

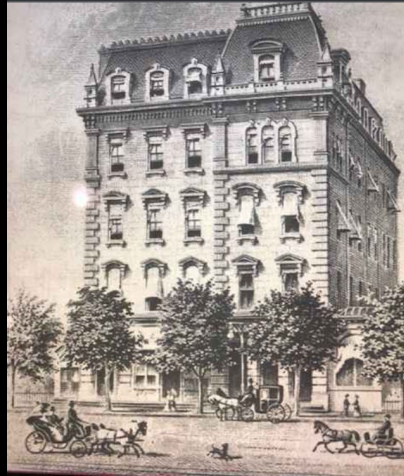
# Banking and the Economy: The Rich History of America's Black Banks



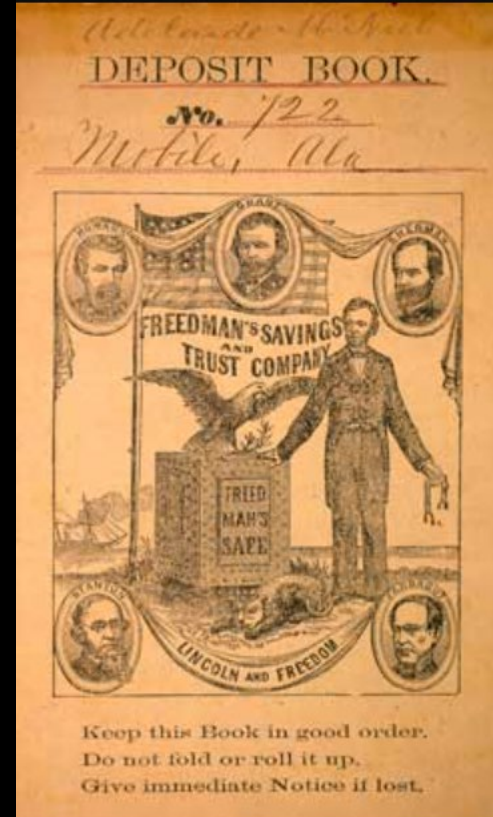
# Freedman's Savings Bank

1865-1874

- Henry Cooke
- 61,000 depositors
- \$3 million lost
- 60 cents per \$1



Freedman's Savings Bank,  
Washington, D.C.



# America's First Black Banks

- Savings Bank of the Grand Fountain United Order of True Reformers – *1888, Richmond, Va.*
- Capital Savings Bank – *1888, Washington, D.C.*
- Alabama Penny Savings Bank – *1890, Birmingham, Ala.*



# Common characteristics

- These banks were exceptional when compared against their banking peers in three ways:
  - Vision – More than a “bank”
  - Innovation – Serving the community’s needs
  - Resilient – Withstand crisis



# Common characteristics

- Vision – More than a “bank”

“We make the money matters ... incidental instead of making it the main object.”

*-William Pettiford*  
Alabama Penny Savings



# Common characteristics

- Innovation – Serving the community's needs
  - Lending with longer repayment schedules/lower rates
  - Programs to encourage small depositors
  - Extended business hours
  - Special programs for unemployed



# Common characteristics

- Resilient – Withstand crisis
  - Banks survived the late 1800s financial crisis
    - 500 bank failures during this period
    - 18% unemployment
  - Many banks lasted less than eight years total
  - First three banks averaged 20 year lifespan



# The beginning of an era

- 60 Black banks by the time of the Great Depression
  - Richmond, Va.
  - Oklahoma
  - Chicago
  - Philadelphia





# Boley, Oklahoma



# Oklahoma



## All-Black Towns of Oklahoma

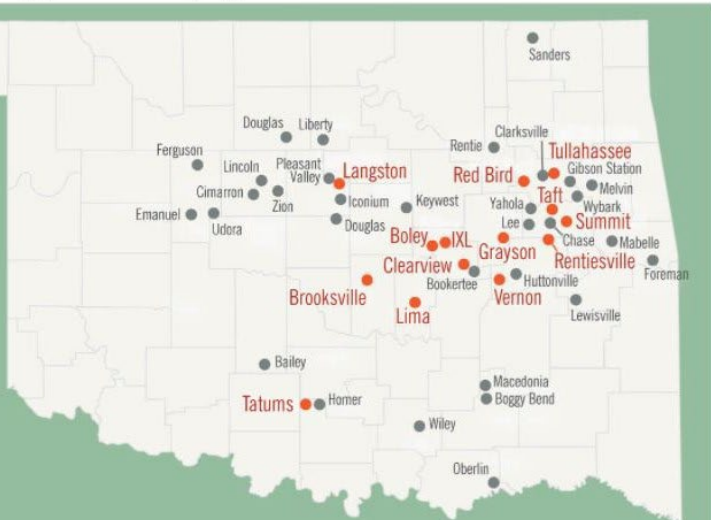
Oklahoma Historical Society | [www.okhistory.org](http://www.okhistory.org)

Oklahoma Historical Society  
800 Nazih Zuhdi Drive  
Oklahoma City, OK 73105  
405-521-2491

- Towns incorporated today
- Towns and settlements no longer inhabited or without local government

Early towns established before 1880

- Tullahassee
- Marshalltown
- North Fork Colored
- Canadian Colored
- Arkansas Colored



# Boley – Founded 1903



Pecan Street, Boley.



# Farmers and Merchants Bank

- A new kind of bank
- Opened with \$500 in capital
- A driving force for development
  - “There has never been an enterprise that has succeeded at Boley without Turner’s cooperation.”



D.J. Turner, Farmers and Merchants Bank



# Boley as economic hub

- Masonic Temple project, 1915
- 82 businesses by 1920
  - Retailers
  - Doctors, dentists, lawyers
  - Hotels
  - Movie theater
  - Creek-Seminole College
  - Three large cotton gins



Masonic Temple, Boley, Okla.



