

Las Colonias in the 21st Century

Progress Along the Texas–Mexico Border ▶



Infrastructure ▶



Housing ▶



Economic Opportunity ▶



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■ BACKGROUND

Colonia in Spanish means a community or neighborhood. The Texas Office of the Secretary of State defines a colonia as a residential area along the Texas–Mexico border that may lack some of the most basic living necessities such as potable water, septic or sewer systems, electricity, paved roads or safe and sanitary housing.¹ An estimated 500,000 people live in 2,294 colonias in Texas.² Colonias also exist in Arizona, New Mexico and California, but Texas has the largest colonias population and the largest number of colonias along the U.S.–Mexico border.

In 1996, the Federal Reserve Bank of Dallas released a report titled, “Texas Colonias: A Thumbnail Sketch of the Conditions, Issues, Challenges and Opportunities.” Nearly two decades later, the publication continues to attract the interest of government and community organizations, among others, seeking information to help improve conditions in the colonias.

Over the past two decades since the initial study, community organizers, residents, elected officials, nonprofits and government agencies have made strides in bringing resources into the colonias to improve residents’ quality of life. In 2013, the Dallas Fed began to research how these communities have evolved; the results are documented in this report. The purpose of the study is to provide an updated assessment of the opportunities, successes and challenges of colonia communities in achieving the American Dream, in which all Americans have the opportunity to work hard and prosper at school and their jobs, in their homes and neighborhoods. The research includes focus groups and in-depth interviews with residents, service providers and local community leaders, and an analysis of data from the Census Bureau and state entities,

including the Texas Department of Housing and Community Affairs (TDHCA), Texas Attorney General, Texas Secretary of State and the Texas Department of State Health Services.

■ INTRODUCTION

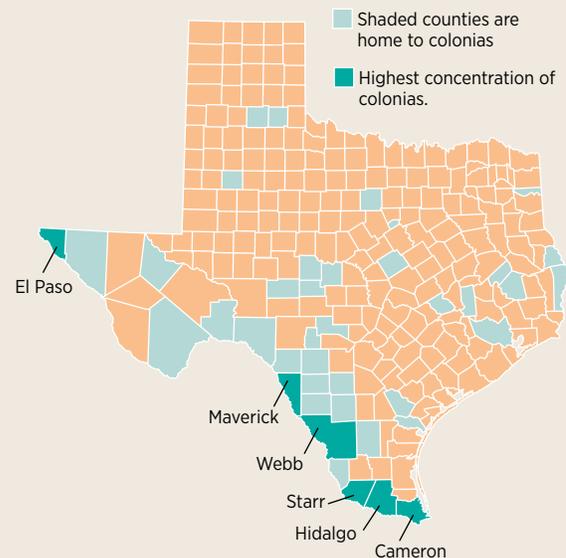
This report focuses on infrastructure, housing, economic opportunity, education and health in the six Texas counties that have the highest concentration of colonias: El Paso, Maverick, Webb, Starr, Hidalgo and Cameron (see map). In just these six counties, colonia communities are home to an estimated 369,500 people.³

The greater border region of Texas is a land of oil, gas and cattle. Mile upon mile of land has mesquite, cacti and dirt roads. Ranches—some hundreds of thousands of acres—span this vast, arid region. While present-day colonias are primarily in these rural, remote and isolated areas, many lie alongside larger cities. For example, over the years, the Cameron Park colonia in Cameron County has been surrounded by a growing Brownsville.

Colonias vary in size, density, infrastructure development and quality of housing structures. Some may consist of only a few houses. According to the Housing Assistance

MAP
1

Counties with Colonias in Texas



SOURCE: Texas Commission on Environmental Quality, 2013.



Council (HAC), most Texas colonias have fewer than 40 lots. The large colonias—those with at least 300 units—account for 7 percent of Texas colonias.⁴

Texas colonias have been built over the past 65 years. Many colonias started as migrant farmworker settlements in response to the lack of affordable housing.⁵ “Colonias basically developed because there had been a lot of landowners who were able to sell their land by cutting it into lots—without having to account for any infrastructure,” explains Ray Sarabia, housing counselor with the El Paso Credit Union Affordable Housing Corporation.

Who Lives in the Colonias?

When agricultural jobs were plentiful along the border, generations of people came to South Texas for work. They lived close to the land and lived a rural lifestyle. It is this rural heritage—values, culture, expectations—that continues to shape the world view of many colonia residents. Commonly, the visible substandard conditions mask thriving communi-

ties in which neighbors support and provide for one another. This is why, despite high poverty rates, homelessness is rarely seen in the colonias. Ann Williams Cass, executive director of Proyecto Azteca, explains:

“I find that people who live in the colonias are resilient, creative and not afraid of work. Some residents work two or three jobs in order to make ends meet. They have a lot of integrity and care for their families. We don’t have people living on the streets here and that has a lot to do with the culture of the people. You’ll find two or three or four families living in one dwelling. They’re just not going to allow their relatives to be left out.”

Despite infrastructure improvements in the colonias, poverty remains concentrated in these communities. Of the half-million colonia residents, more than 40 percent live below the poverty line, and an additional 20 percent live at or just above the poverty line.⁶ The median household income is less than \$30,000 per year, compared with \$51,000 in Texas and \$53,000 in the U.S. (*Table 1*).⁷

TABLE 1 Demographics in Colonias Differ From Texas and U.S.

		Colonias sample †	Texas	U.S.
Basic demographics	Age (median)	27	33.6	37.2
	Hispanic or Latino (%)	96.0	37.6	16.3
	Speak English less than very well (%)	43.3	14.50	8.71
	Foreign born (%)	34.8	16.2	12.8
Citizenship status (%)	Citizenship rate under 18	94.1	95.6	97.0
	Citizenship rate 18 and older	60.8	86.6	91.4
	Citizenship rate, all ages	73.1	89.1	92.8
Educational attainment, population 25 and older (%)	Less than high school diploma	54.8	19.6	14.6
	High school diploma	23.4	25.7	28.6
	Some college	16.4	28.7	28.6
	College degree or higher	5.5	26.1	28.2
Employment status, population 16 and older (%)	Employment-to-population ratio	50.4	60.2	58.8
	Unemployment rate	10.8	7.3	8.7
	Not in labor force	43.2	34.5	35.2
Household income (\$)	Median income	28,928	50,920	52,762
Poverty status (%)	Poverty rate	42.0	17.0	14.3
	Near-poverty rate*	19.4	10.9	9.2
Government assistance (%)	Public assistance or food stamps	40.3	11.6	11.0

† Colonia sample is based on available census data and includes colonia residents from Cameron, El Paso, Hidalgo, Maverick, Starr and Webb counties.

**“Near poverty” is defined as 100 to 150 percent of the poverty line.

SOURCES: For population, housing and age data, 2010 census unless otherwise noted; for all other demographic data, 2011 American Community Survey 5-Year Estimates, Census Bureau.



Infrastructure

According to the Census Bureau, about 96 percent of colonia residents are Hispanic (mostly of Mexican-American descent), and the median age is 27. There is a common misconception that most colonia residents are recent or first-generation immigrants. In reality, almost two-thirds of adults (residents over age 18) are U.S. citizens. And, similar to the national rate for youth, 94 percent of youths living in colonias are citizens.

Table 1 indicates that 35 percent of colonia residents are foreign born. What are the reasons immigrants settle in the border region instead of farther north, where wages typically are higher? The article “Why Stop There? Mexican Migration to the U.S. Border Region,” provides the following rationale: 1) They may want to be close to relatives who live in northern Mexico; 2) There is a level of comfort with the culture and language of the border, which is a binational region where Spanish is widely spoken; 3) They are more likely to lack parent and sibling networks than migrants to the U.S. interior. These networks are important because they help newly arrived migrants find jobs and housing.⁸

In addition, it is less expensive to move to the border than further north—a factor particularly important to low-income migrants—and the cost of living is lower along the border than further north. In a colonia, families can build their houses over time as their finances allow. This level of informality is important to low- and moderate-income families, particularly as their budgets are stretched thin to pay for basic necessities.

It is also important to note that the Texas–Mexico border region has been home to Mexican-Americans for generations. Indeed, as historian David Gutierrez explains, with the end of the Mexican–American War (1846–48), “Under the terms of the Treaty of Guadalupe Hidalgo ... the Republic of Mexico ceded to the U.S. more than one-third of its former territory, including what are now the states of California, Nevada, Utah, Arizona, New Mexico, Colorado, and Texas. ... In addition the treaty also offered blanket naturalization to the ... former citizens of Mexico who chose to remain north of the new border at the end of the war.”⁹

Table 1 gives a demographic snapshot of the South Texas colonias and comparative state and national data.

In 2006, the state of Texas began to classify its colonias based on the amount of infrastructure they had and the level of health risk. Between 2006 and 2014, the state invested tens of millions of dollars in infrastructure projects in the six counties highlighted in this report.¹⁰

Chart 1 highlights the progress Texas colonias have made in building their infrastructure. As Table 2 outlines, green indicates access to drinkable water, wastewater disposal, legal plats, paved roads, adequate drainage and solid waste disposal (low health risk).¹¹ Colonias classified as red (high health risk) have no access to drinkable water, wastewater disposal or legal plats and may or may not have access to paved roads, adequate drainage or solid waste disposal. Yellow indicates access just to drinkable water, wastewater disposal and legal plats (intermediate

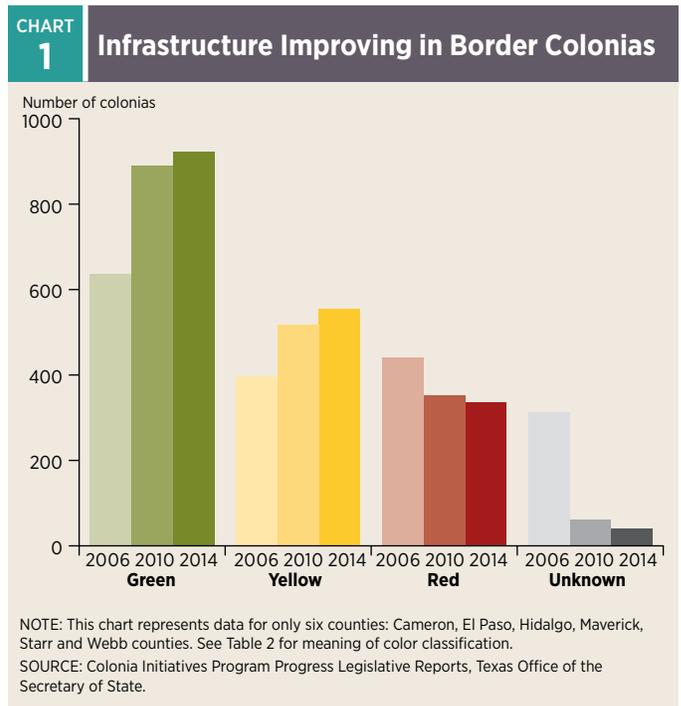


TABLE 2 Texas Colonia Classification System

	Green	Yellow	Red	Unknown
Drinkable water	✓	✓	✗	–
Wastewater disposal	✓	✓	✗	–
Legal plats	✓	✓	✗	–
Paved roads	✓	✗	–	–
Adequate drainage	✓	✗	–	–
Solid waste disposal	✓	✗	–	–

SOURCE: Senate Bill 99: “Tracking the Progress of State Funded Programs that Benefit Colonias.” Presented by the Colonia Initiatives Program, Office of the Secretary of State, 2010.



health risk). Gray indicates insufficient data. This classification system refers only to the infrastructure conditions in colonias, not the quality of housing. Therefore, a house can be in substandard condition but be in a colonia classified as green because it has access to basic infrastructure.

In 2006, 636 colonias were labeled green with access to drinkable water, adequate drainage, wastewater disposal, solid waste disposal, paved roads and legal plats. By 2014, an additional 286 colonias had access to all forms of infrastructure. In 2006, 396 colonias were labeled yellow with access only to drinkable water, wastewater disposal and legal plats; however, by 2014, 555 colonias were classified as yellow. There were 442 colonias having none of the most basic infrastructure (labeled red) in 2006, but by 2014 this number had dropped to 337. These changes represent appreciable overall progress.

The Housing Assistance Council observes that “the process of installing and upgrading infrastructure in border colonias is ongoing,” but major challenges persist. “The small size and remote location of some colonias greatly increase the per capita cost to extend water lines and build water treatment plants, making these basic necessities prohibitively expensive. Similarly, the lack of land platting has left many colonias without clearly delineated property lines or access roads. Without these features, even those colonias bordering incorporated areas are unlikely to be annexed due to the high cost of alleviating the problems.”¹²

Due to these challenges, the quality of infrastructure can vary widely. In some colonias, it is not uncommon to see garden hoses and extension cords stretching from one trailer home to another, or wooden planks propped over the flood-prone ground as a pathway. In contrast, many of the oldest colonias have paved roads, electricity and water connections. In many of the colonias that have basic infrastructure, the current community-organizing efforts center around streetlights for safety and parks for promoting healthy lifestyles.

The argument can be made that life in the colonias is better today. Many of the oldest colonias, including Cameron Park in Cameron County and Rio Bravo and El Cenizo in Webb County, are considered green colonias (*Chart 1*) because they have all basic infrastructure. In addition, Rio Bravo and El Cenizo have become incorporated towns and have elected a mayor and city council. There is not an official way to take them off the Texas

Secretary of State (SOS) list of colonias, however, so they officially remain “colonias.” The SOS 2014 report to the Texas Legislature, “Tracking the Progress of State-Funded Projects that Benefit Colonias,” suggests a resolution to this unresolved issue and recommends that the 84th Legislature “develop a mechanism to remove previously designated colonias that clearly do not meet the definition of a colonia from the SOS colonia directory and color classification system.”



