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Here's why a Lancaster city credit union is a rare kind of financial institution



LISA SCHEID | Business Trends Reporter

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Yahaira Alicea, right, talks with Amaris Torruella, a teller, after arriving in the Community First Fund office at 51 S. Duke St. in Lancaster city Wednesday, June 12, 2024.

BLAINE SHAHAN | Staff Photographer

Welcome back! Thank you, for being a subscriber and supporting local journalism.

All a newly sober Yahaira Alicea had was a few dollars, a bad banking history and a lot of disappointment when she stepped into Community First Fund Credit Union.

She was stuck. She wanted to move on from the Water Street Mission where she landed after spending a year living in her 2001 Honda Accord while working in retail but she couldn't save money to afford an apartment.

Then her Water Street coach brought Alicea to the unique credit union created for people in her situation.



Yahaira Alicea talks during an interview inside the Community First Fund office at 51 S. Duke St. in Lancaster city Wednesday, June 12, 2024.

BLAINE SHAHAN | Staff Photographer

"I was like, oh my God, I'm wasting my time," Alicea said. "They're not gonna even look at me, they're not gonna do nothing for me. They're gonna deny me. They're gonna tell me the same thing that other people told me. But then I introduced myself to (Member Service Representative) Shirley (Rivera) and I don't know, it was something like when God talks to you like inside and I was like, she looks different. She looks like somebody who likes to help people, you know, so she's gotta help me and she did."



Shirley Rivera, members service representative at Community First Fund, talks about helping people like Yahaira Alicia inside the office at 51 S. Duke St. in Lancaster city Wednesday, June 12, 2024.

BLAINE SHAHAN | Staff Photographer

Community First Fund Credit Union is a unique kind of financial institution because while it will serve anyone, it is focused on helping low income and minority people. According to the [National Credit Union Administration](#), there are 72 similar credit unions operating in the United States and just three in Pennsylvania. The other two in Pennsylvania are in Pittsburgh and Philadelphia.

It is also the only credit union in Pennsylvania operated by a community development financial institution (CDFI) like Community First Fund. The 30-year-old Community First Fund focuses on economic development through access to capital, technical assistance and resources to historically disadvantaged business owners in central and eastern Pennsylvania.

This kind of financial institution is rare because there is no huge monetary profit in it and thus no monetary incentive to start one.



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Goldman Sachs private equity firm takes a majority stake in Tait

Starting a credit union is a daunting task, which comes with significant challenges, said Jonathan Encarnacion, chief retail officer of Community First Fund.

Encarnacion said its leaders saw the need to address access for minority and low income community members but needed money and federal approvals to set up the kind of credit union they envisioned.

"For example, credit unions must adhere to strict regulations and obtain all necessary licenses to operate," Encarnacion said. "This involves dealing with federal and state regulatory bodies, such as the National Credit Union Administration. Additionally, the initial capital required to start a credit union can be substantial. Founders must ensure they have enough financial resources to meet regulatory requirements and cover operational costs."

New credit unions must also find a niche market or offer unique services to attract members. For Community First Fund Credit Union, the niche market is low-income individuals and diverse communities.

5 key differences between a traditional bank and a credit union

1. Banks are for-profit institutions that are owned privately or publicly traded while credit unions are nonprofit and are owned by their members, usually who share a common bond of an industry, another organization, faith or community.
2. Because they are nonprofit, credit unions are also generally exempt from federal taxes and they do not have to make profits for shareholders.
3. A credit union's goal is to provide the best terms it can afford for financial products, meaning lower rates on loans and higher interest on savings than banks.
4. Generally, banks offer more services and have more locations including ATMs than credit unions.
5. Bank customers' accounts are insured by the Federal Deposit Insurance Corporation while credit union accounts are insured by the National Credit Union Administration.

Encarnacion said other challenges include setting up infrastructure, such as information technology systems, branches and staffing, which can be costly. Attracting members in the initial stages requires effective marketing and community outreach to build a solid member base for growth and sustainability.

He said Community First Fund Credit Union overcame many of these challenges by "establishing a strong governance structure with a competent board of directors and management team, and by effectively implementing risk management strategies to handle financial risks, including loan defaults and market fluctuations."

In December 2020, the long-desired credit union was seeded by part of a \$10 million gift from philanthropist MacKenzie Scott. Scott has given away \$16.5 billion from the fortune she came into after divorcing Amazon founder Jeff Bezos.

