

THE WORLD BANK GROUP ARCHIVES

PUBLIC DISCLOSURE AUTHORIZED

Folder Title: President Wolfensohn - Briefing Book for President's Meetings and Events - Working Luncheon - Los Angeles Community Leaders - February 10, 1998

Folder ID: 30489569

Series: Meeting and event briefing materials

Dates: 01/01/1990 – 02/01/1998

Subfonds: Records of President James D. Wolfensohn

Fonds: Records of the Office of the President

ISAD Reference Code: WB IBRD/IDA EXC-13-10

Digitized: 08/11/2025

To cite materials from this archival folder, please follow the following format:
[Descriptive name of item], [Folder Title], Folder ID [Folder ID], ISAD(G) Reference Code [Reference Code], [Each Level Label as applicable], World Bank Group Archives, Washington, D.C., United States.

The records in this folder were created or received by The World Bank in the course of its business.

The records that were created by the staff of The World Bank are subject to the Bank's copyright.

Please refer to <http://www.worldbank.org/terms-of-use-earchives> for full copyright terms of use and disclaimers.



THE WORLD BANK

Washington, D.C.

© International Bank for Reconstruction and Development / International Development Association or

The World Bank

1818 H Street NW

Washington DC 20433

Telephone: 202-473-1000

Internet: www.worldbank.org

PUBLIC DISCLOSURE AUTHORIZED

Working Luncheon: Los Angeles'
Community Leaders

Tuesday, February 10, 1998
12:30 - 1:30 p.m.
MC 12-700 Conference Room

DECLASSIFIED
WITH RESTRICTIONS
WBG Archives

DECLASSIFIED
WITH RESTRICTION
WBG Archives

Archives



30489568

R2002-036

Other #: 49

Box #: 186499B

President Wolfensohn - Briefing Book for President's Meetings - Meeting Material
Working Luncheon - Los Angeles Community Leaders - February 10, 1998

Archive Management for the President's Office

Document Log

Reference # : Archive-02044

W28

Edit

Print

A. CLASSIFICATION

☒ Meeting Material
☐ Trips
☐ Speeches

☐ Annual Meetings
☐ Corporate Management
☐ Communications with Staff

☐ Phone Logs
☐ Calendar
☐ Press Clippings/Photos

☐ JDW Transcripts
☐ Social Events
☐ Other

B. SUBJECT: WORKING LUNCHEON: LOS ANGELES' COMMUNITY LEADERS (N) (B) <TOTAL:17> // TIME: 12:30 - 1:30 P.M. // VENUE: MC 12-700 (EXC CONF. ROOM) // CONTACT: M. COHEN @ 31015 // WB ATTENDEES: JDW, SANDSTROM, (EINHORN-not attending), SERAGELDIN, COHEN, PELLEGRINI, (J. FLORA-mission), (S. HAMMAM-not attending as advised by M. Cohen 2/3), (N. KAMEL-not attending 2/9), A. WILLIAMS, M. MCHUGH (FOR DONALDSON & MMB), JF. RISCHARD, C. MOSER, MARISELA (TOTAL: 12) // (2/6) ADDED: CAROLINE ANSTEY // (2/9) PER M. COHEN ADDED: K. VARMA

EXTERNAL ATTENDEES: (TOTAL: 5) SR. DIANE DONOGHUE, ESPERANZA COMMUNITY HOUSING CORPORATION; REV. DAVID O'CONNELL, SOUTHERN CALIFORNIA INDUSTRIAL AREA FOUNDATION; MR. LARRY FONDATION, LEAD ORGANIZER WITH THE SOUTHERN CALIFORNIA INDUSTRIAL AREAS FOUNDATION; MS. BARBARA KOHNEN, US CATHOLIC BISHOPS CONFERENCE; MS. NANCY ALEXANDER, BREAD OF THE WORLD NOTES: (1/14) ITEM MOVED FROM FEB. 3 DUE TO JDW'S EAP TRIP // COHEN ADVISED THAT ITEM SHOULD BE RESCHEDULED ASAP, 2ND WEEK IN FEB. // (1/16) CFMD. 16TH WITH MIKE COHEN BY PHONE // (1/28) FINAL LIST OF ATTENDEES CFMD. W/ MIKE COHEN BY EMAIL // (2/6) ITEM MOVED UP BY 1/2 HOUR TO ACCOMODATE MTG. AT BLAIR HOUSE (2/9) CIHAT -- ORDERED FOR 17 (2 EXTRA) -- DELIVERY AT 12 P.M. (B) M. COHEN // DUE: WEDNESDAY, FEB. 4 // EXC: MM // LFG (1/15) ALI (1/28)

Brief includes:

---Note to JDW from MM
---Background memos from Mike Cohen
---Father's O'Connell's Bio
---Sister O'Donoghue's Bio
---Mr. Fondation's Bio
---Agenda for LA Leader's Visit
---JDW's Lunch: Attendees
---Chairman's Greenspan's Remarks at a Community Forum in LA, 01/12/98
---Material provided by Father O'Connel to Michael Cohen on 02/09/98
---News Item: '3 Banks Fail to Meet Vows to L.A. Plan'

DATE: 02/10/98

C. VPU

Corporate

☐	CTR
☐	EXT
☐	LEG
☐	MPS
☐	OED
☐	SEC/Board
☐	TRE

Regional

☐	AFR
☐	EAP
☐	ECA
☐	LAC
☐	MNA
☐	SAS

Central

☐	CFS
☐	DEC
☐	ESD
☐	FPD
☐	FPR
☐	HRO

Affiliates

☐	GEF
☐	ICSID
☐	IFC
☐	Inspection Panel
☐	Kennedy Center
☐	MIGA

D. EXTERNAL PARTNER

☐	IMF
☐	UN
☐	MDB/Other IO
☐	NGO
☐	Private Sector

☐	Part I
☐	Part II
☐	Other

E. COMMENTS:**File Location**

☒ EXC	☐ IISC	☒ Archives
---	-------------------------------	--

Cleared By

Marisela Montoliu Munoz
Marie

Date:

03/02/98

 [View Update History](#)

WEST COAST INDUSTRIAL AREAS FOUNDATION

The Industrial Areas Foundation, founded by the late Saul Alinsky, is the largest and oldest institution for community organizing in the United States. For close to 60 years, the IAF's mission has been to train people to organize themselves and their organizations, to take responsibility for solving the problems in their own communities, and to renew the interest of citizens in public life. With national headquarters in Chicago, the IAF now has a network of over 59 organizations in 21 states across the country and in the United Kingdom and South Africa.

The West Coast IAF

Founded in 1976 in Southern California, the West Coast Industrial Areas (WCIAF) is a 350,000 family alliance of thirteen community groups in California, Oregon and Washington. Our organizations tackle neighborhood concerns such as inadequate housing and public works, as well as broader issues including equity in education, welfare reform, citizenship and naturalization, access to health care and employment opportunities. The WCIAF Vision Project facilitates important joint initiatives among our affiliated organizations.

Mission, Methodology and Programs

The mission of WCIAF Vision Project is to enable the disenfranchised poor of all races and cultures to enjoy the values of dignity and self-respect, justice and freedom through putting into action the principles of American participatory democracy.

Member organizations determine their agenda through democratic consensus. Through one-on-one and house meetings, leaders work with their members to develop a summary of their community's most pressing issues and a strategic plan for action. Once accepted, this plan is collectively carried out with all members participating at some level in research, actions to gain strategic objectives, and evaluation. This process is also used to establish collaborative endeavors under the auspices of the Vision Project that benefit the entire WCIAF network.

Our current Vision Project initiatives include the following:

- **The Active Citizenship Campaign (ACC):** Originating in Southern California after Proposition 187 passed, the ACC has brought over 24,000 legal immigrants into citizenship, trained over 2,500 leaders to mobilize voters in their congregations and neighborhoods, and forced the INS to clear its backlog of 225,000 citizenship applications. The WCIAF was pleased to play a role in the dramatic increase in Latino voters during the 1996 election. The ACC's primary goal is to increase participation in the economic, social, political, intellectual and spiritual dimensions of public life in order to create stronger, safer, more vibrant communities. This year the WCIAF has begun to expand the ACC to Central and Northern California, utilizing its successful model for integrating the naturalization process with leadership training and voter mobilization.
- **Hope in Youth:** A partnership of the four Southern California organizations and inner city churches, Hope in Youth is dedicated to providing alternatives to youth gang membership through strengthening the family and creating opportunities for alienated youth and their parents to become more actively involved in community life.

-more-

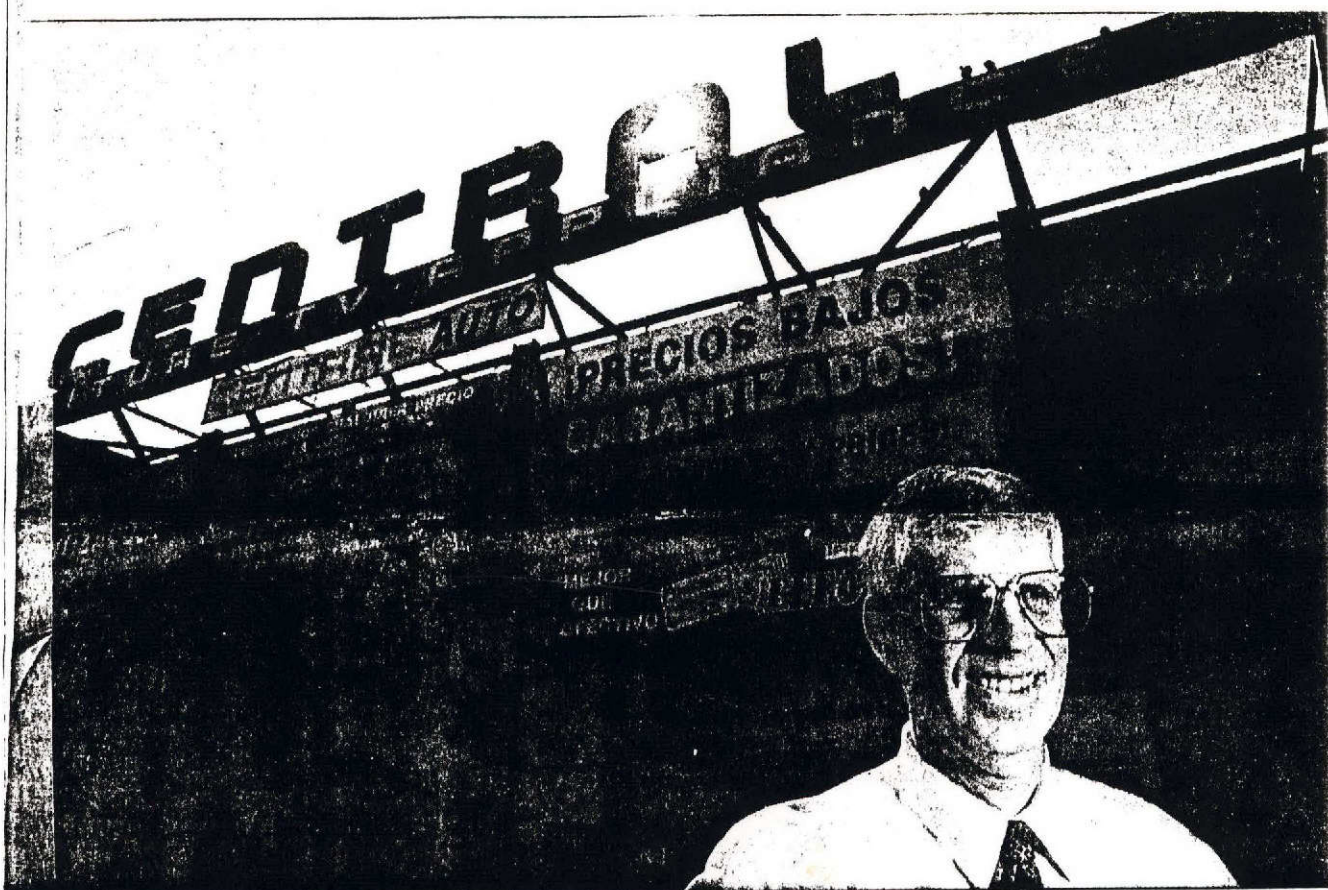
Material provided
by Father O'Connell to
Michael Cohen
today, 2/9/98

- **Welfare Reform:** The WCIAF organizations are currently engaged in a Welfare Reform Strategy in California, Washington and Oregon. The first phase of this strategy focuses on the immediate legislative process that will shape the implementation of welfare reform in California. (The legislatures of Oregon and Washington have already acted.) Beginning this fall, the second stage of the Welfare Reform strategy will address long-range solutions to the myriad of problems caused by welfare reform. A researcher has been retained to help determine the best regional strategies for each WCIAF affiliate, address the need for ballot initiatives and additional state legislation, and assist us in building a long range plan for economic development to create jobs for welfare recipients.
- **Recreating Mediating Institutions for the 21st Century:** Much of the current civil society debate does not address the urgent need for a democratic distribution of power and there is no civil society without such power. The WCIAF has embarked on a reorganizing strategy to help its member mediating institutions—congregations, schools and unions—develop the expertise and tools for more successful engagement in public life and to become more active allies in the empowerment of their constituencies. The project will be documented by Professors John Orr and Don Miller from the University of Southern California's *Center for Religion and Civic Culture*.
- **Economic Development:** Building on its past successes in housing (Nehemiah West) and job cooperatives, the WCIAF is committed to developing new models for alternative financial institutions and economic ventures. The first step involves working with academic and business allies to identify overlooked markets and business opportunities in WCIAF communities.
- **The School/Parent Community Rebuilding Strategy:** This collaborative effort to develop public school communities is characterized by the inclusive involvement of students, parents, staff, and administration in the interest of creating and maintaining academic excellence.

The WCIAF Organizations

- *Bay Area Organizing Committee* (BAOC) in San Francisco and San Mateo Counties, California
- *East Valley Organization* (EVO) in the Pomona and San Gabriel Valley, California
- *King County Organizing Project* (KCOP) in Seattle
- *Monterey Bay Organizing Project* (MBOP) in Monterey County, California
- *Parent Organizing Project* (POP) in Spokane, Washington
- *Portland Organizing Project* (POP) in Portland, Oregon
- *Sacramento Valley Organizing Community* (SVOC) in Sacramento County, California
- *Solano County Organizing Community* (SCOC) in Solano County, California
- *Sonoma County Faith Based Community Organizing Project* (SCFBOP) in Sonoma and Napa Counties, California
- *Southern California Organizing Committee* (SCOC) in South Central Los Angeles, Compton, and neighboring communities, California
- *United Neighborhoods Organization* (UNO) in East Los Angeles, Southeast Los Angeles, Hollywood, Echo Park and Westlake, California
- *Valley Organized in Community Efforts* (VOICE) in the San Fernando Valley, California
- *Washington Rural Organizing Project* (WROP) in Washington

Whose Interest?



LUIS SINCO / Los Angeles Times

Central Financial Acceptance founder Gary Cypres hopes to turn the company into a real bank: "To our customers, we are a bank already."

Central Financial provides a vital service to the growing numbers of Latino immigrants. But the price isn't cheap.

By DEBORA VRANA, TIMES STAFF WRITER

Miguel Juarez doesn't see much use for a bank savings or checking account. When he needs cash fast, he goes to Central Financial Acceptance Corp. and takes out a quick \$50 from the ATM. The 35-year-old gardener says his "savings" is the remaining balance on his \$500 personal loan with Central. And the interest he pays?

"I'm not sure," said Juarez, who arrived in Los Angeles 11 years ago from Durango, Mexico. "But it's easy here—I get cash right away."

Central offers loans from \$300 to \$1,500 at interest rates that average a whopping 26%. A large majority of its customers are Latino immigrants, the bulk of whom earn less than \$25,000 a year and are without checking and savings accounts or credit histories.

They are a growing portion of America's so-called unbanked—the estimated 25% of the population that doesn't have checking accounts. Central hopes to fill a gap by targeting new arrivals from Latin America, the fastest-growing immigrant group in the United States.

Central is the brainchild of Gary Cypres, 54, himself the son of immigrants from Eastern Europe. Cypres, who was born in the Bronx and now lives in West Los Angeles, is an accountant-turned-investment banker with the air of a rumpled professor. He works out of a musty headquarters office in Commerce.

A few years ago, he took a long look at the changing demographics of Southern California and decided to expand Central from a small-time firm offering appliance loans through its Central Furniture stores to a publicly traded company providing loans for travel, used autos and other personal needs.

The business is as risky as it is controversial. The costs of servicing such small loans and

Please see CENTRAL, D6

Gary Cypres

- **Age:** 54
- **Birthplace:** Bronx, N.Y.
- **Education:** Hofstra University on Long Island, business major
- **Family:** Married, five children
- **Hobbies:** Jogger, collects early-1900s sports memorabilia
- **Title:** Chairman, CEO of Central Financial Acceptance Corp. in Commerce

Los Angeles Times



GINA FERRAZZI / Los Angeles Times

Salvador Alonzo uses one of Central's ATMs.

CENTRAL: Company Provides a Vital Service, but Not Cheaply

Continued from D1

the fact that many have no collateral sharply increase the potential for losses. Then there are the seemingly usurious lending rates, which are much higher than the average 18.8% charged for a standard credit card, according to RAM Research, a Maryland data firm.

That's why Central is sometimes seen as either a loan shark profiteering from the poor, or a benefactor giving Southern California's newest immigrants access to capital, free check-cashing and the American dream.

Central's owners, of course, believe the latter.

"Everyone says we need loans in the inner city and no one is doing these types of small loans but us," said Cypres, who is learning Spanish. "This is what our customer needs, a loan to get the car fixed, a loan that can start a small business."

Louis Caldera, a former Assemblyman and a former Central board member who is now a member of the Clinton administration, agrees that Central fills an important gap in the Latino community.

"It gives them access to credit, not only small personal loans but small-business loans," Caldera said. "This is important for a community that doesn't have a lot of cash lying around for a rainy day. They also help you establish a credit history. In some ways it does more to deliver access to credit than any government program could."

The other view? "These types of lenders in general are often just one step ahead of the knee-breakers," said John Racine, editor in chief of Specialty Lender, a monthly newsletter tracking lenders. "They are not really in the business of lending money—they are in the business of collecting it."

Central has become the largest lender of its kind in Southern California, with 150,000 customers and \$133 million in loans. It recently added automated teller machines and just signed a deal with Kmart to allow its cash machines in four other Western states.

Though his annual salary is only \$175,000, Cypres is a multimillionaire, directly owning about \$7.2 million of company stock

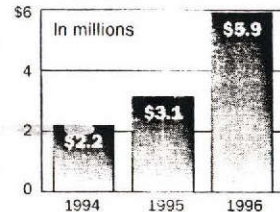
Central Financial

Central Financial's profit and revenue have been expanding at rapid rates in recent years in a segment of the market ignored by most lenders. Though full-year 1997 figures are not yet available, Central earned \$5.2 million in the first nine months of the year on revenue of \$22.2 million.

At a Glance

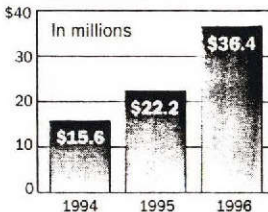
- **Headquarters:** Commerce
- **Type of business:** Makes unsecured personal loans and loans for airline travel and used cars, primarily to the fast-growing Latino immigrant community
- **Employees:** 399
- **Chairman, CEO, CFO:** Gary Cypres
- **Locations:** 12 main offices, 77 locations offering ATM or partial services
- **Loans outstanding:** \$133 million
- **Went public:** June 1996
- **IPO price:** \$12 a share
- **52-week share price high:** \$19.38 on Jan. 13, 1997
- **Friday close:** \$10.38

Net Income



Sources: Central Financial Acceptance Corp., Bloomberg News

Revenue



Los Angeles Times

through a family trust. Through an entity known as West Coast Partners, Cypres also indirectly controls an additional 70% of Central's outstanding stock that is worth about \$50 million at today's prices.

West Coast Partners includes such investors as Wells Fargo and Union Bank of California. In fact, Wells is one of the largest investors in Central and indirectly owns about 17% of Central through its investment in a holding company.

Cypres now hopes to expand Central into a real bank for a growing low-income market that is underserved by the large, traditional lenders. In fact, plans to buy an inner-city bank are in the works, and there may be a deal as early as this month.

"To our customers, we are a bank already, with our free check-cashing and small loans," Cypres said. "Now the next step is to offer the full range of options, with checking accounts and deposits."

Still, a sharp increase in the

number of delinquent loans at Central has hampered profit and depressed the company's stock price. Cypres blames the delinquencies on uncertainty sparked by immigration law changes and says he expects them to decrease this year.

It's just such unexpected political and economic factors that make unsecured personal lending fraught with peril. Indeed, many traditional lenders have failed to attract significant numbers of immigrant Latino customers because of cultural barriers, and that's left Central with no major competitors in the region—a major reason it's been able to attract high-quality investors such as Wells and Union.

Some analysts go so far as to liken Cypres to A.P. Giannini, the founder of Bank of America, noting that Giannini got his start lending to Italian, Russian and Slovak immigrants in California at the turn of the century. Cypres, they say, is doing much the same thing for the Latino market.

But Central's rates are much



GINA FERRAZZI / Los Angeles Times

Customers line up at Central office in L.A. The company says the typical wait for a loan is 30 to 60 minutes.

higher than those charged by Giannini. His rates were similar to those offered by major banks at the time, according to historical data.

Interest rates for any lender are limited under California's usury laws, and the maximums follow a sliding scale, said Ken Nagashima, special administrator at the state Department of Corporations. The maximum interest allowed for a loan of, say, \$225, would be 30% a year, he said.

Central's rates are high, Cypres says, because it's costly to provide the free check-cashing services that go along with each loan. Keeping track of a large number of small loans that can require more attention than other loans is also costly, he said.

"We have to cash all these checks for these people and provide infrastructure for the loans. It's very expensive. That's why major banks are getting out of that business," Cypres said.

At Central's main lending offices in downtown Los Angeles, more than 200 chairs are set up to handle the weekend crowds. Although Central says the wait for a loan is

typically 30 minutes to an hour, one woman applying for a loan said she and her husband had been waiting three hours.

Soila Perez, a 21-year-old restaurant worker, is a typical Central customer new to the world of automated banking. She's using one of its ATM machines for the first time to take out \$300 from her \$700 Central loan so she can make a payment on another loan somewhere else.

"It feels good to use the machine," Perez said. "I was feeling lost, but they help you here."

Perez, who came to Los Angeles from Guatemala seven years ago, says she has a checking account with Bank of America but no savings account. She doesn't know how much she has in outstanding personal debt. And she, like many of Central's customers, is unconcerned about the interest rates charged on the loans. When asked, she said she had no idea of the rate on her loan.

Yolanda, a housekeeper who did not want to give her last name, has a \$500 loan with Central. She sends money home to her mother in Mexico to pay for care of her

daughter. She tried once to get a loan with Wells Fargo, but "they wouldn't give it to me." She says she likes Central because "it's Latin and you feel comfortable here."

"We don't ask for any green cards or anything," said Yesenia Munoz, a Central supervisor in a downtown Los Angeles center. "People feel more comfortable with other Hispanics."

Critics argue that Central's customers are vulnerable to abuse because they may be financially unsophisticated and may have had few or bad experiences with banks in their home countries. Because they have never had checking or savings accounts or access to credit, they may not know the right questions to ask.

Cypres disagrees. "Some people seem to think our customers aren't smart consumers," he said. "Just because you don't have a formal education doesn't mean you don't know when you are being taken advantage of."

Cypres, a former visiting faculty member of the Amos Tuck School

Please see CENTRAL, D7

CENTRAL

Continued from D1

of Business at Dartmouth College, wears a cardigan sweater to work and drives a modest car. The company moved its headquarters to spaces above one of its appliance stores in Commerce after gang activity near its downtown Los Angeles offices made it unsafe to work there, he said.

After being trapped in a downtown store during the 1992 riots, Cypres' wife begged him to take some security measures; he bought a bulletproof vest for his drives to Central offices in poorer neighborhoods.

"All of my friends think I'm nuts from where I came from to where I am now," he said during an interview in his cluttered, dusty headquarters office, surrounded by the antique adding machines and typewriters he collects. But in a way, Cypres has returned home.

Growing up in New York, he mixed with many European immigrants and became familiar with the challenges they faced. His father was in the jewelry business in the Bowery, where, as a boy, Cypres helped out running errands.

In Southern California, he says, "you can't live on the Westside and ignore the changes taking place in this state. It's not a white majority anymore. We have a wonderful ethnic mix, and businesses are going to have to adapt to that if they want to survive."

Though Central doesn't have many competitors in the small-loan business, other companies do offer appliance loans. One of them

is Dearden's, founded in Los Angeles in 1910 by Englishman Edgar Dearden to offer furniture on credit. Ronnie Bensimon, an executive at Dearden, which now has seven area stores, said he would not comment on a competitor.

One reason Central is largely without competition is the high delinquency rate that accompanies its type of lending.