The owner of this RV, located in a legal subdivision in Hidalgo County, has built a small pipeline connecting the home to the subdivision's water line. This subdivision has access to water, sewer, electricity and paved roads. Photo credit: Federal Reserve Bank of Dallas



Housing

“In the Mexican culture, you have not lived until you have your little piece of land. It is your identity; it is who you are. ... In a colonia, the process of homeownership begins with the purchase of a small plot of land. To say, ‘The land I’m stepping on is mine!’ is referred to as the American Dream.”

— David Arizmendi, *community activist and educator, South Texas College*

While an increasing proportion of colonias have infrastructure, the quality of housing has not kept pace. Homero Cabello, TDHCA director of the Office of Colonia Initiatives, points out that the very improvements meant to upgrade the colonias may be putting the lots out of reach for many. “Ironically, as basic infrastructure has improved, the price of residential lots has increased significantly, making safe, affordable housing more difficult to obtain.” As residents spend more on their lots, they have less money available to spend on their housing. New challenges are arising for families: They may not be able to afford to connect to utilities, or if their housing is not up to code, they must pay fines and make costly renovations to qualify for utility connection.

Residential subdivisions that are properly platted with access to infrastructure are sometimes referred to as the “new colonias.”¹³ Although they are not officially colonias according to the Texas Secretary of State because they have infrastructure access, the substandard housing without utility hookups leaves residents in colonia-like conditions. Policies such as the Model Subdivision Rules that were intended to improve living conditions by, for example, providing properly platted subdivisions with access to infrastructure are inadvertently creating scarcity traps for residents that keep them paying fines rather than addressing their substandard housing.¹⁴

There is no classification system for housing conditions in colonias, so researchers must rely on their original research, word-of-mouth accounts, photographs and videos to assess the quality of housing. Through research for this report, the Dallas Fed noted a range of structures from substandard to well-built: hybrid dwellings that are a combination of a recreational vehicle (RV) or trailer home with a wooden or cinder block addition, pier and beam



This home in the colonia Sammy Martinez in Starr County illustrates typical colonia cinder-block construction. It does not have paved streets but does have its own electrical hook-up. It has been passed down to the next generation. The current owner had cared for her elderly parents and helped them connect to water and electricity. Photo credit: Federal Reserve Bank of Dallas



These are “hybrid” colonia homes—an RV or mobile home with a wooden or cinder block structure attached. Photo credit: Federal Reserve Bank of Dallas



homes, cinder block homes and standard brick or stucco homes on cement foundations. Also of note were lots with multiple dwellings where extended family members constructed a house on the same lot to share expenses. The research revealed another common characteristic: home-based businesses—such as a small bakery, an auto shop or a salvage yard—on owners’ lots or attached to homes.

Data do not exist on the exact homeownership rate of Texas colonias (see [Methodology section for details](#)). But according to a 2012 University of Texas at Austin study commissioned by TDHCA (henceforth referred to as the “TDHCA study”), the homeownership rate of surveyed colonias and informal homestead subdivisions (IFHSs), which resemble colonias in form and function, is about 77 percent.¹⁵ The remainder of the people are renters or live rent-free with family or friends. Homeownership has provided stability to some colonia residents. The study found that three-fourths of the 1,287 residents surveyed who purchased their property have lived on their lots for at least a decade. However, homeownership in the colonias does not always serve as a financial asset-building opportunity.

Obstacles to Asset Building for Colonia Homeowners

Financing Homeownership with Contracts for Deed. The median price of a house and the land it’s on is \$40,730, with a down payment of \$2,830 and initial monthly payment of \$448.¹⁶ In colonias, the process of homeownership begins with the land purchase, and the home construction follows in bits and pieces as the family can afford it. Land purchases are typically seller-financed through contracts for deed (CFDs). The Texas Attorney General describes CFDs as “rent-to-own financing arrangements [that] are legal in Texas. The important difference between a CFD and a conventional purchase contract is that under the CFD, the buyer generally does not gain immediate equity in the property as he or she makes payments.”¹⁷ The TDHCA study determined that of those colonia families surveyed, only 11.7 percent used a bank or credit union to finance their purchase.

Both recorded CFDs and unrecorded CFDs (UCFDs)—deeds not filed with the county clerk—remain common. In either transaction, the seller contracts to sell the property to a buyer, who doesn’t receive a deed at closing. Homebuyers

commonly pay 12 to 18 percent annual interest—an interest rate more akin to credit card rates than mortgage rates.¹⁸ Purchasers accrue no equity while making payments; if any are missed, the seller often will reclaim the property. When this happens, the seller usually is not obligated to return any of the buyer’s payments, even if the buyer made property improvements. Homebuyers rely on CFDs for several reasons.

First, the buyer may not meet the requirements for a mortgage, such as financial resources for a down payment and closing costs; a dependable source of income; consistently sufficient income to pay for the mortgage, taxes and insurance; and adequate documentation of income and employment. Moreover, credit scores are often too low, the house may fail to meet building codes and the property may lack a clean title.¹⁹

Second, even if homebuyers in colonias meet mainstream mortgage requirements, they may not want to engage with a lending institution. Many low-income families are hesitant to use the formal banking system, or distrust it, sometimes because of previous problems with Mexican banks. They might have used a mainstream financial product or service and did not find it flexible enough to meet their needs.²⁰ Additionally, if any household members are undocumented immigrants, they may stay away from formal institutions to avoid unwanted attention.

Third, many landowners and colonia developers prefer to finance the sale of properties using CFDs and UCFDs. These sellers favor such financing because they do not have to transfer the title, provide proof of a clean title or needed infrastructure, or guarantee that existing structures on the land meet county building codes.

In 1995, the Texas Legislature passed Senate Bill 336, making CFDs more difficult to use. The Colonia Fair Land Sales Act stipulated that the deeds be recorded in the county clerk’s office—in effect, making UCFDs illegal. Despite these changes, the market for CFDs persists. Landowners can sell property without a clean title, randomly increase interest rates and undertake repossession at will. Buyers have legal recourse but require a lawyer, whose services may be unavailable or unaffordable. In Maverick County’s colonias, for example, an estimated 45 percent of buyers lost their property through repossession from 1989 to 2010.²¹

Developer-to-consumer transactions and consumer-to-consumer transactions can range from formal contracts to verbal agreements, with or without receipts. The TDHCA study finds that 54 percent of the owners



surveyed purchased their land from a developer or land company, while 34 percent had purchased from another consumer. The remaining owners had inherited their homestead from a deceased former owner or received it as a gift from a living family member.²²

More recently, developers have conducted traditional transactions using deeds and deeds of trust. Between 2003 and 2010, an estimated 73 to 83 percent of developers used these forms of financing. According to the TDHCA study, there are a growing number of consumer-to-consumer sales in the colonias. In this situation, the seller prepares most of the documentation, and the buyer assumes that the seller has taken care of necessary documentation, the title is clean, title insurance is provided and the transaction has been recorded. UCFDs appear to be more commonly used in consumer-financed than developer-financed transactions. Of the surveyed homebuyers who engaged in a consumer-to-consumer sale between 2008 and 2010, an estimated 29 to 38 percent used UCFDs. In contrast, of the surveyed homebuyers who engaged in a developer-financed sale, an estimated 9 to 12 percent used UCFDs.

Converting Contracts for Deed. Some homeowners have attempted to convert their CFDs into regular deeds (called “warranty deeds” if the deeds contain certain warranties or guarantees), which would enable them to build equity and guarantee a longer, formal foreclosure process if they miss a payment. Most have been unsuccessful. In Maverick County, for example, fewer than one-fifth of CFD holders from 1989 through 2010 were able to convert their CFDs.²³

TDHCA has been trying to help homeowners obtain warranty deeds through its Contract for Deed Conversion initiative.²⁴ According to TDHCA, regular deeds cannot contain terms or provisions that are usurious or disallowed by state or federal law, must contain warranties required by the contracts and must convey legal title of the property to the household on record. Conversions may also be done for rehabilitation of colonia housing, new construction or reconstruction of site-built housing and replacement of an existing manufactured housing unit with a new one.²⁵

While the need for this initiative is pronounced, its success has been limited. During fiscal year 2014, TDHCA converted fewer than 10 CFDs. It has converted an estimated 300 CFDs since 1999. Explains TDHCA’s Cabello, “Many nonprofits are not seeking to convert contracts for

deed through the CFD Conversion program with much frequency. Perhaps there is a perception that title clearing involves too many unknowns that could be difficult to plan for. Or, perhaps administrators prefer funding sources/activities that offer them more site control over their project area, such as starting with lots that have clear title and better-quality infrastructure or no existing structures to demolish.” Also, thousands of UCFDs remain along the Texas–Mexico border—approximately 6,500, according to the TDHCA study.²⁶

Passing Homeownership from One Generation to the Next. One reason colonia families embrace homeownership, even within these difficult circumstances, is to secure a brighter future by providing long-term stability for future generations. “The home can create a generational asset they can use not only for the parents, who purchase the home right now, but also for the kids and maybe the grandkids,” adds Larry Garcia, president and CEO of El Paso Credit Union Affordable Housing Corp. The legal reality of what they face, however, often creates barriers to this dream of intergenerational security and upward mobility. In the TDHCA survey, 89 percent of colonias homeowners reported that they did not have a will; therefore, when they die, the laws of intestate succession determine how the title will be passed.²⁷ Under these laws, the surviving spouse and children of the deceased, including those from other relationships, become owners. It is common for there to be numerous owners: Almost a quarter of surveyed homeowners have children from previous marriages, and of those, 42 percent reported having at least three children from previous relationships. In addition, if the homeowner had previously been married and obtained a divorce but did not get a signed and filed divorce decree from the judge, the ex-spouse would be another owner of the property. This situation can easily become complicated when the “tenants in common” disagree about what should be done to or with the property; in this case, there is little incentive for any of the owners to maintain or make improvements to the property.

With the dearth of wills among colonia homeowners, a growing number of properties will have clouded titles. This prevents homeownership from being an asset-building tool—for the families of current homeowners and families that attempt to establish a colonia homestead in the future.



Investing in What Works

Demand for safe and affordable housing for low- and moderate-income individuals in the colonias far exceeds the supply.²⁸ And the need is great for safe and affordable financial products and services. The pervasiveness of poverty and the housing market’s informality remain barriers to making homeownership an asset-building opportunity in the colonias.

Nonetheless, there are some developers that build affordable houses both in the colonias or outside of the colonias to help narrow this gap. According to TDHCA, the main nonprofit housing organizations that serve the colonias include Adult and Youth United Development Association (AYUDA) in El Paso County, Architectural Charities of Texas in Cameron County, Community Development Corporation of Brownsville (CDCB) in Cameron County, El Paso Collaborative in El Paso County, Habitat for Humanity–Laredo in Webb County, Lower Valley Housing Corporation (LVHC) in El Paso County and Proyecto Azteca in Hidalgo County. Collectively, these organizations have served thousands of residents.

Two organizations often cited as leaders in the Texas border’s community development industry—CDCB and LVHC—illustrate the successes and challenges that housing developers face in the colonias.

1. Community Development Corporation of Brownsville

CDCB offers a range of services, including mortgage loan servicing, first-lien mortgage origination lending, a Housing Education Center, down payment assistance programs and colonia redevelopment.

Successes

From 1994 to 2013, CDCB produced 3,565 housing units—single family and multifamily—for low-income families in the colonias through a variety of programs and services. One example, the Colonia Redevelopment Program, uses a three-pronged approach to upgrading the housing stock that includes rehabilitation, reconstruction and new housing construction. This initiative also includes a Rural and Colonia Loan Program that provides home financing with flexible underwriting based on disposable income. Other CDCB program highlights include:

- Down Payment Assistance Program: The average assistance is \$9,004 per family.

- Mutual Self-Help/Bootstrap Program: Six to 10 families, all of which earn no more than 60 percent of median family income, work together to build each other’s homes; they move in once all homes are completed.
- YouthBuild Program: Low-income young adults, 17 to 24 years old, who are working toward a high school diploma or equivalency develop housing construction and leadership skills.
- First Lien Mortgage Origination Lending: CDCB reports that since October 2000, it has originated more than \$104 million in mortgage loans.
- Mortgage Loan Servicing: CDCB services the Rural and Colonia Loan Program, which offers a 3.5 percent loan over a 20-year period, and the Affordable Housing Loan Program, which offers a 4.5 percent loan over an 18-year period.

Challenges

According to Nick Mitchell-Bennett, executive director of CDCB, the biggest challenges in the colonias housing market are finding financial institutions that will lend in the colonias and seeing county governments “willing to step out there, like Cameron County has done in some cases, by passing bond resolutions to do drainage and water infrastructure, and clamping down on predatory lending.”

His recommendations on how to make safe, quality housing more widely available for low-income individuals are to create grant and loan programs and offer lower interest rates than are currently available to low-income individuals.

2. Lower Valley Housing Corporation

Successes

Since 1990, the nonprofit LVHC has been providing affordable housing to working families in El Paso County that earn annual incomes at or below \$17,500.

LVHC has rehabilitated 98 houses and produced 48 apartments units (which it owns), 304 new houses (sold upon completion) and 850 self-help houses. It has also provided homebuyer education. In 2013, homeowners of LVHC-built houses contributed \$2.2 million in taxes to the economy.

