



Preserving and Growing Black Credit Unions

INCLUSIV'S GUIDE FOR BUILDING CAPACITY
AND PROVIDING TECHNICAL ASSISTANCE



About Inclusiv

At Inclusiv, we believe that financial inclusion is a fundamental right. We dedicate ourselves to closing the gaps and removing barriers to financial opportunities for people living in distressed and underserved communities. Inclusiv is a certified CDFI intermediary that transforms local progress into lasting national change. We provide capital, make connections, build capacity, develop innovative products and services and advocate for our member community development credit unions (CDCUs). Inclusiv members serve over twelve million residents of low-income urban, rural and reservation-based communities across the US and hold over \$159 billion in community-controlled assets. Founded in 1974, Inclusiv is headquartered in New York, NY, with offices in Madison, WI and Atlanta, GA. For more information about Inclusiv visit us at [Inclusiv.org](https://www.inclusiv.org) and connect with us on Facebook, LinkedIn and Twitter.

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I.

Introduction

For over forty years, Inclusiv has provided guidance and support to credit unions led by and serving Black people as part of our mission to remove barriers to financial opportunities for underserved communities.

Community development credit unions (CDCUs), and credit unions delivering services specifically to Black Communities, provide safe and affordable banking, credit, and savings products that are often the primary source of household liquidity and an essential part of addressing the racial wealth divide. In 2017, Inclusiv launched Inclusiv/Black Communities to help Black credit unions build capacity, and create a sustainable, growth-oriented business model for the future.

This guide highlights the framework used by Inclusiv/Black Communities to strengthen credit union operations and design a blueprint for growth and impact. It is intended to serve as a resource for credit unions seeking to grow and build capacity and for partners throughout the movement delivering technical assistance to Black credit unions. We believe this framework may be useful to a wide range of partners including credit union leagues and associations, funders, and local community groups working with, or supporting the preservation and growth of Black credit unions.

This guide provides an overview of our approach, work, and accomplishments to date through Inclusiv/Black Communities, highlighting specific work undertaken in New York City and Chicago where the project began. As we expanded the program to new geographies, we found common

challenges and that the model, with minor customization, is applicable to a broader range of Black credit unions.

Inclusiv's capacity building and technical assistance guide is divided into the following five sections:

1. [Identifying Strategic Priorities and Leveraging Partnerships](#)
2. [Expanding Technology and Product Offerings](#)
3. [Maintaining Regulatory Compliance](#)
4. [Planning for Transitions and Mergers](#)
5. [Raising Resources Needed for Growth](#)

The guide spotlights two of our most successful credit union partnerships in New York City and Chicago, as well as a capacity building and technical assistance checklist. We hope this guide provides insight into the degree of strength and resilience of Black credit unions, as well as concrete ways that we can help fortify these integral institutions and increase equity within our financial system.

Capacity Building and Technical Assistance Model



II.

History and Importance of Black Credit Unions

Black credit unions have played a critical role in financial access and wealth building in Black communities for over 80 years. The first Black credit unions were founded in the early 20th century in the very early days of the credit union movement. Their numbers and visibility grew significantly during the civil rights movement as civil rights and community leaders recognized the credit union cooperative model as a powerful vehicle to provide financial access denied by white banking institutions and the opportunity to build Black wealth through the recycling and reinvestment of capital within a community owned institution. In *Democratizing Finance: Origins of the Community Development Financial Institutions Movement*, Clifford Rosenthal found, “The closest most explicit ties to the civil rights movement were found in the South, where African Americans formed credit

unions in economic self-defense, because they were excluded from banks whether because of general racism or specifically as punishment for fighting for the right to vote.”¹ Black credit unions in the Midwest, Northeast, and West were formed largely as a result of the Great Migration, a period of time in US history when 6 million Black Americans moved away from the rural South between 1916 and 1970. Black credit unions in the South were mostly community credit unions which formed in highly segregated communities. In the North, these credit unions tended to form based on connections to Black churches that played a substantial role in building community and delivering support to Black residents from the Great Migration.

Now there are 514² credit unions designated as Minority Depository institutions (MDIs) across

¹ Clifford N. Rosenthal. *Democratizing Finance: Origins of the Community Development Financial Institutions Movement* (Victoria, BC: FriesenPress, 2018), 369.

² National Credit Union Administration. *Preserving Minority Depository Institutions: 2019 Annual Report to Congress*. June 2020. <https://www.ncua.gov/files/publications/2019-mdi-congressional-report.pdf>, retrieved December 15, 2020.

the United States serving nearly 4 million people in communities of color. Collectively, these MDIs represent over \$40 billion in locally owned, community-controlled assets. The composition of minority-designated credit unions reflects the history and the diversity of the credit union movement: 54% of MDIs are African American credit unions, 19% are Hispanic American, 10% are Asian American, 2% are Native American, and 15% are Multi-Ethnic credit unions.

