

2008  
transcript

Building  
Wealth in  
a Troubled  
Economy

Wealth Protection:  
Building the Civil  
Rights Agenda

NCLR

# Building Wealth in a Troubled Economy

The National Council of La Raza (NCLR)—the largest national Hispanic civil rights and advocacy organization in the United States—works to improve opportunities for Hispanic Americans. Through its network of nearly 300 affiliated community-based organizations (CBOs), NCLR reaches millions of Hispanics each year in 41 states, Puerto Rico, and the District of Columbia. To achieve its mission, NCLR conducts applied research, policy analysis, and advocacy, providing a Latino perspective in five key areas—assets/investments, civil rights/immigration, education, employment and economic status, and health. In addition, it provides capacity-building assistance to its Affiliates who work at the state and local level to advance opportunities for individuals and families.

Founded in 1968, NCLR is a private, nonprofit, nonpartisan, tax-exempt organization headquartered in Washington, DC. NCLR serves all Hispanic subgroups in all regions of the country and has operations in Atlanta, Chicago, Los Angeles, New York, Phoenix, Sacramento, San Antonio, and San Juan, Puerto Rico.

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BUILDING WEALTH IN A TROUBLED ECONOMY  
A Symposium on Latino  
Wealth-Building Opportunities

**Transcript of Panel Session III**  
**Wealth Protection:**  
**Building the Civil Rights Agenda**

Thursday, June 26, 2008

**Moderator**

Allen Fishbein, Director of Credit and Housing Policy, Consumer Federation of America

**Panelists**

Luis Pastor, CEO, Latino Community Credit Union

Ellen Seidman, Director, Financial Services and Education Project, New America Foundation

Meizhu Lui, Coauthor, *The Color of Wealth: The Story Behind the U.S. Racial Wealth Divide*

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## Foreword

The current economic slowdown challenges all of us to consider whether asset strategies developed in times of relative prosperity are still meaningful. As our credit markets retract and the nation faces general economic decline, it is critical that disproportionately impacted communities of color not be overlooked. The mortgage crisis exposed serious cracks in the system and reaffirmed that the best way for minority communities to avoid falling through those cracks is through equal access to safe and affordable financial products.

The panel discussion that follows is part of NCLR's effort to bring community and policy voices together to create an agenda for the future which can produce positive results for all families struggling through economic hardship. The panel examined major public policies and legislative proposals aimed at addressing the racial and ethnic wealth divide and identified gaps between the proposals and community needs. NCLR will continue to work to fill in information gaps, test new program and market practices, protect Latino consumers from predatory financial services, and advocate policies that increase Latino asset-building opportunities.

By 2050, Latinos will make up 30% of the population, compared to 14% today, and immigrants and their children will account for 82% of household growth between now and 2050. The overall health of our future economy and financial systems may well depend on the economic status of the nation's Latinos. Viewed against a backdrop of the last decade, when public policy and the marketplace failed to narrow the wealth gap, our future demographic reality compels us to redouble our efforts. It is my hope—and expectation—that the discussion documented here will contribute to those committed to finding sustainable solutions to growing inequality in our country.



Janet Murguía  
President and CEO  
NCLR



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Luis Pastor, CEO, Latino Community Credit Union  
Ellen Seidman, Director, Financial Services and Education Project, New America Foundation  
Meizhu Lui, Coauthor, *The Color of Wealth: The Story Behind the U.S. Racial Wealth Divide*

We also thank the Ford Foundation for its support of NCLR's work in wealth-building, as well as the Annie E. Casey Foundation for its direct support of the symposium and this panel.

All panel participants had an opportunity to review the transcript for clarification, but did not materially or substantively alter their comments.

We also thank the Ford Foundation for its support of NCLR's work in wealth-building, as well as the Annie E. Casey Foundation for its direct support of the symposium and this panel. The discussion and conclusions included in this transcript are those of the panel speakers alone and do not necessarily reflect the opinions of the Foundations.



## Executive Summary

On June 26, 2008, the National Council of La Raza (NCLR) convened a symposium in Washington, DC titled “Building Wealth in a Troubled Economy: A Symposium on Latino Wealth-Building Opportunities.” One aspect of the event was a panel session called “Wealth Protection: Building the Civil Rights Agenda” in which participants:

- Discussed how the changing economy is challenging traditional approaches to wealth-building
- Examined the discussions that took place throughout the day for proposals to create a new agenda
- Identified the intersecting aspects of the civil rights and wealth-building agendas
- Shared new approaches for wealth creation in low-income communities which have proven results

The panel covered a wide range of topics including altering savings practices, an examination of market forces, and addressing auto and health insurance needs. Together these issues were explored as major elements in the future of wealth-building. A major focus of the discussion centered on shifting homeownership from its position as the primary wealth-building vehicle currently advocated by consumer and civil rights groups.

Panelists specifically agreed that advocacy for widespread access to capital needs to include proposals for increased educational outreach. The access to capital may not benefit consumers in the long term if sustainability and financial education are left out of the equation.

Panelist expertise and backgrounds led to slightly different first instincts as to what course would be the most successful as a new primary wealth-building strategy. Homeownership was disputed as the single answer for sustainable wealth-building, and a greater focus on education was offered as a necessary precursor to any new agenda suggestion. Financial education was held up as the greatest indicator of consumer success in financial products and as the major reason that many families were able to remain safe despite the sharp changes in the economy. Using homes as equity piggy-banks was a practice that all panelists agreed had to end in order to create a more stable housing market and to reintroduce homeownership as a long-term strategic investment.

Finally, the panelists came to the conclusion that in addition to elevating financial education on the wealth-building agenda and reframing the homeownership discussion, civil rights and consumer rights advocacy organizations need to examine the idea of developing a type of national accreditation system certifying a financial program, product, or company’s level of safety for the community. All participants agreed that more work is needed to ensure protection from financial predators and to work toward securing the wealth within a community once it is built—efforts that NCLR supports strongly.

## Opening Remarks from the Moderator

**Mr. Allen Fishbein:** Well, good afternoon everybody. Thank you for bearing with us. This is the concluding session, and I congratulate the sponsors for putting together what I think will be a lively and intriguing panel, but also give you plenty of opportunity to get your thoughts and comments in as well.

My name is Allen Fishbein. I'm Director of Credit and Housing Policy with Consumer Federation of America [CFA]. For those of you who do not know CFA, we're a national federation of some 300 pro-consumer organizations that was established to promote consumer interests through research, education, and advocacy, and we have a strong interest in the topics that certainly have been discussed today.

This session is entitled "Wealth Protection"—note the emphasis on protecting wealth—"Building the Civil Rights Agenda." And what we will try to do is weave together a lot of the discussion that has occurred throughout the day with very interesting proposals for developing a policy agenda going forward. The focus will be on the intersection between how we build wealth and how we also protect wealth that is built. This panel was selected very carefully to provide different perspectives. As you will see, they're not shy about voicing their opinions. I'll introduce each in a minute, but essentially this session consists of three parts. We're going to open it up with short introductory remarks from each of the panelists—and I will try to do the timekeeping on that—and then I will ask the panelists questions to provide an interactive session between the panelists to help flesh out their ideas. And then we're going to open it up to the floor, so you should be thinking about the questions and comments you wish to raise. The procedure we're using here today is that card system, so please write your questions out on a card and circulate it to someone from NCLR, and I'm sure they'll be able to get it up here.