Over the past 24 years, LVHC’s mutual self-help program has assisted 1,300 families with their housing needs. In this program, six to 12 families build at least 65 percent of each other’s houses. Says LVHC Executive Director Nancy Hanson,



TABLE 3 LVHC'S Cost Breakdown for Mutual Self-Help Program*	
Construction: Materials and contracted labor	\$ 38,096
Lot and site expenses	\$ 20,837
Fees, permits and utilities	\$ 6,067
Total costs**	\$ 65,000
Self-help equity	\$ 27,000
Estimated appraised value (2013)	\$ 92,000
Average assessed taxable value (2013)	\$ 84,679
*Based on 2012 data.	
**Total costs include 100 percent financing and a \$500 closing allowance.	
SOURCE: Lower Valley Housing Corporation.	

“It is a long, tiring experience for families to come after or before work each weekday and all day on Saturday and Sunday for 10 months to build each other’s homes, but it is worth it because without this program, many families would never own their own homes because ‘market’ homes are simply not affordable to very-low-income people.”

Table 3 shows the cost breakdown of these houses, which average 1,350 square feet and include a garage. The 1,100 square feet of living space includes a kitchen, three bedrooms, living and dining rooms, 1.5 baths and a laundry room.

The funding LVHC uses to purchase land and construct and finance the houses comes from multiple sources. LVHC receives Technical Assistance (TA) grants from the U.S. Department of Agriculture/Rural Development (USDA/RD) program, plus support for its financial arm from the USDA and TDHCA or a bank. LVHC develops a two-year production plan and submits the proposal to three different lenders: WestStar Bank (a locally owned community bank), USDA/RD and TDHCA. After securing the mortgage financing, LVHC purchases the land. The first lien goes to WestStar Bank, and the second lien goes to the Housing Assistance Council, a nonprofit.

The low interest rates received through this mutual self-help owner/builder program are of critical importance to the potential homeowner. The rates on the 30- to 33-year loans from USDA/RD vary from 1 to 4 percent annually. Any portion of a loan financed through WestStar Bank comes with a fixed rate of 7 percent, while TDHCA’s loans are at zero percent. The sweat-equity credit earned by the self-help owner/builder portion of the program represents a sizable amount of equity that is factored into the overall cost of the home, as seen in Table 3.



Challenges

According to LVHC’s Hanson, the biggest challenges facing the colonias housing market include accessing mortgage funds and obtaining loans from larger banks. She notes the difficulty in getting funding or financing when the smaller banks with which LVHC has worked are bought by large banks.

Her recommendations on how to make safe, quality housing more widely available for and attractive to low-income individuals are to increase potential homebuyers’ access to mortgage funds and quality water and sewer services.

According to Martha Arciniaga of the El Paso County Self Help Center and Sarabia of the El Paso Credit Union Affordable Housing Corporation, the community faces a number of other challenges.

First, the increased cost of living makes it more difficult for residents to pay for their housing, utilities and other bills and for nonprofit organizations to provide services. Second, federal requirements for nonprofit certification, funding availability and staff capacity have changed, compounding the risks. Third, transportation costs are high when organizations’ geographic reach is large and households live in remote areas. Fourth, there still are lenders in the community that offer and sell high-risk loans to buyers not proficient in English. These loans tend to strip financial assets, making it harder for households to step out of poverty.



Economic Opportunity

Poverty is pervasive in the Texas colonias, with fully 42 percent of the population living below the poverty line and another 19 percent close to it. Households struggle to survive on median income of \$28,928; the national average is nearly twice as large at \$52,762. Roughly 40 percent of households rely on public assistance or food stamps; that is nearly four times the state and national average of 11 percent.²⁹

Charts 2-4 show that, on average, a greater portion of colonia households in every county live in poverty and near-poverty and rely on public assistance than households living outside of the colonias.

These bleak incomes and poverty rates necessitate a deeper look into the economic context in which they occur. What follows is an assessment of the border economy and issues impacting residents' ability to access regional labor market opportunities.

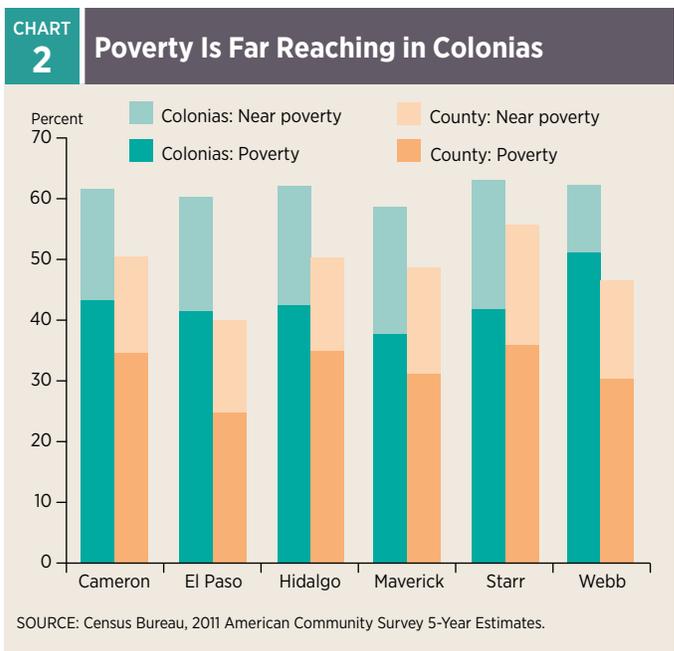
The Changing Texas Border Economy

The Texas-Mexico border region is home to a manufacturing corridor and supporting transportation and logistics industries that export goods globally. The Mexican maquiladoras, tax-favored manufacturing plants that produce for export, are the biggest contributors to border trade and account for 2,000 plants on the Mexican side of the border (and an additional 800 plants in the Mexican interior). The Mexican maquiladora program began in 1965. While most border maquiladoras are located along the Texas-Mexico border, Tijuana (across from San Diego) also has a large concentration.³⁰

Under this program, higher-value-added activity occurred in the U.S. and lower-skilled manufacturing took place in Mexico. This system persists in many respects, although an increasing share of production now occurs in Mexico due to the cost advantages and preferential tax treatment of locating manufacturing in Mexico relative to in the U.S. and Canada.

Over time, complementary industries have grown on the U.S. side of the border. With production and manufacturing concentrated in Mexico, logistics, warehousing, financing, human resources and legal services have concentrated in the U.S. In effect, cross-border trade propelled growth of a well-paying service sector in several Texas border cities.

As the service sector has grown along the border, other sectors such as agriculture have shrunk. For example, in South Texas, the share of employment in agriculture



dropped to less than 2 percent in 2014 from 8 percent in 1980. Retail and government employment shares have expanded to 14 and 22 percent, respectively.

Historically, there has been a large gap in per capita income and earnings between border cities and the nation as a whole.³¹ It has narrowed since 2000, mostly because of the growth of high-end service and public sector jobs.

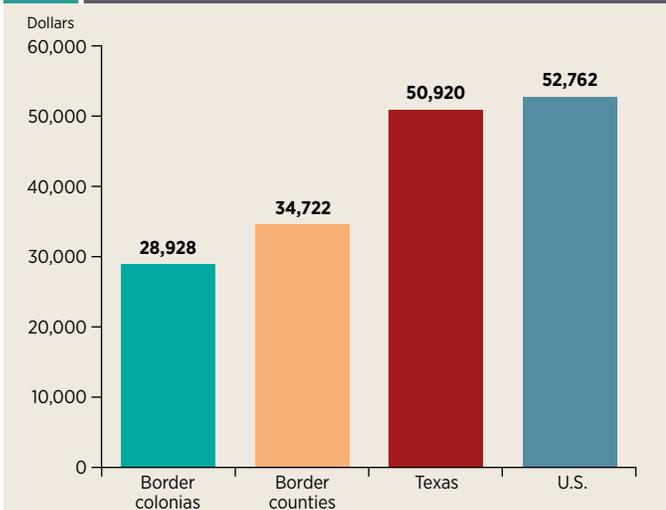
After the terrorist attacks of Sept. 11, 2001, the Texas-Mexico border tightened. Before 9/11, the waiting time to cross the border could be 30 to 35 minutes; after 9/11, it could be up to 3.5 hours. This lengthy and unpredictable process created a costly bottleneck for production and manufacturing companies. In response, many of them moved to the Mexican side of the border. This trend was in place before 9/11, but it was expedited in the aftermath of 9/11.

The dramatic economic and political changes along the border have certainly contributed to changing demographics in the colonias. The colonia population is not static, but data do not exist on how many residents leave and how many return. However, colonia residents are largely unable to capitalize on the higher-paid economic opportunities in their respective regions of the Texas border, as evidenced by the poverty and near-poverty rate (61 percent) and the low level of employment in the formal economy (50 percent of the working-age population) (*Chart 5*).

While there is a dearth of data on what types of jobs colonia residents hold, data exist on the sectors in which colonia residents work. Chart 6 shows that 28 percent of

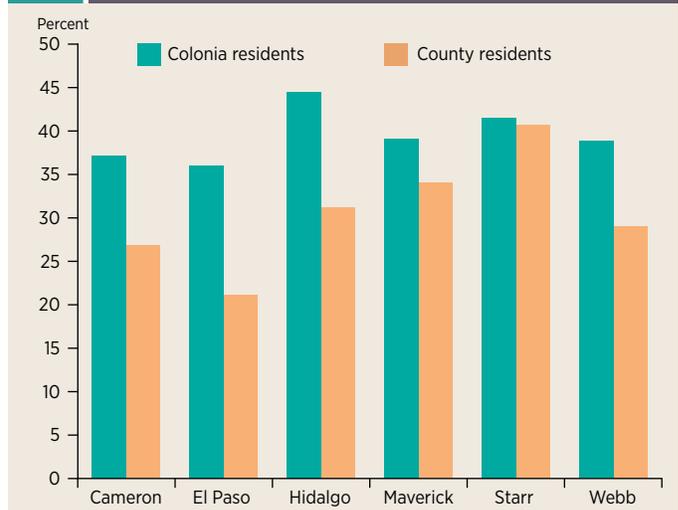


CHART 3 Colonia Median Household Income Falls Short



SOURCE: Census Bureau, 2011 American Community Survey 5-Year Estimates.

CHART 4 Colonia Residents Rely More on Public Assistance



SOURCE: Census Bureau, 2011 American Community Survey 5-Year Estimates.

residents working in the formal economy are employed in the service sector and 21 percent in the sales and office sector. The remainder work in the production, transportation and material moving; natural resources, construction and maintenance; and management, business, science and arts sectors.

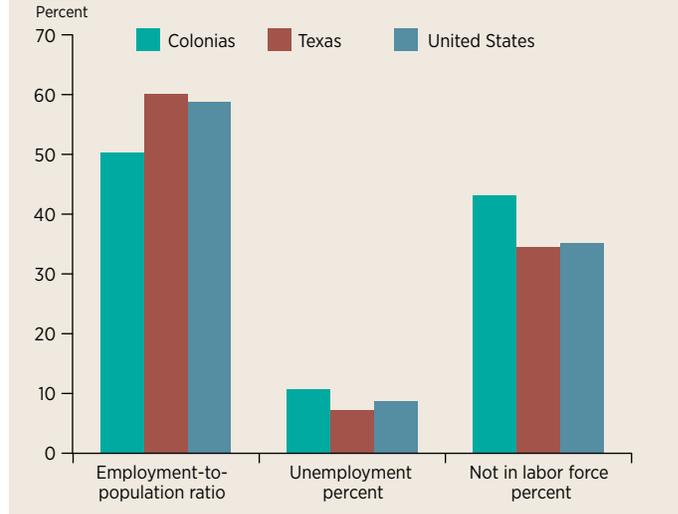
Some of these employment opportunities are self-made by colonia residents who create microenterprises to generate income. Box 1 highlights the economic opportunities generated by Eagle Ford Shale.

Table 4 shows microenterprise data for six of Texas' border counties. Notable is the importance of microbusinesses and nonemployer firms to all of these counties' economies. In these counties, the volume of firms with no employees ("nonemployer firms") far exceeds the volume of firms with one to four employees ("microbusinesses"). Further, about half of all employer firms are microbusinesses. The micro-business and nonemployer firms' share of total firms is 90 percent to 96 percent, depending on the county. These data are comparable to statewide data.

The Importance of the Informal Economy

In the Texas colonias, the employment rate is an estimated 50 percent. Given that 43 percent of adults in the colonias are not officially in the labor force (Chart 5), how do these residents support themselves and their families? They likely participate in the border's thriving informal economy—as employers, employees and consumers.

CHART 5 Fewer Colonia Residents Participate in Formal Economy



SOURCE: Census Bureau, 2011 American Community Survey 5-Year Estimates.

The informal economy—in which government authority and protection are minimal—is entrenched in South Texas. It refers to "activities and income that are partially or fully outside government regulation, taxation, and observation."³² This means that workers work off the books and are paid in cash, and there are few government mandates or safeguards. Workers in this labor market earn relatively low wages, lack job security and upward mobility and do not have government



protection from abusive or exploitative employers. Informal employment on the South Texas border is concentrated in construction, domestic services and tourism.³³

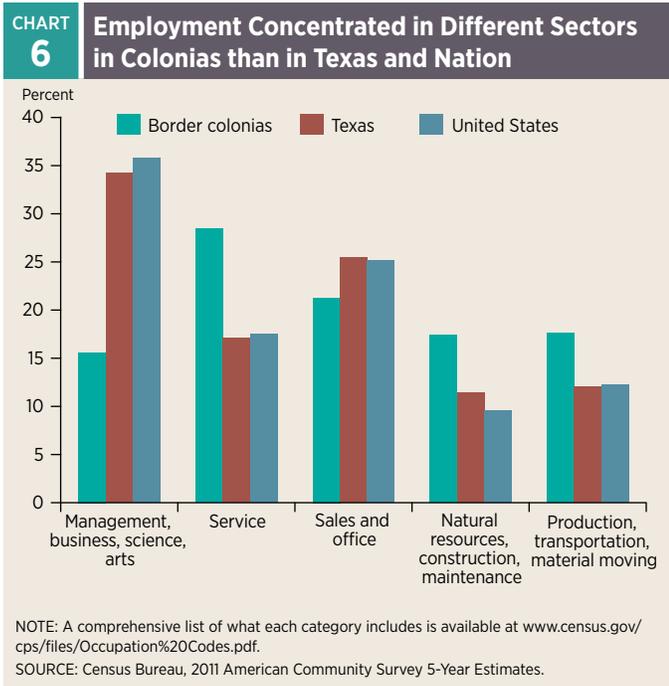
Workers also operate in the informal economy when they don't report their income or don't pay their taxes. Higher-income individuals, too, participate in the informal economy when they hire undocumented workers or service providers.

