



Proof of Concept

A Precursor to the Business Plan



**The ABCD Group Initiative:
Develop a Low-Income Community
Development Financial Institution**

SEPTEMBER 11, 2020

PO Box 5872, Denver, CO 80217

720-532-08736 / actnow2000@outlook.com

(a Nonprofit Corporation registered with the **CO Secretary of State** and on Good Standing)

Proof of Concept Initial Business Plan – Core Values & Area of Members
ABCD Group - A Federal Credit Union Initiative

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I. Purpose and Core Values

Vision

The **Asset-Based Community Development Group, Inc. (ABCD Group)**, a CO registered Nonprofit) is formed to research and develop a potential solution to the issues of access to capital and narrowing the Wealth Gap through education and opportunities to access to products and services without over-burdening the customer with regulations, policies, and fees that stifling access to the American Dream.

ABCD Group currently dba the **ABCD Core Committee**, which is the Steering Committee focused on the research and development of a **Community Development Financial Institution** beginning in Ward I, Aurora, CO by January, 2022.

At the close of 2019, the committee decided that a NCUA Charter with Multi-Common Bond characteristics and a Low-Income designation is the best tool to aide in solving the economic challenges of a community in transition and under the pressure of gentrification on All sides.

For two years, the City of Kansas City, Missouri, through the Office of the Mayor and the Office of the City Manager, provided continuous support for the WDFCU chartering process by providing a full-time staff person to bring city resources to this effort.

Mission Statement

The **ABCD Initiative** shall result in an institution that is community-owned, not-for-profit, financial institution whose mission is to build members and community wealth for residents of the ABCD community. A credit union built by the people and for the people shall be recognized by its members because ABCD provides ease of access; critical two-way communications and accountability; innovative wealth-building and loan products; legal and travel services; and, financial education that begins in the schools and extends to each individual and business owner.

. Our initial purposes are in creating Economic Empowerment opportunities and in Engaging our underserved communities of Neighbors beginning in our designated **Opportunity Zone in Ward I, Aurora, CO**.

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The end-game is Goal is **Narrowing the Wealth Gap by providing Access to Capital for Business and accessible Home Ownership and maintenance.**

The Company

Until further notified, the contact information is:

Asset-Based Community Development Group, Inc

2001 Montview Blvd., Aurora, CO 80010

P. O. Box 5872, Denver, Co 80217

NOWY2k@outlook.com / 720-532-0836

Nicholas O. Walker, Chair, ABCD Steering Committee

These are the top Name choices:

- ACORN Federal Credit Union
- Growth Federal Credit Union
- Mercy Federal Credit Union
- ??

Asset-Based Community Development Group, Inc. (ABCD) serves as the research and development entity creating a Financial Services corporation beginning operations the **Ward I** communities in Aurora and Denver, CO in partial Zip Codes 80010, 80011; 80207; 80239; and 8024.

The **ABCD Core of Founding Subscribers (Core)** seek a **Community Common Bond** credit union having **Low-Income** and a **Community Development Financial Institution (LICDFI)** designations with an approved **National Credit Union (NCUA)** Charter credentials. After establishing a lending history, the Core fully expects an official CDFI designation from the **US Treasury Department**.

All relevant depositor/investor, employee, and property insurances are a shared expense and is properly addressed in the FINAL Operations Agreement under separate cover.

Background

Around January, in the beginning of 2019, the following message was given to write and distribute to the People of Color commUNITyS via a core of community and faith-based leaders, political/civil servants, a variety of business and industry professional and others throughout the CO diaspora. The message contained the problem and the solution.

Here is that presentation:

How Shall the People of Color CommUNITyS throughout the Diaspora Attain Economic and Political Equity?
(Present at the CO Black Roundtable and during the Community Engagement Core Group Meeting, January, 2019)

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Refer to Appendix – General & Background

Several Aurora City and CO State elected; community; and faith-based leadership officials continues to support the chartering process. Several key government and non-profit mentors have been identified and remaining collaboration with the ABCD Group's effort to create, develop, and operate this credit union. Additionally, the proposed credit union seeks a low-income designation, with the understanding that an updated review will be performed prior to issuance of the federal charter.

Committed individuals have surveyed, met with civic leaders, worked with community organizers and assessed the impact of predatory lending to gain a true understanding of the financial disparities within Kansas City. The problem: too many payday lenders with too few consumer-friendly alternatives. The solution: charter a new credit union to address the need in the community —too few financial institutions. Subscribers of this financial cooperative identified the unmet demand of our field of membership, households and businesses. Survey results clearly demonstrated a demand for a financial institution that targets: the underserved, (under-banked and unbanked) and those currently served by predatory lenders.

