



LATINO COMMUNITY CREDIT UNION (COOPERATIVA COMUNITARIA LATINA DE CRÉDITO) “PROGRESS WITH DIGNITY”

“I’m a strong believer in the community wealth. We have to learn to do this ourselves and not to depend on the government to take care of our needs.”

—John Herrera, Chairman of the Board, Latino Community Credit Union

Fridays were by far the busiest day of the week at Latino Community Credit Union in Durham, North Carolina, and this Friday in December 2003 was no different. Most of the Latino members were waiting patiently in line to cash part of their salary checks before the weekend began. One floor below the busy branch, Luis Pastor, the Spanish-born CEO of LCCU, sat in his office reading the details of an interesting offer. A group of foundations had approved a proposal to finance the opening of a new LCCU branch to serve the fast-growing Latino community in Winston-Salem. The grant money could be used to fund start-up expenses, operations, and any marketing needed to attract new members. Winston-Salem was one of the largest cities in North Carolina, and establishing a branch there had always been among LCCU’s priorities.

While considering this proposal, Pastor could not stop thinking about the more than three years he had worked at LCCU, first as a volunteer and then as CEO. Since 2000, LCCU had opened five branches in North Carolina and reached almost 15,000 members, becoming the fastest-growing credit union in the United States. However, LCCU was still inundated with all the work resulting from the recently opened office in Fayetteville, NC. In addition, there was a certain degree of consensus among some LCCU partners and board members that it was time to stop growing and catch some breath before continuing the expansion. It was perhaps the moment to concentrate all efforts on turning some of the newly-opened, loss-making branches into stand-alone, self-sufficient units. On the other hand, some board members and founders were convinced that LCCU should not lose its positive momentum, and they were already eyeing those Latino immigrants in rural areas of North Carolina not yet served by LCCU. While pondering all these factors, Luis sat back and gazed at the picture on his desk of his 1-year-old daughter Cristina, the first American-born member of his family. What was the best way to bring a better and safer future to all Latino immigrants and their families in North Carolina?

MBA students Victor Abad and Adam Elboim prepared this case under the supervision of CASE Lecturer and Managing Director Beth Anderson as the basis for class discussion rather than to illustrate either effective or ineffective handling of an administrative situation.

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LATINO COMMUNITY CREDIT UNION

A Local Solution to a Local Problem

Warm weather, affordable housing, advanced school systems and a growing economy made North Carolina an attractive destination in the 1990s. During the decade, state population expanded by 21.4%, the ninth-highest rate in the country. Net immigrant population in the state grew by 273.7%, topping the national charts. Trend analysis showed that the pace of immigration was increasing as well. The 2000 Census revealed that 62.4% of the state's foreign-born population had arrived since 1990, well above the national average of 43.7%. According to figures compiled by the US Census Bureau, there were over 379,000 Latinos living in North Carolina in 2002, most coming from Mexico, Puerto Rico, Honduras, and El Salvador and working in the construction, landscaping, service, and agriculture industries. **Exhibit 1** provides additional information on Latinos living in the United States.

In the late 1990s, Durham, NC was shocked by a sharp increase in the number of violent crimes against Latino residents. Unfamiliar with the U.S. banking system, Latino immigrants were known to carry large sums of cash, making them easy targets for theft. In fact, later surveys of the Latino population in Durham revealed that 78% of Latinos did not have a bank account.

Several factors perpetuated Latino exclusion from the U.S. financial system. On the one hand, most Latinos did not have a credit history and therefore were denied access to many financial services such as personal loans, auto loans and credit cards. On the other hand, many immigrants came from countries where the banking system was less developed, and in some cases, did not even provide those basic retail services expected of consumer banks, so their knowledge of what financial institutions should provide was limited. As such, Latinos without bank accounts used check cashing facilities and paid unjustifiably high fees for cash transactions and wire transfers to their families in their home countries. At the same time, language barriers, lower literacy levels and lack of necessary documentation prevented many Latinos from understanding and accessing traditional, affordable financial services.

Local authorities, community leaders, and representatives of the most influential Hispanic associations met to look for a solution to the problem. Ivan Parra, Executive Director of the Durham grassroots nonprofit El Centro Hispano, and John Herrera, a local Latino activist, led the initiative to bring increased security to the Latino community in Durham. Initially, Latino leaders asked a national bank with a major presence in North Carolina for help in their quest to integrate Latino immigrants into the U.S. financial system, but the large bank balked at the daunting and expensive task of reaching out to and educating this large population. Its mission was profit, not public service.

Several members of the Latino community suggested the formation of a community-based credit union. A credit union is a nonprofit, cooperative financial institution owned and operated by its members, the people who use its services. Members pool their funds to make loans to one another, providing each other with a safe place to borrow and save at reasonable rates. Usually, credit unions are organized to serve specific groups that share something in common, such as where they work, live, or go to church. Like banks and savings & loan institutions, credit unions accept deposits and make loans, but unlike the other financial institutions, credit unions are not primarily in business to make a profit. Most banks and savings & loans are owned by stockholders whose interests include earning a healthy return on their investments, and many stockholders do not even use the services of the bank or savings & loan. Credit unions are interested in profitability, but primarily so that they can continue to provide high-quality service to their members through competitive rates and financial services. Indeed, according to the Credit Union National Association, "not for profit, not for charity, but for service" is a credit union motto. **Exhibit 2** provides background on the credit union movement.

Durham based Self-Help Credit Union explored the possibility of expanding to provide retail services to the Latino population, but it determined it did not have the expertise to do so. Self-Help provided wholesale services to businesses and homebuyers, serving a different segment of the Latino population, and neither its

product offering nor its physical structures were outfitted to support a retail operation. Most important to the Latino community, Self-Help was run by non-Latinos and served all minority groups, so there was concern that Latinos would not get the specialized attention they needed. Self-Help's leaders felt that a retail operation within Self-Help could mean the continual exclusion of Latinos from the U.S. financial system, even though other minority groups would benefit. In 1998, it became clear that a community-based financial institution would be the most effective way to bridge language and cultural barriers, as well as barriers of trust, so Latino leaders began planning for what would eventually be a new, immigrant-supported credit union. According to Luis Pastor, "A problem of the community had to be solved from the community itself...LCCU was created by Latinos to solve the problems of the Latinos; a credit union by gringos wouldn't have the same effect."

Start-up

Committed to establishing an immigrant-supported credit union, the early supporters set about defining its mission. After a slight deliberation, community leaders agreed that the credit union's purpose should be to provide affordable, accessible and fair financial services to the Latino population of North Carolina. The limitation to North Carolina was instituted to keep the founders focused on achieving success within a defined population. Although the mission was focused on serving Latinos, the credit union would be open to educating and serving any immigrant or non-immigrant who needed it, which included over 30 different immigrant populations in North Carolina.

Founding Partnerships

Critical to the launch of the new credit union was the establishment of a unique partnership between El Centro Hispano, the NC State Employees' Credit Union (SECU), Self-Help Credit Union, and the North Carolina Minority Support Center.

El Centro Hispano sought to empower low income Latino immigrants to resolve their own problems by developing programs in the areas of education, leadership development, community organization, community support and economic development in Durham. It was a grassroots, community-based organization dedicated to strengthening the Latino community and improving the quality of life of Latino residents. With about 400 official members in 1999, El Centro provided a strong potential volunteer and membership base as well as credibility within the Latino community. Through its meetings and educational services for Latino immigrants, El Centro Hispano promoted the benefits of joining the new credit union. Additionally, the founding team and El Centro Hispano worked together to raise \$320,000 in unrestricted grants for start-up operations from private foundations and the NC Minority Support Center, as well as \$100,000 in capital for required reserves. Initially, El Centro Hispano also provided some staff support and was responsible for the credit union's payroll.

North Carolina State Employees Credit Union (SECU) was the second-largest credit union in the United States, offering a variety of financial services in over 160 branches in North Carolina. It served all North Carolina state employees and teachers and had assets of \$10.8 billion. SECU agreed to train all personnel for the new credit union and provide operational and technical support for the retail banking services. This arrangement allowed LCCU to use SECU's IT systems and back office, such that all LCCU transactions would actually be processed by SECU's financial system. SECU also agreed to grant all LCCU members free access to its extensive ATM network. Finally, SECU donated furniture and computers that it was retiring from its offices. For all these services, SECU would receive 15% of LCCU's revenues excluding grants (interest income plus fees and charges).

Self-Help was a North Carolina community development lender that had provided over \$2.6 billion in financing to 33,400 home buyers, small businesses and nonprofits since 1980. Headquartered in Durham, Self-Help had additional regional offices in Asheville, Charlotte, Greensboro, Greenville, Fayetteville and Wilmington. In addition to lending its credibility and reputation as one of the leading community development institutions in the country, Self-Help offered personnel and logistic support to help launch LCCU. John Herrera, who was named the vice-president for Latino/Hispanic affairs at Self-Help, spent

significant amounts of his time providing leadership and public relations support, while Self-Help Chief Financial Officer Randy Chambers would serve as LCCU's Treasurer. Additionally, Self-Help provided a subsidized lease on its property and agreed to lend employees and expertise to navigate the state chartering and federal deposit insurance process. Since Self-Help already retained a lawyer to review leases for its community development efforts, it also provided these types of legal services to LCCU. Self-Help did not require any fees or proceeds from LCCU for any of its services but rather saw its support of LCCU as furthering its mission to serve minorities in the community. As Randy Chambers said, "We don't want the whole market for ourselves. We just want the whole market to be served."