Entrepreneurs operate in the informal economy when they fail to follow mandated policies or regulations—for

example, by not declaring their imported goods to officials, not paying duties at customs, not having a business permit, not paying taxes or not collecting sales taxes. Informal cross-border entrepreneurship, observe Richardson and Pisani, "is facilitated by fraudulent crossing documents, family networks, facilitation payments, a willing group of buyers who often seek to keep their purchases 'off the record,' and government officials on both sides of the border not inspecting too closely or raising too many questions about the movement of merchandise."³⁴

Proximity to the border creates a competitive advantage for entrepreneurs and cost savings for consumers. Entrepreneurs can buy goods that are cheap (or unavailable) on one side of the border and sell these goods at a higher price on the other side. Or they can buy raw materials and manufacture products on whichever side of the border is cheapest and sell their finished goods on the other side for a profit.³⁵

The flea market—*la pulga*—is the hub of the informal marketplace and a common fixture in the colonias. Entrepreneurs conduct business at *la pulga* because the profits can help them make ends meet and they can have a schedule that is flexible relative to other workplaces. They sell a wide range of products—from handcrafted goods to goods that they bought or repaired. Consumers buy at *la pulga* because they can purchase relatively inexpensive necessities and other household items that they otherwise might not be able to afford, such as food, clothing, personal care products, music, electronics and furniture.



BOX 1 Eagle Ford Shale

One economic force in Webb and Maverick counties is the Eagle Ford Shale boom. Rapid oilfield development has brought new jobs, rising income and growing wealth to this historically low-wage, low-income area.ⁱ It is uncertain to what extent colonia residents are benefiting from the shale industry growth in terms of work opportunities. The 2015 decline in oil prices will have an impact, and an official assessment may not come until the 2020 census.

According to a Federal Reserve Bank of Dallas report, "Eagle Ford's development beginning in late 2008 was interrupted by the recession and a sharp decline in energy prices. It was back on track by 2010, growing at a rapid pace. ... By 2011, the number of drilling permits issued annually in Eagle Ford counties for new oil and natural gas wells had more than doubled."ⁱⁱ

Some entrepreneurial colonia residents have begun to access the job opportunities generated by the Eagle Ford. Sara Saldaña, vice president of the Laredo office of microenterprise lender LiftFundⁱⁱⁱ, says some residents are serving as subcontractors for the oil companies, pointing to the "hot shots," who purchase trucks to haul supplies, including sand, sand blowers, water and chemicals from rig to rig across Texas. These contracts are lucrative, paying salaries well above those typically available to colonia residents. Saldaña adds, "You don't have to have a high level of education—you just need to be a hard worker." Webb County Commissioner Rosaura Tijerina says two Larga Vista colonia businesses, Ace Transportation and Acme Truck Line, have grown rapidly to meet the needs of the oil and gas industry.

ⁱ "Oil Boom in Eagle Ford Shale Brings New Wealth to South Texas," by Robert W. Gilmer, Raul Hernandez and Keith Phillips, Federal Reserve Bank of Dallas *Southwest Economy*, Second Quarter 2012.

ⁱⁱ "El Paso and Texas Border Cities Close the Gap in Per Capita Income," by Robert W. Gilmer and Roberto Coronado, Federal Reserve Bank of Dallas *Crossroads*, no. 2, 2012.

ⁱⁱⁱ LiftFund was formerly known as Accion Texas.



TABLE 4

Microenterprises Are Prevalent in Texas Border Region Counties

	Number of employer firms with 1-4 employees (microbusinesses)	Number of nonemployer firms	Microbusiness share of all employer firms (%)	Microbusiness and nonemployer share of total firms (%)
Cameron	3,089	29,478	48.8	90.1
El Paso	6,770	54,434	49.3	89.8
Hidalgo	5,579	66,203	48.5	92.3
Maverick	393	4,370	50.8	92.6
Starr	249	6,670	45.9	95.9
Webb	2,398	22,565	48.2	90.1
Texas	276,449	2,014,124	51.4	89.8

SOURCE: Census Bureau, Nonemployer Statistics and County Business Patterns, 2012.

Entrepreneurial residents have capitalized on Laredo’s position as the largest inland port in the U.S. by selling merchandise from pallets at *la pulga*. Entrepreneurs obtain a loan of \$500 to a few thousand dollars from microenterprise lender LiftFund to purchase pallets at the Industry Park Warehouse where import-export agencies store their goods. Entrepreneurs cannot view the pallets’ contents because the pallets are tightly wrapped in plastic, but they generally contain items like clothing, toys, household goods and electronics. Sara Saldaña, vice president of the Laredo office of LiftFund, explains that these microloans enable low-income entrepreneurs to capitalize on this regional economic opportunity. “In Laredo, our bread and butter is the import-export business,” she says.

La pulga is not only economically and financially important, but also socially and culturally invaluable. It is where families and friends socialize and network. It is where they share valuable information, such as job opportunities. *La pulga* is vital to communities’ survival, strength and resilience because it enables community members to regularly earn an income, stretch their budgets and build their social capital; i.e., valuable social networks that allow them to build trust, reciprocity and cooperation with other community members.

Accessing Regional Labor Market Opportunities

Some of the top issues impacting residents’ ability to access regional labor market opportunities are:

- Low educational attainment and lack of skills needed to obtain jobs that offer a living wage and upward mobility
- Limited English proficiency



Puestos (stalls) at *la pulga* (flea market) in Webb County. Photo credit: Federal Reserve Bank of Dallas



- Low access to quality financial services and products that protect savings and assets
- Little or no access to the Internet

Low Educational Attainment. Adults living in colonias have relatively low educational attainment, with 55 percent having earned less than a high school diploma. Access to quality education, from cradle to career, is vital. Colonia residents must be able to access jobs that pay a living wage and offer upward mobility. If they aspire to be successful entrepreneurs, they need to have the knowledge and skills to build financially strong businesses. Regardless of whether they choose to be employees or employers, colonia residents must be well-connected to regional economic opportunities over the long term. For a detailed discussion of this issue, see the [Education](#) section of this report.

Limited English Proficiency. English proficiency is another necessity in the marketplace for both employers

and employees. Chart 7 shows how adults living in border colonias have significantly lower English-language skills, especially when compared with all adults in Texas and the U.S. In the U.S. in general, “poor English-speaking ability makes the largest contribution to the poverty gap,” even more than educational attainment, “explaining 6.1 percentage points of the 13 percentage-point gap between Hispanics and non-Hispanic whites,” according to economic research in the article “Limited English Skills, Relative Youth Contribute to Hispanic Poverty Rates.”³⁶

Consequently, there is a labor market penalty for those with limited English proficiency in the Texas–Mexico border region, just as there is in the rest of the country. An important difference between the border economy and other economies, however, is that there is a labor market reward for bilingualism (Spanish/English). Many jobs on the border require or prefer English and Spanish fluency to serve both English- and Spanish-speaking clientele

BOX
2

Informal to Formal Economy Through Microenterprise



Leticia Jones, Garcia'sville colonia resident, Starr County, working in her prospering restaurant. Photo credit: Federal Reserve Bank of Dallas

Leticia's Microenterprise

In Garcia'sville, a colonia in Starr County, Leticia Jones runs a restaurant called Letty's Comida Casera. Because the locale is in a remote area about eight miles from Rio Grande City, her business has adapted and focuses on its delivery services to local schools and a catering service for events. She exemplifies how microlender LiftFund helps move colonia residents from informal finances to a formal relationship with a bank.

Jones attended a workshop as part of a program called AVANCE at the Colonias Unidas community center in nearby Las Lomas. A senior loan officer with LiftFund explained how to prepare business financials, qualify for a loan, keep a ledger with a formal bookkeeping system, and repair and build credit.

Prior to the workshop, Jones' husband had suffered a back injury and was unable to work. Her husband didn't qualify for unemployment benefits, and it took a year and a half for him to be approved for disability benefits. As a result, she was forced to take out several loans from payday lenders that came with high interest rates and fees. Jones realized she was in a difficult situation when she applied for a LiftFund loan and went over her payday loan documents. The loan officer helped her develop a plan to pay off the loans.

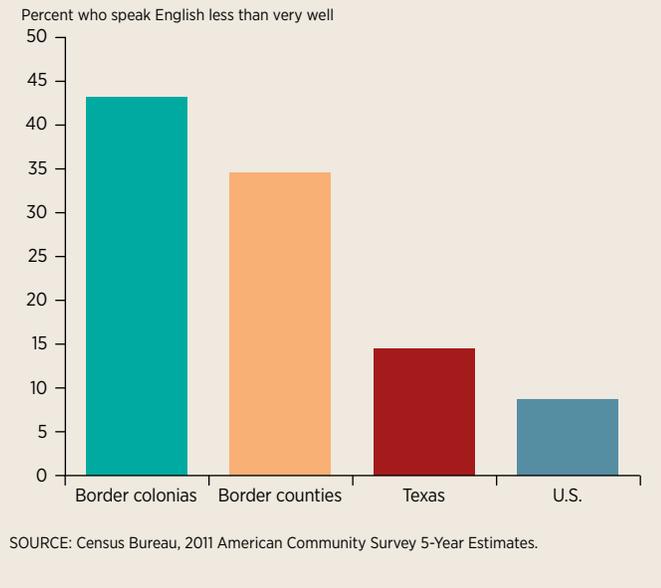
Jones has received several business loans from LiftFund and now her future is bright. She used her first LiftFund loan to start a jewelry business, which was short-lived because of the development of arthritis in her hands. Rather than give up, she decided to pursue a food-service business. She says, “*Lo traigo en la sangre*” (“It's in my blood”). She continued the family tradition of cooking that began with her grandmother in Veracruz, Mexico. She began by working out of her home, selling platters to teachers at the schools her children attended. Due to the increase in clientele and her need for space to prepare the food, Jones had to find a way to build a kitchen outside of her home. She sought assistance from LiftFund, which helped her find a location for the restaurant and receive approval for a loan to cover the rent. The increase in space allowed her to expand the business, but the location on the outskirts of Garcia'sville brought challenges. Because there isn't much traffic flow, the business relies on its delivery service. Jones is promoting her catering service, which has seen much success in the community. She is working on getting her next loan to move her restaurant into Rio Grande City, where she expects to find more business and eliminate the summer downtime when schools are not in session.

Jones says the restaurant has had a profound impact on the lives of her children: “The boys help us with the business a lot; they are learning and they're growing along with the business. And, well, my daughter also because of her interest in studying business administration so she can help me in the future.”

Her daughter, a student at University of Texas–Pan American, intends to earn her degree to formally study what she learned at an early age watching her mother. The business is a true family asset, teaching her children resourcefulness, resilience and discipline as well as entrepreneurial skills that cannot be learned in a classroom.



CHART 7 Limited English Proficiency Remains a Barrier in Colonias



and demonstrate a cultural connection to a population that is predominantly Hispanic. Spanish fluency is also a requirement in conducting business with Mexico and other Latin American countries.

Limited Access to Quality Financial Products and Services. Colonia residents’ ability to protect income and assets is directly related to their access to quality financial services and products, such as checking and savings accounts; loans for higher education and vocational/technical training, vehicles, housing and businesses; investments that expand their productive assets; and insurance for their personal belongings, vehicles, houses, businesses and medical care.

Nearly 45 percent of individuals in the border counties are either unbanked or underbanked—a significantly higher share than in the U.S. overall. The share is likely higher among colonia residents. With few nearby mainstream financial institutions and little participation in those that exist, options for protecting income and assets are limited.

In the formal economy, having easy and convenient access to quality financial products and services is a necessity and goes hand-in-hand with access to quality financial education. This access is crucial to building the knowledge and skills to make the best financial decisions.

Chart 8 compares the unbanked and underbanked rates of the border counties with those of Texas and the U.S. “Unbanked” refers to households that do not have a checking or savings account. “Underbanked” refers to households

that have a checking and/or savings account but within the past 12 months also used alternative financial products such as check cashing, nonbank money orders, payday loans, refund-anticipation loans, rent-to-own agreements and pawnshop contracts.

According to community-based organizations in South Texas, alternative financial companies “are very active” in colonias. They market their products and services to colonia residents because these individuals have or know of few alternatives when they need help paying bills. Says Olivia Figueroa, director of Ayuda Inc., a social services agency in El Paso County’s San Elizario colonia, “Alternative lenders are everywhere on television commercials and near colonias.”

Residents’ geographic isolation, low incomes, often poor or nonexistent credit scores and unfamiliarity with mainstream financial institutions’ offerings make safer products and services largely inaccessible. LiftFund Senior Loan Officer Marlene Rodriguez adds, “In Starr County, most colonia residents don’t know their credit score, and they assume they would not qualify for a bank loan. ... They get hooked in the predatory loan cycle in order to make ends meet and don’t see other options.”