Lenders similar to Central had delinquencies of about 3% or 4% for the third quarter of 1997,

'Some people seem to think our customers aren't smart consumers. Just because you don't have a formal education doesn't mean you don't know when you are being taken advantage of.'

GARY CYPRES

according to the newsletter Specialty Lender. However, the percentage of loans more than 60 days past due for Central was 6.56%, up from the previous quarter's 5.61%. Central's 30-day delinquencies jumped to 9.97% from 8.36% in the previous quarter.

Cypres blames the delinquencies on changes proposed in the immigration reforms of 1996 that put the status of many of his customers in limbo. Until 1996, and even through the recent recession, his borrowers were reliable and repaid debts on time, he said.

But even though recent legislative changes have eased concerns

somewhat, lingering fears that many of Central's borrowers may leave the country without repaying their loans have kept stock prices depressed.

Central went public at \$12 a share in June 1996. After reaching a high of about \$21.50 several months later, the stock slumped and is currently trading at about \$10.

The company has delayed a \$50-million financing that was to be priced the week in late October that the Dow Jones industrial average plunged 554 points.

"The risk-reward here is out of balance from a shareholder viewpoint," said Charlotte Chamberlain, a financial institution analyst with Jefferies & Co. in Los Angeles. "I don't see any real upside in their earnings for quite a while."

Chamberlain noted that Central's "convoluted ownership" is another factor keeping stock prices down.

Since Cypres and major institutions own most of the stock, there aren't many shares available for market trading.

Still, analysts said there is opportunity for the company's profit to increase as the local demographics continue to shift in Southern California.

"From an investment point of view, you have a significant improvement in the L.A. economy recently and a growth in the demographics that increases its customer base," said Joseph Jolson, analyst with NationsBanc Montgomery Securities, which took the firm public. "These are two very strong trends for them."

IAF 50 YEARS

ORGANIZING FOR CHANGE



INDUSTRIAL AREAS FOUNDATION



OUR
SAVIOR

ST
ANSELM

NEHEMIAH
NOW!

SECOND
CHRISTIAN

EAST
BRONX

NEHEMIAH

NOW!

South Bronx Churches

© 1990, Industrial Areas Foundation
ISBN 936434-26-0

Editor: Cynthia Perry, The American Communications Foundation
Writer: Cynthia Perry

Design and production: San Francisco Study Center/Community Graphics
Director: Geoffrey Link
Designer: Lenny Limjoco
Computer layout: Alex Torres

Word processing: Sherran Boll Secretarial Services
Printing: Sapir Press, South San Francisco

Photography: Ed Quinn, cover; Bomexi Iztaccihuatl, inside covers, page 14; Althea Edwards pages 4, 15, 21, 27, 36, 51; Matt Drake, pages 5, 10 (top), 22, 29, 40, 42, 48, 50, 53 (top), 55; Evan Yee/L.A. Daily News, page 6; UPI/Bettmann Newsphotos, page 7; Isa Brito, page 9; Nick Cardillicchio, page 10 (bottom), 24, 32, 47; Nareshimah Osei, page 11; Judith Benke, pages 18, 25; Ophelia de los Santos, page 40 (upper left); Ernest C. Withers, pages 33, 53 (bottom). Portraits: Althea Edwards, Ernest C. Withers, Rochelle Arthur and Nick Cardillicchio

Acknowledgements: Margaret Sealy, IAF Administrative Assistant, and Steven Petrow, editorial services

Industrial Areas Foundation (IAF), all of whose activities are charitable and educational, is a non-profit organization exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code.

The activities of the community organizations described in this publication are not the activities of IAF, but rather the activities of those organizations themselves, independent of IAF, even though the organizers and leaders of such community organizations have received extensive IAF leadership training. Some of those community organizations that are referred to are exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. Others, those which become involved in legislative or political action beyond that permitted for Section 501(c)(3) organizations, are separately funded, separately operated non-profit social welfare organizations that are exempt from such taxation under Internal Revenue Code Section 501(c)(4).

For copies of this book:
Industrial Areas Foundation
36 New Hyde Park Road
Franklin Square, New York 11010
(516) 354-1076

ORGANIZING FOR CHANGE

IAF 50
YEARS

POWER ♦ ACTION ♦ JUSTICE

1990

INDUSTRIAL AREAS FOUNDATION



The Next Fifty Years

The first fifty years have been filled with struggle and adventure. As we move into the next fifty years, the danger is that safety will replace the struggle and success the adventure.

Our next fifty years should be about cultivating and deepening the art of public relationship: belonging to, not just existing in, an organized community; having the right to act in, not just gaze at, a public arena in which discourse is paramount and there is real negotiation, compromise and reciprocity.

The IAF philosophy stands counter to the dominant culture where progress and growth vie to

replace community and the common good; where government control coupled with military might push out the meaningful scale of human action and moral limits; where corporate greed and electronic images replace sacrifice and relationships. An invitation to participate in our society must mean more than the ability to select from a panoply of consumer choices and to vote occasionally. Participation must include an invitation to power, to resources, and to community.

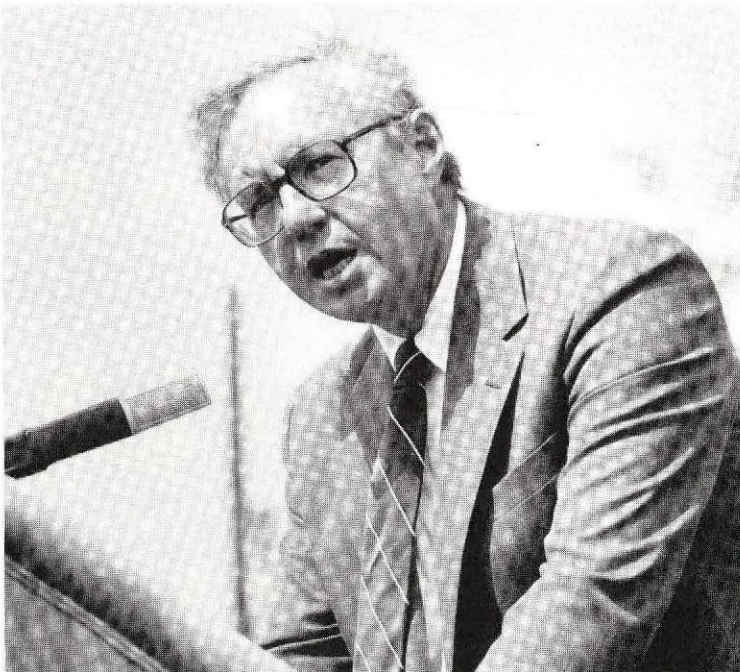
The IAF is looking for organizers and leaders—from business, academia, religious congregations, unions and communities—who will take the necessary risks to rebuild an active democracy, to initiate new solutions and to engage in public transformation, not just in market transactions.

IAF organizations create the space in which people can think, develop their public life and be loyal to themselves. Our leaders and organizers use their local organizations and relationships as that public space to build and rebuild their communities.

The IAF is open to new ideas, new approaches, and new allies so that the movement can continue to grow and change. We welcome new challenges and confrontation to enable the organizations to stretch themselves and, we hope, the country with them.

Edward T. Chambers
Executive Director

Edward Chambers: "We welcome new challenges and confrontation."





Organizing for Change

The First Fifty Years

The Industrial Areas Foundation is the largest and oldest institution for community organizing in the United States. For fifty years, the IAF's mission has been to train people to organize themselves and their organizations, to take responsibility for solving the problems in their own communities, and to renew the interest of citizens in public life.

The IAF goal is empowerment—making democracy work through a restructuring of power and authority relationships so that the powerless can come to understand for themselves that they not only can but should actively participate in the economic and political structures that affect their lives.

The IAF was founded in 1940 by

the late Saul Alinsky, who created “People’s Organizations” in the urban slums, including the much-ballyhooed Back of the Yards Neighborhood in Chicago. His best-selling book, *Reveille for Radicals*, was an account of his work in this neighborhood behind the stockyards. Alinsky and his associates went on to other cities, assisting poor and working people so they could exercise power to improve their social and economic conditions.

The Modern IAF

Since Alinsky’s death in 1972, the IAF has been headed by Edward T. Chambers, who worked with Alinsky for sixteen years, building organizations around the country. Before he died, Alinsky named Chambers as his successor. The modern IAF has taken Alinsky’s original vision, refined it and created a sophisticated national network of citizens’ organizations.

The national headquarters, under the direction of Chambers, coordinates and administers the IAF. The Board of Trustees, in conjunction with the national leaders team and the national staff, sets policy and directs operation including national ten-day training, holds workshops and retreats for key leaders and staff, initiates sponsoring committees and special projects nationwide and coordinates regional strategies.

There are now twenty-eight IAF organizations nationwide, located in New York, New Jersey, Maryland,

First IAF board meeting, Aug. 24, 1940. From left: Howland Shaw, U.S. State Department; Kathryn Lewis, daughter of John L. Lewis; Marshall Field; Chicago Bishop Bernard Sheil; Saul D. Alinsky.



The First 25 Years

Saul Alinsky organized the Back of the Yards Neighborhood Council in 1939, and incorporated the Industrial Areas Foundation as a nonprofit organization in 1940. Throughout his life, until his death in 1972, Alinsky and his small staff of two or three organizers formed community organizations around the United States. Some of those still exist today, and although not affiliated with the modern IAF, share its history. Additional information on these organizations can be found in two of Alinsky's books, *Reveille for Radicals* and *Rules for Radicals*, and in Alinsky's biography, *Let Them Call Me Rebel*, by Sanford Horwitt.

Back of the Yards Neighborhood Council	Chicago, Illinois 1939-present
Community Service Organizations	California 1949
Citizens Foundation of Lackawanna	Lackawanna, New York 1957-1967
Organization for the Southwest Community	Chicago, Illinois 1959-1972
Northwest Community Organization	Chicago, Illinois 1962-present
The Woodlawn Organization	Chicago, Illinois 1961-present
BUILD	Buffalo, New York 1965-1971
Council for United Action	Kansas City, Missouri 1965-1970
FIGHT	Rochester, New York 1965-1978

Texas, Tennessee, Arizona and California, representing more than 1.5 million families.

The IAF organizes people and their institutions. It forms broad-based community organizations, not traditional civic organizations or groups founded to fight a particular issue or cause. With a broad, powerful base, IAF organizations can relate to other power centers such as government, school systems and corporations.

Leadership Development

The IAF contracts with people in poor and working-class communities to provide years of intensive leadership development training by professional staff organizers. IAF's commitment is to train people to maximize their potential as leaders and to effect change.

Through its fifty years of experience, the IAF has found that when people unite, fight for—and

win—improvements that they care about, they become self-assured and self-reliant, and become more in control of their personal lives.

They learn that the art and skills of politics are far more multi-dimensional than just the act of voting. They become more effective in making changes on issues that are important to them. These community leaders, trained in IAF's "schools of public life," learn how to work with others, often from widely varied backgrounds and ethnic groups, to jointly decide the fate of their community.

For the most part, IAF organizations are made up of members of multi-denominational groups of religious institutions. These include Catholic, Protestant, Jewish and Muslim congregations, as well as other groups and associations, and are financed primarily from dues paid by these organizations. The membership crosses ethnic and racial lines, and

includes both middle class and poor people. Members are moderate, liberal and conservative.

The organizations are run by the community leaders themselves, with a minimum of paid staff. Last year, IAF volunteer leaders invested over 850,000 hours in their organizations.

The IAF and all its member organizations are nonpartisan and not-for-profit.

Major Victories

The IAF organizations nationwide are not based around single issues or causes. They have broad agendas for change, based on what local people have chosen as their priorities. And they have won important victories.

The following projects and scores of others around the country dealing with such problems as toxic waste in neighborhoods, lack of city services in housing projects, and low voter turnout among the poor, have characterized the work of the leaders in the IAF organizations nationwide.

East Brooklyn: Nehemiah Homes

In Brooklyn's devastated Brownsville section, East Brooklyn Congregations (EBC) established Nehemiah Homes, building 2,100 single-family houses that low-income families could buy for about \$49,000. Many of the new homeowners had been living in nearby public housing. This "critical mass" of homeowners has revitalized the community, making it a model for similar efforts in Baltimore and California, and for national legislation that is encouraging Nehemiah housing in other cities. On Aug. 4, 1985, 8,500 members of EBC assembled at the site where the houses were to be built to celebrate the completion of the first 500 homes.

Capital grants (or loans) of \$10,000 per home were provided by the city of New York. The city keeps a lien on the \$10,000 and recoups its contribution if the buyer decides to sell the home. This feature was replicated by the National Nehemiah Housing Opportunity Act of 1988.

Row of Nehemiah homes in Brooklyn, model program for federal housing law of 1988.





In the Texas colonias, dishes and clothes are washed without running water.

Texas: Statewide Power

Leaders of nine IAF organizations in Texas started working together in 1983 to initiate state legislation to subsidize water supply and sewer development in the *colonias*, unincorporated subdivisions along the Mexican border where over 150,000 people live without sewers and running water. In 1989, the Texas Legislature passed a bill that requires the state to provide

those services. After an intense get-out-the-vote and civic education campaign, the voters overwhelmingly approved \$200 million for improvements.

The Texas IAF organizations will continue to work together to effect changes in Texas public policy. In 1990, they will hold a statewide convention of 10,000 leaders from all ten organizations. The convention, to be held in San Antonio, will solidify the power and the impact that the organizations now have statewide.

Baltimore: Commonwealth Project

Baltimoreans United In Leadership Development (BUILD) has made significant first steps in school reform in inner city schools in the Commonwealth Project. The organization brought together the mayor and local business leaders in a districtwide project that guarantees a scholarship or other financial aid to any student accepted into a college. Through the participation of sixteen colleges and the formation of the Collegebound



Students from Baltimore attending Morgan State University, thanks to BUILD's Commonwealth Project.



Southern California IAF organizations demonstrate at a Ralphs supermarket, seeking support for raise in state's minimum wage.

Foundation, \$12 million has been raised toward a goal of \$25 million.

Every student who graduates with a 95% attendance rating in their junior and senior years will be guaranteed three job interviews with local participating corporations. The students get prepared for these interviews by the Office of Economic Development and by representatives of the corporate community. Currently, there are 130 participating companies. If the graduate is not qualified for any of the jobs, city agencies will work with that student, providing training in the areas needing improvement, until the student qualifies for a job.

In the class of 1988, there were 1,407 students who participated in the Baltimore Commonwealth. Of those, 883 went on to college, 474 accepted

jobs with participating corporations, and 50 are receiving some form of additional training to increase their qualifications for employment. By the end of 1989, only seven remained without a job. Initial reports reveal that the Commonwealth graduates are considered good employees by the companies that hired them.

California: Minimum Wage

Three IAF organizations in California—United Neighborhoods Organization (UNO), Southern California Organizing Committee (SCOC), and East Valleys Organization (EVO)—combined their efforts during 1987 in a nine-month campaign to raise the state minimum wage to \$4.25, highest in the nation. The Southern California IAF

*O see our wretched
plight. The city
lies in ruins, its
gates destroyed
by fire. Come, let
us rebuild the walls
of Jerusalem and
be rid of the
reproach . . .*

The Book of Nehemiah

organizations' effort was widely recognized as the most influential factor in the passage of the California minimum wage law. This translates into an increase of nearly \$1,800 per year per worker. The federal minimum wage will be raised to the same figure in 1991. Nearly 7,000 members of the Southern California IAF Network attended the Minimum Wage Raise kick-off assembly in the Shrine Auditorium on July 14, 1987.

California IAF has helped lower auto insurance rates, forced passage of tight restrictions on liquor stores, equalized school maintenance dollars and the allocation of police officers, forced passage of California's first law outlawing laundering of drug money, secured excess Olympics funds for inner city youth programs, strengthened penalties for drug pushers, and helped pass initiatives to add more dollars to public schools and affordable housing.

Special Projects

The IAF Network sponsors local, regional and international programs that extends its mission to the poor and powerless.

Citizens Organizing Foundation

A three-year relationship with United Kingdom leaders, clergy and organizers to assist, through training, the formation of U.K. independent citizens organizations. Principal initiators of the project are Eric Adams, Neil Jameson and Mary McAleese.

IAF Reflects

An experimental program of intense and challenging seminars for experienced leaders that gives them the opportunity to meet as a group several times a year with experts in such fields as economics, political science, theology and philosophy. Leaders then return to their local organizations and mentor others. The project is supported by tuition grants and loans

from religious orders and other groups, and is directed by Edward Chambers, Dr. Leo Penta, Rev. Peter Gavigan and Mary Ellen Kane, CSS.

IAF Nehemiah Homes

- EBC Nehemiah: East Brooklyn Congregations—the first and largest Nehemiah project to build and finance 2,100 affordable homes in East Brooklyn. The houses, which have been completed, were built through the efforts of a complex network of church organizations, including the Roman Catholic Diocese of Brooklyn, the Episcopal Diocese of Long Island, and the Lutheran Church-Missouri Synod, and individuals, including the people of Saint Paul's Community Baptist Church, Pastor Johnny Ray Youngblood, Nola Southerland, I.D. Robbins, developer, and Mike Gecan and Stephen Robertson, IAF organizers.

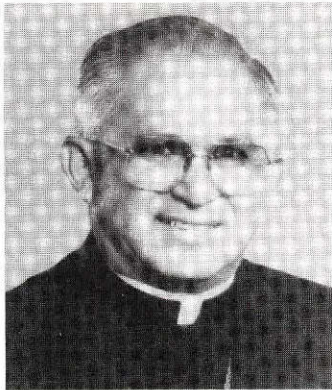
- SCOC/UNO Nehemiah West: Organized on the model of EBC Nehemiah, Nehemiah West proposes to build 1,000 homes in the Los Angeles/Compton area, under the direction of Rev. William Johnson, Grace Trejo, Rosalinda Lugo, Lou Negrete, and organizer Larry Fondation.

- BUILD Nehemiah: A project similar to EBC Nehemiah that will provide new homes that can be purchased by low-income people in Baltimore. It is under the direction of Rev. Vernon Dobson, Carol Reckling, and organizer Gary Rodwell.

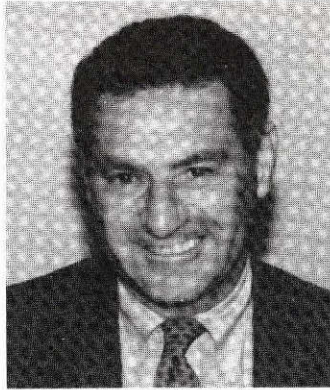
Texas Interfaith Education Foundation

A training and educational program for Texas IAF leaders and organizers in conjunction with the LBJ School of Public Policy, University of Texas, Austin. The project is directed by Andres Sarabia, Juanita Mitchell, Javier Parra, Margaret Martinez, and organizers Ernesto Cortes and Christine Stephens.

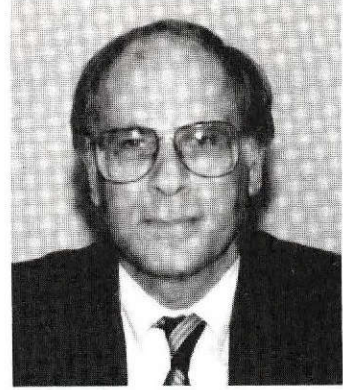
Board of Trustees



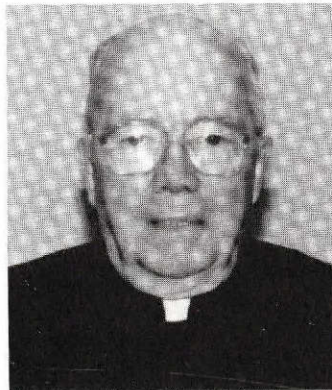
Archbishop Patrick Flores
Archdiocese of San Antonio
Texas



President: Marvin D. Wurth
Fidelity Software Development
Co., Boston



Vice President: Barry Menuez
Officer, Episcopal Church
New York City



Treasurer: Msgr. Jack Egan
De Paul University
Chicago



Secretary: Sidney Perlstadt
Sonnenschein, Carlin, Nath
and Rosenthal, Chicago



Bishop John Adams
Sixth Episcopal District
A.M.E. Church, Atlanta

National Organizers and Field Supervisors

Edward T. Chambers
Ernesto Cortes Jr.
James Drake
Michael Gecan
Arnold Graf
Larry B. McNeil
Christine Stephens
Gerald Taylor

Director
Supervisor
Supervisor
Supervisor
Supervisor
Supervisor
Supervisor
Supervisor

IAF Network
Texas, Arizona
New York region
New Jersey, Pennsylvania
Maryland, Washington, D.C.
California
Texas
Tennessee



Political virtue is the commitment to, knowledge of and ability to stand for the whole, and is the necessary condition for democracy.

George Lummis,
Democracy, Fall 1982

Leaders and Organizers

Standing for the Whole

We who lead and organize with the Industrial Areas Foundation may be considered presumptuous for talking about "a commitment to, knowledge of and ability to stand for the whole."

If you added up the budgets of our 28 affiliate organizations, the total would not reach \$5 million per year—a pittance by corporate, church, union, or political party standards. All of our full-time organizers and support staff number no more than 75. Our offices are in some of the most neglected and devastated corners of America's central cities and written-off rural areas. And our names do not appear with any regularity in the po-

litical or social or celebrity columns of major newspapers.

Yet, we do presume to describe our commitment to, our knowledge of, and even our ability to stand for the whole. Here's why:

Our organizations are made up of 1,200 congregations and associations; tens of thousands of ministers, rabbis, pastors and lay leaders; and nearly two million members and associates from Brownsville, Texas, to Brownsville, Brooklyn. Our members are black and Hispanic, Asian and white; they are individuals on the edge of homelessness as well as families in stable middle-class communities in the San

Key leaders from around the country meet as part of IAF advanced training.



"We Expect to Be Taken Seriously"

This is a favorite story of Fort Worth Mayor Bob Bolen, who uses it to illustrate ACT's confrontational style:

Early in ACT's history, the organization had scheduled a meeting with the mayor in his office. Fifteen minutes before the meeting, he called the ACT office to cancel, because he was involved in an extended meeting on the city's budget. His call came too late to intercept the ACT delegation, which was already en route to his office. They received notice of the cancellation after they'd arrived at City Hall.

According to the mayor's version, the ACT leaders then surrounded his secretary's desk and informed her that they were there for the meeting. Seeing the commotion, the city manager came out and demanded to know what was happening.

Rev. Gordon Roesch said, "We have a noon meeting with the mayor." The city manager told him the mayor could not be disturbed. Rev. Roesch repeated, "We are here for our meeting."

Within five minutes, the mayor was motioning the ACT leaders into his office. He asked them why they had come to a canceled meeting. They explained that they had arrived at City Hall before hearing of his attempts to call off the meeting. He said, "Look at my desk. I have over 50 calls to return. I am in a serious budget meeting. I cannot meet with you now!"

Rev. Roesch replied, "We are busy people. We have calls to return, sick to visit and work to be done. We expect to be taken seriously."

The mayor apologized and has never missed or canceled another meeting. Once, he even canceled a meeting with Lt. Gov. Bill Hobby to keep an ACT appointment.

Fernando Valley and Prince Georges County. We are Democrats and Republicans and Independents, most of us in the moderate middle of the political spectrum.

Taken together, with our millions of hours of practical, nonpartisan activity, we are as diverse, as determined, and as vital a network of related and relating citizens as exists in our nation today.

What We're Not

We are not, fundamentally, materialists. We don't believe greed is good. We don't worship profit. Wall Street isn't sacred, and stock transfers aren't liturgy. We believe the sector of voluntary associations—family, congregation, and other institutions—gives the market its meaning, not the other way around. This sector is most precious to

the majority of Americans. This sector is where we grow and see our children grow. This sector is the soul of the whole.

Nor are we citizens who worship another false idol: the bureaucratic state. We don't want a society of empty programs and do-nothing administrators. (We don't believe that bigger government is always better.) We don't value paper and procedure and patronage.

We also are not people anxiously awaiting a charismatic leader—a savior who will lead us to a political promised land. We believe that no one leader is needed, but a collective of leaders. We believe no one person should stand for us and speak for us and broker for us—thus depriving us of our dignity and our stake in our own futures—but that we should learn

to stand and speak for the whole ourselves.

Finally, we do not see ourselves as another faction or party or sect, not another issue group or special interest or lobby. We don't view the public arena as a piece of limited turf. We are not trying to squeeze one of our leaders into one of the rooms where power people currently meet.

Then who are we?

IAF's Iron Rule

We believe in what we call the iron rule: Never do for others what they can do for themselves. Never. This rule, difficult to practice consistently, sometimes violated, is central to our view of the nature of education, of leadership, and of effective organizing. This cuts against the grain of some social workers and program peddlers who try to reduce people

and families to clients, who probe for needs and lacks and weaknesses, not strength and drive, not vision and values, not democratic and entrepreneurial initiative. The iron rule implies that the most valuable and enduring form of development—intellectual, social, political—is the development people freely choose and fully own.