African American MDIs serve nearly 2 million people across the country and manage over \$17 billion in community assets.

In communities from Demopolis, Alabama to Brooklyn, New York, these institutions often serve as the primary source of safe and affordable credit and banking.

Many of these locally owned and controlled financial institutions have struggled to keep pace with the changing regulatory and financial services environment. The number of total credit unions in this country declined from 12,000 in 1990 to just over 5,000 today. In 2013, there were also 805 MDIs in 2013, the majority of which were serving and led by Black communities, a decrease of 36% in just the past six years. The decline of minority credit unions coincided with overall consolidation in the industry, but has occurred at a much greater rate. Consolidation is the result of undercapitalization and disinvestment; tighter operating margins; less ability to invest in growth; and often a necessary reliance on volunteer leadership over professional staff. Because of their ability to reach and serve Black communities, as well as their historical significance, it is important to preserve Black credit unions that were founded with a commitment to address injustice and equalize opportunity.

III.

Inclusiv's Work to Preserve and Grow Black Credit Unions

In 1974, Black credit unions were the driving force behind the coalition that came together to form Inclusiv, then the National Federation of Community Development Credit Unions. They did so because their visibility and voice were not adequately acknowledged in the mainstream credit union industry. Black-led credit unions and those serving predominantly Black communities, remain a core part of the Inclusiv membership base, providing leadership and direction in our program development and capacity building initiatives, as well as in capital campaigns.

The most recent chapter of these efforts to support Black credit unions began in 2017, when Inclusiv established a comprehensive approach to working with Black credit unions in the New York Metro area on operations and growth. With the Black Communities initiative, Inclusiv moved beyond offering individualized accounting and compliance support, and instead brought together regional networks of Black credit unions to identify common obstacles and challenges and to work collectively on planning and designing pathways to growth and viability.

Inclusiv/Black Communities Credit Unions in New York, NY and Chicago, IL

| LOCATION | PARTICIPATING CREDIT UNION | MEMBERS | ASSETS |
|--------------|----------------------------|---------------|-----------------------|
| New York, NY | 14 | 7,089 | \$21.2 million |
| Chicago, IL | 10 | 3,503 | \$8.6 million |
| TOTAL | 24 | 10,592 | \$29.8 million |

Inclusiv targeted this initiative to Black credit unions with assets under \$100 million, with particular attention to those under \$25 million. The majority of MDIs (87%) have assets under \$100 million and 57% have assets under \$10 million. These institutions are more financially inclusive than other institutions because they are Black-owned and have the unique ability to reach deeply into their communities. Inclusiv’s research, based on analysis of the lending activities of more than 100 community development credit unions (CDCUs), has found that minority-designated credit unions, have a higher percentage of lending to low-income target markets and to lower credit tiers than larger institutions.

Inclusiv expanded the Black Communities initiative to Chicago in 2019 with the support of the Illinois Credit Union League and Citi. Over the past two years, Inclusiv has also broadened efforts to support Black credit unions to encompass additional geographic areas, such as the rural South and other Midwestern states with the support of a growing group of funder partners. Inclusiv is currently working with over 80 Black credit unions across the country, including 14 institutions in New York City and 10 credit unions in Chicago in partnership with the Faith Based Credit Union Alliance (FBCUA).



“We consider it an honor to have been one of the credit unions from our group chosen for this initiative. The Inclusiv team experience has been educational, inspirational, and a morale booster. As a small credit union, we take great pride in the fact that we have been able to keep our doors open for 64 years and not miss a beat in providing much needed financial services to our members. We commend all credit unions for weathering the storm and Inclusiv for keeping us focused and well advised.”

Mary Barthell, Fidelis Federal Credit Union, New York, NY

IV.

Inclusiv/Black Communities Capacity Building and Technical Assistance Model

Inclusiv developed our Black Communities Capacity Building and Technical Assistance Model through a series of listening sessions with Black credit unions and through our learnings from intensive work with dozens of institutions since we launched Inclusiv/Black Communities in 2017.

The following sections describe Inclusiv/Black Communities' Capacity Building and Technical Assistance Model when working with Black credit unions. And we have also included a checklist for credit unions to consider with guiding questions in the appendix.

A. Identifying Strategic Priorities and Leveraging Partnerships

Inclusiv's Capacity Building and Technical Assistance Model begins with in-depth conversations with

credit union managers to get a full understanding of the characteristics of the credit union and an assessment of their most pressing issues. These initial meetings allow Inclusiv to build a trusted relationship with the credit unions' key staff and board members. Inclusiv then works to develop trainings and make recommendations to help the credit unions address their most critical needs.