# First National Bank of Boley

- Founded 1921
- “Born of a desire to help develop ... our community.”
- During the 1920s cotton market collapse, it was a “God send to ... Boley. Had it not been for this (bank) they could not have withstood the hardships.”

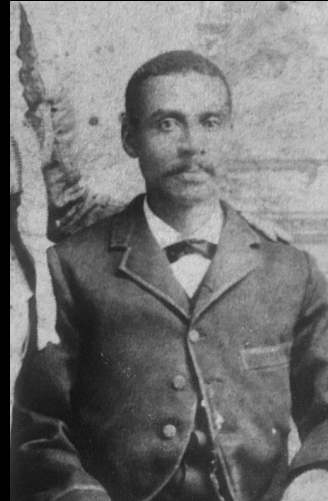


First National Bank of Boley



# Tulsa

- There were no Black banks in Greenwood.
- Oil economy.
- J.B. Stradford, O.W. Gurley and private lenders.



J.B. Stradford



O.W. Gurley



# The Depression and a Resurgence

- Eight Black Banks by 1933
- Civil Rights Era
  - Kansas City
  - Detroit
  - Memphis





# Tri-State Bank

- Opened 1946
  - First since the Depression
- 1955 Economic Freeze
  - “Whenever the movement was in a financial pinch, the Walkers were there to bail it out. If people needed money or financial advice, they could go to them.”



Jesse Turner



Joseph Walker



# Recent history

- 50 Black banks by 1976
- Banks hit particularly hard by financial crisis in the 1980s
- Around 50 Black banks in business in 2000
  - 2007-8 and the housing bubble



# Making a difference

- Proximity remains important.
  - Bank branch visits have declined, but location is an important part of bank selection. <sup>1</sup>
  - Nonlocal lenders have increased small business lending share, but local branches remain primary credit source. <sup>2</sup>
  - Cultural proximity and better outcomes. <sup>3</sup>
- Within minority communities, minority banks help fill a crucial need.
  - Serve a higher share of minority mortgage borrowers.
  - Originate more SBA small business loans in LMI census tracts with a high share of minority residents. <sup>4</sup>

1. Anenberg, Elliot, Andrew C. Chang, Serafin Grundl, Kevin B. Moore, and Richard Windle. The Branch Puzzle: Why Are there Still Bank Branches?, FEDS Notes. Washington: Board of Governors of the Federal Reserve System, August 20, 2018, <https://doi.org/10.17016/2380-7172.2206>

2. Ibid.

3. Fisman, Raymond. Daniel Paravisini and Vikrant Vig. "Cultural Proximity and Loan Outcomes." The American Economic Review. Vol. 107, No. 2. (Feb. 2017) pp. 457-492. Fleisher, Chris. "When bankers and borrowers come from the same culture, does everybody win?" American Economic Association. March 1, 2017.

14. "2019 Minority Depository Institutions: Structure, Performance and Social Impact." Federal Deposit Insurance Corporation



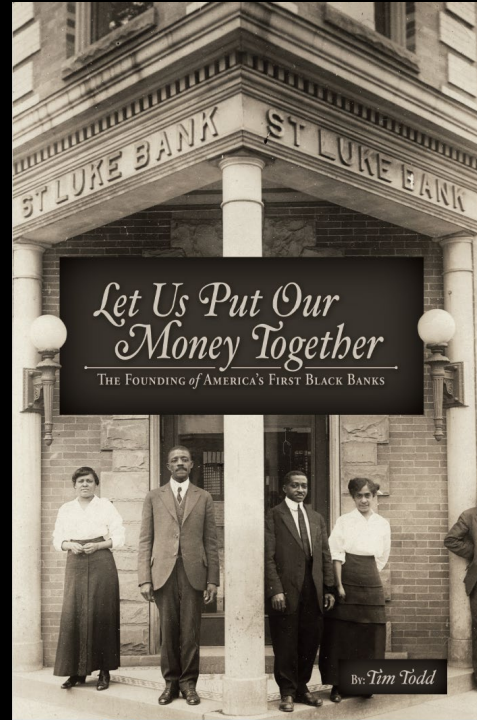
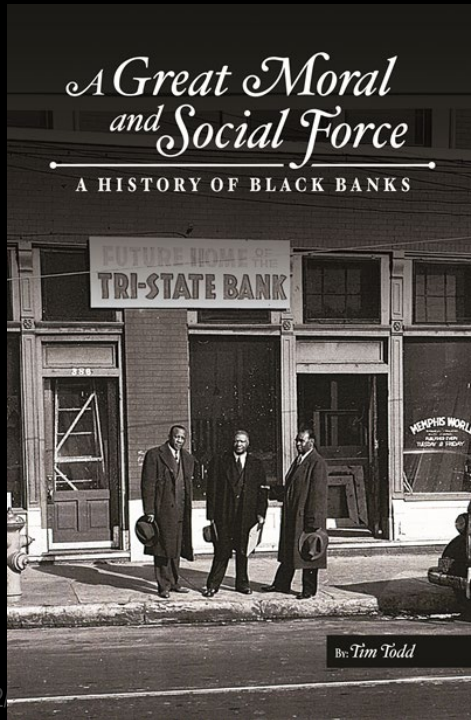
# Topics for further exploration

- Bank structure, size and ability to expand economic opportunity.
- Mission-driven lenders/CDFIs
- Community leadership.
- Banking sector diversity.



# Resources

“... a banking institution is sometimes a great moral and social force.”<sup>1</sup>



[www.KansasCityFed.org](http://www.KansasCityFed.org)

Available at no charge.