So let me introduce the speakers, and then we can open it up for discussion. But before I do so, I want to make brief opening remarks to help put the discussion in context. Some of you may have seen a report that was recently issued by the Institute for American Values. It was endorsed by 62 scholars and a number of organizations, including CFA and the New America Foundation. Have people seen that report? Well, I'll tell you a little bit about it. Essentially let me distill it down so you won't have to read it. (laughter)

Essentially the paper makes these points: First, that the United States is experiencing a growing polarization in access to institutional opportunities for saving and building wealth. Throughout most of the 20<sup>th</sup> century, nearly all Americans had access to a series of financial institutions that helped them save and build their nest egg. These institutions included local banks, they included credit unions, they included savings institutions, savings and loans, and savings clubs. Some were even created particularly for the small saver. These institutions constituted what this paper refers to as a "pro-thrift sector," a sector that was interested in helping people build wealth. These savings were promoted, and at the same time there were regulations and guidelines in place that worked to limit the amount of debt that consumers could accumulate. Now, that obviously worked to the disadvantage of certain individuals in gaining access to credit, but at the same time it helped, over time, consumers build wealth.

More recently a very different landscape, a kind of a two-tiered financial system, is emerging. The traditional pro-thrift sector today really focuses more on upscale consumers, this paper says, and seems to have abandoned the little guy. And in its place has come a new financial sector that serves the



lower-income half of American households. This sector includes things like special credit cards, payday lenders, rent-to-own facilities, auto title insurance, check-cashing outlets, and the like, and it's become a pretty large and expanding sector. But the argument this paper makes is that this sector is not really a pro-thrift sector as much as it's an "anti-thrift sector." The paper concludes that this new sector is dragging Americans from thrift and savings to overindebtedness. I put this out because I think it should be the context for considering what policy solutions make sense going forward.

So, having said that, let me move on to introduce our panelists, and we'll look forward to their introductory remarks. First, sitting in the middle, is Luis Pastor. You ready? You're first. He's the CEO of the Latino Community Credit Union, North Carolina. This is a credit union many of you may know—started out with 400 members and in short order grew to 50,000 members and in fact is the fastest-growing credit union in the United States.

Next, seated to the left of Luis, is Ellen Seidman who wears a number of hats, but she's here today in the capacity of Director of Financial Services and Education Project with the New America Foundation. She's also Executive Vice President for National Policy and Partnership Development with ShoreBank [Corporation] in Chicago. She's a former banking regulator and special assistant to President Clinton.

And on my immediate left is Meizhu Lui, who most recently was Executive Director for United for a Fair Economy, and as she's described in the conference brochure you have, she describes herself as a "freelance troublemaker" (laughter) which I think is an intriguing title. She is the first Asian to have been elected president of a local union—I believe that was AFSCME [American Federation of State, County, and Municipal Employees]—a local in Massachusetts, and recently coauthored a book, *The Color of Wealth: The Story Behind the U.S. Racial Wealth Divide*.

So you can see we have a very interesting group here, and I'm going to turn it over to Luis for some introductory remarks. Thank you.

## Introductory Remarks from the Panelists

**Mr. Luis Pastor:** Something that you have not mentioned is that I'm from Spain, and Spain is playing right now the soccer semifinals against Russia. (laughter)

**Mr. Fishbein:** Well, we're very lucky to have you here today.

**Mr. Pastor:** I was checking the time that I need to speak, and it's right now (laughter). This is my commitment to wealth creation in low-income communities.

Our credit union was created—actually today is our eighth anniversary that we opened in Durham, North Carolina. Our first approach was not to save money, it was to save lives. People were killed in the streets, in their apartments...just because they don't have access to deposit money any place. And there is a common misunderstanding or mistrust between financial institutions and immigrants—low-income immigrants. So the first approach was to...save some lives; let's give the perception to the larger community that we're Latinos, immigrants, not walking banks. We have a place to deposit our money. We have a place we can consider ours and it's federally insured; it's secure. And so you [thieves] come to my house and instead of a 99% chance to find money...now you only have 50%. This is good. This is a good perception because now you are not so sure. You need to weigh your challenge.

And after the first approach was examined, we started thinking more deeply about what else. And we start considering that our most important mission is the creation of wealth in low-income immigrant communities. That's what we know. That's our passion. That's our focus. If you're interested in how to create wealth for third-generation Latinos in the state, we don't know because we serve large majorities of new immigrants. North Carolina has been the fastest-growing state for a few years in its Latino [population] and this is why—with all these situations [I just described]—we started with a few simple ideas. They are simple ideas probably because we are a simple people. We don't understand that because you are charged more on your loans you should want to pay quicker. So we don't understand why low-income people need to pay more interest than people with more money because interest, most of the time, is related with your Beacon score. If you have more money, as income or some wealth, probably you have more chances to survive when you have a problem in your life. If you lose your job, you have some reserves to keep paying so you don't get behind in your mortgage. So your Beacon score, your FICO number, they're still there. But if you don't have that you're going to go down.

So one of our approaches for credit unions is to charge everybody the same. And you say, yes, it sounds very good. How many credit institutions do that? You go to your bank and ask them, did you charge me the same as this person that is low income? This is what I mean—no.

The second approach is not to blame people for things that they don't control. I understand we need to learn English. I try, as you can see. It's very difficult to learn a second language in your private life. If you had been exposed when you were a child because your house was a bilingual house, congratulations. That's very easy, but this is not your—you cannot take credit for that. You just live there and you speak with your mother in one language and with your father in the other, great. My kids are bilingual, having to study for years and years and years to speak like that. So it takes awhile. So if people want to speak the language but they are not ready, help them. All of us, not in the United States, in the whole world, we prefer to do business in our first language. This is common knowledge. So don't blame people for things that they cannot control.

Don't blame people for things they cannot control, for example, your legal status. No one in this country is here—an undocumented worker—by chance. If there were visas to work, people would be applying for these visas. But I don't know how many of you have gone through the immigration process. It's not fast, it's not easy, and there are no visas. So don't—and one of the situations is, okay, you're undocumented so I'm going to charge you more because you are a more risky person. Who says that? Why do we believe this type of—you keep repeating a lie and people will start believing that. In our experience, undocumented immigrants pay much more than U.S. citizens. If we consider some form of discriminating in price, it will be to the benefit of the undocumented immigrants. So we do not charge them more. We don't penalize people for things that they cannot control.

And you need to provide—our credit union was created with one big mentality: If you teach somebody how to drive but you never expose them to the opportunity to own a car, what is the interest in going there? Why am I going to attend all these boring classes if I'm never going to be able to drive a car, just to put in my résumé that I know how to drive? And you can be thinking this guy is an idiot; of course I'm not going to go there if I cannot buy a car. Change car with house. Change car with credit card.

The second thing is that when you expose people to financial products, you're going to need to explain how that works. Let's go to the sample of a car. You tell your 16-years-old daughter, here, you have the

keys, drive. I'm not going to teach you how to drive. What responsible parents would do that? And sometimes that's what we do with our community. We expose them to buying a house, very easy, but financial education, nah, that's something that other people will do.

So we marry two things. We have assembled 9,000 people in our seminars, workshops, in public education for adults. Don't treat adults like kids, because we're not kids. We know that probably we need somebody that we trust to explain to us the reality, because when we find this institution that we can trust, we're going to stay with them forever. That's part of our values. So that's how we created this institution. Ninety-seven percent of our members are immigrants; 95% low income; for 75% this is the first time they have an account, a financial account, in their lives, even coming from Mexico, from Central America this is the first time they trust somebody. Delinquency in our mortgages is zero. Even with the subprime bubble, delinquency in our mortgages is zero. If you explain to people how to manage in their lives, they're going to survive, even if they need to stop eating dessert or lunch, because they're going to pay the mortgage first because this is where they have all their goals for the future of their kids. And that's the reason why we came here. This is not—we're not here on vacation or because we like to pick tomatoes better in North Carolina than in Mexico. This is not the reason. It's because we want to provide a better future for our kids, and immigrants are going to do whatever they need to do. And, again, I don't know about second generations—my kids will know about that—but this has been our experience and this has been our approach. Thank you.

**Mr. Fishbein:** Ellen?

**Ms. Ellen Seidman:** Okay, I feel like we're going from ground level to 50,000 feet. Let's try this. I think, first of all, it is worth saying straight and simply that wealth is the civil rights issue of this next period of time. And it's not only wealth creation, but it's wealth retention and it's wealth growth. And all three pieces are absolutely essential, and unless we move ahead on all three, the whole notion of true civil rights and equality of opportunity and results will continue to elude us.

