



STANFORD
GRADUATE SCHOOL OF BUSINESS

STANFORD SOCIAL INNOVATION *review*

15 Minutes

Margaret Henningsen

How an African-American banker is rebuilding her community

Stanford Social Innovation Review
Winter 2005

Copyright © 2005 by Leland Stanford Jr. University
All Rights Reserved

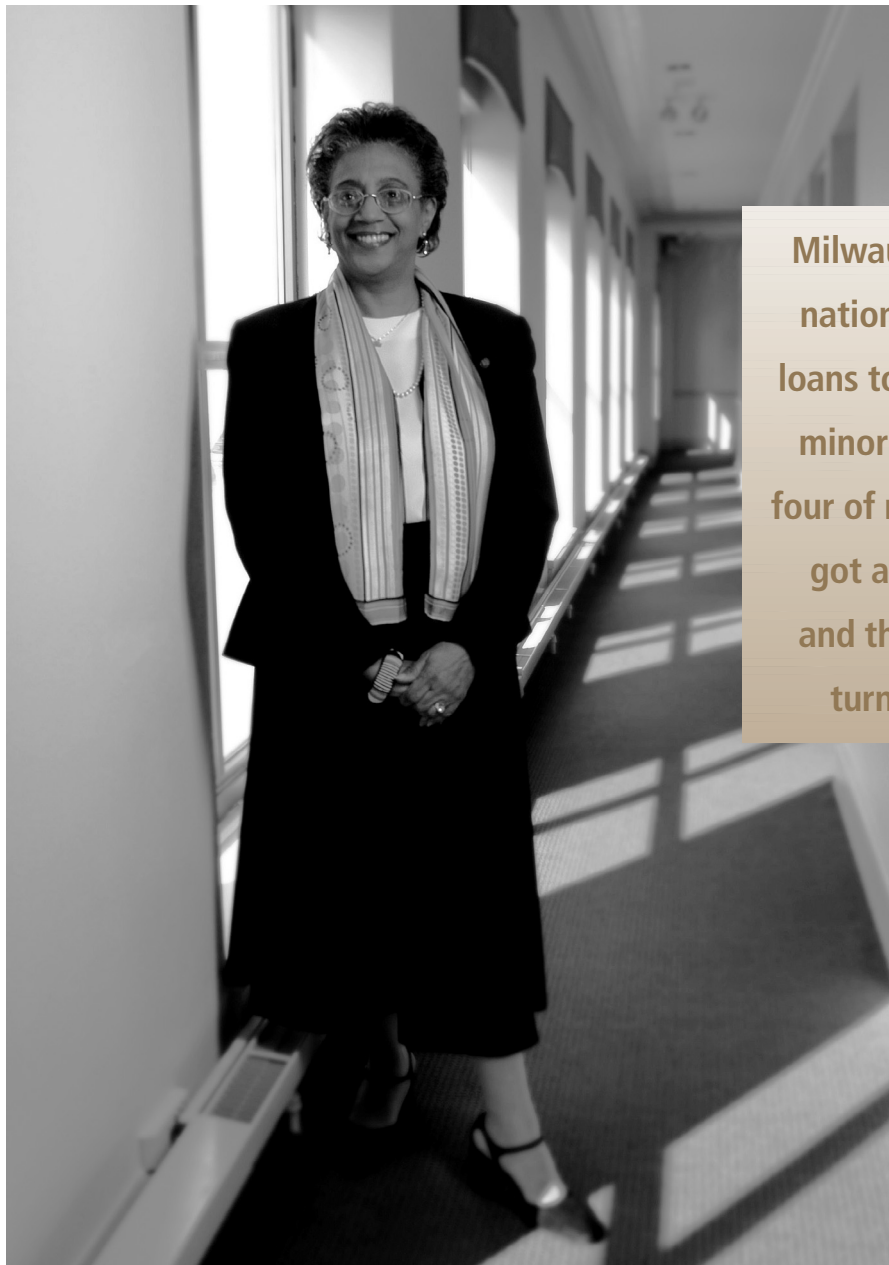


STANFORD
GRADUATE SCHOOL OF BUSINESS

Stanford Social Innovation Review
518 Memorial Way, Stanford, CA 94305-5015
Ph: 650-725-5399. Fax: 650-723-0516
Email: info@ssireview.com, www.ssireview.com

Margaret Henningsen

How an African-American banker is rebuilding her community



PHOTOGRAPHS COURTESY OF G COMMUNICATIONS, INC.

Margaret Henningsen leads the first and only group of African-American women to start a commercial bank. Fifty years after she first stepped inside her neighborhood bank with her grandmother, she returned in 1999 to re-birth it as Legacy Bank, a community-development financial institution that aims to revitalize the struggling Milwaukee district of Fond du Lac and North. Most banks had long ago fled the African-American neighborhood. But Henningsen and her two co-founders defied the skeptics and grew Legacy Bank from a \$5 million institution to a \$110 million one that was profitable by its second year – almost unheard-of for banks. Henningsen’s ability to see profits where other bankers see problems is bringing back the restaurants, grocery stores, and homeowners that had long ago left her neighborhood.

Milwaukee led the nation in denying loans to women and minorities. One in four of my customers got a mortgage, and the rest were turned down.

Is it true everyone expected Legacy Bank to fail?

Of course. We were three black women in our 50s who wanted to start a bank. One of us had no banking experience. When we would meet with potential investors, you could almost hear people laughing as they shut the door behind us. The state of Wisconsin made us raise the maximum amount of capital – \$5 million – to start a bank. Other banks had to raise only \$2.5 million.



You’ve been described as “a social worker in disguise.” Why start a bank?