We believe that most leaders are made, not born, and that the majority of men and women have the ability to understand, to judge, to listen, to relate, to speak, to persuade, to confront, and to resolve. We find in our congregations and our blocks, in our public housing projects and barrios, a vast pool of citizens, able-bodied and able-minded men and women. They are often untrained and untaught. They are ignored by almost everyone. They are even redefined as a new class

IN ACTION

SCOC

Larry Fondation

Money in Your Pocket

Dec. 17, 1987—The nine-month Moral Minimum Wage Campaign of IAF in Southern California was nearly over. The proposition was simple: bring a pillow, some blankets and a change of clothes. We would ride all night on chartered buses to San Francisco. We would arrive around five in the morning. A local YMCA would provide coffee and doughnuts; that's it. At nine, we would rally in Union Square. At ten, there would be the vote: the California Industrial Welfare Commission would take a final vote to set the state's minimum wage.

It was a Thursday evening. After work, the crowd began filtering into the auditorium of Salesian High School in East Los Angeles. By 7:30, over 500 people were gathered in the hall. The caravan of buses was parked outside. The press had assembled to cover the send-off; some would ride all night with the IAF leaders to witness the vote. Prayers and speeches would build the spirits for the long ride. Speculation ran through the ranks of the leaders. \$4? \$4.15? \$4.25?

As Roman Catholic Archbishop Roger Mahony and CME Bishop E. Lynn Brown asked the crowd to rise for a parting blessing, the meaning of the campaign came clear in one visual image: men, women and children rose to pray, struggling to clasp their hands while holding their belongings in the only luggage they had to carry them in—hefty bags and plastic bags from the grocery store, stuffed with their pillow, their blankets, their change of clothes.

By 10:30 the next morning, after a nine-month fight, the Industrial Welfare Commission, before 500 tired IAF leaders, voted 3 to 2 to raise California's minimum wage to \$4.25, highest in the nation.

or underclass, but time and again they have proved their ability to grow and develop if invested in. The heart of our organizing is the finding of talented potential leaders, the inviting of those leaders into training and relationship, and the enabling of people to decide whether they want to develop, and where, and when, and how fast.

Creating the context for leadership development is in the core of our work.

Pay Our Own Way

We believe in a sense of ownership of our own development and ownership of our own institutions. We believe in dues. We believe in paying our own way. We neither solicit nor accept governmental monies for our central organizations. Without financial independence, there is no true political independence.

We believe in an educational

process that has little to do with traditional classroom approaches. In local areas, every night and most weekends, scores of local and national training sessions take place, analyzing public agencies, tracing the connections between public and private power players, designing strategies, planning action. We also conduct ten days of training three times a year, where several hundred leaders and organizers from around the country systematically probe the central issues of democratic politics and effective action.

But the greatest percentage of learning and tutoring takes place in the field, in the city halls and housing agencies, in state legislatures and bank board rooms, in television studios and editorial boards. The materials that we and our fellow leaders use are the unlimited examples of failure in our cities: the bankrupt programs

IAF leaders Josephine Torres, Alice McCollum and Armelia Goffe testify before Congress, one way of standing for the whole.



Banking on Victory

Discriminatory practices in the banking industry had prevented many Baltimoreans from purchasing homes. BUILD vowed to put an end to this and to see that Baltimore residents received fair treatment.

For months, BUILD leaders had been attempting to set up a meeting with the president of one of the largest banks in the city. Leaders had frequently written and phoned him. BUILD members became incensed at his consistent refusal to meet with or recognize the organization. BUILD had taken enough.

After several strategy and training sessions, 60 leaders gathered at the bank on an appointed date. Lining up single file outside of the bank, they shuddered as carloads of police with K-9 dogs on leashes came to "maintain order." Armed with the fact that they all had accounts at this bank, they filed in to "conduct business." The bank tellers and managers were totally unnerved as they attempted to serve their customers. Some brought in 500 pennies that they needed converted into dollars. Some wanted balances checked. Some wanted to talk about new or old accounts. Some were clumsy and dropped their change; others were forgetful and forgot their account numbers. All, however, after conducting one transaction returned to the back of the line to wait their turn to conduct more business.

At the same time, a delegation of leaders went upstairs to the office of the president. They said they wanted an appointment, and that the BUILD members who were in line downstairs could certainly conduct "business" as customers all day. They had brought lunch.

Responding to the phone calls from the frenzied employees downstairs, the president offered to meet immediately. BUILD leaders replied that they had come to schedule an appointment for a meeting. He quickly gave them a date. The delegation returned to the BUILD members who were still in line downstairs and reported their victory. Much to the relief of the besieged bank employees, they all exited to the front of the building. Outside, they joyfully greeted members of the media to report the great success.

As a result of that action, early in the history of BUILD, over 250 families received mortgage loans in the city at affordable rates. The BUILD organization sent initial signals to Baltimore city power brokers that the new "kid" on the block was the BUILD organization and it was there to stay!

and grounded pilot projects, the political fixes and insider deals. We don't have to look far for issues. They surround us.

We believe in the individual meeting, a contact that is face-to-face, one-to-one, for the purpose of exploring the possibilities of a public relationship. It is a 30-minute opportunity to set aside the pressures and tasks and deadlines of the day and to probe another person, to look for their talent, interest, energy and vision. The other person's perspective is of primary value. Their stories and insights and

memories are more important than a name on a petition or contribution to a cause.

Building for Power

We believe in building for power that is fundamentally reciprocal, tempered by the teachings of religious traditions and exercised in the context of ever-changing relationships with our fellow leaders, allies and opponents. We value the public sphere; we want to build a larger table in a more spacious room, but we don't kid ourselves about the tone of discussion that will

Teaches Mayor About Politics

In the early weeks of 1978, New York City's newly elected Mayor Ed Koch fulfilled a promise he had made to the leaders of a nascent but growing political force in Queens politics—the Queens Citizens Organization. During his campaign, he had pledged that if he were elected mayor, one of his first acts would be to meet with the QCO leaders.

At 8 p.m., 1,500 leaders were seated and ready at St. Thomas the Apostle auditorium. Mayor Koch was led in by a procession of local school children followed by an army of TV cameras. As soon as the mayor had taken his seat on the dais, Father Eugene Lynch as co-chair of QCO rose to begin the meeting.

Koch had other ideas. Rising from his seat, he announced that he had a speech he wanted to give before the meeting went any further. Father Lynch replied that there was a full agenda of QCO issues and ideas that were scheduled to be addressed during the meeting. Koch would be given a chance to speak at the end of the meeting.

The mayor countered that if he were not granted ten minutes to speak immediately, he would walk out. Father Lynch and the strategy team caucused and decided to grant Koch two minutes to speak. When Lynch announced their decision, Koch replied that it wasn't good enough. To the boos and hisses of the 1,500 gathered there, he walked out. As he proceeded out the door, he turned to the press and snarled, "These people don't seem to understand. The election is over!"

It soon became apparent that what at first seemed to be a terrible blow to the new organization would actually turn into a great victory. That evening on the 11 o'clock news and the next morning in the *New York Times* and *The Daily News*, reporters depicted an arrogant politician thumbing his nose at hard-working Queens families. Such words as "emperor" and "arrogant" appeared in headlines describing Koch's behavior. Day after day, reporters and columnists wrote about the future implications of Koch's shoddy behavior. Finally, Koch capitulated. He invited the QCO leaders to City Hall to reconcile. With its first major victory, QCO exploded into the New York City political arena with unprecedented fanfare.

take place at that table. We accept the tension, emotion, conflict and uncertainty that are part of political life. We are prepared to argue, listen, revise our views, and compromise in exchange for respect and a willingness to compromise from those who now hold power. What matters to us is not consensus, but a stake in the ongoing dynamic of controversy, resolution and change.

What We Do

We do not want to dominate. We do not want to be the whole. We want and will insist on being recognized as a vital part of it—and as capable as others of standing for it.

We are building a new kind of organization. It is rooted in families, congregations and associations. Our organizations are dues-based. Our organizations have very small professional staffs. Our organizations are fueled by the hundreds of thousands of volunteered hours of talented men and women in local communities. Our organizations work on a wide range of issues—from getting cities to replace stop signs to getting states to restructure and refinance their school systems; from pressuring to get a drug den demolished to rebuilding entire neighborhoods with new affordable homes; from reducing exorbitant water rates to figuring out the financing for a new

*SCOC leaders take back
the streets of Los Angeles.*



water and sewerage system.

We are constructing a classroom without walls where the truly best and the brightest citizens of our republic—parents, teachers, teen-agers, factory workers, bus drivers, garment workers, secretaries, nurses, dignified people on public assistance—come and learn through their own experiences how to translate their values and dreams for themselves and their communities into concrete reality. We use issues as

a means to advance our knowledge of the whole, how that whole works and fails to work, and how the whole may be shattered.

We see ourselves as building a vital, powerful, voluntary third sector that will confront, compete with, collaborate with the partisan public and private sectors at different times. We intend to hold the other two sectors accountable. We challenge the public sector—undermined by privatization,

IN ACTION

SCOC

Tony Massengale

Ganging Up on the Gangs

In fall 1988, a small team of elderly women led by 65-year-old Claudia Ghesse were confronted by gang members while they were collecting signatures and registering voters during SCOC's Sign Up and Take Charge Campaign. One of the women was so frightened that she had decided not to return to the door-to-door campaign. Ghesse reported the incident at the next Core Team meeting and recommended that SCOC leaders return to the streets to confront the gang.

This particular gang happened to be the Rollin' 60's Crips, the most notorious black youth gang in Los Angeles. Claudia and her team returned to the gang turf that following Saturday with a bull horn, SCOC placards, chants and songs shouted by 150 members of the SCOC organization in a "walk against fear" to reclaim the street and complete the campaign. Signatures were gathered from numerous residents, including members of the Rollin' 60's Gang!



National staff organizer James Drake works with leaders at IAF Ten-Day Training, Brownsville, Texas.

corruption, celebrity-worship, and a loss of citizens' confidence—to redefine its role in the 1990s.

Why We Do It

Some of us organize and lead because our faith, our religious belief, impels us toward this work. The words we read in the Old Testament and New Testament or Koran haunt us as we walk the streets of our cities. We are compelled by their injunction to relate, to reflect, to take action and risk; to make the dry bones of our shattered communities rise up, connect, and live.

Some of us organize out of anger—out of the root meaning of that word, grief. We move into the public arena grieving for all the opportunities lost and to be lost, for all the careers stunted and shortened, for all the hopes and dreams denied. We have looked into the eyes of undamaged children and looked again, years later, to find those eyes deadened by drug addiction or dimmed by inferior

schools or degrading work. We have looked in the mirror and seen ourselves isolated, disconnected spectators watching the play of public life on a television screen, and have looked again and seen the same selves engaged in the drama of pressure and progress and change.

We organize because there were moments in our lives—often long buried—that told us that we could lead, moments like this one described by one of our fellow leaders:

As a young girl in North Carolina, my sister and I began to attend the local Roman Catholic Church. In those days, blacks sat in the back pews. Now I was a very large young girl, rather heavy, and so was my sister. When we went to that church, I saw no reason why my sister and I should sit in the back. So one Sunday we went right up and sat in the first pew. The pastor and ushers were upset. The pastor came over before Mass and asked if we would please sit in the back, like all the other blacks. I was as scared as I could be, but I just couldn't see where

God would care where we sat, and so I said, "No." Finally, the ushers came and carried my sister and me to the back. Carried us right down the aisle of the church.

On the next Sunday, my sister and I sat in the front pew again, and the priest came and the ushers came and they hauled us off again, them huffing and puffing, to the back. On the third Sunday, the same thing happened. By this time, we were pretty well known. Two black girls who got carried to the back of the church every Sunday. My family, my mother particularly, was frightened at what we were doing, but said that we were doing the right thing.

On the fourth Sunday, the priest and the ushers didn't do a thing. The Mass started, the choir sang, we took our seats, and from then on we sat where we wanted in that church and in any Roman Catholic Church we ever attended.

We organize and lead out of love and stubbornness, out of joy and near despair, out of clarity of purpose and, sometimes, simply because we don't see who else will do what needs to be done at a point in time.

We organize and lead because we know, or sense, that there won't be a whole—a whole nation or whole city or whole community greater than the sum of its parts—unless many millions of Americans feel that the land is theirs, ours, and that we are in it, of it, and willing to know it, commit to it, and stand for it.

We organize and lead because we see our participation as a necessary condition of a healthy democracy and a dignified life.

Statement by IAF leaders and organizers written by Michael Gecan.

IN ACTION

VALLEY INTERFAITH
Consuelo Tovar

Senator Learns We Mean Business

Valley Interfaith was having a difficult time establishing a relationship with state Sen. Hector Uribe, a young Mexican American lawyer from an upper-middle-class family from Brownsville, Texas. He would not come to Valley Interfaith meetings. He did not like the fact that the organization holds politicians accountable, yet does not endorse candidates or help them get elected. He made unsubstantiated remarks such as, "Valley Interfaith is that organization that claims credit for everything, but does not produce." He didn't like the fact that Valley Interfaith runs a tight agenda and sets limits on the time that politicians are allowed to talk at meetings.

Finally, at a small meeting with the Valley Interfaith board members, Sen. Uribe agreed to attend a larger meeting of Valley Interfaith leaders.

From the onset, confrontation was inevitable. Uribe arrived dressed in a casual, short-sleeved shirt, most unlike the business suits he always wears. The leaders felt insulted, since his dress clearly indicated that he was not taking them seriously. Carmen Anaya, a Valley Interfaith leader, pulled him aside and asked if he carried a tie in his briefcase and, if so, would he put it on. She added that Valley Interfaith leaders were dressed for conducting business and that the meeting was formal and public. Needless to say, he felt embarrassed and apologetic.

At that meeting, Uribe committed to sponsor the Colonias Bill, which eventually became a much needed law that provided water and sewers to poor Mexican American families. Since then, he has always attended their meetings. He may not like Valley Interfaith, but he respects Valley Interfaith.



Fundamentals

Building a Foundation

The IAF is unique in that it helps people to organize their organizations. To participate in the democratic process, people must have some ongoing and fundamental connection to each other. One way people have traditionally had a sense of community is through mediating institutions—churches, synagogues and schools, unions, service and interest clubs, ethnic and neighborhood associations.

Historically, these institutions have been the means through which people could participate in a public life. Based not only on relationships of economic necessity and utility but also on relationships of affinity, medi-

ating institutions expanded peoples' sense of belonging, of membership, and of ownership in the society. They stretched boundaries beyond family and clan, and were the link to the greater power structures of government and big business. But these vital institutions have become weakened in the past few decades.

Organize Organizations

The IAF helps mediating institutions, in particular religious congregations, to build broad-based community organizations. Building an organization of organizations increases the strength, power and credibility of

BUILD members from Baltimore travel to New York City to support East Brooklyn Congregations.



those institutions. The IAF traditionally has concentrated on organizing within a broad spectrum of religious congregations, because in many communities the churches and synagogues and mosques hold out hope. They have people who are organized and they have money, the two critical elements of power, and frequently they are the only institutions left in abandoned inner cities. Of equal importance, religious congregations embody a rich tradition of values that link power to justice and love. (See *Organizing for Family and Congregation*, 1978, published by IAF Network.)

The Industrial Areas Foundation typically comes into a community at the invitation of a group of churches and synagogues that have decided to organize for change on behalf of their

community. The IAF then encourages this group to form a "sponsoring committee."

Sometimes, the IAF conducts its own preliminary exploration in a community to determine if there is a group of like-minded people willing to initiate the sponsoring committee process. If so, the IAF enters into a formal relationship with that group and helps them to raise seed money and recruit additional member churches for a three-year effort until a critical mass is formed.

The Essential Elements

Certain elements must be present, however, before the IAF will accept a sponsoring committee's invitation to come into a city and begin to organize:

- The IAF is committed to reli-

WHY I'M AN ORGANIZER

ARNOLD GRAF

Supervisor, Southeast Region

"To See Real Change"

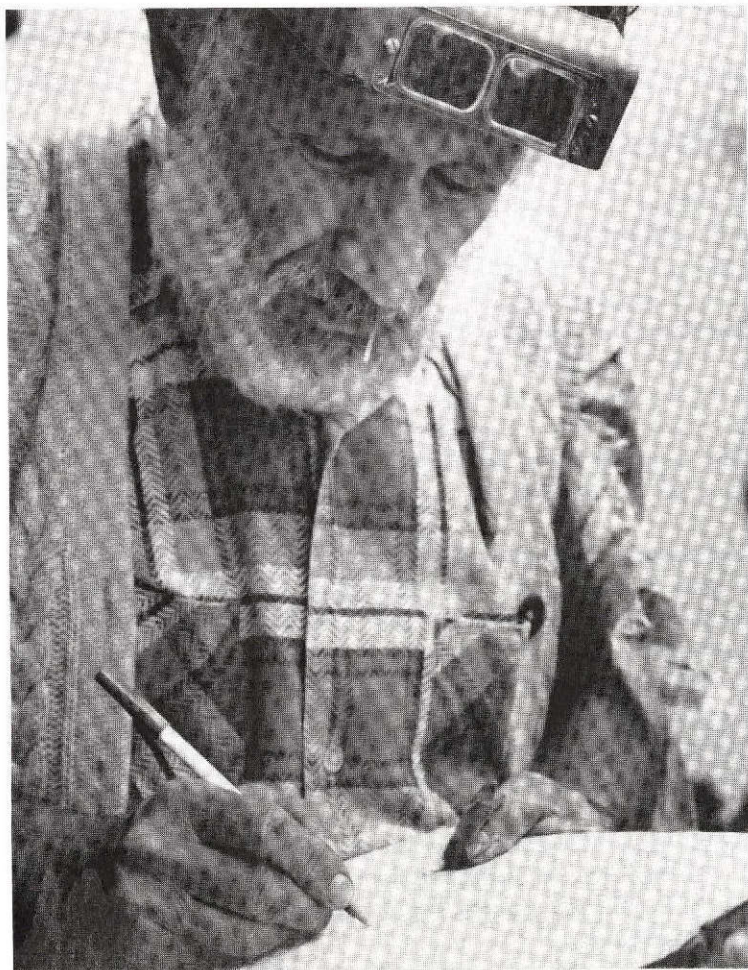
I have been organizing with the IAF since 1971. Before that, I organized off and on for seven years. Some of the reasons I do this have remained the same, some of the reasons have changed. What remains constant is how I feel when I confront poverty and injustice. The places I organize may change, the conditions that oppress them may differ, but the constant that hits you in the face is their hurt.

To me, organizing as I have experienced it over the past 18 years with the IAF continues to attempt to free people from this oppression by freeing the potential that is locked inside of them. It imposes nothing on them other than the challenge to take control of their lives by working for themselves in a collective with other like-minded people.



The work has been greatly enhanced for me because the ethos of the IAF not only encourages this, but it does so in a way that challenges my intellect, imagination and values. In the '90s, I feel the potential for tremendous growth and opportunity for the IAF and myself. We have developed a talented collective that I feel challenged by and enjoy. To make some kind of difference for others and myself has always been very important to me. To work with a collective leadership, whether that is with the leadership in a local project or with the collective talent of the IAF Network, is the most enduring way to make that difference.

The politics of office are very narrow. The politics of people are as wide and as deep as you can make it. That is the most nourishing element of my work.



Registering to vote during Sign Up Take Charge campaign.

gious diversity in all organizations. In the case of church and synagogue-based organizations, at least four denominations must be involved.

- There must be a strong racial and ethnic mix of people in the organization. A mix of people and institutions, with their diverse interests and perspectives, has more power to command real change; it also avoids organizing one group at the expense of another.

- There must be a mix of goals and interests for the organization. This is to avoid single-issue movements and to ward off a narrow, parochial, or limited focus, and to ensure continuity and longevity.

- There must be an independence of political electoral parties, religious

denominations, or ideologies from either the right or the left.

If these elements are present, the task of building a new organization begins.

Under the guidance of an organizer, a group of leaders will hold hundreds of individual meetings and "house meetings" with members of the congregations to determine a common agenda for meaningful action on issues and goals. It is at these meetings of ten to twenty people at a time that members and leaders decide which issues the organization will tackle. In the South Bronx, for instance, house meetings were held with a total of over 4,500 people to determine an agenda for the organization.

The Training Starts

Potential leaders then begin to attend a series of training sessions, and work with an organizer to design strategies to take action on the agenda.

People who have felt alienated, powerless and disconnected from the system and from each other join IAF organizations and take action on issues that they care about. They then are able to cooperate with each other, even though they are from different racial, religious and economic backgrounds and even though they might initially have had great resistance to working together.

Currently, there are sponsoring committees in Philadelphia, Northern California, Harlem and Dallas. And recently, new organizations have begun in Los Angeles' San Fernando Valley, in Prince Georges County (suburban Washington, D.C.), in Phoenix and in Memphis.

Founded in 1973, Community Organized in Public Service (COPS) in San Antonio, Texas, is an example of a mature and very powerful organization that after seventeen years is now an initiator of public policy in

Bringing Hope Where It Seems Hopeless

Rev. John Heinemeier knew what he wanted to be from as early as he could remember. He wanted to be a Lutheran minister, like his father, his brother and his grandfather.

He also knew he wanted to work among the poorest and most disadvantaged people in America. Rev. Heinemeier believes the church and its ministers, as well as the society, are evaluated by their stance toward the poor. After he graduated from the seminary in 1963, he asked to go to a poverty-stricken inner-city area and was sent to Brooklyn, where he remained for twenty years.

It quickly occurred to him that he did not want to confine his community work only to social ministry . . . soup kitchens, clothing drives and the like. He also wanted to effect social change in those neighborhoods that seemed without hope. He wanted affordable housing, jobs, schools that teach, police that protect, hospitals that heal. He saw these also as the agenda of the church among the poor.

Soon after arriving in the devastated Brownsville section of Brooklyn, he realized that he could not make this kind of social change by himself. He reached out to other churches—Catholic, Baptist, Pentacostal, Presbyterian. They reached out to the IAF and the East Brooklyn Congregations organization was born. During the time that Rev. Heinemeier was a leader with EBC, the organization built the model Nehemiah Homes and scored smaller victories in food services, park renovation, street sign placement and police responsiveness.

Rev. Heinemeier is now the pastor of St. John's Lutheran Church in the South Bronx, and a leader with South Bronx Churches. He says it is his toughest challenge—that this is the most blighted, dispirited community he has ever seen.

In January 1990, his church was deliberately set on fire and sustained so much damage that services cannot be held there. He has lived with his wife and children in the rectory next door to that church since 1983, as the first pastor to live there in 13 years. He says if it weren't for his participation in SBC he would have become discouraged long ago.



"It would be so easy to become numb to what the South Bronx is like, but the organizers continue to wake me up. They won't let me settle for doing things the old way. They continue to energize and challenge me."

Rev. Heinemeier devotes at least ten hours a week as a leader of South Bronx Churches, fighting for better housing, health care and living conditions. There are 300,000 people still living in the South Bronx. They are the survivors, he says. "The acceptance and stimulation I have experienced from the other leaders, both the clergy and the lay people, is what keeps me going. But my greatest joy is that I have seen a revival of spirit and hope in the community. It's actually tangible. And if that can happen here in the South Bronx, it can happen any place."

that city. There are now twenty-six member churches in COPS, representing about 50,000 families. Over its long history, the organization has not only forced the city to act on drainage problems, dirt roads and schools, but is a full participant in every major San Antonio decision.

From 1975 to 1986, COPS was responsible for more than \$500 million in flood control money being made available in the poor sections of San Antonio. The success of COPS inspired the formation of nine other IAF organizations in Texas cities, representing over 400,000 families.

IAF Fundamentals

IAF has been able to build a national network of effective citizens organizations because it is committed to the following concepts and methods of operation:

Accountability

From childhood, everyone dislikes accountability. IAF organizations thrive on it. Every person in the organization is held accountable for time, quotas, commitments, money and relationships. The flip side of freedom is responsibility. We can't be free unless we are accountable to ourselves, our loved ones, our neighbors, our community and our society.

Action

Action is to organization as oxygen is to our bodies. It is the willingness to act that is at the heart of the IAF. Meaningful action is aimed, deliberate, calculated and focused. The IAF believes that all action elicits an inevitable reaction. The action that an organization takes is not as important as the reaction it elicits. It is through action that decision makers

are brought into direct contact with the people affected by their power. No significant social change can come about without pressure and confrontation.

Broad-Based Organization

Saul Alinsky invented the building of a broad-based organization by utilizing the leaders of existing organizations.

The modern IAF has perfected the constructing of an organization of organizations by bringing differing institutions and self-interest groups to the same table over issues of mutual concern. This mix of interest and values are traded and negotiated with everyone benefiting and empowering one another.

The Network is amassing and organizing power on a scale and depth that can compete with school board members, hospital administrators, government officials, housing developers, corporate executives, and others. The new leadership with their institutions connect around their values, talent, energy and power.

Brick by brick, through the efforts of a network of church organizations, 2,100 Nehemiah homes went up in East Brooklyn.



Collective Leadership

Most people have leadership qualities, but often their talents are unrecognized and undeveloped. IAF has no traditional officers. Seven to nine people serve for short, revolving periods, sharing the operation of the organization with one or two organizers. A core collective of 35 to 55 design actions. An assembly of 90 to 200 leaders affirm organizational actions.