From a policy perspective it's important to think about this on multiple levels. There, a new president, a new Congress can do things very quickly. Some of them are "change the debate" things. Some of them are actual things that can be enacted or done by administrative action. There are other things that are going to take a longer time, where we need to be building the policy predicate, building the interest, building the groundswell so that when the time comes our agenda will be part of, for example, tax reform; our agenda will be part of, for example, financial system regulatory reform. Both of those things are going to happen in the course of the next four years, and the question for us will be: Is the wealth agenda part of that or will we have to fight tooth and nail to get the last little pieces in and the crumbs? I think that this is the time to begin to make sure that we're not fighting at the end but that we're part of the agenda from the beginning.

I think that the agenda itself has a number of dimensions, and not all of them involve getting laws enacted. Okay, so we've heard a lot of talk about financial education, and I think—you know, I will call that awareness because I think as some members of the report-out panel talked about, it's not education in the sense that we normally think about it. I do think it is absolutely critical that we figure out how to get the concepts that are related to personal financial management embedded into our school systems from the beginning all the way up through high school. And to understand that for the unfortunately large percentage of our high school students who don't go on to secondary education of any sort, they are 18 and facing some major financial challenges, and we've got to prepare them to meet those challenges.

But it's not just that kind of education; it's also the kind of education that we talked about that CBOs [community-based organizations] provide. It's also what the financial services industry, what the providers of products do as they're selling those products. My organization did a webinar yesterday where we had people from U.S. Bank and Wells [Fargo] talking about some of the educational things that they are doing with respect to credit cards, and they're getting some very interesting results like some really diminished late fees, overuse fees, diminished use of the [revolving credit line]. People are capable of understanding when they're taught how to use a product well as they're buying that product. That's what homebuyer education is all about. It's why homebuyer education has always worked much better than sort of general financial education counseling for adults.

A second piece is market forces, and we've actually heard a little bit of that today, but I think this whole concept of collective action—you know, it's what unions are all about, and we can do it on the consumer side too. I'm not talking about secondary boycotts, which, if I recall correctly from law school, are illegal, but I'm talking about making our views known by who we patronize, and in our collectivity, through organizations like NCLR, developing partnerships with the providers of good services and... letting folks know that you're not going to partner with the providers of inferior services. And then the third piece is advocacy and the whole regulatory and legislative environment. I suspect we're going to spend a good deal longer on that, but, you know, it is obviously a critical piece of this triumvirate, but I think the reason why I put it this way is to make sure that we understand the other two are also important pieces.

I want to close by just raising three pieces of the wealth-building agenda that I think have gotten less play, simply because in some sense they're forward-looking in a way that, at least for the last two years or so, many of us have found it difficult to be because we're fighting against the credit card situation and against the mortgage situation. The first is to make things as automatic as possible. This is what the Pension Act in 2006 did for retirement savings where we'd developed enormous incentives for employers to create retirement systems where people are not only automatically enrolled, but the amount that they put into their 401(k)s is automatically increased each year and the 401(k) is put into a lifecycle account.

Now, that kind of automatic wealth-building doesn't work for all kinds of products, but on the savings side it can work for a lot of products. Here's an example, a product that I would love to see revived. This is something that the Justine Petersen Community Development Corporation in St. Louis had tremendous success with until the predatory lenders came along and made it look like you could get a better mortgage. The product was a mortgage in which you didn't only escrow insurance and taxes, you escrowed an additional \$25 a month that went into your savings account. That account could be used if you ran into hard times to cover the mortgage, it could be used if you needed a new roof, and if you managed to pay off the mortgage without needing it, you had something in addition to your house. You had a liquid cushion. That kind of automatic saving can also be done with payroll or any other type of deposit, if you can get people to agree—once—that some portion of the deposit will automatically go into a savings account.

Second, insurance. It's something we don't talk about a whole lot in the asset-building, wealth-building world, but it is absolutely critical. You can save enough to deal with your car emergency. You cannot save enough to deal with your health emergency. And the question of how insurance becomes, again, more effective and more available at lower-income parts of our country is enormously important.

Finally, we all talk about savings, but at some point we've got to talk about savings and investment, and

particularly if we're going to say homeownership isn't for everybody. I don't think homeownership is for everybody, certainly not at all points in their lives. So it is critical that we better figure out how to make good, solid investment opportunities available so that people have other ways of growing their savings into real asset bases.

**Ms. Meizhu Lui:** Well, I'm really tickled and honored to be here today, and certainly Asians have a lot in common with Latinos. We feel your pain; we share your pain. In fact, I'm Chinese American and the Chinese were the first *braceros*. We were allowed to come here to build half of the Transcontinental Railroad, but unlike the Irish, who built the other half, we were not allowed to become citizens. Sent back on a slow boat to China after the work was done. And if you look at the difference in the Irish and the Asians today, you can see that they've [the Irish] got lots of power and wealth and we don't, so we really understand how much citizenship matters in terms of being allowed to have wealth. For Latinos and Asians, but also for a growing number of immigrants from Africa, we can't take our eyes off the immigration ball. Access to wealth depends on access to citizenship.

The theme for today is building wealth in a troubled economy. On this panel, we started at ground level, went up 50,000 feet, and now I'm going to go in reverse a little bit because actually for communities of color, we have *always* been living in troubled times. When we talk about the American Dream, it is not about survival; it's about class mobility, it's about the ability to rise out of the working class or out of the peasant class and to really get ahead. For that you need land, labor, and capital. You can't have just labor alone. But the United States has always had policies that transferred land from peoples of color to Whites and have prevented access to capital or the ability to build capital throughout history.

So as you know, with the trumped-up war against Mexico and the Treaty of Guadalupe Hidalgo, two-thirds of Mexico got annexed into the United States. And while at first the land was supposed to continue to be owned by Mexicans, and now Mexican Americans, in fact we saw land theft, we saw predatory policies, we saw "English-only" used against Latinos so that over about a ten-year period, most of that land that had been held by Mexicans was in Anglo hands. In the early 1860s we had the Homestead Act where immigrant families could get 165 free acres of land—land that had been taken by force from Native peoples—but only White families were allowed to have access to the Homestead Act. Somewhat later, alien land laws were passed which prohibited Asians from owning land.

So throughout history there have always been these obstacles. It has always been troubling times for people of color. The thing about the situation right now is it's a troubling time for the majority of White people as well. So if we look at wealth, 10% of the population now owns 70% of all of the privately held wealth in the country, and 1% [of them] owns almost 40% of all of the privately held wealth. So the problem really is not the creation of wealth, it is about the *distribution* of wealth because all of our labor—Latino labor, African American labor, Asian labor—creates wealth, but it has not stayed in our hands.

So some of the questions for us are: How do we address not just wealth creation but really the distribution of wealth? How do we bring down the top even as we raise the floor? So in any policy question that we look at, we need to ask: Does that policy close two gaps? Does it reduce the disparity between the very wealthy and the rest of the population and, simultaneously, does it reduce the racial economic gap?

I think that these troubling times require big ideas. Little fixes at the edges aren't really going to help.

They're not going to fix the problems that we have. They're too big. One tendency is to do absolutely nothing—dig your head in the sand and say everything's really okay. Another thing is to do very small things like give everybody a \$600 tax rebate. Hello, that's not going to help us that much. (laughter) And in fact, if you think about the consumer debt that we all carry, it's really been encouraged by our government—I mean, when the war in Iraq started and patriots said, "How can we help?" what were we told? Go shopping. And now with that \$600 you're supposed to buy a large, durable household good and go into more debt in order to pull the economy forward.