The North Carolina Minority Support Center was dedicated to relieving poverty, combating community deterioration, and creating jobs and homeownership opportunities for low and moderate income minorities throughout the state in conjunction with North Carolina's community development credit unions. Started in 1991, the Support Center was the nation's only state-wide intermediary devoted to community development credit unions (CDCUs), offering technical assistance, training and financial assistance to a growing industry. The Support Center's 15 affiliated credit unions served 33,000 members across North Carolina. In addition to the grant money the Support Center awarded El Centro Hispano to assist with start-up operations for the new credit union, the Support Center offered advice, employee training and technical support to help establish LCCU's employee, operational, and marketing guidelines.

As a result of these partnerships, the credit union had uncharacteristically low operational expenses at the outset, with a grass-roots marketing partner, no start-up lease, an existing IT infrastructure, extensive technical assistance, and most of its initial employees either as volunteers, low-cost part-time workers, or on loan from El Centro Hispano or Self-Help.

In addition to the operational support these key partnerships provided, numerous other organizations and institutions came together to lend their support to the concept. Jim Blaine, President of SECU, networked extensively with other institutions in the credit union movement to get them to provide much-needed liquidity and support for the new credit union. By the fall of 1999, supporters of the LCCU concept had already raised \$1.1 million in below-market, start-up deposits from banks, credit unions, foundations and churches in Durham. Ultimately, an array of 65 foundations, banks and credit unions, community groups and churches nationwide supported the effort to launch LCCU, and collectively they committed over \$6.5 million in below-market deposits. Those committing to start-up deposits in the new credit union included mainstream financial institutions, such as Central Carolina Bank and Bank of America. According to Central Carolina Bank's senior vice president, "Clearly, the Latino population is an ever-growing segment of our community, and there is a place for the outreach effort being done through the credit union. Ultimately, we hope to increase our own customer base."¹ See **Exhibit 3** for a list of the charter members who provided the initial deposits to support LCCU.

With this broad network of supporters, the new credit union was able to mobilize significant resources and move from concept to reality quickly. "The extraordinary breadth of partners has enabled us to accomplish together what none of us could have done alone" commented John Herrera, chair of the Board of Directors. Latino Community Credit Union was chartered in February 2000 by the state of North Carolina and officially opened its doors on June 26, 2000, in downtown Durham.

Start-Up Operations

When LCCU started operations, the volunteer board hired a 25-year old recent graduate of the University of North Carolina to manage the credit union. The daughter of a Honduran immigrant, she had experience as the only Spanish-speaking employee at a bank branch in Chapel Hill, where she had increased the Latino clientele from zero to more than a hundred in about a year. Several volunteers and employees received training from SECU at the office in Durham before the grand opening, which was marked by a community

¹ Barbara Solow, "In a Family Way," *Independent Weekly*, November 3-9, 1999.

party in downtown Durham. At the event, El Centro Hispano celebrated the relocation of its Latino community resource center so that it would be directly across the hall from the new credit union.

Membership was originally open only to members of El Centro Hispano, which at the end of 1999 had about 400 official members. While it cost \$20 to join El Centro Hispano, becoming a credit union member only required photo identification and a minimum deposit of \$10 to open a savings account. At the start, LCCU offered only a limited amount of financial services to its members. Deposits, free check cashing, \$0.25 money orders, and wire transfers were available to all members, provided that they keep a \$10 minimum cash balances in their savings accounts. All accounts were interest-bearing for members with either a Social Security or taxpayer identification number. Fees ranged from \$2 per month for a checking account to \$10 to wire up to \$10,000 to Mexico, while all other accounts, check cashing and financial literacy classes were free. Personal use, new car and credit builder loans were also available at affordable rates. See **Exhibit 4** for LCCU member services and charges compared to other institutions.

Beyond the financial and educational services LCCU offered its members, it aimed to provide a customer-friendly experience that would help build trust with the immigrant population. In addition to bi-cultural, bi-lingual staff and volunteers, all documents were printed in both Spanish and English. Recognizing the large number of Latinos with young children, free childcare was offered during the financial literacy classes. LCCU also helped undocumented immigrants apply for federal tax identification numbers, assisting them with the process.

With significant support from Self-Help and El Centro Hispano, as well as positive media attention, LCCU's launch was incredibly successful. Ninety members opened accounts the first week, and within the first five months, there were some 750 members, with word about LCCU spreading quickly through the Latino community. With such rapid growth, LCCU founders recognized that the credit union could benefit from a more experienced executive who could manage such a complex and growing operation. When the first manager resigned for personal reasons in October 2000, they tapped LCCU volunteer and Spanish MBA Luis Pastor as the first CEO.

Rapid Growth and Expansion

Soon enough, other North Carolina communities were requesting LCCU to serve their unbanked Latino populations. LCCU considered creating a mobile unit instead of new branches, but this approach was ruled out given the desire for a permanent banking solution. In order to increase the chance of success, LCCU chose to enter communities that showed promise of financial and partner backing. Although the leaders of LCCU admitted that they were not yet ready to start the expansion, Charlotte community leaders, including the police chief, successfully lobbied LCCU to come help them reduce the number of Latinos in their area being victimized by robbers and predatory businesses. A local advisory board was established that included representatives from the police, the Latin American Coalition, the Catholic Diocese of Charlotte, and others, including a local Latino lawyer and restaurateur that had been planning for two years to open a credit union in Charlotte. Additionally, Self-Help had an office in Charlotte, increasing the level of partner support there. In October 2001, LCCU opened its second branch in Charlotte.

Despite the local support, the Charlotte expansion proved to be a major challenge. First and foremost, Charlotte was a two-and-a-half hour drive southwest of the Durham headquarters. Not only was it hard for Luis Pastor to keep up with the daily operations at the remote branch, but it was also difficult to attract and retain qualified employees. Tellers were relatively easy to find, since there was an abundance of committed but underemployed Latino laborers. A qualified branch manager would be crucial to the success of the new branch, however, and LCCU had to engage in an extensive search. They eventually found Violeta Taylor, a Latina woman with previous management experience, a very fortunate circumstance that helped address many of the Charlotte branch's start-up problems. In addition, LCCU's branch was able to move into the former SECU office in one of the most Latino-populated areas in North Carolina.

More expansion was to follow. About a month before the opening of the Charlotte branch, a meeting between U.S. President George W. Bush and Mexico's President Vicente Fox resulted in the Partnership for Prosperity Agreement. In part, the agreement aimed to promote growth in the parts of Mexico where growth had lagged and fueled subsequent migration to the United States. After a national request for proposal process under the auspices of the Partnership for Prosperity, in September 2002 the U.S. Treasury awarded LCCU \$1.33 million to expand its operations. By that time, LCCU had 6,345 members in Durham and Charlotte. U.S. Treasurer Rosario Marin remarked at the grant awarding ceremony:

The private sector, including credit unions like LCCU, is an important part of this Partnership. We know that government doesn't have all of the answers. Sometimes, it doesn't even have all of the right questions. In this Partnership, we seek to leverage the expertise of the private sector to promote development in Mexico. [...]Accordingly, we are promoting competition and innovation by banks, credit unions, and other financial services companies to lower the cost of sending money home. We are promoting financial education so that people know their options and can choose the service that best meets their needs.

Latino Community Credit Union is a leader in increasing access to banking and improving financial education in the community it serves. That's why the Treasury has awarded over \$1.85 million to Latino Community Credit Union². The Credit Union will use its most recent grant from Treasury's First Accounts program to open three new branches in North Carolina, provide on-site financial education, and move thousands of unbanked persons into account ownership. I am proud of the good work that Latino Community Credit Union is doing. And I am proud that Treasury has recognized this work not just with praise, but with money to fund more good work.

LCCU identified several communities that could immediately benefit from its services. Selection criteria included, but was not limited to, total population, Latino population growth, distance from the Durham headquarters, partnership presence, financial backing, and community support. With the proceeds from the government grant as well as support from several North Carolina foundations, LCCU opened a new branch in nearby Raleigh that autumn. At the end of 2002, LCCU had grown to serve 7,356 members with 15 full-time and 4 part-time employees in Durham, Charlotte, and Raleigh. Then, in June 2003, LCCU launched its fourth office in Greensboro, about an hour west of Durham. One month later, LCCU moved its central headquarters to a new location downstairs from the Durham branch. Finally, in November 2003, LCCU opened its fifth branch in Fayetteville, just under 100 miles south of Durham. As the year came to a close, LCCU's five branches had 14,823 members across North Carolina. See **Exhibit 6** for LCCU's total membership growth from 2000-2003 and **Exhibit 7** for branch information.

