

Keynote Address

Remarks by Henry Cisneros
Chairman, American CityVista and
Former Secretary of Housing and Urban Development



This is a coming home moment for me in a number of ways. Obviously, being introduced by a person that officed right next to me for four years, and we were inseparable for hours and hours of the day, is special. But also present here this evening, and you'll hear from him tomorrow, is the present assistant secretary of HUD for housing, the housing commissioner of the United States. It's also the job that includes the FHA commissioner of the United States, John Weicher, who is a very distinguished public servant having served at HUD during the Jack Kemp years and then returned in this administration.

John, very good to see you and congratulations on your wonderful work at HUD, and of course, President Moskow of the Federal Reserve Bank of Chicago. I feel very close to the Federal Reserve System. I had the privilege of serving on the Dallas branch bank before going into the Cabinet; it was a wonderful experience. It gave me as a business person then, kind of unique insights into the decision making process of the Federal Reserve. And then, during the years that I was at HUD, I maintained a strong relationship with the chairman and was privileged to watch from the vantage point of Housing Secretary, the effects of Federal Reserve decision making through the '90s and what it meant for our country: obviously, one of the longest economic expansions on record as a result of that solid economic management, low interest rates, employment growth, record job creation, wage increases, declines in poverty rates, the lowest poverty rates for minorities on record since the creation of the indices in the 1960s, record homeownership rates, and then economic effects on social indicators like infant mortality rates and such. That was the legacy of a long economic expansion and we can all respect the work of the Federal Reserve decision makers; I certainly do. And Mr. Moskow, thank you for giving attention to this subject by your presence and by cosponsoring this with the Brookings Metropolitan Center. In many ways that kind of economic progress, evolution if you will, for our country makes this

conversation, the subject of this conference, possible and productive.

My perspective on the convergent themes of this conference are several. First, I speak to you as a son of an immigrant mother, of immigrant grandparents. I live in my grandparents' house in an immigrant neighborhood of San Antonio, the west side Latino community of San Antonio today. It's not unusual as the house quiets down for the night to hear voices out on the street walking along the sidewalk outside of my house, and it's quite likely that there are people who've arrived literally within the last hours or days in our neighborhood. The church that we attend, the Catholic parish, one block from my home, when we left for Washington in 1992, was a church that was almost empty on Sundays, maybe a quarter full, mostly older people in a neighborhood that had been in decline as the young people moved on and older folks died off. We came back in 2000, to that same neighborhood and the church is absolutely packed, literally cannot get into it on Sunday at the 10:30 mass or the 12:30 mass for the number of immigrants who now populate that neighborhood.

The San Antonio experience is not dissimilar from what other cities are experiencing. It's a truly powerful, in our community, revitalizing, energizing impact, so I speak to you from that perspective, as well as, Bruce suggested, having served as president of what is now the fifth most watched television network in the country. After ABC, NBC, CBS and FOX comes America's Spanish language network Univision, a testament to the number of people who are watching Spanish language television. And I watched from that perspective, the evolution of thinking about what has been called assimilation, give way to another concept of 'acculturation,' as fewer people sort of move automatically into the mainstream of American society and instead maintain dimensions of their own

culture, not just Hispanic, but a wide range of cultures across America.

I also speak from the perspective of the professional work that I'm doing today, which is working on building homes in communities and seeing the dynamics of rising immigration and rising economic prospects for immigrants play out in America's cities. In the 1990s, New York achieved the highest population in its history, eight million people, largely because it is the number one destination for immigrants among America's cities. You've seen the resurgence of entire neighborhoods, such as the Bronx, and a virtual United Nations honor roll of nations from which immigrants come to New York: Dominicans, Chinese, Russians, Eastern Europeans, Israelis, Mexicans, Middle Easterners, Africans, and people from the Caribbean.

In Houston, Rice University professor of sociology Kleinberg has just finished an analysis in which he charts the evolution of Houston as a city in two dimensions, what he calls the two revolutions of Houston, the economic transformation from an old industry oil energy capital to a kind of new broad-based, small business entrepreneurial city, and the revolution associated with the demographic change that's occurring in Houston, which has become the number one destination for Nigerians in America, for example, because of the old oil connections. The Hispanic community of Houston is now the largest in Texas having surpassed my hometown of San Antonio. But it's not because of Mexicans, it's because of Guatemalans, Hondurans, El Salvadorians, other Central Americans who have gone to Houston.