In fact, with debt being encouraged by U.S. culture, leaders, and media, our debts have been necessary to keep the economy going. By going into debt we have made the GDP look better after a stock market blowout. But there's a limit to what households can do to prop up the economy. Today, our debts are coming due, and now it is the government's turn to help us. We need to make a demand for a really big spending program on the part of the government to help people out of these times, just as it was government spending that pulled us out of the Depression. It's not like the government had a lot of money then either; but it was willing to go into debt in order to pull people out of the Depression. The Home Owners Loan Corporation, which was rather small at first, [began with] the idea to stop foreclosures on people's homes, and the housing program grew into the FHA, which, over a number of years gave out billions of dollars of low-interest loans so that people could buy their own homes. Of course, 98% of that money went to White families, so once again even those programs were not equally distributed.

The GI Bill was a fabulous bill, too, that created a middle class. For every dollar that was invested in working-class men, \$7 came back in return, because they had an education, were able to invent new items, start new businesses, employ more people, and so on. In terms of the war on poverty, we did cut poverty in half between 1959 and 1973. Ronald Reagan said, "We fought a war on poverty and poverty won." That was not true. We were winning but we cut and ran. We shouldn't have stopped that war. We were actually winning that war on poverty.

Now, people say, well, new spending like that is not really realistic; our country's not going to do something like that. But if there is not a bold, visionary idea that really gets people excited, we will not see any change. We have made gains over the years in terms of equal opportunity and civil rights. But passing policies for equal opportunities is only the first step, and you have to sustain those gains. You can't take your foot off the accelerator or you will slow back down to a stop. And right now our gears are slipping into reverse!

We need not just a civil rights agenda but a civil rights movement. Some of the best programs that ever got started came from a community base. For example, the food program, the breakfast program in schools, one of the most successful programs our country has enacted, was started by the Black Panthers in a low-income community with low-income people. It wasn't professionals or experts. We have to get back to seeing the people we serve as actors and not just beneficiaries. Our whole society will benefit when the least among us benefits and when the least powerful acts to take power. Thanks.

## Interactive Session

**Mr. Fishbein:** So I told you we'd have no shortage of provocative ideas and proposals on the table. We're going to try to push the discussion on these a little further with our panelists. So let me throw out a question and each of you certainly feel free to respond to it. The title of this conference is "Building Wealth in a Troubled Economy," and certainly a lot of the discussion today has focused on the decline in wealth, particularly among Latinos and African Americans and others who were just starting to build wealth in recent years. So the question is this: Does the current economic slowdown require changes in thinking and strategies for asset development that were developed during times of relative prosperity? And if so, what should we be doing differently now than perhaps we would have done two years ago? Who wants to engage in that?

**Ms. Seidman:** I can start.

**Mr. Fishbein:** Go ahead, Ellen.

**Ms. Seidman:** I do think that one of the big lessons has been that while homeownership is just wonderful, terrific, important, civically extremely relevant, it is not the only way of building assets, and that it is a huge responsibility that comes with a big transaction cost and a big debt burden. And so I think the first thing we need to do is make sure we get the idea of doing homeownership right. Luis's point that having done it right—he's got a zero delinquency rate—demonstrates it can be done right, but we need to create the interest in and capacity for doing it right. What happened at the beginning of this decade was that an awful lot of the CBOs who had in fact been making good mortgage loans for a long time were pushed out of the business by lenders who were making very bad mortgage loans. Well, part of that is a regulatory issue, part of it is having the capacity to hold onto those borrowers, and part of it is the borrower understanding what the possibilities are.

A second thing is I think we need to do is, as I said earlier, develop alternatives to homeownership as the only way to build wealth. Obviously education is important, but I think we also need to work on the whole financial assets issue. We have to work on the insurance issue. Just to take one example, medical bankruptcy, often caused by a lack of health insurance, is an unfortunately large part of total bankruptcies.

And then I think we really do have to have a much firmer grasp much earlier in the wealth-building process on the notion that wealth protection is an absolutely integral part of wealth-building. We got away from that.

**Ms. Lui:** I don't believe that there really have been any new asset strategies or policies over the last few years that had anything to do with the growth of assets in our communities, unless you mean the unleashing of predatory lenders that increased homeownership for a hot minute, before it all came crashing down to the tune of a huge net loss of assets. I mean, as we've heard from the data, our communities have been declining economically for some time. On the other hand, the last number of years have not been troubling at all for those at the top. They've been doing really, really well in terms of both income and wealth, and in fact part of the reason they've been doing so well is that our policies have served to incentivize asset-building for those who already have a lot of assets. So, for example, when we cut the capital gains tax, who benefits? Low-income people don't have stocks and bonds so they're not going to benefit, but the wealthy get a big tax break that contributes to further increasing the racial wealth gap.



Another example of how policies have not helped us is transitional assistance, TANF [Temporary Assistance for Needy Families]. A low-income woman can only have \$2,000 in assets in order to get income support. Or to qualify for Medicaid you can only have a certain number of dollars, which is very small. Those are things which serve to keep people in poverty because you are basically being asked to choose between a little bit of income or a little bit of assets. So I don't think that we've done much to help poor and middle-income people build wealth in the last few years. The idea that we were in a period of reasonable prosperity was based on the stock market going up and expenditures staying strong, but that masked the real problems of growing indebtedness and insecurity at the base. Now is the time to start with some new asset strategies.

**Mr. Fishbein:** Luis, at your institution, are you looking at doing some things different in a declining economy than you were doing in a few years ago?

**Mr. Pastor:** Probably not, particularly when compared with other financial institutions. We're not cutting the lines of loans to anybody. Actually we're making access to loans easier because I think the whole economy is going to have a problem with dreaming that we can do bigger things with our lives.

So something that we need to—for the new immigrant communities I think that we have to understand, before people start creating wealth, they need to recover their dignity as human beings. They need to understand that they can do something more than just picking tomatoes in North Carolina. I think that we need to give them the opportunity to dream, and after that we're going to start creating wealth because we want to contribute to society. So we keep working on that—telling our community that they deserve to be here. We are like the coach...in the gym, the YMCA, telling you what you are doing. We need to do the same with our community because they need to believe that they can do better. And we are not going to be there telling them, no, you shouldn't buy a house now, or no, this is not your moment to buy a car, it is a moment to buy a house.

**Mr. Fishbein:** I want to put this to Ellen. There has been a lot of discussion recently about homeownership being oversold. According to the *Wall Street Journal*, things were going fine until they started expanding homeownership opportunity for lower-income people. The *New York Times* has suggested that homeownership was oversold in heated markets and people would have been better off as renters during this period of time instead of acquiring the debt of homeownership. And Luis has a whole different vision of this. How do you respond? Because it sounds like the panelists' ideas somewhat contrast with each other.

**Ms. Seidman:** I don't think they're terribly in contrast with each other because I really do believe that if you do the kind of lending that Luis is talking about, you can do responsible homeownership at income levels and with credit experiences that are very different than the income levels and credit experiences that your traditional conservative small-town bank would like to do it at. I think that what I'm saying is that first of all we've got to figure out—we've got to understand that the answer to all of our income and all our wealth problems is not "go buy a house." There are other assets that are important. There is the saving before you buy the house, there are the terms under which you buy the house, and there is the housing policy that provides you with the alternative of high-quality, affordable rental housing so that you can save the money so that you can become a homeowner and you can become a sustainable homeowner.

I'm not railing against homeownership (laughter). What I am railing against is the notion that we don't have to think about anything else because homeownership is going to be the solution. That's what



creates the situation in which people think that they're failures if they don't own a home and they're willing to go to lengths that are completely inappropriate for their income levels and their prospects to buy that house.

**Ms. Lui:** I wanted to add one thing in there, which is the home mortgage interest deduction, which was supposed to be incentive for middle-income people to buy a home. But now it's gotten to the point where you can have two homes, you can have a million-dollar home and still get that tax break. Even Bush's tax commission said that we've gone too far; that people with a McMansion don't really need that deduction. On the other hand, if you're low income and you don't make enough money—

**Ms. Seidman:** It's worthless.

**Ms. Lui:** To file an income tax return, you don't get anything for that deduction. So one idea would be to make that a refundable—

**Ms. Seidman:** —credit.

**Ms. Lui:** —tax credit, so that would put money directly into the hands of low-income homeowners. What about a renter's tax deduction as well? Those that don't have homes already need some incentive to save in order to get a home or something else.