THE LCCU MODEL

There were at least five elements that were central to LCCU's model: products and services, partnerships, staffing and operations, locations, and finances.

Products and Services

As part of the goal of integrating Latino immigrants into the U.S. financial system, LCCU provided two types of services. First, it provided a package of financial products that allowed members to manage their money in the present while building a financial future by establishing a credit history. Second, the credit union provided bilingual financial education classes to help members get the most out of the financial system.

Financial Products

In December 2003, main financial products included the following:

- Savings accounts (minimum of \$10)

² LCCU had been awarded additional Treasury funds from the Community Development Financial Institution (CDFI) Fund.

- Checking accounts (no minimum balance required)
- Money Market accounts (minimum of \$500)
- Certificates of Deposit (\$500 minimum)
- Loans: car loans (maximum of \$10,000 without credit history, or \$30,000 with credit history), personal loans and refinancing of existing loans (maximum of \$3,000 with a tenor of 24 months)
- Free access to over 800 CASH POINT ATMs throughout North Carolina and nationwide access through the PLUS network
- Money orders for \$0.25
- Low-cost money wire services to Latin America
- Free check cashing for members
- Direct deposit
- Visa debit cards

As of December 2003, LCCU was still looking to secure its financial stability, so its rates were above market price. Personal and auto loans were about 250 to 500 basis points above the market rate for borrowers with strong credit history, but they were still below the high rates offered at other financial institutions, and well below the 29% interest Latinos were being charged at the car lot. For LCCU's rates, see **Exhibit 5**. One complicating matter was the fact that LCCU offered only one interest rate to all its members regardless of their credit profile, as opposed to other financial institutions that used graduated rates. Luis Pastor was firmly determined to change the unique interest rate system in order to improve LCCU's competitiveness. Randy Chambers, Treasurer of LCCU's Board, hoped that within a few years LCCU could compete with any other financial institution on loan rates for its new members with no previous credit history. Mike Banks, Senior Vice President at SECU, put it a little more bluntly. "The more they help [Latinos], the more they become educated, the more Latino Community Credit Union will have to become competitive with their interest rates to retain their members." But until then, leaders at LCCU felt proud that the credit union had provided loans to Latinos who had been previously shut out from any financial services or prey to opportunistic lenders with exorbitant rates.

In the meantime, LCCU was planning on adding new financial products and services that could provide both additional sources of revenue and potential cost savings. Home mortgages were the highest priority and were expected to be introduced in the first quarter of 2004. Telephone banking was next in line, with plans to launch sometime in the summer of 2004. Debit cards were already offered, but LCCU wanted to present a line of credit cards within the next 18 to 24 months. Lower on the priority scale, but still on the agenda, was internet banking, proposed for a 2006 launch. Services, such as telephone and internet banking, could cut members' dependency on LCCU tellers tremendously, decreasing LCCU's rising employee costs. With more transactions through ATMs, LCCU could possibly reach more unbanked Latinos in remote areas of the state.

Educational Services

In terms of education, 75% of LCCU's members had never opened a bank account before. Therefore, LCCU conducted bimonthly educational seminars at each of its branches to answer questions such as how to manage accounts, how to use an ATM machine, how to buy a house, and how to establish a good credit history. Seminars varied in popularity, attracting between five and forty people, depending on the subject. In addition, LCCU provided confidential access to a financial counselor who could assist members in developing a budget, obtaining and understanding their credit report, consolidating their debt, and avoiding bankruptcy. Educational seminars were free and were the only service available for members and non-members. In order to provide these services free of charge, LCCU had to raise funds from outside organizations, such as the National Endowment for Financial Education and the American Express Foundation. Employees recognized that the educational activities increased the awareness of LCCU, so they considered education part of LCCU's outreach efforts, for which there was no explicit budget.

To further its educational goals, LCCU sought to engage the Latino population in multiple ways. With no funds set aside for marketing, LCCU had to exploit options that would provide it free access to resources. Some local Spanish-speaking newspapers supported LCCU's mission and printed articles it provided at no cost. The articles never mentioned LCCU and were only aimed at increasing understanding of the U.S. financial system. LCCU Director of Marketing and Education Erika Bell did not mind not receiving credit for the marketing efforts; the goal was not to steal members from other financial institutions, but merely to educate.

LCCU employees were expected to act as educators in addition to performing their traditional service activities. For example, lines for the tellers in the Durham branch were systematically long on Fridays. Despite attempts to educate members on how to use the ATM, usage of the new service was abysmal. In response, the employees launched a program where they would interrupt their daily routine to go out to the ATM with members and walk them through the steps of making a deposit or withdrawing cash. Over time, the ATM service and education plan was helping to save valuable teller time, as those educated members then showed their friends and family how to use the ATM for most of their transactions.

Partnerships

Partnerships were critical to the launch of LCCU and continued to be vital to its success as it grew and expanded. From the very beginning, it was clear to LCCU founders that the credit union had to be part of a greater movement of "people helping people," so it remained active in the credit union movement. All new LCCU branches were linked to SECU's computer systems, and SECU continued to provide donated office equipment, ATM access, and employee training around the state. While it was difficult to place a monetary value on the support SECU had provided, Luis Pastor admitted that the 15% of revenues it remitted back to SECU hardly covered the real cost of SECU's support. Self-Help also continued to offer personnel and logistical support as LCCU opened new branches. Additionally, Self-Help owned an extensive portfolio of real estate in North Carolina. These premises were prime locations, and Self-Help rented the Durham location to LCCU at a subsidized rate. And the NC Minority Support Center had become a nexus for networking with other minority groups in North Carolina, allowing Latinos the opportunity to lobby with other minorities to gain federal support for common causes. By the end of 2003, LCCU members accounted for 50% of the total members of the NC Minority Support Center network.

While El Centro Hispano had shifted payroll and grant management responsibility to LCCU, it remained a key partner and important driver of LCCU's incredible success in Durham, where membership had increased to 5,510 and LCCU was convinced the branch was operating profitably. One challenge LCCU had faced was the lack of similar organizations in other communities where it had expanded. Thus, in September 2002, John Herrera, Luis Pastor, and Randy Chambers established the Latino Community Development Center, a new nonprofit devoted to building a network of Latino grassroots groups statewide. After a competitive application process, El Centro Hispano's Executive Director Ivan Parra was hired to head up this new organization, which was seen as critical to LCCU's goals to serve Latinos across North Carolina. The Development Center assisted LCCU with community outreach, building local support for new branches, creating community gathering spaces and at the same time educating Latinos about LCCU's cause. Reflecting LCCU's expansion to a statewide credit union, the Development Center replaced El Centro Hispano as LCCU's field of membership and received the \$20 membership fee to help fund its activities. 25% of this membership supported local Latino groups in each city where LCCU had a branch.

Ivan Parra, Executive Director of the Development Center and LCCU board member, summed up the impact of this partnership:

It's like a bicycle. One thing supports the other. If the Community Center organizes the community well, that translates into success at the credit union and to success for our members, which is the main goal. So it's not only success financially, but also socially and educationally. It all fits together. You don't often find in the for-profit sector organizations that work so closely like that.

Staffing and Organization

The organization had grown significantly since its early days of being a primarily volunteer-managed effort. By the end of 2003, LCCU employed 33 staff members and had seven members on the Board of Directors (four of them Latinos). See **Exhibit 8** for LCCU employee growth and **Exhibit 9** for LCCU management structure.

LCCU was focused on building a stable, Spanish-bicultural, and not just Spanish-speaking, workforce in order to become the service-oriented organization it wanted to be, so management carefully screened and hired tellers from the members. Most tellers did not have any prior experience working in a bank, but they had to have the qualities of service and intelligence that LCCU desired. In this way, LCCU could ensure that all of its employees were working with the same goal in mind. Tellers' salaries were benchmarked against those in the banking industry, and LCCU matched or exceeded the credit union industry averages to instill confidence and consistency in the staff.

Branch managers and credit analysts were consistently more difficult to attract for several reasons. First, the very nature of the job required a high education level and capability to handle a breadth of responsibilities. Second, the language requirement ruled out many qualified domestic applicants who were not bilingual or bicultural. Third, since those bilingual and bicultural candidates with financial analysis or management skills were in such short supply, other retail banks offered large salaries so they could recruit them as branch managers. Even though most banks were not specifically targeting the underserved Latino population with the types of culturally sensitive products and services of LCCU, it was still the fastest-growing demographic in the United States, so banks were aggressively recruiting a bilingual staff. Banks were not the only interested employers, either. Early in its operations, LCCU offered a branch manager position to one qualified Latino man, only to lose out to a major international corporation when they offered him a sales management position at almost twice as much in salary and free trips back to his home country. Fourth and most importantly, branch managers had to believe in LCCU's mission, for all indoctrination of employees and service philosophy flowed from it.

Despite differences in salary, management hoped that loyalty to the mission and the opportunity for rapid advancement would keep managers at LCCU. To some, LCCU presented a promising start-up business opportunity where rapid growth in locations and services left a lot of room for managers to affect change. Board Treasurer Randy Chambers noted that he was still particularly worried about increasing salaries, as payroll made up over half of LCCU's non-interest expenses. LCCU needed qualified managers, but they could not afford to get involved in a costly bidding war with competing financial institutions. Therefore, finding intrinsic motivation to retain managers had become an increasingly important issue in human resources.