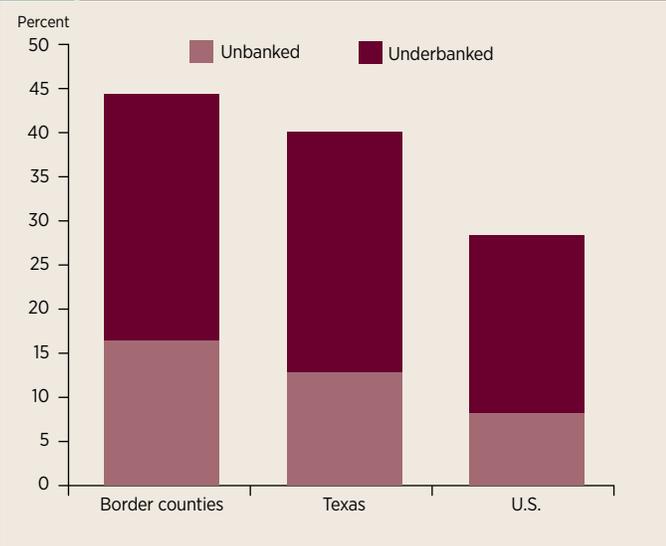
Figueroa and Elvira Valles, vice president of LiftFund in the El Paso region, have both observed many families losing their vehicles to title loan companies because they were not able to catch up on their payments. “They go to payday lenders that are advertised on television, where you go and get \$1,000 in five minutes, but you have to give them your car title,” says Figueroa. “Or they go ask for a loan and they [the lenders] charge them very high interest rates. But there are times when it is an emergency and the need forces them to get a loan. They end up paying double [what they borrowed] or more.”

LiftFund works with colonia residents who have obtained an alternative financial product or service and are financially worse off because of it. Says Valles, “We’ve had to refinance a lot of those loans. We go over the loan documents with people, showing them the amortization schedule and interest rate, which is sometimes 80 percent, 100 percent. When they see the terms, they say, ‘I can’t believe I signed that. I’ve been paying on this for a year now ... that’s why the balance is not going down.’ And they pledged their vehicles on these loans. In many cases, that’s the only vehicle they have. So that’s why there is a commitment to make their payments.”

LiftFund partners with Lone Star Bank and IBC Bank



CHART 8 **Unbanked and Underbanked Rates Higher in Border Counties**



NOTE: Estimates at smaller geographies are derived from CFED’s statistical modeling process using the FDIC and 2008–12 American Community Survey data. The figures are geographic estimates and are not meant to directly reflect the FDIC data. Caution should be used in interpreting the local estimates as the statistical model is based on national surveys of fewer than 50,000. For more information see: <http://localdata.assetsandopportunity.org/methodology/unbanked-rate>.
 SOURCE: Corporation for Enterprise Development, Assets and Opportunity Local Data Center. Based on the 2011 FDIC National Survey of Unbanked and Underbanked Households.

in Starr County to provide workshops that teach people how to build their credit and obtain safer loan products.

Municipal governments are also responding by placing restrictions on alternative lenders. In January 2013, the El Paso City Council passed an ordinance prohibiting payday lenders from exploitative practices within the city limits. However, cities cannot control what happens outside the city limits. As a result, as cities adopt restrictive ordinances, payday lenders are moving to suburbs and surrounding rural communities, observes the Texas Municipal League.³⁷

By learning how to increase their income as employees and employers, protect their income and assets, reduce expenses and invest in productive assets that are attractive and convenient, colonia residents can begin to break the cycle of poverty. Making informed financial decisions starts with education.

In addition to the work of LiftFund and its partners, dozens of other organizations are helping residents of the colonias strengthen their financial knowledge and skills. For example, more than 25 entities from the higher education, banking and credit union, community development and government sectors have joined together as the Deep

South Texas Financial Literacy Alliance. Established in 2013 and led by the Texas Education Agency’s Region One Educational Service Center in Edinburg, the alliance works with students and parents from Laredo to Brownsville and northward toward Brooks County to offer financial education.

Another way colonia families can protect their income is by having their taxes prepared for free at a Volunteer Income Tax Assistance (VITA) site and claiming the Earned Income Tax Credit (EITC) on their federal income tax return. A family with two children could potentially claim a maximum credit of \$5,548 for the 2015 tax year.³⁸

Limited Access to the Internet. Internet connectivity can make a dramatic difference—particularly in residents’ ability to learn about, invest in and shop for career opportunities, education, housing and financial products. For example, they could apply for jobs, enroll in online classes and use financial products and services that are higher quality than those offered locally.

According to the Center for Public Integrity’s Investigative Reporting Workshop, there is a distinct digital divide between low-income and higher-income households. In fact, McAllen has the lowest broadband subscription rate in the U.S. “Every major survey has shown that the lower the income, the less likely it is that households will subscribe to the Internet. ... Wealthier households subscribe at a rate of 80 percent to 100 percent, while low-income areas of the city, some exceeding a 50 percent poverty rate, subscribe at a rate of 40 percent to 60 percent.”³⁹



Education

“Education is very important to colonia residents. They understand the value and the need to have an education in terms of breaking the cycle of poverty. Yet they often live a different reality in which education competes with a family’s task of managing [their] daily needs to survive.”

—David Arizmendi, assistant professor of sociology at South Texas College and former executive director of self-help housing nonprofit Proyecto Azteca

Low educational attainment helps explain why poverty is persistent and concentrated in the colonias. Parents want to help their children succeed but are hindered by their own low education levels, lack of experience with the education system and limited English proficiency, which make it difficult for them to be advocates for their children in school.

Further, the digital divide (discussed in the [Economic Opportunity](#) section of this report) disproportionately impacts children when their parents cannot provide them with computers and Internet access at home—critical tools in leveling the playing field for low-income students.

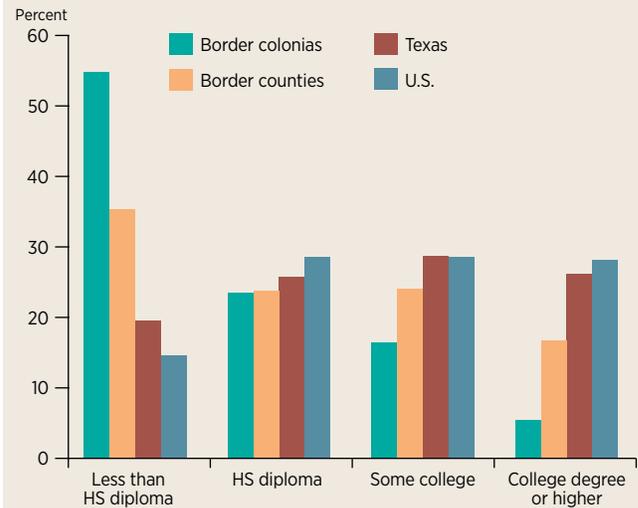
Educational attainment in the Texas border colonias lags far behind county, state and national averages. As Chart 9 shows, 78 percent of the adult population in the colonias has a high school diploma or less. In contrast, in the Texas border counties, 59 percent of the adult population has a high school diploma or less. Meanwhile, 22 percent of adults in the border colonias have some college or a college degree or higher, compared with 55 percent for Texas and 57 percent for the nation.

Chart 10 highlights the importance of education to earnings. In general, the more one learns, the more one earns. On average, individuals who have only a high school diploma earn \$27,528 a year. Taking some college classes is important because it helps push up earnings. However, there is a distinct jump in earnings when an individual has a bachelor’s degree and when an individual earns a graduate or professional degree.

The average college graduate earns 45 percent more per year than the average high school graduate. The average graduate or professional degree holder earns 59 percent

CHART 9

Educational Attainment Lags in Colonias



NOTE: Adults 25 years and older.
SOURCE: Census Bureau, 2011 American Community Survey 5-Year Estimates.

CHART 10

Median Earnings Increase with More Education in United States



NOTE: Median “earnings” is used as the measurement because it includes only what is earned at a job: wages, salaries and self-employment income. In contrast, median “income” includes earnings plus 41 other components. For details, see the Census website at www.census.gov/cps/data/incdef.html.
SOURCE: Census Bureau, 2013 American Community Survey 5-Year Estimates.

more per year than the average high school graduate. The importance of having enough earnings to save and invest cannot be overstated. According to former Federal Reserve Chairman Ben Bernanke, “Ensuring that every American has the chance to improve his or her economic circumstances through hard work, saving, entrepreneurship and other productive activities is essential for building healthy communities and achieving sustainable economic growth.”⁴⁰



Within the past two decades, there has been a tremendous amount of work and success at the grassroots level to develop the talent and workforce readiness of colonia youth. The objective is to increase earnings and, ultimately, savings and investing to break the cycle of poverty. This section of the report highlights some of the major efforts to overcome the barriers and improve educational outcomes.

Investing in What Works: Bottom-Up Approaches to Develop Talent

A number of local efforts are aimed at developing students' talents, preparing them for the workforce and helping them become civically engaged. While their areas of focus and approaches may differ, they all serve as building blocks to community and economic development in South Texas' low- and moderate-income communities.

Organizations behind some of the most noteworthy efforts are Project ARISE, Llano Grande Center for Research and Development, South Texas College, IDEA Public Schools and Pharr-San Juan-Alamo (PSJA) Independent School District.

Project ARISE

Project ARISE started as a woman-led organization in 1987 to empower female residents in the colonia of Las Milpas in Hidalgo County. Over the past three decades, this initiative has developed into a nationally recognized grassroots organization that continues to be driven primarily by female colonia residents. It employs 30 staff members at four centers, serving over 1,000 families in the county's colonias.

One of ARISE's initiatives is the Community Parent-Teacher Association (PTA), known as the PTA Comunitario, which the Intercultural Development Research Association (IDRA), based in San Antonio, helped form. In 2014, the National PTA presented an Exceptional Community PTA Award to the ARISE Community PTA.

Unlike traditional PTA meetings, Community PTA meetings are held in the colonias rather than at school. By bringing PTA meetings into the community, Project ARISE makes the school system more parent-friendly. School administrators and teachers meet with colonia parents in a comfortable environment, with meetings conducted in Spanish. This enables parents to learn how to more effectively voice their perspectives to teachers



Lourdes Flores, executive director of ARISE, facilitates the PTA Comunitario at the group's monthly meeting. Photo credit: Project ARISE



Members of the PTA Comunitario present the goals and recommendations for their organization. Photo credit: Project ARISE

and administrators and navigate the school system.⁴¹ IDRA trains parents on how to use data to more effectively communicate and negotiate with school officials. Some issues addressed include concern with math scores in the state-mandated exam (then TAKS) and low SAT/ACT scores. Ultimately, the organization helps faculty and staff learn about parent concerns and their students' experience and how to more successfully interact with parents.

Building these stronger relationships is important because it supports parental engagement which, according



BOX
3

South Texas College's Accomplishments and Achievements

- 2014** Academies program selected as a finalist for the 2014 Excelencia in Education Award*
- 2013** Dual Enrollment Academies program selected as a finalist for the national Bellwether Legacy Award
- 2012** Texas Higher Education Coordinating Board Star Award recipient for the Dual Enrollment Medical Science Academy
- 2011** Advocate and supporter of S.B. 975 (the Public Junior College and School District Partnership Program to Provide Dropout Recovery)
- 2009** Texas Higher Education Coordinating Board Star Award for High School Recovery Program (partnership with Pharr–San Juan–Alamo Independent School District)
- 2008** Texas Higher Education Coordinating Board Star Award finalist for Dual Enrollment Academies
- 2008** Dual Enrollment Academies finalist for the national Bellwether Legacy Award
- 2003** Sponsor of H.B. 415 to establish career and technology dual-enrollment opportunities

* In September 2014, the South Texas College Dual Enrollment Academies program was selected from among 217 competitors from 26 states, the District of Columbia and Puerto Rico as one of 14 finalists for the 2014 Examples of Excelencia award. Conceived and run by Excelencia in Education, this is the only national initiative to systematically identify, recognize and catalog evidence-based programs that improve Latino college success. See <http://news.southtexascollege.edu/?p=8956>.

SOURCE: Academic Advancement 2014 Annual Report, High School Programs & Services, by Center for Teaching & Learning, South Texas College, Oct. 28, 2014, <http://academicaffairs.southtexascollege.edu/highschool/pdf/2014%20Report%20HSPS.pdf>.

to the Harvard Family Research Project and National PTA, is crucial for students' success. "Research suggests that family engagement promotes a range of benefits for students, including improved school readiness, higher student achievement, better social skills and behavior and increased likelihood of high school graduation."⁴²

Llano Grande Center for Research and Development

The Llano Grande Center for Research and Development, a nonprofit based in Edcouch, Texas, and affiliated with the Edcouch–Elsa Independent School District, started as a college preparation program in the early 1990s and formally began operations in summer 1997. Developed locally with the assistance of outside foundation grants, the program seeks to raise education expectations for graduating high school seniors. The organization, located about 25 miles northeast of McAllen, serves students drawn from more than two-dozen colonias in Hidalgo County.

Llano Grande's purpose is to create a college-going culture through a community-based curriculum that focuses on personal identity development. Students interview local elders to develop a deeper appreciation, understanding and respect for their environment. In the process, they learn cultural, technical and political skills that may help them pursue community change. Participation varies from 25 to 60 students per year from the 1,400-student

Edcouch–Elsa High School. Since the program's inception, 70 of the students have attended top-tier universities.⁴³

Orlando Salinas, associate director of the Llano Grande Center, states, "We are committed to not only raising the expectations of students and families in our community but providing opportunities for them to be agents of transformational change." Salinas was a student of the Llano Grande Center and, like many of its alumni, he returned home to serve his community.