**Mr. Fishbein:** Actually I'm going to depart from our plan. There was one question—we can take a question if it's directed up here and it's on this topic. Why don't we try doing that?

**Ms. Lui:** Yeah, that sounds good.

**Q:** It's not a question as such, but it's a comment on homeownership as a wealth-building strategy. And maybe I didn't understand you correctly, but it's one of the few accessible wealth-building strategies that I know of that, for instance, you get your interest deducted from your income tax. And I'm not aware of any other savings—if I put my money in a savings account I get taxed on that. If I buy stock, I get taxed on the dividend. And purchase of stock is not necessarily as accessible to at least the folks we work with as homeownership is.

**Ms. Seidman:** That's exactly my point.

**Q:** I'm sorry?

**Ms. Seidman:** That's exactly my point.

**Q:** I guess I misunderstood; I thought I heard you say that homeownership is not for everybody, and I don't necessarily agree with that but it's—or disagree with that—but it's certainly the most successful way of building wealth that I know of.

**Ms. Seidman:** I understand. My point is not that we ought to stop using homeownership as a way to build equity. We ought to use it as way to build equity, not a way to have a piggy bank. But my point is we've got to make alternatives also available, do something with 529 accounts to make them more effective, work on the whole issue of expanding the use of IRAs. We've got to make some of these other ways of building wealth a part of our system in addition to homeownership because homeownership comes with big transaction costs, big responsibilities, and big debt.

**Q:** And the mortgage meltdown was caused, in large part, by fraud by people who knew what they were doing, and that was perpetuating fraud against low-income folks.

**Mr. Fishbein:** Okay, we could have an interesting discussion on homeownership, but I know there are some other topics we want to get into, and then save your comments; maybe we can circle back to that a little later on.

I wanted to get into the question of borrower education versus consumer protection—there was a lot of discussion today about this. My view is that I don't think borrowers are any less educated today than they were in the past. In fact, they probably are more educated than they have been. Are borrowers more educated about financial matters and products than they were 50 years ago or 75 years ago? The difference is that the financial products available were fewer and so some of the choices for consumers perhaps were easier. So I'm curious what the panel thinks. What should be the focus of wealth-building strategies going forward? On better educating consumers to protect their money, or should it be on trying to crack down on predatory or exploitative practices in the marketplace? Who wants to take that?

**Ms. Seidman:** It's a false dichotomy because you need both. So, for example, take a five-year ARM, you know, fixed rate for five years followed by one-year adjustments—no teasers, fully amortizing, no negative amortizing, none of that, a rather old-fashioned standard ARM. Put caps on it if you want to. That mortgage actually is a pretty decent mortgage for somebody who reasonably thinks that they will either move within five years or who has an income to deal with the kind of fluctuations that are likely to happen even with the caps. It's a truly lousy mortgage for somebody who either doesn't really fully understand the finances, or has an income that is unlikely to increase, or knows that they're going to be in the house for a long time.

So I think that's a case of education. Talk to me about, you know, the same mortgage with teaser rates and negative amortization and no caps and I'll tell you that's a case of consumer protection where you better outlaw the product.

**Ms. Lui:** I'm on the side of consumer protection, but I really agreed with what Luis said earlier; that people are savvy but come from different cultures so their "savvy" may need translating. It's just like people speaking Spanish really well but not speaking English all that well. They know [about] savings vehicles in their countries of origin, but they may not know how it's done here. Are we saying we want people to assimilate? Are we educating them for assimilation? Or are we trying to find out from people what new products would fit their own cultural practices? That's really what we need to do if the goal is to help people from our communities build assets.

I'll take a health example. I remember when the idea of acupuncture was new in the U.S. Asians wanted acupuncture and people were like, "Are they crazy? How can sticking needles in people help cure anything?" And it turns out that it's a wonderful therapy and now it's being used by everyone. So I think that if we open it up more and don't just say that our people have to learn these practices that really don't work even for White Americans, then we would really be doing a service to the field.

**Mr. Pastor:** I will say both, and not only both but actually we need to make a more detailed follow-up with the financial products that are on the market. I've used this one example—I don't know if it's very appropriate but I'm going to repeat it—you have a toaster that explodes in your house; the company is required to recall all these toasters. But if you have a mortgage that's going to explode in your hands

and you're going to lose your house, nobody is responsible but the idiot or the consumer that bought the mortgage. Why is a toaster more important than a mortgage? (laughter) So this toaster came from China and they are so dangerous, but my house is going to explode. How we are so blind, and we blame the person that is the weaker link in our society?

I came from Europe, so when you're talking about increasing regulations, this is—yeah, this is what I'm talking about. Of course, you need to have more regulations (laughter). I mean, because things like that can happen. So at the same time, the less regulation you have, you need to invest more in financial education to make people savvier. So we find the balance that—not everybody wants to be an MBA just to buy a credit card, so at some point it needs to be something that should be accessible and you need to understand what you're buying, more simplistic in language. And people should have some ethics, and these big corporations—you can have our money but don't ask for our love. I mean, you're selling me these crappy credit cards or these crappy mortgages or these crappy remittances. Don't come after me later and say, "But I love the community; can I donate \$5,000?" (laughter) No, at least make your contribution but don't insult me to my face.

**Mr. Fishbein:** Well, I just note that the only consumer-related measure moving in this Congress is a provision that would require a one-page Truth in Lending summary disclosure for borrowers taking out a mortgage loan. What this means essentially is that all the abuses talked about over the course of today and those others associated with the subprime market meltdown will not be addressed by this Congress in the form of substantive additional consumer protections. And so, Ellen, I agree with you that, you know, the questions we are discussing may seem like a false dichotomy. After all, usually it is our instinct to say both. Let's face it—there's a strong preference in Washington as a matter of public policy to say, "Problems? Consumers ought to be better informed rather than increase monitoring and oversight as the preferred solution for protecting consumers." Anybody want to react to that?

**Ms. Lui:** Well, there's personal responsibility and there's social responsibility, and we've only looked at personal responsibility. No one is saying that people should just spend irresponsibly and think that they're going to be fine. On the other hand, I think that we have seen a lot of social irresponsibility lately. I saw this cartoon where there was a woman at a welfare office and the guy's saying, "Here's a list of jobs and apartments to rent and eligible bachelors," as if the problem was that she's not seeking a husband. Now, people are usually better off financially if they're married. However, we also need public policy that addresses the reasons as to why single women are disproportionately poor and to address those deeper issues.

**Mr. Fishbein:** Okay. Well, here's a question. I will start with you, Luis. A key issue in terms of wealth-building is a question of the types of financial institutions we have. Do we have the kind of structure, program, and product that is needed to facilitate wealth-building by consumers? And one of the classic questions related to this is, as a matter of public policy now, should there be greater focus on getting mainstream institutions to provide more products? In other words, should mainstream banks become more active in opening up access to, let's say, accounts, savings accounts and other transaction services, in an effort to bring consumers into the banking system and build wealth? Or rather should the focus be on promoting alternative institutions like yours, which have a special affinity for working with population groups that perhaps don't feel comfortable with mainstream institutions? I think I know where you're probably coming from in this, but I want to start and let you comment on it.

**Mr. Pastor:** Sure. We never wanted to start a credit union. The first approach was to call the banks and say, "Can you serve this community?" And we're from North Carolina; it's the headquarters of Bank

of America and Wachovia, and they said no. They say there is no Hispanic—I'm talking [19]99—there is no Latino market here. We're not interested. We have a bilingual teller. If they want to cash a check, they can go there. What happens if they want to apply for a loan? No, the teller just cashes checks so you can go there.