Location

When searching for new sites, Luis Pastor relied most heavily on partner assistance. The greatest challenge was to find a former bank branch with a security box and lines for the ATM, which at the same time was close to Latino neighborhoods. LCCU's most successful branch had been its Durham headquarters, in no small part because it was located on the same property as El Centro Hispano. Therefore, any expansion was carefully examined so as to increase the proximity to a partner organization. Pastor estimated up-front costs for opening a new office at \$100,000, realizing that this could change for different premises, and \$300,000 in operating expenses per branch per year.

Distance to the Durham headquarters also factored into the location decision. Sites far away would be less likely to have consistent oversight in training, so employees would either have to spend two to four weeks at a time stationed at SECU in Raleigh or at LCCU Durham branch.

LCCU sometimes met with resistance to its expansion in a particular commercial zone. In one location, landlords had not been receptive to the idea of an "immigrant congregation" because they perceived them as

lower-class individuals on their property. LCCU had to depend on help from board members like Jim Blaine who helped negotiate the lease. As the reputation of the credit union grew, LCCU met with less resistance from landlords, but the stigma against unbanked, low-income immigrants continued to present a challenge in each new community. However, LCCU found opportunities as other banks closed down branches. In 2003, 2 of the 5 LCCU branches were in former Wachovia locations.

Geographical growth became an important issue in the winter of 2003. LCCU had to decide whether to continue growing in main North Carolina city centers or, to the contrary, start its expansion in rural areas. The Latino communities of these areas had a great need for LCCU services, even more so than the groups in the big cities. The desire of some LCCU board members was to get to those areas as soon as LCCU financials would allow it. On the opposite side, other board members and partners were more in favor of slowing growth to manage operations, assess financial performance, and standardize procedures across branches.

Finances

Since its inception, LCCU had been heavily funded by grants. It had received almost \$5 million in government, foundation, and partner support to fund operations, loans, educational programs, and branch expansion. See **Exhibit 10** for a list of grant supporters as of December 2003. The most recent was a \$750,000 federal grant to fund 65 mortgage loans over the next three years. To date, LCCU had not made any new location or product expansions without some form of grant to back it.

With membership fees funneled directly to the Latino Community Development Center, charges and interest from financial products made up the balance of LCCU's revenue stream. In December 2003, LCCU had almost 15,000 members, yet charges and interest income from loans and fees accounted for only 27% of LCCU's total income, without even taking into account the provision for loan losses. (See **Exhibits 11** and **12** for LCCU financial statements and **Exhibit 13** for industry comparisons). In order to reach sustainability, LCCU needed to offer more revenue producing products, such as mortgages or credit cards, as well as increase the number of profitable personal and auto loans issued. LCCU managed to attract members through lower charges on ancillary services and through targeting the unbanked Latinos or Latinos who could not afford the interest offered or penalty fees at other financial institutions. For example, insufficient funds charges were only \$15, compared with \$30 at Bank of America.

In 2003, grants accounted for 65% of LCCU's total income. Grants had been plentiful since LCCU was the only credit union in North Carolina dedicated to serving immigrants, but future grant awards were uncertain in quantity and amount. In addition, LCCU had been running a relatively lean operation in many respects. It enjoyed free advertising exposure through the press, and it received below-market rent at Self-Help subsidized facilities and below-market capital from many of its depositors. Its volunteers, especially the board members, provided significant support to LCCU without direct compensation from LCCU. Yet rapid expansion had caused a significant increase in salaries and benefits as well as other operating expenses. In addition, as their non-grant revenues increased, LCCU's 15% payment to SECU for use of their back office operations obviously increased in total figures (though the 15% remained constant).

Launching new products and branches would certainly cost money, but the new revenue streams might put LCCU onto the path of sustainability. At the end of 2003, home building in North Carolina had reached a peak, so many Latinos were looking for mortgages to buy reasonably-priced homes. Yet Randy Chambers remarked, "The fact that your business grows and grows, it's a good indication, but it doesn't make it sustainable. It's still only half the equation...Right now we have a portion of our revenue from our members and a whole lot of revenue from private foundations, which is okay, because that's the way nonprofits move. But I want to be self-sustaining."

MEASURING SUCCESS

According to traditional credit union measures, LCCU was already a huge success. In February 2003, it was awarded the Herb Wegner Memorial Award for Outstanding Organization from the National Credit Union Foundation, the highest honor in the credit union industry, in recognition of its exemplary model of how credit unions can make a difference in a community. LCCU’s meteoric growth had vaulted it to the top of the industry’s membership growth charts. (See **Table 1**)

Despite skepticism from outsiders, LCCU had set three extremely ambitious goals upon its inception:

- **Membership:** LCCU had aimed to reach 500 members in 2001 and 2,000 members by 2003. By 2002 it had already reached 5,400 members, and by the end of 2003, LCCU had reached almost 15,000. Heading into 2004, LCCU was adding an average of 700 members every month.
- **Deposits:** The original goal was to achieve \$3.6 million by the end of 2003. This goal was also accomplished early as LCCU reached \$11 million by the end of 2002 and over \$14 million at the end of 2003.
- **Lending:** The initial target was set at \$2.8 million by the end of 2003. Once again, this figure was reached by mid-2002.

Table 1 U.S. Credit Union Membership Growth*

Credit Union	Assets (\$ millions)	Member Growth
Latino Community CU, Durham, NC	\$13.2	376.2%
State Farm California FCU, Bakersfield	310.5	228.8
Erie Shores CU Inc., Maumee, Ohio	116.6	212.4
South Coast Community FCU, Goleta, Calif.	51.7	169.7
Intermountain CU, Salt Lake City	35.2	148.8
Kansas Super Chief CU, Topeka	103.6	145.6
Premier Services CU, Salt Lake City	18.9	113.2
Eagle County FCU, Crystal Falls, Mich.	62.1	103.5
Syracuse (NY) FCU	55.9	103.5
DC V.A. Medical Center FCU, Washington D.C.	\$15.2	98.7%

*Excludes credit unions with less than \$10 million in assets. Percentage growth is from June 30, 2001 to June 30, 2002.
Source: 2003 midyear Thompson Credit Union Directory, published in partnership with CUNA & Affiliates.

Beyond these numbers, LCCU management had to clearly define the organization’s purpose before they could begin to measure its success. Since its inception, LCCU’s main purpose had been twofold: first, to educate Latino immigrants about how the U.S. financial systems worked, the benefits of maintaining a relationship with a financial institution and how to integrate the financial system into their everyday lives; and second, to provide access to fair and affordable financial services.

The educational nature of the goals made it very hard to pick metrics with which to measure success. How could LCCU count how many immigrants it had educated? Since it was impossible to know how many immigrants had read the articles in newspapers, LCCU could only count the number of immigrants who attended their bimonthly free educational seminars. LCCU management knew that they could not only consider an increase in seminar attendees a success, so they agreed that real financial education required action, and that success was achieved when the education received translated into opening a bank account. Therefore, LCCU chose its membership base as the metric to track, even though this would not count Latinos who opened accounts with other financial institutions. Although the number of members served would actually understate the number of immigrants actually educated, the metric was easy to measure and was fairly representative of an educated immigrant population. Each year, LCCU had member growth targets for each of its branches based on population base and growth as well as income distribution.

When considering marketing efforts by their competition, employees of LCCU almost unanimously looked favorably on competing financial institutions that were willing to educate and integrate immigrants. In fact, LCCU employees saw efforts from the competition to emulate their formula as not only an affirmation of their business model, but also furthering LCCU's educational goals. Therefore, employees could count competitors' recent increases in marketing efforts to Latino immigrants as a success for LCCU's goals. In this respect, even if immigrants joined other financial institutions, then LCCU would still be serving its goals for Latino integration. "It's really funny in that as they become more successful and teach Latinos to make wise financial choices, part of that will be that they choose to use another financial institution because they're smart enough to find a better rate. It's a real Catch-22," noted Sue Douglas, Chief Operating Officer of SECU.

Aside from the overall goal of integrating immigrants into the U.S. financial system, Luis Pastor had his own goal for LCCU. "I want to have members stay at LCCU not because they have to, but because they want to." LCCU was already creating a culture of membership and service, but there were other factors that members valued when considering whether to continue their banking relationship with LCCU. Primarily, Luis Pastor thought that members would be more inclined to stay if they felt that LCCU offered comparable products to other retail banks, not just other credit unions.

THE CHALLENGES OF EXPANSION

Between 2000 and 2003, LCCU had added almost 15,000 members within the state of North Carolina, well above its initial target of 2,000. The last three years had been a whirlwind of activity at the organization, and neither Luis Pastor nor the rest of the employees knew if they could keep up this blistering pace. Driving this expansion was the goal to ensure that Latinos had access to affordable and fair financial services, but the expansion had come with a considerable financial burden. The rate of growth had been so rapid that it was difficult to know if LCCU's operational model was even feasible in a steady state, nevertheless in a hyper-expansion mode. Randy Chambers spoke candidly about the concerns he had about LCCU's future:

The challenge today is how to make the credit union financially sustainable in the long term because it's heavily funded by grants. That single measure of success is the one that we have to focus on by and large more than any over the next couple of years.

