



Fulfilling the Anchor Mission and Building Community Wealth

Local Credit Unions are Helping Anchor
Institutions Leverage their Assets to
Build Stronger Communities

Latino Community Credit Union
September, 2018



The Anchor Mission: A Growing Model for Inclusive Economic Development

In cities and communities across the country, a novel form of economic development is taking shape. As part of a growing movement, large local institutions are committing their assets to create local inclusion and prosperity through expanding models of asset building and community ownership in low-income communities and communities of color. This is called *Community Wealth Building*.

These place-based *anchor institutions*— from local universities and health systems, to local governments, to community and private foundations, to faith groups, to non-profits and socially responsible businesses— are embracing an *anchor mission* by adopting policies to hire, purchase, and invest locally.

By intentionally directing their assets to the people, places, and infrastructure that make up their communities, anchor institutions ensure that local hardworking families can enjoy better jobs, grow their businesses, and access the capital they need to pursue new opportunities.

The Anchor Framework¹

Anchor Institutions are place-based institutions that are rooted in their local community by mission, invested capital, or relationships to customers, employees, residents, and vendors

Anchor missions are commitments by these institutions to use their resources— financial, social, intellectual, human— to *build community wealth*

About this Case Study

This case study details the unique role that local credit unions play in helping anchor institutions put their assets to work locally. As an example, the case study showcases the Latino Community Credit Union's unique operational capacity to partner with anchor institutions to invest locally and build community wealth. Additionally, the case study profiles a group of anchor institutions in North Carolina that are building stronger communities by aligning their investments with their values through place-based deposits.

¹ The Democracy Collaborative, "Anchor Institutions," <https://democracycollaborative.org/sector/anchor-institutions>, accessed Sept. 2018.

Deposits as Community Assets: Anchor Institutions take Advantage of the Capacity and Expertise of Credit Unions to Invest Locally

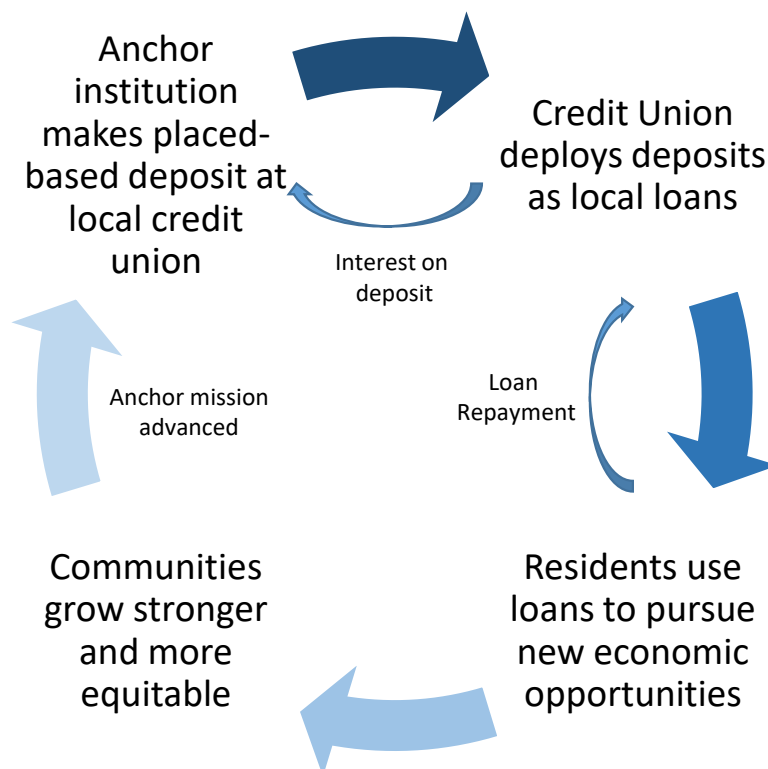
Making a placed-based deposit with a community development financial institution is a common first step in establishing an anchor investment strategy. These deposits can range from less than the federally-insured amount of \$250,000 to millions of dollars and can target specific outcomes, from increasing access to affordable housing to supporting small-scale entrepreneurship. Unlike traditional grant awards, these investments are repaid and earn an anchor institution a monetary return, allowing for ongoing impact.

A Double Bottom Line

Credit unions often offer above-market rates on their term certificates (CDs), **providing a strong financial return with a high social impact**

As member-owned financial institutions, credit unions are uniquely positioned to help anchor institutions invest locally and build community wealth because they are embedded in their communities and typically have the operational capacity and expertise to effectively underwrite and deploy loans, including those that traditional banks will often not make.

