

Imagine the Benefits of a Black Bank

By B.R. Ellis Jr., B.E., M.A.

Throughout the history of the United States, Afro-Americans have been barred, in some form of another, from acquiring funds from predominantly white financial institutions. The effects of the type of discrimination have been devastating, resulting in poor housing, high unemployment, disproportionate imprisonment and lack of business opportunities for Blacks. Had Blacks had opportunities to utilize funds they saved in white institutions, their neighborhoods would not have suffered decay; Black businesses would have flourished, and the socio-economic ills that plague our communities would have lessened. This type of discrimination, however, can be avoided by creating Black-owned financial institutions, through which Blacks can save and borrow.

Financial institutions, such as commercial and savings banks, credit unions, Pension funds, and insurance companies, collect funds from savers and make them; available to selected borrowers. These institutions are essential for capital formation and economic growth. In their absence, investment behavior will be greatly constrained.

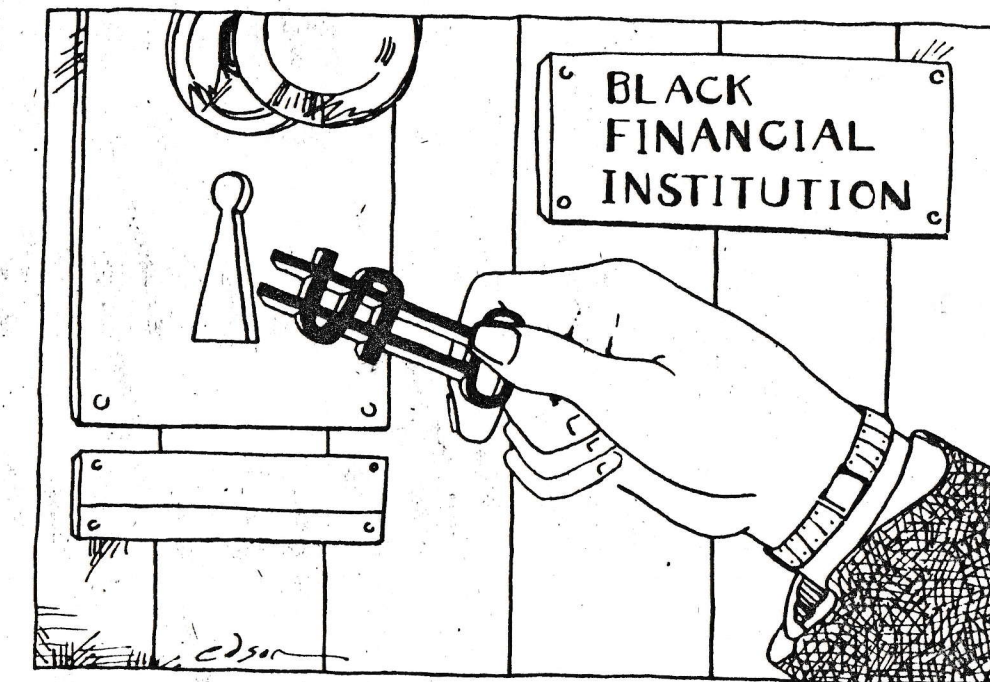
Although, white financial institutions are in the Black community, they function largely by siphoning funds from the community and reinvesting these funds elsewhere, and this is done in spite of the Community

Reinvestment Act of 1977 (CPA). The Community Reinvestment Act Provides for four different federal agencies to supervise and encourage financial institutions under their jurisdiction to meet the credit needs of communities in which they are chartered to do business, including low and moderate income neighborhoods.

The CPA also requires that these agencies assess the records of the community and take that record into account whenever an institution files certain applications. Moreover, each bank's inspection a CRA statement indicating on a map the communities served by that office and the types of credit the bank is prepared to extend within the communities served. Blacks should be encouraged to inspect this statement.

The establishment of a financial institution, such as a bank, is not as difficult as many Blacks have been led to believe. In order to establish a bank in Pennsylvania, a feasibility study must be conducted and submitted to the Pennsylvania Department of Banking. This study must support the contention that a need does exist for a bank in the area to be served. Also, the Banking Code of 1965, Section 109 of Chapter 1 and Sections 1001-1011 of Chapter 10 must be fulfilled.

Black banks serving the savings and credit needs of Black communities can be easily estab-



lished in major cities. Some of these cities have Black banks, however, many of these are too small to fund Black entrepreneurship. The following is an example of how a strong Black bank can be established: According to the 1980 census, approximately 38 percent of Philadelphia's total population, or about 640,000, is Black. Of these 640,000 Blacks, if only 200,000 agreed to purchase one \$100 share and become shareholders in a newly established Black bank, the capital

available to the bank, call it THE AFRICAN NATIONAL BANK, upon selling the 200,000 shares, will be \$20 million (200,000 shares X \$100 equals \$20 million) and if those same shareholders move their checking savings and other accounts to the newly formed Black bank, it is conceivable that the bank would have over \$300 million in its first year of operation. That is, if all shareholders transfer an average of \$1,500 (200,000 shares X \$1,500.00 equals \$300 million). Certainly,

the average savings for Blacks is much higher than that mentioned figure. However, with hundreds of millions of dollars available, a Philadelphia-based Black bank can, under proper management, in 10 years or less, provide Philadelphia with a vibrant Black economy. A strong and efficient Black bank will provide Black entrepreneurs with capital for promising businesses, capital that otherwise would not be available from existing white institutions. In addition, capital

would be available for new mortgages and home improvement loans for the so-called "distressed areas" which are presently redlined areas.

It is indisputable that a strong and efficient Black financial institution in the city of Philadelphia will provide economic growth to the Black community and that the benefits accrued will be employment, lower rates of crime and imprisonment, improved housing and education, higher self-worth, and more. Why then has such an institution yet to be established? The argument frequently used is that the talent for such an endeavor is absent from the community. This is not true. Perhaps what is true is that Blacks have difficulties envisioning the benefits of economic cooperation. The realization that the economic betterment of one Black individual or a group of Black individuals will, in the long run, affect in a positive manner the welfare of the whole community is somewhat vague in the minds of most Afro-Americans.

The mere suggestion of a Black bank may seem foreign and separatist to many. However, many other ethnic groups right here in Philadelphia have their own bank. The Ukrainians have bank branches in North and Northeast Philadelphia; the Jewish community also has its own banks. The time has come for the formation of a strong Black bank.

The task is achievable and rewarding.