And of course Chicago reversed 50 years of decline in the census pre-2000. For five previous census, Chicago had a smaller population than the previous ten years, until 2000, when the tide was turned. And it was again, largely, experts agree, a function of the immigration increases. Absent the immigration increases, the decline would have continued. Today as those of you who live in Chicago know in many neighborhoods the issue is how to deal with overcrowded schools. Ten years ago the issues were the closing of schools in many neighborhoods that simply were not being utilized.

Other American cities without immigration have paid the price for the lack of being a sufficient economic or social magnet. City council members in Philadelphia have debated how to offer incentives to immigrants to come to Philadelphia, and a front page Wall Street Journal story on Pittsburgh describes the efforts there of minority communities to attract other immigrants to Pittsburgh for the benefits that they will bring. We see similar effects, not just in the major cities, but in other parts of our country which are dramatically impacted by immigrant flows: Arkansas, whose Latino population grew by 400 percent

in the 1990's; Georgia, immigrants of multiple nations go to work in the textile industries of Georgia; North Carolina, textiles and furniture draws immigrants there; meat packing in Kansas and Nebraska; and migrant-related work in Washington state. It is truly a national phenomenon and it's impacting big cities and small communities all across America in profound ways.

The final perspective that I would give you is from a role that I play in San Antonio as a former mayor, and active in economic development, and it comes from a recent series of visits to Japan. In association with the attraction of a major Toyota plant, which is located in San Antonio, about an \$800 million plant that will employ 2,500 people and produce the Toyota Tundra in a poor neighborhood of San Antonio. It is the absolute dream moment for a former mayor involved in economic development, and I must say that at least part of the Toyota calculation as to where to locate that plant was driven by these same factors.

They, Toyota, under-perform among Latinos, and Texas has the second largest Latino population in America; it's also the most pickup-driving state in America. You put all those factors together, and it results in a plant in a place where they can market the fact that they are producing vehicles for this community.

In any event, during this trip we met with leaders of the Japanese Kaydondron, which is kind of an amalgam of their top business leaders and governmental leaders, and they were decrying. These are the top business leaders of Japan, in private conversation, decrying the loss of population they project over the course of the next 40 years or so. It's a fearsome subject for them because this is a free enterprise economy that will have a smaller market. We haven't experienced that in the developed world before, in modern, developed, industrial nations such as Japan.

It is a prospect that confronts not only Japan, but also Italy, Germany, and France, which traditionally have had serious issues, to put it mildly, with immigration. The Japanese basically are very tough on immigrants and Koreans who go there have a very difficult time. The Germans, the Italians, the French, similarly, – we all follow the news, I won't get into that here – but the fact of the matter is, they are going to confront issues of Social Security adequacy, of health systems financing, and of military staffing because of their population dynamics. The United States of America will not confront those problems.

We will have other issues, but declining population, loss of economic momentum or energy, and loss of markets will not be an issue because we are an immigrant nation. And even as we have one population group that ages, so we have other population groups that are young and characterized by large families. And they will not only

rejuvenate neighborhoods and communities, but provide markets for the American economy.

While I was at Univision we did an analysis of the automotive industry, and it showed that at about 2008 or so, absent immigrants and minority purchasers, the growth in immigrant and minority automobile purchases flatten out in the United States. It is only when you reinsert those immigrant numbers that they grow at about 100,000 automobiles per year – as I say, beginning about 2008. So this is a real economic issue and immigrants will play an essential role in the American social and economic future.

It is a corollary that financial services are not a luxury, and cannot be thought of as something that is somehow nice, but not essential. I would argue that financial services in modern America are as essential a utility, if you will, as water or electricity in our cities. Once upon a time you could live without piped water or electricity, but in a complex, modern, integrated, specialized society, we fundamentally cannot; and we have evolved to the point where basic financial services are in the same category in our modern urban communities.

This conference focuses both on the inadequacies of availability of financial services, and therefore, corrective steps as well as recognition that the market is moving quickly. Many people in this room are moving to fill the gap and provide financial services, and therefore, will provide insights and guidance – sort of constructive suggestions – about how to move the ball forward. In both respects this conference is important.