Credit Unions Help Anchor Institutions Build Community Wealth and Advance their Anchor Mission by Putting their Assets to Work Locally



Place-based deposits allow a credit union to increase its lending and build a stronger, more inclusive local economy. Each loan represents a new opportunity for residents to invest in their future, build wealth, and more fully contribute to their communities. A loan may help finance a new business, a car to get to a better job, or a home to raise a family and build intergenerational wealth.

A Powerful Multiplier Effect

Credit unions offer their members fair and accessible loans. **As loans are paid back, new loans are issued.** In this way, a mission-aligned deposit circulates locally and creates new wealth-building opportunities across a community

Latino Community Credit Union

Latino Community Credit Union (LCCU) is a bilingual, CDFI-certified, full-service credit union that works to create economic opportunities for all by offering ethical financial products and education. Since opening its first branch in 2000, LCCU has made more than \$645 million in local loans. Today, from its twelve branches across North Carolina, it serves more than 77,000 members from 136 different countries. Approximately 93% of LCCU's membership is Latino.

- LCCU provides an entryway to the financial mainstream for new immigrants and low-income individuals that often struggle to access capital and build wealth. Before joining the credit union, 65% of LCCU members are unbanked and 80% of its borrowers are low-income. To ensure that everyone can open an account, LCCU maintains a fully bilingual staff and accepts alternative forms of identification, including Individual Tax ID numbers and valid, government-issued IDs from any country. To expand its reach, LCCU works with a wide range of community organizations from youth empowerment groups, to refugee resettlement agencies, to faith-based groups that refer their members to LCCU.

A Sound Financial Investment with Profound Social Impact²

- ❖ 99.8% Repayment rate
- ❖ 106% growth in 5 years
- ❖ Capital 12.38%
- ❖ ROA 2.56%

By providing accessible and ethical financial products that empower its members, LCCU has grown into one of the largest and most stable credit unions in North Carolina

² Financial data as of August 1, 2018

- LCCU offers customized financial products and services that help its members establish credit and build wealth. LCCU's savings products require low minimums and offer well above-market interest rates. LCCU's Alternative Credit History Program allows members without a credit history to immediately access the loans they need. Applicants can establish their credit worthiness by providing a history of their rent and utility bill receipts.

A family with an LCCU checking account, making \$32,000 annually, saves \$1,440 a year by avoiding a 4.5% check-cashing fee in the cash economy

Equitable access to credit and capital is essential to building community wealth. LCCU's lending to financially underserved groups helps local economies expand and become more inclusive.

LCCU's Local Impact: Economic Opportunity for All

As LCCU members establish credit, they are able to finance new economic opportunities, build wealth, and more fully contribute to their communities. Since opening its first branch in 2000, LCCU has:

- Made more than 20,600 loans to members with alternative credit histories.
- Helped more than 3,600 LCCU members become first-time homebuyers, of which 80% were low-income when they joined the credit union.
- Made more than 30,600 personal loans and nearly 200 microbusiness loans.

When all members of a community have access to wealth-building



Miguel is one of over 3,600 LCCU members who have become first-time homeowners with the Credit Union. When he opened his first savings account with LCCU in 2007, he was just looking for a safe place to keep his money. Over the years, he opened a checking account, established credit, purchased a car, and ultimately become a home owner. Access to these low cost and empowering financial products has allowed Miguel and his family to prosper and develop roots in their community.

opportunities, everyone benefits. A study by the Darden Business School at the University of Virginia concluded that in counties where LCCU has opened a branch, robberies decreased by 4.2% and property tax revenue increased by 3.8%.³

Anchor Institutions Investing Locally and Building Community Wealth

To advance their anchor mission and build stronger, more equitable communities, a number of anchor institutions across North Carolina have made placed-based, mission-aligned deposits with LCCU. This section showcases a sample of these depositors.

Over a five-year period, **every \$1 million** in deposits at LCCU generates **\$2 million in loans**

Community and Private Foundations across North Carolina

A number of community foundations and locally-focused private foundations have deposits with LCCU, these include: Cumberland Community Foundation, Community Foundation of Greater Greensboro, North Carolina Community Foundation, Winston-Salem Foundation, Mary Reynolds Babcock Foundation, and Z. Smith Reynolds Foundation.

Through their grant making, these foundations support local organizations' efforts to address their region's most pressing needs. Through their placed-based deposit with LCCU, foundations are able to use LCCU's local lending capacity and expertise to directly extend economic opportunity to many of the hardworking families served by their grantees.

