

[www.usatoday.com /story/money/2022/02/25/rules-regulations-obstacles-black-owned-bank-iowa/6800...](https://www.usatoday.com/story/money/2022/02/25/rules-regulations-obstacles-black-owned-bank-iowa/6800...)

## Speedbumps to a Black-owned bank: How rules, regulations could thwart effort in Iowa

9-12 minutes

*This is part four of a five-part story published in partnership with the Center for Public Integrity and Word In Black.*



WATERLOO, Iowa – A bank is not a typical startup.

The Federal Deposit Insurance Corp. and another banking agency, federal or state, must both sign off. After [the Great Recession](#) hit – contributing to more than 500 bank failures – regulators demanded more capital and more [evidence of community need](#). And investors weren't so eager to jump on board.

"It's a very different world today than it was then," said Nathan Stovall, lead banking analyst for S&P Global Market Intelligence. "There just were too many banks."

Organizers started more than 100 on average nationwide each year from 1990 to 2008, according to the Federal Reserve Board. From 2009 through 2020, that annual number sank to six.

Waterloo has a lot of banks. But ReShonda Young was confident about the case for community need. Raising money, she thought, would be the far harder task: \$10 million minimum, more if possible. She thought regulators would OK a smaller amount, \$3 million, but she feared that would be too little for the bank to succeed.

Beyond the money, she had a lot of regulatory boxes to check.

When she hired banking consultants in the middle of 2020, they handed her a list of every major step she'd have to complete – 74 in total, including [recruiting a board of directors](#), undergoing background checks, lining up three different kinds of insurance, writing policies and charters and plans.

"It is a process that generally takes a good year and a half," she said in December 2020, trying to balance optimism and realism as the mountain loomed before her. "So we're hoping to be open by the end of 2021."

As 2021 unspooled, she tried different methods of fundraising. She asked the community, reached out to large banks where she had some connection, hoping to tap into the [appetite for racial equity work](#) before it might fade, and attempted to launch a partnership with nonprofits to seek grant money.

**EXECUTIVES REMAIN LARGELY WHITE:**[Black and Hispanic workers make headway as bank managers, but white people still dominate executive level jobs](#)

**EQUAL PAY:**[How much does that job pay? New laws help job applicants find out](#)

Organizing Zoom meetings and working late into the night, she tried not to think about how far off the top of the mountain remained.

By summer, it felt to her like one or even two steps back followed every step forward. There would be no grand opening for the Bank of Jabez that year.

## Regulations and a bankruptcy may stand in the way

Ken LaRoe has launched three banks, all in Florida, and said the fundraising was never easy. LaRoe, CEO and chairman at Climate First Bank, whose board members include the CEO of a Black-owned bank, said Young's task would be particularly difficult.

It's "the wealth disparity," said LaRoe, who is not involved in Young's effort. "It's a smaller community to try to raise capital out of than a bunch of old white guys."

LaRoe, himself white, couldn't think of a single founding shareholder across the three banks he started who was Black. He said it wasn't for lack of trying.

[Drone footage.mp4](#)

"Yeah," he said, contemplating that stark fact, "that's pretty stunning, isn't it?" He thought about the implications and added: "really, pretty scary."

Then there's the way regulators, anxious to ensure banks won't fail, judge the fitness of prospective executives and directors.

They want people with high-level banking experience – roles that U.S. Equal Employment Opportunity Commission records suggest [Black workers have been systemically locked out of](#). Nationwide, Black and white workers hold jobs in finance, which includes banking, at rates roughly the same as their share of the population. White employees become senior managers at seven times the rate of Black employees.

If anyone on a prospective management team has "a history of bankruptcy filings," the FDIC says in its guide for startups, approval could be "problematic."

Young came across that warning in late July. She'd figured her financial past might be one of the hurdles in the bank's future. It was a development that could fill a less-determined person with anxiety, but Young reacted with characteristic calmness, saying she trusted that God had not put her on a path with a dead end.

"It'll be something to work through as we move forward," she decided. Either it would be OK, or she would get the bank as close to the finish line as she could and others would cross without her.

She said her credit union told her she couldn't open an account for the Bank of Jabez because it would be "too risky." Young turned to Stacey Bentley at Community Bank & Trust.

The bank said yes.