South Texas College

South Texas College (STC) is a community college that was founded in 1993. It has over 30,000 students and 1,600 faculty and staff members across Hidalgo and Starr counties. Its five campuses are in McAllen, Rio Grande City and Weslaco.

STC has one of the largest dual-enrollment programs in Texas. Begun in 1997, it originally had eight dual-enrollment students; by 2014, the program had expanded to serve over 12,500 students.⁴⁴ Today, the program is in over 70 high schools, representing 23 South Texas school districts.

Students can enroll in the program if they meet mandatory college requirements. Starting in their junior year of high school, students take high school classes in the morning and dual-credit college courses in the afternoon. Students can choose from six dual-enrollment academies.



Four academies are “academic”—computer science, criminal justice, engineering and medical science—and two are “school to career”—one specializing in electronic health records and another in welding.

By the time they graduate from high school, students have earned both a high school diploma and a post-secondary certificate or associate’s degree. In 2014, 1,038 graduating high school students earned college certificates from STC in a variety of subjects, ranging from emergency medical technology and patient care to computers and the Internet. Because the college waives its fees for high school students, their families together have saved more than \$85 million since 2003.⁴⁵

STC says that it aggressively promotes a college-going culture not only through its dual-enrollment courses and academies, but also its dropout recovery programs, 26 early-college high schools and college enrollment initiatives (*Box 3*). For example, STC’s dropout prevention program targets students at risk of repeating the 9th grade. In the 2013–14 school year, the program served over 100 students. In addition, the high school recovery program helps fifth-year high school students earn their high school diplomas and enroll in college. Since 2007, STC has partnered with nine high schools to help more than 4,000 of these students graduate.

IDEA Public Schools

College for all children is the mission of Individuals Dedicated to Excellence and Achievement (IDEA) schools.⁴⁶ Based in Hidalgo County and founded in 2000, the

nonprofit education organization operates 30 tuition-free public charter schools and aspires to teach students how to be successful college students and citizens.

IDEA schools are in the Rio Grande Valley, Austin and San Antonio, with more than 15,000 students in kindergarten through 12th grade, 83 percent of whom are economically disadvantaged. The organization plans to expand its statewide network to 60 schools by 2017. According to the IDEA 2013 annual report, “For the seventh year in a row, 100 percent of IDEA’s graduating seniors were accepted to college.”

When asked what has led to the success of IDEA public schools, Sam Goessling, IDEA’s chief advancement officer, responded, “There is not just one silver bullet; it is the combination of approaches. This includes a culture of high expectations for the adults, students and families who believe in the ‘college for all students’ motto; professional development for teachers so every student has a great teacher and every school has a great leader; and a cutting-edge program model that sets a high bar for achievement in which each high school student takes at least 11 AP courses by the time they graduate so our students are prepared for the rigor of college.”

IDEA’s success surpasses state and national averages. To date, its alumni have graduated from college at twice the rate of their peers in Texas and five times the rate of low-income and Hispanic students nationwide. IDEA’s college preparation includes field trips for third graders to high school students. They visit colleges and universities, historical sites and museums.



IDEA College Signing Day 2012. Photo credit: IDEA Public Schools



In 2011, IDEA partnered with the Pharr–San Juan–Alamo school district to create the Rio Grande Valley Center for Teaching and Leading Excellence. The center’s focus is to increase the number of effective faculty and administrators. IDEA also offers students access to the Internet through its iLearning Hotspot, which all students use at least three times a week in 45-minute sessions.

Pharr–San Juan–Alamo Independent School District

The Pharr–San Juan–Alamo (PSJA) Independent School District serves 32,000 students, 99 percent of whom are Hispanic. The district reaches 82 colonias in South Texas. Among its challenges, 85 percent of the student body is economically disadvantaged, 73 percent is considered at risk of dropping out and 41 percent has limited English proficiency.

PSJA’s focus is to prepare students—starting at the prekindergarten level—to become high school graduates who are well prepared for college and who enroll in and graduate from a college or university. It provides dual-enrollment college courses through its six Early College High Schools, two alternative high schools and partnership with South Texas College. Its four-year high school graduation rate is 88 percent, and every semester nearly 3,000 high school students are enrolled in college courses. For the class of 2014, almost 1,100 seniors graduated with college hours, and over 700 of them completed at least one semester of college work while still in high school. The district projects that by 2017, half of its high school graduates will have taken dual-credit courses.

The success of PSJA and its students has garnered national attention. In July 2012, the *PBS NewsHour* show-cased the South Texas public school district in a two-part series, and its dropout prevention program has become a nationally recognized model.⁴⁷ The U.S. Department of Education has identified PSJA as a model for major urban school districts in the nation and hosts workshops on PSJA’s model for dropout prevention and recovery. A number of national organizations have lauded its groundbreaking work, including Jobs for the Future (Boston), First Focus (Washington, D.C.) and the Education Trust (Washington, D.C.) as well as the national publication *Education Week*.

Understanding this success requires understanding the educational model implemented by district



PSJA ISD parents take the volunteer oath. Photo credit: Pharr-San Juan-Alamo ISD

Superintendent Daniel King. In his seven years at PSJA, King has led the district’s efforts in increasing the four-year high school graduation rate from 62 percent to a historic high of 88 percent.

“We created a completely new high school concept,” King explains. “We created a dual-college enrollment high school for dropouts. Our message to the young people was, ‘You didn’t finish high school? Start college today.’ It was about building on strengths and assets and focusing in on what these young people could be or become instead of making their deficiencies the main focus.”

This emphasis on student strengths is known as an asset-based approach. Traditional educational models commonly take a deficiency-based approach, which centers on student disadvantages. King adds, “Most educational models are about identifying deficiencies and remediating these.”

PSJA’s asset-based approach is exemplified by its cultivation of bilingualism. Texas school districts generally discontinue bilingual programs around the second grade, leaving many older students who are not yet proficient in English to fall behind in their academic progress. In contrast, PSJA conducts classes in Spanish for English-language learners while helping them build their English proficiency. All students—including high school students—can enroll in the district’s dual-language program.

King emphasizes the value of bilingualism to students and the economy. “We graduate students from high school who are highly biliterate—they’ve taken physics,



PSJA ISD superintendent Daniel P. King walks in the PSJA neighborhoods with staff from Aida C. Escobar Elementary to recover dropouts and noncompleters during the district's annual Countdown to Zero Dropout Recovery Walk. Photo credit: Pharr-San Juan-Alamo Independent School District

calculus or different core courses in Spanish, so they can read, write and function academically in both English and Spanish. "Bilingualism," he adds, "makes PSJA students marketable and valuable resources in a global economy."

Recognizing the value of parental involvement, the district created a swearing-in ceremony for parent volunteers. The local judge (justice of the peace) officiates, and parents take an oath and sign a pledge form to indicate their commitment. This formal process is important, King says, because it "gives volunteers a sense of significance and responsibility to the duties they are performing. They take the work more seriously and also feel a sense of commitment. They hold themselves accountable and, therefore, continue to increase their volunteer time. [As a result], the investment of their time to the schools becomes much more important and worthwhile."

PSJA also teaches parents about the Texas and U.S. educational systems so that they can successfully navigate them. The district goes a step further by investing in parents' academic and professional education. "We look at our work as community transformation," King says. "If you only deal with the student, you will get great progress, but that's only part of the picture. Parents who see opportunity for themselves will often impart that to their children."

PSJA provides adult education programs in old office buildings and schools that it refurbished into five Parent Community Engagement Centers. Partnering with local

nonprofits, colleges and economic development centers, it offers continuing-education classes in or near colonia neighborhoods.⁴⁸ The community has found the classes to be valuable: By the end of the last school year, over 3,000 parents had attended classes. The most popular classes included English as a Second Language and General Educational Development (GED), followed by computer technology and U.S. citizenship.

PSJA has 33 community partners that together offer a diversity of services to families. Partnering entities include the cities of Alamo and Pharr, Pharr Theatre Group, Texas Rio Grande Legal Aid, San Juan Economic Development Corporation, Alamo Chamber of Commerce, South Texas Nursing Academy and Nuestra Clinica Del Valle.

Through PSJA's volunteer program, "Paying It Forward," parents volunteer at their children's schools and at nonprofits and other community entities. In 2013, 443 parents volunteered at their children's schools for over 97,300 hours, and 605 parents volunteered at local community organizations for over 6,000 hours.

BOX 4

From Colonia to Silicon Valley: A Success Story

Cecilia Guadalupe Corral exemplifies the success of Pharr-San Juan-Alamo (PSJA) ISD's mission and approach. She grew up in the Las Milpas colonia and attended PSJA High School. Through its dual-enrollment program with South Texas College, Corral graduated from high school with an associate's degree in engineering. She went on to attend Stanford University and is currently the chief design officer of a medical nonprofit.

She says her family and neighborhood environments nurtured her curiosity and love for learning. "Both of my parents only went through elementary school [in Mexico] because their families did not have resources, but I grew up seeing my dad read every single night," she says. "He would read the newspaper front and back, along with books. My mom would read as well. ... My father would make us read poetry in Spanish, and that is why I grew up being bilingual."

Her older siblings were her role models and shared with her what they were learning. When her older sister took a creative director's job at an advertising agency, Corral job-shadowed her. This opportunity enabled her to interact with designers and strengthened her interest in design and engineering.

Corral distinguished herself in her college application process with her associate's degree. After graduating from Stanford, she went to work for San Francisco-based CareMessage. As chief design officer, she combines her expertise in design and engineering with her bilingual and bicultural fluency. Notably, she redesigned the agency's communication content so that it would more effectively serve low-income Hispanic patients. Corral says she hopes to bring CareMessage to the Texas colonias and the surrounding border region to improve health care delivery and community health.



Health

There is a paucity of health data specific to colonia residents. Thus, for this report, the Dallas Fed looked at county-level data and interviewed staff from community health centers, the Health and Human Services Commission, the Texas A&M Colonias Program, residents and others.

The Texas Secretary of State's color classification system, referenced in the [Infrastructure](#) section of this report, was designed to monitor health risk based on the infrastructure status of each colonia. As discussed previously, progress was made between 2006 and 2014 in access to potable water, wastewater disposal and other forms of infrastructure. The number of colonias that are red, or high health risk, dropped from 442 in 2006 to 337 by 2014. However, the 337 remaining red colonias are a serious concern. In the six counties examined in this study, approximately 38,000 colonia residents do not have access to safe drinking water. For instance, of the 62 colonias in Webb County, more than half (35) are classified as red and do not have access to potable water, which is critical for good health.⁴⁹

Health Issues Are Complex

It is important to note that health issues are also tied to housing and environmental conditions that are not captured in the colonia health-risk classification system. Homes may lack insulation or even a kitchen. Colonias located in flood zones may suffer from mosquito infestations; others located near crops may expose residents to harmful pesticides. In Tornillo, a colonia in El Paso County, residents are experiencing high levels of arsenic in the water provided by the local water utility. Furthermore, some colonias may be classified as green, or low health risk, while residents use private well water. This well water may be contaminated—the potability is not monitored by authorities.⁵⁰

Access to quality food can be a challenge because many colonias exist in food deserts—areas where grocery stores with healthy foods, such as fruits and vegetables, are farther away than a corner market or the dollar store.⁵¹ Furthermore, few colonias have parks or public spaces that promote healthy lifestyles or where children and adults can exercise. Isolation and lack of transportation, public or private, can limit access to healthy alternatives as well as to health care. These social determinants of health are considered the most critical to positive health outcomes.⁵²

In *The Colonias Reader*, researchers discuss how “health outcomes arise from a series of direct and indirect social and structural relationships.” They demonstrate

how language, migration status and access to education make it difficult for colonia residents to build their human capital. This negatively impacts their access to employment/income, health insurance, health literacy and safe housing, which leads to poor health outcomes. Limited English proficiency, for example, not only penalizes colonia residents in the labor market (as noted in the [Economic Opportunity](#) section of this report), but also poses challenges in navigating access to health care. Ultimately, such outcomes place a heavy burden on city and county governments.⁵³

For Texas colonias, health issues are intertwined with the distinct economic, social and cultural dynamics of the broader border region. For example, in a study of Cameron County, higher rates of diabetes—in particular undiagnosed diabetes—were found in the “poorest of the poor.”⁵⁴ In a separate analysis, the prevalence of diabetes among Mexican-Americans in Cameron County was 30.7 percent, with hypertension at 30.5 percent.⁵⁵ In 2013, Cameron County ranked 212th out of 232 Texas counties as measured by the combination of such factors as health behaviors, clinical care, social and economic influences and physical environment.⁵⁶

A November 2013 *Washington Post* article describes the vicious cycle in neighboring Hidalgo County in which poverty has led almost “40 percent of residents to enroll in the food-stamp program ... which means a widespread reliance on cheap, processed foods,” contributing to higher rates of diabetes and obesity compared with the national average. If nothing changes, “this is what *el futuro* [the future] looks like in the Rio Grande Valley: The country's hungriest region is also its most overweight, with 38.5 percent of the people obese. For one of the first times anywhere in the United States, children in South Texas have a projected life span that is a few years shorter than that of their parents.”⁵⁷

Access to Health Care Facilities and Providers Is Limited

Serious health conditions such as diabetes in the colonias stem from longstanding economic, social and political inequalities.⁵⁸ One example is the absence of a public hospital in the entire Rio Grande Valley, a 43,000-square-mile area with nearly 1.3 million people living at the poverty level.⁵⁹ Medical care for all families, colonia or not, is delivered through private hospitals or



comes from regional and local health clinics. In 2013, the Health and Human Services Commission’s Office of Border Affairs identified 25 clinics in Cameron County that provide services ranging from children’s health to cancer prevention/early detection. These community health clinics are an asset and a lifeline for low-income families such as those in colonias. With only for-profit hospitals available, health insurance becomes an important element of affordable health care. In Cameron County, 33.7 percent of people under age 65 do not have health insurance, although those 18 or under fare better at 19.2 percent (Table 6).

