



Banking with Minnesota's African Community: A Growing Market

by Hussein Samatar

Quick: Can you name an ethnic group in Minnesota that has a buying power approaching \$1 billion and makes up nearly one-fifth of the state's foreign population? If you said African, congratulate yourself for tapping into an idea the rest of the state is slowly coming to realize: **Minnesota's African population is a sizable and growing market niche that is assuming a more significant role in our economy every day.**

It's also a population that, despite cultural challenges, is extremely ambitious toward entrepreneurship, building wealth, becoming entrenched in a new community and owning homes.

Using that ambition as a base, the African Development Center (ADC) has been able to combine traditional non-profit community organizing with a market-focused wealth building strategy. African immigrants have the desire—they're often simply lacking the necessary tools and information to navigate the American financial landscape. ADC guides them toward financial literacy, home ownership and, built largely on home equity, business development. ADC's slogan is "Your guide to financial success in America," and our clients are finding that success.

One such client is Jamal Hashi, who owns the Safari Express restaurant in Minneapolis. Safari Express is the first restaurant in the United States to serve indigenous Somali fast food. Jamal had the idea and the drive. ADC provided training, technical assistance and financing. Not surprisingly, Safari Express has become a favorite of both Africans and non-Africans in the Twin Cities.

Another great example is Hussein Ali Ahmed, who left behind a family transportation business in Somalia and first trained as a plumber's helper when he arrived in the U.S. He soon realized there was no reason he couldn't continue in transportation, so, after securing an ADC micro-loan, he started Quale Transport. Hussein is now the owner of three long-haul trucks, has repaid the micro-loan, and is working toward his goal of ten trucks within three years.

Given the current economic climate, you might think Minnesota African immigrants, with nearly one-third living below the poverty line, would be an extremely high risk when it comes to loans. This has not been the case for ADC clients. ADC has financed more than 100 clients and the loan delinquency rate is about seven percent. Nationally, according to Community Development Financial Institution Fund (CDFI), the rate is about 15 percent. The default rate for ADC clients is less than the national average of five percent. Our clients take great pride in building their business and their community.

For some Muslims, one of the biggest barriers to securing a loan is not financial. Islamic law, or Sharia, prohibits the charging of interest, so Muslims' religious beliefs restrict them from receiving interest-based financing. To address this, ADC worked with the city of Minneapolis to launch an alternative financing program for small business owners in which investment repayment is based on a profit model rather than interest. ADC provides half of the investment at its rate of return, and Minneapolis provides the rest, up to \$75,000, at a two-percent rate of return. The loan term is up to seven years.

The Sharia lending program is a national precedent in business financing and opens doors for the city's rapidly growing number of Muslim entrepreneurs. The program's first loan recipient, Shukri Gedi, owns a clothing and accessories store in south Minneapolis. Shukri was looking to double her sales by expanding her stock. ADC packaged a loan using the new city funding and its own profit-based micro-loan program.

As a result of the program, there are winners all around. Muslim entrepreneurs can grow their business without compromising their beliefs, Minneapolis gets stronger neighborhoods and a higher tax base, and consumers at businesses like Shukri's get better service and selection.

In keeping with community building, ADC has a similar program for helping Africans become homeowners. We recently launched a mortgage company, collaborating with Minnesota Housing and Devon Bank in Chicago. ADC Financial Services offers Sharia-compliant home mortgage lending as well as conventional terms. We want to give our clients as many choices as possible, so we can invest in them, and they can invest in our communities and state.

That's why ADC is a state-wide organization. African-owned businesses aren't just in the Twin Cities. They're taking hold in suburbs and cities in every corner of Minnesota. As their presence grows, so does their need for banking. Last summer we opened an office in southern Minnesota, to serve the rapidly growing African population in that region. Our Mankato office has state-of-the-art equipment and facilities, with classrooms for homeownership and business workshops.

Throughout Minnesota, the African community is eager to learn about personal finance, and responsibly navigate the twists and turns of the tricky American finance system. ADC helps point them in the right direction and they take it from there. The result? Stronger Minnesota communities and African immigrants building wealth through the American dream. ■



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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 the MBA News, the association strives to educate, inform, and enlighten readers with regard to a variety of activities or issues concerning the state's banking community.