"In 2007, The Winston-Salem Foundation made a Community Grant to LCCU to help open its first branch in Winston-Salem. Since then, LCCU has helped thousands of local families build credit, become homeowners, and contribute to the vibrancy of our community by providing ethical financial products and financial education. Our deposit at LCCU earns us a strong return and supports this important community asset."

**Britney Gaspari, VP of Community Investment
Winston-Salem Foundation**

"LCCU has a unique and powerful reach in Greensboro. We know that our deposit at LCCU helps provide vital loans to the local families that need them the most. This is an important complement to our work and a great way to align our investments with our values."

**Tara M. Sandercock, SVP of Foundation and
Community Relations
Community Foundation of Greater Greensboro**

³ Fairchild, Gregory and Rai, Klwant, 2011. Perdido en La Traducción. "The Opportunity in Financial Services for Latinos." University of Virginia Darden School of Business, Tayloe Murphy Center.

Duke University (Durham, NC)

Placed-based deposit with LCCU since 2000

Duke's Office of Durham Affairs works to "expand and deepen the university's engagement with Durham Public Schools, the City of Durham, local neighborhoods, nonprofits, and the region at large." Duke made its initial deposit at LCCU when the credit union first opened its doors and has helped LCCU expand its reach and impact by increasing its deposit over the years. In the next 10 years, Duke's multi-million dollar deposit will ensure that hundreds of local residents have access to affordable mortgages and can become first-time homebuyers.

"Duke University is committed to using its resources to create a more inclusive and equitable Durham. Because of LCCU's impressive outreach in the Hispanic community, Duke's deposit has had a profound and continuing impact. We are especially thrilled to see so many LCCU members become first-time homebuyers!"

**Sam Miglarese, Assistant VP and Director,
Duke-Durham Neighborhood Partnership
Duke Office of Durham Affairs**

Museum of Life and Science (Durham, NC)

Placed-based deposit with LCCU since 2017

The Museum of Life and Science understands that access to opportunity is essential to a child's healthy development and STEM education. Through its *Ignite Learning Program*, the Museum ensures that children from low-income families can access the rich learning experience of its exhibits and programs. Through its mission-aligned deposit at LCCU, the Museum ensures that many of the families served by the *Ignite Learning Program* have access to the economic opportunity they need to prosper.

"A thriving Museum depends on a thriving community. We see a great opportunity to build a stronger and more inclusive community through the Ignite Learning membership program—by welcoming families into learning experiences at the Museum, by investing locally, and by asking others to invest in learning."

**Barry A. Van Deman, President and CEO,
Museum of Life and Science**

Catholic Diocese of Charlotte (Charlotte, NC)

Placed-based deposit with LCCU since 2005

By maintaining a deposit at LCCU, the Roman Catholic Diocese of Charlotte ensures that Charlotte's growing population of Latino Catholics have access to the economic opportunity that they need to prosper.

"We view our deposit with Latino Credit Union as a way of putting our funds to work on behalf of our mission – to not only support the growth of a financial institution critical to our Latino community in particular, but also to help families to be safe and prosper. We see this as another opportunity to positively impact the community, while also earning a return."

**William G. Weldon, Chief Financial Officer,
Catholic Diocese of Charlotte**

Weaver Street Market (Carrboro, Durham & Hillsborough, NC)

Placed-based deposit with LCCU since 2017

As an employee and consumer-owned cooperative, Weaver Street Market serves as a catalyst for health and prosperity in the local community. Towards this end, it sells goods that are fresh, healthy, and sustainable, it pays its workers a living wage (as an Orange County Living Wage certified employer), it engages its consumers in campaigns to support local food justice organizations, and it supports the local economy by sourcing from local producers and maintaining a deposit locally at LCCU.

"Weaver Street Market is a co-op market where we sustain healthy communities together, through the goods that we sell and the good that we do. Our deposit at LCCU is a way to live our values and support our community."

**Ruffin Slater, General Manager
Weaver Street Market**

Conclusion

A more inclusive and vibrant economy is possible; one in which everyone has the opportunity to build wealth and prosper. Place-based institutions can play a key role in supporting this pathway to prosperity by embracing their role as anchor institutions and adopting an anchor mission.

Making placed-based deposits at a local credit union is an easy and powerful first step to fulfilling an anchor mission. By partnering with a local credit unions, anchor institutions can ensure that their assets circulate locally and support direct and measurable community outcome.



Latino Community Credit Union

Established in 2000, LCCU has grown into one of the largest and most successful credit unions in North Carolina, offering a full range of financial products and services to members from 136 different countries. By offering ethical and accessible financial products and education, LCCU empowers hardworking families to enter and thrive in the financial mainstream.

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