As a non-profit credit union federally chartered to serve low-income communities, and that exist solely to serve these communities in financial matters, this credit union, as an ABCD Initiative, is preparing to begin service in early 2022. The structure is similar to that of a regular credit union; however, because CDFIs are nonprofit, they are tax-exempt. CDFIs offer services not provided by mainstream banks or Non-LICD designated credit unions, such as small loans at below- market rates to people who might not qualify for bank loans in a competitive situation. CDFIs rely heavily on banks or Non-LICD designated credit unions, foundations, and other investors for deposits to support their work.

The ABCD Credit Union Initiative (yet unnamed) has an Asset Goal of Five Million Dollars (\$5,000,000) annual operating budget of approximately Two and One-Half Million Dollars (\$2,500,000) which, shall be governed by a ten-member volunteer (I recommend PAID Stipends ??) Board of Directors meeting at least 12 times a year for the first 3-5 years.

Organizers of this initiative are well-established and respected leaders within the Aurora-Denver-Commerce City metroplex and those communities.

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Core Values

The Higher Calling reaches beyond the dollars and cents of the proposed credit union operation including building, products, and services. Our Core Values reach beyond the senses of touch, sight, smell, taste. It extends beyond the emotions of the day and rests on things eternal.

- **Faith** - While ABCD is Non-Denominational, it is Faith-based. It professes God's Perfect Economy: Give and it Shall be Given.
- **Create in the image of Our Creator** – Encourage and inspire each



customer and employee to aspire to their best selves by giving, in spirit and in truth, Time, Talent, and Treasury to others as they give to themselves.

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- **THINK** – Test the spirit of ideas
History of culture and the evolution of technology
Innovate by constantly renewing the mind, body, and spirit
Network including an ever-expanding circle of people & resources
Knowledge-based Decision-making
- **Communicate & Collaborate** – around Issues
- **Accountable** – In ALL things, Outside Influences and ABCD executives, management, and staff shall be held in performance to the highest