I know that you'll be talking about traditional services: checking, savings, ATM, credit card, very important basic services. Many immigrants have little experience with these and because they are reluctant to engage, create problems for themselves in the long run because they have no banking records or experience. We run into that all the time in our work. We're also seeing an evolution towards more sophisticated products, such as insurance and the recognition of insurance. Many immigrants understand basic life insurance and will make sacrifices to get insurance, but simply don't have the knowledge of more sophisticated types of disability insurance, long-term care insurance, and other important financial products for the long run. Retirement products, investments in stocks, bonds, mutual funds, and CDs, are sort of the next step in the evolution of financial sophistication in immigrant communities.

Housing and mortgages, obviously, are critically important. For most Americans the sum total of their net worth is the equity they have in their homes, and when we see a homeownership gap of the dimension that continues to exist, obviously I am very proud of the work that we did on our watch. I am proud of John, the present secretary, and the administration, to continue shoring up and boosting

the national homeownership rate. It's now the highest in American history; the homeownership rate is over 68 percent. The White homeownership rate is 74 percent, and although the minority homeownership rate grew at the fastest rate on record during the 1990s, in recent years it is still only 48 percent. Sixty-eight percent is the average, 74 percent is the White percentage, and 48 percent is the minority – a 26 point gap to the White rate.

It would be bad enough if that gap suggested only a gap in the honor of being a homeowner, but what it really represents is a gap in access to the levels of wealth, to the basic instrument, the first instrument of amassing something beyond income that represents savings, wealth, and equity in our society. So it is critically important to address the gap in mortgage opportunities as part of the discussions at this conference.

Small business loans, access to capital for small businesses is another subject that you will be covering. In Texas I was looking at some numbers today, the African American community is 11 percent of the population of Texas, but owns only four percent of small businesses in Texas. The ratio is 37 African American businesses per thousand population, against 184 businesses per thousand in the White community; vast differential. Any way you look at it, whether number of loans, size of loans, or number of rejections, the numbers are badly skewed in our society with respect to small business loans for ethnic minorities. And of course, immigrants are buried within those numbers. Then of course, the issue of remittances and international linkages, which are hugely important in immigrant communities, and companies that charge huge amounts for providing remittances.

Let me share with you a few overarching observations, if I may, related to this range of subjects that you've already addressed today or will address in the conference tomorrow. Just a number of random observations, if you will, and I speak not as a scholar, or as a researcher, but from the perspectives that I've already described as my vantage point for thinking about immigrants and their financial needs.

The first is that immigrants and American minorities generally are now a core business concern. As I tried to describe a moment ago in the statistics I cited, relative to the automotive industry, in industry after industry in our country, companies must decide whether or not they are going to treat immigrants as a core business strategy issue. In my judgment, those that get it, those that understand that basic reality, will grow, and others will find themselves in another decade wondering why it is that they stagnated, why it is they didn't grow. And it's a basic strategic question of whether or not they're going to address the immigrant and minority markets.

Secondly, many companies will understand that they have to innovate with respect to the practices with which they address immigrant communities, particularly those related to creating access; that will mean user-friendly locations. There's a lot of interesting discussion about locations and whether or not mainstream financial institutions should go into minority communities as themselves, or as an entity with another face, with another name, as many financial institutions do. I've even read that some institutions that think they ought not put their best foot forward, ought not put their nicest retail location in a minority community because it would make people uncomfortable, and they want something that's a little less grandiose in a minority community. I think that's falling victim to urban myths. Minorities are, like every other community, complimented by the best corporations can put forward and that means strategic locations, it means user-friendly material, language appropriate materials. It means companies position themselves by their advertising, how they position themselves with respect to the community and it means perhaps, training staff to provide comparative examples between products and techniques utilized in the United States and things that they may encounter in their home countries where either legal or financial practices are different. And all of those things are simply practical

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dimensions of relating to immigrants and relating to the marketplace in an effective way.