The second challenge is to make branching successful. What we've learned over the two plus years we've been doing branching is that because El Centro Hispano played such a critical role here in Durham, that if you don't have that kind of partner in a new community, you can really struggle to get out the door and get your name out there.

The third challenge is how do we continue to serve our members in a way that will help them be successful? For example, when do we start offering mortgages? Our members would have liked us to have done it a year ago, but do we have the operational capacity to do it? And if we do mortgages, will we lose track of that first goal? Will we end up spending money to do mortgages so that all of a sudden financial sustainability becomes a challenge that's put off for another six months?

Beyond North Carolina's borders, other community groups were calling for LCCU to expand. Some had offered grants, such as Washington D.C., while others in Portland, Oregon, Orange County, California, and Richmond, Virginia just wanted LCCU to guide them through the establishment and partnership process. The idea of a cooperative immigrant credit union appeared to be taking hold in the United States, even though spirit was overriding any sound financial analysis at the moment. The question was whether LCCU wanted or needed to play any role in promoting this concept beyond North Carolina.

THE DECISION

As Luis Pastor considered the potential opportunity to open a new branch in Winston-Salem, he had to admit that it was an attractive target for LCCU. As the fifth largest city in the state, Winston-Salem had always

been one of LCCU's target cities. The community had a rapidly growing immigrant population, especially for Latinos. The local economy was growing briskly, with major employers like Krispy Kreme, RJ Reynolds, Wake Forest University, and BB&T expanding their operations there. As more jobs became available to immigrants, LCCU would be well-positioned to create the bridge between these immigrants and the U.S. financial system. See **Exhibit 14** for more statistics on Winston-Salem. Lastly, in order to get the grant, LCCU would have to restrict \$250,000 to boost LCCU's reserves and split the remaining \$750,000 between funding the Winston-Salem branch and supporting a new managerial position in LCCU Central Services. Nonetheless, few credit unions were lucky enough to receive a \$1 million grant to open a new branch, and the public relations support that was sure to accompany the offer could make the branch an instant success.

However, several challenges still stood in the way. Besides SECU, Winston-Salem did not have any partner organizations like Self-Help and El Centro Hispano to assist with its operations and community outreach. In addition, LCCU had just opened its newest branch in Fayetteville a month earlier, and many people in the organization were still working overtime to make sure the launch was a success. Any diversion of attention away from the new Fayetteville branch could have negative repercussions throughout LCCU. LCCU Director of Marketing and Education Erika Bell lamented, "Now that we've grown so quickly, we need to regroup and make sure that everything's standardized and focus on outreach [to the local Latino communities where LCCU branches were already operating]." Sue Douglas declared, "Latino Community Credit Union needs to slow down now and take a breath. They've got their structure set up, now they have to concentrate on making some money."

Luis Pastor also recognized that this new proposal for expansion exposed larger strategic issues for LCCU. How should he balance the goals of LCCU to integrate immigrants into the U.S. financial system with the need to manage growth? Would Pastor be able to maintain the quality control over new branches that LCCU desired? He was already on the road most days visiting other branches, and he wondered about the risk of burnout to other employees and volunteers. Some board members were of the mindset that it was time for LCCU to stop the sharp growth of the past year and catch some breath by making the already existing branches profitable and self-sustainable. How could they make this model financially sustainable? Would focusing on improving the existing branches and offering more financial products to its current members be a better allocation of resources than expanding to Winston-Salem right now? Other projects also demanded resources, such as a proposed plan to pursue a marketing campaign on Spanish-speaking TV in North Carolina. Given the social goal of LCCU, was it the time to expand to the rural areas of North Carolina where most of the unbanked Latinos lived?

Pastor knew that he had to make a decision soon on the proposed Winston-Salem branch expansion, and that this decision would have major implications on LCCU's future expansion strategy. If he did not take the grant money now, he could lose this opportunity in the future; but premature expansion could derail the successes LCCU had already enjoyed. Pastor still envisioned an LCCU with 20 branches in the next 5 years, but what would it take to make that vision a reality?

Exhibit 1 Latinos and Economic Development

Latinos in the United States

- There are 35.3 million Latinos in the United States
- Half of all Latinos are under the age of 20
- In 2003, Latinos became the largest minority in the U.S.
- By 2050, one in four U.S. residents will be Latino
- Latinos in the U.S. come from 32 different countries

Latinos in North Carolina

- There are over 434,000 Latinos in North Carolina
- Most work in construction, landscaping, service industry and agriculture
- Latinos in NC are primarily from Mexico, Puerto Rico, Honduras, and El Salvador
- The average age of LCCU members is 33.5 years
- 68% of LCCU members have children under 18 years old
- 75% of LCCU members have lived in NC less than 6 years
- 62.5% of LCCU members plan on staying in NC permanently

Growing Financial Strength

- Cumulative buying power of the Latino community totals \$380 billion (Humphreys, J. M., Hispanic Buying Power by Place of Residence. Terry College of Business, 1998)
- Purchasing power is expected to grow by 95% in five years
- The median income for Latino households in 1999 was \$28,330 and \$38,885 for the U.S. overall
- Between 1987 and 1992, the number of Latino-owned firms increased by 82.7% (U.S. Census Bureau, Survey of Minority-Owned Business Enterprises: Hispanic, 1996)
- Mexicans send over \$12 billion dollars (2003) annually to relatives back home

Lack of Access to Financial Institutions and Affordable Credit

- Some Latinos may not have had a checking or savings account before: A survey conducted by El Centro Hispano in 1999 found that fewer than 25% of Latinos in Durham had a bank account before LCCU opened
- Fifty percent of Latinos in the U.S. are unbanked
- Many of those without access pay large fees at check cashing outlets
- Latinos are over-represented in the sub-prime lending market, which charges higher rates
- The homeownership rate for Latinos is 46%, lagging far behind the national average, which stands at 67% (HUD, Homeownership Reaches Record Levels, 1999)

Lack of Information on Financial Planning

- 28% of Latinos said they know “very little” or “nothing” about managing their finances—compared to 17% of White respondents (Freddie Mac survey)
- 37% percent of Latinos are unsure they will be able to pay basic expenses during retirement (Employee Benefits Research Institute)

Exhibit 2 Emergence of the Credit Union Industry

The first credit union originated in Germany in response to the devastating crop failure and subsequent famine of 1846³. Since banks were unwilling to extend credit to farmers in need, cooperative organizations formed where members could pool their scarce resources to make loans to each other. Keeping in line with the idea of collaboration, people who joined the credit union were called members, not customers. Service to its members became the central goal of every credit union instead of profit. These organizations encouraged individual saving since profits were distributed to members in the form of a dividend.

The credit union model expanded to provide credit to underserved populations throughout Europe, and in 1909, the first credit union in the United States opened in New Hampshire. As more people joined credit unions to take advantage of favorable dividends and access to reasonably priced personal loans, legislators began to establish guidelines to protect consumers and promote credit unions as a way to facilitate credit markets. Massachusetts passed the first state guidelines in 1909, but it was not until 1934 that President Roosevelt signed the Federal Credit Union Act into law.

Credit unions proliferated throughout the United States in the following decades as government support for cooperative credit increased. In 1970, oversight of credit unions moved from the Farm Credit Administration to a newly created National Credit Union Administration, accompanied by the National Credit Union Share Insurance Fund to insure credit union deposits up to \$100,000. Federal protection allowed credit unions to add to their portfolio of products to include mortgages, credit cards, student loans, and individual retirement accounts.

The number of credit unions peaked in the 1990s, but after some industry consolidation, there were still 9,688 federally insured credit unions at the end of 2002. By comparison, there were 9,354 federally insured banks and savings institutions. Total membership in credit unions reached 80.9 million in 2002, up from 73.5 million in 1998, and total assets grew from \$388.7 billion to \$557.1 billion over the same time period. Loan originations had increased at a 6.9% compound annual growth rate from 1998 to 2002, reaching \$342.6 million, compared to a 5.0% annual growth in banks and savings institutions. The table below compares credit union growth with that of banks and savings institutions.

Credit Unions	2002	2001	2000	1999	1998
Institutions	9,688	9,984	10,316	10,628	10,995
Members (millions)	80.9	79.4	77.6	75.4	73.5
Loans (millions)	342,600	322,400	301,300	371,500	245,700
Total interest income (millions)	31,291	32,681	31,168	28,409	27,319
Net income (millions)	5,663	4,492	4,329	3,750	3,505
Banks and Savings Institutions	2002	2001	2000	1999	1998
Institutions	9,354	9,614	9,905	10,222	10,464
Loans (millions)	5,056,873	4,765,246	4,646,423	4,254,329	3,964,018
Total interest income (millions)	429,523	486,386	511,932	441,317	433,444

Source: NCUA and FDIC

Despite the significant growth of the credit union industry, running community credit unions was no easy task. The National Federation of Community Development Credit Unions estimated that only about 10 out of every 100 organizing efforts that contacted them for help actually got off the ground.⁴ Nonetheless, in 2003, the central mission of the credit union industry remained the same: All like-minded people seeking access to fair capital should be allowed to pool their money and make loans to each other. While each credit union had its own membership criteria, there were guiding principles that spanned all credit unions. First, only credit union members could borrow there; second, loans were made for "provident and productive" purposes; and finally, a person's desire to repay (character) was considered more important than the ability (income) to repay. Members were, after all, borrowing their own money and that of their friends. The initial spirit of the credit union movement continued as "people helping people."