COMMUNITY ...Growing, Learning, and Working

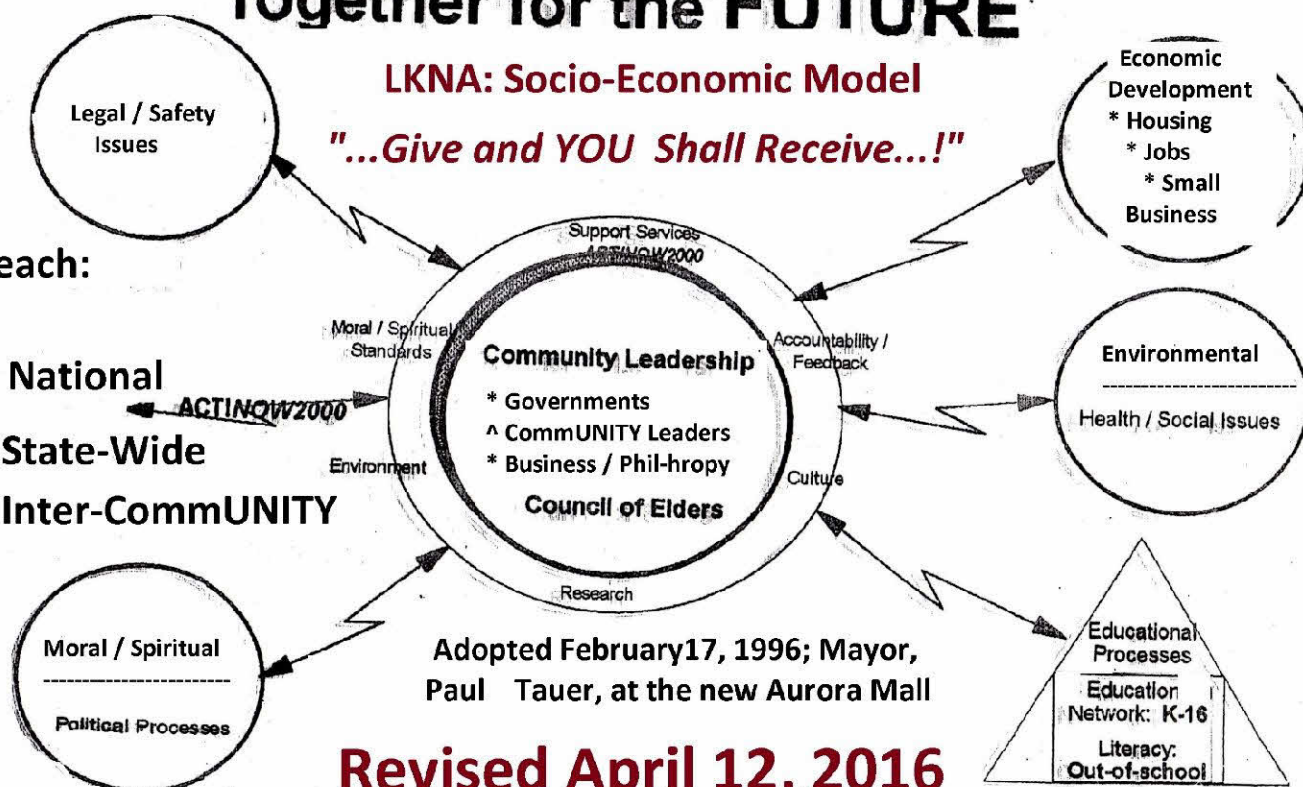
Together for the FUTURE

LKNA: Socio-Economic Model

"...Give and YOU Shall Receive...!"

Outreach:

National
State-Wide
Inter-CommUNITY



Adopted February 17, 1996; Mayor, Paul Tauer, at the new Aurora Mall

Revised April 12, 2016

Presented to Councilor Marsha Berzins, Ward III for Mayor, Steve Hogan and Other Councilors and to Ms. Margee Cannon, Staff Liaison, Neighborhoods

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standards of moral and legal measures. They shall also be bonded in cases of any money handling.

These Core Values ensure the proper course of this initiative for generations to come.

Unmet Demand – The Purpose of the ABCD Initiative for a Credit Union

According to the **Center for Urban Studies**, “...studies calculate wealth by adding up total assets (e.g., cash, retirement accounts, home, etc.) then subtracting liabilities (e.g., credit card debt, student loans, mortgage, etc.) The resulting figure is your net worth

The **Racial Wealth Gap** is significant: ...”

1. Anglo Family Households - \$171+K
2. Latino Family Households - -\$20+K

 - Black Family Households - \$17+K

The Goals and Objectives of our commUNITY Leadership and neighbors, therefore, should be to narrow this gap specifically in the City of Aurora and particularly in the neighborhoods in Ward I and surrounding Wards.

This credit union will offer a source of credit to individuals and their organizations from an institution that shares their values.

According to the **Economic Review**, the research publication of the Kansas City Federal Reserve, labor force participation in the U.S. reversed its decades-long increase and started trending lower. This decline not only affected the workforce but it also created demographic shifts associated with variables that affect the banking and lending institutions.

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II. Areas of Membership

Proposed Field of Membership

Economic condition of the proposed field of membership, according to the **American**

Community Survey (ACS 2) Admin – I requested Data

80010;11; 80207; 80237 & 49

017), in the 2013-2017 Narrative Profile, Jackson County, Missouri had a total population of
688, (Reference Appendix Exhibit #3 Field of Membership
Demographics)

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The following is a list of five relevant factors related to the current financial conditions (in the recession recovery), for low- to moderate-income populations:

- 1) availability of jobs;
- 2) availability of affordable housing;
- 3) access to credit;
- 4) overall financial status of individuals and families who have low to moderate incomes;
- 5) level of demand for services provided by organizations/institutions to those who have low to moderate incomes.
- 6) Orientation and preparation for the societal paradigm shift from, a cash basis to a “cashless” society.

Each of these factors are an important variable in the future of the community development market of financial services proposed for the low-moderate income population. Although employment rates have improved in the post-recession/COVID-19 economy, *wage* increases have not. *Wealth Gap* disparities have increased. While *suburban real estate values* have escalated, *urban core residential real estate* values have remained at pre-Recession/COVID-19 levels.

Local area banks or Non-LICD designated credit unions offer deposit products and services to members of our community but, are not so supportive when it comes to personal or business loans. Customers are, in many cases, are denied the type of personal or business loan product that meet the customers' short-term needs. When this occurs, the community's only alternative is to retreat to high-interest payday loan businesses that ensnare and create a vacuum of financial despair that consumes the entire community. Small businesses and entrepreneurs are equally affected by the lack of financial products banks or Non-LICD designated credit unions offer and their reluctance to loan.

The financial equity in small businesses is generally inadequate to undergo the scrutiny of banks or Non-LICD designated credit unions. Banks or Non-LICD designated credit unions are optimal for large and corporate-owned businesses; however, this leaves a large gap in much-needed operating capital for smaller businesses whose owners are usually not in a position to personally guarantee their loans.