Another dimension of this third point, is that with immigrants, as with respect to every other population, one must be mindful of the phases of life. That is to say, recent arrivals or arrivals within the last five years are in a very different financial and life situation than people who have been here for a longer span of time. We know that homeownership is a huge goal, for most American immigrants, particularly for Latinos for whom the land, la tierra, is something you can control and own and have the honor of being the homeowner; inviting family over, of having family celebrations, is hugely important and they work very hard for it.

Roberto Suro and Pew have published some data on this in recent months that shows the rapidity with which immigrants work at becoming homeowners, and therefore need the kinds of financial services we've described. So there are differences between recent arrivals, people who have been here for a while, and second generations, and all of those require financial strategies targeted to those phases of life.

A fourth point I would make is the importance of staffing. It will mean hiring people who can relate to immigrant communities and yes, that does mean hiring persons of similar ethnic backgrounds, and it does mean focusing on issues of language. But in my experience, hiring people of the same ethnicity and language is probably not enough because there is cultural nuance. Some of the greatest disrespect I have seen towards Hispanics is from other Hispanics who think they are at a higher state of life or education or sophistication, and look down on people in the almost kind of 'padron' way that we see in Latin American nations. These sort of class differentiations can be very painful for people who come for financial services.

Time and again I've seen people who show up in blue jeans and scuffed boots with the big cowboy belt and a big buckle and rough calloused hands of a construction worker who have need for financial services and real capabilities but never get respect. They walk in with a shy demeanor because they're ashamed of their pronunciation of the English language or because they are ready to accept the disrespect that will come because of their social station in life. It is, for me, a very painful thing to see, forget the level of analysis or public policy, just as a human being to see people treated in that way.

I recently had the opportunity to attend a church service in Phoenix, a Catholic service in downtown Phoenix, and the priest asked me to say a word, and I did. And then he asked me to stand with him at the back of the church as the parishioners came out and greet them. And I wanted to learn something from the experience, so I asked every family what they did and no exaggeration, every single worker, male, who came out of that church had a family, was in construction – every single one was in construction – and they dressed as if they were in construction and I could imagine how they would be viewed by someone who did not understand the pride of owning a pickup truck and a wheelbarrow and some tools and being able to head out and do driveways and curbs in the Phoenix area, and would be looked down on in the air conditioned, carpeted, nice setting of a financial institution. And yet I know that those people are very proud of their capabilities, have real resources, have real businesses because most of them introduce their sons who are working with them in the business and now have a business that is a thriving enterprise that's really going to amount to something. The staffing is important because it adds a human face

to financial services that are increasingly technologically driven and it will be very important to have people who can interface, who can interpret, if you will, the technological processes and who can bring judgment and as I say, cultural nuance to financial transactions.

A fifth point is that we have to be cognizant of the abuses that occur in the financial environment. I serve on the board of Countrywide Financial, the largest non-bank mortgage provider in the United States and we constantly wrestle with these issues; the line between sub-prime lending and what crosses over into predatory. I'm not particularly proud of this, this is something that pre-dates my service but Countrywide offers its prime mortgages in the name of Countrywide and its sub-prime in the name of a company they call Full Spectrum Lending, it's a completely different company.

Now I'm not suggesting that they come anywhere near the line of what would be predatory but they feel a need to market the sub-prime in a different way. Now, sub-prime in and of itself is not a bad thing, were it not for sub-prime many people, many minorities would not be able to get mortgages because the risk analysis of their financial situation requires a higher price, it is an actuarial calculation that results in a higher price and pushes them over into the sub-prime world. That is a business reality of the situation but it does require thoughtful analysis of this whole area of sub-prime. I have a great respect for Frank Raines, the chairman of Fannie Mae who served as the head of the Office of Management and Budget in the Clinton administration, top flight business person of high integrity and he believes that we need to find ways to articulate the truth about sub-prime, how it works, and how it can be made available to people and what a significant part of the answer it is in many minority communities.

It is also true, we have to be careful however, to avoid automatically pushing people who ought to be prime lending candidates into sub-prime because of who they are, because of how they look, or because of external dimensions of their characteristics. So this whole area of sub-prime lending is critical as we think about minority communities. And then of course, there are the things that do cross the line; payday lending, check cashing at exorbitant rates, rent-to-own stores, home repair financing, extra charges for remittances, auto title lending, all kinds of devices that people have come up with that are not regulated, that suck money out of minority communities because other vehicles are not available to them. And obviously, a lot of thought and a lot of attention needs to go into those things.

