

Project Helps Black Banks Seek Deposits Nationwide

American Banker | Wednesday, September 3, 2008

By Katie Kuehner-Hebert

Many banks targeting African-Americans have struggled with attracting enough deposits within their communities, but a grassroots organization is trying to offset that trend by urging people to deposit funds in such institutions — even if they live thousands of miles away.

Through its "Black Bank Initiative," BlackElectorate.com in Washington is encouraging depositors to open checking accounts, savings accounts, and certificates of deposit in about three dozen African-American-focused banks across the country to support their mission of improving low- and moderate-income urban neighborhoods.

"If we strengthen the financial institutions" that are based in urban communities, "we can really foster financial literacy and community development," said Cedric Muhammad, who heads the initiative.

BlackElectorate.com, which established the initiative last year, now has about 500 members — including entrepreneurs, professionals, activists, artists, academics, and students — from cities throughout the country, and these members are spreading the initiative's message to similarly minded people in their areas, Mr. Muhammad said.

The group has developed a Web site to promote its efforts. Members of the initiative have posted on Facebook and YouTube and have given interviews to news media outlets, such as Sirius Radio.

One bank in particular that the initiative has been promoting of late is the \$725 million-asset OneUnited Bank in Boston, which is being held up as an example of a bank that has helped urban communities while posting strong profits. OneUnited is the only black-focused bank in the country offering an online-only savings account, and Mr. Muhammad said the initiative is singling out OneUnited in part to spur other banks targeting African-Americans to establish similar vehicles to make it easier for people far away to provide support.

(There were efforts several years ago in Boston to open BankBlackwell, an Internet-only bank targeting African-Americans, but organizers abandoned the idea after failing to raise enough capital.)

Robert Patrick Cooper, OneUnited's senior counsel, said his bank has opened online accounts for "hundreds" of new depositors since members of the Black Bank Initiative began promoting the Unity Gold E-Savings Account in July.

"This initiative is a way for African-Americans to garner their spending power and channel it into loans for churches, small businesses, and mortgages" in urban communities, Mr. Cooper said. "It's really important for us to have a stable source of funding" for such loans.

OneUnited began offering the online-only savings account in 2006, and the deposits it has generated have helped to improve the bank's overall performance. In the second quarter its deposits rose 13% from a year earlier, to \$687 million. Earning assets rose 12%, to \$684 million, and net income rose sixfold, to \$1.8 million.

At the end of the quarter its return on assets was 1.03%, and its return on equity was 18.34%; both were well above the nationwide average for banks with \$500 million to \$1 billion of assets, according to the Federal Deposit Insurance Corp.

OneUnited has branches in Boston, Los Angeles, and Miami. Glenn C. Williams Jr., a partner in the Philadelphia private-equity and real estate firm Foundations Investment Group LLC, said that supporting the Black Bank Initiative fits in with the firm's mission to support the development of urban communities.

"You hear a lot of talk about what needs to be done within African-American communities, but there needs to be a lot more action behind that," Mr. Williams said. "African-Americans can do a better job of supporting financial institutions that are actually based in these communities."