³ National Credit Union Administration

⁴ Solow, Barbara. 1999. "In a Family Way." *Independent Weekly*. November 3-9.

Exhibit 3 LCCU Charter Members

Sharronview Federal Credit Union
Northwest Credit Union
Orange County Teachers Federal Credit Union
CUNA Credit Union
Wabash County Farm Bureau Credit Union
Police and Fire Credit Union
Credit Union One
Patelco Credit Union
Oregon Telco Credit Union
Founders Federal Credit Union
Digital Federal Credit Union
Boeing Employees' Credit Union
San Mateo Credit Union
Harborstone Credit Union
Vision's Federal Credit Union
Mountain America Credit Union
American Airlines' Federal Credit Union
Educational Employees Credit Union
Hudson Valley Federal Credit Union
Pennsylvania State Employees' Credit Union
University Federal Credit Union
U-Lane-O Credit Union
Allegacy Credit Union
Merck Employees Federal Credit Union
Kraft Foods Federal Credit Union
Motorola Employees Credit Union
Navy Federal Credit Union
Twin City Co-ops Federal Credit Union
Knoxville TVA Employees' Credit Union
Baxter Credit Union
State Employees' Credit Union of Maryland, Inc.
Citizens Equity First Credit Union
Suncoast Schools Federal Credit Union
Western Federal Credit Union
Texans Credit Union
First Tech Credit Union
Centra Credit Union
NASA Federal Credit Union
United Airlines Employees Credit Union

Anheuser-Busch Employees' Credit Union
Xerox Federal Credit Union
IBM Mid-America Employees' Federal Credit Union
SELCO Credit Union
TRW Systems Federal Credit Union
Heritage Family Credit Union
Tyndall Federal Credit Union
State Employees' Credit Union (MI)
Bayer Federal Credit Union
RTP Federal Credit Union
Self-Help Credit Union
Fort Bragg Federal Credit Union
Duke University Federal Credit Union
Schoolworkers Federal Credit Union
First Flight Federal Credit Union
Marine Federal Credit Union
Coastal Federal Credit Union
Firestone Credit Union
Baptist Employees Credit Union
Community Credit Union
First Carolina Corporate Credit Union
Food Lion Credit Association
Truiant Federal Credit Union
Local Government Employees' Federal Credit Union
College Heights Credit Union
Century Employees Credit Union
Tri-County Credit Union
National Federation of Community Development Credit Unions
Immaculate Conception Church
Diocese of Raleigh
Catholic Social Ministries
Iglesia El Buen Pastor
Central Carolina Bank
Bank of America
Duke University
NC Minority Support Center

Source: LCCU

Exhibit 4 LCCU Member Services, 2000

Member Savings

Financial Service	LCCU Members	Other Institutions
Checking account	\$2 / month	\$6-15 / month ¹
Savings account	Free	\$5 / month ¹
Money order	\$0.25 each	\$0.75 to \$1.00 each
Check cashing	Free	2% to 5% of check amount ²
Money wire	\$10.00 to Mexico, Guatemala, Honduras and El Salvador Varies to other countries	10% of wire amount ²

¹ New bank accounts with no minimum balance

² Check cashing and money wire businesses used by Latino community

Credit Union Hours

Latino Community Credit Union is open at hours that are convenient for its predominantly working-class immigrant membership:

Monday: 12pm to 7pm

Tuesday through Thursday: 9am to 4:30pm

Friday: 12pm to 7pm

Exhibit 5 LCCU Rates as of July 2003

LCCU	
Deposit accounts:	
Shares (savings)	0.80%
Checking	0.50%
Money Market	1.75%
Share Term	
Certificates:	
6 months	1.75%
12 months	1.75%
18 months	2.00%
24 months	2.25%
Loans:	
New vehicles	7.90% (fixed)
Used vehicles	11.75% (fixed)
Personal - unsecured	15.00% (fixed)
Personal - secured	6.00% (fixed)

Source: LCCU

Exhibit 6 LCCU Membership: 2000-2003

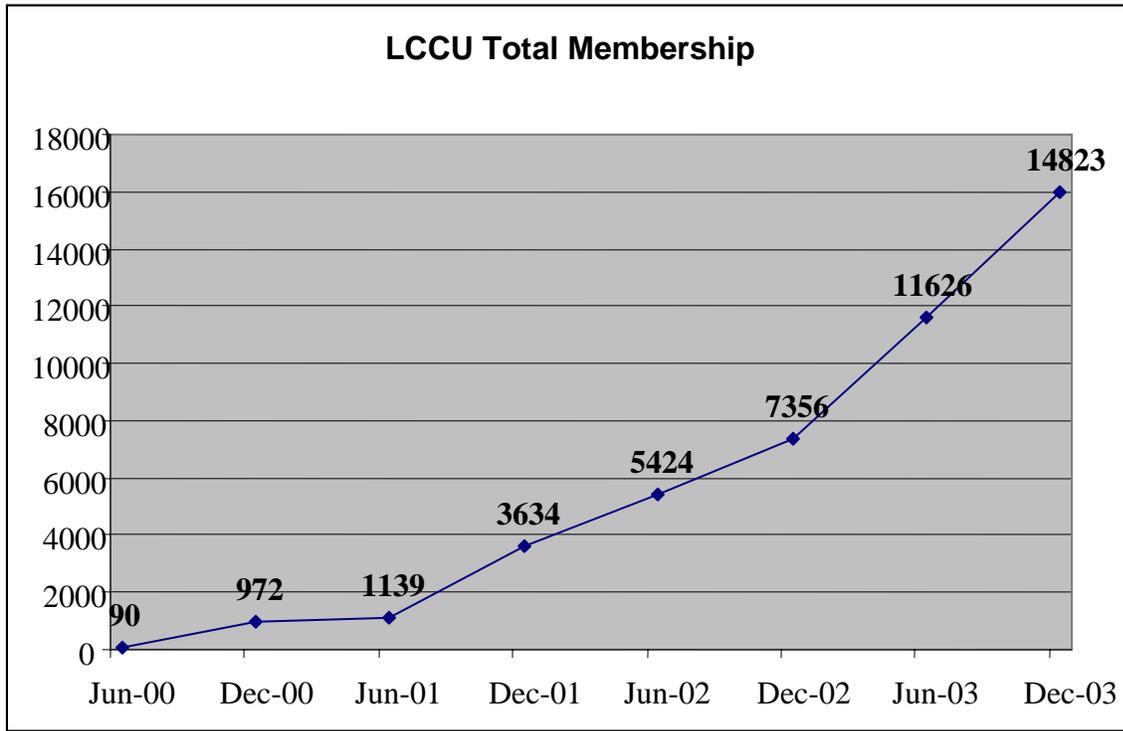
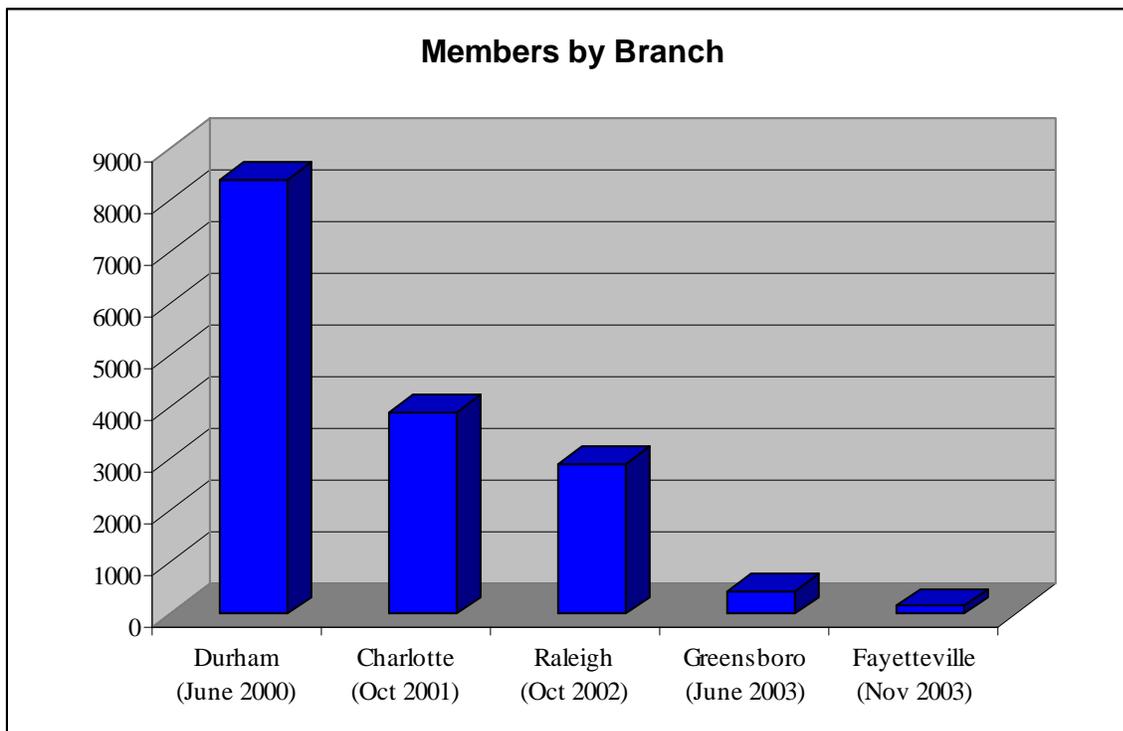
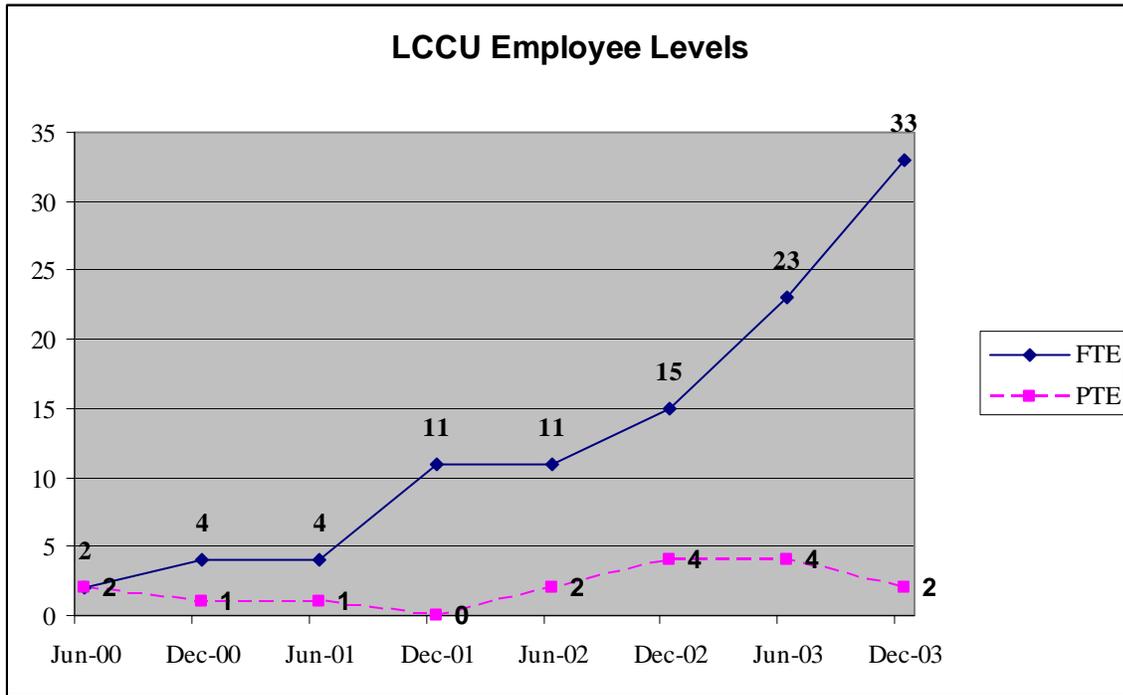