Since then, the credit union has been designated as a minority depository institution because more than 50% of its members are of a minority, Encarnacion said.

"That was very intentional because I think we wanted to make sure that we were providing service to a population that typically has been either unbanked or underbanked," he said. "That doesn't mean that we only



focus on (minority and low income members), but we want to make sure that that was our focus, not to compete with the average credit union, not to compete with the commercial or mainstream bank.”

Encarnacion said the credit union's competition is predatory lenders.

“We want to put them out of business,” he said. “I mean, frankly, we want to put those check cashing outfits that you see completely out of business to a certain extent. You know, if you don't have an account, they're going to take \$15, \$20 out of that check just to cash that check. I want to eliminate that.”

A 2021 Federal Deposit Insurance Corporation study said the main reason people can't access banks is they can't meet banks' minimum requirement balances. Traditional banks don't provide services that unbanked populations need such as immediate cash from a paycheck so they turn to a check cashing service for a fee.

Community First Fund Credit Union by the numbers

- \$6,983,001: Total loans and leases
- \$9,508,84: Assets
- \$2.195 million: Amount of loans
- \$29,483: Amount of delinquent loans
- 2021: Federally chartered
- 700: Members
- 127: Number of loans
- 4: Total number delinquent loans past 60 days (as of March 31)

Source: National Credit Union Administration March 31 report

No wrong door

Community First Fund Credit Union takes a different approach to people without credit or a bad banking track record. It offers pathways to increased services.

What is Community First Fund?

Headquartered in Lancaster city, Community First Fund is a private, independent non-profit Community Development Financial Institution (CDFI) whose mission is to provide capital in places where it is not usually available.

It was founded in 1992 by James Hyson as Susquehanna Valley Community Development Loan Fund. Hyson was a local African American community organizer who wanted to provide capital to low income entrepreneurs and community organizations serving the poor in South Central Pennsylvania. The fund was modeled after similar organizations that had begun to form across the country.

Since its first loan in 1994 to fund a multi-family housing project on East King Street in Lancaster it has grown to have offices in Harrisburg, York, Reading, Philadelphia and Allentown. Last year it achieved the most loans in its history – \$40 million.

There is no wrong door to access at Community First Fund Credit Union, said Encarnacion, referring to the experiences of applicants declined services at other financial institutions but not told how to get access to the basics of the financial system.

Encarnacion said the credit union at 51 S. Duke St. can help immigrants, for example, who may be coming to places like Lancaster County and have no credit. Their first step might be to get a tax identification number. They may have different needs and a different understanding of financial systems that need to be addressed. In places like Argentina, where inflation is out of control, for example, a savings account doesn't make much sense so to save money people buy something that won't devalue. It's different here, and the credit union aims to help newcomers understand how.

"For our business philosophy or business model no credit means 'we'll work with you,'" Encarnacion said. "You know, we'll engage with you at some level and we'll get you banking completely differently."



Local Business

Efforts underway to help about 300 unemployed Retreat at Lancaster workers

For Alicea, who now works at a job she loves as a clerk for Lancaster County, the credit union's approach meant first she opened a savings account. Then, after she was consistently saving, she worked her way to secure a loan that enabled her to pay the security deposit for a \$900 a month apartment. She could not have afforded a stable safe apartment without the loan. She is able to receive free financial education, too, that is not tied to marketing products.

Her next goal is to get a loan to buy a car to replace that 2001 Honda Accord.

Why access to banking matters

Access to financial institutions is a key component of addressing food insecurity, according to a study last year by Central Pennsylvania Food Bank. The study said food insecurity in Lancaster County is underpinned by systemic problems of historic marginalization, housing insecurity, financial exclusion and low and irregular pay.

More than a quarter of food pantry visitors have been forced to move in the last year (11%), are worried about being forced to move (22%) in the next year, or both, the study said.

Nearly a third of households using food pantries are either unbanked (19%) with no access to a checking or savings account or underbanked (12%) and use costly alternative financial services such as the predatory lenders Encarnacion referred to. These predatory lenders such as check-cashing services or payday loans are much more costly and don't generate data people need to show they are worthy of credit. In emergencies, that leaves underbanked or unbanked people to have to turn back to high interest rate or high fee services.

According to a [Federal Reserve Wellbeing study](#), 6% of adults were "unbanked" in 2023, meaning neither they nor their spouse or partner had a checking, savings, or money market account. This share was unchanged from 2021.

