



The Real Story of Covenant Bank

by Dr. Bill Winston

In 1997, Living Word Christian Center embarked on a mission that, at the time, was considered bold: To purchase and revitalize an abandoned Forest Park mall the *Chicago Tribune* once described as an eyesore. This real estate purchase would become my first real experience in understanding the value of African-American banks, and one of the reasons why I started a bank almost 10 years later.

Our church members – then nearly 6,000 strong – believed in the mission and vision to transform the front-side of the mall into for-profit retail shops and restaurants and the back-side of the mall into our ministry’s worship center and operational headquarters. Living Word had A-1 credit, and we had saved most of the money needed to pursue the project.

There were many roadblocks, including from village government officials. But the first major challenge was finding a bank to provide us the remaining \$2.5 million to finalize the purchase. We met with three big Chicago banks that were cordial but declined to fund us.

Fortunately, a small black-owned bank located on Chicago’s South Side approved our loan – Highland Community Bank led by the late George Brokeman, its president. We closed on the 33-acre property in 1998.

Since that time, the mall has provided nearly 400 jobs and, from 2004-2015, paid more than \$3.8 million in sales tax revenue to the village and more than \$10.2 million in real estate tax revenue to the village and county. Today, only the retail portion of the mall has a mortgage – the ministry side is paid in full!

Additionally, our ministry has had a great relationship with the current village administration for almost 19 years. “Pastor Winston and his team have done a phenomenal job,” Forest Park Mayor Anthony Calderone told the *Tribune* in 2007.

“The mall was absolutely deserted when Living Word purchased that property...It was terrible. Absolutely terrible.”

But the point of sharing this story is this:

If Highland Bank had not existed, or Mr. Brokeman had not respected the vision and economic potential within the African-American community, our ministry may not have become the owners of one of the largest and most productive pieces of commercial real estate within the Village of Forest Park. Sadly, Highland Bank shut down in January 2015.

The History of African American-Owned Banks

In the book “High Impact African-American Churches,” the authors give a wealth of history on the role black churches played in starting banks post slavery. Here is an excerpt:

...the black church played a catalytic role in the economic advancement of blacks. One strategic contribution was the Church's involvement in creating the first major black financial institutions: banks and life insurance companies. In 1865, Congress chartered The Freedman Savings and Trust Company later believed to have held most of the savings of the newly freed African-American slaves. The African American Industrial Insurance Society of Jacksonville, Florida, began in a black Baptist church in 1901. Soon after, the Penny Savers Bank opened in Birmingham, Alabama, started by the pastor of another Baptist church.

Foreseeing the need to protect black financial interests and to provide capital for businesses and home ownership, while positioning the Church as a trustworthy and helpful institution, a number of African-American pastors followed suit, opening banks such as The True Reformer's Bank, The Galilean Fisherman's Bank and Saint Luke's Bank. Most all of these institutions were created to help African Americans build lives of economic freedom, community by community.

One black leader of the late 1800s and early 1900s, W.E.B. Dubois, a widely acclaimed visionary for African-American social empowerment, stated that any strategy to develop economic cooperation among blacks had to begin with the church.



Living Word Christian Center's unique sanctuary design won the AIA Chicago Interior Architecture Award.

The Start of Covenant Bank

In the same year we purchased the Forest Park Mall, Living Word started a nine-month business and entrepreneurship school, the Joseph Business School (JBS), to teach business and entrepreneurship to those called to start and operate their own businesses. JBS is now a nationally accredited business school with some of the finest faculty in the nation, and partner locations on five continents around the world. (website: jbs.edu)

But, no matter the caliber of our faculty or curriculum, one of the greatest obstacles to our graduates' success is the capital to start or expand their businesses. Again, like with the mall, access to capital remains paramount for businesses, especially African-American owned, to start and thrive.

Because of these experiences, I was led to gather investors and start a bank. I wanted our own banking institution for burgeoning businesses that would, in turn, provide jobs and economic development mainly in the African-American community. I didn't want to see a single "minority" go through what I had gone through.



The Vision: Rendering of the bank's headquarters at Forest Park Plaza. The original bank name was New Covenant Community Bank, later changed to Covenant Bank.