While credit unions have similar concerns and challenges, ABCD GROUP will develop the focused expertise required to underwrite small business loans at a competitive rate.

ABCD Group recognizes that a lack of healthy financial institutions creates more than the inability to have access to credit, but according to popular conservative opinions for those who grew up with fewer financial institutions:

- @20% are less likely to have a credit report and, they have:
 - a 7 to 10-point lower credit score
 - 2 to 4 percent higher delinquency rates
 - The effect on their credit scores is similar to the effect of reducing annual income by \$6,000
- Not considering Opinion, here is the facts:

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Low Response Score (%): 31.5 2012-2016 ACS 5-year estimates	
Total Population: 5,432	Foreign Born (%): 47.07
Median Household Income (\$): 31,445	No One in Household Age 14+ Speaks English
Population Under 5 (%): 9.22	"Very Well" (%): 31.08
Population 18-24 (%): 6.85	Population 5+ Who Speak English Less Than
Population 65 and Over (%): 4.55	"Very Well" and Speak Spanish (%): 34.52
Below Poverty Level (%): 28.10	Population 5+ Who Speak English Less Than
Not High School Graduate (%): 33.92	"Very Well" and Speak Russian (%): 0.00
Non-Hispanic, Black (%): 13.20	Population 5+ Who Speak English Less Than
Non-Hispanic, White (%): 11.14	"Very Well" and Speak Chinese (%): 0.00
Hispanic (%): 59.54	Population 5+ Who Speak English Less Than
American Indian or Alaska Native (%): 0.53	"Very Well" and Speak Korean (%): 0.34
Asian (%): 14.12	Population 5+ Who Speak English Less Than
Native Hawaiian or Other Pacific Islander (%): 0.00	"Very Well" and Speak Vietnamese (%): 0.00
Some Other Race (%): 0.00	Population 5+ Who Speak English Less Than
	"Very Well" and Speak Tagalog (%): 0.00
	Population 5+ Who Speak English Less Than
	"Very Well" and Speak Arabic (%): 0.00
Opportunity Zone	Total Housing Units: 1,867
	Total Occupied Housing Units: 1,670
	Renter Occupied Housing Units (%): 81.86
	Family Occupied Housing Units with Related
	Children Under 6 (%): 43.93
	Population 1+ Who Moved From Another
	Residence Within the Last Year (%): 33.93
	Vacant Housing Units (%): 10.55
	Multi-Unit (10+) Housing (%): 42.80

Moving to a community with "stronger financial markets" does improve individuals' situations. However, researchers estimated, it still takes about 17 years to get their credit score back on track and 12 years to reduce delinquency rates.

Exposure and trust go together. When you grow up in an environment with more banks or Non-LICD designated credit unions, you're more inclined to trust banks or Non-LICD designated credit unions and the financial system. If you grow up in a financial services desert, you're much less likely to trust financial institutions, which could be a reason people in urban communities don't see a

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ABCD Group Federal Credit Union
Business Plan

Evidence of Member Support Survey conducted January 19 through January 25, 2018: 503 interviews conducted within the boundaries set by ABCD CU Initiative.

Interviews were conducted by phone. Margin of error is $\pm 3.89\%$ with a 95% level of confidence. **(ADMIN CREATE: See EXHIBIT 4.)**

II. Capital

Proforma Statement or Letters of Commitment

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IV . Current Subscribers – A Steering Organization

The Vision, Goals, and Objectives of this credit union are being accomplished by

- **The Administration Team** consists of:
 - **Steering Chairman**, Nicholas O. Walker
 - **Administrator**, Ronald Taylor
 - **Co-Administrator**, Rosalyn N. Walker
- **The Finance & Wealth Management Committee**, Gregory Anderson, Pre/CEO, CFP
GRAnderson Wealth Management Group, Inc. and registered with the **CO Secretary of State** in Good Standing
 - **Mervin James Horton**
 - **David Aaerstad, Esq**
- **Community Engagement**
 - **Aurora Council Ward 1 and At-Large **
 - **??**
- **Government and Public Relations**
 - **Johnny Watson**, Past At-Large Councilor, Aurora
- **The Real Estate and Asset Development Committee** is chaired by Nichola O. Walker,
VetVest Group, Inc. and registered with the **CO Secretary of State** in Good Standing.
registered with the **CO Secretary of State** in Good Standing.
 - **Walter Huff, REALTOR**
 - **Lawrence Childress, REALTOR – Broker**
 - **Justin Construction Contractor**
- **Non-Voting Advisors / Supporter**

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Name, Address, eMail, Phone