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HEADLINE: Md. to begin investing in black-owned banks; Step is long overdue, new treasurer says; Banking

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BODY:

Maryland will begin investing a portion of its huge cash holdings with some of the state's minority-owned banks, Maryland's new state Treasurer Richard N. Dixon said yesterday.

Dixon called it a long-overdue step needed to encourage minority-owned financial institutions.

"I don't think the state has ever done business with African-American banks, certainly not to the degree we are talking about," Dixon said at an Annapolis news conference yesterday. "Whether that is an oversight or someone's been excluded, I don't know."

Dixon, a former state delegate, is the first African-American to serve as treasurer, after his election by the General Assembly in January.

As treasurer, he oversees the investment of the state's available funds, a sum often totaling hundreds of millions of dollars.

Dixon said the state will continue to use large banks for most of its transactions. But on any given day, other banks are handling some \$ 25 million in state money. He said he intends to have minority-owned banks, particularly those owned by African-Americans, handle some of that money.

For example, he said, a state institution such as Morgan State University could easily make its daily deposits with Advanced Federal Savings and Loan, a minority-owned institution in Northeast Baltimore, rather than a larger bank.

"Twenty-five percent of the state's population is African-American," Dixon said. "It makes good business sense" to encourage minority banks.

The treasurer's investment move was, at least in part, a response to black legislators who have pushed Maryland officials to increase state use of black firms in managing public money.

Dixon, a conservative Democrat from Carroll County, came under fire earlier this year from some black legislators who questioned his commitment to helping black businesses. They expressed skepticism that he would support black institutions effectively as the state treasurer.

In the end, however, a majority of black legislators supported him for the treasurer's job over a more liberal white challenger.

Rep. Elijah E. Cummings, who pushed for more state investment with black-owned banks before he left the state legislature last month, joined Dixon at yesterday's news conference and said the announcement marked an important step forward for such financial institutions.

"It will allow these banks to grow," said Cummings, a Democrat from Maryland's 7th District. "It sends a vital message. We want to attract all types of business to our state."

Dixon said he was sending letters to the state's five black-owned financial institutions urging them to bid later this month on the right to handle some of the state's money.

He said that he has enough flexibility under state procurement rules to ensure that some of that work goes to black-owned banks.

The state's five black-owned banking institutions are all relatively small. The largest, Industrial Bank, based in Oxon Hill in Prince George's County, has assets of \$ 220 million, according to the treasurer's office.

The largest black-owned bank in Baltimore is Harbor Bank, with assets of \$ 106 million.

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GRAPHIC: PHOTO, SUN STAFF: 1996, Richard N. Dixon is Maryland's first black state treasurer.

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