So that's the reason we've got a credit union, because the banks were not open to serving our community. And sometimes it's because they don't trust our community. I mean, all these banks are willing to take our money but don't give us access to loans. I'm sorry, but if we belong to these types of institutions, we should be ashamed of ourselves because we belong to the same system that keeps low-income families from having access to credit so they can have wealth creation. But show your wallets; where is your credit card from? Where do you put your money? Because we're very socially active in our nine-to-five job, but after that this is my private life and I put my money where I want. And that's perfectly fine, but there is a lack of coherence there between what we preach and what we do. If somebody spills oil in Alaska we're going to stop using this gasoline or this company because they did such a horrible thing, but if somebody made \$3 billion in subprime loans, we keep going to this bank. It's up to you.

**Mr. Fishbein:** As a matter of policy ideas, are there things that the government could be doing to promote institutions like yours?

**Mr. Pastor:** I don't think these institutions came from the upside down. They came from downside up. I mean, the big difference between our credit union and many credit unions is they started in the United States in the last seven years trying to follow our model, but it is always the smart guy making a business plan. I mean, in our case it was the community organizer looking for solutions for your family, and this is when we had the connection. Every time one group came to North Carolina asking me how they can start a credit union in this much-needed place, I ask them, "Who is going to be the first person making a deposit? Who's going to be the first person applying for a loan?" You have this person—I'm sorry, this is—you're the smart guy, the MBA from Harvard making the beautiful business plan, which is great but it doesn't work. There was one credit union created here in Washington, DC we worked with very hard; two years later they have 100 members—two years later in Washington, DC with a population of over a million people.

So who is creating this credit union? If you ask the smart guys to use this institution, they will say this is too small, too weird, too not sophisticated for me. This is something that we know in our minds—this credit union is not [just] for the others, it's for us as well. If the products we sell are not good enough for me, I'm not going to offer this product for anybody in the credit union. I have my models for the credit union and I guess they were right. I'm crazy, yes I am. I put my money where my mouth is. I have my credit card. This is the credit union that can serve me, it can serve anybody, but you cannot tell financial institutions what they should be doing. I mean, Bank of America, they have—and Wachovia—they have a very clear mission and they do that very well. The mission is to take a lot of money out of our pocket. They do it very well. (laughter) And they ought to keep doing that. Let's keep going there. That's the reason and that's the cold mission and they're doing a very good job.

At some point those who want to help create wealth are the stakeholders of these big corporations or members of the committee that we belong to and that we embrace and want to be part of, but they don't bring any real change. You don't have access to loans, but this is not my problem because here is my beautiful mortgage and my beautiful credit card.

**Mr. Fishbein:** Any other thoughts? Ellen?

**Ms. Seidman:** I have two thoughts. One is that I think Luis's point that he didn't start out wanting to start a credit union is really important. The quality alternative depository institutions such as credit unions and, like my bank, community development financial institution banks are incredibly important. I think that there ought to be more of them. I think there ought to be more of them in part because when they're successful, they suggest that, well, maybe there's something positive about working with the relevant population.

I think the problem is that the scale is, at least for the foreseeable future, going to be pretty small. Therefore, figuring out how you get the mainstream institutions to work with the population and serve it well and serve it in ways that are positive is, I think, a critical part of the whole thing. I think we can't just say, Wachovia, Citi, forget it; they're going to be irrelevant forever. That's not going to serve the large portions of the population that, among other things, live in places other than North Carolina, which not only is home to Bank of America and Wachovia, but is also the home to two spectacular credit unions that helped Latinos get started: Self-Help and the North Carolina State Employees Credit Union.

In terms of government policy, I think significantly more money to the CDFI Fund to support equity grants to institutions that serve the population is important. Equity in this population is really hard to raise. It can't be the sole thing because then you do end up with a credit union with 100 members after five years, but it's a really important add-on.

**Mr. Fishbein:** Meizhu, do you—

**Ms. Lui:** Well, only to say that banks were covered by anti-trust regulation up until, what, a couple of decades ago, and people got loans and were able to build wealth so I don't think that that huge bank size is beneficial to community folks. Small can be beautiful!

**Mr. Fishbein:** Well, let's move ahead. This is a session that's also billed as "Building the Civil Rights Agenda," and so the question is this: As we think about building a shared agenda for civil rights in the asset-building area, what should the emphasis be? What should be the priority? Should it be on common issue areas that transcend different groups? Should it be on a particular overarching theme and message that may resonate across different groups? Should the focus be on building a civil rights advocacy agenda, or should it be on programs? Anybody have any thoughts about that? And we cannot let you get away with saying all of the above.

**Ms. Seidman:** Yeah, well, I'm kind of the least-qualified person on this panel to talk to that, so of course I will.

**Mr. Pastor:** No, it's me. (laughter)

**Ms. Seidman:** But I do think unless everybody comes together on an agenda, it really will be divide and conquer. I mean, we're getting to the point where this country is approaching majority minority. We've got large states like California that are already there. When I first left the government in 2002 and started working at ShoreBank, I will tell you that one of our concerns was that everybody was so excited about chasing the Latino population that they were leaving the African American population in the dust. And these days folks are scared of the Latino population. I think people need to come together or this kind of divisiveness and serving people serially and not really serving them very well is going to continue.

**Mr. Fishbein:** So should the civil rights agenda in this area focus on an issue like payday lending, which could perhaps bring diverse constituencies into it? Should it be around a broader concept of creating greater fairness in the provision of financial services? Or should it focus on particular products, such as on individual development accounts or another particular product line? What would be, in your view, the common ground that might pull together African American, Latino, Asian, and other constituencies to work across the board? This is open to anybody that wants a turn.

**Mr. Pastor:** Probably a little biased, but for me the agenda should be immigration reform. This is a thing that is dividing us. This is a thing that makes our community weaker. This is a thing that splits families. This is a thing that doesn't allow us to grow together, that doesn't allow our kids to go to college. This is a thing that—no one will help us to create wealth for us here and for our future because some members of our family don't have the opportunity to apply for legal status. So if we start with that I think we are going to solve a lot of problems. And even in several communities there are two very different positions, and once we solve this problem—I don't know if some of these individuals have access to the last reform in [19]91, but at some point we should identify that that's our big issue and we shouldn't be there alone. This is something that we work so close to, but unfortunately people prefer their interests instead of helping 12 million people. This is incredible.

**Ms. Lui:** I think the emphasis should be on closing the gap in a country that claims to be a democratic society that provides equal opportunity for everyone. That's not happening. It's still not happening, and we need to see a revival of the force of people demanding that that gap be closed, and immigration reform is certainly an important piece. Europeans have been allowed to immigrate. They were allowed to take part in that American Dream. And the labor of people from other places is welcome and yet *they are not* welcome, and they're not allowed to turn their hard work into wealth.

**Mr. Fishbein:** I have to ask one last question. Consider this: You have all been appointed special assistants to the new president—and Ellen has some experience with this, but—

**Mr. Pastor:** Who is going to be the president? (laughter)

**Mr. Fishbein:** Well, we're not going to take a poll. But so the way this usually works is at best, as special assistant you find yourself walking down the hall with the president and you have your opportunity to get three ideas and asset strategies across. What would you offer? And let's just kind of go down the line.

**Ms. Lui:** Why don't I just do one and other people—

**Mr. Fishbein:** Okay.

**Ms. Lui:** One is that we know that we're going to have to develop alternative energies, and right now the number of African Americans and Latinos who graduate from college with master's and PhD programs in science and technology degrees is so low, we could really start now to have a massive program that prepares our young people for those jobs of the future. Not just the little diddly jobs but the good jobs, the educated jobs, and for ownership of those new companies. The whole green program should be one that's taken over by communities of color; and Native Americans should certainly be leading the way.