Exhibit 7 Branch Members: December 2003

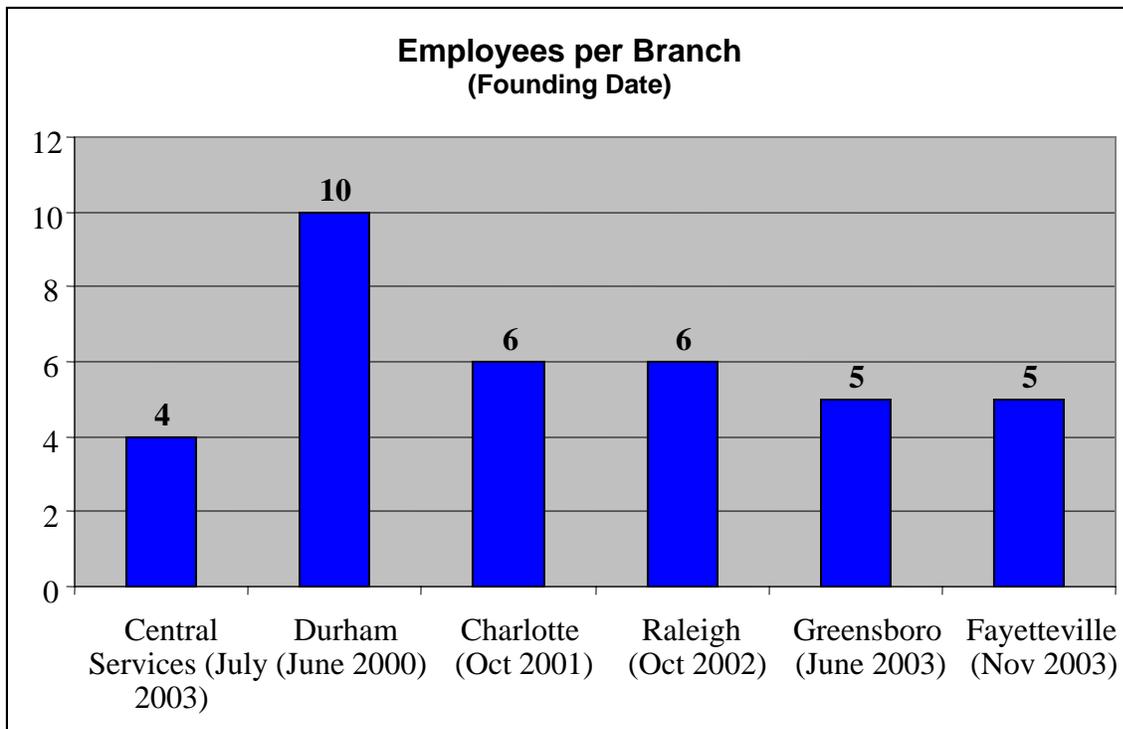


Source: LCCU

Exhibit 8 LCCU Full-time and Part-time Employees: 2000-2003



Breakdown of Employees and Founding Date per Branch



Source: LCCU

Exhibit 9 LCCU Management Structure

Board of Directors

John Herrera (Costa Rica), Chairman
Center for Community Self-Help
Ivan Parra (Colombia), Vice Chairman
Latino Community Development Center
Randy Chambers (U.S.), Treasurer
Self-Help Credit Union
María Scanga (Cuba), Secretary
Attorney
Jim Blaine (U.S.)
State Employees' Credit Union
Reverend Edgardo Colón-Emeric (Puerto Rico)
Durham Hispanic Ministry United Methodist Church
David Grace (U.S.)
World Council of Credit Unions

Staff

Central Administration

Luis Pastor (Spain), CEO
Erika Bell (U.S.), Director of Marketing and Education
Brenda Estrella (Dominican Republic), Director of Operations
Liliana Concha (Colombia), Director of Administration

Branch Administration

Vicky Garcia (Colombia), Manager, Durham Branch
Violeta Taylor (Peru), Manager, Charlotte Branch
Maria Guarin (Colombia), Manager, Raleigh Branch
Javier Olave (Colombia), Manager, Greensboro Branch
Olga Guy (Colombia), Manager, Fayetteville Branch

Supervisory Committee

Marty Belin (U.S.), Self-Help Credit Union
Ray Scanga (U.S.), Retired IBM
Kirk Wagenseller (U.S.), Retired Banker
David Brehmer (U.S.), First Carolina Corporate Credit Union

Credit Committee

Randy Chambers (U.S.), Self-Help Credit Union
Violeta Taylor (Peru), Latino Community Credit Union
Luis Pastor (Spain), Latino Community Credit Union
Mike Banks (U.S.), State Employees' Credit Union

Exhibit 10 LCCU Grant Supporters

Initial Funding:

The Warner Foundation
Stoneman Family Foundation
Z. Smith Reynolds Foundation
NC Minority Support Center
Carolinas Credit Union Foundation
Mary Duke Biddle Foundation

Subsequent Rounds:

Community Development Financial Institutions Fund, U.S. Treasury Department
The Steward's Fund
National Endowment for Financial Education
InSight Fund
Bank of America
Wachovia
Foundation for the Carolinas
American Express
First Accounts, U.S. Treasury Department
National Credit Union Administration
National Credit Union Foundation
Latino Funders Collaborative