Hundreds and thousands of people execute them. In this way, many people, not just one or two "stars," are able to lead.

Evaluation

The organizations carefully, formally and systematically evaluate everything that is done, both locally and nationally. From a small meeting to a huge, yearlong project, every ac-

WHY I'M AN ORGANIZER

ERNESTO CORTES

Supervisor, Southwest Region

"Career Is Consistent With My Values"

My three passions in life are teaching, politics and action. What draws me to do this work and what sustains me is that I can act on these three passions in a career that is consistent with my values.

In the early '60s, I began graduate study in economics at the University of Texas. I hoped to become an expert in solving the problems of Third World development. I began to develop an appetite for scholarship, teaching and public debate. I loved the give and take of public discourse that I thought was the stuff of politics, but an intense but short-lived involvement in electoral politics soon discouraged me from taking that approach.

I was heavily influenced by the farmworkers movement and the civil rights revolution, but although they had their appeal, I found that neither went beyond the issue or the cause. Ultimately, what attracted me to organizing was the opportunity to take ideas and knowledge and test them out and use them in ways that would be meaningful and useful to people. But even more important is that the work gives me the opportunity to teach.

We often say that the organizations are like a university. I take that very seriously. I relish the way that preparation, training and agitation can play a role in changing people's lives.

But the real value of teaching comes in the action. I never get over the joy in seeing public officials and corporate executives having to deal with people that a few short years ago they regarded as their inferiors, and therefore unimportant to the public dialogue. Some of the happiest moments of my life were when an arrogant chairman of the San Antonio City Water Board had to negotiate with the COPS leadership, and when public utilities executives had to negotiate with the leadership of Valley Interfaith. It is very rewarding to know that prospective candidates for governor now feel compelled to meet with the leaders of Texas IAF organizations.

Because I am able to do this very fulfilling work that allows me to engage in my three passions of teaching, politics and action, I think that I have a glimpse of what it means to have life and have it abundantly: good friends and associates involved with me in work that is meaningful and challenging. More often than not, we obtain a sense that our efforts are making a difference. We are also coming to terms with the tension between the world as it is and the world as it should be, and the virtue that can be arrived at when power and love are held in proper perspective.



tivity includes a minimum of one evaluation, including feedback to each participant, regarding his or her performance. It is as important to assess and learn from each activity as it is to plan and implement it. In the words of one leader, "This is the first organization which insists that I think and reflect, not just act."

Ownership

IAF organizations adhere to an "iron rule:" Never do for people what they can do for themselves. The IAF does not go into a community to impose an agenda on the people who live there, or to "fix things" for residents. Local people are the best judges of what they want and need and, if given the opportunity, they will be able to get it for themselves. The use of paid staff is kept to a minimum; most of the work of the organizations is accomplished by unpaid leaders.

Power

The purpose of organizing is for power. Power is to human experience as energy is to physics. Good intentions, good values, or good ideas are not realizable unless accompanied by power. The IAF teaches people that unilateral power is not as productive as reciprocal power based on mutually beneficial relationships. Power tends to come in two forms: organized money and organized people. IAF believes small amounts of organized money, coupled with large amounts of organized people, can open the door for meaningful participation. The IAF believes there can be good or evil in the exercise of power and, in reality, power generally is used ambiguously.

Professional Organizers

The IAF national supervisors and a team of leaders continually recruit, train and oversee the work of highly qualified organizers, with a particular emphasis on recruitment from the

poor and working class communities in which the organizations are located. There are currently 45 men and women working as organizers. It is a career and a life's work for most of them. A competent organizer is the linchpin of organizational success.

Public Life

Democratic politics is not only an engagement among people with differing self-interests, issues, approaches and opinions, but an encounter in which these people exchange, trade off, revise interests and change opinions. It is also a setting or situation that is nearly always one of tension, emotion, or conflict. Uncertainty rules the day; the resolution is never clear-cut. What matters, however, is not unanimity or consensus, but discourse, exchange and temporary resolution. Democratic politics realizes itself through agitation, struggle, conflict, forced revision and mutual respect. It is dynamic. It is the immutable law of change at work. As in physics, political encounter means change, change means movement, movement means friction, friction means heat, and heat means conflict and controversy.

Self-Determination

The IAF will remain nonpartisan and non-ideological, committed to a free and open society, and has no permanent opponents or allies. The IAF organizations are financially self-sufficient with their primary source of income being their dues-paying member institutions. Grants or gifts from foundations or individuals finance special projects, rather than supplement the organizations' operating budgets. The IAF accepts no funds from the federal, state or local governments.

For more detailed discussion of these IAF Fundamentals, please see Commonwealth, A Return to Citizen Politics, by Harry C. Boyte, The Free Press, 1989.



Talent for Building Community

The IAF Organizer

The IAF organizer is mentor, advisor, agitator, trainer and coach to the people of the organization that employs him or her.

Organizers are recruited from the ranks of people who have experienced some kind of success, but are intrigued with the potential for change that organizing can offer, or who have become disappointed with the limitations of their current jobs.

Many organizers come from the inner-city neighborhoods where the IAF has organizations. They do not see themselves as victims. Organizing offers them the opportunity to use their talents to improve their communities, and to connect the values they believe in to the work they do.

Organizers do not come into an area to change or fix things for the

people who live there. They act more as catalysts. Ernesto Cortes is an organizer on the national staff of IAF and was the first organizer of COPS in San Antonio:

"No organizer comes in from the outside and organizes," Cortes says. "All you can do in any situation is to identify those leaders who want to organize. I didn't organize COPS. The leadership did. Organizers taught them, trained them, identified them, challenged them, and we worked with them on a one-to-one basis. But leaders did the actual organizing."

The organizer's mission is twofold: to train and develop leaders and to assure the organization's victory on the issues it has chosen to address.

It is the organizer's responsibility to help the leadership to act upon their values, and it is also his or her responsibility to make sure that the organization tackles issues that are not only important but winnable. Leaders and organizers spend a great deal of time helping the membership decide which issues will be on their agenda.

The Individual Meeting

Many of the tools that the IAF organizer uses in this work have been developed over the past fifty years. They began with the tactics used by founder Saul Alinsky, and are continually refined and revised by the current IAF staff and leaders.

The technique the IAF calls "the individual relational meeting" is basic

National organizers meeting, December 1989, Memphis, Tennessee.



to everything an organizer does. These meetings are disciplined, personalized, face-to-face conversations lasting approximately thirty minutes with people in local congregations, priests, rabbis, political and corporate leaders, neighborhood leaders and residents—anyone who has a stake in the community and might be interested in new possibilities.

The Art of Listening

During these on-going meetings, the organizer probes and questions, attempting to determine what is important to the person, what he or she wants changed, the person's network and connections within the community, his or her values, and whether he or she is willing to act on those values to bring about change.

These exchanges are the beginning of hundreds of public relationships—connections that eventually

will be used to rebuild the community. The IAF has found that without individual meetings, a group cannot forge relationships or build organizations. It is this "art of listening" that sets the IAF organizing techniques apart. There are no preconceived notions about what the community needs; instead, IAF organizers and leaders take the time to find out about the core convictions of the people who live there.

The organizer trains leaders in the art of the individual meeting so that the skill will be duplicated and the long process of connecting people together to form a sense of community will continue.

This method of organizing breaks with the traditional bureaucratic thinking that one first sets goals, then develops a strategy, and finally amasses the resources necessary to carry out the strategy.

WHY I'M AN ORGANIZER

GERALD TAYLOR

Supervisor, Tennessee

Harlem to Memphis

I have been an IAF organizer for ten years. Currently, I'm working to build a new organization in Memphis, Tenn. I was born in 1948 and raised in Harlem. I remember when Harlem had a sense of community—a sense of vitality—and I feel angry when I see how it has deteriorated.

My parents, who were poor, couldn't give me many material things, but they did give me the love of learning. I was nicknamed "The Professor" by the other kids because I loved to read and did well in school. I worked hard and was accepted into a gifted and talented program in a school outside my neighborhood. When I saw what the rest of the world was like, I began to realize the potential for my own community.



By the time I entered college, I was spending almost all of my time organizing in black communities and becoming deeply involved as a leader and organizer in the civil rights movement. I believed that through the movement my people could build power and gain control over their own lives. After the death of Martin Luther King Jr. and the subsequent disintegration of the civil rights movement, I began searching for a more effective way to empower poor and minority people.

Organizing with the IAF developed my talents and gave me the skills to do that. I hope my work will inspire my two children to dream of the day when the Harlems of this country will be rebuilt and reclaimed.

"To See Real Change"

Most people have little choice about what they do for a living. They work because they have to. So, it comes as no surprise when the *Wall Street Journal* reports a survey in which 85 percent of the respondents, from a variety of jobs, declared that they do not like doing what they do.

At the same time, many others are on a fast track—political or corporate advancement, long hours, uncontrollable schedule, and truncated or nonexistent personal life.

Many in the helping professions—social workers, teachers, professors, government workers and clergy—experience immense satisfaction through their direct involvement with their students, clients, congregants, but increasingly realize they have no power, declining prestige or recognition and little effect on the larger world.

I refuse to work just for money, with no intrinsic value in what I do day-to-day. I refuse to hop on the political or financial fast track while someone else rears my kids. I refuse to spend my evenings at cocktail parties with people raising money for me or another political candidate. I can't stand dead-end "helping" that renders people perpetually helpless.

I want to see substantive change from my efforts, change that makes the United States more democratic, decent and humane. I want to be part of a corporate culture which encourages risk, imagination and basic human values. I want to work with people who practice high professional standards. I want to be paid a professional salary for my work. I want a work schedule that is interesting day in and day out. I want to be able to fight for what I believe in. I want a private life.

I have worked 18 years with IAF because it allows me to put these things together.

I hate to lose. I hate seeing the psychological damage done to people who lose every day—workers with no future, kids in schools that don't work, business people on the treadmill, ministers swamped with cries for help, food, housing and money.

I organize to see real change. Organizing either produces real, demonstrable change, or it's just an activity. Organizers who don't care about winning, and who confront for the sake of confrontation or who organize to feel good, don't work for IAF. Real organizing produces organizations that produce results.



The IAF organizers start at the other end. They use these individual meetings—hundreds and thousands of them—to connect one person with another and create a community of people willing to act. During that process they begin to discuss goals and strategy.

Career Opportunity

The IAF regards organizing as a profession, and treats its organizers accordingly. The Foundation believes

that investment in organizers is the linchpin of the Network's success, and has formalized systematic training, development and career advancement.

Organizers are offered a two-month sabbatical every three years so they can increase their knowledge or reflect on the direction their work is taking. They are encouraged to continue their education at IAF expense. A senior organizer acts as a mentor to them on an ongoing and regular basis throughout their career.



The IAF Leadership

Unlike organizations or movements formed around a single cause or issue, the IAF does not narrowly define a leader as a charismatic, outgoing, outspoken person, but instead as a person who can motivate and mobilize into action a following, no matter how small, and one who can build networks of relationships.

Margarita Vargas is one example of the kind of leader that characterizes the IAF organizations. She is one of thousands of IAF leaders who did not think they had leadership qualities.

Most IAF leaders experience great personal growth during the years they volunteer their time to the organizations. Many return to school, change jobs or careers, or in some other way experience their potential. Many say their involvement in the organization gave them the opportunity for positive personal change that they had not thought possible.

10-Day National Training

Leaders are given years of training both in workshops and in the course of developing projects that address issues of community concern. All IAF leaders attend a ten-day IAF National Training Conference at least once. This intensive training, held three times a year at locations throughout the country, provides the tools people need to become effective leaders.

IAF leaders are drilled in the skill of "constructive curiosity." Whenever they are confronted with new informa-

tion, they are taught to ask different questions: Why are things the way they are? Why did this happen now? Who is behind the news and what has motivated them? How could things be different? How could I make a difference if I combined my efforts with like-minded people?

Learn About Power

Leaders are taught about the nature of public relationships, the use and abuse of power, how to negotiate and compromise, how to conduct meetings large and small, how to speak effectively, how to research an issue and assess what should be done, and how to find, develop, motivate and train other leaders.

IAF leaders are trained to build organizations and to keep them healthy and active. They are trained to build coalitions with other institutions, other denominations, as well as business, government, and ethnic and economic groups. IAF leaders learn how to look at broad problems and break them down into winnable issues. They learn how to gain access to academic research on those issues and apply this knowledge to the practical situations in urban areas. They learn about legislation and how the political system works.

IAF leaders learn political judgment and come to understand how the world works; for instance, how institutions work, how money works. Perhaps most important, they gain greater

understanding of themselves and experience personal empowerment.

The results of this training are people with a depth of sophistication in their understanding of leadership, politics and power, as well as a solid network of relationships.

Many leaders who joined the or-

ganization out of a desire to make improvements in their own neighborhoods—out of self-interest—come to recognize the larger purpose of the organization. They continue to stay involved in issues that don't necessarily affect them directly, but are for the good of the larger community.

PROFILE OF A LEADER

MARGARITA VARGAS

East Valleys Organization

An Ordinary Person With Power

Margarita Vargas stood on the stage, looked out onto the sea of 7,000 faces in the Shrine Auditorium, saw the lights from the TV cameras, and felt her knees buckle. As she stood ready to kick off a huge campaign to raise the minimum wage in California, Margarita realized that nothing in her background had prepared her for such a moment—nothing except the three years of training she had received as a leader in EVO.

Born in Mexico, Vargas had spent the last 20 years raising her eight children, just as her mother and her grandmother had done. Although she had moved to the United States with her husband before the first baby was born, she never found it necessary to learn English or to become a citizen. But when her last child was three and the family moved to Baldwin Park, Calif., she found herself wanting more.

At the urging of a friend, she went to a special meeting at her church. Sitting quietly in the back of the room, she looked around. There were people there she had never associated with before: blacks, whites, Protestants, Jews. She couldn't understand everything that was going on, but she did understand that this diverse group of people wanted to do something to make the community better.

Vargas had some ideas, but she was too shy and too unsure of her English to speak up. Still, she continued to come to the meetings, because she was thrilled to see ordinary people taking power—power that she had thought belonged only to those in authority: government officials, corporate leaders and the wealthy.

After a while, she began to attend leadership training sessions and to take on some responsibility in the organization. Then one day she phoned the police chief of Baldwin Park to discuss EVO's interest in eliminating gang crime in the community. She was astonished when he personally returned her call. Vargas realized that she was one of those ordinary people with power. She was a leader. She says now that it was at this time that she began to see herself as a person with a public life, that before her work with EVO, she was interested only in things that affected her personally.

In 1988, Vargas spearheaded EVO's eight-month voter turnout campaign that resulted in her organization delivering 11,764 occasional voters to the polls. She is now working on strategies to rebuild California schools and to clean up the severely polluted ground water in her neighborhood.

Vargas makes an important contribution to EVO and to her community. She is proud of that, but she says she is prouder that her work with EVO has made her look inside herself and find something she did not know she had. She is now fluent in English, she studied and passed the GED test and got her high school diploma, and in March 1989 Margarita Vargas was sworn in as a citizen of the United States.



Passing the Torch

Wind, rain, and fog—a leader's nightmare—confronted Carol Reckling when she left her office and dashed toward her car. It was a miserable midwinter dusk in downtown Baltimore. It was also the night that BUILD had chosen for an action, involving 1,000 leaders, with Maryland state legislators in Annapolis. And it was the night Carol Reckling, after a seven-year career as a BUILD leader in the public eye, would sit back and watch a new set of BUILD leaders take center stage.

All over Baltimore, she hoped, BUILD leaders like herself were heading for the many gathering points where buses were supposed to be waiting. All across the city, leaders were bolting early dinners or packing sandwiches, waiting for spouses or fretting about late baby sitters, changing from their work clothes or quickly freshening up for the long evening ahead. When Reckling arrived at her church, there was one other leader, no bus, and a few minutes to think . . .

It had rained on that night seven years before when she began her work with BUILD. Although she had been aware of BUILD since its inception, she had shied away from participating until she learned of a BUILD meeting that would focus on a matter near to her heart: schools.

The meeting was a caucus of the just-forming BUILD education committee. The subject was not curriculum or funding or the condition of buildings, but something more basic—the lack of supplies. No paper. No pencils. No books. She remembered her feelings—shock, then anger—at hearing that litany.

Reckling had a good education—in Baltimore elementary and high schools, at Howard University, and in the master's program of Washington University Business School. She had found teachers who worked hard and who worked her hard. And she had lived, firsthand, what her parents and their peers had always said, "Education is the key." Reckling knew this formula: No paper and pencils and books equaled no future, no career, no hope . . .



Seven years later, in worse rain and wind and fog, she boarded a bus with forty other BUILD leaders and rode through the night to Annapolis. In the intervening years, she had worked hard and well; had become a driving force in education strategy; had negotiated with three mayors and many corporate leaders; had been one of the founders of the BUILD Commonwealth Strategy; had served as BUILD's president; and was now one of the BUILD representatives to the IAF National Leadership Group. She did all this while advancing in her professional career and becoming a mother for the first time.

One of IAF's interests is the development of local indigenous leaders in America's poorest and most devastated urban centers. In these areas, where much hope is gone and the cities' leaders have given up trying to restore vitality, the IAF can have the greatest impact in bringing empowerment to the people who still live there. Much of the leadership in these communities is isolated or defined by elected office holders, or spokespeople for advocacy or social service groups.

The IAF restores leadership by identifying people with potential and giving them the opportunity to lead.

The IAF leadership training enables community members to design and initiate strategies to address issues in these communities, create public debate and get some resolution, while connecting their actions to their values of justice, concern for the poor, the dignity of the person, participation, and respect for diversity.



Industrial Areas Foundation Network

ALLIANCE FOR A BETTER TOMORROW

1124 N. Broadway
Knoxville, Tennessee 37917
(615) 525-2018

Founded 1988
26 churches, 6,000 families

Organizer: **Jonathan Lange**

Key leaders: Claire Lovelace, Rev. Vincent Jones, Julia Cox

- ABT is made up of unions, black churches, white churches and neighborhood associations that have joined to bring about justice and fundamental institutional change in Knoxville and Knox County.
- In the last year, ABT has campaigned to preserve industrial zoning in west Knox County, and to clean up lots and sidewalks in East Knoxville.

ALLIED COMMUNITIES OF TARRANT

P.O. Box 3565
Fort Worth, Texas 76113
(817) 332-1830

Founded 1986
22 congregations, 14,000 families

Organizers: **Perry C. Perkins Jr.**, Mattie Crompton

Key leaders: Rev. Nehemiah Davis, Rev. Terry Boggs, Dr. Claudia Camp

- Its broad ecumenical base, black, Anglo and Hispanic leadership, and multi-issue approach has made ACT a unique political reality in Fort Worth.
- In 1985, ACT was instrumental in passing a city bond issue that committed \$57 million of capital improvement funds to the largely minority and inner city communities.
- In 1987, ACT began a parental empowerment program in a Fort Worth middle school which, in three years, resulted in a dramatic rise in student test scores from 20th out of 20 middle schools to 3rd place.

AUSTIN INTERFAITH

1106 Clayton Lane, Suite 120 West
Austin, Texas 78723
(512) 459-6551

Founded 1985
30 congregations, 25,000 families

Organizers: **Gary McNeil**, Dana Loy

Key leaders: Fr. John Korcsmar, Rev. Marvin Griffin, Rev. Brendlonly Douglas

- Austin Interfaith is a tri-ethnic, multi-issue organization. Originally based in East and Southeast Austin, an area with a population of 200,000 people

Bishop Francis Mugavero gives a hug at the podium during an August 1985 action. He received the IAF 50th Anniversary Award, May 1990.



including 45,000 Hispanics and 43,000 blacks, Interfaith has expanded into South Central and North Austin.

- In 1989, Austin Interfaith leaders achieved a police neighborhood center and a \$3.5 million public housing renovation.
- In spring 1990, Austin voters passed an \$80 million school bond package, authored by Austin Interfaith, aimed at improving inner city schools and crowded suburban schools. Because of the organization's Get-Out-the-Vote campaign, turnout in Interfaith precincts was higher than citywide.

BALTIMOREANS UNITED IN LEADERSHIP DEVELOPMENT

4502 Park Heights Avenue
St. Ambrose Parish
Baltimore, Maryland 21215
(301) 542-8822

Founded 1977
51 units, 40,000 families

Organizers: **Gary Rodwell**, Kathy O'Toole, Elijah Etheridge

Key leaders: Rev. Vernon Dobson, Marian Dixon, Carol Reckling

- BUILD is a metropolitan, broad-based, multi-denominational, nonpartisan, non-governmentally funded organization that represents the strength and concerns of Baltimore's families through its churches.
- In 1980, BUILD began a successful campaign against bank red-lining that led to negotiated agreements with Baltimore banks and savings and loans, resulting in over 500 low-income families acquiring home mortgages.
- BUILD has been successful in forging the Commonwealth agreements. This is an agreement among BUILD, the mayor of the city, the corporate community, the school system and 16 area colleges and universities. Commonwealth guarantees financial aid or a job to any student who graduates from high school with a Maryland diploma and good attendance. In 1989, 1,407 students were placed in a job, went to college or joined the military.

THE BORDER ORGANIZATION

P.O. Box 806
Eagle Pass, Texas 78853
(512) 773-2451

Founded 1987
10 congregations, 10,000 families

Organizer: **Rosemary Agnessens**

Key leaders: Rosario Ramirez, Maria del Rosario Garzo, Gloria Heredia

- The Border Organization brings together urban and rural churches from five of the poorest counties of Texas.
- The Border Organization, together with Valley Interfaith and EPISO, led the fight to win a \$100 million, statewide bond issue to finance water and sewer development in poor border communities.
- The Border Organization has won numerous neighborhood improvements, including street resurfacing and water and sewer projects.

WHY I'M AN ORGANIZER

MICHAEL GECAN
Supervisor, Northeast Region

“People Pray in Different Ways”

There's no one answer to the question, Why do I organize? The composite answer includes scores of memories and incidents, actions and inactions, desires and fears, hostilities and hopes that more or less make up the “me” of 1990.

I do know that it was easier to answer this question in 1975, when I began with IAF, than it is today. Easier, because there were fewer memories. Easier, because the drive to organize was rooted geographically in Chicago and rooted relationally in my parents and the people of a single neighborhood and a single city. Easier, because organizing was fresh and new and spinning off the excitement of the civil rights and peace movements and because racial tensions were high but so were the hopes for racial relations of dignity and depth.

All of this has changed. Metaphorically, I've moved from the Plains, where the views are long and there is less for the eye to absorb, to the more crowded, more cluttered, more complicated place where it is harder to see and where there are more distractions. It's the nature of the middle—of a career, a project, an effort, a life—to be less clear, more muddled, more demanding; there's more opportunity and more risk; more tension and more meaning.

I organize more for my children and myself now, and less for my parents and for people in general. I organize more for the love of the daily activity of organizing—the individual meetings, the relationship with people like Johnny Ray Youngblood and Pat Oettinger and Tom Sinnott and Stephen Roberson, the thinking and rethinking and re-rethinking, the imagining and positing and implementing, than for some single identifiable victory or goal. (In the same way, I run for the love of running more than for the need to win a race.) I organize more out of a usually controlled fury (more controlled than at the start, much more) than out of disappointment about the betrayal of a single person or a single place. I organize because I've learned that people pray in different ways, and organizing, I believe, is the best way some of us know how—however crudely—to pray.



COMMUNITIES ORGANIZED FOR PUBLIC SERVICE

P.O. Box 830355

San Antonio, Texas 78283

(512) 222-2367

Founded 1974

26 congregations, 50,000 families

Organizer: **Tom Holler**

Key leaders: Rev. Rosendo Urrabazo, Patricia Ozuna, Andres Sarabia

- This organization of 26 parishes in predominantly Hispanic and low-income neighborhoods is the major non-business political force in San Antonio.
- Over the last 16 years, COPS has completely changed the political culture in San Antonio. It won over \$750 million in new streets, drainage, parks, libraries and other services, reversing the city's policy of disinvestment in poor neighborhoods. San Antonio's Community Development Block Grant program is now the best in the nation.
- Since 1974, COPS has completely rebuilt seven targeted neighborhoods, including over 400 new homes. In 1989, COPS spearheaded an effort to develop a 10-year master plan for affordable housing in San Antonio. Its centerpiece is a \$10 million Housing Trust Fund, which will leverage millions of dollars annually for new housing.

EAST BROOKLYN CONGREGATIONS

287 Lott Avenue

Brooklyn, New York 11212

(718) 498-4095

Founded 1978

56 units, 55,000 families

Organizers: **David Nelson**, Elda Peralta

Key leaders: Rev. Johnny Ray Youngblood, Fr. Leo Penta, Alberta Williams

- Comprised of churches, two homeowners' associations and a synagogue, in six communities, EBC seeks to address basic and fundamental elements of civilization, including street signs, stop lights, passable streets and decent food stores. Its focus is one primary issue: the ongoing recruitment, training and development of talented black, Hispanic and white leaders.
- In 1982, EBC began the research and analysis that led to launching the Nehemiah Housing Plan, which by 1990 completed its 2,000th home.
- In 1986, EBC launched Nehemiah II, to improve public high schools.