Bentley, who'd seen the 24/7 Wall St. ranking and knew her institution was not reaching all of the community, invited Young to tell her more. At the end of a meeting full of ideas and positivity, Bentley said, "There's a lot of people who will really want to see this succeed. So if you want me to introduce you to some people I think would be great investors, let me know."

Soon afterward, Bentley emailed her parent company in Illinois. She said QCR Holdings could be one of those investors.

## Social inequality requires reparations

Duke University's William Darity Jr. sums up the wealth gap with one big number: \$840,000.

That's [how much less net worth](#) the average Black family had in 2019 compared with the average white family.

The average is skewed upward by massive wealth at the very top, part of a larger story of American inequality that cuts across race. The very top is overwhelmingly white, which comes right back to Darity's point.



Darity has spent decades studying the gap, seeing it [however the numbers are sliced](#). Marriage doesn't solve it, advanced degrees don't close it, homeownership isn't a magic bullet, his and others' research shows.

Black banks, he said, as helpful as they can be to the communities they serve, aren't the solution.

Their assets combined were just shy of \$5.6 billion at the end of 2020.

The nation's largest bank, JPMorgan Chase, was 541 times that size.

Even those assets fall far short of the extent of the gap.

"If we were to identify the amount of resources that it would take to bring the Black share of wealth into consistency with Black America's share of the nation's population, it would require approximately a minimum of \$11 trillion," Darity said. "It's clearly not something that can be done by the existing apparatus of Black banks, nor can it be something that would be accomplished by incremental increases in the number or scale of Black-owned banks."

His answer to the problem? [Reparations](#).

The federal government [set this injustice in motion](#), he said. It fed the gap by giving land to white Americans after the Civil War, largely through the Homestead Act that brought settlers to Nebraska and the Dakotas, but to only a handful of the formerly enslaved people whose stolen labor made others wealthy. President Andrew Johnson quickly snatched back land provided to freed slaves on the orders of Maj. Gen. William Sherman.

After it abandoned Reconstruction, the government stood by for decades amid lynchings and mob violence and voter suppression, starved Black communities of credit and extended government benefits unequally. It never made up for the damage.

**CORPORATE LEADERSHIP LACKS DIVERSITY:** [We are fundamentally a racist and sexist society': Top companies in US struggle to diversify leadership](#)

**CALIFORNIA CONSIDERS REPARATIONS:** [Will California become the first state to pay Black people reparations?](#)

Session after session since 1989, a bill to study reparations has been introduced in the U.S. House of Representatives. In April 2021, H.R. 40 was the first to make it out of committee but went no further. In the closely divided Senate, Minority Leader Mitch McConnell, R-Ky. – whose [ancestors owned enslaved people](#), NBC News found – said he dislikes the idea of reparations "for something that happened 150 years ago, when none of us currently living are responsible."

Therein lies the tension for Young and everyone else trying to make their community a more equal place: Do you throw your energies into pushing for federal action that may never come? Do you work locally and hope that will be enough? Do you attempt to achieve both somehow?

## **Congress, voter registration. Equity is a lifelong quest**

As a teenager, Young helped register people to vote. Later, she testified before Congress in support of equal pay and was named a 2015 White House “champion of change” for economic equality efforts. She understands the power of policy.

She’s also familiar with the long pushback to reparations. A bank can accomplish only so much, but she said it can make a difference in Waterloo – and maybe, she hopes, beyond the city.

Her efforts tap into a rich history: Black Americans have pushed back against the wealth gap through mutual aid societies, business cooperatives and entrepreneurs such as Maggie Lena Walker of Virginia, who launched a newspaper, a department store and, in 1903, a bank.

All around Young are community leaders, many Black, some white, working on their own answers to the wealth gap. What the country needs, she said, is more people doing the same and fewer standing in the way.

“It’s really all of our responsibility,” she said. “It’s just what role are we going to play?”

*You can hear a podcast about Young’s quest in the newest season of [The Heist](#).*

*Jamie Smith Hopkins is a senior reporter and editor at the [Center for Public Integrity](#), a nonprofit newsroom that investigates inequality. She can be reached at [jhopkins@publicintegrity.org](mailto:jhopkins@publicintegrity.org). Follow her on Twitter at [@jsmithhopkins](#).*