In 2008, our group of investors purchased Community Bank of Lawndale and renamed it Covenant Bank. The business plan for Covenant Bank was to start a bank with two locations. The first location would be in one of the highest crime areas in the country, Lawndale, where economic development and home ownership were sorely needed.

The second location would be in our shopping mall in Forest Park, with the intent of pulling customers from Living Word's congregation, which had now grown to 18,000 adult members. The hope was that our Forest Park location would provide a continuous stream of banking business and those profits would offset any deficits experienced from the Lawndale location.

The bank's initial stock offering to the public was a minimum investment of \$1,000 (100 shares at \$10 a share), providing a rare ownership opportunity for people from middle and lower income classes. We later had two more stock offerings targeting high net worth investors.

In five years, we accomplished much. Covenant Bank's housing initiative provided over \$16 million in financing for more than 130 homeowners in targeted low-income communities. The bank's innovative "Covenant Cares" program provided debt consolidation and payday loan alternatives to struggling borrowers so they wouldn't have to choose between putting food on the table or paying predatory loans. The bank also taught financial literacy classes in local churches and community centers to teach people about managing their money, maintaining good credit, investing, and saving for the future.

Covenant Bank was also honored with several industry awards, including the twice recipient of the U.S. Treasury's Community Development Financial Institutions (CDFI) Fund's Bank Enterprise Award (BEA), a monetary award that recognized the bank's community revitalization services targeting low to moderate income communities.

Our vision was to build a banking franchise that would provide the economic engine for economic restoration to families, businesses and churches primarily in the African-American community. To turn a community that has been neglected and devalued into an economic envy of the world. We were well on our way, but we ran out of time and capital, largely due to the 2008 mortgage crisis.

The assets at the Lawndale location began to deteriorate rapidly, especially as homeowners began to default on their loans. Because of this, the regulators denied our request to open up our much-needed second location in Forest Park, which was part of our strategy for improving the bank's financial performance and increasing capital.

In attempts to save the bank, we went to private investors, to large banks, and even to the White House to get more funding but no one would invest. My wife, Veronica, and I even put in a significant portion of our life savings to keep the bank afloat because we believed in the mission.

Covenant Bank closed in 2013, taken over by the federal regulators and sold to another minority bank based out of New Orleans.

We were not the exception.

The State of African-American-Owned Banks

As I shared earlier, African-American banks have a proud history in the United States. But their continued existence is at an alarming juncture.

Based on FDIC statistics, from 2008 to 2013, twelve African-American banks across the United States closed. In the last two and half years, four more African-American banks closed, including Highland Bank and Seaway Bank and Trust. Seaway Bank, established in 1965 right here in Chicago, was one of the largest and oldest black banks in the country.

At the start of 1989, there were 46 African-American-owned banks operating across the United States. Since that time, 38 black banks have closed, with 42% of these closings within the last 10 years. Today, only 23 black-owned banks remain in America, out of a total of 5,980 banks and savings associations, according to the National Information Center United States Federal Reserve System and FDIC.

This trend cannot be allowed to continue. We need more black-owned banks to open rather than close. Why? Access to capital.

How many other black ministries and businesses exist today because of Highland and Seaway banks? Truly, Living Word is blessed, but we are here today, in large part, due to Mr. Brokeman and Highland Community Bank.

No Ownership...No Stability...No Influence

The closing of black-owned banks is not the only obstacle that challenges the economic progress of African Americans. Black business ownership that creates a positive economic impact on the broader community is also a glaring problem. We can look at black-owned businesses in Chicago as an example.

African Americans in Chicago make up almost 37% of the city's population, own about 27% of all Chicago businesses, but *generate less than 1% (.93%)* of the city's \$395.7 billion business revenue, according to the 2012 U.S. Census.

These numbers indicate a few things. First, many black Chicagoans are starting businesses simply to replace their jobs, or what some call "necessity-based entrepreneurship." Necessity-based entrepreneurs are in business primarily to survive or for self-employment. There's nothing wrong with this, but it falls short of the true potential of creating wealth in the community.

"Opportunity-driven entrepreneurship," however, is what fuels economic expansion and work opportunities for others, and is credited as the source for most business innovation. In Chicago, Johnson Publishing, Johnson Products and Soft Sheen were examples of such opportunity-based, black-owned businesses. In their heyday, these companies owned real estate and provided jobs and income for hundreds of African Americans, including their vendors and suppliers.

