HBCU/CDCU

On July 19, the New York Times published a front-page article, “Thriving or Not, Black Colleges Seize Moment.”

It is a “moment” of long-overdue and much needed attention, highlighted by the philanthropic surge from MacKenzie Scott, who provided more than $500 million to two-dozen historically Black colleges and universities (H.B.C.U.s); pandemic relief funding from Congress; and corporate donations.

I spent 30 years leading an association of low-income, largely minority community development credit unions, or “CDCUs.” Many were “historically Black,” serving segregated communities and redlined neighborhoods. With a history that dates as far back as the 1930s, Black-led credit unions in states like North Carolina were long the sole reputable financial institutions serving their communities.

With the successes of the civil rights movement and the grudging opening of formerly segregated institutions, Black and other people of color began to find alternatives: Lo and behold, they could go to a “brand-name,” historically white bank that might even—hopefully? possibly?--provide them a loan (although likely at a higher rate than that offered to white customers). Over my career (1980-2012), I sadly noted the demise of dozens of Black credit unions that had been pillars of their communities for decades.

I have long noted with dismay the parallel trajectories of H.B.C.U.s and minority, especially Black, financial institutions. The ranks of H.B.C.U.s (like those of CDCUs and Black banks) have declined. As the article notes, “Black students have been lured to other institutions with larger endowments and financial aid budgets.” (Meanwhile, younger generations of Black customers have been lured to larger banks with more financial services.)

The flood of support for H.B.C.U.s has been spurred by a “belated epiphany,” as the article’s author Stephanie Saul writes. But she quotes a key question, and a troubling answer, from Dr. John S. Wilson Jr, previous president of Morehouse College: “Is this a sustainable moment that constitutes a new era? I think that answer could be ‘yes’ for a lot of H.B.C.U.s. Unfortunately, I think it’s also going to be ‘no’ for some institutions.”

CDCUs make up a portion of the thousand-strong movement of community development financial institutions (CDFIs), which I helped create three decades ago. They, too, have now had a “moment”-- in fact, we have come to call this the “Year of CDFIs,” which (along with minority banks) have been designated to receive $12.5 billion in new federal pandemic relief appropriations. It is no exaggeration to say that this is a potential game-changer for many small, struggling financial institutions.

Throughout my career, I advocated relentlessly (tiresomely, according to my critics) for significant federal investment in the smallest, poorest, rural, and other credit unions, which often lacked the resources to compete with their larger peers for the U.S. Treasury Department’s CDFI funding. This time, to my surprise and joy, it’s different. Treasury’s CDFI Fund has instituted a (nearly) “barrier-free” grant program that opens the doors for the smallest financial institutions. The unprecedented $1.25 billion Rapid Response Program has provided grants to nearly 900 federally certified CDFIs—banks, loan funds, venture funds, and 244 credit unions, in amounts ranging from $200,000 (which requires the absolute minimum of “brain damage”) to about $1.8 million. I was delighted to see that some Black church-based credit unions with barely $1 million in total assets received funding.

For those small credit unions whose survival has been threatened by regulatory and competitive pressures, the Rapid Response Program offers a lifeline: capital to upgrade their operations, meet regulatory demands, hire staff to supplement volunteers, enhance their appeal to community members, and capitalize on the now-widespread desire to reduce financial inequality. It will not “save” all these institutions. But the Rapid Response Program, along with the other, much larger Covid-related appropriations for minority banks and CDFIs, represent the most strategic federal investment to address financial inequity that I have seen.

I hope that comparable programs will address the plight of H.B.C.U.s, especially the less prominent ones—“the least of those,” in Biblical terms—as well as the deservedly celebrated larger H.B.C.U.s.