



Banking on Immigrants

by Hussein Samatar

I was one of the fortunate ones – able to escape the collapse of Somalia. A refugee bereft of possessions, I still had an economics degree having just graduated from Somali National University four days before my family was forced to flee the eruption of civil war. My education enabled me (after a crash course in English) to earn an MBA at the University of St. Thomas. Soon, I was living the American Dream as a commercial banker with Norwest Bank (now Wells Fargo). *The Business Journal* put me on its “40 under 40” list. I bought a home, started a family and opened college savings accounts.

But as my fortunes rose, I was faced with the economic distance growing between me and my fellow Africans in Minnesota. Full of the entrepreneurial spirit that this great country prizes, their lack of knowledge and

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– Hussein Samatar,
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experience with American-style finance forced me time and again to decline their loan applications. While services were becoming available to assist African immigrants and refugees in transitioning to their adopted homeland, broadly speaking, they were run by people native to Minnesota, were focused

on “assistance,” and, in terms of lending, were under resourced in a tight economy.

So, in 2003, I helped lead the effort to found the African Development Center of Minnesota (ADC), in order to close the cultural gap between service provider and client, stress self-determination over assistance, and build a robust lending resource to power economic advancement.

ADC combined traditional non-profit community organizing with a market-focused wealth building strategy. The heart of this work is financial literacy, enabling home ownership and, built largely on home equity, business development. ADC’s slogan is simple and direct: “Your guide to financial success in America.”

Five years later, the ADC experiment has proven fruitful. The organization, run by highly motivated, educated Africans in wonderful partnerships with mainstream leaders and institutions, has trained 200 budding entrepreneurs. ADC has financed nearly \$2 million for business starts and expansions for nearly 100 clients, leveraging \$6.9 million in business loans through banks, government programs, and other community lenders. Further, ADC developed a profit-based lending product compliant with Islamic Law and catalyzed the City of Minneapolis’ profit-based small business lending program in 2007.

ADC has trained 355 families through a certified first-time home buyers program,

30 percent of whom have purchased homes within six months, doubling the national average. In 2008, operations will launch for ADC Financial Services, Inc., an independent mortgage origination company that extends Islamic financing into the residential sector.

OK, bankers: Let’s get to the bottom line. Why is ADC’s bench-scale effort vitally important to the finance industry?

Like the rest of the nation, Minnesota is struggling to deal with the economic pressures and opportunities of immigration. ADC has created real answers on the opportunity side. Its work has corroborated studies showing that increasing the rates of self-employment and home ownership among “new Minnesotans” contributes to the revitalization of neglected neighborhoods and links mainstream businesses with the state’s estimated \$6 billion ethnic economy.

Africans and other immigrant groups are a strong market niche. Thus, the financial establishment needs to serve them with more niche products: profit-based (as opposed to interest-based) lending, greater investment in financial literacy and training programs in partnership with community developers, and increased recruitment of financial service professionals from within these communities.

Created to fill a gap in the financial industry, ADC has set many precedents and stands as a unique resource in Minnesota and across the nation. It’s my hope that competition from banks will eventually force us out of business. The sooner, the better. ■



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The Minnesota Bankers Association (MBA) is the state’s largest trade association devoted exclusively to the representation of commercial banks. Founded in 1889, the MBA has nearly 96 percent of the eligible banks in Minnesota as members. MBA News is dedicated to serving the needs of Minnesota bankers. Through this magazine, the association strives to educate, inform, and enlighten readers with regard to a variety of activities or issues concerning the state’s banking community.