Inclusiv then conducts SWOT (Strengths, Weaknesses, Opportunities, and Threats) analyses with credit union boards as a preliminary activity to help draw out a credit union's strategic priorities. The SWOT structure ensures each credit union takes the time to examine what is helping or hindering the credit union's growth and where there is potential to institute changes. The participation of the credit union board members during the SWOT analysis training workshops is critical to ensure their ongoing

Common Responses from Inclusiv/Black Communities SWOT Analyses

| STRENGTHS (S) | WEAKNESSES (W) | OPPORTUNITIES (O) | THREATS (T) |
|--|--|--|--|
| Credit unions are well capitalized | Need for updated strategic plans and/or business plans | Increase membership by partnering with community organizations | Competition from local financial institutions with stronger name/brand recognition (including check cashers) |
| Dedicated volunteers and board members with diverse skill sets who perform at a high level | Few, if any, paid staff | Expand product offerings and technology for greater access to financial services | Cyber security |
| Loan rates are among the lowest in their markets | Need for cross training and succession planning | Apply for Federal and local grants | Aging volunteer base |
| | Aging membership | | |

participation, awareness, and accountability through the next steps.

After conducting a SWOT analysis, the credit union works with Inclusiv team members to move to the next step of developing short and long-term goals. Board members then form committees to work on moving key goals identified during this process forward with Inclusiv's support.

As noted in the SWOT table, a notable strength of Black credit unions is in the loan offerings that are priced as the most affordable in the marketplace. However, a common challenge is how to bring these great products to a broader segment of the community. The majority of these credit unions were established decades ago to serve members of a specific churches, employee groups, or neighborhoods. Now, in order to grow, the credit unions need to reach broader segments of their community and leverage local partnerships beyond their initial catchment area. Inclusiv worked with the credit unions to set membership expansion target metrics and potential partners to reach those targets; including nearby mission driven nonprofit organizations, other local congregations, and anchor institutions. Inclusiv worked with the credit unions to develop these strategic partners and then submit formal field of membership requests to the National Credit Union Administration (NCUA) to broaden the reach of the credit union throughout the community.

B. Expanding Technology and Product Offerings

Updating technology and expanding product offerings are priorities identified in some form in every Inclusiv/Black Communities SWOT analysis. SWOT analyses often highlight the need for credit unions to transform from small, very tight-knit structures to bigger more multi-faceted institutions. Many of the small Black credit unions are at an important inflection point in which relying

exclusively on in-person access to services and marketing is no longer sustainable. As financial expectations and needs have changed in their communities, so has the need to adopt new technology and product offerings.

Inclusiv/Black Communities credit unions are exploring a new business model that incorporates technology to manage certain operational aspects while maintaining the high-touch member support when needed. Inclusiv helps credit unions navigate that transition and has been working with participating credit unions to prioritize their technology and product needs and develop execution plans, whether the credit unions are pursuing those new offerings for their individual credit union (e.g., core processor, online or mobile banking, website), or as we often find is the case, in partnership with other like-minded credit unions.

For example, Inclusiv developed a consumer-facing website for Black credit unions in New York City. The website (www.inclusivcommunities.org) represented the first online presence for many of these hyper-local credit unions, increasing their visibility and helping community members locate them and their services. Inclusiv has also helped Black Communities credit unions secure the financial resources to develop new websites (Fidelis Federal Credit Union, www.fidelisfcu.org) and offer online banking to their members (Concord Federal Credit Union, www.concordfcu.org). This infrastructure proved critical as the COVID pandemic and resulting economic lockdowns accelerated the need for online and mobile services in hard hit communities of color.

Since 2019, Inclusiv has disbursed or helped Black credit unions in New York and Chicago apply for over \$700,000 to support technology and product enhancements, such as core processors (with online and mobile banking services), laptops, and remote office equipment.

Credit Union Spotlight

Concord Federal Credit Union | Brooklyn, New York

Inclusiv has been working with Concord Federal Credit Union since the outset of the Inclusiv/Black Communities initiative.

Founded in 1951 by the Concord Baptist Church, Concord Federal Credit Union provides an underserved area of Bedford-Stuyvesant, Brooklyn with affordable financial services. In the Bedford-Stuyvesant neighborhood, Black and Hispanic people are the majority and the poverty rate is close to 25%. Approximately one-in-five households are unbanked and nearly 30% are underbanked, with high usage of expensive check cashing and high-interest predatory loans.

Inclusiv has provided technical assistance to Concord Federal Credit Union by arranging a strategic planning session, making targeted introductions to address various topics (e.g., field of membership expansion, business planning, financial counseling), helping identify sources of funding and

grants, and through monthly calls with the credit union staff and board members.