EAST VALLEYS ORGANIZATION

4428 Stewart Street

Baldwin Park, California 91706

(818) 338-9965

Founded 1986

18 units, 45,000 families

Organizers: **Michael Clements**, Ken Fujimoto

Key leaders: Vera Valdiviez, Margarita Vargas, Rev. Joseph Greeley

- With the formation of EVO, the San Gabriel and Pomona valleys, which lacked identity and had a relatively low level of visibility, were brought together to form a broad base of power to act primarily on crime, toxic waste.
- The Safe Harbors program is reclaiming the places where children play and learn by making them gang- and drug-free.
- EVO is insisting on the cleanup of ground water pollution, a serious problem in these valleys where leaking solvents have caused 40% of the wells to close.

EL PASO INTERRELIGIOUS SPONSORING ORGANIZATION

4317 Montana Avenue
El Paso, Texas 79903
(915) 564-5757

Founded 1981
22 congregations, 80,000 families

Organizer: **Maribeth Larkin, SSS**

Key leaders: Fr. Edward Roden, Margaret Martinez, Rebecca Rojo

- The specific goal of EPISO is to empower the diverse elements of the community of El Paso to participate in the political, social and economic decisions that impact their lives.
- In 1989, EPISO formed an Education Alliance with the El Paso Chamber of Commerce, the city of El Paso and local institutions of higher education to offer jobs, scholarships to seniors graduating with good grades, attendance.
- In 1988, EPISO and the El Paso Community College initiated 83 English and citizenship classes, enrolling 2,000 participants at 27 sites throughout El Paso.

WHY I'M AN ORGANIZER

MARIBETH LARKIN

Organizer, EPISO

"We Must Take Action to Achieve Justice"

For twenty years I have been a member of the Sisters of Social Service, a Roman Catholic religious order. Although interested in the religious life, I did not want to teach or work in a hospital. I thought I wanted to do social work, but my seven-year experience with providing crisis intervention and direct service for the poor was so frustrating that I nearly left the community. I knew how to help people work the system, but what about getting the system to work for people?

I found a way to do this. While working in an East Los Angeles parish, I became involved in the United Neighborhoods Organization in Los Angeles. I was deeply impressed with the power and effectiveness of the organization in getting real changes for people living in poor neighborhoods.

One of my first actions involved getting up on a stage before the City Council and translating a speech for a Spanish-speaking leader. I was so nervous I was literally sick. I thought about calling in and saying I just couldn't make it. But then, when we called the meeting to order and the council members ignored us, I suddenly got very angry. I got angry for myself and for all those people who deserved better treatment than that. Once I got angry, I was fine. I realized that there is a public person in me that I never knew was there. It was a liberating experience.

I wanted to organize people and work with them so they could get what they wanted. I knew that this was where I belonged, but no one in my order had ever been involved in anything like IAF organizing before, and there was some resistance from within the order that this kind of work might not be appropriate for a sister. Eventually, I was permitted to take a position as a full-time organizer. I went on to organize in Queens, San Antonio and other parts of Texas. As the senior organizer at EPISO in El Paso, I am unable to live with my community of sisters in California. I realize this is one of the sacrifices I must make to do the work that allows my religious beliefs to have meaning.

It is my work as an organizer that allows me to remain a sister. Religious life is public life. Religious life is about making a difference and doing the difficult work in a society. It is in the Gospel: "We must take action to achieve justice."



IAF Training — Survival Skills

Andres Sarabia is one of the most experienced leaders in the IAF Network. He has been with San Antonio's COPS organization for 16 years, serving as its first president from 1974 to 1976.

He recalls the early days when hundreds of members of the new organization gathered in a local school auditorium to confront local officials, and force them to solve the severe flooding problems that resulted from the lack of proper drainage and sewers in poor neighborhoods.

As film of the submerged cars, houses and entire streets were shown to the audience, people became more and more angry. Emotions were running so high that there was potential for trouble.

But Sarabia and the other leaders of COPS had been well-trained. They had been briefed on every potential problem and they had determined in advance what response they would have.

"Much to the surprise of the city officials, we had total control of the assembly, and we were able to direct the anger of the people into a positive and productive meeting," says Sarabia.

Sarabia says this kind of training and discipline is what has positioned COPS among the most powerful community organizations in the country, and what has given him the confidence and ability to handle difficult situations in all areas of his life.

Sarabia says his years as a leader in COPS have taught him how to channel and focus his own anger at injustice, so that instead of useless or even dangerous action, he could actually alter the way the system works in San Antonio, and effect changes in the way people are treated.



He says he also uses his leadership skills at work, where he is a computer specialist in the Civil Service. He has used what he has learned about reflection and planning, confrontation and negotiation, and has effected an increase in the number of Hispanics who are promoted in his section. He has found the training to have an impact in his personal life.

He recently wrote to his son, who is in the Marines and was preparing to be shipped overseas for combat. Sarabia told him about the difference between channeled anger and uncontrolled anger . . . about reflection before confrontation and action. And about making sure that he had his fellow soldiers with him before he made any moves.

Survival skills, Sarabia calls them.

FORT BEND INTERFAITH COUNCIL

P. O. Box 1015
Rosenberg, Texas 77471
(713) 341-9246

Founded 1988

15 congregations, 10,000 families

Organizer: **Mignonne Konecny, OP**

Key leaders: Kathy Franklin, Dora Olivo, Rev. Steve Quill

- The Fort Bend Interfaith Council was formed to address the issues facing a rapidly growing area near Houston, including poor education, low voter registration and lack of infrastructure.
- Fort Bend Interfaith initiated an Education Partnership with local school districts and Chambers of Commerce to improve neighborhood schools.
- Fort Bend Interfaith won major improvements to an unincorporated area of Fort Bend County, including nearly \$2 million of paved roads, water supply improvements and sewer system engineering.

GULF COAST ORGANIZING EFFORT

2601 Azalea Street, Suite 19
Victoria, Texas 77901
(512) 572-4709

Founded 1988
10 congregations, 5,000 families

Organizer: **Stephanie Marie Martinez, IWBS**

Key leaders: Fr. David Collela, Alonzo Clazada, Linda White

- The Gulf Coast Organizing Effort is a broad-based coalition of churches bringing together a mix of people around family and community issues.
- The goals of the Gulf Coast Organizing Effort are to confront the issues of drugs, teen pregnancies, unemployment and under-employment, lack of quality education, inadequate housing, inaccessible health care and unsafe neighborhoods facing the families in the community.

INTERFAITH ACTION COMMUNITIES

600 Bright Seat Road
Landover, Maryland 20785
(301) 499-8774

Founded 1987
36 congregations, 14,500 families

Organizer: **Gregory Groz**

Key leaders: Rev. Laura Griffin, Sandy Mattingly, Rev. Roy Minnix

- IAC's vision is to create a racially and economically integrated county by forging a broad-based citizen organization that would empower low-, moderate- and middle-income people to become part of Prince Georges County's decision-making process.
- There is now a newly formed partnership between IAC and the county executive to produce 2,500 units for home ownership opportunities for low- and moderate-income people, and 730 units for low-income people for rental units over a five-year period.
- In addition to reaching a major agreement with the county's police chief that will result in specially trained police officers functioning as community problem-solvers, IAC has been able to demonstrate that a multiracial, interfaith organization can be successful in a county that long has been noted for its poor race relations.



Key leaders Rosalinda Lugo, Grace Trejo, Carol Reckling and Andres Sarabia meet to plan strategy.

Southwest supervising organizer Ernesto Cortes holds strategy session with leaders of Valley Interfaith of Texas.



INTERFAITH COMMUNITY ORGANIZATION

83 Wayne Street
Jersey City, New Jersey 07302
(201) 333-2338

Founded 1987
35 congregations, 28,000 families

Organizers: **Stephen Roberson**, Patrick Bower

Key leaders: Rev. Willard Ashley, Rev. James Pagnotta, Myrtle Smith

- ICO has member congregations from eight denominations and a racial and cultural makeup that includes Filipinos, Hispanics, blacks, Asians, whites.
- ICO has won victories on several local issues, including cleaning up and developing city and county parks, curtailing sale of illegal drugs in specific locations and cleaning up hexavalent chromium contaminations.
- In spring 1989, ICO began a campaign to expose the presence of more than 100 toxic chromium sites in Jersey City alone and drew media attention to the issue, exposing the lack of state and federal response; they negotiated an agreement with the state of New Jersey to begin immediate cleanup of the worst chromium sites.

THE METRO ALLIANCE

230 Vargas Street
San Antonio, Texas 78203
(512) 534-5266

Founded 1989
18 congregations, 20,000 families

Organizer: **Pearl Caesar, CDP**

Key leaders: Marcia Welch, Genevieve Flores, Rev. Bill Eason

- The Metro Alliance, formed by the merger of the East Side Alliance and the Metropolitan Congregational Alliance, reaches outside the traditional inner-city areas to empower black, Hispanic and Anglo low- and moderate-income families throughout the San Antonio area.
- In 1990, the Metro Alliance turned around an effort to place extensive oil and gas storage facilities next to families and schools in a poor and minority area of San Antonio.
- Over the years, the Metro Alliance has won significant victories improving the infrastructure, drainage, police protection, housing, economic developments, voter participation and water supplies in San Antonio.

THE METROPOLITAN ORGANIZATION

202 North Loop West, Suite 221
Houston, Texas 77018
(713) 868-1429

Founded 1979
57 units, 60,000 families

Organizers: **Robert Rivera**, Elizabeth Valdez, Joe Higgs
Key leaders: Jan Wilbur, Juanita Mitchell, Ana Guerrero Cummings

- TMO organized to enable Houston-area residents to have a real voice in determining policies and making decisions that affect their lives; they believed

WHY I'M AN ORGANIZER

ROBERT RIVERA
TMO

"I Help People Build Power for Themselves"

I love politics. It is one of the reasons I became an organizer. But I'm not interested in becoming a politician or holding public office.

Although to do this work you have to understand power and to be empowered yourself, I don't do this work to get power for myself. I do this work because it gives me a chance to help people build power for themselves: power to change their neighborhoods, schools, communities.

The bottom line for me is that I enjoy my work and passionately believe that people, in particular poor people and people of color, should have a say in the decisions that affect their lives.

When I was first starting out, I knew I wanted to do something to help people. I worked for VISTA and I even considered becoming a social worker, but I found that kind of work frustrating. I was disappointed at how little difference I was really making by providing social services. Although I could help people get food or shelter or a job interview, I was not giving people the power to make real changes in their own lives or in the system that was leaving so many people out.

In El Paso, Texas, I started the EPISO organization. The early days of EPISO were tumultuous. "Right-wing kooks," buoyed by the power brokers in the city, attacked everything we did to encourage the Mexican-American majority to participate in El Paso's political decisions.

At times, when they were calling us every insult in the book, when our efforts were blocked at every turn, and we all were getting discouraged, I felt that maybe organizing wasn't worth it. But what kept me focused in teaching people to build power was their spirit. They said, "This is my town; teach me how to have a say." If I can do that, I know that I have been successful.

Over the last several years, I have had to re-examine and rethink my reasons for doing this work. At first, I enjoyed the victories. I liked the fight and I liked winning. But now, my motivation comes from watching people develop and begin to gain some sense of power about their lives.

Recently, my father died of cancer. I sat many hours with him, talking to him about his own life. My father never completed the eighth grade and was bitterly frustrated at his own lack of accomplishment. He worked hard all his life, and I know he did the best he could, but his hopes and dreams were never realized because he did not have the opportunities to fulfill his potential.

My father's feelings at the end of his life ignited a realization in me. My romanticism about my work gave way to an increasingly rooted sense that organizing is about more than winning on issues—it is about developing people's potential to be more of what they think they can be.



that in a complex urban area such as Houston, the most viable strategy for justice was the development of a federation of groups representing all economic levels and all ethnic groups.

- TMO rehabilitated and constructed 23 residential units in Fifth Ward Houston for home ownership, the first successful effort of this kind in Houston.
- Leaders successfully forced the electric company to reduce its rates by \$40,000 by securing over 27,000 signatures in just 10 days.

PIMA COUNTY INTERFAITH COUNCIL

101 West 31st Street
Tucson, Arizona 85713
(602) 791-7774

Founded 1990
20 congregations, 6,000 families

Key leaders: Rev. Msgr. Arsenio Carrillo, Rev. Paul Buckwalter, Rev. Daniel McLaughlin

- Pima County Interfaith is working to develop an empowerment project to confront the issues of unemployment, education, housing, drug and substance abuse, and contaminated water in Tucson and Pima County.

QUEENS CITIZENS ORGANIZATION

87-04 88th Avenue
Woodhaven, New York 11421
(718) 849-0796

Founded 1976
33 units, 90,000 families

Organizers: **Wade Goodwyn**, Alberta Williams, Patricia Oettinger
Key leaders: Fr. John Amann, Nola Southerland, Rev. Edward Davis

- QCO, an interdenominational and multiracial organization, represents the working families of Queens.
- QCO leaders designed strategies that led to the passage of sweeping anti-arson legislation in Albany during a period when many New York City neigh-

Texas IAF leaders with Gov. Mark White in 1985 as he signs the indigent health care legislation they had worked for.



Memphis Blacks and Whites Together

On Feb. 12, 1989, 1,000 black and white Memphians spilled out of the Golden Leaf Baptist Church in North Memphis to kick off the SCISC organizing drive in Memphis and Shelby County. Representatives of 35 congregations, along with the bishops of the Episcopal and Roman Catholic dioceses and the national president of the Progressive Baptist Convention came to commit themselves to the most important organizing effort in Memphis since the civil rights movement.

Most significant for this racially polarized Southern city, half the congregations were white and half black. They represented nearly every neighborhood of Memphis, the wealthy, the middle class, the working class and the poor. Those who attended called the meeting the most significant black and white effort in the city's history.

The central message of the worship services was given by Dr. Alan V. Ragland of the New Fellowship Baptist Church, who asked the crowd, "Are you ready to work together?"

He challenged the congregation with the question, "Are you white members here tonight ready to hold black hands, even when they want to pull away?" The people responded, "Yes!" with resounding applause. "Then, are you black members here tonight ready to hold white hands, even when they want to pull away?" Again, the answer was a powerful "Yes!" with applause from the entire congregation.

When the worship ended, black and white Memphians went out to begin a new experiment in democracy in the heart of the Old South.

borhoods were being deliberately burned to the ground; they forced the Port Authority of New York and New Jersey to create a \$2 million impact fund for communities surrounding the two Queens airports.

- QCO leaders are currently engaged in a battle to build 3,200 affordable Nehemiah Homes in Queens, and continuing their ongoing struggle against drugs and crack locations throughout Queens.

SHELBY COUNTY INTERFAITH

491 E. McLemore
Memphis, Tennessee 38106
(901) 946-3786

Founded 1989
50 congregations in 2 dioceses
37,000 families

Organizers: **Gerald Taylor**, Rev. Val Handwerken

Key leaders: Rev. Alan Ragland, Rev. Roy Stauffer, Fr. Tom Kirk

- Shelby County Interfaith is a broad-based, multiracial and locally self-determining interfaith organization that is dedicated to empowering poor working-class and middle-class families and communities in the greater Memphis area.
- With 1,000 black and white Memphians gathered at Golden Leaf Baptist Church on February 11, 1989, Shelby County Interfaith initiated its organizing drive in Memphis.
- Shelby County Interfaith conducted 435 house meetings over an eight-week period, involving nearly 5,000 people in developing its organizing agenda in Memphis-Shelby County.

SOUTH BRONX CHURCHES

230 Alexander Avenue
Bronx, New York 10454
(212) 402-3676

Founded 1987
43 congregations, 19,500 families and
6 public housing projects

Organizers: **James Drake**, Tony C. Aguilar, Maria Varona

Key leaders: Rev. John Heinemeier, Fr. Bert Bennett, Rev. John Collins

- SBC was organized to revitalize one of the most devastated and abandoned inner city communities in America.
- The Sign Up and Take Charge campaign took SBC into an encounter with more than half the adults in the South Bronx, collecting 103,000 signatures in 100 days.
- SBC focused on needed reform for Lincoln Hospital, resulting in an investigation by the state of New York that led to the enforcement of guidelines to correct abuses.

SOUTHERN CALIFORNIA ORGANIZING COMMITTEE

Los Angeles Office
P.O. Box 2197
General Mail Facility
Los Angeles, California 90052
(213) 731-8464

Founded 1978
35 units, 83,000 families

Organizers: George Givens, Anthony Massengale

Key leaders: Frances James, Rev. William Johnson, Grace Trejo

- SCOC was formed to address the problems in the largely black South Central neighborhood of Los Angeles. It now also has members in the Compton and Wilmington areas.
- SCOC helped develop an anti-crime legislative package and won passage of 12 out of 16 tough drug, gang and organized crime laws.
- In 1989, 4,000 SCOC leaders held a major assembly to launch a new initiative, Nehemiah West, an SCOC/UNO plan to build 500 homes to be owned by low-income families in South Central Los Angeles.



IAF rally to ban assault weapons in California. The four children at left lost their mother to a sniper's bullet.

IAF leader Rev. Johnny Ray Youngblood of New York City.



UNITED NEIGHBORHOODS ORGANIZATION

3763 East 4th Street
Los Angeles, California 90063
(213) 266-0577

Founded 1976
16 units, 58,000 families

Organizer: **Larry Fondation**

Key leaders: Dr. Louis Negrete, Rosalinda Lugo, Leila Campos

- Although UNO's roots and base came out of predominantly Latino parishes and congregations in East Los Angeles, they have expanded into the communities of Whittier, Pico Rivera, Norwalk, Huntington Park and other southeast Los Angeles communities. It is now the largest, most powerful Latino organization in California.
- Within two years of its formation, UNO earned widespread recognition for reducing auto insurance rates by as much as 30% in East L.A. neighborhoods.
- UNO is working with the Los Angeles City Council and the county Board of Supervisors to develop and fund Community Youth Gang Services to address the serious problem of gang violence in Los Angeles.



Christine Stephens, IAF national field supervisor and Valley Interfaith organizer.

VALLEY INTERFAITH

P.O. Box 1616
Weslaco, Texas 78596
(512) 565-6316

Founded 1983
39 congregations, 75,000 families

Organizers: **Christine Stephens CDP**; Timothy J. McCluskey; Consuelo Tovar DC; Joel Barrera

Key leaders: Javier Parra, Noeli Espinoza, Elvira Aguayo

- Valley Interfaith is a multi-religious organization founded to address the issues of concern to the residents of the poverty-stricken Lower Rio Grande Valley.
- In the 1989 legislative session, Valley Interfaith took the lead in conceiving, writing and passing state legislation that authorized the issuance of \$100 million to build water and sewer services for the *colonias* in the Valley, where thousands of families go without these basic services.
- Valley Interfaith was instrumental in passing 1984 legislation that resulted in \$127 million additional annual funding for the Valley for teachers' salaries, merit pay for teachers, classroom materials and resources.

Performer Without a Stage

A piece of advice:

When you are around Maria Varona, don't say things like "I've never tried that before," or "That won't work here," or "We're too old, so why should we even try."

Maria Varona is too busy for such talk. She is raising four teen-age sons. She is active in her local parish. She is studying for the GED, taking a writing course, and preparing to get her first driver's license. She is also settling into a quieter and more secure apartment. And she is a full-time organizer on the staff of South Bronx Churches.

In the past, as a tenant on public assistance, she fought for the most basic kind of security for her and other families in the building: a door that closed and locked. Then she struggled to get the local public school to provide kindergarten and special education programs for the niece she was also raising at the time and for other powerless children of their South Bronx neighborhood.

On Feb. 15, 1987, she attended the first public action of South Bronx Churches in St. Jerome's Church on Alexander Avenue. On a bitter cold afternoon, in a poorly heated building, Varona found herself among more than 2,000 other South Bronx residents.

They were people like her. Black and Hispanic mostly. Poor and near-poor. Their faces bore the lines and scars of struggle—the struggle to survive, the struggle to raise children in a hostile place, the struggle to keep their churches afloat, the struggle to begin to rebuild their community.

Varona heard SBC leader Marion Woods say, "When the Bronx was the Bronx, we could raise our families in dignity . . ." Varona never knew that Bronx. But she began to think that she might be part of another Bronx, a new Bronx, a Bronx of power and change and hope. Not long afterward, Varona decided to try to become a leader in SBC.

Three years later, she has become an organizer, whose main job it is to find, recruit and train other leaders like herself—performers without a stage, players without a field, creative writers without the tools of their trade, leaders looking for a place and a way to display their many talents.



VALLEY INTERFAITH PROJECT

P.O. Box 21024
Phoenix, Arizona 85036
(602) 254-9611

Founded 1990
38 units, 57,000 families

Organizer: **Peter Fears**

Key leaders: Rabbi Maynard Bell, Susan Ringler, Msgr. Edward Ryle

- Valley Interfaith Project is an organizing effort of concerned residents determined to build a broad-based organization to address the social and economic issues confronting Phoenix.
- Issues the fledgling organization faces are zoning and land use, utilities policy, attacks on family and community integrity, housing, health care, education and affordable insurance.

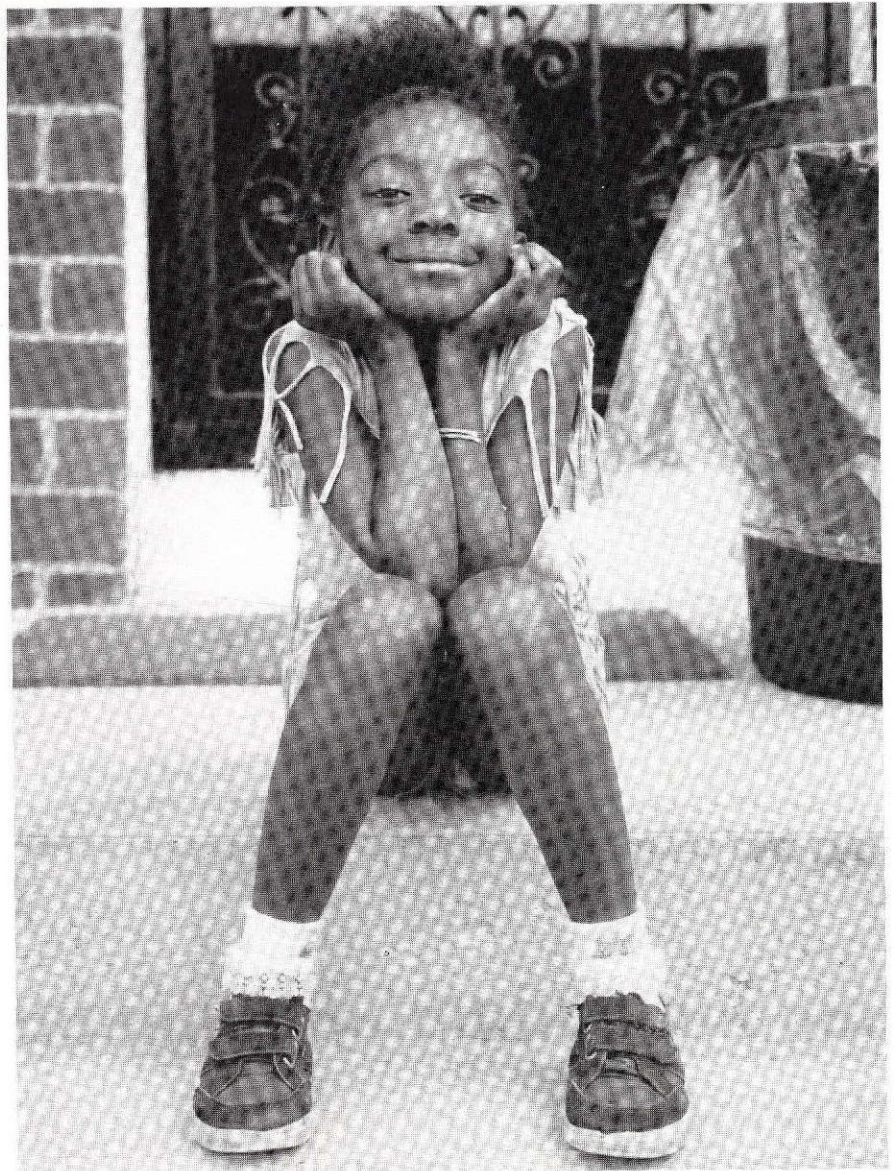
VALLEY ORGANIZED IN COMMUNITY EFFORTS

1525 Glenoaks Boulevard
San Fernando, California 91340
(818) 365-1980

Founded 1988
18 congregations, 33,000 families

Organizers: **Carmel Somers, RSC**, Rev. Curtis Page
Key leaders: Flo Weber, Marsha Novak, Fr. David Ulrich

- VOICE was formed to organize the broadly diverse residents of the San Fernando Valley. Catholic, Protestant and Jewish congregations have come together to work on issues facing this sprawling area.
- VOICE leaders determined that a major problem in the Valley was police response time, and they successfully led the fight to force the City Council to increase the police force by 514 officers.



