

Pedro Arce

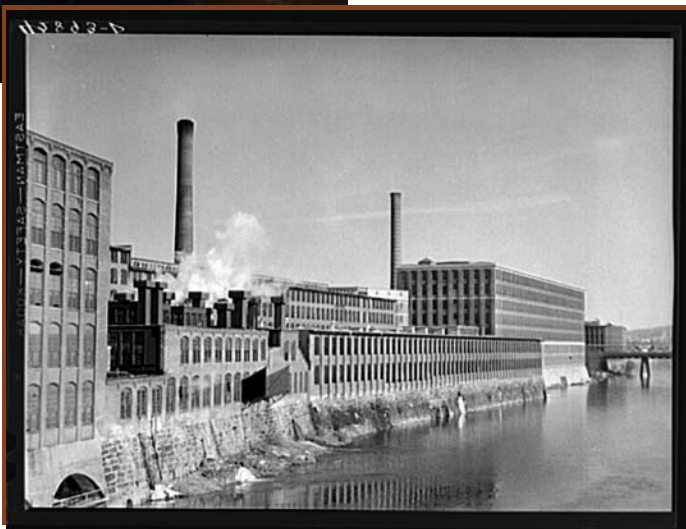
CEO of Veritas Bank



We Just Knock on Doors

Pedro Arce is chief executive officer of Veritas, a new bank in Lawrence, Massachusetts. He immigrated to Lawrence in 1970, joining the city's supportive Ecuadorian community. After graduating from Greater Lawrence High School, he attended UMass, Amherst, earning two undergraduate degrees. He received graduate business degrees from Boston University and Cambridge College.

Arce was director of economic development for Boston-based nonprofit Nuestra Comunidad, a community development corporation, in between longer stints at Bank of Boston and TD Banknorth. He is positioning Veritas to serve the Lawrence community and its 70 percent Latino population and to participate from the ground up in development opportunities.



Textile mills, Lawrence, Massachusetts, 1941. A goal of Veritas is to be a development bank and help the former mill town flourish once more. Photograph: Jack Delano, courtesy of the Library of Congress

You have experience in both banking and community work?

Yes. I worked for Bank of Boston from 1990 to 2000, at Nuestra Comunidad community development corporation for a year and a half. Then I went to TD Banknorth for 4-1/2 years. At Nuestra Comunidad I supervised projects such as the kitchen incubator, some technical-assistance and financial-literacy programs, and our pushcart program. I packaged small business loans and submitted them to banks or nonprofit agencies for funding. I managed a neighborhood business-development center so organizations doing similar work could collaborate—Jewish Vocational Services, Urban Edge, This Neighborhood Means Business, Acción, and so on. I'd noticed competitiveness among some Boston-area nonprofits and wanted to enable more cooperation. For the kitchen incubator, we rented space from the Jamaica Plain Neighborhood Development Corporation, which owned the ideal location, Sam Adams Brewery.

Did nonprofit experience enrich your work as a banker?

I think so. I always wondered how CDCs could accomplish all they did with so few resources. I value my time at Nuestra Comunidad, but I was ready to return to the private sector and a bigger market. At TD Banknorth I was community development manager for the whole state, working with nonprofits to create development projects and then to offer the bank a financing plan. I really love development. That's why I'm positioning Veritas as a development bank for Lawrence. I realized that a large regional bank couldn't do everything a small bank could. TD is a very well-run bank, but its headquarters was in Toronto, its regional headquarters in Maine. I saw a gap in urban areas like Lawrence, which is dominated by large banks. Large organizations understandably have non-Lawrence, non-urban,

priorities. For Veritas, Lawrence and urban gateway cities are the priority.

How is Veritas Bank different?

Veritas is a for-profit, state-chartered savings bank with a double bottom line: profitability and social impact. It's Latino because that's what 70 percent of Lawrence is today. Most of our board members are successful Latino professionals. But immigration patterns change, and we aim to serve all immigrants. We're also a development bank. Individuals, nonprofits, or municipalities can bring us ideas on community improvements. We want to work on both the financing and the early planning.

Are you interested in other Latino locales?

We're looking at East Boston and Chelsea, but we won't just focus on Spanish-speaking communities. Framingham is high on our list, even though Framingham's immigrants are predominately Portuguese-speaking. We're also exploring Asian communities. When we see distressed areas and no big banks, we see opportunity.

Isn't it difficult to attract unbanked immigrants?