Concord FCU's accomplishments, with Inclusiv's guidance and investment over the past three years, include:

- Becoming CDFI certified and successfully securing a CDFI Fund Technical Assistance Grant (\$125,000) in 2020
- Converting to the CU Impact platform, a new core processor, made possible through a partnership between Inclusiv and VisiFI; launched online banking for their membership
- Formalizing a referral partnership with Restoration, the oldest community development organization in the United States, to identify and serve individuals needing credit union services



Representatives from Concord Federal Credit Union, Restoration, Inclusiv, and Citi at the program launch event



Inclusiv staff at the Concord and Restoration partnership event in April 2019

- Increasing lending from \$200,000 in loans in 2018 to nearly \$1 million in loans by the end of 2020
- Building up products and services to attract new members including ACH deposits and prepaid debit cards
- Hiring a part-time manager in April 2020 which has led to the creation of new president and vice president roles at the credit union starting in January 2021

Concord’s updated strategic goals focus on equipping existing and new members with the resources needed to take control of their financial affairs. Concord will work to ensure access to capital for low-wage individuals for affordable personal loans, microenterprise and small businesses lending, and financial education and credit counseling. The services provided will reduce members’ reliance upon high-cost loans and credit while creating opportunity for wealth building. Taken together, these programs can help reduce the racial wealth gap.

“Inclusiv and Concord Federal Credit Union began a relationship when Concord was at a turning point in its history. Inclusiv provided assistance in critical areas that enabled Concord to develop a feasible strategic plan and growth strategy. As a result, Concord has since experienced growth in its membership and assets, and provides new services and products to its members.”

Harry Franklin, Concord Federal Credit Union, Brooklyn, NY



Inclusiv and Illinois Credit Union League met in Chicago with representatives from Park Manor Christian Church Credit Union

Black Communities credit unions look to expand their product offerings not only in the digital arena, but also more broadly by diversifying product offerings to keep pace with community needs. As part of the Black Communities capacity building and technical assistance services, Inclusiv works with credit unions to identify which products are the highest priority for the members and sustainable to manage. For many participating credit unions, savings and personal loan products have long been the core of their business. However, our partner credit unions see demand for auto loans and commercial loans in their communities and recognize that diversifying loan products is a critical step to the next stage of credit unions' financial growth. With flexible underwriting and a deep knowledge of their community, Black credit unions can provide financial services that may not be available to their members elsewhere. Inclusiv has worked with credit unions to prioritize the needed services and then provide the credit unions with next steps toward implementation.

C. Maintaining Regulatory Compliance

Maintaining regulatory compliance has grown more complex over the years for all credit unions, but it is especially challenging for very small Black credit

unions to maintain when they rely on volunteers and may have only one or two paid staff members. However, the development, implementation, and ongoing maintenance of effective compliance operations is essential to protect these credit unions and their members from a variety of growing risks. Inclusiv's staff members have observed that the three most common compliance issue areas for small Black Communities credit unions are:

1. Maintaining appropriate levels of board and management oversight:

An effective credit union compliance management system is grounded in the actions taken by its board. Credit union boards are expected to demonstrate clear expectations about compliance, not only within credit unions but also with service providers. However, some credit union boards are not engaged in these compliance requirements. To address this issue, all credit union board members should receive governance training and adopt clear policy statements regarding compliance.

2. Developing a robust compliance program: Hiring a full-time compliance officer may not be necessary in small or less complex credit unions, but a staff member trained in compliance can carry out this function in a manner commensurate with the size

of the credit union and the nature and risks of its activities.

3. Acting on results of compliance audits:

Some participating Black credit unions have had inactive supervisory committees leaving them unable to correct and respond to audit exceptions. Supervisory committees serve as an internal audit function for all credit unions ensuring safety and soundness, compliance with applicable regulations and reviewing and monitoring effective internal controls. These Committee members need to receive regular training on all these functions so that they can manage effective and regular audits on the safety of the credit union operations.

Inclusiv has established a compliance unit to provide Black Communities credit unions and other small CDCUs with a combination of free and low-cost compliance services. Providing these services enables the credit union staff to focus more on member service and strategic growth efforts while knowing key areas of compliance are being updated, monitored and audited regularly. The components of our compliance support to Inclusiv/Black Communities credit unions include:

- A comprehensive review of existing policies and procedures for compliance
- Creating and implementing updated or new policies and procedures
- Board and staff training (e.g., Bank Secrecy Act, board governance, succession planning)
- Addressing NCUA exam issues
- Conducting audits (e.g., supervisory, BSA/OFAC, ACH, SAFE ACT)

Inclusiv's compliance services process begins by meeting with a credit union's manager or designated staff member to conduct an assessment and determine which compliance areas need immediate attention. Credit unions can work with Inclusiv staff to create a comprehensive compliance program, or simply address a specific compliance need. Inclusiv has worked to ensure that our services remain affordable to Black Communities credit unions, through support from key funders. For example, Inclusiv provides an annual Bank Secrecy Act (BSA) training to the Black Communities credit unions in New York City at no cost. Inclusiv's Director of Credit Union Operations and Compliance meets with participating credit unions to answer specific compliance questions and helps them work through issues flagged as part of NCUA exams.

