

Federal initiative to target poverty in colonias

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A federal initiative will combat chronic poverty in U.S.-Mexico border colonias by providing access to badly needed capital for the organizations that work with the underserved residents.

The Border Community Capital Initiative was formed this month to assist the community development organizations that provide affordable housing, support small businesses and build financing capacity in low-income colonias. Formed through a partnership of three federal agencies, the border initiative will help address the lack of stable funding among community development lenders and

investors that limits their effectiveness in serving colonias.

The difficulty obtaining capital regularly enters discussions when federal officials talk with community development organizations about their work along the border, said Valerie Piper, an assistant secretary for economic development at the U.S. Department of Housing and Urban Development. The new initiative will help fill that financing gap while complementing the federal government's traditional work in addressing infrastructure problems in the colonias.

"When we started to look at the range of programs that we have to address needs in the colonias, we felt like this was something we could do," she said. "Much of the historic focus has been on infrastructure needs but there's this emerging capacity to use capital so we can assist folks in building up their own assets."

The Border Community Capital Initiative, or border initiative, is part of a series of initiatives developed by the White House Rural Council, a group launched by President Barack Obama last year to create jobs and expand opportunities in rural America. The border initiative is a partnership between HUD, the U.S. Department of Agriculture's Rural Development arm and the Treasury Department's Community Development Financial Institutions Fund, which provides credit, capital and financial services to underserved population.

The initiative is built around HUD grants of up to \$200,000 for nonprofit community lenders and investors that serve colonia residents. The Treasury Department will provide the grantees with technical assistance and training to improve their programs, and the USDA will assist grantees within its own programs when appropriate.

Under the initiative, for example, a border nonprofit could receive assistance with completing a market study to set up a lending business. The lending business could then start providing loans to colonia residents using the initiative's grant program.

The border initiative targets a niche of lending and investing organizations with a theory that their investments will reach other organizations. By helping the lending and investing organizations with their own capital needs, the border initiative will also assist them with further expansion by receiving funds from the private sector or other federal agencies.

In Hidalgo County, two organizations certified as community development financial institutions include Affordable Homes of South Texas and Proyecto Azteca, two housing organizations that work with low-income residents. But applicants could also include groups that provide microlending for organizations or

individuals that don't fit the typical borrower profile.

Federal officials say colonias often receive insufficient services because they lack organizations with enough funding to respond to their community's needs.

But the border initiative is a chance to direct attention toward those colonias, said Judith Canales, the USDA's acting deputy undersecretary for rural development. Once the federal government provides an initial infusion of capital to community development organizations, those groups can help colonia residents take the next step in fighting poverty by building a home or starting a business.

Canales, who worked in economic development in the border town of Eagle Pass before joining the USDA, said the border initiative can draw attention to the "continued need for human and capital development" in impoverished colonias.

"This is an impetus for the border," she said. "We see it as an opportunity to drive attention to opportunities for investment and to draw in access to capital along the border."

Hidalgo County has more colonias than any other place along the U.S.-Mexico border. While basic infrastructure needs still persist in some areas, more emphasis is being directed toward combating the poverty that is evident in the colonias' ramshackle housing and poor living conditions.

U.S. Rep. Henry Cuellar, the Laredo Democrat who serves on the House's agriculture committee, said the border initiative could help gradually improve those conditions.

"By helping local financial institutions in the colonias improve their capacity to raise capital, increase lending and boost investment in their communities, this initiative will strengthen community development and help put an end to the cycle of poverty in these areas," Cuellar said. "I am grateful that these federal agencies are helping to tackle chronic poverty in the colonias by giving local businesses the tools they need to make their communities stronger."

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