Not really. Sometimes banks cite regulations as a barrier, but that's an excuse. If you want to do it, you can. You need to bring in products that match the community. Large banks are looking at a smaller segment of customers, maybe 2 percent. For them, a targeted product may not make sense. A small bank with the same product may help 40 percent of clients. Veritas will offer specialized products: one is a payroll debit card that lets customers who work two jobs withdraw paychecks from ATMs at any hour; another is a more efficient, safer, and less expensive way to wire funds overseas. Eventually, we'll move people into the financial mainstream.

How do you attract the unbanked?

Easy: knock on doors. When I was at Bank of Boston in 1998, we were concerned about being last in market share in Lawrence. Although we did great projects in Boston, we had no promotion budget for Lawrence. One door I knocked on was Lawrence Community Works, which was not the premier CDC it is today. I arrived at 2 p.m. on a weekday, and the doors were closed. I thought, "The only CDC in town? It should be abuzz with activity."

I became a board member, and we brought in new leadership. Since then Lawrence Community Works has had an impact on hundreds of lives through housing projects, youth development, financial literacy training, and more. I liked working with LCW, and I hope that people who know me from there may one day come to Veritas.

When you knocked on doors, did you speak Spanish?

Absolutely. We went on the radio, joined nonprofits, got involved. We put a sign in front of the bank, "Hablamos Su Idioma"—"We speak your language."

But reaching the community is a two-step process. It's not enough to hire Spanish-speaking tellers. You must give some of those hires decision-making authority. Among the 11 people on our board, for example, are seven Spanish-speaking members, and seven Lawrence residents. We have more women than other banks—three prominent Massachusetts businesswomen originally from Latin America.

What could banks have done about irresponsible mortgage brokers?

Banks are famous for being reactive. Active planning from a community development perspective is rare. Instead of living quarter to quarter, bankers need to think long term. If Veritas had been open, we would have

gone directly to the neighborhoods and counteracted brokers with seminars, ads, radio. We won't be reactive. Our plans are built around three-year intervals.

How has immigrating as a child helped you understand clients?

I know how hard immigrants work. My mother worked in a factory. My father had three jobs simultaneously. Immigrants work long hours, so Veritas will be open at times they can get there and will have a drive-through, unlike other banks in downtown Lawrence.

Some Americans don't seem to appreciate how hard immigrants work.

But, you know, with three jobs, my father was as happy as can be. Once immigrants get that check, they forget how tired they are. They want to work. Interestingly, the Ecuadorians I grew up with *despised* social programs. My family had one bad year, and we technically qualified for welfare. I heard grownups around the kitchen table saying they would never ever accept a welfare check. I was a little kid, and it sounded like free money to me, but for them it was a matter of pride.

When I hear about long-time citizens getting laid off and demanding good jobs, I sympathize on one level. But I can't help thinking of my parents and my wife's parents, who couldn't speak English and took whatever jobs they could find and made sure that the kids had Christmas gifts and went to college. My father passed away when I was 14, but he instilled in me the idea that I had to go to college.

What does the future hold for Lawrence?

It used to be a transitional city—people came, worked, and moved on. Now with the decrease in crime and improvements in the school system, it's becoming a permanent home. The mills in Lawrence are being developed for workforce housing and for businesses squeezed out of Boston. We have four highways and an intermodal transportation center—commuter rail, vans, buses, and taxis going to the airports.

And Lawrence is growing through collaboration. When I saw that Lawrence had the lowest percentage of college graduates in Massachusetts, I thought that if we had a college, some graduates would stay and contribute to our growth. So when I was at TD Banknorth we convinced Cambridge

College to create a satellite campus, and we helped finance it.

And Veritas is partnering on a new hotel. Experts said no one would build hotels in Lawrence, but I met a man who has built good hotels in challenging communities. Now he's coming to Lawrence.

Another partnership arose from discussions about revitalizing downtown. We had the idea that a cooking school might eventually translate into start-up restaurants. I called Cambridge School of Culinary Arts out of the blue, and they invited me over. Later they called back and said, "We did some research, and a large percentage of our students come from the Merrimack Valley," where Lawrence is. Mayor Sullivan is very good at convincing businesses to set up shop, and now we have a culinary arts campus.

Veritas will continue to think creatively. We'll do straightforward, sound banking, but we'll have a development approach with a heavy emphasis on partnerships. We don't need to reinvent the wheel.

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