Yet the need for low-cost health care is so great in Cameron County that the Brownsville Community Health Center (BCHC), one of the 25 clinics, serves over 22,000 patients. BCHC Executive Director Paula Gomez, who has worked in the clinic for more than 10 years, describes the gravity of the situation: “When you work at a community health center, the first thing that hits you is ‘I thought I knew poverty but, then, I really didn’t.’ You didn’t really realize how massive the problem is.” Without a public hospital, it is difficult for community health clinics to refer patients who might need specialized care. Private

hospitals can pick and choose who they serve and are only required to stabilize an emergency patient. Once stabilized, the patient is then moved to the nearest public hospital, 158 miles away in Corpus Christi. Public hospitals take patients regardless of their ability to pay.

The health care challenge is magnified in South Texas by a lower ratio of health care professionals in comparison to the rest of the state. These include physicians, dentists, physician assistants and nurse practitioners.

Esmeralda de la Cruz, human resources director of Nuestra Clinica Del Valle, explains that residents typically “don’t go get health care when they need it, and the problem gets worse. They end up in the emergency room, and that’s more costly. ... If they had sought care early, it would’ve been better for everybody.”

Positive Efforts Are Underway

While these families face serious health challenges, it is important to note that a number of organizations, such as the community health worker, or *promotora*, associations, have developed best practices for serving these low-income, geographically isolated communities and are seeing positive results.⁶⁰ Another encouraging development

TABLE 6 Cameron County Faces Numerous Health Challenges

	Year	Cameron County	%	Texas	%
Low birth weight	2008	627	7.7	34,228	8.4
Onset of prenatal care within first trimester	2008	3,724	62.2	223,961	60.1
			Rate¹		Rate¹
Tuberculosis cases	2013	53	12.7	1,222	4.6
			Age-adjusted rate²		Age-adjusted rate²
Infant deaths	2008	37	4.5	2,478	6.1
Diabetes deaths	2008	123	35.4	5,170	25.4
Acute care for-profit hospitals	2009	5	*	279	*
Acute care public hospitals	2009	0	*	123	*
			Ratio³		Ratio³
Direct care physicians	2010	494	118.4	41,191	162.3
Physician assistants	2010	60	14.4	4,943	19.5
Dentists	2010	97	23.2	11,301	44.5
Pharmacists	2010	207	49.6	20,428	80.5
			%		%
18 years and younger, without health insurance	2007	26,330	19.2	1,375,714	19.5
Younger than 65, without health insurance	2007	116,803	33.7	5,765,126	26.8

* Information not available.
¹ Rate per 100,000 people.
² Rate per 100,000 people. Adjusted by age distribution among populations, for comparison purposes. For more information, see: www.dshs.state.tx.us/chs/healthcurrents/sources.shtml#mort_age.
³ Ratio of health care professionals per 100,000 people.
 SOURCE: Texas Department of State Health Statistics.



is the 2012 decision of the University of Texas Board of Regents to build a medical school as part of the reconstituted University of Texas Rio Grande Valley (UTRGV), which combines the University of Texas–Pan American (UTPA) and the University of Texas at Brownsville (UTB). The medical school is being heralded by many as a beacon of hope for the future of health care in South Texas.

1. University of Texas Rio Grande Valley Medical School

The UTRGV medical school stands to become a major anchor institution in an area where colonia residents have much to gain from access to health care. It is anticipated that the school will help address the shortage of health care professionals by preparing “culturally competent doctors, nurses and practitioners ... who also will be Spanish speakers,” says Miryam Bujanda, policy advisor at Methodist Healthcare Ministries.

A committee of Rio Grande Valley colonia residents and community advocates has been actively engaged during a series of community forums about the new UTRGV campus. The committee’s input is being used to design the new university to create links between the anchor institution and colonia families and their children. The new medical school is creating the Diabetes and Obesity Institute and the Center for Colonia Integrated Care—units of the school that are expected to have a positive impact on health outcomes for colonia residents.

The Diabetes and Obesity Institute “ will advance research of diabetes and obesity that will lead to more effective treatments and improve the lives of residents throughout South Texas and beyond. ... The institute will double the research dollars currently at UTPA and UTB.” This location is particularly important, because “about 30 percent of South Texans have diabetes, making the Valley a prime location to examine the genetics of this complex disease.”⁶¹

The Center for Colonia Integrated Care will provide an innovative team-based approach to care for colonia residents.⁶² According to a 2015 *Valley Morning Star* article, “Services will include screenings, health education and promotion, health literacy and improved dental and mental health services.” The center will also provide training and certification for *promotoras*, who will serve with doctors, nurses and other health care practitioners in the collaborative approach to integrated care.⁶³



Promotoras Alicia Sosa and Celestina Martinez visit a local colonia to survey residents about their health care needs. Photo credit: Brownsville Community Health Center, Mano a Mano Program

2. Promotoras—the Mano a Mano Program

For colonia families, *promotoras* are community health care workers who inform residents about health-related issues and who teach families health care literacy. Cameron County, for instance, is supported by two umbrella *promotora* organizations—the South Texas Promotora Association Inc. (STPA), with approximately 513 *promotoras* and the smaller Community Health Workers (CHW) Network of Cameron County, with 25 members.⁶⁴

For many, *promotoras* are the difference between having health care and not. In Brownsville, *promotoras* are working to enroll residents in Medicaid, the Children’s Health Insurance Program (CHIP) and other health care programs. They can be found walking door to door in colonias providing information about access to health care or promoting healthy lifestyles. “We collaborate with the *promotoras* because the *promotoras* are really our front line to our colonia residents,” says Norma Cavazos, regional coordinator for the Health and Human Services Commission’s Office of Border Affairs. “Why? Because most *promotoras* represent their colonias. They live there; they have family there. They are the ones who know the needs of their neighbors and their families who live in those colonias. So, that’s how important our *promotoras* are.”

The Brownsville Community Health Center’s Mano a Mano *promotoras* program began as a binational initiative with grassroots origins established to positively impact health issues in the neighboring cities of Matamoros, Mexico,



Healthy Start Promotoras Sylvia Garcia and Antonia Garcia conduct a visit with a mother and her child to assess the baby's development. Photo credit: Brownsville Community Health Center, Mano a Mano Program

and Brownsville, Texas. The program's initial purpose was to connect women to prenatal care, but it quickly expanded to address other health issues, such as depression, poor circulation and diabetes. The *promotoras* received training from a team of doctors, nurses and social workers before talking with colonia residents about the benefits of prenatal care. In the early stages of the program, *promotoras* provided transportation for such activities as medical appointments and CHIP and Medicaid enrollment.

The program has created a network of empowered women who are able to connect the underserved population of colonia residents with resources designed to promote their health and well-being. Mano a Mano operates information booths at health fairs, sponsors educational presentations at monthly PTA meetings, refers colonia residents to health services and oversees the professional training of volunteer *promotoras*.

Elvia Alcala trains and certifies new *promotoras* and, with her Mano a Mano peers, teaches a course for up to eight hours every Saturday. The students must complete 160 hours of training and state testing to become certified *promotoras*. The course provides a continuous pool of *promotoras* to meet the ongoing challenge.

Promotoras frequently hear stories about the health care gap in the border counties. Carmen Guerra, one of the first Mano a Mano *promotoras*, recounts what a patient told her: "I did not pick up the medicine the day I went

to the doctor. I just paid for the consultation. I just made a payment because I already owed money to the clinic. I cannot get the medicine if I don't pay what I owe. And the doctor is telling me to return in three months. How am I going to be able to return in three months?" *Promotoras* in Mano a Mano understand too well the gap faced by the low-income and uninsured populations of the colonias and work with the resources available to support colonia families' health care.

CONCLUSION

The purpose of this report has been to provide an update on the status of infrastructure and other key issues impacting colonias in Texas, as well as to capture the experiences and stories of the residents and advocates. Much of the research on colonias in the past 20 years has highlighted the deficits in the physical environment. Although serious challenges remain, such as providing affordable housing at the scale that's needed to meet the increasing demand, there are grounds for optimism.

Infrastructure has improved for some colonia residents since the 1996 Federal Reserve Bank of Dallas report. New programs and partnerships are bringing more educational opportunities to colonia residents. Entrepreneurial education and financing provided by LiftFund builds upon and strengthens family and community assets. The U.S. Department of Housing and Urban Development has invested in the future of colonia entrepreneurs by providing a 2014 grant to LiftFund to expand its work in the colonias. Finally, housing assistance groups such as the Lower Valley Housing Corp., Community Development Corp. of Brownsville and Proyecto Azteca have collectively helped thousands of colonia families obtain safe and affordable homes.

Hence, there is evidence that the groundwork has been laid for significant change. This report has highlighted some of the positive developments, including the ways that nonprofits and major institutions are partnering with communities to respond to long-standing social conditions in innovative ways. Some of these efforts, such as the *promotora* model of health care promotion, are not new. Other efforts are bringing resources to the area in the form of the newly reconstituted University of Texas Rio Grande Valley and the new medical school. Further, there is greater understanding that the issues addressed in this report cannot be solved in isolation. For example,



it will take a holistic approach whereby government agencies and anchor institutions such as hospitals, clinics, grocery stores, financial institutions, schools and nonprofit organizations work collaboratively to make progress on health issues in colonias. Addressing infrastructure and affordable housing together rather than in silos is vital to the creation of effective policies that help colonia residents build a true asset in their home and improve living conditions.

Around the country, and the world, new kinds of alliances are forming that may serve as models for what may be the next steps for colonia communities.⁶⁵ Some of the most successful examples have involved anchor institutions partnering with low-income communities. With an understanding of the skills and entrepreneurial enterprises of colonia residents, an anchor institution may see an opportunity to purchase goods or services from a resident-owned business. Intermediary organizations and social entrepreneurs may help organize colonia business owners to take advantage of the opportunities. Such actions will bring greater incomes to families and revenues to counties and municipalities, and consequently decision-makers may identify these actions as priorities.

Moreover, research and product development units of universities could play a role by building ties to colonia residents to develop new industries and stimulate job growth. Innovative partnerships such as these, organized by local economic development agents, could attract impact investors and startup accelerators to support the new resident-owned businesses or cooperatives. In addition to job creation, these new businesses may even provide solutions to persistent challenges in the colonias, such as access to safe drinking water, healthy food or sustainable housing. What is clear in the findings of this study is that partnerships between the colonia communities and organizations have been successful. The hope for the future is that these coalitions can help create an inclusive economy in which colonia residents are at the center of efforts to improve their own communities.

METHODOLOGY

The report presents a comprehensive profile of Texas border colonias by using both quantitative and qualitative data. Research methods included in-depth interviews, focus groups and an analysis of existing secondary quantitative data. The quantitative data draw from the 2010 census, the

2011 American Community Survey and colonia data from the Texas Attorney General, the Texas Secretary of State, the Texas Department of Housing and Community Affairs and the Texas Department of State Health Services.

For the qualitative research, stakeholders serving colonias or working directly with colonia residents were interviewed based on their expertise as service providers and community advocates. Focus groups and in-depth interviews with residents, although not representative of all residents, were also used to give voice to individuals who offer a real-life perspective on the issues raised in the quantitative data. Many of the photographs included in this report were taken as the research team traveled throughout the six counties, and a few were obtained with permission from service providers.

The report highlights a subset of 144 colonias within the counties of El Paso, Maverick, Webb, Starr, Hidalgo and Cameron—the counties with the largest concentration of colonias in Texas. The process for the identification and designation of colonias is not infallible. An important matter is how colonias are identified by various agencies, such as the Texas Attorney General's office, and represented in Census Bureau data, considering that different boundaries are used by different entities. The differences originate from the fact that some colonias are identified by the Census Bureau as census-designated places (CDPs) and others are not. CDPs are how the Census Bureau, working with local officials, accounts for unincorporated communities. A CDP cannot be located within an incorporated place or another CDP. As a result, colonias located within cities cannot be identified as CDPs. In some instances, multiple colonias are grouped into a single CDP. Some colonias are neither defined as a CDP nor located within an incorporated municipality. In addition, areas designated as a colonia by one state agency might not be designated as a colonia by another agency. Despite these nuances, the Texas Attorney General's office regularly uses colonia data from the Census Bureau, and the data are considered representative.

Government, nonprofit and private entities use the census data to make business decisions. For example, the federal government uses it to determine distribution of more than \$400 billion annually to state, local and tribal governments for education, the environment, housing, infrastructure, public health and transportation.

A census question on residence illustrates the challenges of dealing with colonia data:



Is this house, apartment, or mobile home –
Mark (X) ONE box.

1. Owned by you or someone in this household with a mortgage? Include home equity loans
2. Owned by you or someone in this household free and clear (without a mortgage or loan)?
3. Rented?
4. Occupied without payment of rent?

While appropriate for most U.S. housing markets, the answers are a difficult fit for some colonia residents. Colonia respondents could indicate they are renters if they have a contract for deed on their home because they are still making payments and don't yet hold the deed.