D. Planning for Transitions and Mergers

In the last decade, more than 1,000 credit unions have been merged or liquidated. Inclusiv conducted a review of credit unions that had involuntary mergers and found that the remaining financial institution did not often maintain a physical presence in the community after the merger. There was a lack of connection between the members and the remaining institution and members did not go on to utilize the services. These unplanned mergers often leave a gap in safe, reliable, and affordable financial institutions in communities of color.

Among small Black credit unions, unplanned mergers can happen for many reasons; but a key factor is often a lack of an effective succession plan. Every organization experiences turnover, retirements and sudden loss of key staff and board members. When these events happen, credit union knowledge is lost. While these are difficult to manage for any organization, this is especially difficult for small credit unions. One sickness or departure



Small and faith based credit unions gather for an Inclusiv/Black Communities meeting in Harlem, NY in February 2020

can significantly impact operations or, at worst, lead to a credit union closing its doors. In order to proactively address this risk, Inclusiv recommends Black Communities credit unions review and update their succession plan documents on an annual basis and has provided templates for sample policies and recommendations. Succession planning is all about building a deep bench of knowledge to ensure stability, and credit unions must look both within and in their community to identify the next group of leaders.

Mergers are almost never the goal or anticipated outcome of our work with Black credit unions. However, if a credit union’s management decides that a merger is the best path forward for the institution, Inclusiv supports the credit union to usher in a voluntary merger with a mission-aligned institution. With a voluntary merger there is an opportunity for the merging credit union to have more self-determination and maximize benefits to members while encouraging ongoing connection to the community. During this project period, Inclusiv has been able to identify CDCUs to assist in merger situations in close proximity with the products, services, and know-how to serve low-income communities of color that have needs not readily understood by mainstream credit unions.

In both New York City and Chicago, there have been three voluntary mergers with Inclusiv/Black Communities credit unions into other Inclusiv member credit unions. In all three instances, the merger has ultimately been a benefit to both the members and the remaining credit union.

- In Chicago, Cosmopolitan Federal Credit Union, a faith-based credit union, merged into Israel Methcomm Federal Credit Union. Both of these institutions are long-time partners through the Faith Based Alliance. Cosmopolitan decided to merge based on its dwindling membership and limited service offerings. The physical proximity of Israel Methcomm, the strong existing relationship, and the shared mission of the credit unions made the merger a good fit. NCUA approved the merger in 2019.
- In New York City, two of our Inclusiv/Black Communities credit unions voluntarily merged into Neighborhood Trust Federal Credit Union, an award-winning CDFI credit union in upper Manhattan. Grace Congregational Church Federal Credit Union (in 2019) and St. Augustine Presbyterian Federal Credit Union (in 2020), both made the difficult decision to find a merger partner. The boards of the credit unions

did not feel they had the knowledge base to successfully move these credit unions forward. These credit unions are close geographically and share similar missions of supporting low-income and minority communities. Although small at \$16 million in assets, Neighborhood Trust FCU offers a full range of products, enabling Grace Congregational and St. Augustine's members to take advantage of a new, wider set of financial services. NCUA approved the mergers, and the former board president of Grace Congregational Church Federal Credit Union is now a board member for Neighborhood Trust FCU.

E. Raising Resources Needed for Growth

As small Minority Depository Institutions begin to implement strategic growth plans, many of the key next steps require up-front investment, particularly hiring professional lending staff, investing in technology updates and developing marketing strategies and materials. With limited operating margins and balance sheets that have taken a hit in the past two decades, resources are often scarce to make these important investments in their credit unions' future. However, with the recent expansion of CDFI programs, and increased interest among corporate, philanthropic, and other

socially responsible investors, Black credit unions can recast and rebrand their historical role into new opportunities that being a CDFI affords. Most MDIs have not obtained CDFI certification let alone applied for support due to the complexity of the application process and limited bandwidth. Today, just 15% of MDI credit unions are CDFI certified. Inclusiv works with all of our Black Communities credit unions to pursue certification and funds from federal and private sources, as this support can add much needed fuel to credit unions' growth and sustainability plans. Below we describe three main sources of funding that every Black credit union should consider applying for, as well as current grantees in New York City and Chicago.

