have a legacy of service to communities and neighborhoods and are fighting to maintain ownership and keep their doors open.

The Consolidated Bank & Trust Company of Richmond, Va. was founded in 1903 by Maggie L. Walker, an African-American who was the first female Bank President in the United States. Consolidated had been the oldest continually operating Black-owned bank in the nation until two years ago, when the struggling bank merged with Abigail Adams National Bancorp, Inc., the parent company of The Adams National Bank.

Growing in a fickle economy that is challenging large majority-owned banks, many Black-owned banks are struggling with decreases in mortgage lending, loan delinquency, and recovering from the brunt of Hurricane Katrina.

These institutions are also vying for customer attention against White-owned goliath banks that have become one-stop shops, wooing more customers with an assemblage of financial services. True to their traditions, Black-owned banks have remained stable, offering basic checking, savings and mortgage services but several of these institutions are diversifying their portfolios and maximizing profits.

"These banks, providing a greater array of financial products, will help secure their survival and help them be more competitive in this age of mergers and consolidation," says William Michael Cunningham, a social investment advisor for Creative Investment Research, Inc. Not all Black-owned banks are suffering.

In recent years, several Black-owned banks have expanded their financial services by breaking the boundaries of traditional services. Assets at the 25 Black-owned banks highlighted in Black Enterprise Magazine's Annual Report on Black Business published this month, have increased 7.4 percent to more than \$5.7 billion since 2005.

The Boston-based OneUnited bank ranked at number two on the top 25 list and was lauded for the successful launching of the first Black-owned internet bank. The bank received national attention in 2006 when they announced their online saving accounts with an annual percentage yield of 5.3 percent, which was above the national average. The additional online accounts brought close to \$42 million in deposit growth according to Black Enterprise. Their online presence puts the bank on the playing field with mega online financial companies, such as ING Direct.

"These banks offer all the services of a majority owned bank. People should understand that these banks are regulated by the same folks that work with majority owned banks and are FDIC regulated," said Hart.

Billionaire entrepreneur Robert L. Johnson plans to revive Black-owned banking with Urban Trust Bank, which opened its Washington, DC headquarters in September. The bank is federally chartered and owned by RLJ, a development company headed by the BET founder. Urban Trust has \$30 million in assets, chiefly because of Johnson's personal wealth, and plans to expand to branches nationwide including Wal-Mart stores.

Urban Trust is focusing on lending services including student loans, mortgages, and credit cards for underserved urban communities, a clientele that analysts say is virtually untapped by Black-owned banks.

"There defiantly is a niche for African-American owned banking institutions in these communities. Our study clearly showed that there are not enough banks of any kind to meet the need of those in that community. The banks that are there are regional or national," says David Berenbaum, Executive Vice President of the National Community Reinvestment Coalition. He was referring to an NCRC study that recorded the shortage of banks in minority neighborhoods nationwide.

Berenbaum said that Black-founded banks like Independence Federal Savings have suffered by abandoning customers in disadvantaged communities where major retailers and White-owned banks have profited. He stressed that there was excellent opportunity for banks like Johnson's Urban Trust to capitalize and better serve the needs of these people.

Although today African-Americans have the option of banking at White-controlled institutions, interest in Black-owned banks have sparked in light of recent discrimination lawsuits against powerhouse financial institution Bank of America where, according to the federal lawsuit, Black employees alleged that they were given inferior positions and steered from wealthy clients.

Cunningham said these discriminatory practices not only hurt the economy but also serve as a wake up call.

"It is true that African-Americans have more options other than Black-owned banks. But given the Bank of America class action suits you have to consider just how viable these options are."