**Mr. Pastor:** I will say immigration, health insurance, and bank accounts for every kid in the United States.

**Ms. Seidman:** Well, I would say get your regulatory appointments right. (laughter) The second thing I would say is—I mean, I agree with what the previous speakers both have said, but I also think that talking the wealth-building language and getting the whole concept of building wealth back into all of the policies that you're putting forth from education through tax reform through regulatory reform is just incredibly essential. And then the third thing I would say is go for a few low-hanging fruit, and frankly fixing the savings bond program could actually be a pretty good low-hanging fruit.

**Mr. Fishbein:** That's a good list. All right, let's go to the audience and we'll give you a chance to ask questions. Use the microphone.

## Questions from the Audience

**Q:** My name is Jesus Moreno from the Hispanic Committee of Virginia. When we talk about building wealth and civil rights, I think we have to be very clear that we need to go beyond our housing financial mentality. We have to go to the reasons of why we have a wealth divide in this country. Unless we improve access to higher education to poor people, unless we fix the problem in access to affordable health care, and unless we fix a broken retirement system, we won't be able to reduce the wealth gap. Even if we send our people to the best and brilliant financial intensive training, we send them to the best housing counselor, they won't have enough beans to count to make money. So those are the key issues when talking about wealth, and I believe it's not acceptable that in the most prosperous country in the world poor people cannot go to higher education or get health insurance. That's something we should open our eyes—we need to be more humble how to explore at least Europe to see how they're doing in that regard.

I mean, just point out that we have an experience that is very important, very interesting to analyze. That is the experience in Virginia in Prince William County. In that county there has been very strong persecution of Hispanics. They were denied main services—water, heat, and, I mean, electricity and gas. They were literally kicked out of their homes. And in this moment—and that is my point—is a lack of capacity of analyzing the consequences of a county. That was the government who made the decision to do that. And in this moment the county doesn't have the money to pay their needs because the people who were making the money, the people who were developing the companies, the people who were really producing the money were the Latinos. They kicked them out and in this moment the county doesn't have the money to live, to pay their own bills.

So I think that it is important to learn from that experience and realize that that could happen to the whole country, that Latinos and immigrants are not only the ones who are considered dangerous or considered at risk. The way the policymakers made the decisions and helped the people in the measure—they thought that they helped the people in the bottom. If they did, the whole county and the whole country would grow. I completely agree with Luis in his position—completely agree. If we focus on the base, the whole structure is going to grow. So thank you.

**Q:** *Buenas tardes.* My name is Will Gonzalez. I'm from CEBA in Philadelphia. For the panel, can a divestment strategy like what was used against Apartheid work in this struggle against predatory financial service providers, i.e., going after university endowments and foundation endowments, that they do what you said, that they, you know, invest or limit their investments to companies that don't do predatory financial services? Do you think it will work?



**Mr. Pastor:** I hope so, but I've seen that the reason predatory lenders are here is our fault, it is the fault of financial institutions because we [credit unions] have not been able to be in this market. We have not been fast enough to provide convenience, so we need to be ashamed of ourselves. We exposed our community to these bad lenders.

With foundations, I was in another meeting with them this year and they invited me to talk to them very clearly. And it's scary to talk in front of foundations that are going to give you money. I said, "Can you criticize how we do things?" So I asked them, "Why do you keep just sharing your return instead of sharing your wealth? Why don't you start putting more money as deposit, as secondary capital? Where do you have this money? You want to do all this good in the world, but where do you put your money?" And one of them said, "Well, we have secondary capital, and it's with your credit union." Those other foundations, they are not even considering this type of situation. So things for us are so clear and so easy to understand. This takes so much energy because you need to go to the board of directors, and when you go there is when you see the reality, and the reality is we are not there. The people are totally disconnected with the people they want to serve, and just only bringing them new ideas with this accent is not the best way to introduce yourself to North Carolinians because they don't understand me. I don't understand them either (laughter), but this is a different problem. So there are so many things I need to change, and for us it's so clear, but it takes a while.

**Mr. Fishbein:** You know, one response is that this industry of predatory lenders is hardly a new thing. If you go back to the early 20<sup>th</sup> century, around the turn of the century in New York City, 30% of workers were using salary lenders, or loan sharks. Those were essentially payday lenders of those days, loans featuring very high interest rates. These salary loans retarded consumers' ability to save and build wealth. Through political movement, those things were shut down, and usury ceilings were passed that limited the interest rates that could be charged for these particular kinds of loans. New institutions were created that were more responsive to the new immigrant groups than the traditional mainstream institutions.

This all happened through public policy. It didn't happen by accident; it happened as a result of an organized force, and it's something to keep in mind as we kind of view the current landscape, and that's why I brought up that article from the Institute for American Values is that, you know, we kind of create a culture through the public policies we adopt and, you know, I think part of what this conference is about is to consider ideas for how we recreate the system that we want to have that's going to be more responsive to consumers than the current system.

**Ms. Seidman:** I would say, though, that shareholder activism is on the rise, and it can be helpful. When I was at United for a Fair Economy, we organized wealthy shareholders of Wells Fargo to go down and picket their annual meeting, and actually gave some of their proxy votes to members of ACORN so that low-income people could go right into the meeting and tell their stories, which was very compelling to a lot of the shareholders. So that even though they want a return on their investment, they don't want it at the expense of ripping off poor people. And while they didn't win those votes in terms of tying the CEO's salary to stopping predatory lending, they educated the investor base and the increases year after year in terms of the vote. You know, it got bigger, and I think that that pressure and the bad publicity can help. So it's not the solution, but it certainly doesn't hurt either.

**Mr. Fishbein:** Way in the back.

**Q:** My name is Ron Jauergui with the Hispanic National Mortgage Association.



**Mr. Fishbein:** Can you just speak up a little?

**Q:** Oh, I'm sorry; I didn't want to blast everyone's ears. Is this okay?

**Ms. Seidman:** Yeah.

**Q:** Ellen did a fine job describing the situation where a borrower gets inappropriately matched with the wrong financial kind of product, an ARM or whatever that may be. And, Ellen, you described the issue as one where we really need to decide how much of an effort we were going to put towards financial literacy or consumer protection, but my question is this: Is there a role for consumer advocates, community advocates in general, progressive for-profit institutions, and encouraging industry best practices that would incentivize mortgage originators to give out those kinds of loans that are appropriate for that particular consumer? Because, as you know, to date the tradition is a mortgage originator; for instance, gets their commission, gets their pay up front. It does not matter how well the loan performs the day after the closing; it just matters how much commission you make and how quick you can close that particular loan and sell that financial product. So is there a model? Is there a desire? And, if so, is there a role for consumer advocates to play in that regard?

**Mr. Pastor:** I think there is. Your reputation is linked to the reputation of your partners. For example, if somebody wants to buy a car in a dealership and this person is selling the car over the NADA price, we don't finance those cars. We're seeing that right now all these small and not-so-small dealers, they are starting to reduce the price when Latinos go to their shop because they know that we're not going to finance this car.

We have lists of realtors that we don't work with in North Carolina. We have lists of—at some point you can have lists of financial institutions that you don't want to work with because of the reputation of the institutions that are in the service of selling products that don't go well with your clientele. It's not what you want. You don't want to lean your reputation with them. Let's just start ignoring these people that are for-profit or not-for-profit; it's not always the for-profit world that are the bad guys. There are crappy credit unions doing horrible things, and let's try to avoid them and let's invite them to go wherever they want. But it's your reputation that you're showing there, so we don't do business with certain groups or companies, and so far the community has received a good benefit because there is always somebody that's going to sell you a car. There isn't a problem there. If you don't take this red pickup there's going to be another blue pickup in the next—

**Ms. Lui:** —lot. I just wanted to say one thing just around housing. We've of course been focusing on foreclosures, but the other side of the problem is gentrification, and a lot of our people are losing their homes due to that. So that as neighborhoods get better and then other folks move in, gradually the property taxes go up and people lose their homes in that way as well. So I don't think we should forget that part of the housing crisis.