Community Development Financial Institutions Fund

The CDFI Fund has grants of up to \$2 million available for credit unions who submit applications for financial assistance (FA) or and up to \$125,000 for technical assistance (TA). Credit unions that are not yet CDFI certified may apply for technical assistance grants, and they have three years after receiving a grant to become certified. Inclusiv helps credit unions with the CDFI certification and application process through trainings on the TA and FA application process, by creating guides and templates, and by working closely with credit union



Staff and volunteers from Israel Methcomm Federal Credit Union, a Chicago-based Inclusiv/Black Communities partner

Credit Union Spotlight

Faith Based Credit Union Alliance | Chicago, Illinois

Inclusiv's work with the Faith Based Credit Union Alliance (FBCUA) in Chicago illustrates technical assistance provided to a credit union peer group.

The South Side of Chicago is one of the largest, and historically important, Black communities in the US. Though once the home of several prominent Black-owned banks, most of those institutions are gone, but many church credit unions have continued to serve their community. Throughout their average 64-year history, volunteers have operated these credit unions. These institutions serve varied denominations, but there is a strong spirit of cooperation. Over the years, that spirit of collaboration has blossomed and taken form as the Faith Based Credit Union Alliance (FBCUA).

The FBCUA celebrated its tenth anniversary in September 2020, and it is comprised of ten faith based credit unions and other members at large. All of the members are Low-Income Designated (LID) and are MDIs. Six of the FBCUA institutions are CDFI certified and represent 17% of the 35 CDFIs in

Illinois. Since its formation, the FBCUA has become a recognized group in the credit union industry, on both a federal and state level as well as in the city of Chicago.

The purpose of the FBCUA is to create efficiencies and economies of scale for small financial institutions who desire to carry out their mission of serving underserved communities. Collaboration has brought concrete benefits to each of the credit unions that belong to FBCUA. In keeping with its purpose, the Alliance hosts regulatory, general industry, and software training sessions as well as grant writing workshops, vendor presentations, and guest speakers on industry topics. With funding provided by NCUA, the FBCUA members participated in a four-part Leadership, Operations and Business Development Workshop co-hosted by Inclusiv. In 2020, the members of the FBCUA have been working on a sustainability and growth project sponsored by Citi and facilitated by Inclusiv and the Illinois Credit Union League.



Representatives of the Faith Based Credit Union Alliance, Illinois Credit Union League, and Inclusiv at a convening in Chicago



David Lane, board member of South Side Federal Credit Union, presents 2020 goals at the Faith Based Credit Union Alliance meeting in Chicago on February 20, 2020.

The FBCUA is focused on expanding its reach going forward. Utilizing technology to reach members is extremely important for the Alliance credit unions due to limited physical locations and members' changing financial needs. In 2020, the FBCUA came together, with support from Inclusiv and the Illinois Credit Union League, to conduct a thorough RFP process to identify a core banking provider that could meet the needs of all 10 credit unions in the Alliance. The Alliance is now moving forward with a joint core processor contract, thanks in part to grant support from Inclusiv, Citi, and the Illinois Credit Union Foundation. Through this powerful partnership, the credit unions are able to access better technology at a lower cost and expand their digital banking services to the Black communities they serve. A single core provider will also enable the credit unions to better support each other with

“Inclusiv is a big part of our success with your dedication to advocacy, services, and resources provided to your members, specifically the small asset size credit unions like mine.”

Martha Shine, Park Manor Christian Church Credit Union, Chicago, IL

back office and technical assistance. Inclusiv plans to continue meeting with FBCUA members in 2021 as the credit unions each convert to the new core and work on plans to expand their membership and lending.

staff to answer questions and ensure they meet submission deadlines. In 2019 and 2020, four credit unions in the New York City and Chicago cohorts were awarded a total of \$500,000 in CDFI Fund grant awards. Additionally, six Black Communities credit unions in other regions received \$725,000 in TA grants from the CDFI Fund in 2019 and 2020 with Inclusiv's help, for a combined total of over \$1.2 million in CDFI Fund grants for members of Inclusiv's Black Communities network. Inclusiv further supports our member credit unions to maintain certification by providing CDFI certified credit unions with a no-cost service to prepare the required annual CDFI report. In 2019, five credit unions in New York and Chicago submitted their annual reports to the CDFI Fund with Inclusiv's help while six additional Black Communities credit unions from around the country took advantage of this free service.

As part of a January 2021 COVID-19 Emergency Relief Package, \$12 billion in funding has been dedicated for Community Development Financial Institutions (CDFIs) and Minority Designated Institutions (MDIs), ensuring resources will be directed to some of the communities hardest hit by the pandemic.