I had a moment of temporary insanity. And when someone is temporarily insane there is no telling them they can’t do something.

I had been involved with thousands of people who wanted to start their own businesses or buy a home and had been turned down by banks, including the bank where I worked. I personally felt that there was a lot of discrimination and racism going on. My customers – mainly low-income black women who wanted to own their own homes – always got turned down.

Milwaukee led the nation in denying loans to women and minorities. I could have saved them the time and energy of doing that study. All I needed to know was that one in four of my customers got a mortgage, and the rest were turned down.

I knew that the pent-up demand was out there, and that if we put the bank together in the right way, it would work.

What were the banks doing wrong?

They didn’t know how to look at these customers. They didn’t understand that we [blacks] are usually the last hired and the first fired. And we may have jobs where we might make less money and be able to save less. But if you look at our rental history, we pay our rent, and we pay our

phone, electric, and gas. A lot of these underwriters had to be forced to look at other factors.

I remember one bank underwriter who had turned down five of my deals. She had looked at the mortgage applicants, saying that they all had three to four jobs over the past year. But if you looked at their applications,

I’m terrible with money. That’s why I’m the best teacher. I can tell people “Don’t do this” and “Don’t do that,” because I tried everything and it didn’t work.

they all had less than a week between jobs. I saw hard workers. She saw that type of employment pattern as something negative instead of something positive. She hadn’t looked that closely at the file. When she did, she said, “You’re right.” And from then on she became an ally.

That had a lot to do with why I wanted to start Legacy Bank. We would know what to look at with

these customers.

Do you remember the first time you opened a checking account?

I know that the first checking account I opened was closed for over-withdrawal [laughs]. I was like every other college student, writing checks with money I didn’t have.

But you must be good with money if you’re a banker?

No, I’m terrible with money [laughs]. That’s why I’m the best teacher. I can talk about all the things I did wrong. I can tell people “Don’t do this” and “Don’t do that,” because I tried everything and it didn’t work.

You have declared personal bankruptcy in the past. What happened?

My first husband went from being a great husband to being very abusive. I had to file for bankruptcy. I talked to the examiners about it before I started the bank. They said that if there was ever a person who could tell people in the community what to do and what not to do, it’s me.

What’s unique about your customers?

Our primary customer base is African American, with a little more women than men. We financed the first Ponderosa Steakhouse to be owned by a woman, an African-American woman named Stella Love. It was also the first Ponderosa Steakhouse to open in a

city and not in a strip mall in the suburbs. She hired 110 community residents. We've done a lot of childcare centers owned by women, and helped a lot of women who were coming off of welfare to buy their own homes.

Almost one-quarter of our customers are loans that we refinanced from other banks that no longer wanted the borrower as a customer. Maybe the loans were too small or they had missed a payment or two. Most were black women. Now these same banks are courting those customers back. They know we've cleaned them up. We've done all the work and now they want the deal.

Do you run into customers a lot since you live in the neighborhood?

No matter where I go, people will stop me on the street and say, "Hi, Ms. Legacy Bank." I was at a casino near here with my sisters when a woman came up to me at a slot machine. She told me her ATM wasn't working and that her machine was hot. I just looked at her and said, "What in the world do you want me to do about that?" And she said: "You're from Legacy Bank, right? Can you give me some money?" So I gave her \$100, after I asked if she had made her last loan payment.

Did she pay you back?

Oh, yes. She came in the bank a few days later. She had \$50 of the \$100. She paid me the rest on her payday.

What's different about Fond du Lac and North since Legacy Bank opened its doors in 1999?

It's very hard now to drive through our community without pointing to something and saying, "Legacy Bank did that." We financed Lena's Foods, owned by the Martin family – a black

father, brother, and sons – that recently got the National Small Business of the Year award. We've provided lines of credit to schools, helped nonprofits buy their building, and financed a lot of dry cleaners and housing developments. We just negotiated with the city of Milwaukee to finance the development of 11 acres kitty-corner to the bank. In a couple of years, it will have 94 brand-new

It's very hard now to drive through our community without pointing to something and saying, "Legacy Bank did that."

homes and businesses that surround the bank.

How has the neighborhood changed since you grew up?

Milwaukee was one of the country's biggest manufacturing centers. Anyone who wanted to work, could. People migrated here from all over the country, especially blacks from the South. People in the 1950s were making \$15 an hour working at the breweries.

The major difference in the neighborhood was that the majority of adults worked. Everyone I knew owned their own home. And there were more families with a mom and dad present. This was a thriving commercial district. There was a Sears Roebuck store. The building is still standing, but it's empty. One of my

dreams is to see it rehabbed.

When we were little, we walked over there when my mom or dad got paid. If we were good, we got to buy something. That didn't happen often for me because I was always in the doghouse. My father said I tested his every last nerve.

When all the manufacturing businesses started to close, tens of thousands of families were wiped out economically. This affected a whole generation. The city saw it coming, but there was no Plan B.

What's the biggest misconception about urban neighborhoods?

That people don't want to work. That drives me crazier than any other misconception out there. Every business that we finance gets more job applicants than it can hire. The Ponderosa I mentioned got 800 applications for 150 positions. People want to work. It's a big misperception that we want to lie around and do nothing.

How does Legacy Bank see profit where other banks only see problems?

We don't say "no" that often. Some customers may not be ready when they first come to see us. We tell them the five things they need to do to get ready, and then they come back in a year to get the loan. Sometimes people don't know that they need a business plan with good financials. Or maybe they haven't thought out the location, or the personal investment it will take. And some people don't realize that they need to pay back a loan!

It's nothing new. Just good old-fashioned banking. □

—Anne Stuhldreher, California Assets Fellow, New America Foundation