The sixth point that I would make is the importance of financial education, of financial literacy and I know that this is a subject on the agenda here. I won't dwell on it

other than to say that it is critically important because so many immigrant individuals in our society and minority individuals get themselves in trouble without even knowing that they are heading in that direction or without knowing that they are in trouble. Time and again we run into people who have financial capability but their credit record is a disaster for decisions they made five years ago, or automobile payments they didn't make five years ago. It's critically important that we educate people in the forums where they can be reached early about the implications of financial decisions that they make; it is in all of our interests to do that. It is critically important that we start with the very young. I'm working right now with Bob Litan, who you'll remember was at OMB, who is with the Kauffman Foundation now in Kansas City, a foundation that gears itself to entrepreneurship and small business lending. And we're working on creating a curriculum for high school students that can teach them the workings of the American economy and personal financial literacy in order that we can begin to, at that level, explain to young people the problems associated with making bad financial decisions.

Financial education will also allow financial institutions, collectively, to help make the market among immigrants. When you watch an NBA basketball game and you see the Fannie Mae Foundation advertising the joys of homeownership, it is because they are trying to reach particular demographics who they believe have issues in homeownership or credit and are attempting to articulate a message, a targeted message, helping to make the market for the long run. This is not something that's going to reap immediate benefits to any company or even the sector, but it is an essential underpinning of building the market for the long run.

The seventh point I would make deals with legal issues and I don't know to what extent you will address those in this conference, but the issues associated with documentation of immigrants are very large and important. In the home mortgage field, most mortgages cannot be made, even with a Matricula Consular without a Social Security number and there may be perfectly good reasons for that. Now there are financial institutions who are pushing the edge. I know of several banks, for example, who are offering mortgages with the skimpiest of documentation, they are willing to carry the paper and make mortgages. The whole country has to address this in a rational way. I think its part and parcel of the immigration discussion, its part and parcel of the security issues discussion, privacy issues and a lot of other things, but I do know that one of the absolutely major impediments in the mortgage field to tapping the full potential among immigrants is the documentation questions. You cannot attend a minority, either Hispanic or other immigrant, real estate meeting without the focus being how do we

solve the problem of documentation if we want to extend mortgages further.

And, finally, the eighth point that I would make, just again random observations, is the importance of other financial vehicles beyond the traditional; vehicles such as credit unions, vehicles such as community development financial institutions and others which can offer credit and financial services in places and in ways that traditional financial institutions may not.

Let me close simply by saying that this discussion is fundamentally about expanding national opportunities,

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not only for those who are immigrants themselves but for our economy and the institutions that comprise it. It’s about giving people the full range of life choices because what we’re talking about in financial services is exactly that. As I said at the outset, it is a fundamental part of the mechanics,

the lubricants if you will, that move a modern enterprise society, and we have to extend the full benefits to all of our citizens.

I’m a believer in the inevitable march of human progress and to me one of the most sort of beautiful ideas that captures it is a quotation from John Adams who in a letter to his wife Abigail, mused on the progression of life and service and work. Paraphrasing, he said “I study war and diplomacy so that my sons can study commerce and agriculture and the building arts so that my grandchildren can study the arts and literature, music, horticulture and the humanities.”

I’ve often thought that there’s a sort of modern analog to John Adams framework. It’s possible for this generation of Americans to say, our fathers and mothers worked through a depression, won a world war against fascism, and beat dreaded diseases like Polio so that my generation could participate in a civil rights movement, advance the rights of women in our society, send men and women to space, and work to tame the vagaries of the economic cycle. That creates stability in which people can prosper so that our children’s generation can make meaningful progress on things like the global environment, conquering world diseases, and ravages such as cancer, creating enduring and respectful peace around the world, and building a society in which everyone has a place, in which our

diversity is celebrated and our system allows everyone to find their place. All so that we can, in a modern sense, harken back to John Adams time and say truly, with absolute sincerity and significance that we live in one nation, under God, indivisible with liberty and justice for all.

The subject of this conference deals with no less profound subjects than that. Thank you very much for allowing me to be with you.