The \$12 billion directed to CDFIs and MDIs consists of:

- \$3 billion in emergency support through the CDFI Fund to provide grants and other financial and technical assistance in the form of \$1.25 billion in Immediate Support for the current fiscal year, and \$1.75 billion - available until it is expended - for supporting Minority Lending Institutions
- \$9 billion Emergency Capital Investment Program administered by the Department of Treasury to provide low-cost, long-term capital investments to MDIs and CDFI depositories

This unprecedented level of investment into MDIs and CDFIs represents a huge opportunity for Black credit unions in the year ahead. Inclusiv will continue to work diligently to ensure MDI institutions can take advantage of this expanded federal support.



National Credit Union Administration

The National Credit Union Administration (NCUA) is another important funding source for credit unions serving underserved communities. NCUA offers Urgent Needs grants up to \$7,500 to low-income designated credit unions (LICUs) that may have faced a natural disaster or have some other pressing need. NCUA also provided emergency grant funds up to \$10,000 in response to the COVID-19 pandemic. Inclusiv encouraged all Black Communities credit unions to apply for financial resources from NCUA to help set up remote offices so that the credit union staff could work safely from home and cover pandemic-related expenses. Nine Inclusiv/Black Communities credit unions in New York City and Chicago received COVID-19 Emergency Fund Grants and an Urgent Need Grant totaling \$87,500 in 2020.

Private and Philanthropic Funding

All of the Black Communities credit unions are working with underserved communities, but few have successfully accessed private or philanthropic funding. This is a missed opportunity for Black credit unions. Barriers to access are partly due to credit unions limited grant writing capacity and networks. Inclusiv has worked with participating credit unions to identify grant opportunities and frame compelling applications. However, another significant barrier is structural – most private grant opportunities are available exclusively to 501c3 entities. Though credit unions are nonprofits, they hold a different tax exempt categorization. To ensure Black credit unions can take advantage of these opportunities, Inclusiv has served as a lead applicant/intermediary, fiscal sponsor, or encouraged credit unions to identify or establish another 501c3 fiscal sponsor.

Inclusiv Capital Resources

As the national intermediary for Community Development Credit Unions (CDCUs), Inclusiv has also dramatically scaled its grant and investment resources for MDIs. Inclusiv created the Resilience Grant Fund and the Resilience and Racial Equity Investment Fund amidst the COVID-19 crisis and racial justice awakening of 2020 to provide small MDI credit unions with a range of capital support at a critical time for their institutions and their communities. The Inclusiv capital resources include the following:

- Inclusiv has raised over \$1 million toward a \$5 million goal for a Resilience Grant Fund which has allowed us to provide grants up to \$25,000 to minority credit unions with assets under \$100 million.
- Inclusiv has established a \$20 million Resilience and Racial Equity Investment Fund to deploy larger scale capital investments into MDIs and credit unions serving majority communities of color.

Conclusion and Next Steps

The Inclusiv/Black Communities capacity building model works as a result of our intensive collaboration with credit unions, as well as trust built over time. In our work in both New York City and Chicago, credit union staff and volunteers have worked to establish and prioritize goals, conduct detailed research, implement new systems, and have shared best practices in peer learning groups in order to achieve their goals. The insights Inclusiv has gained in the Inclusiv/Black Communities initiative have produced a replicable model that we have brought into our work with Black credit unions in the South and other geographic areas. At the same time, to be effective partners, we must assess and adapt to each credit union's particular staff, board and community and "meet them where they are." Similarly, participating credit unions must examine what is working and what is not working and be open to making the changes necessary for their credit union to remain sustainable for their communities.

In 2020, Inclusiv's targeted work with Black credit unions increased in urgency. The global pandemic, economic downturn, and critically, racial inequality demonstrations, have thrown a glaring spotlight on the systemic inequality and injustice that has exacerbated underlying disparities from access to health care to the means to make a living, and expanded an already unsustainable wealth gap among people of color. Unfortunately, Black credit unions, like the communities they serve, are disproportionately impacted by the ongoing COVID-19 and economic crises. Black credit unions have been on the frontlines of this crisis—adapting branch operations to ensure members have access to their funds, helping members access economic impact payments, and offering emergency relief, such as forbearance on loan payments. Inclusiv/Black Communities will be continuing to work to

ensure that Black credit unions not only survives these converging crises, but emerges stronger than before, supporting their communities to do the same.

In order to do so, our learnings have shown us that it will be essential for Black credit unions to:



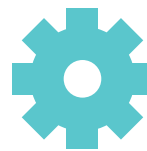
Expand their capital base through grants and investment from the expanded government, corporate and private philanthropic sources available



Maintain or grow their lending through the ongoing financial crisis. Safe and affordable loans are a central to the value Black credit unions bring to their communities and are core to sustainability.



Reach new members of their communities through community partnerships and expansion.