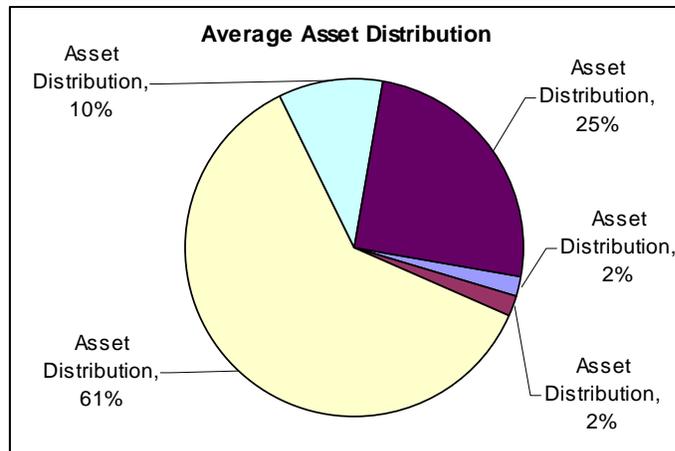
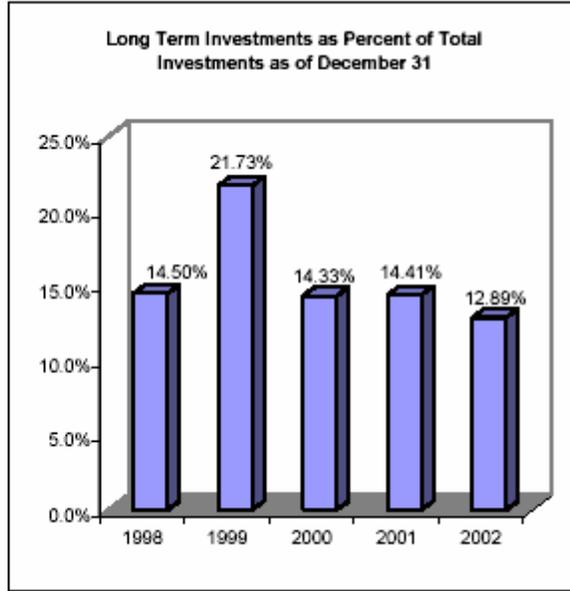
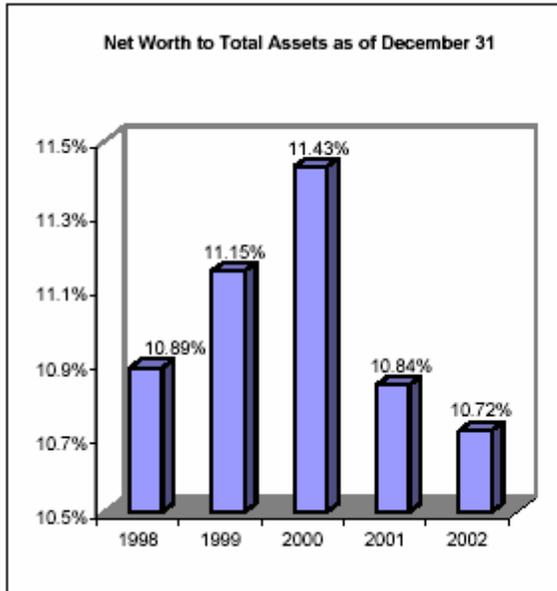
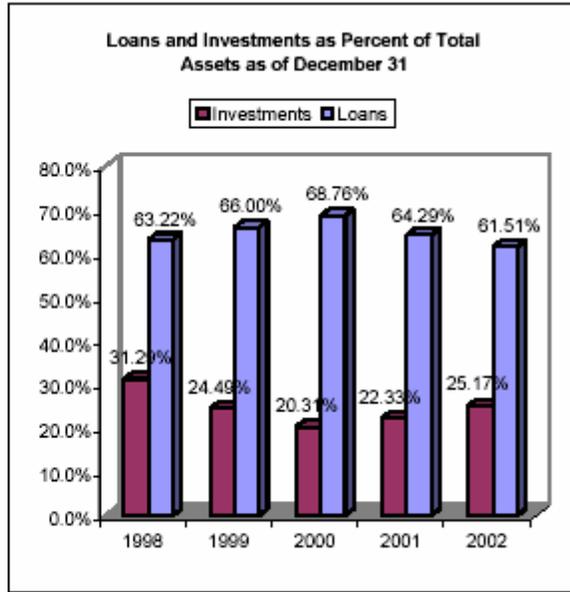
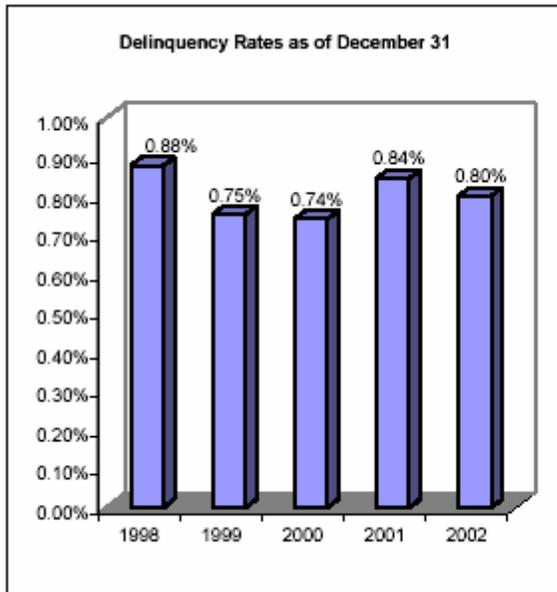
Exhibit 11 LCCU Balance Sheet

	December 31, 2003	December 31, 2002	December 31, 2001
ASSETS			
Cash and Cash Equivalents	\$4,717,395	2,649,419	1,001,822
Interest bearing deposits with other financial Institutions	\$3,590,000	5,380,781	6,806,686
Loans receivable, net of allowance for loan losses of \$181,327 in 9/2003, \$164,022 in 2002, and \$93,307 in 2001	\$7,448,480	3,650,707	1,887,868
Property and equipment, net	\$77,853	44,350	43,830
Prepaid expenses and other assets	\$202,779	102,296	48,911
NCUSIF deposit	\$107,126	88,860	29,552
Total Assets	\$14,143,633	11,916,413	9,818,669
LIABILITIES AND MEMBERS' EQUITY			
Total shares and deposits	\$12,453,227	10,848,873	8,887,529
Accounts payable and other liabilities	\$38,805	110,568	80,872
Accrued interest payable	\$4,232	5,657	10,355
Total Liabilities	\$12,496,263	10,965,098	8,978,756
Uninsured secondary capital	\$200,000	200,000	200,000
Members' equity, substantially restricted:			
Regular reserve	\$450,000	250,000	150,000
Appropriated undivided earnings	\$480,000	480,000	480,000
Unappropriated undivided earnings	\$517,370	21,315	9,913
Total Member's Equity	\$1,647,370	951,315	839,913
Total Liabilities and Members' Equity	\$14,143,633	11,916,413	9,818,669

Exhibit 12 LCCU Statements of Income

	Dec 31, 2003	Dec 31, 2002	Dec 31, 2001
Interest Income			
Loans	\$519,634	331,256	133,699
Investments and interest bearing Deposits	\$191,245	283,825	442,625
Total Interest Income	\$710,879	615,081	576,324
Interest Expense			
Members' shares and savings Accounts	\$143,743	177,363	224,338
NET INTEREST INCOME	\$567,136	437,718	351,986
Provision for Loan Losses	\$150,000	109,500	105,000
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	\$417,136	328,218	246,986
Non-interest Income			
Fees and charges	\$151,756	107,680	41,841
Grant income	\$1,491,857	408,327	704,243
Total Non-interest Income	\$1,643,613	516,007	746,084
Non-interest expenses			
Compensation and benefits	\$786,576	363,963	115,016
Occupancy	\$151,105	92,182	54,874
Professional and outside services	\$168,025	146,770	102,469
Office operations	\$148,758	96,023	27,060
Education and promotion	\$66,900	20,389	23,264
Other	\$43,330	13,496	30,474
Total Non-interest Expenses	\$1,364,694	732,823	353,157
NET INCOME	\$696,066	111,402	639,913

Exhibit 13 Credit Union Industry Statistics



Source: National Credit Union Association

Exhibit 14 Demographic Data for North Carolina and its Six Largest Cities: 1990 – 2000^a

Metropolitan Area	Population	Foreign-born Population	Share Foreign-born Population	Increase in Immigrant Population over 1990 Census	Increase in Native Population over 1990 Census	Total Increase in Population over 1990 Census
Charlotte, NC	540,828	59,849	11.0%	297.8%	26.6%	36.6%
Durham, NC	187,035	22,544	12.0%	334.3%	25.3%	36.9%
Fayetteville, NC	121,015	6,818	5.6%	157.3%	56.1%	59.9%
Greensboro, NC	223,891	18,146	8.1%	280.3%	14.8%	22.0%
Raleigh, NC	276,093	32,410	11.7%	211.7%	23.6%	32.8%
Winston-Salem, NC	185,776	15,335	8.3%	408.9%	21.1%	29.5%
North Carolina	8,049,313	430,000	5.3%	273.7%	17.0%	21.4%

^a Federation for American Immigration Reform

North Carolina Cities and Existing LCCU Branches, 2003