Unbanked rates remained far higher among low-income adults, the annual Fed study said. About 23% of adults with income below \$25,000 had no bank account compared to just 1% of adults with income of



\$100,000 or more. Unbanked rates were also higher among younger adults, Black and Hispanic adults, and adults with a disability

Encarnacion said Pennsylvania's problem with access is worse than the nation with 64% of Black and Latino households unbanked or underbanked versus 40% nationally. Underbanked households are those that do have a bank account but have to rely on high interest, sometimes predatory nonbank financial services for certain banking needs, such as getting loans or a credit card.

"I think that's why the work that we're doing is so critical and so important," he said. "It's one of those things that if we help this population and (they are) going to become part of the financial fabric of the county."



Manuel Gutierrez moves skids of packages at the Y G Shipping warehouse in Willow Street on Wednesday, June 19, 2024.

CONNOR HOLLINGER | LNP Correspondent

Part of financial fabric

Lancaster city husband and wife entrepreneurs Manuel and Yanet Gutierrez are among the credit union members who are part of the local financial fabric. Recipients of Community First Fund loans, they sought better personal service for their business. They said switching their accounts from a bank they'd been with for 12 years to the credit union changed how they could grow their businesses.

Yanet Gutierrez, 56, started her first business after working as a housekeeper at a hotel in the county. Pregnant with her first child, she was told not to speak Spanish by her employer. At that moment, she said

she vowed to be her own boss. Her first business venture was a door-to-door shipping service to and from the Dominican Republic, she said through an interpreter.

Manuel Gutierrez also wanted to be his own boss: he left a job in manufacturing to start his own business selling ice cream from a cart in New York city. At the time, his family thought he was crazy and told him that kind of work was for people who were undocumented, not him. Eventually he moved on to create other businesses.

The couple also operate a skills machine business and a beauty salon supply business. Yanet has also started a home decor business. They lease a warehouse that supports all their operations.

The credit union has provided small bridge loans when they needed to expand their inventory, Manuel Gutierrez said. Typically, banks don't even touch business loans under \$5,000, but the credit union is able to make small loans to self-employed business owners.

The credit union handled the loans faster than the bank and, Gutierrez said with a smile, in his own language. Also, the couple said, they can learn more about the financial system through seminars offered at the credit union.



Shirley Rivera, members service representative, left, talks with Yahaira Alicea about a Financial Education Workshops inside the Community First Fund office at 51 S. Duke St. in Lancaster city Wednesday, June 12, 2024.

BLAINE SHAHAN | Staff Photographer

Creating pathways to success

Encarnacion said that the credit union is able to tailor pathways to members current situation and lead them to financial goals. Some members, such the Guiterrez are ready for business loans while others like Alicea need to start with simple saving. The credit union also can also set up accounts for children. Encarnacion said the credit union can create an account with certain limitations, and then help members rehabilitate their track record.

"So that eventually you're going to have normal mainstream products, because we believe that people make mistakes a lot of times, you know, people find themselves in hardship," he said.

Encarnacion said that the credit union is modeled after a similar operation in North Carolina that intentionally worked with immigrants. Recognizing that Lancaster County's immigrant community is diverse, the credit union has a language line.

It was important that the credit union not feel imposing or institutional when people walk in, Encarnacion said. The structure of a credit union where everyone is a member also resonates with immigrants.

"That you're acknowledged that we're here for you," he said. "Not only are we here for you, but if you become a member, this is your place. This is your organization and you own a piece of it."

Being part of a community was important to Ryan Sinclair, 44, who is in recovery from substance abuse. A former construction manager, he recently joined the credit union. He noticed that the desks were facing the door where banks seemed to have them off to the side.

"In most banks you gotta go up and then wait for somebody to see you," he said. "This felt very welcoming, very clean, very, very sleek looking. I used to be in construction, and I pay attention to all that stuff, but everything was nice, bright and clean. Everybody had a smile on their face."

Sinclair said the credit union is helping him grow on a financial path that he hopes will eventually lead to business and personal loans. For now, he is staying busy working as a subcontractor for a pressure washing company and focused on his recovery.

"Something I never really been a part of was – because I traveled so much – being part of the community. I want to be a part of that. So I'm trying to take the steps and to keep it all local. So that way community is a big part in feeling, you know, feeling part of something."

Editor Enelly Betancourt provided translation for this report.



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