Young Nehemiah resident sits on the front steps of her new home.





INDUSTRIAL AREAS FOUNDATION
36 New Hyde Park Road
Franklin Square, New York 11010
(516) 354-1076

CREATING WEALTH FOR LOW INCOME FAMILIES: A POSSIBLE STRATEGY

"THE IAF AND RELIGIOUS INSTITUTIONS: SOCIAL AND FINANCIAL

INTERMEDIARIES"

1. Introduction: Los Angeles and Patterns of Disinvestment

For good and for ill -- Los Angeles looks like the future. From the simulated street at Universal "City Walk" (in reality, a private shopping mall) to the deserted business district at Manchester and Broadway -- not far from the flashpoint of the 1992 civil unrest; from Rodeo Drive to the bustling Latino markets on Avenida Cesar Chavez, the contradictions and disparities of late 20th century life are in clear evidence in LA.

The First World meets the Third World in Los Angeles. You don't have to leave the country to find the 3rd World. El Salvador can be found at the intersection of Pico and Union; Mexico at Broadway and 5th. Vietnamese refugees populate the western edge of Chinatown. Perhaps the planet's greatest problem at the turn of the millennium -- inequality -- shows up in any X-Ray picture of Los Angeles like an inoperable tumor the size of a softball on the lung of a two-pack-a-day smoker, sputtering in an HMO emergency room. The tree-lined streets of Brentwood, spindly like fingers off Sunset Boulevard, give way to the endless row of grandly-named public housing projects along Imperial Highway in Watts -- Nickerson Gardens, Jordan Downs, Imperial Courts.

The problems of Watts and South Central Los Angeles, of East LA, of Skid Row and of Pico-Union seem, to many, intractable. Difficult, yes; but, insoluble, no. Perhaps the greatest

difficulties in bridging the gap between rich and poor in Los Angeles, and elsewhere, have been failure of imagination and lack of engagement. On the first count, the same solutions are tried over and over again. Recently, the City of LA tried to consolidate its youth programs under the auspices of an \$18 million initiative called "LA Bridges." "Bridges" is, in the words of the immortal Yogi Berra, "deja vu all over again;" it is the worst of the War on Poverty all over again. It has pitted one social agency against another in a mean-spirited race for too few funds. With respect to the second count -- lack of engagement in the issues -- most middle-class and affluent Angelenos do not go to the inner city. With an extensive network of freeways, no matter how clogged, no matter where you're going, you can just pass through or under or over the troubled neighborhoods of Los Angeles.

Whatever the precise causal analysis, the situation is dire. Spurred both by domestic troubles, exemplified by the Watts Unrest (or Riot or Uprising, depending on your point of view) of 1965, and by global economic change (first epitomized for many Americans by the oil embargo of 1973), the systematic abandonment of American inner cities began fast and furious in the 1970s. Once again, LA led the way. Between 1978 and 1982, in greater South Central LA, 75,000 manufacturing jobs were lost due to the shut-down of such manufacturing giants as General Motors, Firestone, Goodyear and Bethlehem Steel. Seventy-five thousand jobs that would have paid, in today's dollars, an average of \$20 an hour. That is \$1.5 million an hour in income withdrawn from just one part of the Los Angeles inner city.

The collapse of much of the retail sector followed this huge decline in high-paying manufacturing jobs. Luncheonettes, service stations, dry cleaners and other "neighborhood commercial" businesses were forced to close when their patrons, the decently-paid factory

workers of behemoths like GM, were forced onto unemployment or into lower paying service sector jobs. Suddenly there were no customers. One Barbecue restaurant in Compton went from KABC Television's "Best of LA" to bankruptcy closure in just three short years.

Following the failure of the retail sector, the financial sector withdrew. Branch banks shut down. Their merchant base had vanished. Once vibrant commercial centers became plywood-shuttered ghost towns. In the place of clothiers and bank branches, instead of restaurants and hardware stores, a new sector arose: liquor stores, pawn shops and check cashing outlets. As a last hope for many, store-front churches proliferated to catch the fall-out. With government cutbacks to social welfare and affordable housing programs in the early 1980s, churches, large and small, became de facto the community's safety net. In the late 1980s, a new phenomenon appeared: rent-to-own stores, places where -- with no credit history -- you could bring a \$400 television home and pay just \$50 a month -- for 24 months. Central Financial, formerly a South LA furniture store, now extends unsecured loans to a largely immigrant customer base -- at 32%, just below California's usury limit. A new, low-end, even underground, "financial system" has replaced the old; the new one has less capital to put out, charges exorbitant rates and reels in desperate customers. Much of government and the mainstream business sector has now withdrawn. The disinvestment picture is now complete.

In 1992, twenty-seven years after the Watts unrest, the civil violence that struck Los Angeles once again, was as much a product of these patterns of inner city disinvestment as of the police brutality acquittals that served as the spark. And, while Los Angeles is a prime example, most of America's urban core areas have undergone similar transformations since the 1960s and 70s.

2. The Five Capitals

The current economic reality of the inner cities of Los Angeles and the nation does a disservice to the poor and ignores a significant business opportunity. A new analysis of what it takes to make for a healthy community -- at any income level, but especially for a low income neighborhood -- is needed, and a new strategy, one that recognizes and draws upon the strengths of families of modest means, must be developed, tested, and carried out.

In order for a community to be truly healthy, it must possess five different kinds of "capital:" (1) spiritual/human; (2) social; (3) political; (4) intellectual; and, (5) financial. No one of the capitals can be dominant; unrestrained by the others, each can create its own type of chaos. Conversely, none can be absent either. The five capitals are to a healthy human community what vital organs are to a healthy human body -- completely necessary and in balance.

(1) The necessity of investing in SPIRITUAL/HUMAN CAPITAL draws from two wellsprings: religious tradition and our American democratic heritage. It implies the recognition of the fact that, in Judeo-Christian terms, ALL human persons are made "in Imago Dei," in the image and likeness of God, which in turn implies our common humanity and basic equality. In secular parlance, the notion of HUMAN CAPITAL derives from our political birthright. The political philosopher Sheldon Wolin argues that, as Americans (or, as it ought to be, as citizens of any democracy), all persons are born with both rights and responsibilities that transcend social contract theory. As a point of origin, the mandate of the polis to invest in equality of opportunity, to develop the "capital" of individual human beings, derives from the Declaration of Independence, staking out the "self-evident truths" of our equal creation and inalienable rights.

This tradition continues its trajectory of greater and greater inclusivity, in what Mortimer Adler calls the "American Testament" -- documents and acts such as the Emancipation Proclamation, the Gettysburg Address, the 14th Amendment, Women's suffrage, the Civil Rights movement and workers' rights legislation, such as Child Labor laws.

As a practical matter, investing in SPIRITUAL AND HUMAN CAPITAL may mean a number of specific policy initiatives originating in both the public and private sectors: the strengthening of mediating institutions such as churches, synagogues, and mosques; making the improvement of public education a national (and international) priority; expanding health care coverage; job training and re-training; etc.

(2) SOCIAL CAPITAL, a term popularized by Harvard professor Robert Putnam, means simply our social "glue," the ties of neighborhood and community. In our postmodern times, we seem increasingly disconnected from one another in any active capacity. Surely, we have access to more information and, with satellite television and the Internet, we can plug in to what is going on in any part of the globe. But, with such electronically mediated relationships, we are really only spectators -- users of the Internet, consumers of cable company "products." The social fabric can only truly be re-knitted face-to-face, when neighbors, co-workers, or others who inhabit the same "realm" take the time to bond, to get to know one another. This is also the only true way to overcome bias and prejudice, whether of race or class or gender. We must invest in having "public relationships" as well as private ones in order for any notion of civil society to prevail. Because humans are social animals, we must build a "relational culture," a society that brings us into deliberate contact with one another. The best way to form such public networks or

communities is through “voluntary associations” or mediating institutions, the virtues of which de Tocqueville extolled in Democracy in America, and a point to which we will return later.

(3.) POLITICAL CAPITAL: The median household income in the United States hovers around \$35,000 a year. Theoretically, half the electorate should come from those making more than that figure, and half from those earning below it. Yet, in a pattern exemplified in the 1994 mid-term election results, 73% of the voters came from the top half of the income sphere; just 27% from the bottom half. This is a story of political imbalance; it is unhealthy not only for low income Americans, but also for the long-term future of civil society and a strong democracy, which rests on the premise that a clear majority of citizens feel a degree of ownership over the political and economic decisions that affect their lives, and who feel a part of a common destiny. Ignoring the disenfranchisement -- literal and figurative -- of the poorest sectors of our society has only led to unacceptable levels of violence all across the nation (despite recent improvements in crime statistics), periodic civil unrest in our urban cores, the highest incarceration rate of any G-7 country, lost markets and business opportunities, and, most importantly, a generation of lost youth, many of whom look with little hope to the possibilities of a two-tier economic (and concomitantly, political) system, called by political scientist Benjamin Barber, “McWorld.”

The British political author Bernard Crick writes that “the absence of politics begets violence.” This is as true on the streets of Compton or the South Bronx as it is in Bosnia or Somalia. Members of a community -- in order to feel ownership for civil society and to feel complete as a human person -- must have “public lives” (discussed eloquently by philosophers from Aristotle to Hannah Arendt) and must participate in “politics” -- not only at the ballot box, but -- even more importantly -- in their own communities, from the living room to the parish hall.

(4.) INTELLECTUAL CAPITAL is harnessed brainpower. Many people in the United States and abroad are paid to think. Most work for large universities, well-funded think tanks, corporate-controlled media outlets, and privately hired research firms. Very few are paid to think about unemployment and underemployment, about the effects of low wages on families and neighborhoods, about the scourge of violence plaguing poor communities, about homelessness and hunger. Well-financed intellectual capital shapes and molds the public debate, but the poor do not have lobbyists or spin doctors.

Yet many poor people are smart. What is needed is a concerted effort to link up the resources of universities and think tanks, to develop pragmatic ideas not ivory tower theories, and to marry such intellectual resources to the creative spirit and entrepreneurial energies of low income neighborhoods, creating an environment of experimentation, well-founded optimism and mutual respect across diverse communities.

(5.) FINANCIAL CAPITAL: If social and political capital comprise one form of temporal power -- organized people, then financial capital constitutes another form of power -- organized money. In a given community, money takes on two primary forms for social purposes -- investments made and credits extended; in reality, these are, of course, two sides of the same coin.

If financial capital is present in an unchecked and unfettered form, in other words if it completely dominates the other four capitals, then money tends to concentrate, an oligopoly forms, and dictatorship (of the left or right) usually ensues. Such are the petty potentates of Gabriel Garcia Marquez lore and Latin American reality, or the Phillippines under Marcos, or -- unfortunately for today's world economy -- Indonesia under Suharno.

On the other hand, if financial capital is almost entirely absent from a community, we get the opposite political form. Instead of dictatorship, we get anarchy: Somalia under the warlords, the utter chaos so ably described by Robert Kaplan in The Ends of the Earth; we also get the Los Angeles unrest of 1992, where 56% of arrests were Latinos (according to a study published by the Tomas Rivera Center), where unease regarding socio-economic status provided more fuel than the Rodney King verdicts. (On April 30, 1992, a television reporter put a microphone in front of an immigrant looter on Santa Monica Boulevard and asked: "Is this about Rodney King?" The man, showing embarrassment on his face at being caught up in the mob mentality, replied earnestly, "Who's Rodney King?")

The growing inequality that characterizes late 20th Century American life, and increasingly epitomizes the economic status of the planet as the millennium approaches, is unhealthy for all, not just for the have-nots. In a mobile age, poor health care in one corner of the globe can lead to a disease appearing thousands of miles away. Witness the microbe scare outlined in books such as The Hot Zone, or the neo-epidemic of tuberculosis in some parts of New York City. Public health is just one broad effect of dire need amidst excessive wealth. Inadequate education, an untrained workforce, and high crime rates are but a few of the broad social concerns and ills exacerbated by inequality and poverty.

Despite "the widening divide," as it is described by UCLA Professor Paul Ong, and while the income gap has grown and the poverty level has increased over the past two decades in the United States, few serious efforts have been made to alleviate poverty or its causes since the 1970s. More troubling even than the income gap is the gap in wealth. In a pioneering study,

Melvin Oliver of UCLA (now, the Ford Foundation) and Thomas Shapiro of Northeastern University have shown that African Americans have only 19 cents of wealth for every white dollar. Subsequent studies have demonstrated that the figure is similar for Latinos. Poor whites struggle equally.

Accumulating wealth is difficult for the poor for obvious reasons, such as the need to spend all one's earnings on survival. But there are also institutional reasons: disinvestment and redlining; underwriting standards that do not employ social knowledge and that do not encompass an understanding of the earnings and savings patterns of inner city households; the recent tightening of U.S. immigration laws.

Though not easy, the capacity to build wealth is crucial because its accumulation -- even in modest amounts -- helps stop poverty from passing from one generation to the next. For example, owning even the most basic home may allow a family to borrow against their equity to send a child to college. A college education, in turn, may mean the difference between the child of an immigrant working in the service sector or working in a profession. In addition, assets, such as a home or small business, may be inherited, thus further increasing the choices available to the second generation.

Despite the importance of creating the capacity of low and moderate income people to build wealth for their families, most anti-poverty efforts in the past have relied upon either *government intervention* -- from tax policy to minimum wage increases to direct public assistance -- or *rising private sector wages* -- the rising tide that tended to lift most boats from the end of World War II until the mid-1970s. In the present political and economic climate, neither of these two more traditional approaches to poverty alleviation appear terribly realistic.

Welfare reform is already reducing government's role in ending poverty, while the rise of the global and the service-based economies have exerted downward pressure on wages. Accordingly, without abandoning either new public policy initiatives and without sacrificing efforts to secure fair wages, we must concentrate more attention on **creating wealth opportunities** for low income people.

In order to do so, we must create and sustain the conditions under which the **"Five Capitals"** can flourish in proper balance, and we must have **institutions** that can mediate between the individual and society at large in order to assess and facilitate the development of a wide variety of community assets.

3. Re-Imagining the Role of Churches, Voluntary Associations, and Networks of Mediating Institutions

If we can agree that the presence of the **"Five Capitals"** may be necessary for the healthy functioning of a community -- any community, in fact, both in the U.S. and abroad -- then we must determine how can we best ensure that presence. If we can further agree that wealth must be built and assets encouraged and constructed in low income communities, then we must determine the best vehicle with which to do so.

In many American inner city neighborhoods, government programs and services have been cut while corporate America has downsized and relocated offshore. What is left? **Religious congregations** (churches, synagogues, mosques, etc.) and **local schools**. In abandoned

communities, these are the remaining places where large numbers of diverse urban residents gather and connect. These are the institutions where the Five Capitals can be found and nurtured.

In fact, to ensure the continuous existence and proper balance of ALL Five Capitals, voluntary associations (or, to use a different term, mediating institutions) are a necessary precondition. Voluntary associations can identify, develop, mediate and distribute various forms of capital. The "Third Sector" at its best, when it avoids the tragic pitfall of narrow sectarian stances, functions to stand for the whole and to promote the common good among competing self-interests. Voluntary associations are the great American strength that de Tocqueville saw deeply woven into the fabric of the nation and provide the principal checks-and-balances against the "factious spirit" that Madison (Federalist 10) claimed is "sown in the nature of man."

The role of churches and other mediating institutions in the formation of HUMAN/ SPIRITUAL CAPITAL and SOCIAL CAPITAL is self-evident. The role of the church in politics (POLITICAL CAPITAL) is misunderstood, and, needlessly, controversial. Certainly the church has a role in helping to establish a framework for a public morality as well as a private one, and a role in the bringing together of community. These are public tasks. De facto, they imply a role for religious congregations in "politics" -- not necessarily electoral, but in the mediated debate, argument, negotiation, and resolution of the issues of society and of our common lives. From health care to homelessness, from cloning to warfare, the church's perspective belongs -- is needed, in fact -- in the "public square," whether one agrees with its position on issue X or not.

In economic affairs (ECONOMIC CAPITAL), religious congregations have long played an important role. For decades and centuries, perhaps millennia, congregations have helped their

members acquire work, have fed the hungry, and sheltered the homeless. But the economic role of the church has been largely confined to acts of charity.

Beyond charity, many denominations have chosen to publish position papers on issues of economic justice. The National Conference of Catholic Bishops 1986 Pastoral Letter Economic Justice for All is a prime and key example.

In still other cases, churches and synagogues have taken the leap to direct involvement in the creation and operation of economic development programs. First AME Church (FAME) in Los Angeles runs \$10 million worth of community development programs, ranging from the construction of low cost housing to the provision of employment to the jobless installing water conservation devices in the homes of low income Angelenos.

The problem with this model is that it is typically geographically confined; the work is usually done by one church in one neighborhood. For example, though FAME has had brilliant and admirable success with its ventures, there are nearly a half-million people living in South Central Los Angeles alone. Their work can only touch a small fraction of those in need, even disregarding more distant inner city areas such as East Los Angeles and Pico-Union. In addition, while the Economic Development Corporations (EDCs) provide immensely valuable services, very few of those are aimed at **wealth creation**. The problems, therefore, are **scale, scope, and focus**.

One answer to the problems of scale and scope at least, if not the problem of focus, may be found in **networks** of voluntary associations, organizations of organizations, as it were. By aggregating numerous and various churches, synagogues, school communities and neighborhood

associations under one banner, one can vastly increase the size and reach of the work that can be done.

One of the most obvious of this kind of network would be a **religious denomination**, e.g. the Roman Catholic Church, under a diocesan aegis; a Presbyterian Synod; the Union of American Hebrew Congregations; etc. There would be many advantages to working with a denomination to mediate financial capital; they would certainly include wide reach, common structure, financial experience, and clear lines of authority, among others. For example, many dioceses already run credit unions and some of the larger ones self-insure their employees health care. On the other hand, the governance of denominations is not set up for external purposes, and such work may be seen as a distraction from the overall mission. Furthermore, the local church -- and not the denominational body -- is the institutional entity closest to the people who would make up the "customer base." Nonetheless, the dioceses, districts and synods of religious denominations may be a good place to start looking for partners to begin wealth creation experiments.

4. The Industrial Areas Foundation and Broad-based Organizing

Another option is to work with networks of church and institution-based community organizations. There are a number of these around the country. One such network is the **Industrial Areas Foundation (IAF)**.

The IAF, founded by the late Saul Alinsky, is the largest and oldest institution for community organizing in the United States. For close to 60 years, the IAF's mission has been to train people to organize themselves and their institutions, to take responsibility for solving the

problems in their own communities, and to renew the interest of citizens in public life. With national headquarters in Chicago, the IAF now has a network of over 60 organizations in 21 states across the country, and affiliates in the United Kingdom and South Africa. The broad-based, multi-ethnic organizations of the IAF are comprised of religious institutions, unions, schools, and community associations. Dues-paying IAF members number more than two million nationwide, through their respective voluntary associations. They tackle neighborhood concerns such as crime, inadequate housing and public works, as well as broader issues including equity in education, welfare reform, immigration and naturalization, access to health care, and employment opportunities and job training.

One major thrust of the IAF in several American cities has been a plan to build low cost, owner-occupied homes in otherwise forsaken areas. This effort, the **Nehemiah Plan**, has resulted in the construction of over 5000 "Nehemiah Homes" in numerous neighborhoods in six different cities and has given the IAF significant experience in construction management, financial packaging, community marketing, and screening and pre-qualifying prospective buyers.

The Nehemiah Plan began in East Brooklyn, New York, in 1981. The pastors and lay leaders of East Brooklyn Congregations (EBC) had already begun to bring together respected and responsible residents of East Brooklyn and to train a new generation of leadership in the community. These new leaders understood the need to build relationships with other constructive community members, to resolve local matters like missing stop signs and threatening drug shops, and to operate in public arenas with creativity and humor.

But they had also begun to think beyond the local, to counter the cynicism and hopelessness that passed for urban policy at City Hall, in Albany, and in Washington, and to

respond to the timeless challenge of an Old Testament prophet. Nehemiah's voice could be heard in the abandoned blocks of Brownsville: "Come, see the walls that have been destroyed by fire...Let us rebuild the walls and be rid of the reproach."

EBC and IAF found in I.D. Robbins another New Yorker willing and able to answer Nehemiah's call. Mr. Robbins served as general manager of the EBC Nehemiah effort (1983-1990) and the South Bronx Churches Nehemiah Plan (1990-1995). He passed away in 1996 -- leaving a living legacy of new homes and backyards and equity for working class New Yorkers, as well as inspiration for IAF Nehemiah leaders in Baltimore, Los Angeles and other cities.

Beginning in 1983, the East Brooklyn Congregations' Nehemiah Plan built and sold nearly 2,200 single-family homes in Brownsville and East New York. Today, EBC is beginning to build 1,200 more homes on the abandoned blocks west of Pennsylvania Avenue in East Brooklyn and on the empty acres of Spring Creek. Other IAF affiliate organizations have also adopted Nehemiah strategies. South Bronx Churches constructed 525 homes and condominiums and began another phase in the summer of 1997. Approximately 1,000 additional homes have been built by IAF organizations in Baltimore, Philadelphia, Los Angeles, and Prince George's County, Maryland. Another 1,000 or more homes are scheduled to be built in these and other cities by IAF groups. Most of the homes have been single-family. Most of the homes have been attached townhouses. And most of the homes have been sold to African-American or Hispanic families making between \$20,000 and \$40,000 per year.

The core concepts of the Nehemiah effort have remained consistent throughout the past fifteen years. At the same time each Nehemiah phase in each city has been organized differently,

with different partners, builders, professional support staff, and financing arrangements. These core concepts include:

- Critical Mass
- Ownership and Equity
- Low Soft Costs
- No-interest Revolving Construction Funds

(Further information regarding the Nehemiah housing effort can be found in the attached Appendix.)

The Nehemiah experience has provided IAF not only a track record of 5000 homes, but also a host of learning opportunities. Churches have played a crucial role in the Nehemiah Plan. Church leaders have convinced their bishops and judicatories to lend millions of dollars at zero interest. Organizational leaders have further won tens of millions of dollars in public financing commitments. Nearly all 5000 homes have been “advertised” sold through networks of local relationships in churches and communities, not through traditional media marketing. And, the IAF projects have set up information intake and pre-qualifying operations in local neighborhoods rather than at bank offices, a closeness to community that has proved crucial to both sales capability and trust.

Most importantly though, the network has learned what is still missing in low income neighborhoods and what might be with an extension of the vision.

5. Congregations and Networks as Social and Financial Intermediaries

Though 5000 is a substantial number of homes, the number of beneficiaries is still small when compared with the need. Big cities like New York and Los Angeles have severe shortages of quality affordable housing.

Returning to the absent or usurious financial system in many inner cities, millions of low income residents need small loans to start businesses and micro-enterprises. With minimum requirements for checking accounts or investment vehicles such as mutual funds, poor and low income Americans have few places to save and invest. While much of America has benefitted from the past decade's sharp rise in the stock market, the bottom third is entirely shut out. In short, the poor need both **credit and investment options**.

Religious congregations and networks of mediating institutions can provide a point of entry for community members into a more accessible and equitable financial system in a number of ways.

Due to the work of a number of finance experts, including Harvard Business School (HBS) Professor and Nobel-laureate Robert Merton and HBS Finance Professor Peter Tufano, who is collaborating with the IAF in investigating the potential role of churches in urban financial systems, a "functional perspective" of finance has been developed. If this perspective is applied to poor communities, it is clear that the core set of functions that a financial system must perform apply in any economy, and are constant across time and across geographies. "In general terms, there are six needs: the movement of funds across time and space, the pooling of funds, the

payment system that facilitates the purchase of goods and services, the management of risk, the extraction of information from market data, and the solution of information problems.”

Delivering these functions has proven, de facto, difficult in poor urban communities. Thus, the proliferation of pawn shops, check cashing outlets, and rent-to-own stores described earlier.

To re-construct a better financial system in the inner city, one would need to find institutions capable of performing at least some of the six core functions. A network of churches and other voluntary associations may be able to meet some of these needs. Church networks could potentially provide:

* SOCIAL KNOWLEDGE/COLLECTION OF INFORMATION. Current bank underwriting standards focus on documentation many inner city residents do not have: standard tax and employment documents, TRW reports, and the like. Due to the lack of these kinds of records, traditional financial institutions deem inner city residents high risks. Undeniably, this assessment may be true in a number of cases. But in many others, it is simply a lack of knowledge and the lack of an alternative system to provide risk assessment information, not an inherently high risk. Churches know their members and their families, often quite intimately. They know employment histories and work habits. In numerous cases, they have been the part-time employers of a number of their members. Social underwriting criteria could be developed to ameliorate the lack of traditional financial information. These could include: records of offerings and tithes to the church in place of standard credit histories, verification of employment through pastoral staffs who have often followed the numerous part-time jobs the poor work to make ends

meet, and verification of length of residence where no standard leases are available from absentee owners who rent month-to-month.