Second, these numbers indicate that some African-American business owners need more knowledge to scale up their businesses. They may have a “big business” vision, but simply lack the “know how” to make it happen.

A Nation in Default

Research has shown that without economic progress, stagnating communities become a breeding ground for crime, illiteracy, moral decay and hopelessness. And this is what we see today in Chicago. No one can live without hope.

I heard someone say that once you get civil rights, you must begin to work on “silver” rights. Social justice without economic justice will eventually revert to injustice. You cannot sustain social justice without economic viability.

It’s been more than 50 years since Dr. Martin Luther King, Jr. gave his “I Have a Dream” speech at the March on Washington, and the nation’s “promissory note” to African Americans remains in default.

Here is what Dr. King said:

In a sense, we have come to our nation’s capital to cash a check. When the architects of our republic wrote the magnificent words of the Constitution and the Declaration of Independence, they were signing a promissory note to which every American was to fall heir.

This note was a promise that all men, yes, black men as well as white men, would be guaranteed the inalienable rights of life, liberty, and the pursuit of happiness.

It is obvious today that America has defaulted on this promissory note insofar as her citizens of color are concerned. Instead of honoring this sacred obligation, America has given the Negro people a bad check, a check which has come back marked “insufficient funds.”

But we refuse to believe that the bank of justice is bankrupt. We refuse to believe that there are insufficient funds in the great vaults of opportunity of this nation. So we have come to cash this check — a check that will give us upon demand the riches of freedom and the security of justice.

Before his assassination, Dr. Martin Luther King, Jr. was moving from preaching about social justice to economic justice. He marched with striking sanitation workers in Memphis Tennessee for better wages and working conditions. Why? He realized that true social justice also demands economic justice.

It's time to bring economic justice back to the forefront of our national conversation. But there is one underlying issue that America still needs to address.

I contend that **equality** has always been at the forefront of the American campaign for justice, whether it be social, political or economic. Oh, the federal government's attempts to balance the scales can be seen in the decisions of "separate but equal," school desegregation, affirmative action, banning redlining in real estate, and other civil rights laws.

However, the bottom line is, you can change the laws from the outside, but a man's heart can only be changed from the inside. If a person's heart is not changed, you will soon see the fruit of his persistent, inner thoughts. This is why the "Jim Crow laws" of "separate but equal" were destined to fail in bringing social and economic justice to African Americans.

This is why the gospel is needed now more than ever. Only the gospel can change a person from the inside out. Only the gospel can truly answer the call for equality and justice.

Removing the Imprint

My intent for sharing the current state of African-American banking was not for the purpose of perpetually condemning any other race or bringing up all the hurts that have occurred throughout Black history.

What I am pointing out is this: Still today, there are serious marketplace inequities. As one man said, "like an imprint left by a shoe after it has been extricated from the mud." Jesus removed the shoe but the imprint was left for the Church to erase.

For example, slavery, morally speaking, is a sin. It is no longer practiced in the United States, but the iniquities of slavery – prejudice, racism, inferiority, crime, economic pockets of poverty and generational entitlements – are clearly seen in almost every major city.

Hope Ahead

As I write this article, I reflect on the many African-American-owned banks, like Covenant, that ran out of time and capital, a detriment to small businesses and urban communities.

Yet, I remain hopeful for many reasons.

First, we serve a big God who is just. God's cry through the prophet Amos still rings out today, "But let justice run down like waters and righteousness as a mighty and ever-flowing stream" (Amos 5:24).

Second, there is increased interest in the Joseph Business School, and programs like it, to help turn the waste places of the earth into an economic envy of the world. The Church is the world's only hope and more pastors are catching the vision. Several churches have expressed an interest in starting banks and credit unions since the close of Covenant Bank.

USA Today even recently reported on a celebrity calling on individuals to open savings accounts in black-owned institutions. His #BankBlack movement was credited with bringing \$20 million in new deposits to OneUnited, one of the nation's largest black-owned banks with \$646 million in assets as of September 2016.

Living Word will continue – as we have for almost 30 years – to bring financial education, economic empowerment and entrepreneurship to all cities and nations of the world to help them evolve into total financial freedom.