I'll just point to a really interesting model because sometimes funders are a problem, but sometimes they have the money to invest in really interesting new ideas. I don't know if you all know about Market Creek Plaza in San Diego, where in a very low-income community they're developing a shopping mall because that's what the community said they needed. First of all, they needed a grocery store, but now they are allowing the residents, low-income people, to buy shares in Market Creek Plaza for \$10 a share so that they are investors. They will maintain control, which will help them stop gentrification, and they will get a return on their investment.

**Mr. Fishbein:** You know, one idea I heard mentioned in several different sessions today was the notion of requiring certification. This seems to me a very interesting idea involving the role that nonprofit consumer organizations, civil rights organizations, and others can play in basically branding institutions based on the quality of the services and products they provide to consumers. For example, there was discussion this morning in the credit counseling area—a system for certifying credit counselors. There's also an effort under way with regard to mortgage lenders to do something like that. And it seems to me a very interesting idea where nonprofits could use their expertise and their reputation to come up with a way of basically providing a seal of approval to certain institutions that agree to abide by very specific pro-consumer principles in their business dealings in the marketplace.

**Ms. Seidman:** Just to say something on that, there's also an effort going on with respect to credit cards, and what's interesting about it is that it's really being spearheaded by the Pew Charitable Trusts. It will do much better if there is a consumer group, you know, a collective—we've got lots of market power—organization that joins in than if Pew is just doing it as, "This would be good practice."

**Mr. Fishbein:** Well, we actually have another question over there.

**Q:** Just to follow up, why isn't there a National Council of La Raza credit card? (laughter)

**Mr. Fishbein:** Answer that one, Janis.

**Ms. Seidman:** Either a credit card or saying we will only—you know, we will recommend to—I mean, yes, it would be a cobranded deal probably, right?

**Mr. Fishbein:** But I think you're talking about cobranding where there's actually some standards that are adhered to as a condition—

**Ms. Seidman:** Yes, but the point is that that then you make the standards interesting to providers.

## Conclusion

**Mr. Fishbein:** Yes. Okay, well, I want to thank this panel. Please join me in a round of applause. Janis, do you want to come up here and say some concluding words?

**Ms. Janis Bowdler:** So you may have seen me come up here and pass a note to Luis. Luis, would you like to announce the good news that you got?

**Mr. Pastor:** Yeah, Spain won the game against Russia 3-0. (laughter) It was worth it.

**Ms. Bowdler:** But we very much appreciate you coming. I'm sure it will be replayed.

Well, I want to thank those of you who made it with us all day. It was a very long day. I asked you to be here at 8:30; it is 5:00, and by all accounts it's been a really great discussion. You know, this is not just NCLR's first shot at this; it's my first shot at this, and there's, I think, a couple of things that I learned that I might do differently next time. One is that when the breakout sessions make their recommendations, they shouldn't include a to-do list for NCLR (laughter) because I kept hearing that, and I was furiously taking notes and I think I walked away with more work. And then the credit card thing—I've got to

figure that out too. (laughter) So next year when we do this, we'll leave NCLR out of the to-do list and I'll send all you guys home with homework. I think that's a better idea.

But, you know, the goal of our session was to do two things. One was to take a closer look at Latino and immigrant populations which are unique, and we hadn't seen an event really pull together folks to think through their issues and how we could tackle—you know, we just scratched the surface today—but how could we really tackle these issues. And that I think we accomplished this. We started a dialogue in many cases, created homework for a lot of us, but we will take a lot of ideas out of here.

The second thing is that we really wanted to challenge all of the participants to think about how we really build wealth in today's economy. And we had a pretty robust conversation about that in this panel, but certainly throughout the day in all of the small-group sessions and the breakout sessions. I think, from what I could hear, you guys really challenged each other, and I hope that you continue those conversations.

I wanted to give you a sense of what our next steps will be and what you will get—what the fruits of your labor will be for sticking with me all day. We are actually going to publish conference proceedings from the session where we will summarize all of the plenary sessions and the small-group discussions, and we will be transcribing several of the sessions and releasing them in more detail separately. So hopefully out of that will be published some best practices, some new policy ideas, and maybe some challenges to change the conversation, as Ellen put it earlier.

So I just want to thank everybody for coming. Please give yourselves a round of applause for sticking with me all the way to 5:00. Those of you who are left standing are invited to join us for a networking reception. You will be rewarded. The networking reception will start in just a few minutes in the Discovery Ballroom, which is where we had lunch. So if you're able, I invite you to join us and to network with your colleagues that you've met here today. Thank you again.



## Panelist Bios

### Allen J. Fishbein

Allen J. Fishbein is the Director of Housing and Credit Policy for the Consumer Federation of America. He previously served at the U.S. Department of Housing and Urban Development as Senior Advisor for Government-Sponsored Enterprises Oversight, where he supervised the establishment of affordable housing goals for Fannie Mae and Freddie Mac. Mr. Fishbein is also former General Counsel for the Center for Community Change and he has led the national nonprofit organization's pioneering work on community reinvestment and fair lending.

Mr. Fishbein frequently serves as a congressional witness and is interviewed by the news media. He has written numerous articles and authored publications and reports on mortgage lending and the current foreclosure crisis. He has been honored by the District of Columbia Bar as Consumer Lawyer of the Year and awarded the Senator William Proxmire Award for career achievement by the National Community Reinvestment Coalition.



### Luis Pastor

Luis Pastor, a native of Spain, came to the United States in 2000 with his wife, who was working toward her M.B.A. at Duke University. He has a degree in economics and business administration from Universidad Complutense de Madrid, a master's in human resources from Centros de Estudios Fiancieros in Madrid, and an M.B.A. from Instituto de Empresa in Madrid.

Mr. Pastor began working at the Latino Community Credit Union (LCCU) as a volunteer three months after its inauguration. One month later he became the manager and four months later, the CEO. He oversaw LCCU's expansion to five branches and a central services location in its first three years. During his tenure, the membership has grown from 400 to more than 50,000 members, becoming the fastest-growing credit union in the U.S.



## Ellen Seidman

Ellen Seidman is Director of the Financial Services and Education Project in the Asset Building Program of the New America Foundation. In addition to her work at New America, Ms. Seidman continues to serve as Executive Vice President, National Policy and Partnership Development, at ShoreBank Corporation. She also serves as Chair of the Center for Financial Services Innovation, a ShoreBank non-profit affiliate that helps financial services providers responsibly and sustainably serve underbanked consumers. Before joining ShoreBank, Ms. Seidman served as Senior Counsel to the Democratic staff of the Financial Services Committee of the U.S. House of Representatives.

From 1997 to 2001, she was Director of the U.S. Treasury Department's Office of Thrift Supervision, and she was also a Director of the Federal Deposit Insurance Corporation and Chairman of the Board of the Neighborhood Reinvestment Corporation. From 1993 to 1997, Ms. Seidman served as Special Assistant for Economic Policy to President Clinton. She has also held senior positions at Fannie Mae, the United States Treasury Department, and the United States Department of Transportation.



## Meizhu Lui

Meizhu Lui most recently was Executive Director of United for a Fair Economy and describes herself now as a freelance troublemaker. She was a food service worker and AFSCME activist, becoming the first Asian to be elected President of a local union in Massachusetts. Leading a campaign with Health Care for All Massachusetts to hold hospitals accountable to the communities surrounding them, the first statewide hospital community benefits guidelines were established.

Her ability to educate and engage ordinary people for policy action to eliminate racial and gender inequality has been recognized by numerous organizations. Ms. Lui is an inductee of the YWCA's Academy of Women Achievers and a 2007 Barr Fellow, and she served on the Center for American Progress National Initiative to End Poverty. She is a trustee of the Hyams Foundation and a member of Freedom Road Socialist Organization. Her articles have appeared in a variety of publications, and she recently coauthored *The Color of Wealth: The Story Behind the U.S. Racial Wealth Divide*.

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