* **INFRASTRUCTURE AND METHOD OF REACHING THE CUSTOMER.** Churches have existing structures and leadership, steward boards, vestries, and parish councils. These leadership groups regularly contact and survey their members regarding religious ceremonies and sacraments, religious education, community service, etc. In addition, church and synagogue members are, in essence, a “captive audience,” in the best sense of that term. They gather regularly each Saturday and Sunday and can be contacted and educated en masse in that setting. In addition, members have a trust relationship with their pastors and rabbis. These relationships can yield a high quality of access to an organized base constituency.

* **OPPORTUNITY FOR POOLING/ECONOMIES OF SCALE.** Many poor people have some savings. In Los Angeles, one immigrant woman working in the service sector made her down payment for a Nehemiah home with money that was “extremely cold to the touch,” according to the sales worker. The buyer had stored her savings in an empty ice cream container in her freezer. Yet the size of their savings is usually very small, making any transaction costs high. But networks of voluntary institutions may provide a possible solution to this problem of scale: **pooling**. If stock brokers and mutual fund sales staffs are not exactly lining up to reel in the \$100 to \$300 investments the poor might be able to make, then they may show up if a number of congregations had organized 1000 parishioners to invest \$100 each.

* **SPREADING RISK.** A network of congregations would include a multi-gender, multi-racial, multi-ethnic constituency. This diversity would spread lending risks, for example, among many different peoples. In addition, geographic spread, for example, congregations stretching

across the State of California, the West Coast, or the Southwest, would provide economies of scope as well as of scale. Also, congregations could perhaps persuade middle class members to join the lending and investment pools alongside low income members.

There are other potential roles for networks of mediating institutions in the provision of financial services in low income communities, but those outlined above give a feel for the thesis being researched and investigated, namely, that **voluntary associations can serve as intermediaries in an inner city financial system and thereby encourage investment and asset-building, as well as facilitate the responsible and reasonable extension of credit, among the urban poor.**

6. Conclusions

In order truly to combat poverty, strategies must be developed to increase the wealth creation capacity of the poor. Creating wealth starts with responsible credit -- borrowing for the purchase of assets, such as a home or business -- and savings and investment opportunities. These tasks are made difficult in inner city areas by the special circumstances of such communities (e.g. the small size of transactions), by mismatched underwriting criteria, and by the concomitant lack of a decent financial system. To re-build and re-weave urban poor neighborhoods, five different kinds of capital must be present and in balance: (1) spiritual/human; (2) social; (3) political; (4) intellectual; and, (5) economic. The best engines for the development of these five capitals, including possible strategies for wealth creation, are networks of mediating institutions, including churches, synagogues, schools, and neighborhood associations.

Across the globe, development entities such as the World Bank, understand the need to construct infrastructure before making major financial investments. There is, of course, little sense in building a factory to manufacture products if there are no roads to bring those products to market. It is equally clear, however, that infrastructure investments must be not only physical, but also social. This premise is equally true in the South Bronx as it is in Bangladesh, in Somalia as in South Los Angeles.

Many of the theses of this paper are untried, and therefore experimental in and by nature. But the IAF Network believes there is a potentially significant opportunity here. The first step is to invest in the building, organizing, re-organizing and development of the core institutions of low income urban citizens: churches, synagogues, schools, voluntary associations. The second step is to join these institutions in a network capable of acting powerfully and effectively on its own behalf, using as its principle a core premise of the IAF, called the *Iron Rule*: “Never do things for people they can do for themselves. Never.” Fundamentally, there must be a firm commitment to the belief that ordinary people, equipped with adequate resources, can dream, can organize, can build and can develop a “good society,” a community of justice, dignity, self-respect, compassion and fairness, in short, a society that will stand for and benefit the whole, resulting in the creation and sustenance of a true “commonwealth.”

APPENDIX

**EAST BROOKLYN CONGREGATIONS
NEXT NEHEMIAH PLAN
OCTOBER 2, 1996**

BACKGROUND

Nearly fifteen years ago, the leaders of East Brooklyn Congregations and the staff of the Industrial Areas Foundation began to plan to rebuild the devastated and abandoned acres of East Brooklyn. Ronald Reagan was President; Ed Koch was Mayor; interest rates were soaring; and "benign neglect" -- urban downsizing -- was what passed for conventional wisdom regarding inner city neighborhoods.

The pastors and lay leaders and organizers of EBC had already begun to bring together the responsible residents of East Brooklyn and to train a new generation of leadership in the community. These new leaders understood the need to build relationships with other constructive community members, to resolve local matters like missing stop signs and threatening drug shops, and to operate in the public arena with creativity and humor.

But they also began to think beyond the local, to counter the cynicism and hopelessness that passed for policy at City Hall, in Albany, and in Washington, and to respond to the timeless challenge of an Old Testament prophet. Nehemiah's voice could be heard in the abandoned blocks of Brownsville: "Come, see the walls that have been destroyed by fire....Let us rebuild the walls and be rid of the reproach."

EBC and IAF found in I. D. Robbins another New Yorker willing and able to answer Nehemiah's call. Mr. Robbins served as general manager of the EBC Nehemiah effort (1983 - 1990) and the South Bronx Churches Nehemiah Plan (1990 - 1995). He passed away this summer -- leaving a living legacy of new homes and backyards and equity for workingclass New Yorkers.

Beginning in 1983, the East Brooklyn Congregations' Nehemiah Plan built and sold nearly 2,200 single-family homes in Brownsville and East New York. Today, EBC is beginning to build 1,200 more homes on the abandoned blocks west of Pennsylvania Avenue in East Brooklyn and on the empty acres of Spring Creek. Other IAF affiliate organizations have also adopted Nehemiah strategies. South Bronx Churches constructed 525 homes and condominiums and plans to begin another phase in the summer of 1997. Approximately 1,000 additional homes have been built by IAF organizations in Baltimore, Philadelphia, Los Angeles, and Prince George's County, Maryland. Another 1,000 or more homes are scheduled to be built in these and other cities by IAF groups. Most of the homes have been single-family. Most of the homes have been attached townhouses. And

most of the homes have been sold to African-American or Hispanic families making between \$20,000 and \$40,000 per year.

The core concepts of the Nehemiah effort have remained consistent throughout the past fifteen years. At the same time, each Nehemiah phase in each city has been organized differently, with different partners, builders, professional support staff, and financing arrangements. The leaders and staffs of the organizations have tried to learn from each Nehemiah effort over the years and have tried to improve on the success of the first Nehemiah effort begun in a political environment at least as bad as today's.

CORE CONCEPTS

Critical Mass. In each effort, the organization has tried to build a critical mass of new homes, not just a few homes in a devastated area and not in-fill or scattered new construction in the middle of older and more deteriorated housing stock. Only a critical mass of new construction is capable of halting and reversing the negative chain reactions of deterioration, crime, lowering property values, despair, and abandonment. A constructive critical mass reduces the cost of the effort because of economies of scale. A critical mass of homes attracts buyers who long to be part of an improving new community not a declining neglected neighborhood. And a critical mass of new construction provides EBC or any IAF organization with a leading wedge of new investment that can begin to attract other public and private sector improvements. While the size of the critical mass varies from place to place - 1,000 in Brooklyn, 300 in Baltimore, 100 in Prince George's County -- the need for it does not.

Ownership and Equity. From the start, EBC and IAF saw Nehemiah as a chance to provide opportunities for ownership and equity to the vast group of working families priced out of the housing market by rising real estate prices and stagnant or falling incomes. Ownership and equity -- along with living wage work -- offer the next generation of New Yorkers a way into the mainstream. Ownership and equity attract buyers and keep families in a community who otherwise would have to leave to buy decent houses. The Nehemiah homes in East Brooklyn and the South Bronx - sold overwhelmingly to local or nearby residents who formerly lived in public or Section 8 housing -- have given people an opportunity to live in the city, invest in the city, and still live a subway ride from work or short walk from family. The Nehemiah homes have also given the surrounding communities a desperately needed injection of lower density ownership housing to balance the glut of high-rise rental construction in the sixties and seventies.

Low Soft Costs. The purpose of each Nehemiah effort has been to build a large volume of decent and affordable housing at the lowest possible cost. This is in contrast to so many other so-called community development efforts that start with good intentions but grow long on bureaucracy and high on overhead, while producing very few homes or apartments. To keep soft costs low, the sponsoring organizations commit thousands of hours of time to the effort. They pressure the city for land and subsidy, defend the effort

from political attack, work with potential buyers. The organizations plow any left-over funds from earlier Nehemiah projects into pre-development costs for the next Nehemiah, or use excess funds to create no-interest construction funds for the future.

No-interest Revolving Construction Funds. Each effort has benefited from the creation of a no-interest revolving construction fund. This fund saves the project the cost of money during construction. It enables the builder to be reimbursed for his efforts within nine days of the submission of vouchers. And it keeps the project independent from governmental or bank bureaucracies that may not appreciate the need for prompt inspection and rapid response to contractors doing professional work. The no-interest construction financing to the builder will be the result of no interest contributions from the Lutheran Church Missouri Synod, the Roman Catholic Diocese of Brooklyn, St. Paul Community Baptist Church, East Brooklyn Congregations, and others. The fund will be managed by the professional staff of the Community Preservation Corporation -- the nation's most experienced and productive financier of affordable apartments, co-ops, and new homes.

KEY PARTICIPANTS

East Brooklyn Congregations. Founded in 1980, EBC has become one of the flagship citizens organizations in the Industrial Areas Foundation network. It has built 2,200 Nehemiah homes, begun two high schools, launched one primary health center, pressured for employment for local residents, helped lead the fight for living wage work in the city, and addressed hundreds of local issues during its existence. Its fifty member congregations and associations are located in East New York, Brownsville, Bushwick, and East Flatbush.

Future homebuyers. Both in East Brooklyn and beyond, there are scores of thousands of families making \$20,000 to \$40,000 per year who cannot find an affordable home. Black and Hispanic in large numbers -- but also Asian, Russian, Polish, Irish -- these families make up the next generation of local, regional, and city-wide leaders if they begin to move from the margins of society into full membership in the economic and civic life of the city. They will move into the area West of Pennsylvania Avenue, where 700 new homes will be built, and the Spring Creek community, where a minimum of 500 new homes will rise. By the turn of the century, these sites will be thriving neighborhoods of working families -- raising children, paying taxes, participating in public life, shopping and worshipping near their new homes.

No-interest Founders. The Roman Catholic Diocese of Brooklyn, led by Bishop Daily, and the Lutheran Church Missouri Synod, led locally by President David Benke, are providing the bulk of the no interest construction financing for this Nehemiah effort. Additional contributions are being made by St. Paul Community Baptist Church, East Brooklyn Congregations, and at least one other funder.

Monadnock Builders. EBC and IAF have selected Monadnock Construction to build the next Nehemiah homes. A well-regarded builder, with a fine track record in the New York area and a back-office team capable of addressing administrative issues effectively, the Monadnock group is investing in the creation of a factory at the Brooklyn Navy Yard to build portions of the new Nehemiah homes in a way that increases quality of speed of construction. Plans for the next Nehemiah Plan call for the building of a larger home with more amenities at a price still affordable to the vast majority of families reached in earlier phases.

Community Preservation Corporation. EBC and IAF have asked CPC, the most productive mortgage lender and creator of affordable housing solutions in the region, to lend its expertise to the next Nehemiah effort. CPC will organize and help oversee the construction loan, use its professional staff to inspect and monitor construction, provide accounting and auditing oversight, and use the experience to transfer its knowledge about financing and development to EBC and IAF leaders interested in replicating the successes of Nehemiah in more cities and at a more rapid rate.

City of New York. The City will provide land at no cost and a modest \$20,000 per home subsidy to reduce the cost to the buyer to an affordable level. The City will also seek to provide expedited responses to the many administrative issues that can slow down and drive up the costs of any building effort.

The State of New York Mortgage Agency. Sonyma will provide below-market mortgage financing for the next phase of Nehemiah homes, just as it did for all 2,200 homes already built in Brownsville and East New York.

COSTS AND IMPORTANT FACTS ABOUT THE EBC NEHEMIAH PLAN

These Nehemiah homes are 12% larger than the quality homes built before.

Households with a yearly income of \$22,000 qualify for a Nehemiah Home.

These homes also include a few more amenities than the homes built earlier.

\$93,000 --	Cost to build
- \$20,000 --	No-interest second mortgage with lien provided by City
<u>\$73,000 --</u>	Cost to buyer
- 5,000 --	Downpayment
<u>\$68,000 --</u>	Mortgage Amount
547.	Monthly Payment On A Sonyma Mortgage (@ 7.5%)

Monthly Mortgage Analysis:

\$476.00	Monthly Principal & Interest
\$ 21.00	Taxes
\$ 10.00	Sewer Maintenance
<u>\$ 40.00</u>	Hazard Insurance
\$547.00	

Some features of the Nehemiah Homes:

- *Private parking spaces
- *Private rear yards
- *Single hung vinyl windows
- *Wall to wall carpeting
- *Full size unfinished basement
- *Three bedrooms
- *One and one-half bathrooms
- *Washer and dryer hookups

3 Banks Fail to Meet Vows to L.A. Plan

■ **Inner city:** They say
Community Development Bank
is too risky. Smaller lenders have
filled the gap.

By JILL LEOVY
TIMES STAFF WRITER

Wells Fargo Bank, Union Bank of California and Bank of America have so far failed to deliver on their pledges to back the federal government's largest ever inner-city lending program, the Los Angeles Community Development Bank.

A widely watched experiment in reviving depressed urban neighborhoods through loans to struggling—but promising—entrepreneurs, the development bank counted on the big institutions' commitment to lend \$210 million in areas such as Pacoima and South-Central Los Angeles.

But not a penny of that money has come through. "Getting them to honor their pledge has been problematic," said C. Robert Kemp, head of the development bank.

As a result, the institution has relied instead on an array of smaller banks and other lenders, which have kicked in \$33

Please see A1D, B6

AID: 3 Banks Have Failed to Meet Promises to L.A. Plan

Continued from B1

million to augment its \$40 million in federally funded loans approved to date.

That disappoints the development bank's officials, who say the goal is to create a government partnership with private financial institutions. The big banks' \$210 million, matched by federal funds, was to have gone to businesses that had failed to qualify for conventional financing.

Banks give varied answers as to why the joint lending program has faltered. Some say the risks involved are too high. Others say the problem lies with the development bank, which they contend has failed to standardize the program, or with unreasonably high expectations of how quickly the program could be put into place.

Also cited are changing economic conditions that have banks chasing marginal borrowers they wouldn't consider during the recession in which the development bank was conceived. This has pushed the federally funded development institution toward even more risky deals, said Robert A. McNeely, Union Bank senior vice president. Union will participate at a later stage of the development bank's evolution, he predicted.

The development institution "was not to be a charitable program," said Bank of America Executive Vice President Don Mullane. "If you really want to benefit that area, you've got to make loans of substance to companies of substance."

Los Angeles Deputy Mayor Rockard Delgadillo said Mayor Richard Riordan plans to seek federal changes in the program to expand the eligible pool of borrowers. Delgadillo agreed that the development bank has been forced to focus on risky borrowers, but he also said private banks need to be "pushed" toward involvement.

The Community Development Bank was established in 1995 to help soften the blow of the city's failure to win an empowerment zone from the federal government. Instead, Los Angeles got \$430 million from the Department of Housing and Urban Development to set up a 10-year loan program for businesses in targeted industrial areas on the Eastside and in South-Central, Pacoima and some unin-

corporated areas of Los Angeles County. (The city recently got the empowerment zone after all, but the development bank remains in place.)

The idea was to pair the federal loan money with private bank loans to stimulate job growth in disadvantaged areas, and initially banks responded enthusiastically. In 1995, Bank of America pledged \$50 million, and Wells Fargo and what was then First Interstate—which Wells has since acquired—pledged a combined \$125 million. Union Bank said it would kick in \$35 million. A consortium of smaller lenders pledged a total of \$100 million.

The development bank targeted the riskiest borrowers, those who had been turned down for conventional bank loans, and often those with few assets to show beyond their equipment and inventories. In fact, among the hundreds of businesses that have applied for loans are a few so marginal that they don't even have bank accounts and survive from one cash transaction to the next, Kemp said.

Among the beneficiaries to date is American Fleet Services President Maurice Venegas, who got a \$25,000 loan from the community bank through one of its most successful intermediaries, the Valley Economic Development Center.

Venegas, 28, typifies the kind of scrappy, marginalized entrepreneur the development bank hopes to help become a good credit risk for mainstream financial institutions. A Colombian immigrant who learned English here at age 10, he used credit cards and student loans to buy a bus while still a student at UCLA. He has since built a transit services and truck repair business that has \$1.1 million in yearly revenue. "I will make those payments before I make any other payments," he said of the community bank's loan. "I was so surprised they did come through when no [other] bank would."

Another borrower is Desmond George, owner of a South-Central grocery who watched his store burn to the ground in the 1992 riots. Banks would not extend him credit because of his losses.

Though borrowing \$100,000 from the development bank helped him reopen his deli counter, he still lacks working capital and fears that the loan won't give him a



KIRK MCKOY / Los Angeles Times

Desmond George used \$100,000 loan from development bank to help reopen store's deli counter after riots but needs working capital.

sufficient credit history to qualify for conventional bank loans in the future.

George's predicament offers a lesson in how one business' lack of capital trickles down to everyone in his low-income neighborhood: He can't buy his fresh vegetables and seafood in bulk and so charges higher prices. If his business fails, there will be one less store in an area where groceries are already scarce.

Officials of the community bank hoped the larger institutions, in partnership with the federal government, would help with deals like George's and with bigger business lending agreements, those most likely to create jobs for residents of poorer areas.

But to date, the big institutions have stood on the sidelines. Community Development Bank officials, however, have been pleasantly surprised to find an array of other lenders and venture capital companies eager to participate, including GE Capital and Heller Financial. GE Capital helped participate in the bank's largest deal, the \$8.5-million acquisition of a dairy south of downtown L.A. by Copeland Beverage, Kemp said. That purchase preserved about 150 jobs, the bank's officials said.

But of 38 potential joint loan packages approved to date, only 12 have actually included money from private lenders, officials of the community bank said. Kemp said he is concerned that the banks seem averse to taking the risks that are inherent in the program.

"If we could bring them bankable loans, we couldn't do those loans," he said.

Mullane, of Bank of America, said that so far the community

bank has not presented any deals that meet his company's underwriting standards. In some cases, he said, projected cash flows have simply not been sufficient to service the debt, in his bank's view.

He defended this bottom-line approach, and said BofA's pledge was made with the caveat that borrowers must meet its criteria.

The banks also point to their good lending record in other programs for underserved borrowers. BofA, Wells Fargo and Union Bank have all qualified for the best possible rating under the federal Community Reinvestment Act, meant to guarantee that banks do not redline inner city communities. Wells is Southern California's largest Small Business Administration lender, and BofA last year booked more than \$1 billion in loans from its own internal community development bank, chiefly for construction loans for affordable housing and SBA loans.

David Gonzales, executive vice president of Wells Credit, the asset-based lending group of Wells Fargo, said the problems are specific to the Los Angeles development bank, rather than an aversion to inner-city lending programs. He said Wells Fargo wants the L.A. institution to standardize its lending program, perhaps to more closely resemble the SBA's.

All three big banks insisted they will fully participate, given time.

"We will fulfill our commitment," said BofA's Mullane. "We are waiting for the right deals, and we need to find them."

**Working Lunch with
Los Angeles Community Leaders**
Tuesday, February 10, 1998
12:30-1:30 p.m.
Conference Room MC-12-700

- Following your invitation, Father David O'Connell and other LA community leaders are visiting to the World Bank Group during Monday-Tuesday, February 9-10. As part of this visit, the LA community leaders are having a *"working lunch" with you on Tuesday, February 10.*
- In his first background memo (2/3/98, enclosed), Michael Cohen informs you that Father O'Connell wants to ask you again to intervene with financial leaders in Southern California to encourage more social responsibility and address the issue of micro-credit. At the meeting, you may wish to adopt the following approach:
 - a) Emphasize that you would hope that this visit will provide them with examples on how the Bank addresses social issues and micro-credit needs. Sharing know-how is, in itself, an important way in which the Bank can be helpful to local communities facing problems similar to those of our developing country clients.
 - b) Be cautious about Michael's proposal to have another meeting with U.S. religious and business leaders, as a follow up to your upcoming visit to Lambeth Palace. There are two reasons for caution: (i) your schedule is extremely constrained in the next few months; and (ii) even if there may be the possibility to go to California later in the year, the Bank's President should not take such a public stance on internal U.S. matters. Instead, you may wish to suggest that Michael Cohen informs Father O'Connell, upon your return from London, of any outcomes of the Lambeth Palace meetings that might be of interest to them.
 - c) Finally, Michael proposes that you consider to "mobilize lower profile pressure," through specific contacts in California. If you think it appropriate, you may wish to offer to touch base with Tom Clausen and Alan Greenspan (the latter, as you know, made visible statements on related matters in a visit to California following yours last year).
- Further proposals from Father O'Connell are attached to Michael Cohen's second note (2/9/98, also enclosed, prepared after Michael met with the leaders today).
- FYI, we are preparing a thank-you note for Tony Pellegrini for his budgetary contribution to this visit, which he provided on very short notice.

Maizela
2/9/98

OFFICE MEMORANDUM

①

DATE: February 3, 1998

CONFIDENTIAL

TO: Mr. James Wolfensohn, President, EXC

DECLASSIFIED

FROM: *Malle*
Michael Cohen, Sr. Adviser, SRMPG

JUN 17 2025

EXTENSION: 31015

WBG ARCHIVES

SUBJECT: Brief for Visit of Los Angeles Community Leaders, February 9-11, 1998**Background:**

1. Following your invitation to Father David O'Connell of the Southern California Organizing Committee on November 4, 1997, in Los Angeles, Father O'Connell, Sister Diane Donoghue of the Esperanza Community Housing Corporation, and Mr. Larry Foundation of the Southern California Industrial Areas Foundation will be visiting the Bank at our cost from February 9-11, 1998. Their bios are attached as Annex I.

Objective:

2. The **primary objective** of this visit will be to exchange experiences between these leaders and Bank staff, increasing mutual awareness and hopefully US domestic understanding of the Bank's activities. Bank managers and staff within the urban and social development families have enthusiastically responded to this initiative. Seminars and meetings have been organized with each of these groups (see Annex II on the program which has been agreed with Father O'Connell.)
3. In addition, we have organized meetings in the Bank for the LA leaders with the management of the DC Agenda as well as with community leaders within Washington. This added dimension will further connect the Bank to US experience while strengthening our outreach. This process will also have broader significance because Father O'Connell has requested that Nancy Alexander of Bread for the World and author of the Bankwatch newsletter and Barbara Kohnen of the U.S. Catholic Conference of Bishops join the meetings.
4. While we expect these discussions to be constructive and informative for both sides, **the prospects for concrete partnerships between the Bank and these leaders are less clear.** As you may remember, Father O'Connell had asked you about the possibility of your personal and possibly institutional intervention in urging financial institutions in southern California to be more supportive of low-income communities in Los Angeles, particularly with regard to the financing of housing and job creation activities. They had described the replacement of personal banking services in South Central Los Angeles by ATM machines which present a range of problems for poor families lacking bank accounts and credit. One African-American entrepreneur had presented his extraordinary efforts to establish a dairy in that neighborhood and how the transaction costs had been unnecessarily high.

5. Following up your sympathetic responses to these problems, **Father O'Connell has reiterated to me his intention to ask you once again to intervene in either a personal or institutional capacity with financial leaders in southern California.** This obviously presents political problems for the Bank in the US domestic arena. However, I would suggest that you consider two possible approaches which might respond to this request:

A. First, you might refer to the **upcoming meeting of religious leaders in the United Kingdom later this year and the possibility of some follow-up in the US** which could bring together these leaders, including the Archdiocese in Los Angeles and the business community, and use that platform to explicitly call for greater social responsibility of the business community both domestically and internationally. You might specifically consider this follow-up occurring in California. This somewhat indirect approach might avoid the immediate political problem of localized activity in the United States.

B. Alternatively, you might **consider using specific contacts in California - Harold Williams, Tom Clausen? - to mobilize some lower profile pressure** to have these questions opened by financial leaders in California. **I have deliberately not invited Jan Piercy to these meetings** due to obvious sensitivities on her part. (In this respect I think you need to be careful in how explicitly you respond on this subject, given the presence of Nancy Alexander at the lunch meeting where your intervention will be requested by Father O'Connell.)

Substantive Discussion at Lunch:

6. You will host a brown bag lunch for the LA leaders on the second day of their visit. The lunch will be attended Sven, Jessica, Ismail, Jean-Francois, Matt McHugh, myself, and other staff involved in the meetings. Two staff, Tony Pellegrini and Caroline Moser, will have chaired seminar discussions with Father O'Connell and his colleagues prior to the lunch and will be able to report on the exchange. The agendas and list of participants for those seminars are attached in Annex II.