Strategically update their technology to expand access in their communities. Technology is a vital tool but must be phased in alongside a credit union's capacity to support it.



Strengthen their staff and Board capacity for long-term sustainability. As Black credit unions grow, it is critical that they engage their Board and professionalize staff to meet community needs.

Appendices

We are at an incredibly transformative moment for Black credit unions, with the opportunity for large and ambitious infusions of capital on the horizon. As we look forward, Inclusiv is excited to continue our capacity building work to ensure that Black credit unions are able to leverage this moment and this capital to evolve and grow to respond to current and future needs in their communities.

A. Participating Credit Unions

New York City

1st Bergen Federal Credit Union
 Abyssinian Baptist Church Federal Credit Union
 Concord Federal Credit Union
 Church of the Master Federal Credit Union
 Empire Financial Federal Credit Union (formerly Queens Cluster Federal Credit Union)
 Fidelis Federal Credit Union
 Grace Congregational Church Federal Credit Union*
 Greater Centennial Federal Credit Union
 New Covenant Dominion Federal Credit Union
 Paul Quinn Federal Credit Union
 St. Augustine Federal Credit Union*
 St. Philips Church Federal Credit Union
 University Settlement Federal Credit Union
 Urban Upbound Federal Credit Union
 *Previous partners who have merged with other local credit unions in the past three years

Chicago

Berean Credit Union
 Bethel AME Church Federal Credit Union
 Fellowship Baptist Church Credit Union
 Israel Methcomm Federal Credit Union
 Park Manor Christian Church Credit Union
 Pilgrim Baptist Credit Union
 Shiloh Englewood Federal Credit Union
 Saint Helena Parish Credit Union
 Saint Mark United Methodist Church Credit Union
 South Side Community Federal Credit Union

B. Capacity Building and Technical Assistance Checklist

Inclusiv/Black Communities Credit Union Assessment and Planning Questions

1) Identifying Strategic Priorities and Leveraging Partnerships

- a. What are the credit union's strengths, weaknesses, opportunities, and threats?
- b. What are the credit union's short-, medium-, and long-term goals? How do you plan to reach the goals?
- c. Does the credit union have an engaged board of directors? Is there a recruitment plan for adding additional members?
- d. Does the credit union have additional committees, and are the committee members active?
- e. What is the credit union's field of membership?
- f. Are there any organizations or geographic areas the credit union would like to add in order to expand its current field of membership?
- g. Are there local high potential partnerships and collaborations (e.g. with community based organizations, employers, churches) the credit union would like to form that would strengthen business outcomes, raise awareness of the credit union, or expand its geographic reach?

2) Expanding Technology and Product Offerings

- a. What provider does the credit union use for its core processor? Is the credit union satisfied with the current provider?
- b. Are there any additional services the credit union would like to add from technology providers (e.g., online or mobile banking)?
- c. Does the credit union have a website and/or social media accounts?
- d. What products and services does the credit union currently offer?
- e. What products and services are most in demand by the credit unions membership (e.g., ACH, online banking, prepaid cards, ATM services)?
- f. What is the credit union best positioned to provide? Which products will provide positive return on investment (ROI)?
- g. What additional compliance burden will potential products create?

3) Maintaining Regulatory Compliance

- a. Does the credit union have any questions related to credit union operations and regulatory compliance? If so, please describe.
- b. Does the credit union have a compliance officer or someone responsible for managing compliance?
- c. Has the credit union staff, board, and volunteers received governance training?
- d. Does the credit union have an active supervisory committee to provide oversight on audit exceptions?
- e. Have the staff and volunteers received annual Bank Secrecy Act (BSA) training?
- f. Does the credit union have a succession plan, and is it reviewed and updated each year?
- g. Who would take over day-to-day operations if anything were to happen to the credit union's existing staff or volunteers?
- h. Has the staff member or volunteer replacements received training and been given access to credit union information?

4) Planning for Transitions and Mergers

- a. Has the credit union board discussed the idea of merging with another credit union (i.e., voluntary merger)? If so, why and with whom is the credit union interested in merging?
- b. Has the credit union been told by regulators that it needs to merge due to poor management or poor financial health (i.e., involuntary merger)?
- c. What are the credit union's next steps regarding the merger?

5) Raising Resources Needed for Growth

- a. Is the credit union CDFI certified?
- b. Has the credit union applied for a CDFI Fund Technical Assistance or Financial Assistance grant?
- c. Has the credit union applied for funding from NCUA?
- d. Has the credit union recently applied for funding from financial institutions, foundations, or other organizations?
- e. Does the credit union have a nonprofit affiliate or nonprofit partnership that can be leveraged for fundraising purposes (e.g., nonprofit serving as a fiscal agent for the credit union)?



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