Calculating homeownership rates is difficult because city and county governments don't systematically record data for colonias. After reviewing the census homeownership data for colonias, conferring with Census officials and discussing the data with local experts, we have concluded that American Community Survey data underestimate the homeownership rate within colonias. Data from the TDHCA's Contract for Deed Prevalence Project—a review of deed records augmented with household surveys and interviews—better identifies homeownership in colonias. According to these data, 77 percent of Texas colonia households own their homes, a rate that exceeds the national average of 64 percent.

NOTES

¹ "Tracking the Progress of State-Funded Projects that Benefit Colonias," Texas Secretary of State, 84th Regular Legislative Session, 2014, www.sos.state.tx.us/border/forms/2014-progress-legislative-report.pdf. This report contains the slightly different definitions, used by different agencies.

² Texas Attorney General, 2011, www.texasattorneygeneral.gov.

³ See note 1.

⁴ "Housing in the Border Colonias," Rural Research Report, Housing Assistance Council, August 2013, www.ruralhome.org/storage/documents/rpts_pubs/ts10_border_colonias.pdf.

⁵ "Housing in Texas Colonias" by John Henneberger, Kristin Carlisle, and Karen Paup in *The Colonias Reader: Economy, Housing, and Public Health in U.S.-Mexico Border Colonias*, eds. Angela J. Donelson and Adrian X. Esparza, Tucson: University of Arizona Press, 2010.

⁶ Near-poverty rates are defined as 100–150 percent of the poverty line. In 2011, the poverty line for a family of four was \$22,350. Incomes in the census may be slightly inflated due to sampling error; those with the lowest incomes are harder to reach in already difficult-to-reach communities.

⁷ Data from 2011 American Community Survey, Census Bureau.

⁸ "Why Stop There? Mexican Migration to the U.S. Border Region," by Pia M. Orrenius, Madeline Zavodny and Leslie Lukens, Federal Reserve Bank of Dallas, Research Department Working Paper 0803, March 2008, www.dallasfed.org/assets/documents/research/papers/2008/wp0803.pdf.

⁹ "An Historic Overview of Latino Immigration and the Demographic Transformation of the United States," by David Gutierrez, in *American Latinos and the Making of the United States: A Theme Study*, National Park Service, Feb. 28, 2013, www.nps.gov/latino/latinothemestudy/immigration.htm.

¹⁰ See note 1. According to a 2013 Texas Commission on Environmental Quality report, projects totaling \$320 million were completed between 2006 and 2010 in these six counties, benefiting 130,000 residents.

¹¹ A plat is a plot of land.

¹² See note 4.

¹³ See note 1. The SOS describes the phenomenon as: "Formally constructed subdivisions that comply with the model subdivision rules (contain roads and water/wastewater infrastructure) but still have unsafe, dilapidated housing that may not be connected to existing utilities."

¹⁴ In 1989, the Legislature passed Senate Bill 2 that required counties to adopt the Model Subdivision Rules to qualify for funds from the Texas Water Development Board's Economically Distressed Areas Program (EDAP) for water and sewer funding. For a history of the Model Subdivision Rules, implementation and revisions, see www.texasattorneygeneral.gov/cpd/historical-laws-colonias. For a discussion of the term scarcity tap, see *Scarcity: Why Having Too Little Means so Much*, by Sendhil Mullainathan and Eldar Shafir, New York: Times Books, 2013.

¹⁵ According to TDHCA, "the homeownership rates were 77 percent for the residents we surveyed in colonias and IFHSs (with 56 percent of owner-occupied households earning less than \$1,600 per month)." This information is from "The Contract for Deed Prevalence Project: A Final Report to the Texas Department of Housing and Community Affairs (TDHCA)," by Peter M. Ward, Heather K. Way and Lucille Wood, August 2012, www.tdhca.state.tx.us/housing-center/docs/CFD-Prevalence-Project.pdf. The report focused on Texas colonias in six counties: El Paso, Maverick, Webb, Starr, Hidalgo and Cameron. The authors added Val Verde for a portion of the study. The authors knew from prior research that conditions found in colonias exist throughout Texas, so the report also set out to examine similar informal subdivisions in Central Texas, near the University of Texas at Austin, with varying degrees of focus on Bastrop, Guadalupe, Hays and Travis counties.

¹⁶ See note 15.

¹⁷ "Home Buying: Avoiding Pitfalls and Scams," Texas Attorney General, www.texasattorneygeneral.gov/cpd/home-buying.

¹⁸ See note 15.

¹⁹ Having a clean title means that no one else has rights to the property.

²⁰ For more information, see Texas Appleseed at www.texasappleseed.net, the Alliance for Economic Inclusion at www.fdic.gov/consumers/community/AEI/ and the Center for Financial Services Innovation at www.cfsinnovation.com.

²¹ See note 15.

²² See note 15.

²³ See note 15.

²⁴ For more information about the program, see TDHCA's Contract for Deed Program webpage: www.tdhca.state.tx.us/home-division/cfdc.htm.

²⁵ See note 24. According to TDHCA, regular deeds must conform to Chapter 5.081 of the Texas Property Code (Right to Convert Contract) and be prepared in accordance to Chapter 83 of the Texas Government Code (Certain Unauthorized Practice of Law).

²⁶ See note 15.

²⁷ "Intestate" means dying without a will.

²⁸ This title reflects the name of the publication, *Investing in What Works for America's Communities: Essays on People, Place and Purpose*, Nancy O. Andrews and David J. Erickson, eds., San Francisco: Federal Reserve Bank of San Francisco and Low Income Investment Fund, 2012. This publication gives case studies of best practices in community and economic development. For details, see www.whatworksforamerica.org.

²⁹ Public assistance is either cash assistance or Supplemental Nutrition Assistance Program (SNAP) benefits (food stamps), or both. Calculations from 2011 American Community Survey.

³⁰ The maquiladora program allowed plants to temporarily import supplies, parts, machinery and equipment necessary to produce goods and services in Mexico duty-free so long as the output was exported back to the United States. The U.S., in turn, taxed only the value-added portion of the manufactured product. See "Maquiladora Industry: Past, Present and Future," by Jesus Cañas and Roberto Coronado, Federal Reserve Bank of Dallas, El Paso Branch, *El Paso Business Frontier*, Issue 2, 2002, www.dallasfed.org/assets/documents/research/busfront/bus0202.pdf.



³¹ The earnings data are from the Bureau of Economic Analysis. It defines earnings by place of work as the sum of three components of personal income—ages and salaries, supplements to wages and salaries, and proprietors' income.

³² This is the World Bank's definition. For details, see "Workers in the Informal Economy," <http://go.worldbank.org/1PVGLNWYCO>.

³³ *The Informal and Underground Economy of the South Texas Border*, by Chad Richardson and Michael J. Pisani, Austin, Texas: University of Texas Press, 2012.

³⁴ See note 33.

³⁵ See note 33.

³⁶ "Limited English Skills, Relative Youth Contribute to Hispanic Poverty Rates," by Yingda Bi, Pia Orrenius, and Madeline Zavodny, Federal Reserve Bank of Dallas *Southwest Economy*, First Quarter 2012, www.dallasfed.org/assets/documents/research/swe/2012/swel201c.pdf.

³⁷ "City Regulation of Payday and Auto Title Lenders," Texas Municipal League, www.tml.org/legis_updates/city-regulation-payday-auto-title-lenders. For more information, see www.tml.org/payday-updates.

³⁸ "What Is Earned Income?," Internal Revenue Service, www.irs.gov/Individuals/What-is-Earned-Income%3F. For more information about the EITC, visit www.irs.gov/Individuals/EITC-Home-Page-Its-easier-than-ever-to-find-out-if-you-qualify-for-EITC.

³⁹ "Poverty Stretches the Digital Divide," by John Dunbar, The Center for Public Integrity, May 19, 2014, www.publicintegrity.org/2012/03/23/8486/poverty-stretches-digital-divide.

⁴⁰ "Community Development Financial Institutions: Promoting Economic Growth and Opportunity," speech by Ben Bernanke, Opportunity Finance Network's Annual Conference, Washington, D.C., Nov. 1, 2006.

⁴¹ For more information, see ARISE: A Resource in Serving Equality, www.arisesotex.org.

⁴² "Seeing is Believing: Promising Practices for How School Districts Promote Family Engagement," by Helen Westmoreland, Heidi M. Rosenberg, M. Elena Lopez and Heather Weiss, National PTA and Harvard Family Research Project, July 2009.

⁴³ For more information on Llano Grande Center, see www.llanogrande.org/about-us.

⁴⁴ 2014 Annual Report for South Texas College, <http://academicaffairs.southtexascollege.edu/highschool/pdf/2014%20Report%20HSPS.pdf>.

⁴⁵ See note 44.

⁴⁶ For more information about IDEA charter schools, see www.ideapublicschools.org and its 2013 annual report: www.ideapublicschools.org/cms/lib/TX10101518/Centricity/Domain/34/Annual%20Report%202013-2014.pdf.

⁴⁷ For more information, see "I Have Seen the Future" blog by John Merrow, June 13, 2012, <http://takingnote.learningmatters.tv/?p=5797>.

⁴⁸ See Alamo Economic Development Corporation (EDC), www.alamoedc.org, Pharr EDC, www.pharredc.org and San Juan EDC, [sjedc.com](http://www.sjedc.com).

⁴⁹ See note 1. The Texas A&M Colonias Program in Webb County is creatively helping to address this problem with its Proyecto de Agua (water project) program that provides the training and resources for colonia residents to make cone-shaped ceramic filters with water dispensers for their kitchen countertop. The filters can purify 2.5 liters of water each hour, making it 100 percent drinkable. See <http://colonias.arch.tamu.edu>.

⁵⁰ For a discussion of current issues related to water and sewer systems, including a discussion of the issue with private well contamination, see note 1.

⁵¹ "Association Between Neighborhood Need and Spatial Access to Food Stores and Fast Food Restaurants in Neighborhood Colonias," by Joseph R. Sharkey, Scott Horel, Daikwon Han and John C. Huber, *International Journal of Health Geographics*, vol. 8, no. 9, 2009.

⁵² "Why Health, Poverty, and Community Development are Inseparable," by Risa Lavizzo-Mourey, in *Investing in What Works for America's Communities: Essays on People, Place and Purpose*, Nancy O. Andrews and David J. Erickson, eds., San Francisco: Federal Reserve Bank of San Francisco and Low Income Investment Fund, 2012.

⁵³ "Colonias Health Issues in Texas," by Sergio Peña and E. Lee Rosenthal, in *The Colonias Reader: Economy, Housing, and Public Health in U.S.-Mexico Border Colonias*, Angela J. Donelson and Adrian X. Esparza, eds., Tucson: University of Arizona Press, 2010.

⁵⁴ "Socioeconomic Status and Prevalence of Obesity and Diabetes in a Mexican-

American Community, Cameron County, Texas, 2004–2007," by Susan P. Fisher-Hoch, et al., *Preventing Chronic Disease*, vol. 7, no. 3, 2010, A53, www.cdc.gov/pcd/issues/2010/may/09_0170.htm.

⁵⁵ "Missed Opportunities for Diagnosis and Treatment of Diabetes, Hypertension, and Hypercholesterolemia in a Mexican American Population, Cameron County Hispanic Cohort 2003-2008," by Susan P. Fisher-Hoch, et al., *Preventing Chronic Disease*, 9:E135, 2012, www.cdc.gov/pcd/issues/2012/11_0298.htm.

⁵⁶ "County Health Rankings and Roadmaps: Building a Culture of Health, County by County," Robert Wood Johnson Foundation and University of Wisconsin Population Health Institute, 2014, www.countyhealthrankings.org.

⁵⁷ "Too Much of Too Little," by Eli Saslow, *Washington Post*, Nov. 9, 2013.

⁵⁸ "Living Betwixt and Between: Conditions of Health in Borderland Colonias," by Marlynn May, in *The Colonias Reader: Economy, Housing, and Public Health in U.S.-Mexico Border Colonias*, Angela J. Donelson and Adrian X. Esparza, eds., Tucson: University of Arizona Press, 2010.

⁵⁹ Texas State Data Center, 2010, <http://txsdc.utsa.edu>.

⁶⁰ In Spanish, the term *promotores*, the masculine form of the word, is used when there is at least one male in the group. Since the majority of these community health workers are female, and the term *promotoras* is most commonly used, this report uses the feminine form of the word.

⁶¹ University of Texas Rio Grande Valley, "Thanks a Million! H-E-B donates \$1 million to UTRGV South Texas Diabetes & Obesity Institute," news release, Dec. 18, 2014.

⁶² "Core Principles and Values of Effective Team-Based Health Care," by Pamela Mitchell et al., Institute of Medicine of the National Academies, Discussion Paper, October 2012, www.nationalaheh.org/pdfs/VSRT-Team-Based-Care-Principles-values.pdf.

⁶³ "New Governor Visits; UT-RGV Receives Grant to Provide Health Care Access in Colonias," by Lorenzo Zazaueta-Castro and Emma Perez-Trevino, *Valley Morning Star*, Jan. 22, 2015, www.valleymorningstar.com/news/local_news/article_7a373ee8-a2b7-11e4-b1d4-fbc5319f2e4c.html.

⁶⁴ "Texas Promotora/Community Health Workers Associations/Coalitions/ Networks," Texas Department of State Health Services, Texas Community Health Worker Program, March 2014, www.dshs.state.tx.us/WorkArea/DownloadAsset.aspx?id=8589986707.

⁶⁵ For example, the Democracy Collaborative and the Acumen Fund have documented ways to build community wealth and economic inclusion in underserved communities. See www.democracycollaborative.org and www.acumen.org for more information.



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