Cost of the Visit:

7. The cost of this visit is about US\$5,000 and is shared between EXT (US\$3000) and TWU (\$2000). Your acknowledgment of this to Tony Pellegrini of TWU would be welcome, because this was a completely unprogrammed activity which Tony very graciously agreed to do despite budgetary pressures.

Attachments

MCohen/vid

OFFICE MEMORANDUM

2

DATE: February 9, 1998

TO: Mr. James D. Wolfensohn, President, EXC

FROM: *Michael*
Michael Cohen, Senior Adviser, SRMPG

EXTENSION: 31015

SUBJECT: **LA Community Leaders**

We have had a very interesting first day of talks, very friendly, constructive and appreciated from both sides. Father O'Connell has given me this folder for you in anticipation of tomorrow's lunch meeting.

We don't believe that points 1, 2, 4 and 5, are necessarily appropriate, but Tony Pellegrini and I have some ideas about point 3, including Bank assistance in convening some banks, not only from the West coast but from Latin America and East Asia, as well, in order to communicate an international message about social responsibilities.

Attachment

MCohen/vid

NEEDS/REQUESTS
SOCIAL INTERMEDIARIES AS FINANCIAL INTERMEDIARIES

1. **\$700,000** to *hire 14 field staff* to work with groups of ^{ten} to twelve churches, synagogues and schools each in order to build social infrastructure -- form leadership teams, develop mission statements, recruit new membership -- and to develop financial capacities within these institutions.
2. **\$250,000** to *fund the research and development and to pilot the use of mediating institutions as financial intermediaries*. Money would be used to: fund appropriate consulting and travel, conduct survey research on the financial needs and capacities of low income families, develop a basic "family economics" curriculum (topics to include; making a family budget, debt management, forming a savings plan, etc.) And the hiring of initial staff to implement these incipient steps.
3. *Convene the CEOs of West Coast banks* to pursue this idea and other means of increasing investment in inner city neighborhoods.
4. *Consulting* to study the welfare check-cashing system of the State of California and to develop an alternative, more accessible system for recipients.
5. *Work to establish* a "Housing Trust Fund" in order to further develop stable and affordable inner city communities.

Fr. David O'Connell
1440 W. Imperial Hwy.
Los Angeles, CA. 90047-4997
(213) 757-0271

Pastor of
St. Frances X. Cabrini Church
in South Central Los Angeles

Chair of
the Council of Priests'
of the Archdiocese of Los Angeles

Co-Chair of
the Southern California Organizing Committee

- *Minimum Wage Campaign
- *Hope In Youth Campaign
To create alternative to gang involvement.
- *Member of 5 Capitals Campaign

Co-Chair of
the Active Citizen Campaign

- *Which has helped 32,000 legal residents become citizens in 1996-97.
- *Organized a precinct operation delivering of 90,000 voters in the November 96 Election

Christians Empowered for Reconciliation with Justice

- *Multi-denomination Group for Urban Reconciliation



Record Removal Notice

File Title President Wolfensohn - Briefing Book for President's Meetings and Events - Working Luncheon - Los Angeles Community Leaders - February 10, 1998		Barcode No. 30489569		
Document Date January 30, 1998	Document Type CV / Resumé			
Correspondents / Participants				
Subject / Title CV - Sister Diane Donoghue, SSS				
Exception(s) Personal Information				
Additional Comments		The item(s) identified above has/have been removed in accordance with The World Bank Policy on Access to Information or other disclosure policies of the World Bank Group. <table border="1"><tr><td>Withdrawn by Diego Hernández</td><td>Date June 18, 2025</td></tr></table>	Withdrawn by Diego Hernández	Date June 18, 2025
Withdrawn by Diego Hernández	Date June 18, 2025			



Record Removal Notice

File Title President Wolfensohn - Briefing Book for President's Meetings and Events - Working Luncheon - Los Angeles Community Leaders - February 10, 1998		Barcode No. 30489569		
Document Date January 30, 1998	Document Type CV / Resumé			
Correspondents / Participants				
Subject / Title CV - Lawrence R. Fondation				
Exception(s) Personal Information				
Additional Comments		The item(s) identified above has/have been removed in accordance with The World Bank Policy on Access to Information or other disclosure policies of the World Bank Group. <table border="1"><tr><td>Withdrawn by Diego Hernández</td><td>Date June 18, 2025</td></tr></table>	Withdrawn by Diego Hernández	Date June 18, 2025
Withdrawn by Diego Hernández	Date June 18, 2025			

Appointment Schedule for Community Leaders from LA February 9-10, 1998		
Time	Name	Location and extension
Monday, February 9, 1998		
9:15 a.m.	Arrive at World Bank, Main Complex, 1818 H. Street, NW. The guards desk will ID ready for you.	
9:30-11:30 a.m.	Orientation Meeting with Michael Cohen and other staff: The Objectives, Structure, and Operations of the World Bank (MC-5-747)	MC5-747; x31015
11:30 a.m.-12:00 noon	Visit to Bookstore and Information Center	
12:00-1:00 p.m.	Informal lunch with Michael Cohen, George Gattoni TWU), and other staff.	Cafeteria
1:00 p.m.		
2:00-4:00 p.m.	Urban Seminar, Chaired by Anthony Pellegrini 2:00—2:10 Welcome and introduction by Michael Cohen 2:10—2:30 South Central leaders' description of their work 2:30—3:00 Bank examples, limited to six @ 5 min. each: Tony Pellegrini—the Bank's urban poverty perspective Caroline Moser—what we are learning about urban poverty Dan Gross—poverty assessments and responses in Brazil Maria Mejia—community-based participation Ariel Fiszbein—our NGO partnerships Jeff Ruster—Mexico example Sonia Hammam—rebuilding, the Bosnia case (possibly) Asif Faiz—poverty responses at an country level—Argentina 3:00—4:00 general discussion	MC6-218
4:00 p.m.	Open for follow-up	
5:00 p.m.		
6:00 p.m.		

Tuesday, February 10, 1998		
9:00 a.m.		
10:00 a.m.- 12:00 noon	Seminar with Social Development Family, Chaired by Caroline Moser 10:00—10:10 Welcome and introductions 10:10—10:30 South Central leaders' description of their work 10:30—10:45 Anders Rudqvist (SDV) highlights "learning and innovation" process in (Colombia) Magdalena Medio Regional Development Project Alexandre Marc (ECA) highlights participatory aspects of the Armenia Social Investment Fund Project 10:45—12:00 Discussion	I-8-350
12:30-1:30 p.m.	Working Lunch with Mr. Wolfensohn, senior management, and staff	MC12-700
2:30-4:00 p.m.	Meetings on Finance: Micro-Finance and Housing Finance	MC5-747
4:00-5:30 p.m.	Meeting with DC Agenda (James Gibson, Brenda MacDonald, and Skip McCoy)	MC5-218
5:30-7:00 p.m.	Meeting with DC Community Leaders: Lori Kaplan (Latin American Youth Center), Robert Moore (Columbia Heights Community Development Corporation)	MC5-218

Mr. Wolfensohn's Lunch with LA Community Leaders
Tuesday, February 10, 1998, 1:00 - 2:00 p.m., MC12-700

External Attendees:

Sr. Diane Donoghue, Esperanza Community Housing Corporation
Rev. David O'Connell, Southern California Organizing Committee
Mr. Larry Foundation, Southern California Industrial Areas Foundation
Ms. Nancy Alexander, Bread for the World
Ms. Barbara Kohnen, Catholic Conference of Bishops

Bank Staff Attendees:

Mr. Sven Sandstrom, MDCMD
Ms. Jessica Einhorn, MDFMD
Mr. Ismail Serageldin, ESDVP
Mr. Jean-Francois Rischard, FPDVP
Mr. Anthony Pellegrini, TWUDR
Mr. Michael Cohen, SRMPG
Ms. Nawal Kamel, SRMPG
Ms. Marisela Montoliu, EXC
Mr. Aubrey Williams, SDV
Mr. Matt McHugh, EXC
Ms. Caroline Moser, LCSES

**Federal Reserve Board****Remarks by Chairman Alan Greenspan**

**At a Community Forum on Community Reinvestment and Access to Credit:
California's Challenge, Los Angeles, California
January 12, 1998**

I am pleased to join you this morning to discuss economic development in low- and moderate-income communities and the roles that depository institutions and the Federal Reserve play in this important endeavor. As a consequence of the implementation of good, safe and sound, local business opportunities, there have been impressive improvements in many neighborhoods throughout the country. However, much remains to be done. Many urban, capital poor neighborhoods across America present new and unique challenges for financial service institutions. The need to better understand these markets and find ways to support small business development, home ownership, commercial revitalization, and job creation remains a critical task. The question is how will our changing financial institutions help to address the as yet unmet opportunities. I'd like to touch first on those changes, describe what the developing data suggest, and identify some challenges.

Financial Institutions and Modernization

There have been and will continue to be major changes in the nation's financial institutions. In addition to industry consolidation, both technological advances and financial innovation will continue to change the face of banking. Rapidly advancing technology is rendering much bank regulation irrelevant. The reason is that such regulation is inherently conservative. It endeavors to maintain the status quo. With technological change clearly accelerating, existing regulatory structures are being bypassed, freeing market forces to enhance wealth creation and economic growth, including community development.

Perhaps the most profound development has been the rapid growth of computer and telecommunications technology. Advances in such technology have lowered the costs, reduced the risks, and broadened the scope of financial services, making it increasingly possible for borrowers and lenders to transact directly, and for a wide variety of financial products to be tailored for very specific purposes. As a result, competitive pressures in the financial services industry are probably greater than ever before. Moreover, the continuing evolution of markets suggests that it will be impossible to maintain some of the remaining rules and regulations. While the ultimate public policy goals of economic growth and stability will remain, market forces will continue to make it impossible to sustain outdated restrictions, as we have recently seen with respect to interstate banking and branching. I am convinced that this trend will help assure a broader array of services that can be delivered more efficiently to all communities, including those of low- and moderate-income. But some worry that industry consolidation will disadvantage these same communities.

To be sure, the banking crisis of the late 1980's, plus ongoing consolidation, have reduced the total number of banking organizations by more than a third in the past two decades. Nevertheless, we remain a nation characterized not only by some very large institutions, but also by a large number of smaller community banks. This mirrors the business world, generally, where we observe a small number of very large firms and many small firms. There is, of course, a strong connection between our banking structure and the nature of our small-business-oriented economy. Smaller banks traditionally have been an important source of credit for small businesses that do not generally have access to securities markets. In turn, small, new businesses, often employing new technology, account for much of the growth in employment in our economy. The new firms come into existence often to replace

old firms that were not willing or able to take on the risks associated with high-growth strategies. This replacement of stagnating firms with dynamic new firms is at the heart of our robust, growth-oriented economy, and holds the promise of helping to revitalize areas in need such as South Central.

Mergers and Small Business

One often-expressed concern with bank mergers, and especially with mergers involving very large banks, is that small business lending will be impaired. This concern springs in part from some research which indicates that, on average, large banks devote relatively modest portions of their portfolios to small business loans, and that consolidations involving large banking organizations tend to result in reduced small business lending.

Such results, however, likely provide a misleading picture of the effects of mergers on small business lending. A more penetrating evaluation suggests that it is far from clear that small business lending is, on net, harmed in any significant way. For example, a study which examined the reactions of other banks in markets where mergers occurred found that increases in the supply of small business lending by these other banks tend to offset much, if not all, of any initial negative effects of mergers on small business lending. Indeed, when mergers of large banks are announced, it is quite common to read press reports of other in-market banks' expectations of taking business away from the newly formed entity.

New profit opportunities in small business lending may also encourage the creation of other new banks. In fact, it is not uncommon for some of the loan officers of a merged bank to leave and form their own new bank. Further studies suggest that new banks, regardless of why they were formed, tend to lend larger portions of their assets to small businesses than do even other small banks of comparable size.

Over the long term, at least two factors are likely to improve the prospects for small business finance. First, rapid technological changes applied to the process of loan evaluation will, in all probability, continue to lower the cost of assessing the creditworthiness of small businesses. Indeed, we see this process at work today in the increasing use of credit scoring techniques in evaluating the extension of relatively small loans to small businesses. Significantly, credit scoring technology has the potential to allow banks located outside local markets to compete against within-market institutions for small business lending. A second important factor is the role of nonbank lenders in small business finance. Such lenders have traditionally played an important role in small business finance, and in the future, such firms are likely to be an increasingly important source of funds for small businesses.

In the area of community lending, studies of the effects of mergers comparable to the studies done for small business lending as yet do not exist. However, I suspect that mergers--large or small--do not have negative effects on community lending. Given prior commitments often made by acquirers, mergers may even have a positive effect. If there are profitable opportunities--as I believe there are in community lending--it seems reasonable to expect that those same market forces that provide for small business loans would also operate in the market for community lending after mergers. In addition, the core of a bank's CRA evaluation is the adequacy of its community-based lending programs, the record of which is reviewed frequently and especially whenever a bank is involved in a merger.

Small Business Lending

As a result of the revisions to the CRA regulations, new information is now publicly available on the geographic distribution of small loans to businesses and farms throughout the country. Because small businesses and small farms are more likely than larger ones to borrow small amounts, the CRA data on small loans to businesses provide new means to gauge the flow of credit to communities with differing economic and demographic characteristics.

These data do not include all small business lending by depository institutions, as the reporting rules pertain only to larger commercial banks and savings associations. Nonetheless, the data do account for about two-thirds of the number and dollar amount of all bank and savings association small business lending. It is also important to keep in mind that small businesses borrow from many nondepository institution sources including finance companies, suppliers of goods, and friends and relatives. Depository institutions, however, are the primary source of small business loans.

The Federal Reserve has recently completed an analysis of the new CRA data. The results are published in the January 1998 Federal Reserve *Bulletin*. That analysis found that, nationally, the number and dollar amount of small business loans originated and purchased by CRA-reporting institutions are distributed in a manner that parallels the distribution of population and businesses across the country and that this relationship holds across neighborhoods with differing incomes. For example, low income neighborhoods include about 4.9 percent of the U.S. population and 5.6 percent of all U.S. businesses; and they received 4.7 percent of the number and 5.6 percent of the total dollar amount of small business loans in 1996.

The small business lending data for California, as a whole, follow the national pattern, although, relative to their share of businesses, low-income areas in California received a somewhat greater share of the business loan dollars in 1996. While low-income areas in the state have 5.4 percent of the population and 7.5 percent of the businesses, they received 6.6 percent of the number and 8.7 percent of the total dollar amount of small business loans.

Data for the Los Angeles Metropolitan Statistical Area (MSA) also follow the national pattern fairly closely. Low-income neighborhoods in Los Angeles have 9 percent of the MSA population, 10.1 percent of the businesses, and received 9.2 percent of the small business loans and 12.3 percent of the small business loan dollars. All together, the Los Angeles MSA received more than 75,000 small business loans, for a total of \$4.5 billion in 1996.

Our review of small business lending activity in the 98 census tracts that comprise the 10 zip code South Central area, however, finds that these neighborhoods received only 1.6 percent of the loan dollars. Since South Central neighborhoods contain roughly 2.5 percent of Los Angeles businesses, the pattern, at least on the surface, is less encouraging than either the nationwide or Los Angeles MSA data. Of course, without investigating the nature of the firms in South Central, their credit needs, and the role of nonbank sources of finance, it is difficult to draw useful conclusions.

Home Mortgage Lending

Analysis of 1995 and 1996 Home Mortgage Disclosure Act data provide an opportunity to compare changes in total home lending activity for the nation as a whole, for the state of California, for the Los Angeles MSA and for South Central Los Angeles. The HMDA data indicate that the home lending market in California, as a whole, was stronger than the national market in 1996, while the Los Angeles market was less strong than the state market, but as strong as the national market. Total home lending in California increased 28 percent from 1995 to 1996, while both the national market and the Los Angeles MSA increased 22 percent. Home lending in South Central was strong, increasing more than 28 percent from 1995.

Mergers and Branching

But what about the effect of mergers on the number of banking offices? Economists at the Federal Reserve have explored the recent relationship between mergers and acquisitions and bank branching patterns. From 1985 to 1995, there was a slight decline nationally in the number of commercial bank and savings association offices, with areas showing the greatest declines tending to have relatively high levels of merger and acquisition activity. However, suggesting that technology and competitive pressures were reducing the need for

very heavy branch concentration, these areas, exhibiting the greatest decline in offices in the past decade, also tended to have the greatest number of offices per 10,000 residents in 1985. For example, areas with relatively high rates of within-market mergers and acquisitions since 1985 had on average between 1 and 2 more bank branches per 10,000 residents in 1985 than areas with relatively low within-market merger and acquisition rates. Similar, although less dramatic, differences were observed when all mergers and acquisitions were considered. Therefore, there was a convergence in the number of banking offices per capita, with high merger areas seeing their bank office levels come more in line with branching levels in other areas on a per capita basis.

The analysis also suggests that low- and moderate-income areas followed this trend and were not disproportionately effected by high merger and acquisition activity. As in the overall sample, low- and moderate-income areas with high merger rates had more offices per capita than other areas in 1985 and by 1995 had branching levels similar to other areas. Further these areas had branching trends and levels that were very similar to the trends and levels of banking observed in middle- and upper-income areas. In sum, the relationship between banking office patterns and merger and acquisition activity appears to be consistent across areas with different relative incomes.

But these national figures can, of course, mask serious local problems. In recent decades, South Central Los Angeles, for example, has consistently had very low numbers of banking offices per 10,000 residents. While the national average in 1995 was 3.4 offices per 10,000 residents, the average in South Central Los Angeles was only 0.3.

Safety and Soundness Issues

The question is often raised of whether loans to low- and moderate-income borrowers have caused safety and soundness problems for banks. A few studies suggest that the delinquency experience is not materially different from our experience with all borrowers. Beyond that, anecdotal information seems to suggest that loans to low- and moderate-income people perform, with respect to repayment, as well as loans to others, though some studies have suggested that delinquency rates on some types of affordable mortgage loans are higher. Aside from the issue of repayment, there is also the issue of profitability. The more successful programs involve credit counseling and other activities that add to cost, and this, of course, can adversely affect the level of profits. The quality of these loans must be watched carefully. But, on the broader question, there is little or no evidence that banks' safety and soundness have been compromised by such lending, and bankers often report sound business opportunities.

To help insure the safety and soundness of community development loans, the Federal Reserve has an extensive Community Affairs program. Community Affairs is an educational and informational program which provides instruction and technical assistance to a broad range of constituents on community reinvestment, community economic development, fair lending, and related issues. For example, the Community Affairs Officers and staff in each of the twelve Federal Reserve Banks hold conferences, workshops, and seminars, develop publications, and provide technical assistance to aid bankers, community organizations and others in the provision of credit to low- and moderate-income communities. Activities range from publications and videos on community reinvestment and fair lending to technical workshops for bankers and community organizations on how to package safe and sound loans using credit enhancements to leverage private dollars. In this way Community Affairs programs help fill information gaps and facilitate the functioning of traditionally underserved markets.

During 1996, Community Affairs staff sponsored or cosponsored more than 200 conferences, seminars, and workshops attended by over 10,000 participants. Staff made over 270 speeches and presentations, conducted more than 1,400 outreach meetings, and responded to 700 requests for in-depth technical assistance and advice.

Challenges

What lies ahead? Several challenges remain and certain issues need additional investigation. For example, historically, community development lending has relied heavily on public subsidies. These credit enhancements include the use of federal, state and local dollars which are provided at zero or very low interest rates, which when blended with private, market-rate funds can significantly reduce the cost of a project. These funds have made the "undoable" deals, "doable". In the short term, this type of funding has resulted in millions of dollars of community development projects in low-income neighborhoods, which otherwise may not have come to fruition. However, a cautionary note is needed. Heavy community development dependence on public subsidies, while possibly beneficial in the short term, can engender project defaults and displacements, should that stream disappear. Public subsidies are subject to political and budgetary whims and forces. Sustainable community development should not be hostage to unreliable long-term financing. The challenge to the industry is to find alternate methods of packaging safe and sound community development deals, which do not depend on the continued existence of significant quantities of public money.

The drive to stretch traditional loan underwriting criteria is intensifying, and this, too, must be handled carefully. Many lenders are now regularly experimenting with new, innovative ways to assess and mitigate risk for borrowers who in the past might have been considered uncreditworthy. This is creating new mortgage products with ever-lower down payment requirements. Acceptable loan-to-value ratios and debt-to-income ratios continue to rise. Some lenders are even offering loan products that will provide home-secured financing far exceeding a home's value.

Recently, there has been a boom in so-called "subprime" lending, offering a variety of types of mortgage and other loans to borrowers who have imperfect credit; such lending is priced for risk and securities backed by subprime loans have found acceptance with investors. A few lenders have announced plans to offer home owners with impaired credit a credit card secured by home equity, with part of the rationale being that responsible use of such credit cards could help such consumers repair their credit ratings. And some lenders are aggressively marketing loans in the form of checks that can be cashed to activate the credit line.

Improved access to credit for consumers and especially these more recent developments reflect a good news/bad news story. The good news is that market specialization, competition and innovation have vastly expanded credit availability to virtually all income classes. Access to credit is essential to help families purchase homes, deal with emergencies and obtain goods and services that have become staples of our daily lives. Home ownership is at an all-time high, and the number of home mortgage loans to low- and moderate-income families has risen at a rapid rate over the last 5 years. Credit cards and installment loans are available to the vast majority of households.

The bad news is that under certain circumstances this expanded access may not be entirely good, either for consumers in general, or for lower-income communities. Along with unprecedented credit access, some problems are beginning to surface that should alert us all to potential dangers. While every potential problem doesn't result in disaster, it's important to recognize the risks and take protective steps.

As one example, some loans to low- and moderate-income families with multiple underwriting flexibilities, layered subsidies and high loan-to-value ratios have been showing unfavorable delinquency trends. Large mortgage lenders, secondary market agencies, and private mortgage insurers are conducting studies of their portfolios to determine how more relaxed underwriting standards are affecting delinquencies and defaults. Although more study is required to determine which risk factors are most important in particular lending situations, the results of these portfolio studies bear watching.

Community Reinvestment

This year large bank examinations were begun under revised CRA rules that emphasize performance over process. While many have criticized the new CRA regulations, they are probably the best that could have been crafted given all the competing considerations. When conducted properly by banks who are knowledgeable about their local markets, who use this knowledge to develop suitable products, and have adequately promoted these products to the low- and moderate-income groups, community development lending can be a safe, sound, and profitable business. Increased focus on such lending has helped financial institutions discover new markets that may have been underserved before.

We, at the Federal Reserve, have stressed this market aspect of CRA in the past and will continue to do so in the implementation of the new regulations. This is crucial. If CRA is perceived by banks as a tax or credit allocation, it will fail in the long run. Activities developed by banks to meet credit needs in low- and moderate-income neighborhoods should be well-planned and thoughtfully implemented within their overall business plans. Banks should not try to throw money at a problem or "just write the check"--that's not to anyone's advantage. That type of activity will not be sustainable over the long haul. Banks are not philanthropic institutions. They are for-profit businesses with obligations to their stockholders who require competitive rates of return, and are subject to a regulatory apparatus which protects their depositors from losses owing to unsound practices.

Although it's clear that actual performance, not procedures, should be the major emphasis in CRA, the regulatory agencies must not cross the line into credit allocation. By this I mean taking into their own hands the decisions about the best use of credit to meet the needs of localities. Certainly this is done by the Congress from time to time--for example, through the tax code and credit subsidies. But this is not, and should not be, the role of banking supervision. Despite its problems, CRA has not been a bureaucratic, Washington driven, program that substitutes decision making by faraway, unelected officials for the give and take of local community control.

Further quantifying CRA may be viewed as an improvement in some quarters in that it would add some certainty for bankers on their rating, and better allow community groups to assess performance. It would also make our examiners' lives much easier by removing the need for them to make judgments on "how much is enough". However, complete quantification could do more harm than good by removing incentives for creativity in the implementation of projects. By allowing considerable judgment to remain, it increases the chances that banks will look more closely at the specific needs of their communities, as they are influenced by local groups, and develop innovative solutions for addressing those needs. A laundry list of allowable activities may preclude certain distinctive projects. It would be most unfortunate if unique and well thought out projects remain unfunded because they aren't on some list that we in Washington have devised.

Conclusion

In conclusion, it is clear that the financial industries are undergoing major changes. Many of these changes will be positive for the markets and for the consumers. Technological advances will increase access to banking services for much of the population, and increase the ability of banks to safely measure risks. Increased competition will cause the banks to continue the search for new and expanding markets, making credit available to previously untapped consumers. Increased rigor in the CRA examination process, through the shift to performance over process, should improve exams.

Meanwhile a few cautionary notes must be sounded. More research and information is needed concerning the performance of community development loans, and the industry must continue to seek out new methods of underwriting deals without excessive use of unreliable subsidies.

Public discussions, like the one being held today, are also important for identifying the challenges that face us, and I appreciate the opportunity to appear before you.

[Home](#) | [Speeches](#)

To comment on this site, please fill out our [feedback](#) form.

Last update: January 12, 1998, 1:00 PM